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KOREAN EMPLOYMENT RELATIONS IN THE CONTEXT OF EAST ASIA

Chris Leggett

INTRODUCTION

The purpose of his paper is to place employment relations in the Republic of Korea (hereafter Korea) within the context of developments in East Asian employment relations in the last decade of the 20th century. At the beginning of the decade there were signs that Japan might not be able to sustain its economic dynamic, but observers were still confident that the Asian 'miracle' would continue domino-like through the region. However, towards the end of the decade many East Asian countries were in a recession precipitated by the rapid exodus of capital in 1997. In particular, Korea

In employment relations Dore (1979) demonstrates how they reflect the stages of industrialisation through which economies pass. Before the 1997 financial crisis the leader in Asia was Japan, and there was a worldwide interest in Japanese employment systems and their transferability to other countries, both in the region and to Europe and North America. Next were the newly industrialised economies (NIEs) of Hong Kong, Singapore, Taiwan and South Korea, followed by a third generation comprising Malaysia, Thailand and the Special Economic Zones (SEZs) of the Peoples' Republic of China (PRC). Also identified was a fourth generation of industrialising economies as diverse as Indonesia, Vietnam, the Philippines and provinces of the PRC (Leggett and Bamber, 1996). In this paper some analytical frames of reference in the literature are identified, the significance of regionalisation and globalisation in the East Asian context is acknowledged, and the critical employment relations characteristics of selected East Asian economies are highlighted according to their stage in the industrialisation process. The conclusions drawn and predictions made are tentative and reflect the diversity found in East Asian context of Korean employment relations.

FRAMES OF REFERENCE

In the second half of the 1970s Hong Kong, Singapore, Taiwan and South Korea were recognised as Asian NIEs. For Korea rapid industrialisation through export-oriented manufacturing had resulted in per capita GNP increasing from \$87 in 1962 to more than \$10,000 in 1997 and to membership of the Organisation for Economic Co-operation and Development (OECD) in 1996. The Korean experience was different from the other NIEs because of the the *chaebol* having been chosen as the agency for industrialisation in the progress of economic development, and particularly because of the relationship between the state and *chaebol*. However, as with Taiwan, an outcome of successful industrialisation has been a challenge to the legitimacy of the authoritarian state and, in a climate of democratisation, workers rights and trade union rights have become part of an agenda for reform.

Among the frames of reference adopted for explanations of their economic achievements, as well as of Japan, have been the geo-political (Borthwick 1992), the region as a

complement to European and North American trading blocs (Petri 1995), and the region as a source of developmental inspiration for underdeveloped or stagnant economies (Wilkinson 1994; Lee and Park 1995). There was a consensus among academic economists that East Asian industrialisation was exceptional, only some saw it as the success of free markets and others of government intervention. Of the explanations themselves, these more or less conform to the five approaches identified by Verma *et al* (1995 336). There is the socio-economic, which stresses how a combination of chance and latent Confucianism facilitated industrialisation (Vogel 1991: 8-12). Then there is a mainly political explanation of the state orchestrating an environment conducive to multinational corporate investment, a condition of dependent development (Deyo 1981). Related to this there is the administrative competence of government in setting imperatives and building infrastructure (Riedel 1988: 37). Another approach hypothesises that a collectivist rather than an individualist culture has been conducive to economic growth (Vogel 1991: 92-101). Finally, there is the influence of institutional forces, which include business family groupings ranging from the Korean *chaebol* (Kwon and Leggett 1994: 804-835) to the overseas Chinese family networks (Redding: 1990). With regard to the last two explanations – which are subsumed in some of the others – Paik *et al.* (1996) caution against the assumption of homogeneity across ethnic communities, although Hofstede (1984) maps clusters of countries according to national similarities in organisational behaviour. Other explanations combine the above approaches. Whitely (1992), for example, argues that a combination of historical factors and industrialisation explain the distinctive character of Asian business systems.

Deyo (1989) focussed on labour in the Asian NIEs, in particular its ‘subordination’ by the ruling elites through their exercise of power, which has varied from persuasive to coercive. As Taylor (1996: 7) has put it:

The characteristics of such regimes, until now, include a relative absence of pressure groups, weak oppositional parties, policy informational rather than policy critical media, an emphasis on group rather than individual rights, reinforced by socialising programs at various points in the education and social system. Moreover, such regimes often came into existence in a period of political upheaval. The ruling elite is almost exclusively comprised of males and in many instances overtime has been closely linked to military interests: in some cases, it might be said, there is a dynastic flavour to the style and history of the elite. Leaders of organised labour are either intimately linked with the ruling elite in a state corporatist arrangement, or effectively excluded from political processes through restrictive industrial regulation and extremely limited access to formal political channels. Where they do exist opposition political parties find electoral success almost totally elusive.

Taylor’s observations were in the context of the effects of regionalisation and globalisation on employment relations, and it is to these and their place in the East Asian context of Korean employment relations that this paper now turns.

THE SIGNIFICANCE OF REGIONALISATION

One reason for attention to the East Asian countries is that the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation forum (APEC) became significant regional forces in world trade in the 1990s.

ASEAN was established in 1967 to promote the economic and social development of, and maintain a balance of power among, Indonesia, Malaysia, the Philippines, Singapore, Thailand and, later, in 1984, Brunei, and more recently, in 1995, Vietnam and, in 1997, Burma, Cambodia and Laos. By the 1990s ASEAN had moved beyond its mainly maintenance of the balance of power function and committed its members to the development of an ASEAN Free Trade Area (AFTA). It was originally envisaged that by 2003 Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei would comprise a unified market with tariffs having been reduced by stages to 5 per cent or less. In 1999, two years on from the Asian financial crisis, the prospects of ASEAN achieving its trade liberalisation goals do not look promising (*The Australian* 20 July 1997: 25). Employment relations for ASEAN are not so prominent as political and trade relations but its Labour Ministers do meet as a separate group from its Economic Ministers and cooperate on matters (such as the regulation of migrant workers) of common interest (Castro 1982: 78).

APEC, on the other hand, although it includes ASEAN members, is an Australian-initiated trade forum that got off to a slow start, having been conceived in 1989 but not born until 1993. As well as the ASEAN countries, it comprises Japan, Korea, the Peoples' Republic of China (PRC), Taiwan, Hong Kong, the USA, Canada, Mexico, Chile, Australia and New Zealand. Consistent with developments generally, the agenda of both ASEAN and APEC, where they concern employment relations, are inclined more towards HRM. Skills training and development are of more concern than institutional industrial relations matters, although APEC's primary focus, like that of the North American Free Trade Agreement (NAFTA) of 1992-1993, is on achieving trade liberalisation. APEC in particular, and ASEAN less so, are each a looser grouping of heterogeneous countries than is the European Union (EU).

The rapid industrialisation of many East Asian countries sensitised their industrialising elites to the global effects of their economies and to their need to be responsive to global and regional developments in trading relationships. Not least in importance here is the determination of the character of employment relations in each of the countries. To take Indonesia as an example, employment relations in the archipelago were of global interest until the financial and political turmoil of the late 1990s – since when the focus of attention has changed – because of a number of factors. Of these, among the more important was the linking of trade preferences with the reform of human and worker rights. Also important were the role of labour in the socio-political control of the country, the need for Indonesia to decide where to position itself viz-a-viz globalisation and the link between the struggle for independent trade unionism and democratisation. From a regional perspective therefore it might be concluded that the future of employment relations in Indonesia and other East Asian economies may be looked for more in the agendas of ASEAN and APEC than in the historical stages of any one of the Asian industrialised countries.

On regionalisation in Asia, Peter Drucker (Drucker and Nakauchi 1997: 42), observing from a prescriptive management perspective notes:

The most important emerging regions will not be able to follow the examples of others. These are the regions of Asia, and no one can know how many regions tomorrow's Mainland Asia will have. Coastal China by itself is certainly big enough to be a region of its own, and distinct enough. South East Asia and the ASEAN countries together, are also big enough to be a region, but, unlike Coastal China, they are extremely diverse – culturally, socially and politically. Half, for instance, have a Confucian tradition; the other half are Muslim. The relationship of Japan to either of these two regions still has to be worked out and cannot even be guessed at.

GLOBALISATION AND EAST ASIAN EMPLOYMENT RELATIONS

There are alternative conceptualisations of the phenomenon of globalisation which as yet remain theoretically weak. Further, whether globalisation is a tendency towards one global economy or whether it is just another stage in the internationalisation of capital remains contested. Gollan (1995: 1-2) tries to clarify the concept by dividing definitions of globalisation into three elements: the integration of 'capital accumulation or technological expansion', 'political action beyond the jurisdiction and scope of individual states', and 'accessibility of ideas and information' resulting from advances in communications technology.

From the global restructuring consequent upon the processes associated with these elements identified by Gollan pressures have arisen for the restructuring of employment relations. However, there appear to be two opposed views as to the economic and social outcomes of globalisation in East Asian countries: one emphasising positive outcomes, the other negative impacts. The positive is the neo-liberal view which claims that free trade and export-oriented production and trade result in improved socio-political conditions and recognition of basic rights. Riedel (1988: 21), for example, suggests that the quality of life in the East Asian countries improved significantly through the 1970s and the 1980s and, except in Thailand and Indonesia, proportionately more than in other developing countries on average. The negative view is that the competition in the global economy undermines labour standards. Governments may use the compete or perish argument to justify the dilution of protective labour legislation, shore up managerial prerogatives, and cut social spending to accelerate their economies' integration into the world economy. For example, compliance with the Singapore Government's imperatives for employment relations was largely achieved by the incorporation of the trade union movement into the Peoples' Action Party (PAP) hegemony. The spearhead of the PAP-endorsed labour movement was, and is, the National Trades Union Congress (NTUC). However, the curtailment of collective bargaining lost the trade unions members. The decline was eventually turned around, mainly through the NTUC's role in centralised wage determination, to peak in 1979. Since 1979 the decline has been slowed but not halted and may be attributed to changes in values, occupational structure and, anecdotally, to the non-charismatic leadership of the NTUC (Leggett 1988).

National and regional pressure groups in the developed countries have attempted to require their governments to insist on political democratisation in the East Asian region. In parallel there have been pressures to improve human and trade union rights—from Australia, New

Zealand and via the International Labour Organisation (ILO). However, the most powerful pressures have come from North America, including the US Government and the AFL-CIO, and the European Union (EU), and been linked to trading arrangements within and between the major trading blocs. The model of the transformation of an industrial relations system was developed with reference to the USA by Kochan *et al.* (1986), and the USA's industrial relations institutions are offered as an example to democratising countries such as Korea and Taiwan. Nevertheless, the transformation of American industrial relations has not been attributed to an increase or decrease in the degree of democratisation there. Rather it has been explained in terms of the changing strategies of management in the face of increasing international competition: employers have sought to minimise labour costs and maximise control over their workforces by maintaining a 'union-free' environment. Nevertheless, while Japanese employment practices have a strategic component, in their Southeast Asian subsidiary operations, it was found that Japanese company subsidiaries were more inclined to accommodate local practices than were those of other countries, thereby gaining cheaper labour costs justified as not interfering in local ways (Hutchings 1996).

The remainder of this paper will first overview Korean employment relations before proceeding to identify and discuss some of the distinctive employment relations in countries which comprise the East Asian context of Korea.

KOREAN AND EMPLOYMENT RELATIONS

The character of Korea's employment relations has been largely determined by successive governments having chosen the family conglomerates, the *chaebol* as their vehicle for industrialisation. Although these governments sponsored a compliant Federation of Korean Trade Unions (FKTU or *Daehan Nochong*), adopted well defined labour codes and directed investment policies, it has been the *chaebol*, such as Hyundai and Daewoo, which have developed the policies and practices of South Korean employment relations.

South Korea, like Singapore, Hong Kong and Taiwan began to industrialise rapidly in the 1960s and the prevalent theme of most analyses of employment relations has been the central role of the state rather than the role of the *chaebol*. However, since the mid-1980s, many *chaebol* employees have organised themselves within an alternative trade union federation [since registered as the Federation of Korean Democratic Trade Unions (FKDTU or *Minju Nochong*)] thereby making the managerial approaches of the *chaebol* towards unionism significant for shaping the future of South Korean employment relations (Chun 1989: 318-21).

Several factors have contributed to the importance of the *chaebol*. It was the *chaebol* under government patronage that initiated the industrialisation of Korea and they have played a dominant role in the country's economic development ever since. In 1990, it was reported that the total earnings of Korea's top 30 *chaebol* contributed about 95 per cent of Korea's GNP (Bank of Korea 1990). Further, there was reportedly a high concentration of large single firms within the *chaebol*; in 1990, the top 53 *chaebol* included the 797 largest of these (Korean Economic Planning Board 1990). Empowered by the sheer size of their conglomerates and through inter-marriage with the families of the military elite, the *chaebol* families had by the 1980s established themselves as South Korea's capitalist class, employing a substantial proportion of Korea's workers.

When they were confronted by independent trade unionism in the mid-1980s, the *chaebol* employers initially resorted to unlawful tactics to contain it. Since the early 1990s, however, a greater reliance on strategic business and HRM has prevailed. In 1996, President Kim Young-sam announced a New Conception of Industrial Relations (NCIR) with the purpose of reform through the deliberations of a multi-representative Industrial Relations Reform Commission (IRRC). There immediately followed a dramatic increase in the number of trade unions, in trade union membership and in trade disputes, but only minor amendments to labour laws, which continued to recognise only the FKTU and locked out 'third parties' from collective bargaining (*Far Eastern Economic Review* 3 February 1994: 54).

In December 1996, against expectations, the Kim Young-sam Government amended the Trade Union Act largely in favour of employers, deferring major reforms into the new millennium. An ensuing general strike, forced the Government to compromise by making the FKDTU lawful and revising the amendments. Since then, South Korea, along with other Asian nations, has experienced a reversal of its economic fortunes such that union power will be substantially weakened by layoffs and the strict application of International Monetary Fund (IMF) requirements.

Although company welfarism and state regulation are found in Hong Kong and Taiwan, Poon (1996) sees the flexibility derived from subcontracting, (i.e. quite different working conditions from South Korea and Singapore) as underwriting their dramatic economic growth since World War II. However, she envisages changes in the operation of the subcontracting networks in both countries—as a result of government intervention in Taiwan and the relocation of labour-intensive manufacturing to Mainland China from Hong Kong—and uncertainty for the employment of manufacturing workers unless they are able to upgrade their skills. Particularly vulnerable are full-time women workers whose dislocation from manufacturing has been by the use of part-time married women workers, and by foreign workers. Since the economic crisis began in 1997, women workers have been among the first targets for dismissal.

The Asian economic crisis has affected South Korea more than most East Asian countries. The cost to South Korea of being bailed out by the International Monetary Fund (IMF) is the economic restructuring conditions imposed by the IMF. Restructuring has meant massive lay-offs by the *chaebol* and of South Korea experiencing an unemployment rate comparable to that in Western industrialised countries, where, unlike in South Korea, there is at least some entitlement to unemployment benefit. Migrant workers from Vietnam, Mongolia and Bangladesh have been repatriated (*Asian Labour Update* February-May 1998).

JAPAN AT THE POINT OF CONVERGENCE

Following his study of technologically similar electrical manufacturing companies in Britain and Japan, Dore (1973) suggested that Japan had leapfrogged the stage of pluralistic industrialism typified by the USA and was itself the model for others' industrial futures. By being a 'late' developer Japan had more effectively than elsewhere adapted through 'welfare corporatism' the modern bureaucratic equivalent of paternalism. Regular Japanese employees in the large corporations, but not women, migrants or workers in dependent companies, enjoyed lifetime employment, age-based promotion and seniority wages, which

had the effect of encouraging the incorporation of these employees into the enterprise culture resulting in strong employee commitment.

Many explanations for the extraordinary growth of several East Asian economies since the early 1960s begin with Japan (Fruin 1992). Since the mid-1970s there has been a global interest in Japanese management (for example Suzuki 1995) and in the transferability of Japanese management styles outside of Japan (for example, Oliver and Wilkinson 1992). This interest has been informed by experiences of Japanese companies in other parts of East Asia (Hutchings 1996). *Japan as No. 1: Lessons for America* (Vogel, 1980) was compulsory reading for senior Singaporean administrators in the year of its publication. As has been noted, some Japanese companies began to establish subsidiaries in East Asia before they ventured to Europe and North America and one study of such experiences has found that the differences between management styles in Japan and elsewhere are declining (Shadur *et al.* 1995: 735ff). Important now, however, are the Japanese approaches to employment relations as they are challenged by the changing economic and political context following economic recession and regional instability in the 1990s.

CROWN COLONY, CITY STATE AND SAR

Hong Kong had a long tradition of bureaucratic personnel management which 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 human resource management (HRM) (Levin and Ng 1995), a development echoed in both South Korea (Kim, 1995) and Taiwan (Farh 1995), and in Singapore for long a part of the national scheme of things (Wilkinson and Leggett 1985). 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. Elsewhere, but not everywhere, in the East Asian region it has been possible to discern the growing autonomy of those unions which have countered their governments' attempts at controlling them.

In Hong Kong, a city state both compared and contrasted with Singapore, a recent survey of 300 multinational and local employers found that in the following three months 20 per cent expected to lay-off employees and 65 per cent to reduce wage bills; and 37 per cent considered 'low morale' to be their biggest HRM problem (*Far Eastern Economic Review* 21 January 1999: 43). Hong Kong's uncertainties have at times benefited Singapore, the Government of which is no slouch in exploiting opportunities to improve the quality of its labour force. Thus, in 1989, when emigration from Hong Kong was at its height, Singapore made special efforts to recruit potential citizens from what, for cultural reasons, was already a preferred source.

SINGAPORE: THE OTHER CITY STATE

Soon after its economic take-off Singapore's industrialisation became dependent on multinational corporate investment, with the PAP Government supplying infrastructure

development. Through the 1960s, the PAP 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 NTUC was, at different stages, transformed into something of a transmission belt for the values the Government deemed appropriate for a disciplined workforce within a national scheme of things. Singapore's unions were prepared for a workplace focus and a greater flexibility in enterprise bargaining which has accommodated the variable needs of individual companies. HRM rather than conflict management, was, and is, propagated and diffused throughout management and the workforce in the public and private sectors by the universities and polytechnics, the management institutes, unions and employers' associations, and the network of corporations through which Singapore is regulated. Thus, the circumstances of 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. This caution and the Government's capacity to fine tune Singapore's employment relations in response changes in the environment have enabled the city state to weather the current Asian economic crisis better than any of its neighbours. For example, the maintenance of a high level of national savings through compulsory employer and employee contributions to the state-run Central Provident Fund (CPF) has provided leverage on employer costs which it has used in times of recession, including the present one. The HRM orientation of Singapore's employment relations too may be a complementary asset to government levers such as the CPF in the current circumstances.

In East Asia generally human resource managers are involved in devising strategies for corporate survival involving lay-offs whereas two years ago their attention was focused on recruitment, retention and productivity.

The circumstances of Singapore's dependence on multinational corporate investment led the PAP Government to take the initiatives in configuring and re-configuring employment relations on a national scale. It only cautiously moved the locus of control to the workplace with its decision to restructure the economy in 1979, a process which it has continued with characteristic pragmatic accommodation to changes in the economic environment. In contrast, although Korean governments sponsored a trade union organisation, adopted well defined labour codes and directed their investment policies, it has been the *chaebol* which have developed the policies and practices of employment relations. For instance, whereas in Singapore the state provides and regulates workers' housing and other facilities, in South Korea, company towns such as Woosan (Hyundai) and, in the public sector, Pohang (POSCO), house and service employees. On the other hand, Hong Kong's trade unionism with its divided allegiances and freedom to proliferation its organisations under the Labour Department's 'positive non-intervention' was never a force that the colonial administration felt it might need to control by incorporation along the lines of the other three NIEs.

TAIWAN: THE KUOMINTANG IN RESIDENCE

Robins (1998) traces the stages of Taiwan's economic development through the following stages: 'Import substitution, 1950-60'; 'Export-led industrialisation (1960-73)'; 'Deepening of the industrial base, 1973-80 (secondary import substitution)'; 'Towards innovation, higher technology and higher value, 1980-present'. Taiwan's first EPZ was established in 1966, at Kaoshiung. Others were established in 1969. Most EPZ employees in Taiwan have been women, in the past sometimes pressured to remain single by employers. Because of rising labour costs as Taiwan successfully industrialised, many factories relocated to EPZs in cheaper labour countries, and those remaining keep their costs down by employing migrant labour.

Throughout its industrialisation Taiwan, like South Korea, has had state controlled trade unions. The Kuomintang Government-endorsed Chinese Federation of Labour (CFL) and its enterprise affiliates came to fulfill a paternalistic welfare function but, also as in South Korea, an alternative labour movement emerged in the mid-1980s to that associated with the Government. The effect of labour legislation (the Labour Standards Law, and the Arbitration Disputes Act 1988) and the new found strength of the labour movement, demonstrated as much by the capture of executive committees with allegiance to the Kuomintang as by forming new union federations in the 1980s, have contributed to a new climate of industrial relations in Taiwan (Wilkinson 1994: 144-149). However, in the 1990s the fortunes of a labour movement involving a Labour and a Workers' party declined, although in 1994 pressure for reform of labour legislation came from a Committee of Action for Labour Legislation which included in its representation the National Federation of Independent Trade Unions (NAFITU).

The difficulties Taiwan's trade unions have in maintaining the momentum of the late 1980s has been attributed to structural characteristics of the Taiwan economy:

Despite these new developments, the unique characteristics of the Taiwan economy, such as the predominance of small businesses and the heavy involvement in international trade, the seniority wage system, and the economic superiority of white-collar workers, have made it difficult for trade unions to make significant inroads into workplaces. If there is any role for trade unions in Taiwan's future, it will be in the area of employee training and employee benefit coordination among small firms as workers move frequently from firm to firm. The movement towards capital- and skill-intensive industries will make human resource management increasingly important as workers develop more specific skills, require more training, and cost more to retain. Trade unions can also play an important role in the area of occupational safety and health by serving as a watchdog and making sure their employers comply with the safety standards set by the government. (Lee 1995).

Taiwan's Council of Labour Affairs (CLA) was established in 1987, and, according to its Chairman, adheres to the ideal of 'labour-management cooperation, co-existence and co-prosperity' (Chan 1998: 2). Its emphasis is still on welfare but there is acknowledgement that socio-economic change, globalisation, regional alliances and information technology

have an impact on the government's labour policy. Its priorities for the 21st century are listed as follow:

First, strengthening the work safety of labourers and boosting the benefit of occupational disaster in insurance. Second, increasing the job opportunities for aborigines and women. Third, establishing a sound employment security system. Fourth, working out a a reasonable and also feasible labour retirement system. Fifth, fortifying the management on alien labourers and reducing their negative effects. Sixth, resolving effectively labour-management disputes. Seventh, tightening the legal system of the labour to thoroughly protect their rights and interests. (Chan 1998: 3).

Managing foreign workers has preoccupied the Taiwan Government for a number of years. As with the other Asian NIEs, the tight labour markets of the 1980s and 1990s have attracted migrant workers from within the region.

An important and substantial labour migration in the East Asian region has been of female domestic helpers from the Philippines – and to a lesser extent from Thailand, Indonesia, and the Indian sub-continent – to the NIEs, especially to Hong Kong and Singapore. The supply of overseas domestic helpers enabled mothers to join the labour market; indeed, it was public policy in government interventionist Singapore to encourage well-educated women both to have families and apply their qualifications to the economy (Wilkinson and Leggett 1995: 11-12). However, the Asian economic crisis has reduced the demand for domestic helpers and led to pay cuts, such that in February this year Filipina domestic helpers in Hong Kong publicly protested at a five per cent drop in their minimum wage (*Far Eastern Economic Review* 18 February 1999: 18-19). Hong Kong's Filipina domestic helpers have a visible presence in Hong Kong and, in contrast to their compatriots working in Singapore, an audible one as they have campaigned for improved working conditions on May Days in the 1990s.

Taiwan's migrant workers have come from Thailand, Malaysia, the Philippines and Indonesia, mainly as unskilled workers in construction, manufacturing, seafaring and domestic service. The NIE governments have regulated the supply of migrant labour through visa and employment passes, through the licensing of labour agencies and, in the case of Singapore, severe punishments for migrants overstaying and employers for illegal hiring. The policy is to supplement the national workforce, not to replace it. The Taiwan authorities appear to share their Singapore and South Korean counterparts' concern that foreign workers from sources which culturally are significantly different may disturb the social homogeneity of their own countries.

MALAYSIA'S WAY

The employment relations policies of East Asian industrialisers', including Malaysia, Thailand and the Peoples Republic of China, have attracted attention in the 1990s as they have echoed the experiences of the Asian NIEs. These countries were seen as caught in a low wage trap with competition from below and exclusion from higher value added markets from above (Deyo 1995: 23). Both Malaysia and Thailand have been severely affected by the 1997 Asian financial crisis, but the Malaysian Government has reacted by

resisting rather than complying with IMF formulae for recovery, a response which has resulted in a serious political crisis.

Before the 1997 Asian financial crisis, the Malaysian Government, following Singapore's example, sought to avoid the low wage trap by attracting high-technology, high-value-added production through national employment relations policies. The intention was to raise Malaysia to an industrialised economy by 2020 (Kuruvilla and Arudsothy 1995: 184). To this end competition in the private sector and revitalisation in the public sector were changing employment relations practices (Kuruvilla 1995: 59-61). Unlike Singapore, Malaysia does not have a single union federation to act as a transmission belt to inform and mobilise the workforce to meet national industrial imperatives. Traditionally, the Malaysian Trades Union Congress (MTUC) and its affiliate, the National Union of Plantation Workers (NUPW) had been the face of manual workers and the Congress of Unions of Employees in the Public and Civil Services (CUEPACS) of white-collar workers in Malaysia. However, the Malaysian Government initiated the Malaysian Labour Organisation (MLO) with a view to it becoming more occupationally representative of Malaysia's industrialised future than were the traditional federations (Ramachandran 1994; Kuruvilla 1995: 55-56). Electronics workers, as employees of that industrial future, had only been permitted to unionise in 1988, when they quickly formed the National Union of Electronics Workers. Employers in the electronics industry in Malaysia have not willingly accepted even house unions and the Malaysian Government has been ambivalent.

The MTUC did attempt to organise women EPZ workers but has not been so successful because it is not itself structured to represent women workers' interests. Most of Malaysia's EPZ employees (about 150,000) are unmarried Malay women, often from rural communities who, as they do in Indonesia, see their employment as a liberating opportunity. However, the cultural dislocation and repetitive, monotonous work can be stressful and has at times resulted in mass hysteria (*Asian Labour Update* May-July 1995: 12-13). Foreign workers in export-oriented industries in Malaysia are to be allowed to stay, although, as a result of the Asian economic crisis, some 850,000 out of two million foreign workers in Malaysia are not getting their work permits renewed (*Far Eastern Economic Review* 22 January 1998: 23).

THAILAND'S LABOUR INTENSIVE INDUSTRIALISATION

In the late 1980s and early 1990s, the Thai economy was achieving an annual average growth rate of about 10 per cent, mostly driven by export-oriented manufacturing, especially of textiles. However, liberalising trade in ASEAN and within APEC, among other developments, exposed Thailand's labour-intensive manufacturers to cheaper labour competition resulting in the short run in the adoption of a range of cost-cutting measures. However, the 1997 Asian financial crisis can be expected to prolong these initially short-run measures. Among the measures have been mechanisation and diversification, relocation to cheap-labour sites, non-compliance with minimum wage and standards legislation, casualisation and subcontracting to households. Although some employers adopted long-term strategies of flexibility and quality enhancement, these were confined to a few companies—mainly in engineering—and are unlikely, without the government's backing to be carried over to other sectors (Deyo 1995: 26-36).

Thailand has been among the locations for Hong Kong manufacturers seeking cheaper labour than had become available in Hong Kong. Hong Kong entrepreneurs became the world's leading producer of toys in the 1980s, but in the 1990s they were sub-contracting the manufacture of globalised favourites such as Batman figures, Barbie Dolls and Ninja Turtles, to local factories in China, Thailand, Malaysia, the Philippines, Macao and Indonesia. Employment standards are not always enforced by the local governments and working conditions in the factories are often hazardous, which in the case of a toy factory in Bangkok in 1993 resulted in the deaths of 189, mostly young women, workers in a fire.

In the 1990s Thai workers have been restricted from forming trade unions and taking industrial action, and in tripartite institutions, the government representatives tend to side with the employers. Thus pay cuts were achieved by the employers' Federation of Thai Industries in designated areas along the borders with Burma and Laos, areas intended to attract migrant workers. These migrant workers are now being repatriated as a result of the Asian economic crisis. In June 1998 it was estimated that Thailand was host to one million illegal workers, most from Burma, but also from Cambodia and Laos (*Far Eastern Economic Review* 22 January 1998: 22-23).

As with most other countries in this survey, Thailand's economic growth has depended on export-oriented manufacturing, and in the EPZs electronics is the most common industry. The composition of the workforce in Thai export-oriented manufacturing is 90 per cent female and is not inactive in campaigning for benefits and wage increases in spite of the threat by employers to move their operations to China or Vietnam.

In the 1980s, professional employment relations management was infused into medium-sized and larger business establishments in Thailand, particularly among foreign-owned companies (Supachai 1993: 265). When, in 1989, Lawler and Atmiyanandana (1995: 302-315) conducted a survey of firms in Thailand, the results enabled them to classify HRM strategies according to companies' countries of origin, including Thai-owned companies. They found that Western subsidiaries of multinational firms had structured internal labour markets, paid relatively high wages, avoided unionisation and aimed at rational control and efficiency. Japanese subsidiaries, on the other hand, were more concerned with acculturation, had relatively unstructured internal labour markets, and emphasised training and employee involvement. The larger Thai family enterprises were generally owned by ethnic Chinese entrepreneurs whose control of employees was through the management of the deference that is observed to be a part of Thai interpersonal relations. In contrast, publicly held Thai corporations were nurturing a young equitable managerial elite equipped with North American MBAs, who nevertheless also exploited traditional values to control lower-level employees.

PEOPLES REPUBLIC OF CHINA SEZS

In the Peoples' Republic of China (PRC) the central planning priorities determined the state-level employment relations policies which shaped those at the enterprise level. However, subsequent reform has meant that 'the HR [human resource] policies of Chinese enterprises are driven by product-market considerations and by state-level HR policies which are being adjusted to a market-driven economy' (Verma and Yan 1995: 317-318). Labour reform has not been straightforward. For example, disputes arising from the rapid transfer of workers from lifetime to contract employment appeared to provide the trigger

for about 50 per cent of all labour disputes in the late 1980s and early 1990s. Moreover, rural migration, in spite of restrictions, has created heavy urban unemployment. (Jackson 1994). Although it was once claimed that the PRC provided some of the cheapest labour in the world to the factories being developed by expatriate, mainly Chinese, and then mostly from Hong Kong, entrepreneurs in the special economic zones (SEZs) along its coast (O'Leary 1994: 51), this is no longer the case. Consequently, Hong Kong and other Asian entrepreneurs have been moving inland from the coast and the Pearl River delta and into northern China in search of cheaper labour. One study of pay policy and wage determination in Hong Kong and Guangdong concluded that despite important differences there are now sufficient similarities to suggest an element of convergence in the region (White *et al.* 1998: 363-373).

Notwithstanding an element of convergence, according to the Hong Kong Christian Industrial Committee (*Asian Labour Update* May-July 1995) there are between 60 and 70 million workers employed in the PRC's five SEZs and 14 'open cities'. Approximately 80 per cent of SEZ workers are young, unmarried women who are housed in dormitories, as they usually are in other EPZs in East Asia. Working conditions are said to be poor, especially health and safety – a fire at a toy factory in Shenzhen adjacent to Hong Kong in 1993 killed 84 workers – but few workers are unionised. Attempts to organise unions independent of the All China Federation of Trade Unions (ACFTU) in the Shenzhen SEZ in 1993-94 were suppressed. However, in Zhuhai SEZ in 1995, Matsushita employees, aggrieved at the cancellation by management of their Chinese New Year leave, successfully organised a strike and picket.

INDONESIA'S FAILED NEW ORDER

Indonesia's economic development under Suharto's New Order Government, which had been in office since 1968, had been predicated on the supply of cheap labour to complement heavy investment in manufacturing with an increasing export orientation. The quality of employees' working lives was largely determined within a labyrinthine complexity of relationships involving the ruling elite, the military and ethnic Chinese entrepreneurs, and underpinned by the *Pancasila* (five principles) state ideology. As elsewhere in East Asia, the US government and labour groups had pressured Indonesia to reform its labour practices by threatening to revoke tariff concessions.

The official view of employment relations in Indonesia before the economic and political crises that have challenged and continue to challenge the structure of the society since 1997 is that they should be non-confrontational, and this is consistent with the tradition of *musyawarah-mufakat* (discussion leading towards consensus). Dispute resolution tribunals were established by Law No. 22 of 1957 as the *Panitia Penyelesaian Perselisihan Perburuhan Daerah* (Regional Mediation Body for Labor Conflict or P4D) and the central body, the *Panitia Penyelesaian Perselisihan Perburuhan* or P4P, but served the corporatist policies of the New Order Government.

Pressures for labour reform in Indonesia came from the USA, the World Bank and the ILO. In 1994, the International Confederation of Free Trade Unions (ICFTU) complained to the ILO Committee on Freedom of Association of Indonesia's infringement of conventions and the ILO censured the country 'for violations of trade union rights including suppression of

independent unions, intimidatory use of the military, and restrictions on collective bargaining and strike action (Upham 1995: I-31). Although in January 1994 the Government repealed a decree (Regulation 342/1986) which allowed military intervention in disputes, army intervention continued, as at Medan later that year.

Labour standards in Indonesia were perceived as a problem before 1997. Although larger firms had complied with protective labour codes, small and medium enterprises in general had not, so that labour welfare provisions had lagged development. In any case, labour standards were unlikely to follow the trends in other Asian industrially more advanced countries, such as Taiwan and Korea, because a much higher proportion of Indonesian workers were outside the formal sector—as much as 80 per cent—and Indonesia never had the tight labor market typical of the Asian NIEs (Manning 1996: 263-268).

Restriction on foreign investment in Indonesia were lifted in 1993, but the country has experienced capital investment from Japan, South Korea, Taiwan and Hong Kong since the 1970s and into EPZs since the first one, the Nusantara Bonded Zone, was opened in 1986. Manufacturing in the EPZs has been mostly of garments and shoes, by young unmarried women workers. Before the economic and political crises hit Indonesia protests over pay and working conditions broke out from time to time in the EPZs and other industrial areas of Indonesia, but were suppressed, usually by military intervention. A military organised crackdown on striking workers involving the torture and horrendous murder of a woman workplace representative in Medan in 1994 demonstrated the extent of the New Order Government's intolerance of labour activists and the resentment by ethnic Malay workers of ethnic Chinese entrepreneurs. Ethnic Chinese Indonesians make up about three per cent of Indonesia's population but are said to control about 70 per cent of the economy (*Asiaweek* 24 January 1997, 28 February 1997).

Since 1985, the only officially recognised trade union federation, apart from the 1.3 million member Indonesian Teachers' Association, has been the *Serikat Pekerja Seluruh Indonesia* (All Indonesian Workers' Union or SPSI). In 1991, environmental and human rights groups organised *Serikat Buruh Merdeka Setiakawan* (Solidarity Free Trade Union or SBMS), in effect challenging the corporatist and unitarist model of *wadah tunggal* which had permitted only one organisation for each sector of society. SBMS was banned, but in 1993 the *Serikat Buruh Sejahtera Indonesia* (Indonesian Prosperous Labour Union or SBSI) was formed with support from the American and European unions. It too was banned but survives and SPSI, in a tactical move, was restructured as an industry-based federation to give it a more respectable face internationally, in particular in a bid to achieve the sought after recognition from the ICFTU.

Social unrest remains endemic in Indonesia in spite of the resignation of President Suharto and the prospects for economic recovery are poor according to the IMF until institutional reforms are undertaken. (*Far Eastern Economic Review* 4 March 1999: 44). In this uncertainty, it is unlikely to be a favoured location for investment by Hong Kong entrepreneurs who may also be deterred by the anti-Chinese sentiment of labour and political protest demonstrations.

VIETNAM ON THE MARGIN IN EAST ASIA

Structural reforms in the 1990s in Vietnam were directed towards transitioning from a centralised planned to a market economy. A labour code was enacted in 1994. It distinguished between industrial relations in the state sector, in the non-state sector and in foreign funded establishments. The new structures led to new types of employment relations. The role of trade unions was limited and the Vietnam General Confederation of Labour (VGCL) has had to adjust its Marxist principles to the Vietnamese Communist Party's economic restructuring imperatives. Under the new labour code the capacity to strike has been constrained, the VGCL's monopoly of representation broken, and employers' prerogatives extended (Lansbury, 1994). Although the concept of tripartism was established and institutionalised in Vietnam, both employers and employees have had difficulty in understanding it and as a result, disputation and strikes over pay and conditions increased.

Vietnam has not been very successful in developing EPZs. Only Tan Thuan is functioning and it employs only just over a thousand workers, all of them women. The enterprises in Tan Thuan are mostly joint ventures, and it was in joint venture enterprises in Ho Chi Minh City that strikes occurred in the early 1990s. Since the Asian financial crisis began, Vietnamese workers have been laid off by foreign invested companies, including the Hong Kong-owned Kollan Company, which in 1998 was unable to pay all their wages to those laid off. Hong Kong manufacturing companies had been competing with investors from Taiwan and South Korea and with state-owned companies subcontracting from East Asian countries in Vietnam. (*Asian Labour Update* February-May 1998).

DISUNITY IN THE PHILIPPINES' LABOUR MOVEMENT

As with other less developed countries in East Asia in the 1990s, the Philippines was faced with the requirement to accommodate to globalisation. However, the role of labour in this accommodation has been hampered by lack of unity within the labour movement. The "moderate" Trade Union Congress and the "progressive" *Kilusang Mayo Uno* (KMU) appear to be beset with political infighting, thus inhibiting their effectiveness as a labour movement. Consequently, one might expect a diversity of employment relations practices according to the national or ethnic ownership of the employing company as has been observed in Thailand and Hong Kong. However, hypothesising that in the Philippines historical and structural factors have shaped a convergence of employment relations, Amante (1995), after comparing pay and employment in Japanese-owned, Western-owned and Filipino-owned firms, concluded that 'it is quite meaningless to attach [these ethnic-ownership terms] to universal concepts like IR and human resource approaches'.

An important characteristic of Filipino labour is its employment overseas, such that a significant component of the Philippines economy is net factor income from abroad, consisting mostly of foreign exchange remittances by overseas Filipino workers. In 1995 it was estimated that overseas Filipinos numbered 4.2 million (Department of Labour and Employment 1995). Filipina domestic helpers, as has been observed, make up a significant constituent of the workforce in Hong Kong.

In the EPZs of the Philippines, as elsewhere in East Asia, female workers are expected to be single, and although also required to be college educated, are mostly allocated the unskilled jobs, the higher skilled ones being allocated to men. Hiring for less than six

months as a means of avoiding the regularisation of employment is common among employers. Nevertheless, women workers in the EPZs have had some success at organising themselves – as the *Kilusang ng Manggagawang Kababaihan* (KMK) in 1984 – to pursue women’s specific demands at work and KMK was instrumental through striking and picketing in forcing union recognition by a joint Korean-Philippine shoe manufacturer in the Bataan EPZ (*Asian Labour Update* May-July 1995).

PEOPLES REPUBLIC OF CHINA BEYOND THE SEZs

The impact of globalisation on the PRC’s economy has deepened the disparity between areas and incomes. A difficulty is that, although the ACFTU has a long history, there is no labour organisation that can independently represent workers’ interests or bargain effectively with management. In addition, Chinese labour legislation is basic and not systematically enforced. Meanwhile, the Government has sought to transfer workers to contract employment. The transfer of workers to contract employment is one of three reforms (the others being of payments and social insurance systems) of state-owned enterprises introduced in North East China in the early 1990s. The employment relations implications are discussed by Warner (1996) who concludes that the labour contracts have served mainly to clarify duties and responsibilities and that the introduction of social insurance is intended to provide protection to workers on contracts.

Structural reforms to state enterprises, especially their reorganisation into shareholding companies, has 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 in some cases are not getting paid. Worker grievances are not without protest and labour unrest is reported to be rampant but not mobilised (*Far Eastern Economic Review* 25 February 1999: 46-48).

CONCLUSION

The foregoing review of East Asian employment relations has reflected a chronology of industrialisation which has to account for the fact that any one country cannot exactly emulate a more industrially advanced country. Thus significant differences are observable between, for example, employment relations at the workplace in Korea from the workplace in Singapore, or again in Hong Kong, although all three are NIEs and may be said to have followed Japan’s lead. Many factors account for the differences, including political history, culture, technology and government policies and ideologies. The role of the state has almost everywhere been important in defining the role of workers’ organisations and determining the legal framework of employment relations, but also important is the nature of the employer, for example, multinational, backyard workshop, or homegrown family conglomerate. Likewise, the history and quality of trade unionism differs from one country to another in spite of affiliation to regional and international federations.

Trade unions in Hong Kong were largely marginalised from the colony’s political elite – a coalition of Chinese and British business leaders and colonial administrators. Provisions for corporatist representation by labour were boycotted by the pro-Beijing wing of the labour movement, the Federation of Trade Unions (FTU) until the 1980s and the schism between the FTU and the pro-Taiwan Trades Union Council (TUC) and a liberal registration policy

fragmented the traditional labour movement so that membership growth has been in the non-affiliated unions in the public sector and in the new, independent unions and their federations in the private sector. Proactive concern for workers rights in Hong Kong has been by the Christian Industrial Committee (CIC) whose worker education programs, the promotion of trade unionism and political lobbying earned it a place in the labour movement. While state intervention in worker rights and working conditions is greater than the *laissez-faire* stereotype allows, it has done little to overcome the employers' reluctance to engage in formal collective bargaining, so that when industrial action does occur it more often than not takes the form of ad hoc protest strikes of short duration.

The militancy of trade union leaders in Taiwan has not been matched in Malaysia for several decades, and that of Korean unionists has no parallel in Singapore, and the enterprise union structure in Korea is a cause of tension in that country's industrial relations but of industrial harmony in Japan at this time.

Throughout much of the East Asian region there has been a substitution of capital for labour in production systems. To organise this on a national scale was a priority of the Singapore government from 1979; the Korean government through its relationship with the *chaebol* moved the country's economy from labour-intensive activities in the 1960s to heavy industry in the 1970s and towards electronics and service industries in the 1980s and 1990s. For the more advanced industrialised countries the cheap labour production has been shifted overseas—to the PRC, Vietnam, Indonesia, the Philippines and now Cambodia—or retained within the country by the import of cheap labour – from Indonesia to Malaysia, from the Indian sub-continent to Korea, and from Thailand, the Indian sub-continent and the Philippines to Singapore and Taiwan. Thus, competition is still maintained by the employment of cheap labour. For employment relations, the market, pro-employer labour legislation and employment passes/work permits are sufficient to maintain cheap labour quiescence. Trading bloc pressures—from the EU for example—have had an influence on employment relations in some of the more industrialised East Asian countries where labour is no longer cheap. Korea's December 1996 industrial relations legislation and subsequent stand-off between its government and trade unions embarrassed the Organisation for Economic Cooperation and Development (OECD) which Korea had just joined. For most countries in the East Asia region, however, despite their membership of regional trading blocs, employment relations issues are handled domestically or, if internationally, by quiet diplomacy.

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