Symposium on Asian Industrial Relations: Introduction

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It is increasingly apparent that models of industrial relations developed by the industrialised market economies in Europe and North America cannot be readily transferred to newly industrialising economies (NIEs) in other parts of the world. Certainly, the impact of US or European-based multinational enterprises (MNEs) have had a significant influence on the NIEs of Asia. Furthermore, the growing outward-orientation of economies in the Asian region means that they are likely to be increasingly influenced by aspects of western-based employment and industrial relations practices.

It is important to emphasise that countries in the Asian region have not adopted a uniform approach to industrial relations or other firm-related policies and practices. This is clearly evident in the case for the three countries represented in this symposium. Yet many economies in the region have shared some similar characteristics which include: a high degree of investment in human capital, a welfare-oriented state, relatively weak (and historically repressed) industrial relations institutions, a high degree of economic coordination by government and the lack of an independent trade union movement. However, in many cases, increased economic development is facilitating greater democratisation and a higher degree of labour market institutionalisation as evidenced by the emergence of minimum wage laws, health and safety regulation and independent dispute settling mechanisms. Even trade unions appear to be gaining a greater level of autonomy and influence in some countries where they were hitherto illegal.

A study of the changing nature of employment relations in newly industrialising countries of Asia, inspired by an MIT-initiated study led by Tom Kochan and coordinated by Anil Verma et al (1995), emphasised the

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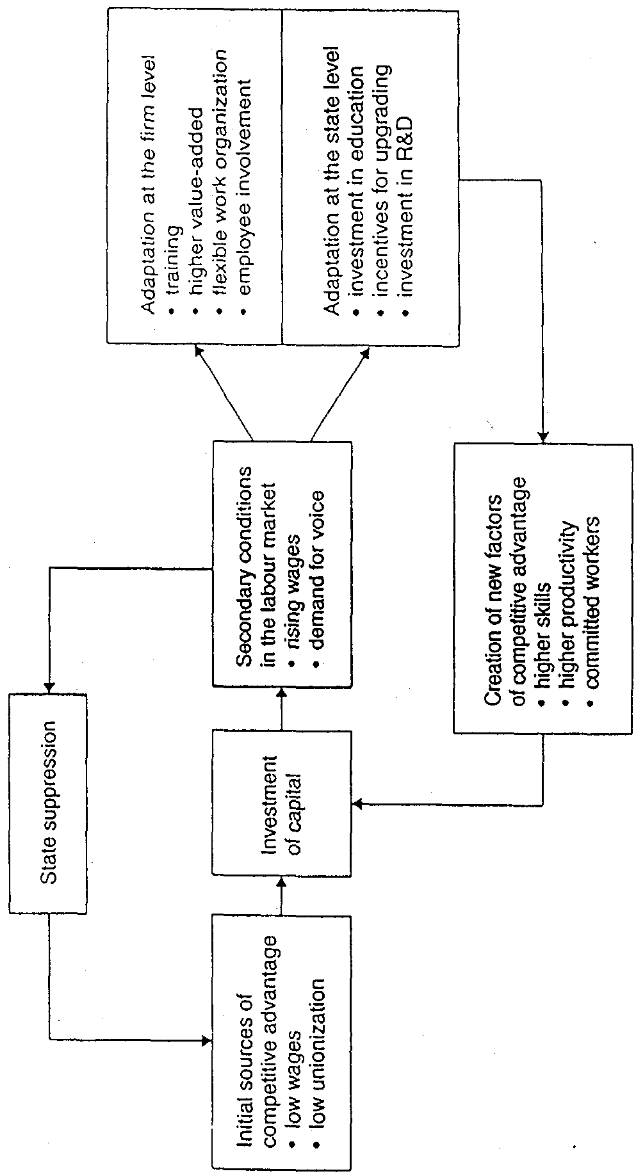
linkage between economic development and industrial relations. A series of parallel studies were conducted in eight Asian NIEs which revealed a variety of approaches being used to adjust their economic development, labour and human resources strategies to a new global economic order.[1] However, all countries faced a similar question: what is the appropriate mix of industrial relations, human resource and economic policies for adjusting to a higher value added economy? Are new state policies, company practices and union strategies needed to move to a higher wage, higher productivity strategy for further economic development?

The evidence from the research project suggests a link between the process of economic growth and policies in the area of human resources and employment relations. As shown in Figure 1, a less developed country begins the process of industrialisation by creating some initial conditions conducive to investment. In industrial relations terms, this may translate to low wages and possibly low unionisation. This situation may attract initial investments by firms which can take advantage of such labour market conditions. However, with increased investment, the initial labour market conditions inevitably change and there are pressures for higher wages and possibly unionisation. These may be called secondary conditions of the labour market because they follow the initial investment surge. However, this reduces the initial advantage which attracted the new investment in the first place, so other inducements are needed in order to retain attraction to external investors. This creates a critical juncture in the development process and places pressure on the existing industrial relations system.

The secondary conditions provide the state with strategic choices. On the one hand, it can undertake a series of measures that will maintain the advantages of the initial conditions. These policies may include wage controls, as well as the suppression of unions and collective bargaining (as has occurred in countries such as Malaysia and Indonesia). Alternatively, the state may encourage employers to link wages to productivity and to upgrade skills by investing in training and education. In the virtuous cycle, business will upgrade skills to increase value-added production which makes them more profitable and, hence, enables them to pay higher wages to their workers (Birdsall and Sabot, 1995).

Although the choices appear rather stark the state may, in practice, choose to blend the two approaches. Thus, in the case of Korea, the government has encouraged investment in human resources while suppressing some unions and favouring others (see the paper by Woo in this symposium). In Singapore, unions have been coopted into the state policy making thereby compromising their independence. While unions tend to be less suppressed in Malaysia, labour laws remain very restrictive on union

Figure 1: Strategic Choice, Economic Growth and Human Resources in Newly Industrialising Economies



Source: Verma A, Kochan T A and Lansbury R D (1995) *Employment Relations In the Growing Asian Economies*, London: Routledge, p 352.

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activity (as shown by Ariffin in this symposium). This means that it is difficult to draw a simple and unambiguous link between suppression of unions and economic growth. As Frenkel (1993) has argued, labour suppression alone is not an adequate explanation for the success (or failure) or East Asian economies. Yet it appears to be true, as noted by Deyo (1989) that 'the East Asian states have relied overwhelmingly on the utilisation and effective deployment of labour to spearhead an expansion of manufacturing exports. For this reason, labour peace, competitive labour costs and during recent years, increased productivity have been essential developmental prerequisites. The crucial importance of labour policy in East Asian industrialisation suggests an important link between EOI (export oriented investment) development strategy and labour'.

The study by Verma et al (1995) also points to the importance of examining changes in employment relations at the micro or enterprise level. As shown in Figure 1, the state can provide the basis for creating value added strategies through investment in research and development, training and education. Yet the employer plays the key role at the firm-level by providing specific skills training, new forms of work organisation and opportunities for employee involvement in public and private investments in skills development. However, most complement each other for sustained growth. While education alone will not guarantee upgrading to higher value-added production, business will be hesitant about making certain investments in the absence of an adequate public infrastructure for education and a reliable supply of skilled workers. This has been one of the key factors in the success of Singapore in attracting foreign, high-tech companies willing to pay high wages (see Tan and Chew, in this symposium).

In a wide ranging survey of East and Southeast Asian countries over the past decade, Kuruvilla (1995) shows how industrial relations policies are linked to industrialisation strategies pursued by governments. In the case of Malaysia, industrial relations policies during the first stage of export oriented industrialisation (EOI) focused on cost containment and union repression. However, with the shift to second stage EOI, industrial relations policies were altered to emphasise skills development and workplace flexibility. Kuruvilla argues that neither Malaysia nor Singapore would have been able to successfully move to the second stage of EOI unless they had focused on improving education and provided incentives for skills acquisition to upgrade the quality of human resources. Hence economic development and industrial relations are linked in many ways to form a mutually sustaining system. Industrial relations , therefore, must be viewed from a broader developmental perspective rather than analysed as a semi-autonomous subsystem.

The role of trade unions in the rapidly changing economies of Asia is uncertain. Tan and Chew distinguish three ideological choices for unions: welfarist, socialist and realist. Based on the Singaporean experience, Tan and Chew argue that the optimum role for unions to assume in the coming decades is one in which they are autonomous yet work in close partnership with the state in order to maximise the welfare not only of their own members but of the citizenry in general. Kuruvilla (1996) points out, however, that with the possible exception of Singapore, trade unions in Southeast Asia do not appear to have the institutional or political means to increase their voice at the national level. Furthermore, the almost universal trend towards decentralisation will further reduce the influence of the already weak trade unions at the enterprise level. The best prospect which Kuruvilla sees for unions is that as countries develop and adopt higher cost and higher skill-based modes of production, there will be increased opportunities for worker participation in workplace decision-making, resulting in more democratic and independent representation for the workforce, as has happened in many advanced industrialised market economies. However, this would also require legislative provisions to provide labour with a more significant voice at both the enterprise and national levels (see Davis and Lansbury, 1996).

While no 'Asian' model of industrial relations has yet emerged, it would appear that in the more advanced industrialising countries, where economic growth has been sustained, governments are seeking to accommodate secondary changes in labour markets rather than trying to retain or regain the initial advantages of low wages and low unionisation. This view is supported by studies by Leipziger and Vinod (1993) and the World Bank (1993) which have concluded that although each country in East Asia has followed its own path to development, three factors have been present in each case of accelerated growth: an orientation to markets outside its borders, macroeconomic stability and investment in human resources. Hence, while convergence can be seen in both economic terms and the goals of industrial relations policies in many of the newly industrialising countries of Asia, this convergence is being achieved through divergent methods. This is amply illustrated by the three countries represented in this symposium.

Notes

1. The eight countries are China, Hong Kong, India, Korea, Malaysia, Philippines, Singapore and Taiwan.

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