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Industrial Relations in the Asia-Pacific Region: Towards an International and Comparative Analysis

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Introduction

The purpose of this paper is to demonstrate the value of the comparative study of industrial relations with a consideration of developments in industrial relations in selected Asia-Pacific countries. Explanations of the rapid industrialisation of many Asia-Pacific countries have drawn on socio-economic approaches, the 'strong state' argument, neo-Confucian ethics and cultural 'collectivist' models (Verma et al. 1995:336). Rather than pursue cultural typologies, we follow Dore (1979) and discuss the industrial relations contexts that reflect the stages of economic development that these countries are passing through. Classifications may be somewhat arbitrary and there are many differences between the countries within the same category, but a pattern is discernible.

The first category includes the industrialised market economies (IMEs) of Japan, New Zealand and Australia. Recent industrial relations reforms in these countries are in part a response to the industrialisation of other countries in the Asia-Pacific region. The second category, sometimes referred to as the 'Asian Tigers', comprises the post-Japan, newly industrialised economies (NIEs) of Hong Kong, Singapore, South Korea and Taiwan. The third category comprises the next generation of industrialising economies and includes the People's Republic of China (PRC) and Indonesia. If it maintains its growth rates of the 1990s, the PRC will achieve NIE status within the next few decades. Although Indonesia achieved relatively high growth rates during the early to mid-1990s, the effect of the 1997 Asian economic crisis has been to leave it facing a period of political and economic uncertainty.

Elsewhere we have considered the links between industrial relations, industrialisation and democratisation when reviewing industrial relations diversity in the Asia Pacific Region (Bamber et al. 2000), and asked to what extent the experiences of the region supported convergence theory. Here, we repeat the question by hypothesising that, as economies move towards becoming IMEs, their industrial relations institutions will tend to converge on those of the established IMEs, and that major political and economic change, such as globalisation, will induce transformations in an economy's industrial relations. There are degrees of transformation, and a radical transformation of industrial relations can be seen in some countries. However, there are continuities in industrial relations and, in some cases, transformations may only be superficial. A similar caution is necessary with democratisation for, while democratisation can occur at both micro and macro levels, industrial relations analysts tend to concentrate on it at the micro level, where it may include employee participation in union and management decisions, perhaps through works councils and/or collective bargaining, while ignoring the wider process.

Category 1: The IMEs of Japan, Australia and New Zealand

Japan

Before the studies of the economic success of Japan between 1948 and the 1970s were conveyed to the West by futurologists Khan and Pepper (1979), and anthropologist Vogel (1979), Ballon (1965, 1969), Abbeglen (1970) and Dore (1973), among others, had emphasised the role that employment relations had made to Japan's economic growth.¹ The findings and tenor of some of these studies raise questions of universality and cultural or national uniqueness, either prescriptively, as with Vogel's *Japan as No. 1: Lessons for America*, or analytically, as a justification for the development of a field of comparative human resource management (HRM) (Boxall 1995).

Substantial interest in Japanese workplace relations continued into and beyond the 1980s, particularly in the transferability of Japanese management styles to North America and Europe (Oliver and Wilkinson 1992). However, many studies oversimplified the Japanese model, focusing on the 'three pillars' typology of enterprise unionism, lifetime employment and seniority pay and promotion. There is little exploration of the legal environment and the impact this has had on shaping Japan's industrial relations practices (*pace* Tackney 2000). While industrial relations in Japan are more complex than is demonstrated by the so-called 'three pillars' analogy (Kuwahara 1998), a consideration of other institutional sources of jurisprudence suggests that the concept of lifetime employment remains a broadly institutionalised social norm

Problems in the Japanese economy during the 1990s, and a subsequent rise in its unemployment rate, led to suggestions that the Japanese employment relations model was under severe strain and required substantial adjustment so that it would converge towards a Western 'hire-and-fire' model. The results of a survey by Nagami (1993) in which he identifies the beginnings of change with the oil-price hikes of the 1970s cause him to conclude that the changes, at least in the early 1990s, did not constitute a collapse of the Japanese employment relations system. Nevertheless, some factors, including an ageing population, deregulation and moves towards a service dominated economy, suggest the model may have to be adapted to cope more easily within the constraints of lower economic growth — Japan has become a mature IME.

Australia

The reform industrial relations in Australia since the 1980s has been based on something of a consensus by employers, unions and governments that higher labour productivity is the means to increase the competitiveness of Australian enterprise. The Australian Labour Party (ALP) formed the federal government from 1983 to 1996, when its wage

¹ A comprehensive list of sources on Japanese employment relations up to 1980 is provided by Ford et al (1984).

and prices 'Accord' with the Australian Council of Trade Unions (ACTU) was a cornerstone of its electoral successes. The Accord, which was originally intended to enable Australia to pull out of the economic recession of the early 1980s without 'inflation, was de facto a trade-off in which the ACTU agreed to moderate union pay claims and industrial action in return for a say in political, economic and industry policies. These policies included an increase in the 'social wage' through rights to health and safety at work, consultation, superannuation and the regulation of equal employment opportunities, redundancy and dismissal. After periodic revision, the Accord became part of a broad framework of economic and social restructuring within which emphasis shifted to microeconomic reform.

Legislation in 1988 simplified and standardised dispute settlement and required the Australian Industrial Relations Commission to take greater cognisance of the interests of the parties and the wider community (Frenkel 1993:259). Further legislation in 1993 challenged the traditional Australian industrial relations system by allowing for the ratification of non-union agreements. At the federal level, the move towards enterprise bargaining favoured by the ALP government and supported by the ACTU was slow, although several states enacted legislation during the 1990s to favour enterprise bargaining over arbitrated awards. Changes in industrial relations legislation were usually linked to microeconomic reform.

Australia's post-1996 conservative Coalition government claimed a mandate to further deregulate industrial relations and discontinue the Accord. The *Workplace Relations Act* 1996 aimed to decentralise the Australian industrial relations system by, among other things, limiting the jurisdiction of centralised awards to twenty 'allowable matters' and promoting enterprise bargaining. Under the Act employees could collectively negotiate enterprise agreements or individually accept contracts, but the centralised award system was retained as a 'safety net' for employees not covered by any other agreement. However, the Coalition is pursuing a second-wave of reforms that will move Australia's federal industrial relations system closer to the substantially deregulated New Zealand model. An amendment to the *Workplace Relations Act* in 2000 provided new procedures for the making and approval of the non-union Australian Workplace Agreements (AWAs) that were first introduced in 1997. A recent survey of AWAs concludes that there is little evidence of their advancing the philosophy 'soft' HRM, as was the declared intention, but rather 'a wage-minimising, labour intensification logic' (Roan et al. 2001).

New Zealand

Until the mid-1980s, New Zealand could be regarded as a welfare state with a regulated labour market surrounded by tariff protection. Since then it has experienced radical change, which has included the dismantling of much of the welfare state and the deregulation of its labour market. The economic downturn brought on by the Asian financial crisis in the late 1990s prompted further restructuring and public sector reforms. Begun by a Labour government, industrial relations reform was accelerated by subsequent non-Labour governments that adopted economic policies that were similar to

those of the UK's Prime Minister Thatcher and the US's President Reagan. However, the implementation of these policies was more thoroughgoing and less constrained in New Zealand than in the UK, the US or Australia. This was due in part to New Zealand's relatively small population —only 3.4 million — and its unicameral, unitary and centralised legislative assembly. In this context there were fewer constraints on change than in larger countries.

Particularly significant in the radical New Zealand program was the deregulation of industrial relations by the *Employment Contracts Act 1991*, which union critics have described as 'an employers' charter' (Anderson 1991). It abolished the Arbitration Court and the award system, de-emphasised collective bargaining and withdrew exclusive jurisdiction rights from unions (Deeks *et al.* 1994; Walsh and Ryan 1993). The size and scope of unions have been severely curtailed so that many employers are no longer confronted by much countervailing power (Harbridge and Honeybone 1995). However, this changed following the election of a labour government in 1999 that replaced the *Employment Contracts Act* with the *Employment Relations Act 2001*. This latter marked a return to collective bargaining and restoration of a role for unions, but by no means a return to pre-1991 industrial laws' (Riley 2001:156).

Comparison of Japan, Australia and New Zealand

Post-1945, Japan generally achieved higher economic growth rates than either Australia or New Zealand, with some claiming that Japanese employment relations were a contributing factor. Japan was governed for most of this period by the Liberal Democratic Party, which was more closely aligned to big business than to unions. Although a coalition containing the Japan Socialist Party held office for about 18 months in 1994-95, it resulted in few changes to the employment relations model. While the Japanese model has been resilient, it has been affected by a maturing economy, an ageing population, an expanding service sector and pressures for deregulation. In the 1990s there was ambiguous evidence to confront the assertion that Japan was converging on a Western model of employment relations. As domestic demand fell during the 1990s, large Japanese firms reduced the working hours of employees, and even were willing to use retrenchment as a last resort (Nitta 1998). Even the 1999 employment reductions announced by Nissan proceeded with a degree of worker participation and efforts to avoid harsh dismissals, despite years of financial decline. Renault, which had bought a stake in Nissan, gained considerable media attention by having a non-Japanese (French) executive (M. Ghosn, *Le Cost Killer*) announce the personnel reduction scheme. Yet, perhaps, the scheme illustrated that it remained too soon to write the obituary of the institutionalised 'lifetime' employment practice.

In Australia, and even more so in New Zealand, there appears to have been a large-scale transformation in terms of industrial relations since the early 1980s. These transformations were partly a response to globalisation and to the economic growth of other countries in the region, such as Japan, which helped to generate a perception of the need for microeconomic reform. Subsequent changes to labour markets were shaped by

policies of economic-rationalism and product market considerations that were induced by increasing product market competition, not least from newly industrialising economies. Something of a reversal has recently occurred in New Zealand industrial relations, and some of the momentum of Australia's reform has been slowed by opposition in the Federal Parliament's upper house (Riley 2001:149).

Category 2: The Newly Industrialised Economies (NIEs) of Hong Kong, Singapore, South Korea and Taiwan

Hong Kong

Hong Kong had a long tradition of bureaucratic personnel management that had characterised the British joint stock companies or '*hongs*', the Civil Service, and, to some extent, the *émigré* Shanghai capitalist-owned textile companies (England 1989). However, democratisation in the 1990s and a partial dependence on foreign labour had oriented Hong Kong's policy-makers and corporate managers towards a more strategic and flexible application of HRM (Levin and Ng 1995). Meanwhile trade unionism in Hong Kong, moribund due to competing allegiances to Beijing and Taipei, was resuscitated, possibly by the bargaining opportunities created by labour market shortages, and by apprehension over the Colony's impending restoration to Chinese sovereignty in 1997. However, most private sector workplaces in Hong Kong are not organised by trade unions. To resolve such conflicts as do occur in unorganised employment the Hong Kong Government provides a voluntary conciliation service. Observers have noted that Hong Kong employees are reluctant to voice a grievance with their employer and therefore most grievances remain hidden. The majority of reported disputes involve unpaid wages or other monies due to employees under the Employment Ordinance after a business has failed or moved elsewhere.

Anticipation of the possibility of less Western-style democracy when Hong Kong was returned to Chinese sovereignty in 1997 induced change in industrial relations, including increased union activity and autonomy, but labour and product market pressures appear to have had even more direct influences than the prospect of a reversal of democratisation. In any case, up until now, the Special Administrative Region (SAR) government of Hong Kong has continued the 'benevolent enforcement' over trade unions that it inherited from the British colonial authority (Fosh et al. 2000). However, the versatile economy which has justified government industrial relations policy has been tested by the shift of much of its manufacturing to the PRC. This year (2002) the Hong Kong economy has maintained a downturn after a growth rate of 10 per cent in 2000 and there is a prediction of 7 per cent unemployment in 2003 (*The Australian* 1 March 2002).

Singapore

Soon after its economic take-off in the 1960s, Singapore's industrialisation became dependent on multinational corporate investment, with the Peoples Action Party (PAP) Government supplying infrastructure development. Through the 1960s, the government regulated employment relations with legislation covering trade unions, collective bargaining, dispute settlement and terms and conditions of employment. From 1972 the size and scope of wage increases were regulated by a tripartite National Wages Council (NWC) and, in the 1980s, amendments to trade union and employment legislation emphasised labour-management cooperation in the pursuit of productivity in an economy restructured towards high technology and high value-added enterprise (Leggett 1993).

In parallel with the legislation, the National Trades Union Congress (NTUC) in addition to its conventional industrial relations role functioned as a transmission belt for the values the Government deemed appropriate for a productive workforce within a national scheme of things. Its affiliates were prepared for a workplace focus and a greater flexibility in enterprise bargaining that has accommodated the variable needs of individual companies. Human resource management rather than conflict management, was, and is, propagated and diffused throughout management and the workforce in the public and private sectors by the network of institutions and corporations through which Singapore is regulated. Singapore's dependence on multinational investment led the PAP Government to take the initiatives in human resource planning and development on a national scale, only cautiously moving the locus of control to the workplace with its decision to restructure the economy at the end of the 1970s. This caution and the Government's capacity to fine tune Singapore's employment relations in response changes in the environment has enabled the city state to weather the 1997 Asian economic crisis and restructure employment policies to accommodate changes in the global environment.

The blueprint for meeting the challenges is the Ministry of Manpower's *Manpower 21*, the report of a tripartite steering committee's extensive consultations at home and with international management experts (Ministry of Manpower 1999). To achieve the vision of Singapore as a "Talent Capital" *Manpower 21* proposes six strategies: Integrated Manpower Planning; Lifelong Learning and Lifelong Employability; Augmenting [Singapore's] Talent Pool; Transforming the Work Environment; Developing a Vibrant Manpower Industry; Redefining Partnerships. *Manpower 21* sets an explicitly tri-partite path to applying the recommended strategies to meeting, what is in effect a national manpower plan, but it is the Ministry of Manpower that bears the overall responsibility. Applying the strategies is envisaged as partnership activity involving a range of agencies in addition to the Singapore National Employers' Federation and the NTUC, each of which has its own *21* blueprint.

NTUC 21, drafted in 1997, was one of a number of precursors to *Manpower 21*. It identifies five pillars for the labour movement in the 21st century: Enhance Employability for Life; Strengthen Competitiveness; Build Healthy Body, Healthy Mind; CareMore; Develop a Stronger Labour Movement (NTUC, 1997). A concern here, however, expressed as an imperative in *Manpower 21*, is how to overcome the shrinking union

membership base affecting the NTUC's strength as a social partner (Ministry of Manpower 199:48).

South Korea

South Korea's rapid industrialisation saw its per capita GDP rise from US\$87 in 1962 to more than US\$10 000 in 1987 (Park and Leggett 1998:275). During much of this period Korea was governed by a succession of strong authoritarian governments. There was a great deal of direct state intervention in the economy, with economic development guided through the *chaebol* — large family run conglomerates. By the early 1990s, the five top *chaebol* contributed approximately 60 per cent of Korea's GDP (BOK 1990). Such a concentration of economic power and government influence was blamed for much of the corruption exposed in the late 1990s, including that associated with the collapse of the Hanbo group. This combination of an authoritarian government and big business meant that union jurisdiction was limited and, until 1997, the Federation of Korean Trade Unions (FKTU) was the only official union confederation.

Following student-led protests, the 29 June Democratisation Declaration in 1987 signalled moves towards more liberal political institutions (Park and Park 2000). In this environment union membership grew rapidly, along with strikes and increased wage demands and there was an associated rapid increase in the formation of independent trade unions. In 1995, a group of these merged to form the Korean Council (later Confederation) of Trade Unions (KCTU) as a more radical alternative to the FKTU. These independent unions co-ordinated some notable large-scale industrial protests that attracted international media interest. The protests included those against the 1996 Labour Law amendments that relaxed restrictions on retrenching workers, a phenomenon which grew during the Asian economic crisis of the late 1990s. Despite such public protests, union membership began to decline during the 1990s, attributed to industrial restructuring and the growth of the services sector (Park and Leggett 1998: 280). Nevertheless, trade unions now play a more prominent role in the South Korean polity and in the workplace. In this scheme of things it has been possible to discern some firms seeking to introduce more participative management styles (Lee 2000).

Along with the above developments a major impetus for industrial restructuring and reform of employment relations came from the Asian economic crisis. Following the regional economic turmoil, the South Korean currency devalued sharply, causing severe problems for firms exposed to offshore loans. Following its call on the International Monetary Fund (IMF) for assistance, the government initiated an austerity drive to implement the IMF conditions. It also set up a Tripartite Commission with representatives from both the FKTU and the KCTU to oversee the process of structural and industrial relations reform.

While the crisis exposed problems associated with high debt servicing ratios in the *chaebol*, some observers saw the government's willingness to embrace the IMF recommendations as being partially politically motivated. President Kim Dae-Jung —

elected in 1998 — had long campaigned against the concentrated power of the chaebol and their downsizing and/or restructuring might result in a diminution of their economic and political power (Liew 1998). The lessening of chaebol influence could have major implications for South Korean employment relations. Being the country's major employers, the chaebol had developed employment relations policies and practices that influenced terms and conditions of employment in many other enterprises. Company towns, such as Ulsan (Hyundai) and, in the public sector, Pohang (POSCO), house and service large numbers of employees. Moves, as yet not successful, towards the creation of more small-to-medium-sized enterprises might presage a significant change in employment relations strategies.

Some of the effects on employment relations of changes in the global environment of South Korea since 1997 are outlined in Park and Leggett (forthcoming 2002) and may be summarised as follows:

Unemployment increased substantially after 1997, from 2.6 per cent in November 1997, to 8.5 per cent, or 1.8 million workers less than a year later.

Although trade union membership in South Korea had been declining before 1997 — it had peaked in 1989 at 1,932,000 — by the end of 1999, there were 1,480,000 union members organised in 5,637 local unions, a membership density of 11.8 per cent. The earlier decline has been attributed to South Korea's industrial upgrading and the union movement's failure to cope with new environments. The continued decline is attributed to the financial crisis of the late 1990s.

Industrial disputes increased sharply after 1997 as the threat of retrenchments increased. In 1998, industrial disputes numbered 129, a 65 per cent increase on 1996 and involved 146,000 workers, compared with 44,000 the previous year. Production days lost in 1998 were 1,452,000, compared with 444,000 in 1997.

A tripartite Industrial Relations Reform Commission (IRRC) was established in 1996 to review proposals for labour law amendment and, as a result, in 1997 workers gained the right to join a trade union of their choice, thereby allowing the KCTU to gain legal status and opening up avenues for multiple unionism at the industry level. However, the existing ban on multiple trade unions at the enterprise level was not to be lifted until 2002. Likewise, the common practice of making company payments to full-time union officers was not to be an unfair labour practice until 2002. However, in November 2000, the Tripartite Commission agreed to postpone the implementation of these two controversial labour law amendments, which would adversely affect the FKTU, for a further five years.

Taiwan

During the 1980s and 1990s, Taiwan's political and economic landscape changed considerably. Strong authoritarian government by the Kuomintang that had ruled Taiwan since the defeat of the mainland Chinese nationalists in 1949 gave way to a democratic and liberal approach. A maturing economy saw the growth of the service sector and moves towards the production of higher value-added, knowledge-intensive goods. In contrast to South Korea, small- and medium-sized firms have dominated the private sector in Taiwan. Many such firms had their origins as 'family-run' businesses governed by paternalistic employment practices.

Changes in Taiwan's economy required a better educated work force and generated a perception of a need for strategic HRM. Government regulations, such as the *Fair Labour Standards Law 1984*, introduced wide-ranging and enforceable labour standards; however, the government attempted to promote a voluntarism approach to employment relations in the 1990s. This was recognition in part of the need for increased flexibility in employment relations practices in a more open economy. At the same time, the internationalisation of the economy has included large-scale Taiwanese investment in the PRC, with many of Taiwan's managers having to learn new skills to manage Chinese employees on the mainland (Schak 1997).

Democratisation has in part led to the introduction of new social welfare legislation, such as unemployment insurance. However, its effect on the unions has been less clear. The growth of unionism in the services sector, traditionally difficult to organise, has been accompanied by a reduction in union membership in more traditional industries, and restrictions apply to the organisation of teachers and public sector employees. Unions, however, are less dependent than under previous governments and now more actively promote the interests of their members. In response to a perceived increase in worker lay-offs, in part induced by the Asian economic crisis, the late 1990s saw the growth of independent, although technically illegal, unions.

Union membership rose steadily through the 1980s. By the end of 1992, Taiwan had 3,657 unions with 3,060,000 members, an increase of 4 per cent over the previous year. Union membership density had increased to 34.9 per cent in 1992 from 26.4 per cent in 1988. Much of the growth in unions was achieved by the independent organisations outside the Chinese Federation of Labour (CFL) but all organisations benefited from the tight labour market. On the other hand, given the resistance of Taiwanese employers to trade unions, some observers have argued that the continued growth in membership numbers was by self-employed adherents seeking insurance benefits rather than bargaining power. In 1997, recognition was not granted to a National Federation of Industrial Labour Unions (NFILU) formed by a breakaway from the officially recognised CFL. Although illegal as a federation, affiliates of a National Federation of Independent Trade Unionists (NFITU) function legally as independent unions (US Department of State 1999: 895).

Employer responses to improved social welfare legislation include non-compliance and the substitution of subcontractors for employees. Employers have also put a greater focus on HRM to improve worker productivity, including improved training and incentive programs. Higher education requirements have resulted in many workers entering the workforce at a later age than previously. Thus, political changes in Taiwan appear to have led to increases in social welfare legislation that in turn have affected employment relations. At the same time, the quality of employment relations has been affected by the changing economic environment. While unions have achieved some independence, the growth of the service sector has been eroding their traditional base among industrial workers.

Hong Kong, Singapore, South Korea and Taiwan Compared

The NIEs exhibit some similarities. Except for Hong Kong all underwent rapid industrialisation under resolute governments from the 1960s. In the 1980s and 1990s. South Korea and Taiwan moved towards more democratic institutions and open economies while Singapore always had an open economy and, after 1955, democratic institutions which could be harnessed towards nation-building through economic growth. Hong Kong's industrial character has reflected timely opportunities, immigrant entrepreneurship and colonial administrators with a *laissez-faire* outlook. Changes also occurred due to employers reacting to changing product markets (and labour markets). Unions, Taiwan and South Korea and in some quarters in Hong Kong have become increasingly independent, whereas in Singapore they are seen as in close partnership with government; however, moves away from manufacturing towards more service-based economies have been partly responsible for declining trade union memberships.

A major difference between Taiwan and South Korea is the industrial concentration of their economies. While South Korea's economy is dominated by the chaebol, Taiwan's rapid industrialisation has been largely achieved through the growth of small-to-medium sized firms. Thus, employment relations in South Korea were developed by the policies and practices of a relatively small number of large conglomerates. However, in Taiwan firms were often too small to develop sophisticated employment relations practices, which in part led to the government introducing wide-ranging 'generic' legislation through the *Fair Labour Standards Law 1984*. Enforcement of the law, however, was often ignored, especially before the onset of democratisation in the 1990s and remains limited due to a weak inspection authority. Both Singapore and Hong Kong have employment standards legislation, but Singapore's *Employment Act* is linked with its *Industrial Relations Act* to ensure minimum standards are also the maximum for a substantial part of the industrial workforce.

Migrant workers moving from the less affluent communities in the Asia Pacific region to the more affluent have contributed to the economic development of the Asia Pacific region's NIEs, but the temporary nature of their employment was emphasised following the 1997 capital outflow from the region when, as a result, in many cases early repatriation was enforced. The dependence on migrant labour was associated with Hong

Kong and Singapore earlier than with South Korea and Taiwan, and in all cases was an adjustment to labour scarcity in the high economic growth period before 1997 (Athukorala and Manning 1999).

Category 3: The PRC and Indonesia

The PRC

The industrial relations and HRM policies of the PRC, has been attracting increased attention from scholars, for example O'Leary (1994), Jackson (1994), and Ding et al. (2000). The economic reforms instituted by Deng Xiaoping in the late 1970s moved the direction of the Chinese economy away from its former Maoist doctrines. Foreign owned and domestic private enterprises appeared, and in 1992 the goal of a 'socialist market economy' was announced. The PRC's central planning priorities determined the state level employment relations policies which shaped enterprise level employment relations. Subsequent reforms have meant that employment relations in Chinese enterprises are driven by product market considerations and by state policies adjusted to a market-driven economy (Verma and Yan 1995:317-18). During the early 1990s a tripartite employment relations system was developed consisting of the Labour Ministry, the Chinese Enterprise Directors' Association (CEDA) and the All China Federation of Trade Unions (ACFTU). The state is reported to maintain the upper hand in negotiations, with unions traditionally playing a supporting role by implementing state policy (Goodall and Warner 1997), but others see signs that unions are becoming more assertive (Ungar and Chan 1995).

Privatisation has had profound effect with disputes arising from the rapid transfer of workers from 'lifetime' to contract employment making up about 50 per cent of all labour disputes in the late 1980s and early 1990s. Moreover, migration from rural areas to the towns, in spite of restrictions, has created heavy urban unemployment (Jackson 1994). Structural reforms have been accompanied by large-scale lay-offs — about 17 million by the end of 1998 (*Far Eastern Economic Review* 18 February 1999: 12), and workers still employed were not getting paid. Worker grievances are not without protest and labour unrest is reported to be substantial but not mobilised (*Far Eastern Economic Review* 25 February 1999: 46-48).

While economic growth throughout the 1990s was relatively high, it was concentrated in the cities and special economic zones (SEZs) and included Hong Kong. Many former rural workers have migrated to the SEZs, but are paid substantially lower rates than local workers in similar industries; the practice of hiring workers from other regions is widespread (Hsing 1998). Piecework rates are common and municipal governments do not apply minimum wage legislation, in order to compete for investment in their localities. Thus, the PRC has provided some of the cheapest labour in the world to the factories being developed by entrepreneurs in the SEZs (O'Leary 1994: 51). There are between 60 and 70 million workers employed in the PRC's five SEZs and 14 'open cities' (*Asian Labour Update* May-July 1995). Approximately 80 per cent of SEZ

workers are young, unmarried women who are housed in dormitories where working conditions are said to be poor, especially health and safety. Few workers are unionised and attempts to organise unions independently of the All China Federation of Trade Unions (ACFTU) are suppressed. A *Washington Post* article reproduced in the *The Guardian Weekly* (May 23-29 2002:37) recently drew attention to the phenomenon of *guolaosi* (over-work death) in Guandong province among migrant factory workers from the rural areas, estimated their numbers as 200 million and highlighted the extensive violation of Chinese labour law standards in their employment.

China's transition towards a 'socialist market economy' with its associated employment relations changes has been relatively gradual. This has allowed state-owned enterprises to soak up and/or retain workers who would otherwise become unemployed if a rapid transition to free market forces occurred. China's challenge, therefore, is to re-train such workers as the economy comes to be dominated by private firms (Ying and Warner 2000).

Indonesia

Echoing the experiences of the NIEs, the third category countries can get caught in a 'sandwich trap' of cheap labour competition from below and exclusion from higher value-added markets from above (Deyo 1995:23) It is arguable that these market influences have outweighed trends towards democratisation by their role in the claimed transformation of employment relations in these countries.

Following its destruction of the Indonesian Communist Party (PKI) in the mid-1960s the New Order government of Suharto with the support of the military strictly controlled Indonesian industrial relations. The government saw compliant and cheap workforce as necessary for economic growth and the failure of employers to pay minimum wages was routinely ignored (Gall 1998). The official union organisation, the All Indonesia Workers' Union (SPSI), a 1985 government-restructured former federation, received much of its funding from the state, with military personnel appointed to many of its official positions. The government had linked Indonesian employment relations to the state-sponsored doctrine of *Pancasila*, which requires mutuality of interests, and of mutual respect and consultation between workers, employers and government (Lambert 1994: 87). In practice these rarely appear to have been achieved. While economic growth throughout the 1980s and early 1990s remained relatively high, working conditions, particularly for women, appeared to be harsh (*Asian Labour Update* 1991).

Partly in response to the SPSI's lack of effectiveness in representing worker interests, the 1990s witnessed the growth of independent unions that were not recognised by the state. The largest of these was the Indonesian Prosperous Workers' Union (SBSI) (Knowles 1993). While it attracted international attention and support from agencies such as the International Labour Organisation (ILO), SBSI leaders were subjected to government harassment and imprisonment. Its leader, Dr Pakpahan was released from custody only after the fall of the Suharto regime and the succession of the Indonesian Reformation

Government in 1998, under which SBSI was officially recognised. In spite of this continuing political uncertainty, widespread economic problems and a legacy of vested interests make a prospect of pluralist and democratic industrial relations difficult to predict with any confidence (Sutanto and Elliott 2000).

The PRC and Indonesia Compared

The PRC and Indonesia share some similarities. Both countries have large populations and strong authoritarian governments, although the New Order government in Indonesia had been fiercely anti-communist and its successors reformist. In both countries the influence of the government on employment relations has overshadowed that of employer or worker groups and industrialisation has been achieved through the production of labour intensive goods — for the most part making use of comparatively low-cost labour.

Industrialisation in the PRC has not been accompanied by any significant moves towards democratisation. It remains a one party state with little government tolerance for political dissent. The greatest effect on employment relations in the PRC has been the rapid increase in privately-owned firms that require a productive work force not assured of employment security.

Likewise, at least until the late 1990s, industrialisation in Indonesia was not accompanied by any significant moves towards more democratic institutions and processes. The Suharto government maintained a tight control over the labour movement, with little tolerance for labour dissidents. While Suharto's fall in 1998 was accompanied by calls for greater recognition for workers' organisations, political instability has made for an uncertain future. It remains to be seen how the current Megawati government will handle industrial relations in Indonesia.

Conclusion

Since World War II, and especially since the early 1960s, several of the nine countries reviewed here recorded prolonged periods of high economic growth. A regional economic downturn in the late 1990s — often referred as the 'Asian crisis' — introduced some uncertainty about the prospects for the region in the 21st century. The institutionalisation of industrial relations and government policies on organised labour developed over a comparatively long period of time in the older IMEs of Australia and New Zealand. However, the rapid economic development in other countries in the region, particularly the NIEs, prompted political and business leaders to develop such policies over a much shorter period.

Explanations of the political and industrial development of economies of the Asia-Pacific region vary. Many, in one way or another, associate democratisation and industrial relations, including the institutions for settling and regulating collective disputes and HRM at enterprise and national levels. Among the established IMEs in the region, Japan developed an industrial relations system distinct from Western IME systems, and the

emergence of a non-LDP led coalition government in 1994 did not fundamentally change Japan's system. In Australia and New Zealand, changes to industrial relations were brought about by the perceived need for microeconomic reform in the face of international competition and changing product markets. These changes were hastened by the election of conservative governments in both countries. This led to the introduction of less state-regulated industrial relations systems, with, until recently, the New Zealand approach having been more radical than that of Australia.

For the Asian NIEs, fulfilment of rapid industrialisation in the 1980s and 1990s was accompanied by political change. The introduction of democratic institutions in South Korea and Taiwan led to changes in industrial relations practices of both countries. The review of the employment relations of the third category of industrialising countries in the Asia-Pacific region shows little evidence of compliance with any particular trend. Strong authoritarian governments in the PRC and Indonesia have effectively controlled and guided industrial relations policies in both countries. While industrialisation was not directly linked to moves towards democratisation, the economic turmoil in Indonesia in the late 1990s, brought on by the Asian economic crisis, helped cause the downfall of the Suharto government. This in turn led to calls for more democratic institutions.

The movement for change in industrial relations, therefore, would appear to be more than a product of a country's level of industrialisation. Other factors include the dynamics of local and global product (and labour) markets and actions by governments to address microeconomic reform. Our examination of the above countries suggests that at a certain level of industrialisation, such as in the NIEs of South Korea and Taiwan, political liberalisation may follow economic liberalisation. However, we are cautious about making generalisations on the basis of just two countries' experiences.

Since product and labour markets and economic and political changes have not followed an unambiguous path of convergence, it is only to be expected that industrial relations and '...human resource management systems in the Pacific Region will differ in many ways' (Moore and Devereaux Jennings 1995: 5). We should not expect industrial relations developments in the region to conform to models developed in Western IMEs. The industrialising Asia-Pacific economies are in many ways distinct social formations deserving of systematic analysis based on a growing body of research. The responses of national policy-makers to the economic challenges of the Asian crisis of the late 1990s will help shape regional employment relations institutions as we move further into the new millennium.

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