



INDUSTRIAL RELATIONS AND GLOBALIZATION: CHALLENGES FOR EMPLOYERS AND THEIR ORGANIZATIONS

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1 Executive Summary

To understand the range of industrial relations (IR) challenges that employers and their organizations are likely to face in Asia and the Pacific during the next decade, it is necessary to appreciate the current as well as historical factors which have shaped and are shaping such relations in the region.

During the 1990's, the new demands of international competition and dramatic advances in technology - the forces of globalization - have changed substantially the nature and operation of the "market place", and how production is organised, in many industries across the world. Individual enterprises are now being required to innovate to provide "the right product, at the right price and time".

These requirements are placing considerable demands on employers and their enterprises to develop and implement new strategies, structures and processes. There is an increasingly strategic role for industrial relations (IR) within the enterprise, as much of what has to be done involves significant changes to traditional practices in this and the related area of human resource management (HRM). The result has been that the nature of IR is changing in many enterprises. A new approach is emerging, relying on a broader concept of employment relations.

This new approach is based on a range of IR and HRM practices directed to improving the flexibility and skills of the workforce, within an environment which emphasises communication, cooperation and trust between managers, workers and their representatives. Adoption of this approach, however, has been neither universal nor uniform. It has been particularly pronounced in industrialised countries, and is increasing in industrialising countries. But both the forms it has taken and its spread, has varied considerably within industries and across regions in the same country, and among countries and regions having different industrial relations policy, legal and institutional frameworks and traditions.

Within this new economic and industrial environment, the situation in Asia and the Pacific presents a range of contrasts - from the generally strong but variable economic performance of the advanced

countries in North, East and Southeast Asia and the Southwest Pacific, to the rapidly industrializing countries in Southeast Asia, the accelerating growth in South Asia, and the special situations of the countries in transition and the island states of the South Pacific.

Much more than any other previous influence, globalization is emphasising the importance of IR to industrialization and economic development in the region. It is creating new challenges for, as well as highlighting old tensions among, governments and the social partners. It has also brought with it a number of strategic opportunities, if the parties can take advantage of them, to improve the prospects of enterprises and workers and to position the region for a period of continuing strong economic growth and development into the twenty-first century.

Employers, as the force driving economic changes, and their organizations have to take the initiative to develop a reform agenda which can deliver these benefits. This will require a strategy directed to improving employment relations and which seeks changes in attitudes and behaviour in the workplace and addresses the key issues of skills development, compensation, work organization and flexibility, and cross-cultural management.

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2. Introduction

This paper examines industrial relations (IR) trends and developments in Asia and the Pacific, particularly in terms of the challenges employers and their organizations are facing and will face during the next decade. The paper does this against the background of an explanation of the changing nature of IR, how IR are developing in the global context, as influenced by the forces of globalization and liberalization, and the particular historical and current factors which are influencing those relations in the region. The paper then identifies a range of issues which employers and their organizations will need to consider in developing appropriate strategies to respond effectively to the challenges they now confront.

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3. IR in the global context

(a) IR - a definition

"IR" may be defined as the means by which the various interests involved in the labour market are accommodated, primarily for the purpose of regulating employment relationships.

IR is essentially collectivist and pluralist in outlook. It is concerned with the relationships which arise at and out of the workplace (ie, relationships between individual workers, the relationships between them and their employer, the relationships employers and workers have with the organizations formed to promote and defend their respective interests, and the relations between those organizations, at all levels). Industrial relations also includes the processes through which these relationships are expressed (such as, collective bargaining; worker involvement in decision-making; and grievance and dispute settlement), and the management of conflict between employers, workers and trade unions, when it arises.

These relationships and processes are influenced by the government and its agencies through policies, laws, institutions and programmes, and by the broader political, social, economic, technological and cultural characteristics of each country. The IR policy, legal and institutional framework in a particular country is developed through bipartite consultative processes (ie, between employer and worker representatives, and by them, individually, with government) and tripartite consultation and cooperation (involving government and the social partners).

IR outcomes are a series of rules which apply to work, setting down minimum (and other) wages and terms and conditions of employment for workers. These employment conditions can cover hours of work, leave, training, termination of employment and the like, as well as issues related to occupational safety and health, social security (sometimes), and conditions applying to special categories of workers. These rules also define the roles and responsibilities of the parties, individually and collectively (eg, through legislation; collective labour agreements; decisions by arbitrators and courts; and enterprise work rules).

IR processes or arrangements have traditionally been expressed through the individual employment relationship and collective bargaining, and have a mediative function. They are directed to achieving a compromise between "market forces" (which seek to set the price and quantity of labour) and intervention in the market place by employers, workers and their representatives (and by government and its agencies, for political and social reasons) which establishes the various types of rules (noted above) which govern the employment relationship.

The essential rationale for intervention is three-fold - firstly, the right of those involved and affected by decisions in the marketplace to participate in resolving employment relationship issues; secondly, the function of freedom of association and collective bargaining in redressing the balance of power between "capital" and "labour"; and, thirdly, to prevent labour exploitation (eg, sweated and child labour). The relative "balance" between the role of market forces and intervening IR arrangements in regulating employment relationships will vary between countries.

(b) IR and HRM

IR can be distinguished from HRM, which is essentially a bipartite process, not involving the State. The traditional emphasis of IR has been to achieve collective outcomes at national and/or sector/industry levels which are then applied to each enterprise. HRM is focused directly at the level of the enterprise and seeks to align the interests of managers, individual workers and groups of workers around certain mutually agreed corporate objectives, in order to achieve competitive advantage in the market place. The values underlying HRM policies and practices are essentially individualistic and are concerned with maximising organizational integration, worker commitment, workplace flexibility, efficiency, innovation and quality. Considerable emphasis is therefore placed on staff selection and induction, leadership and motivation, ongoing training and development and intrinsic and extrinsic rewards to improve individual and group performance.

HRM presents a challenge to IR, because it can operate to undermine the role of trade unions at enterprise level by emphasizing the primacy of the relationship between managers and individual workers. In reality, however, it is possible to harmonize IR and HRM policies and practices in ways which can strengthen outcomes for both. This issue which will be discussed again later in the paper.

(c) Liberalization, globalization and IR

The above situation reflects the "normal" pattern of labour market activities governing employment relationships in industrialized and industrializing countries until recently. But a number of destabilizing influences have now emerged, and have coalesced around the forces of liberalization and globalization.

(i) Overview

The move towards market orientation (liberalization) in many countries has been reflected in deregulatory policies by governments, including the reduction of tariff barriers, facilitating the flows of capital and investment, and privatization of State owned enterprises. Liberalization has preceded or been forced by globalization (involving greater integration in world markets, and increased international economic interdependence). Both phenomena have been facilitated by the significant growth in world trade and foreign direct investment in recent years, and by information technology which has facilitated rapid financial transactions and changes in production and service locations around the world.

Recent data (1991-93) indicates that about two thirds of the inflow of foreign direct investment (FDI) is to advanced industrialised countries, which are also the source of some 95% of the outflows of such investment (UNCTAD 1994:12) . The most significant sources of FDI are multinational corporations (MNC's) based in the US, Japan, UK, Germany and France.

During the period 1981-92, FDI valued at \$US203 million flowed to the ten largest developing and newly industrialising countries (This represented 72% of the total FDI to such countries). The ten countries or territories concerned were (from highest to lowest): China, Singapore, Mexico, Malaysia, Brazil, Hong Kong, Argentina, Thailand, Egypt and Taiwan [China] (UNCTAD 1994:14). The proportion of East Asian countries in this group is notable, as is the growing significance of Singapore, Taiwan [China] and Korean MNC's as investors in China and other Asian developing countries. In this regard, between 1986-92, about 70% of FDI flows into China, Indonesia, the Philippines and Thailand, originated in other Asian countries, with about 18% coming from Japan and 50% from Hong Kong, Singapore, Taiwan [China] and Korea (ILO/JIL 1996: page 3, note 2). The flow of FDI within the region can be expected to increase with the further development of the trading areas constituted by the Association of South East Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC).

(ii) The relevance of globalization to IR - a summary

Increasing international economic interdependence has disturbed traditional IR arrangements in several broad ways.

Firstly, such arrangements have normally been confined to the circumstances created by national markets; but globalization has fundamentally changed, and considerably expanded, the boundaries of the market place. In this respect, the extent of information flows made possible by new technology is building inter-enterprise networks around the world, is calling into question the traditional boundaries of the enterprise and is eroding current IR arrangements.

MNC's are the primary driving force for change. They are organizations that engage in FDI and own or control productive assets in more than one country (Frenkel and Royal 1996a:7). They are creating very complex international production networks which distinguish globalization from the simpler

forms of international business integration in earlier periods. As producers of global goods and services (notably, in the area of mass communications), centres of networks and large employers, MNC's have an impact extending far beyond urban centres in the countries in which they are located. In addition to the activities of MNC's, many locally-based enterprises, of varying sizes, in many countries are using information technology to focus on the demands of international (and domestic) "niche" markets in a way which is contributing to a growing individualization and decollectivism of work.

Secondly, globalization has disturbed the status quo between "capital" and "labour" in each country, in the sense that capital is significantly more mobile in an open international environment, while labour remains relatively immobile (here it should be noted that, under globalization, international labour migration is continuing, but, proportionately to the rate in the 1970's, has not increased - see World Bank 1995: 53). This can place "labour" at a relative disadvantage, in that "capital" can now employ "labour" in different countries, at lower cost and on a basis which can prejudice the continuing employment of workers in the originating country.

Thirdly, globalization is having a contradictory impact on IR. It is accelerating economic interdependence between countries on an intra- and inter-regional basis and encouraging similarities in approach by individual enterprises in competitive markets. This may lead to some convergence in industrial relations arrangements around the world. At the same time, there is clear evidence of resistance towards convergence, based on particular national and regional circumstances (eg, in Europe and Asia). This aspect will be considered later in the paper, in relation to Asia and the Pacific.

(iii) The role of MNC's

The principal focus of the changes taking place in response to globalization is at the level of the individual (predominantly, private sector) enterprise. MNC's have had and will continue to have a key role in these changes (see below), although this role should not be overestimated (Kuruvilla 1997:5-6). UNCTAD estimates that, globally, there are about 37,000 MNC's having over 206,000 affiliates. Over 90% of MNC's are based in advanced countries, with nearly half of all affiliates in newly industrializing and developing countries (UNCTAD 1994: 3-5).

MNC's are a major employer of labour. Globally, approximately 73 million persons are employed by these enterprises. This constitutes nearly 10% of paid employees engaged in non-agricultural activities worldwide, and about 20% in developed countries alone (UNCTAD 1994: xxii - xxiii). Compared with the position in parent enterprises, there has been a substantial increase in employment in MNC foreign affiliates, particularly in developing countries, during the 1990's. The World Bank estimates that MNC's employ in the order of 12 million workers in developing countries, but affect the livelihood of probably twice that number (World Bank 1995: 62).

What is the impact of MNC's in local markets, particularly where they are competing for workers? And what is their relationship with trade unions? Available evidence suggests that larger MNC's generally pay more than local firms and at least match or exceed working conditions and other employment benefits in the local labour market (UNCTAD 1994:198-201). While there are still disturbing incidences of "fly by night" MNC's, an increasing number of MNC's are emphasising their social responsibility, which reflects itself in a basic commitment to workers' welfare and "guiding" the employment practices of subcontractors and joint venture partners (UNCTAD 1994:325-27). This role is being reinforced through promotion of the ILO's

Tripartite Declaration and the OECD Guidelines concerning Multinational Enterprises, and, more recently, through industry codes of conduct on labour practices in various countries. MNC relationships with trade unions are influenced both by labour-management relations in their country of origin and circumstances in their host country. In general, it seems that MNC's prefer not to recognise trade unions or to bargain with them; but normally do so where it is required (eg, by legislation). Where MNC's appear to be predisposed towards trade unions, it is usually towards unions based in the enterprise. Overall, MNC's vary considerably in their IR/HRM strategies, and this an important area for future research in Asia and the Pacific.

(iv) Information technology and IR

The impact of changes in information technology on the organization of production and work at enterprise level - the IR heartland - provides a specific example of the forces encouraging and supporting globalization. The discussion which follows reflects the situation - currently or developing - in many western industrialized countries, and in the more advanced Asian countries. It is a trend which is likely to spread more generally across the Asia and Pacific region with increasing industrialization and the impact of globalization.

Increased competition in global (and in many domestic) markets has created demand for more specialised, better quality items. This has led to higher volatility in product markets and shorter product life cycles. These circumstances require enterprises to respond flexibly and quickly to changes in market demand.

In terms of the organization of production, new technologies are increasing the scope for greater flexibility in production processes, and are resolving information/coordination difficulties which previously limited the capacity for production by enterprises at different locations around the world.

Where enterprises are servicing more specialised markets, smaller and more limited production processes are now involved. New technology has also made it possible to produce the same level of output with fewer workers. In both situations, there is increased emphasis on workers having higher value capacities and skills to perform a variety of jobs. This has blurred the distinctions (both functional and hierarchical) between different kinds of jobs and between labour and management generally. In addition, efforts to improve products (through innovation, quality, availability and pricing) have led enterprises to establish cross-functional development teams, transcending traditional boundaries between engineering, manufacturing and marketing. These developments have been accompanied by the erosion of the standardized, segmented, stable production process (of the "Ford" type) which had facilitated collective IR. In many industries and enterprises there are also fewer workers available to be organized in trade unions.

Another area of enterprise activity to be affected by globalization concerns the organization of work. To achieve the flexibility and productive efficiency required to respond quickly and effectively to market changes, narrow worker job descriptions are having to be re-written. This is resulting in work tasks based on broader groupings of activities, emphasising the undertaking of "whole" tasks. In the interests of greater efficiency, work is also being re-organized, giving greater emphasis to team-based activities, and re-integrated with a view to improving linkages across units and departments within an enterprise.

Related changes have seen a "flattening" of management hierarchies and devolution of greater operational responsibility and authority to lower level managers, supervisors and work teams. In this process of adaptation, many enterprises have been increasingly relying on internal and external

"benchmarking" to establish and maintain "best practice", and to emphasise "organisational learning" (ie, applying lessons related to superior performance to the work of individual managers and workers). All of these changes are directed to achieving stronger commitment by workers to the enterprise and its objectives and closer relations between managers and workers, based on consultation and cooperation.

Finally, enterprises have been seeking to "rationalise" their operations to strengthen further their competitiveness, by reducing costs (including both wage and non-wage labour costs). Responses have included identifying core functions (ie, those which define its essential rationale and competitive edge and must be maintained), and subcontracting (or reconfiguring existing such arrangements) for the performance of peripheral functions outside the enterprise; substituting technology for labour; and "downsizing". Strategic alliances and company mergers have also increased markedly during the past decade. This has made the employment environment for workers in the formal sector in many industrialized, and increasingly in industrializing, countries much more unstable.

(v) The impact of other trends

To these developments must be added other changes which have been taking place to the IR environment in many countries, and as a result of broader societal changes. The impact and the pace of these changes has varied from country to country, and will have varying impact in the Asia and Pacific region. They include the continuing shift in employment from manufacturing to service-oriented industries, accompanied by a shift from traditional manual occupations to various forms of "white-collar" employment. Also, public sector employment (in both line Ministries and state-owned enterprises) continues to decline in most countries.

Broad social developments in many countries have also witnessed the increasing incidence of women in the labour force. This has been combined with growing demand for atypical forms of employment (eg, part-time, temporary and casualemployment; and home work, in the form of certain kinds of process work and, increasingly, telework).

All of these changes have affected IR, and are likely to continue, to a greater or lesser extent, in individual countries. The manufacturing and public sectors in many countries have been the traditional base of support for trade unions. They are now experiencing considerable difficulties in maintaining and increasing membership, as the source of growth in many economies is increasingly coming from a services sector whose workers (many of whom are women) have demonstrated a reluctance to join unions.

(d) The changing nature of IR - a re-definition?

As noted previously, IR is not a self-contained area of activity. It can only be understood clearly by reference to the persons, groups, institutions and broader structures with which it interrelates (including, for example, changing product markets, the processes of labour market regulation, and the education and training system) within a particular country, as well as to influences arising from beyond its borders.

The development of global enterprises, the changes occurring in the course of industrialization and the impact of new management systems (particularly, HRM) require a broader perspective to be taken on employment relationships.

The scope of IR must now be viewed as extending to all aspects of work-related activities which are the subject of interaction between managers, workers and their representatives, including those which concern enterprise performance. But issues which are critical to the manner in which an enterprise operates - such as job design, work organization, skills development, employment flexibility and job security, the range of issues emerging around HRM, and cross-cultural management issues - have not until recently been considered as part of labour-management relations; and, in many cases, they have not previously been made the subject of collective bargaining or labour-management consultation. But this situation is changing, and has been particularly noticeable in Western industrialized countries.

A broader approach to IR would seek to harmonize IR and HRM, by expanding the boundaries of both fields. In particular, IR will need to address, much more than it does currently, workplace relations - and people-centred - issues, and recognise that it can no longer focus only on collective relations. Given the range of issues which should now be the subject of labour-management exchange at enterprise level, it may be that a different, more all embracing expression (for example, "employment relations") might be used to describe these relations.

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4. IR in Asia and the Pacific

(a) The historical context

(i) General

To understand the present IR environment (ie, issues, priorities and strategies) in Asia and the Pacific - which will be dealt with in the next section - it is necessary to appreciate the great diversity of circumstances in the region. IR are shaped by the political, economic and cultural context in each country, and are reflected in the particular policy, legal and institutional framework and relationships between government and the social partners. In most countries in the region, however, relations between managers, workers and their representatives are still viewed from the more limited perspectives of traditional IR.

It is a fact that labour legislation and institutions in many countries in the region have been influenced, to a greater or lesser extent, by those of a number of Western countries. The growing outward-orientation of Asian and Pacific economies means that this process is likely to continue. But the IR systems which have developed and continue to evolve in the region have not been based on the same circumstances and values as those which shaped these systems in the West.

This section will not attempt to provide a detailed overview of the IR arrangements in individual countries in the region. Nor will it compare and contrast the features of Asian and Western IR systems. It will, however, attempt to record (although in a general manner) the main characteristics of IR systems and enterprise-related policies and practices in the region.

These characteristics are described in the following paragraphs, but can briefly be summarized as: a high degree of economic planning and coordination by governments to encourage and facilitate industrialization; an emphasis on labour relations as a means of preventing or minimizing industrial conflict; reasonably comprehensive (but narrowly focused) labour protection and relations

legislation, accompanied by relatively weak IR institutions and processes; the lack of strong and independent trade union organizations; and the need for stronger employers' organizations. More recently, increasing economic development in the region has facilitated democratization in a number of countries and greater attention is now being given around the region to the development of labour market institutions and laws. In particular, the demands of an increasingly more competitive business environment has required greater emphasis to be given to investment in training and skills development. Trade unions have also been gaining a higher degree of autonomy and influence in some countries, though overall within the region their position, for various reasons, continues to weaken.

(ii) Economic development and industrialization

With some exceptions where industrialization was led by private enterprise (eg, Australia and New Zealand), the State has always had a strong role in the economic sphere in the region (this has been evident since colonial times, and delayed the emergence of private entrepreneurs who might have promoted industrialization). However, the role played by government has varied from one country to another. For example, in Japan and Korea, the State influenced decisions on the location and type of investments in industry. In Southeast Asia, the State's role has been more facilitative, establishing the conditions necessary to attract development-related investment. In South Asia, particularly India and Pakistan, the State has traditionally led economic development through large state-owned enterprises.

The existence of clear strategies promoting industrialization has been the second significant feature of economic development in the region. From the outset, containing labour costs and encouraging domestic and/or foreign investment were key factors in government policies. This strategy emphasised the role of the State in labour relations as being to prevent or minimize conflict, through third party intervention external to the enterprise (ie, via conciliation, arbitration and labour courts). It also influenced official attitudes (particularly, in Southeast Asia) towards trade unions, including, in some countries, applying a policy of non-involvement of unions in government development strategies. However, the position in South Asia was different, where union multiplicity and politicization was actively encouraged by political parties. There was also a difference between subregions in terms of the attention given to workers' protection. From the outset, efficiency considerations in industrialisation in Southeast Asia were often given higher priority than the need for adequate workers' protection. By contrast, in South Asia, labour legislation was very protective of workers, to the extent that employers were subject to considerable restrictions in their capacity to transfer or dismiss workers.

It should also be noted that many developing countries in the region had (and, in some cases, continue to have) a dual-economic structure. This has been based on rural agriculture, accompanied by a large and growing urban informal sector. These characteristics meant that there was no large urban working class in many countries. This restricted the potential membership of trade unions and, in a number of countries, continues to prevent them from having relatively equal bargaining power with employers. This situation has been compounded by government actions directed to "influencing" the official trade union movement and its activities. In this respect, a number of countries have restricted the formation of unions and the scope of bargaining, and retain the right to intervene in the bargaining process and in industrial disputes, in a wide variety of circumstances. This situation is now beginning to change (see below).

(iii) Industrialization and IR policies

There has been a close link between industrialization strategies, IR policies and enterprise level IR/HR practices in the region (see, for example, Kuruvilla and Venkataratnam 1996).

In East and Southeast Asia, most economies have followed an export-oriented industrialization strategy. By contrast, in China and South Asia the industrialization strategy has, until recently, focused inwards on import-substitution. Within each strategy there has been variable practice between countries. There has also been a progression from import-substitution to export-oriented industrial activities in those countries involved. IR policies and practices have changed as countries have progressed from import-substitution to export-oriented strategies, and as countries have moved to more sophisticated levels of export activity.

In fact, the following pattern has been discernable. In the import-substitution stage, the governments concerned have tended to be protectionist in approach, but have not restricted IR to any significant extent. However, this approach has tended to produce inefficiencies and relatively high labour costs. In the early export-orientation stage, experience has shown that the emphasis shifts to achieving competitiveness in export markets through measures to ensure a compliant labour movement and favourable labour costs for foreign investors. However, later export strategies have seen a change of focus away from containment of labour costs and some easing of restrictions on trade unions, followed by a reduced role for the State through decentralization of IR/HRM responsibilities to enterprise level; increased emphasis on education and training policies to raise the skill levels of the workforce; and a rush to develop flexible, productive, high performance workplaces.

Apart from its effect on macro-level IR/HRM policy, industrialization strategies have been shown to affect the nature of IR/HR practices in enterprises (see, for example, Kuruvilla and Arudsothy 1995).

In this regard, there is evidence of differences in IR/HR practices between the import-substitution and export-oriented sectors. The import-substitution sector, which is protected from external competition, does not face the same imperatives as the export-oriented sector to develop competitive practices in these areas. In addition, the export-oriented sector tends to be heavily dominated by foreign investment, which has led to rapid diffusion of competitive IR/HR practices in investment-receiving countries, particularly, through the influence of MNC's. Over time, this may in turn influence IR/HR practices in the import-substitution sector.

(iv) IR arrangements - regional divergence

While there has been considerable commonality over the years in the macro level IR policy objectives followed by many countries in the region, the legislation, institutions and processes used to pursue these objectives have been quite divergent. This can be illustrated by reference to legislation governing labour standards and protection and the detailed contents and application of IR policies (eg, the arrangements for and scope of collective bargaining, union organization and structures, and restrictions on industrial action).

Labour standards and protection

Most Asian and Pacific economies have very similar - and, generally, quite advanced - legislation establishing minimum terms and conditions of employment for workers in the formal sector. Often this reflects an inheritance from former colonial administrations. But much of this legislation has traditionally been relatively narrowly focused and restrictive. This does not reflect a view that IR is not important to national economic development; it is more a lack of understanding that IR can make a creative contribution to realise this development, through appropriate policy and legislative frameworks and attitudes. There is also a very wide variation in the extent to which compliance with labour standards and protection laws has been achieved around the region. This is because the labour inspection, education and enforcement functions, along with other functions, in many Ministries of Labour have remained weak and underdeveloped. Therefore, for many workers in the region, the protections provided in legislation have not been guaranteed in practice.

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In this area, the differences in policies, laws, institutions and practices are quite marked across the region, as the following issues illustrate:

- Bargaining

In the past, both centralised and decentralised approaches have been followed, but the situation is now changing. Australia, New Zealand and Singapore (and Korea and Taiwan/China, until the democratization period) have traditionally had centralised collective bargaining arrangements, applying wage increases on an economy-wide basis (although the actual mechanisms to achieve this varied from one country to another). In most other countries, more decentralized bargaining arrangements have applied at the industry and/or enterprise levels.

During the past decade, the trend has firmed substantially in favour of a more decentralized approach. Each of Australia, New Zealand and Singapore have abandoned centralized wage fixation, in favour of more flexible bargaining arrangements recognising the different competitive circumstances faced by individual industries and enterprises.

In a number of countries in transition (eg, China and Mongolia) legislation is still being developed or has to be developed (eg, Lao PDR) to provide a framework for collective bargaining. Also, employers and workers in these and other countries in transition lack knowledge of the concept and practice of collective bargaining and practical skills in negotiation. Moreover, their representative organizations are still too underdeveloped to provide the level of advice, information and training required to ensure effective bargaining (and, indeed, support in relation to other areas of IR).

- Union structures

Trade union federations - national, sectoral/industrial and/or regional - have developed as the most common feature of union structures in the region (eg, Japan, India, Malaysia, Philippines and Thailand). A number of countries have only one trade union federation (eg, China and Singapore); most countries have at least two or three, while in Pakistan, the Philippines and Thailand there are considerably more. In India, there is a multiplicity of unions at the national, state and industry level. There is also an increasing incidence of independent unions at the enterprise level in that country, not linked to any national federation. In addition, in some countries (eg, countries in transition), there may be national federations, but either no or only limited industry level trade union structures. These

federations, with the exception, for example, of India, Sri Lanka and Singapore, do not appear to have had a significant influence on national policy-making and implementation.

The scenario in terms of union representation in the workplace has again varied. In most countries in the region only one union is legally recognised for bargaining purposes; some countries encourage enterprise unions (eg, Japan and Malaysia), and others allow multiple unions (eg, Australia and New Zealand).

- The scope of bargaining

There have been considerable differences between countries in the subject areas of collective bargaining. India, for example, enables the parties to bargain over any issue of mutual concern. At the other extreme are countries like Singapore and Malaysia, which do not allow bargaining in relation to matters falling within the area of so-called management prerogative (eg, transfers, promotions, redundancies, etc). A number of countries also require certification of collective agreements, which may be subject to certain preconditions (eg, Australia, Malaysia and Singapore). In recent years, some countries (eg, Australia and New Zealand) have been providing greater freedom to the industrial parties to determine their own bargaining agenda.

- Restrictions on industrial action

The number of strikes has been steadily declining across Asia and the Pacific during the past 10-15 years (with the exception of Korea and Taiwan/ China in the aftermath of democratization). This does not, however, mean that the incidence of industrial disputes has shown a similar reduction. In fact, in some countries the level of such disputes has increased (eg, Malaysia and the Philippines), although not to a significant extent. There is also evidence of an increasing incidence of industrial disputes in some foreign-owned or -managed enterprises in some countries (eg, China and Vietnam). It might also be noted that the decline in the incidence of strikes in India was accompanied by a steep rise in the incidence of lock outs.

Most countries in the region still impose various restrictions on strikes and other forms of industrial action, for the purpose of facilitating unimpeded economic development. The most common forms of restrictions include prohibitions in relation to industrial action involving essential services and the public sector.

(v) Other considerations

The culture and value systems of individual countries in Asia and the Pacific have also influenced the approach taken by managers, workers and trade unions to their industrial relationships and practices. Hierarchical organization and respect for authority and experience are key features of most Asian and Pacific societies. They have been translated into the enterprise in the form of rigid superior-subordinate relationships and recognition of the importance of loyalty to those one works with. In this context, trade union membership is still viewed in many countries in the region as creating a conflict of loyalty.

(b) The current environment

(i) Overview

In Asia and the Pacific, as in other regions, the past decade has witnessed major political changes (focused, particularly, on the transition from centrally planned regimes in a number of countries to a modern market economy), rising nationalist sentiments, and the impact of liberalization and globalization.

Economically, this period has seen contrasting fortunes in the region. Poverty and increasing debt remain grave problems in a number of developing countries in South Asia, although in the largest such country (India) there are now more positive signs for the future. Sustained high economic growth has proved elusive in some advanced regional economies (Australia and New Zealand), including (latterly) in Japan. But, overall, continuing economic and social progress has been evident in other advanced industrialised countries (Hong Kong, Singapore, Taiwan and Korea) and among the newly industrialising countries (eg, Indonesia, Malaysia, the Philippines and Thailand). Considerable momentum is now also underway in some East and South East Asian economies in transition (particularly, China and Vietnam). The situation in the island states of the South Pacific, however, remains problematic, because of their dependence on overseas markets.

(ii) Current responses to liberalization and globalization

How are countries in the region currently responding to the new economic environment?

The advanced economies are more and more concerned with increasing (or maintaining near full) employment, preferably in high wage, high skill jobs. Increasing attention is being given to ensuring that business and employment relations policies and practices are in place which are conducive to innovation and flexibility, integrate technology and work organisation, and provide for continuous productivity improvement, customer responsiveness and the delivery of high quality products and services. Improving equity and worker participation in decision-making at enterprise level are increasingly being seen as necessary parts of such strategies.

The situation confronting the high growth, newly industrialising economies is different. In some countries, there have been substantial improvements in employment and working conditions to the extent that they are now experiencing labour shortages and are increasingly relying on foreign workers as they endeavour to maintain rapid growth.

In the newly industrialising countries, there is also a preoccupation with establishing the most appropriate policy settings for maintaining economic growth. A range of considerations is involved. For example, what strategies (ie, industry, labour market and employment relations) should governments embark on to encourage effective use of technology, labour market flexibility and high productivity growth? What conditions should be set for foreign investment - should it be allowed in certain economic sectors when basic labour standards might be undermined? What role can employers' and workers' organizations pursue with their constituents to encourage and support increasingly more export-focused growth strategies? Moreover, what changes are required in the workplace to job design, skill formation and work organization to realise the benefits of new technology, while maintaining employment growth; and, with the spread of education and increased emphasis on skills development being accompanied by demands for greater worker participation, what strategies should be adopted by management to ensure more equitable treatment in the workplace?

The economies in transition (Cambodia, China, Laos, Mongolia and Vietnam) and the (largely) agriculture-oriented economies of South Asia (Bangladesh, India, Nepal, Pakistan and Sri Lanka) present further challenges. They are at varying stages of industrialization and are being affected by liberalization and globalization to an increasing degree. Various economic and social problems occasioned by a long, drawn out process of structural adjustment and economic reform is a characteristic of many countries in South Asia. Attempting to balance economic reform policies with social safety net programmes is becoming an important policy objective for these countries. By contrast, economies in transition are seeking a more rapid transition from a planned to a market economy, with all that entails in terms of policy, legislative, institutional and programme development and implementation, and possible accompanying dislocation in the labour market. There are also particular employment relations issues which have a different prominence in relation to both categories of countries than elsewhere in the region.

An example is the role of governments in employment relations, particularly through the legal and institutional framework, and their relationship with trade unions and employers. In this regard, in South Asia there has been a traditional recourse to detailed protective legislation and the legal process. Many governments have also had strong links with trade unions to the perceived relative disadvantage of employers. In addition, the relative proliferation of trade unions creates demarcation issues and difficulties in the coordination of common union policies and strategies. Increased pressures in recent years for South Asian countries to open their markets and to eliminate protectionist barriers has resulted in demands by employers for more efficient and flexible industrial relations practices.

By contrast, the economies in transition have the advantage of being able to "create" new legislation and institutions to suit the times and their needs. They also have the capacity to draw on the experience of some of the industrialized countries in the region for models of development and industrial relations (eg, the influence of Singapore and Malaysia on the Indochina countries). But because of the strong identification of trade unions with the interests of the "State", and there being no employers in the former centrally planned socialist countries, the changing role(s) of trade unions, the emergence of entrepreneurial and employer interests and the entirely new concept of employers' organizations are important associated issues. The relative weakness of Ministries of Labour, in terms of understanding of their role in a market economy and limited resources, presents further difficulties in establishing effective IR arrangements.

The situation of the island states of the South Pacific (eg, Fiji, Papua New Guinea and the Solomon Islands) is quite different from other countries in Asia. Being small countries, they have always been dependent on external markets for sale of their mainly primary product exports; but, in many cases, they do not derive substantial income from that source. In addition, they do not have the necessary State resources nor have sufficient levels of domestic demand or skilled workers to establish large domestic industries to provide a "springboard" to transform themselves into market-driven export economies. As a result their strategic industries (eg, sugar) stand exposed to the vagaries of international markets. In recent years, IR has become a sensitive area in these economies because of the negative effects of liberalization policies (eg, job losses) and the desire by governments and employers to reduce labour costs and improve flexibility as a basis for improving external competitiveness.

(iii) Important regional trends

There has been a number of emerging trends in key areas of IR in Asia and the Pacific during the past few years. Some of these reflect a continuation or exacerbation of traditional IR issues in

individual countries or subregions; others are linked directly or indirectly to the impact of liberalization and globalization. Some of the most important of these issues are outlined below:

- IR as integral to macro-level development policies and planning

A notable feature of the fast growing Asian and Western Pacific economies in recent years has been the increasing link drawn between IR and economic development at the level of macro-policy making and implementation. There is increasing integration between IR and: education, human resource and training policies (to produce skilled workers); active labour market and immigration policies (to overcome shortages of particular types of labour); and tax and broader financial policies (to continue to provide incentives to foreign investment). There are some indications that similar policy approaches are emerging in South Asia (eg, India), but most countries in that subregion still exhibit traditional IR policy approaches.

- Tripartite cooperation

While the principle of tripartite cooperation appears to be accepted in most parts of Asia and the Pacific, it cannot yet be said that most governments view the process as an essential part of their relations with the social partners.

A number of countries have longstanding and effective arrangements in this area, others are struggling with giving effect to the principle, while, for countries in transition, understanding the concept and applying it in practice are still at an early stage of development. There is considerable variation in the forms of tripartite cooperation applied from one country to another - most countries have some form of national consultative body providing advice to government on a broad range of social and labour issues. Such consultation has, over the years, been influential in the preparation of labour policies, laws and IR codes of practice. A number of countries have also integrated tripartite consultation at lower (eg, sector/industry and regional) levels, and in relation to addressing particular issues (eg, occupational health and safety; workers' compensation; vocational training; social security; international labour affairs; and, latterly, productivity). In addition, some countries have tripartite wage determination and dispute settlement bodies.

There is a number of important factors still limiting the effectiveness of tripartite cooperation in the region. These include, on the part of government, not integrating tripartite consultation across all issues related to national planning and development; a lack of "political will" to make the process work (eg, failure to consult; lack of follow-up on agreed matters); policy and legislative restrictions on the role of workers' and employers' organizations; and technical impediments to and inadequate resourcing for the effective operation of consultative or other tripartite bodies. For their part, workers' and employers' organizations are still handicapped in tripartite processes by such issues as their relative weakness vis-a-vis government (in terms of their personnel, technical and organizational capacity); lack of representativeness; lack of coordination of views with other trade union federations or employers' organizations; politicization of trade unions (particularly, in South Asia); and a lack of organized and continuous bilateral relations.

- Declining unionism

Union density has never been a strong feature of industrial relations in the region, and Asian trade unions fall considerably behind their European counterparts in this regard. In summary,

in recent years, the rate of union density in the region has either increased (ie, China and Malaysia), been stable (eg, India and Singapore) or has fallen (either slightly eg, Fiji and Korea, or, more substantially, eg, Australian, Japan, New Zealand and Sri Lanka).

However, union density is not an entirely accurate indicator of trade union power and influence in the region. In Singapore, the trade union movement exercises considerable strategic influence at the national level. In India, trade unions have had well developed institutional links with the main political parties and have considerable influence (despite often considerable policy differences between themselves and government, eg, in relation to liberalization). In other countries (eg, Australia and New Zealand) there have been strong traditional trade union ties with the Labour Party.

As noted previously, however, changes in industrialization strategy in Southeast Asia; restrictions on union formation in certain sectors or in Export Processing Zones (see later); restrictions on collective bargaining; and workers benefiting from growing economies and rising real wages, have generally combined to dampen interest in union activism and membership. This situation is compounded by the reluctance of many domestic employers and MNC's to meet fully their employment obligations, and the fact that, faced with this situation, trade unions cannot rely on governments to enforce labour legislation.

It is disturbing to note that the fastest growing sectors in many Asian economies (eg, textiles, clothing and footwear, and electronics, particularly those firms in EPZ's - see below) either have only a limited trade union presence or are union free.

- Bipartite relations and worker involvement in decision-making

In many countries, little emphasis has traditionally been given to building strong bilateral relations between managers and workers/trade unions. While attempts have been made to institutionalize worker-involvement in decision-making in several countries (eg, through legislation requiring the setting up of labour-management committees), these institutions have not worked satisfactorily. There has been too much emphasis on form, not substance. The competitive pressures exerted by globalization are resulting in greater emphasis being given to improved workplace relations (through increased bipartite consultation and cooperation) and higher level contributions to enterprise performance from workers. There is therefore room for greater optimism about progress being made in this area. A critical issue will be the extent to which trade unions can increase their profile and influence through this process.

- Decentralization of bargaining

As noted previously, this is part of a trend in many countries towards the need for increased workplace flexibility as a result of globalization. It is being demonstrated in the region, particularly in the export-exposed sectors of national economies, through higher wage flexibility, increased emphasis on enterprise level bargaining and the growth of enterprise unionism. The increasing shift from import substitution to export promotion in India provides a current example of a resurgence in collective bargaining to produce required changes in work organization, better use of technology, general efficiency and productivity. Whether collective bargaining should be introduced in the government sector has been a matter for debate in Southeast Asia and some South Asian countries for some time, but little real progress in this direction has been made. In the Western Pacific (Australia and New Zealand), however, public sector collective bargaining now takes place, and there is increasing use of

contract employment for senior government officials. There has also been an increasing incidence in some countries (eg, Australia and New Zealand) of direct bargaining between managers and individual workers. In the trend towards decentralization of bargaining and workplace flexibility in the region, there appears to be a close relationship between the levels of economic development and of international integration exhibited by a particular country.

- Increased attention to linking performance, skills development and pay, and questioning the continued relevance of minimum wage arrangements

Meeting demands for higher technology exports and the associated requirement for better skilled and more participative workers has led to experimentation with new performance-related pay systems in the region. Flexible pay systems (ie, based on productivity and/or profitability) are increasingly being considered, for their capacity to reward performance based on higher order skills (without increasing labour costs) and to respond to variations in the business cycle. To be effective, such arrangements have to be negotiated and agreed at enterprise level, a trend which is reinforcing the relevance of decentralised collective bargaining on these and related enterprise-performance issues. In some countries, the initial impetus for changed pay arrangements has come from government (eg, Singapore and Malaysia), or is a response to industry circumstances (eg, Australia [through a decision of the national industrial relations tribunal, reinforced by legislation] and New Zealand [through legislation]). A number of governments are also considering (eg, Fiji) or have already introduced (eg, Australia and New Zealand) various forms of performance-related pay in the government service.

To sustain export-oriented technology strategies, close attention is now being given by many governments, enterprises and the social partners to improve national, regional and industry training systems and institutions to upgrade workforce skills. Many countries are also extensively reforming their education systems and some have established Skills Development Funds (eg, Malaysia and Singapore) or are contemplating such action (eg, India and Sri Lanka).

On a related matter, there is increasing debate within the region about the continued relevance of minimum wages, where they exist. Minimum wages have traditionally been a policy instrument to provide "safety net" protection for those on lower incomes and/or to address poverty alleviation. The current debate reflects concerns about both the scope of the minimum wage (eg, it does not protect a major poverty group, self-employed farmers) and inadequacies in minimum wage setting, adjustment and administration (eg, too much political influence, lack of credible criteria for setting and adjusting wages, inadequacies in data collection and analysis, and deficiencies in enforcement). Considerable controversy concerns the criteria to be applied; importantly, from the perspective of increasing international competitiveness and employment, whether a particular increase in a national minimum wage is or will be too high to maintain or increase investment, or whether increases in labour costs should be offset by productivity gains. A number of countries are still establishing (eg, the Indo China countries) or currently seeking to reform (but retain) their minimum wages systems to address some of these concerns (eg, India, Indonesia, the Philippines and Thailand). Finally, a number of employers and their organizations within the region are questioning the need to retain a minimum wage regime. To date, these arguments have not received wide support from governments.

- Increased focus on job security

In recent years, many Southeast Asian workers (particularly, in Singapore and Malaysia) have been enjoying better job security because of increasing labour shortages in the countries involved. Some countries (eg, Korea, Malaysia, Singapore and Taiwan) have introduced foreign worker schemes, providing employment for skilled and unskilled workers mainly from India, Indonesia, Pakistan and the Philippines. Other prospective sending countries (eg, Cambodia and Laos) are currently examining possibilities. By contrast, and despite compensation packages, economic adjustment programmes in South Asia (involving closure and/or privatization of State-owned enterprises) have not only led to loss of jobs for civil servants, but limited access to redeployment and re-training, and a reduction in social protection (eg, loss of health care benefits and assistance with housing, education and family welfare). In addition, in spite of the pace of development in South Asia, the majority of the subregion's labour force is in the informal sector, which also accounts for most of the new jobs created each year. This sector remains beyond the reach (and hence the protection) of the labour legislation in most countries in the region.

- The growth of EPZ's

Many countries have made changes to IR arrangements to support other measures to attract FDI. Such changes have included the setting up of EPZ's, which provide cheap, compliant and abundant labour, good infrastructure, generous incentives and access to domestic and international markets. It is estimated that such zones employ some 4 million people globally, including 2 million in China (UNCTAD 1994: 189). EPZ's have created employment opportunities (mainly for women) in a number of countries. But, and although circumstances vary between countries, trade unions are often discouraged or banned in such zones; in many cases, wages are lower than non-EPZ enterprises; other protections (such as workplace health and safety) either do not apply or are not enforced; and the quality and stability of employment and skills development are generally poor (ILO/JIL 1996; Kalegama).

A priority objective of all governments concerned must be to ensure that EPZ's provide basic workers' rights, in conformity with international labour standards, while remaining attractive to "better types" of foreign investors. In this regard, it should be noted that, in future, EPZ's and individual firms located in those zones will have to be far more responsive to global competitive demands and will need to produce more sophisticated and higher quality products and services. This means that the countries and zones that will be most attractive to investors in the future will be those which have increasingly more skilled and flexible workers, which will necessitate better employment conditions and more labour-management consultation.

- Cross-cultural managing and working

One overarching consequence of increasing globalization is that managers from investing countries in and outside the region are having to adapt their own national management practices to the circumstances prevailing in different Asian countries. This requires recognition that, because Asia is characterised by diversity, there is a need for knowledge and sensitivity about legal, IR and HR (and other management) practices in different cultural environments. Workplace rules, practices and behaviour which apply in one country may not apply or be inappropriate in another. Trade unions and workers also need to understand and adapt to changing enterprise (including cultural) practices which may be foreign to them.

Governments have to become familiar with the customs, practices and expectations of investing countries so as to be able to provide appropriate supporting policies and programmes. In each of these situations, the persons involved need access to information, experience and strategies to enable them to adjust effectively to new work environments.

Transplanting ways of managing people from one country to another, and developing new (culturally sensitive) ways for managers and workers to work together, can be much more difficult than transplanting management systems and structures dealing with issues such as marketing and finance. The growing incidence of industrial disputation in some local operations of foreign-owned enterprises and joint ventures in a number of Asian countries suggests that this process of transition is not yet being successfully managed.

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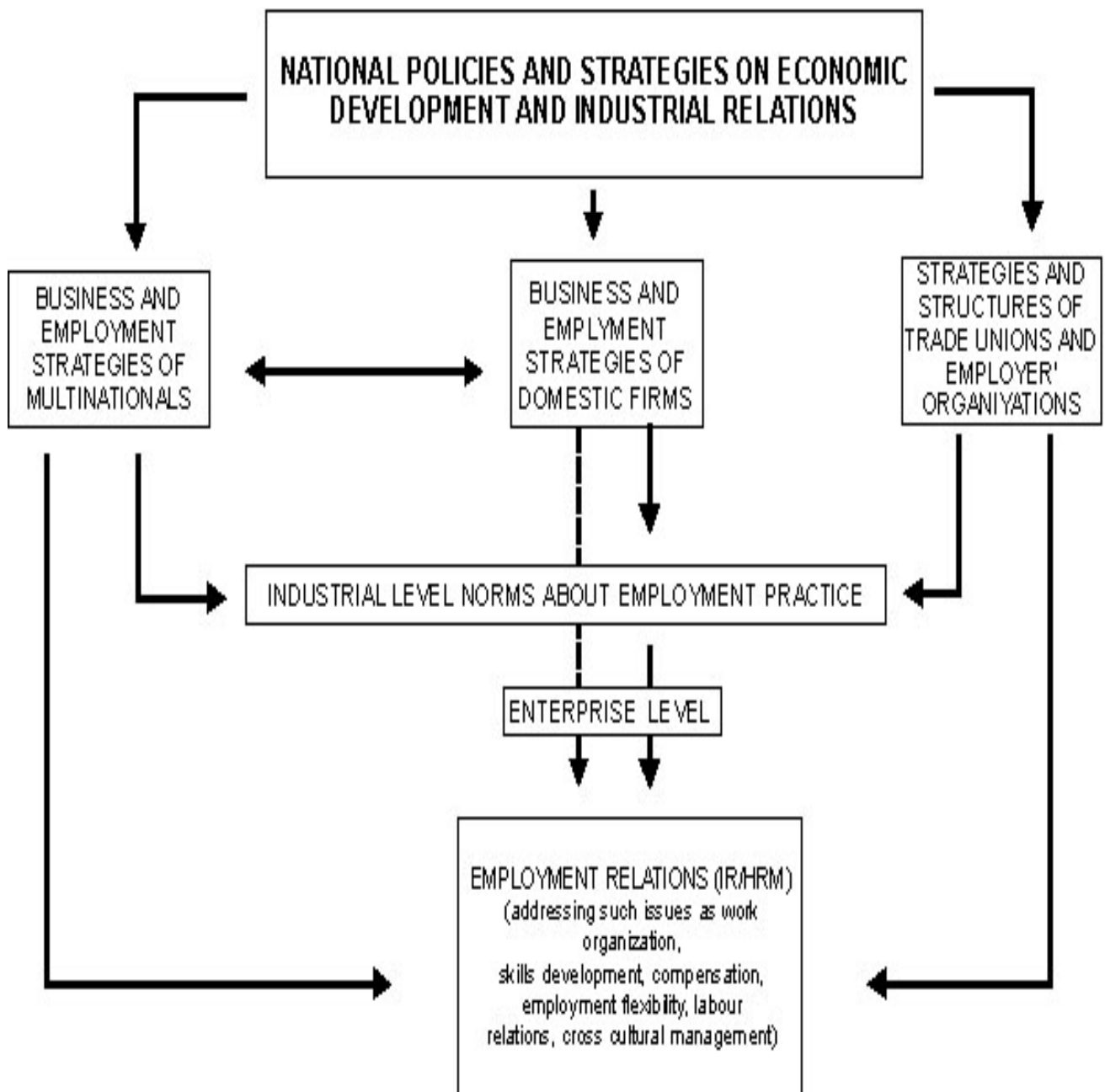
5. Responding to current and prospective IR challenges in Asia and the Pacific - developing an agenda for employers and their organizations to facilitate transition to the Twenty-first Century

This section traces a number of IR challenges for employers and their organizations in the region to the end of the decade and beyond. These challenges take the form of how best to respond to both traditional and emerging issues, in a strategic sense. The issues concerned have been exacerbated by or have emerged during the process of globalization, and therefore can be expected to have continuing significance. This section addresses these issues at both a general and specific level, and commences with an overview which places the challenges facing employers and their organizations in a broader context. A number of possible responses to these challenges and related issues from employers and their organizations are identified throughout, as are a number of complementary changes which will be required from governments and trade unions.

(a) Overview

As noted previously, employers, trade unions and government in each country are facing a number of significant challenges from globalization. [Figure 1](#) provides a framework for analyzing the impact of globalization on employment relations (IR/HRM).

Figure 1: Framework for Analyzing Impact of Globalization on Industrial Relations



There is only limited research that discusses the impact of globalization on employment relations in Asia. There is much more that needs to be done in this area to assist the social partners and government in understanding the new economic environment and to frame appropriate responses. Such research must include an analysis of employment relations at different levels within, as well as analysis across, firms, industries and sectors in a number of countries. An examination of the impact of MNC's on employment relations practices in these countries would be an important starting point in any research programme. It should also be undertaken by reference to government policies and strategies.

desirable focus of the responses by employers, trade unions and governments. In this regard, implicit in the analysis in Section 4 was the desirability of labour market arrangements being developed which are not overregulated (which would constrain flexibility and capacity to compete in the global market place), but at the same time provide adequate protections to workers and enabling them to share in the benefits of enterprise development and growth. If these twin objectives of "efficiency" and "equity" in employment relations are to be achieved in the Asian and Pacific region, certain fundamental changes appear to be necessary both to the roles of government and the social partners, and to the purpose and scope of IR legislation and associated rules. There are also a number of specific responses which employers' and workers' organizations and governments can take to facilitate and support the changes which are necessary to the framework and operation of each country's IR system.

First, the increasing decentralization of IR (resulting from the need for enterprises to become more flexible, productive and competitive in the face of globalization) implies that governments must devolve more power and responsibility to managers and workers at industry and enterprise level to enable them to resolve issues of direct concern at the workplace. This means that the traditionally strong role of the State in Asia and the Pacific will increasingly be called into question. It will also place much greater demands on the people involved in individual enterprises, and reinforce the requirement for strong and effective workers' and employers' organizations which have the capacity to respond to members' needs.

Secondly, not only will the roles of the "actors" in the IR system be subject to closer scrutiny in the future, so will their underlying values. Equity and stability in IR can only be delivered by the parties themselves. In particular, there will need to be a re-affirmation of freedom of association, the rights of workers, and pluralism. This will require increased attention in some countries to promote the role and legitimacy of trade unions and other workers' representatives. Other issues, such as eliminating forced and child labour, and reducing (and, eventually, eliminating) discrimination in the workplace, will also have to be given much higher priority. In this context, the role of international labour standards in guiding the parties towards appropriate policies and strategies will continue to be significant.

Thirdly, it will be necessary for IR legislation and supporting rules and institutions to be reviewed, on a continuing basis. The labour legislation in many countries in the region reflects a now outdated approach based on minimisation of industrial conflict. Greater priority should be given to how legislation can be used to establish a framework for managers, workers and trade unions to pursue improved productivity and flexibility on a participative basis, while still providing appropriate protections for workers and a share in the benefits of growth, and emphasizing prevention of industrial disputes through greater workplace cooperation. Dispute settlement machinery (including processes and administration) also needs to be made more effective in a number of countries. Some countries in the region have already attempted to reform labour legislation in this direction in recent years, and others are considering similar action.

At the same time, further attention must be given to who is covered by labour legislation. In many Asian countries, legislation emphasises the role of industrial workers; but rural agricultural workers, casual and contract labour, workers in shops and other small businesses, and special groups (eg, child labour, disabled workers, and foreign workers) are either excluded from the legislation, or their position is, at most, extremely ambiguous. For adequate protection to be provided to all workers, they must first be brought within the scope of legislation, even though the provisions which apply to one group or another may vary. This also means that much greater consideration should be given to the role of labour inspection in securing compliance with labour legislation.

(b) General issues

(i) Achieving competitiveness

As noted previously, the process of globalization has brought with it the need for increased competitiveness at the level of the individual enterprise. The form this takes in each country - whether it requires a response based on quality and innovation or low cost considerations - will vary, based on the particular stage(s) of industrial development in that country. For many East and Southeast Asian, and some Southwest Pacific, countries, quality and innovation are critical; for most countries in transition and a number of South Asian countries, low cost considerations are most important at this time. Some countries will require both forms of response, because of different levels of development in particular industrial sectors. Whatever the response(s) adopted, IR reforms will be critical to realising the changes needed.

In all countries in the region, improving workplace flexibility and skills development will be the key to maintain and increase quality of goods and services and hence competitiveness, both domestically and internationally. Many enterprises, of varying sizes, both domestic and multinational, are part of a new, dynamic, global environment, where business strategies, organizational structures, and IR/HRM policies have to be continually re-appraised by owners and managers to provide the flexibility and innovation required for ongoing competitiveness.

Among the most important issues confronting MNC's are identifying and using to best advantage their core competencies; combining in innovative ways any local comparative advantage with more general organizational attributes; and ensuring that any economies of scale across enterprises can be used to produce more flexible response capacity. Enterprises not directly involved in export-exposed sectors may be linked, as suppliers, to those that are, and may be required to improve their operational performance and/or product quality to meet higher standards. Still others may be affected by the need for improved efficiency in a generally more difficult business environment (including through competition from the urban informal sector).

(ii) Effective IR is a key to improved enterprise performance

In all of the above situations, effective labour-management relations are critical to enterprise performance. Globalization has changed the focus of IR, and the quality and type of such relations at enterprise level in a particular country will either position it well or not so well to take advantage of globalization.

The most competitive and innovative enterprises (whether they be MNC's or domestic enterprises) have changed their IR/HRM function from one of the traditional type (ie, focused predominantly on providing advice and negotiating and maintaining rules) to a function which encourages innovation and is integrated in and supportive of corporate business objectives and strategies. In other words, the IR/HRM function is now considered to be as important as, for example, the planning and development, production, and marketing functions in an enterprise. Key characteristics of the new form of employment relations being practised in advanced firms include: job security for key (core) workers, combined with more flexible contracts for peripheral workers; broad and challenging jobs, many based on teamwork; a concern for process improvement and fulfilling obligations to other units/departments in the enterprise; supervision based on facilitation, not hierarchical control; continuous skills upgrading; individual performance appraisal; a performance-based rewards system; and worker involvement in decision-making, through a formal committee and/or a union in the form of a single bargaining unit (see Frenkel (1995)).

The major challenge therefore for countries competing on the basis of quality, is to move towards higher value added and flexible IR practices based on worker involvement and skills development, in order to attract higher quality FDI to continue the pace of development.

For enterprises and countries that are to compete primarily on the basis of cost (ie, countries in transition and some countries in South Asia and the Pacific), research evidence suggests that pressure will be exerted (from both domestic enterprises and MNC's) to amend labour protection legislation to reduce entitlements, improve flexibility and lower costs (for example, see Cooke WN (1995:21), "The influence of industrial relations factors on US foreign direct investment abroad", quoted in Frenkel and Royal (1996:24)). The main challenge for these countries will be how to remain attractive to foreign investment, without reducing workers' basic rights, and to transform, in time, to higher value added production arrangements.

(iii) The importance of diffusion

Whether such IR/HRM practices are adopted, on a widespread basis, will depend on three considerations: first, the impact of MNC's (through international benchmarking and diffusion of best practice to local suppliers and subcontractors); second, the extent to which individual domestic enterprises and governments learn "by doing" (and diffuse lessons learned within the local economy); and, thirdly, whether collective bargaining (particularly, at industry level) can produce good examples of negotiated agreements which address the range of issues of concern in developing more flexible workplaces, and provide "blueprints" which many local enterprises might seek to follow.

With each of the second and third of these strategies, it will not be possible, in the short term, to achieve the desired outcomes, to the same extent, across the region. The second strategy requires a highly skilled and competent workforce, supported by IR/HRM research and experimentation and government policies which encourage such activities. In a developing country, these requirements can only be met over time. The third strategy clearly depends on significant parts of industry being unionised, which as has been noted previously, is not the case in many Asian countries.

In addition, none of these changes can take place at enterprise level without reference to national policies, laws and relevant collective agreements which have a bearing on IR/HRM, and local customs and practices followed within an industry or enterprise. Some of these norms will have to change, if they are not to impede the objective of developing effective IR/HRM practices to secure increasing competitiveness.

For the same reason, traditional or new limitations within the IR environment of a particular country, either linked with or separate from globalization - as noted in Section 4 of this paper - will also have to be addressed. The manner in which these limitations should be addressed and the roles of employers and their organizations in the process are set out below. Consideration is also given to the roles of government and trade unions in realising the changes needed to realise enterprise development and growth in the context of globalization.

(c) Specific issues

(i) The employers' response

To date, many Asian and Pacific entrepreneurs - small, medium and large - have relied on the low cost of goods and services and speed of delivery as the core of their competitive advantage. Existing corporate culture has not stressed flexibility, innovation and creativity, which are increasingly the foundation for business success.

What will be needed in the future are modern management styles and strategies, which incorporate traditional cultural values (such as respect for authority and experience), but recognize and respond to the new economic and business environments through greater reliance on human skills and improvements in productivity and labour-management cooperation. This is reinforced by the fact that increasing use of information technology has implications for how organizations are structured, the nature of work and how it is organized, as well as where that work is located. In each of these areas, there are implications for IR/HRM policies and practices and how they are resolved will be critical to achieving and maintaining enterprise competitiveness.

On this basis, an employers' strategy in the area of employment relations must focus on achieving:

- appropriate attitudinal and behavioural changes, not only at enterprise, but at other, levels;
- a modern policy, legislative and institutional framework which ensures an effective industrial relations system;
- compensation systems linked to enterprise performance;
- a more literate, skilled and adaptable workforce, which is capable of experimentation and innovation;
- more flexible forms of work organization and management; and
- culturally-sensitive management strategies, as firms invest within and beyond the region.

Attitudinal and behavioural changes

IR is by nature adversarial. The task of minimizing conflict in a time of change and producing mutually beneficial outcomes through negotiation is made harder by unnecessarily antagonistic attitudes. In addition, management practices involving close and rigid supervision and maintaining restrictive work practices are obstacles to the workplace changes now needed by employers. The need for change is likely to be accepted more readily where workers are well informed and are involved, to varying extents, in decision making (though increased two-way communication, consultation and various forms of participative management, either directly or through their representatives). Such an approach needs to be supported by more effective recruitment, induction and training arrangements, career development strategies, appropriate motivational systems, and people-centred management approaches. Greater worker involvement in the enterprise should be reinforced by management making stronger efforts to improve relations with workers' representatives (particularly, trade unions, where they are present). In addition, collective bargaining remains an effective way to address issues of mutual concern.

All of these elements - both IR and HRM - have to be properly integrated into the corporate culture. Overall, this should enable much better use of the talents and abilities of the workforce, and the necessary enterprise changes to be progressed in a more timely and effective manner.

Modern labour policies, legislation and institutions

Employers should be seeking "modern" labour policies, legislation and institutions which encourage industrial harmony (by emphasising prevention not resolution of conflict). In particular, legislation should be proactive and facilitative in relation to the parties' needs, and avoid unnecessary complexity, while maintaining fair and reasonable minimum employment standards. The legislative framework should also give greater emphasis to the need for labour-management cooperation (as mentioned above) and settlement of grievances and disputes in the workplace (assisted by conciliation, as necessary).

Compensation systems linked to enterprise performance

The trend towards decentralized collective bargaining and IR arrangements in the region has been based on the need to address efficiency and productivity issues at their source, the individual enterprise. It has been accompanied by employer demands to link wage increases to clearly identified performance criteria, both at the level of the individual manager and worker and overall enterprise performance. This view has been supported on the basis that productivity and/or profitability increases (linked to the application of improved skills) are the source of employers' capacity to pay, if business competitiveness is to be achieved or maintained. As such payment systems are increasingly seen as integral to HRM policies in enterprises, and are thereby linked to achieving particular business objectives.

Employers interested in developing performance-based compensation schemes should direct their attention to arrangements which seek to: achieve some measurable improvement in enterprise performance (either on the basis of productivity, profitability, and/or some other measure); attract and motivate competent staff, by providing a component of remuneration above what would otherwise be paid; reward sound performance without increasing labour costs; and achieve flexibility, through a variable component which can respond to (ie absorb the impact of) changes in the market cycle or poor enterprise performance.

Employers have a number of possible approaches to choose from to develop a scheme to meet the circumstances of a particular enterprise (but these are not identified here).

A skilled and adaptable workforce

The main sources of productivity growth are technological change, increases in capital intensity, economies of scale and improvements in labour efficiency. Education and training will play a vital role in promoting labour efficiency through the enhancement of workforce skills, and the World Bank has emphasised the significant link between skills development and a country's manufacturing export capacity (World Bank 1993: 43 - 48).

Training of workers in narrow skills is no longer appropriate. Modern technology is increasingly demanding broader skills and new mixes of previously quite distinct skills. In addition, the rapid pace of technological change demands an ability to adapt quickly; so, the formation of skills has to rely not only on initial training, but equally on opportunities for retraining and upgrading existing skills.

To achieve the objective of a skilled and creative workforce, employers might examine a range of initiatives, in collaboration with government. These could include medium-sized and large companies (including MNC's) pursuing particular initiatives in relation to the development of critical

generic or industry-specific skills, and the possible implementation of payroll levy/subsidy schemes or other fund-based arrangements to finance training initiatives.

Flexible forms of work organization and management

Taking advantage of the scope for greater workplace flexibility through changes to work organization (which includes the design, operation and skills requirements of jobs and the arrangement of working time) is an important factor in the ability of firms to maintain and improve competitiveness.

Flexibility at the workplace requires workers to have several skills and a broader understanding of the production or work process to enable them to carry out a range of activities. To achieve this outcome, managers and supervisors need to be forward looking, inform and involve workers, and use approaches which enable people to develop and use properly their talents and abilities. In particular, they need to pay far greater attention to training and skills development. This should lead to greater versatility for employers in how they organize and carry out work and a greater capacity to cope with fluctuations in production. The ability to adjust working time arrangements and the identification and removal of restrictive work and management practices are also important. The latter practices, in particular, inhibit flexibility and efficiency, and exist for reasons other than the safe and efficient performance of work tasks.

- *Culturally-sensitive management strategies*

As noted earlier in this paper, globalization involves managers and workers moving from one country to another. In doing so, they enter into a new society and culture. Some aspects of these cultures are obvious (eg, another language, other laws and customs, etc) and can with the necessary goodwill be adapted to. But there are other elements of culture which are not so visible. They include the assumptions made and premises relied on by the members of a certain society; values and unwritten codes of behaviour; and patterns of thinking and problem-solving. They are what the people in that society take for granted. These elements are the essence of a particular culture and are the most difficult to detect. A manager or worker coming from an entirely different culture - with its own never-questioned assumptions and values - may not perceive or understand these elements or have difficulty accepting them. As such they can be the basis for tension and conflict in the workplace.

Managers assuming work responsibilities in a new country must acquaint themselves with both visible and invisible cultural traits, and adopt appropriate strategies to ensure that cultural mismanagement considerations do not become a source of reduced enterprise performance.

- *Implementing a reform strategy*

In implementing a reform agenda based on the above considerations, individual firms should be encouraged (through, for example, "best practice" programmes) to experiment in relation to skills development, work organization and other forms of improved IR/HRM practices and seek to use the outcomes as a basis for broader government or industry programmes to diffuse new practices on a wider basis. Such initiatives might be undertaken through informal contact with the wider group of firms with whom they conduct their business, and could include local benchmarking exercises.

MNC's will continue to have an influential role in shaping local corporate cultures. MNC policies, practices and technologies influence domestic enterprises directly (as a role model) or indirectly (eg, by raising wages and conditions of employment, and improving workers' skills).

(ii) The roles of employers' organizations

Employers' organizations, like trade unions, face a difficult situation in assisting their constituents in the face of the new demands being placed on them by globalization. Not only do they face the need to become more representative and better able to provide services to their members (by recruiting new members from a broader cross-section of the business and industrial community), like unions they confront very different situations from one country to another, and differ in their capacities to fulfil their functions effectively.

A key function of employers' organizations has always been to act as the mouthpiece for employers in seeking to influence the broad policy environment in a manner conducive to their constituents' interests (in this respect, it might be noted that the IR function was originally, and in many cases has remained, the cornerstone of the operations of many employers' organizations). This representation role will remain significant. But "the ultimate credibility of employers' organizations will depend on the provision of quality services to enterprises and their capacity and skill in negotiating on behalf of employers" (de Silva 1996:3). In this regard, considerable emphasis is now being given within the region to developing employers' organizations as strong professional organizations. Priority is being given to strategic planning; developing direct services to members across a range of issues (eg, labour law, IR/HRM, labour market information, human resource development, etc); and providing the necessary internal capacities to deliver these services (which requires knowledgeable, well-trained technical staff, supported by sophisticated research and information bases).

More specifically, in the area of IR/HRM, employers' organizations need to have a role which is proactive and preventive ie, primarily concerned with promoting among their members (and with government and trade unions) the need for sound workplace relations which emphasise the importance of improved cooperation and consultation and effective negotiation to address workplace issues, thereby avoiding (or, at least, limiting) industrial disputes and providing a basis for achieving sustainable improvements in enterprise performance.

To achieve this objective, it is suggested that employers' organizations should organize their operations around two functional "poles", supported by a range of subsidiary services. The twin "poles" would consist of developing and/or maintaining an effective representational role and developing an sound information data base.

An active representational role to governments and trade unions in relation to national labour policies and legislation (as noted above), but also for securing public understanding and/or support on certain issues, remains a critical priority for employers' organizations. Many of the issues where influence is sought to be brought to bear are sensitive, have potential labour cost implications and/or are important to employers' day-to-day operations and therefore need careful handling. Employers' organizations need to be prepared to have a view on an increasingly broader range of issues (eg, skills development, including in the context of training and re-training, and covering both delivery and compensation aspects; industry (including investment and taxation) policy; the implications for business of privatization strategies; and the like).

A data base of the type proposed should enable easy access by the organization itself (to support its representational role) and for its members (for day-to-day operational needs). It should contain

comprehensive information about such issues as: economic performance (national and industry/sectoral); wage levels and trends; trends in and examples of performance-related pay and benefits "packages"; collective agreements; and decisions in court/tribunal cases on the interpretation of labour legislation and agreements and the handling of labour issues. So far as possible such a data base should also include information about "best practices" in relation to various issues (eg, skills development; and work organization) both within the country concerned, and, particularly, among trading competitors.

These core functional activities should be supported by: advisory services of a legal nature (eg, interpretation of legislation) or of a practical nature (eg, developing a collective bargaining strategy, and/or defining the contents of a related agreement; dealing with a particular workplace problem or issue); awareness-raising on issues related to the labour law and promoting sound approaches to IR/HRM issues more generally, training in relation to the handling of day-to-day employment relations issues and specific skills development (eg, advocacy and negotiation skills); undertaking a representational role with unions in relation to matters in dispute (including in a collective bargaining context), in conciliation proceedings before a tribunal, and/or in legal proceedings before a court; and participating, on behalf of employer members, in a range of bipartite and tripartite fora, addressing a diverse range of issues (from, for example, wage fixation to productivity, occupational health and safety and, increasingly, social security).

(iii) The roles of government and trade unions

As noted previously, whatever policies or actions may be promoted or undertaken by one or more of the industrial relations parties will require a response from or have repercussions for other parties or interests. This section of the paper examines interactions with government and trade unions in the context of progressing the agenda of employers' and their organizations.

- The role of government

With its promises of greater FDI, higher export earnings and more employment, globalization provides a powerful incentive for governments in Asia and the Pacific to liberalize and open their economies.

The essential challenge for governments in the region in the face of globalization is to seek to encourage and regulate foreign participation in national economic development in a manner that promotes balanced growth with equity. Achieving such an objective is made difficult, however, because of increasing competition between governments for FDI. In the absence of regional cooperation to establish and enforce a common framework of terms and conditions of employment based on international labour standards, individual governments may be reluctant to improve protection to workers if this would place their countries at a competitive disadvantage with their neighbours.

In addition, globalization means that governments have less control over economic planning, and will force policy changes by them, where there is a reluctance to respond. This does not necessarily mean, however, that the role of the State in IR becomes less important under globalization, merely that its role is different in certain areas. Traditional interventions will still be required at policy and legislative levels, to establish and enforce minimum employment standards. There is a need to ensure that the economic reforms currently being implemented in various countries are accompanied by proper safety net programmes. A new emphasis will be needed on promoting labour-management cooperation mechanisms and facilitating greater flexibility in enterprise level arrangements. In addition, new forms of institutional intervention may also be required, given the types of changes

taking place in the organization of production and work at enterprise level, and the fact that there is likely to be greater mobility between jobs and enterprises.

More specifically, export-led growth requires macro-economic measures aimed specifically at exports, industry development and labour markets. Governments need to decide which industries to stimulate and how they can integrate various macro- and micro-policies through a network of institutions that promote economic growth with equity (Frenkel and Royal 1996:10). The approach taken will also vary from country to country (World Bank 1993:10-11).

But governments have to balance encouragement of investment on terms favourable to management with protecting workers' interests, both in the short and longer terms. Globalization will impact on economic development in ways which lead to expansion and contraction in various sectors. Also, where there is competition between developing countries for investment (in EPZ's, or more generally), protection of workers' interests may be difficult to secure. Workers have to have certain minimum conditions of employment to redress their relative inequality in bargaining power with employers (at a minimum, this will require rights to associate, organize and to bargain collectively with employers, prohibition of forced and child labour, protection against discrimination in the workplace, and tripartite consultation over changes to labour market policy). Governments have a responsibility to ensure that these standards are met by all employers, and, where those employers are foreign companies or MNC's, they must be encouraged to adopt socially responsible attitudes in relation to employment relationships and standards in their host country.

Governments also have to take measures to equip workers with the skills to take up new positions and to move from declining to new industries, possibly to new localities. Some form of income support has to be provided to those who lose jobs, but who are unable to find new positions. There is therefore a role for labour market policies to facilitate structural adjustment in an equitable manner (including, for example, tax exemptions and development subsidies to firms, and subsidies to workers, to assist relocation). Such an approach will also require strengthening the capacity of Labour Ministries to provide increased employment services.

At a wider level, governments can encourage more broadly-based trade unionism that is productivity-conscious and both promote and provide opportunities, formal and informal, for workers to be engaged in decision-making (directly or on a representative basis) at a number of levels (ie, enterprise, industry/sectoral and national). Governments can also support trade union strategies to encourage democratic governance, awareness raising on key policy issues and training for union representatives on organizational and technical issues.

Government action in support of globalization has to rely on policy planning and delivery services provided by the public sector. This sector has to be restructured to meet the demands of, or overcome problems arising from, globalization (eg, demands from MNC's and domestic firms for less "red tape"; and the problem of enterprises having to rely on inefficient public enterprises for provision of basic services). In this regard, Ministries of Labour often have a narrow and reactive role. Given the importance of industrial relations to economic development, they should be working more actively with planning and finance Ministries to generate development options, create more coherent and coordinated strategies and, generally, improve public sector efficiency. There is also a need for governments to include trade unions in any public sector reform process and take account of their major concerns.

Finally, governments should continue to promote bipartite and tripartite institutions and processes to establish appropriate labour policy and standards. Inputs from all relevant parties should be

considered. Not only will this limit potential conflict in the future, but (particularly where major business and investment interests - including those of MNC's - are involved) it should establish a sound basis for investment and economic and employment growth.

- The role of workers and their organizations

There is no question that trade unions still have a role in Asia and the Pacific. But there is a need for more effective unionism.

What do we mean by this? It has been described as a form of unionism which focuses on working with employers (and their organizations) in implementing strategies to improve enterprise competitiveness and the quality of work through improvements in work organization, labour-management relations and skills development, on the basis that an equitable share for workers in productivity gains will be achieved (Frenkel and Royal 1996:31). This form of unionism is therefore proactive and strategic in approach, and is no longer concerned with union actions which are restrictive in nature (eg, seeking, by various means, to limit change). The development of effective unionism (and, indeed, of trade union movements everywhere) is contingent on the recognition and application of the rights of freedom of association, to organize and to bargain collectively.

The needs of trade union organizations will vary from country to country in seeking to build effective unions. For example, awareness raising and training in relation to their role in a market oriented economy will have a much higher priority in the case of trade unions in countries in transition. But whatever individual country circumstances, key objectives of national trade union organizations must be to attract more workers into unions by improving recruitment, offering better services and communicating more effectively with and between members and officials. Strong leadership from, and agreement and coordination on priority strategies among, trade union centres is critical. In order to maintain support and influence at enterprise level, it will be necessary to build and maintain an active workplace union organization. The availability of more skilled and technically capable union representatives in the workplace, supported by more professional and better resourced unions at higher levels will also be crucial in achieving these objectives.

The extent to which trade unions can adopt and achieve advances through this more proactive role will depend on a number of considerations, including: government policy and attitudes at domestic and international levels; the response(s) of employers and their organizations; and union leadership, organisation and strategies. However, given the considerable traditional and current difficulties still facing trade union movements in Asia and the Pacific, a fundamental change in union and worker fortunes may not arise until individual countries develop and adopt higher cost and higher skill-based modes of production. This will provide increased opportunities for worker involvement in decision-making, requiring more democratic and independent representation for the workforce. But it is also likely that additional legislative prescription to provide labour with a more significant voice at both enterprise and national levels, and better protection for workers' representatives in undertaking their functions, will be required.

6. Conclusion

Within the Asian and Pacific region there is an increasing congruence between IR policies and those supporting industrialization for economic development. The impact of globalization is requiring IR systems in Asia and the Pacific to adapt to ensure improved economic competitiveness, flexibility and overall efficiency to respond to changing international market circumstances.

Individual enterprises, whether domestically or internationally-based and organized, are in "the frontline" of these changes. Employers and their organizations therefore have the most important role in generating the responses needed to take advantage of these new and emerging circumstances.

But while globalization is a significant factor, it is not the only factor, driving IR changes in the region. Factors internal to each country - some of traditional IR concern, others instigated or exacerbated by liberalization - are prompting similar changes.

In addition to helping to achieve the improved efficiency and productivity which is driving enterprises in responding to a more competitive business and trading environment, the changes required to IR arrangements must provide stability in relations between managers and workers and ensure equitable participation by workers in the benefits of increased enterprise development and growth. That is, the essential challenge for each country is how to achieve a stable and flexible IR system which balances "efficiency" with "equity".

In this endeavour, attention must be given to traditional and emerging areas of IR concern (which together should constitute a broader focus for action than previously, based on the concept of "employment relations"). This will require action in the areas of policy, legislation, institutions, workplace practices and associated capacity building. A re-examination of the roles of government and the social partners and of the relevance and scope of IR laws and other rules and institutions will be necessary to acknowledge the realities of a more decentralised IR environment, and the need for the norms of the system to move away from a regulatory, to an increasingly facilitative, role, while still providing appropriate protections for workers. A renewed commitment to tripartite action and a greater emphasis on bilateral relations will be critical in realising these changes.

In all of these areas, employers - as the generators of economic development and growth - and, through them, their organizations, have to have a clear set of priorities and strategies to address the factors, both internal and external to the enterprise, which will affect their capacity to harness employment relations as a key element in improving enterprise competitiveness and performance.

The diverse IR situations across the region make it unrealistic to predict, with any degree of certainty, the future course of IR in the region. While globalization emphasises convergence between economic and related systems, and this is occurring to some extent in Asia and the Pacific, IR are ultimately determined by a complex range of factors within individual countries, reflecting particular national, cultural and institutional circumstances.

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