2006

Joint Consultative Committee in the Malaysian Postal Industry

Balakrishnan Parasuraman  
University of Wollongong, bp97@uow.edu.au

M. L. Jones  
University of Wollongong, mjones@uow.edu.au

Publication Details
This paper was originally published as Parasuraman, B and Jones, M, Joint Consultation Committee in the Malaysian Postal Industry, Proceedings of the AIRAANZ (Association of Industrial Relations Academics of Australia and New Zealand) Conference, Adelaide, 1-3 February 2006.
Joint Consultative Committee in the Malaysian Postal Industry

Abstract
Employee participation (EP) is an important area of research in the industrial relations field (Heller, Pusic, Strauss and Wilpert 1998; Markey, Gollan, Hodgkinson, Chouragui and Veersma 2001; Harley, Hyman and Thompson 2005) The literature discusses two different forms of EP: direct and indirect participation. This paper will discuss indirect participation and more specifically examine the process of a joint consultation committee (JCC) in the Malaysian postal industry. Fundamental arguments will focus on two aspects. Firstly, how the postal industry uses their JCC model to improve employee participation, and secondly, based on the work of Marchington (1992; 1994) which model of JCC best explains the practices of the postal industry in Malaysia. Research findings indicate the adjunct model of JCC best explains the practices of JCC in the postal industry. The study provides a theoretical extension of the models proposed by Marchington.

Keywords
Industrial Relations, Joint Consultation Committees, Malaysian Postal Industry

Disciplines
Business | Social and Behavioral Sciences

Publication Details
This paper was originally published as Parasuraman, B and Jones, M, Joint Consultation Committee in the Malaysian Postal Industry, Proceedings of the AIRAANZ (Association of Industrial Relations Academics of Australia and New Zealand) Conference, Adelaide, 1-3 February 2006.
JOINT CONSULTATION COMMITTEE IN THE MALAYSIAN POSTAL INDUSTRY

Balakrishnan Parasuraman
Michael Jones

School of Management and Marketing
Faculty of Commerce
University of Wollongong,
Australia

Contact: Balakrishnan Parasuraman
Bp97@uow.edu.au
02 4287 9091

Presenter: Balakrishnan Parasuraman

Paper is refereed
Joint Consultation Committee in the Malaysian Postal Industry

Balakrishnan Parasuraman and Michael Jones

Abstract
Employee participation (EP) is an important area of research in the industrial relations field (Heller, Pusic, Strauss and Wilpert 1998; Markey, Gollan, Hodgkinson, Chouragui and Veersma 2001; Harley, Hyman and Thompson 2005) The literature discusses two different forms of EP: direct and indirect participation. This paper will discuss indirect participation and more specifically examine the process of a joint consultation committee (JCC) in the Malaysian postal industry. Fundamental arguments will focus on two aspects. Firstly, how the postal industry uses their JCC model to improve employee participation, and secondly, based on the work of Marchington (1992; 1994) which model of JCC best explains the practices of the postal industry in Malaysia. Research findings indicate the adjunct model of JCC best explains the practices of JCC in the postal industry. The study provides a theoretical extension of the models proposed by Marchington.

Introduction
Strauss (1998) argues the effectiveness of direct participation will be restricted if it is not combined with indirect participation. The arguments supporting indirect participation are significant because many high level decisions affect the people who work within the organisation, and vice versa. This is because the strategic direction of the company is usually a determinant of the workers actions and beliefs (Wilpert 1998). Therefore, high level company decisions should be made in consultation with a participative body of employees. Many European countries, for instance the Netherlands, have enacted legislation to support indirect participation through work councils (Goodijk and Veersma 2001; Parasuraman 2003). Worker representation is a large issue in Europe where National Works Council Legislation has a big influence on business (Markey and Monat 1997; Blyton and Turnbull 2004).

Across the diverse contexts of Europe, the United States of America, and the United Kingdom, different forms of indirect participation have been practiced. In most English speaking countries, indirect participation has been in the form of joint consultative committees, Collective Bargaining (CB) machinery, worker-director schemes, occupational health and safety and so on. In Western Europe and in most Scandinavian countries, works councils and co-determination have been important mechanisms for indirect participation.

While the developed world is working to achieve a balance for effective worker participation, the utilisation of effective schemes in developing countries, particularly Malaysia, is far behind. The research, from which this paper forms part, will be our pioneer work on the practices of JCCs at the firm level in Malaysia. In relation to this aspect, two basic questions arise: (i) how does one company manage its JCC; an example from the postal industry (after this referred as Posco) in Malaysia is examined, and (ii) to what extent is Marchington’s (1992; 1994) models on JCC applicable in Posco?

This aim of this paper is to demonstrate the actual practice of a JCC in Posco in Malaysia. The paper will begin with a brief overview of JCC’s and a discussion of the relevant literature. Secondly, the paper will discuss the main components of JCC in Posco. Finally, the paper will utilise the model of JCC, which is proposed by Marchington (1992; 1994) in order to examine the actual practice of JCC in Posco, Malaysia.
JCC: An overview of the literature

Marchington et al. (1992:1) define a JCC as:
‘A mechanism for managers and employee representatives to meet on a regular basis, in order to exchange views, to utilise members’ knowledge and expertise, and to deal with matters of common interest which are not the subject of CB’.

There are two different competing views in regards to JCCs. Marchington (1992) explains that both managers and employees value JCCs as a meaningful form of involvement or participation. On the other hand, Ramsay (1990) under his ‘cycles of control theory’ argues that JCCs can be used by management to undermine the power of trade unions in the workplace. In other words, JCCs can be adversarial to CB which has a dominant influence in the traditional industrial relations perspective. Hyman and Mason (1995) further clarify the position of JCCs; either they can be management dominated forums or act as mechanisms for enabling employee representatives to influence aspects of organisational decision-making. Beardwell and Holden (2001) take a different view; seeing JCCs merely as ‘rubber stamping bodies’ for management initiatives which focus on issues like ‘tea, toilets and trivia’ (p.573). Therefore, JCCs can play different roles in organisations effecting different outcomes depending on the selected mix of the primary components defined by Marchington (Marchington 1994).

Farnham (2000:254) reported that JCCs have a long history and can be traced from the recommendations of the Whitley Committee in the United Kingdom during 1917 to 1918 as a solution to the endemic industrial problems of the age. Since this time there have been several reforms. In 1998, the Workplace Employment Relations Survey (WERS) identified four types of JCCs: workplace committees; workplace and higher-level committees; higher-level committees and European works councils (EWCs) (Cully, Woodland, O’Reilly and Dix 1999). The survey indicated that JCCs were normally popular in larger corporations. Moreover, the survey also reported JCCs had less emphasis in the public sector and were more common in the private sector. In Malaysia, the situation is in reverse with JCCs being more common in the public sector (Idrus 2001). In Malaysia, JCCs were introduced under the Whitley Committee based on the British industrial relations system (Idrus 2001).

Marchington (1992) in his book ‘Managing the Team’ argued that employers introduce JCCs for several reasons. First, JCCs can enhance efficiency by increasing the stock of ideas, which are available within the organisation because of the wider exposure of an issue or problem. Secondly, JCCs can reduce industrial action as they provide an opportunity for employees to express their views. Thirdly, there is an argument that JCCs may lead to increased employee satisfaction. This is due to the greater level of commitment that JCC brings.

According to Markey (2001:1) JCCs are the preferred medium for indirect EP especially in English speaking countries like United Kingdom, United States, New Zealand and Australia. JCC also varies in terms of operation, powers, composition and jurisdiction. JCCs usually comprise a 50:50 mix of management and employees or union representatives. Membership can be appointed by management, the union or a combination of both, or members can be elected by employees. JCCs play an advisory role to management and can have decision-making power for certain issues. Markey (2001) further argues that JCCs can have additional jurisdiction on matters concerning industrial relations in the workplace such as investment policy, or issues relating to safety, work organisation, grievances and so forth. When required JCCs may also organise ad hoc task forces or standing committees charged with specific tasks for a specific period of time to deal with particular aspects such as organisational restructuring or mergers and acquisitions.
Based on the above discussions, Marchington (1994) explains there are at least five primary components and models in relations to JCCs.

**The five primary components of JCCs in the organisation**

First, the *objective* of JCCs should be explicitly written in the constitution so as to improve productivity and efficiency, and to enhance employee commitment to organisational decision-making. However, there is another argument from the radical perspective, for example in order to improve organisational performance through JCCs management must introduce tight work controls, which disadvantages employees. Therefore employers can use JCCs to hide an agenda which may undermine union influence in the workplace decision-making process (Ramsay 1983).

Next is *subject matter*, which is the focus of JCC meetings. The range of subjects that JCCs may be charged to discuss can vary from minor matters like social and welfare activities, the quality of canteen food, toilets, and parking, through to matters of strategic importance such as company investment plans and business projections (Knudsen 1995; Markey and Monat 1997; Goodijk and Veersma 2001).

Third, the *process* of consultation can also vary considerably and the flow of information can be either upward or downward or both. An upward flow is usually intended to capture suggestions or recommendations from the shopfloor, and is geared to benefit the company through the combined experience and knowledge of the employees (Marchington 1994:670). Downward flow of information takes place when employers disseminate reports and policies which are important to company operations. In the United Kingdom, this aspect of process is clearly articulated under Employment Law (Section 1 of the 1982 Employment Act). Marchington and Armstrong (1981) argue that communication should be bi-directional to get the most benefit from the JCC (Marchington 1994:670).

Fourth, is the issue of *power*. It is inevitable that power differentials will exist in an organisation, these struggles may not be dissipated through the process of JCC. Marchington (1994) argues that in firms with a strong union membership the inequality of power may be focused towards the benefit of employees. However, in firms where there is no union, power can rise more greatly toward management (Kaufman and Taras 2000; Gollan 2003).

The final component regards *membership*. Consultative committees normally comprise a member of senior management (personnel or HR department), a line manager, and employee and union representatives.

**Different models of JCC**

The literature discusses four main models of consultation which impact on CB. They are alternative, marginal, competing, and adjunct models (Marchington 1992: 136-142; 1994:672-682). These models are briefly discussed here.

The first model is based on JCCs being an *alternative to CB*. In this environment, employers will introduce and develop JCCs in order to oppose CB. The basic assumption is that consultation provides a means for employees to give their opinions to management and for management to disseminate information to their employees. This kind of consultation is not based on union channels and is initiated at department level irregardless of union recognition. Introduction of this model weakens the union’s power to influence the workplace decision-making process Marchington (1994). Employers establish this model of JCC in order to dilute the value and dependence of employees on unions.

The next model regards JCCs as being *marginal to CB*. In this model, JCCs have minimum impact on workers and management, and little mutual benefit is gained. Here, the trust
between parties is lacking and management does not take the development seriously. Normally, the chairperson will be a junior manager, who will lack the authority to make decisions. Meetings are usually informal and friendly, and the subject matter can be quite trivial. JCC membership combines union and management representatives who are incapable of enforcing action.

Third is the competing model. In this model, the JCC is considered a direct competitor to CB. As such, employers attempt to upgrade the consultation machinery in comparison to the negotiation structure of CB. In this model employers are keen on JCCs because their aim is to undermine the power of the union in the workplace. The subject matter is more substantive, and the focus is on reducing competitive friction and increasing cooperation. Introduction of this model of JCC is designed to encourage shopfloor employees to commit to management actions and strategy. For instance, during JCC meetings, management will expect and employee representatives to encourage workers to support direct forms of EP.

The final model sees JCC as an adjunct to CB. In this model JCCs and CB have an integrative relationship where both can have different roles but together they achieve cooperation between management and employees. For example, CB is mainly to negotiate on wages, working conditions and distributive issues whereas JCCs focus more on investment decisions, new business plans, take overs and mergers, etc. Although JCCs and CB have different interests both are beneficial for management and employees.

These models have never been theoretically tested in Asia. Current research on JCCs comes mainly for the USA, United Kingdom and Australia (Davis and Lansbury 1989; Kochan and Osterman 1994; Marchington 1994; Markey and Monat 1997; Markey and Reglar 1997; Kim and Kim 2004). This research project offers a Malaysian perspective, and thus provides a greater understanding of JCCs for industrial relations practitioners in Malaysia.

Research method and background of the research respondents
The methodology used was based on a qualitative case study approach using a multi-method technique (Kelly 1999; Yin 2003; Hartley 2004). Over a period of ten weeks senior members of management, union officials and a cross-section of workers were interviewed and observed, various meetings were attended, and copious notes and transcripts were compiled. In addition, various documents were obtained from the unions and management, the analysis of which was added to the overall cache of empirical material.

While one case study cannot be generalised to represent the extent and the process of JCC in Malaysian firms. Gummesson (1991:76-79) argues that generalisation in case studies can be seen differently and that rigorous investigation with only one case which identifies specific issues and systems, and other important characteristics may be reasonably used to generalise similar cases or situations. This case however is a study of a firm which is heavily unionised, and therefore generalisation would be limited to firms of a similar characteristic.

The background of Posco
Prior to its privatisation in 1992, Posco was under the administration of the Department of Postal Services (DPS). One of the first EP schemes was implemented in 1957. Called ‘Skim Pandangan Pekerja’ (Workers Suggestions Scheme) the scheme was relatively successful. In 1958 union representation was implemented through the International Postal Union-IPU. In 1961 greater emphasis was placed on worker training and the Postal Training Centre (PTC) was established.

In the 1970s, greater emphasis was placed on quality of service, and various programmes were put into place to increase efficiency and effectiveness. In the mid-1980s Malaysia faced
an economic crisis. To combat flagging profitability a moratorium was placed on recruitment, and computer based systems were implemented to maintain service efficiencies. Quality control circles (QCC) were also introduced to enhance productivity and service quality.

In 1992, DPS was privatised and began operations under a new name – Posco Malaysia Limited. At this point, Posco took over all DPS management and administration and established its own strategy, independent of government intervention. Under this new administration, Posco aimed to work more closely with the unions with a greater focus on protecting worker interests and maintaining industrial harmony. As part of this new focus management made it compulsory for all employees to undergo three days training at PTC before they officially began their new roles.

In 2001, another major event took place when Posco was acquired by Phileo Allied Limited (PA), a company listed on the Kuala Lumpur Stock Exchange (Annual Report 2002, Posco). With this change came a refocus on quality with the expectation that Posco would become a world-class service. The aims of the strategy were to enhance the standard of service by increasing productivity, completing the counter modernisation process, achieving zero defect delivery, reducing queuing time, increasing customer response rates, retaining customer loyalty, implementing e-commerce related business ventures (including a training programme to increase worker skills in IT) and achieving greater industrial harmony. During the takeover JCC was invoked by the union to mandate job security for workers through the retention of majority share holdings by the Government.

As mentioned above, Unions have been established in Posco since the time of DPS. However, for unions in the public sector legislation prevent their involvement with issues such as CB and collective agreement (CA). The Government, through the Public Service Department determines the terms and conditions of work for all employees. Unions play only an advisory role through the ‘Majlis Bersama Kebangsaan’ (MBK- National Joint Councils).

After Posco was privatised by the government in 1992, the first CA was signed between management and the seven unions in Posco. Some of the government’s terms and working conditions still applying to workers who were also covered under the CA. For example, retirement benefits, government hospital facilities, housing loans, computer loans and car loans still applied to employees who at the same time enjoyed the benefits of CA. In Posco today, about 90 per cent of non-managerial (non-executives) employees are unionised.

Union activity in Posco is relatively high. At the national level, there are monthly meetings of the National Working Committee (NWC). The issues discussed during NWC meetings are in preparation for JCC meetings which are held once every four months, at both national and state levels (Third CA Between Posco and UPUS Union, 2000-2002, Article 21,p.13), and include issues such as: matters or problems in the workplace raised at the State office level, union membership trends, training needs analyses, CA issues, grievance procedures, disputes among union members, discipline problems, and so forth (Direct observation National Working Committee Meeting, 12/1/2004; Interview with Assistant Secretary General of UPUS, 12/1/2004, UPUS President, 13/1/2004).

The practice of Joint Consultation Committee at Posco

As Malaysia is a former British colony, the structure of JCCs in the United Kingdom in terms of historical background, definition, scope, issues, level of participation and effectiveness has particular relevance to the case that is discussed here (Ramasamy 1994; Idrus 2001; Parasuraman 2004).

Posco established its JCC before it became privatised company. During this period of government administration it was initially called ‘Majlis Bersama Kebangsaan’ (National
Joint Council-NJC). When Posco became a private company the name changed to ‘Majlis Perundingan Bersama’ (Joint consultation Committee-JCC). This JCC was agreed as part of the CA (see CA Between Posco and UPUS Union, 2000-2002, Article 21). The CA Article 21 states clearly: ‘A JCC will be established and represented by Posco management and workers’ representatives from seven high ranked union committee members’. The structure of this JCC is divided into national and state level. The national JCC is located in Kuala Lumpur and is set up to negotiate and discuss those problems which cannot be resolved at the State level. The structure of Posco’s JCC is shown in the Figure 1.

As discussed earlier, JCCs can be broken into five primary components. The first of these is the objectives: The purpose of JCC in Posco is to give employees a voice in decisions that affect them and to make the most from employees’ experience and ideas for optimising the efficiencies of the company. In Posco, both management and unions are keen to implement the JCC as it is seen to eliminate unnecessary conflict by giving management and employees an opportunity to understand each other’s views and objectives. These objectives clearly indicate a willingness on the part of the management to treat its employees as an intelligent and reasonable workforce who have the capacity to make a contribution to the efficiency of the organisation. As a result of joint consultation in Posco, management and unions are better able to minimise misunderstandings and to appreciate some of the issues which either side may experience. As Marchington (1992) argues; the objectives of JCC should be explicit and publishable. This is the case in Posco, as can be seen in the Code of Conduct for Industrial Harmony 1975 (Section Communication and Consultation, Articles 43-50). In relation to these issues, the HR Manager emphasises the importance of cooperation and harmony between employees, unions and management:

‘The primary principle is that the company believes in JCC, the workers are not aliens who must be coerced, they are human beings and partners in the company ... They have their own specific interests and points of view which may clash with those of the management but the objective of JCC is to obtain greater harmony, remove grievances and create better understanding’ (Interview with IR Manager, 24/12/2003).

Subject matter: From the analysis of minutes taken during JCC meetings from 2001 to 2003 and from interviews with management and union representatives, the main subject matters arising through JCC meetings are: output and productivity, manpower policies, procedures, general conditions of employment, mergers, takeovers, business strategies, educational and training, safety, and employee services (JCC Minutes of Meeting, 27/12/2001; 28/6/2002; 24/2/2003; 29/9/2003; 21/10/2003; Interview with IR Manager, 24/12/2003; Union representatives, 12/1/2004; 13/1/2004). From a content analysis of these minutes it is clear that some decisions are made during the JCC meeting by the committee, while others are deferred pending further discussion. In regard to Posco’s JCC structure, State JCCs focus on operational issues like general employment, conditions of work, service and productivity, safety, training, and staff rules, while the national JCC discusses strategic issues like manpower matters, mergers and acquisitions, training and so forth. Most of time the union
Parasuraman and Jones

will provide input and advice but the final decision on strategic issues falls into the hands of management.

For example, during the state JCC meeting at Sabah, East Malaysia, an issue was raised regarding the upgrade of several post offices in Sabah, including the computerisation of private mailboxes. The State JCC were unable to make final decisions on the matter because it was a matter for national jurisdiction. Therefore the committee voted to raise the matter at the next national meeting of JCC (Sabah State level JCC Minutes of Meeting, 1/2003, Agenda 7.2. and 7.6; Interview with Branch Union Committee, 13/1/2004). Finally, this issue was resolved at the national level meeting.

Process: The process of JCC meetings in Posco involves a two-way communication where both managers and union representatives use the committee as a forum for the exchange of views. Under Article 21.3 of the CA of UPUS Union, management issues notice of meetings at least two weeks in advance. Staff are permitted sufficient time off work so that they may attend meetings (Article 21.4, CA of UPUS Union, 2000-2002). Posco meets all travel costs.

The venue for national JCC meetings is usually rotated within the three main cities of Kota Kinabalu, Kuching and Kuala Lumpur. This rotation of venues is due to the process of national integration between unions in Posco throughout Malaysia. The integration process allows management and union committee members from East Malaysia and Peninsular Malaysia to gather and gain a better understanding of the cultural differences emerging between East and West Malaysia.

Powers: In Posco, the JCC is used as a forum for management and union representatives to make decisions jointly. However, there are certain issues which are discussed where the union has no control over the final decision. In one instance, when the company proposed a policy on employee share options, the union was not involved in this policy development. ‘The union does not have power to discuss this policy in the JCC meeting because it is part of management’s discretion. We only inform the union about our policy. We have authority on this issue’ (Interview with IR Manager, 24/12/2003). The union interviewees confirmed this observation, commenting that they have no authority to discuss this policy. Most of time joint decision is made by management and the union through JCC on operational and strategic issues. It is clear from the evidence that management and the union are trying to achieve a balance of power through JCC.

Membership: JCC representation in Posco is divided into two levels. At the national level, on the management side, the Chief Executive Officer (CEO) appoints six managers. The CEO or a Senior Manager takes the role of Chairman. Most of the time it is the CEO who presides over the meetings because many of issues which are discussed require his final approval (JCC Minutes of Meeting, 27/12/2001; 28/6/2002; 24/2/2003; 29/9/2003; 21/10/2003; Interview with IR Manager, 24/12/2003; Union representatives, 12/1/2004; 13/1/200). A similar structure is adopted at State level, except the chairman is usually a State Manager. The union representative of the main committee is elected as a permanent member at national and state level of the JCC. Membership comprises 50:50 union representatives and management.

Discussion and Conclusion
From Marchington’s conceptual framework of four models (1992; 1994), the fourth model – the adjunct model – is more applicable in the case of Posco. Based on the basic characteristics of the adjunct model, we can compare the model with the actual practice in Posco.

In the Posco context, JCC and CB have separate roles. On one hand, JCC is focussed toward joint decision making on selected operational and strategic issues. On the other hand, CB is
Parasuraman and Jones

cconcerned about pay structures and conditions of work in accordance with the Employment Act 1955 and Industrial Relations Law 1967.

Further analysis of the JCC in Posco, confirms the applicability of the adjunct model to the operations of Posco. While the operations of the JCC and CB may appear to be in tandem, there is a complementarity to their function; the model emphasises that JCC and CB have different roles, but in this case both committees share the same representatives. In the Posco context, CB is focussed on wages, working conditions and aspects of a distributive nature. JCC is used to discuss integrative issues at HQ or State level. The two representative committees are not seen to be in competition with each other, rather they each provide tangible benefits for employees and management. From interviews conducted with union representatives, there is keen agreement among employees for dual representation, as both committees (JCC and CB) are thought to provide bargaining power.

The main objective of this study has been to explore and examine the actual practice of JCC in Posco and to further extend Marchington’s model. From the above analysis, it seems that workers and unions actively engage in the workplace decision-making process, but only to a limited extent. The JCC model adopted by Posco is well structured in terms of representation, the number of meetings per year, and the meeting’s agenda. In terms of the genuine decision making process, the model adopted by Posco does represent the ideal model explicated by Marchington (1992). However there would be value in increasing the extent of equal participation where workers and unions can play an even greater part in all policy and process formulation.

References


Parasuraman and Jones


