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# ELEMENTS IN THE SHAPING OF ASIAN INDUSTRIAL RELATIONS

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## ABSTRACT

In this article the author examines some of the factors which have influenced industrial relations in Asia - among them the industrialization strategies employed by countries in the different sub-regions, the roles governments have played in the industrialization process, and the 'philosophies' which influenced these strategies. These factors, different from some of the processes in the West, prevented a 'convergence' of Western and Asian industrial relations

including through occupation. The different historical and industrialization processes, coupled with significant cultural factors in Asia, make it difficult to adequately explain, understand or judge the development of industrial relations in Asia by reference to the mechanisms, processes and value systems which underpin Western industrial relations systems. The article also examines whether there is now a greater potential for 'convergence' as a result of the increasing influence of globalization and the application of information technology, which involve not only the internationalization of business but also the increasing globalization of values.

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## **HISTORICAL CONTEXT, INDUSTRIALIZATION POLICIES AND THE STATE'S ROLE**

### **Main Influences On Asian Industrial Relations Systems**

The industrial relations systems in Asian countries have emerged from circumstances similar to those which have influenced countries in other developing regions. They have not been mainly influenced by the circumstances and the values which underpin and which have shaped Western industrial relations systems. Western models of industrial relations do not adequately explain, and help us to understand, the shape that Asian (and developing country) industrial relations have assumed. This is so despite the fact that the labour laws of several developing countries (including Asian ones) have to a greater or lesser extent been influenced by Western countries whether or not as a result of colonization. The main features of developing country industrial relations systems which distinguish them from those of the industrialized West have been well explained as follows:

"... a dualistic economic structure, where a pre-capitalist economic system mainly dominates the scene; a small industrial sector and the related small numerical size of the working class; a segmented labour market, where a sharp dualism both between modern and traditional manufacturing sectors and between small and large firms exists; the dominance of the state in the industrial sector; weak trade unions, and thus the absence of collective bargaining between employers and employees."<sup>(2)</sup>

About 35 years ago a group of famous writers claimed in a seminal and celebrated work<sup>(3)</sup> that industrialization, which would occur in all countries despite their different stages of economic development and cultures, will result in countries having similar systems. The concept of the universalism of industrialization and pluralistic industrialism based on the idea of convergence between the West and developing countries achieved through the unifying influence of science and technology never came to pass.<sup>(4)</sup> The reasons for this explain the current shape of industrial relations in Asia and many Asian views on industrial relations.

One fundamental reason for the divergence between Western and Eastern (and developing country) industrial relations systems is to be found in the different industrialization processes followed and the consequences for social systems such as industrial relations. On the whole, Western industrialization did not take place under State direction or patronage, but in a laissez-faire setting in which an entrepreneurial middle class moved the industrialization process forward, which in turn created a distinctive working class (proletariat). Due to its relative homogeneity, this working class found it possible to organise themselves collectively into trade

unions to protect and further its interests. Western governments did not, unlike some developing ones, 'create' unions. Western industrial relations systems reached maturity in this century, long after the commencement of the industrial revolution and at a time when the current pluralistic and democratic political systems were more or less in place. The systems which emerged - however different they were from one country to another - had certain essential features: they were underpinned by a value system based on pluralism and democracy, a balance between employers and employees, and relatively minimal government intervention in the industrialization process and in industrial relations. In such an environment collective bargaining - a fundamental institution of Western industrial relations systems - and freedom of association - a fundamental philosophy underlying such systems - were logical developments.

On the other hand, the majority of Asian and other developing countries were subject to foreign occupation during which period no indigenous entrepreneurial middle class of any significance emerged which could have spearheaded the industrialization process in the post-colonial period. During the colonial period governments assumed a dominant role, one they did not have in their home countries. This role was maintained by the post-independence governments, albeit with different results. It was only after the industrialization process had been in operation for some time that an entrepreneurial class emerged to take over some part of the government's role in economic activity. In some East Asian countries the government nurtured and assisted in the development of this class, and sometimes (as in Japan and Korea) provided them with protection from competition until they achieved international competitiveness. In some developing countries the middle class which emerged had close ties with the government. This facilitated 'rent seeking' and monopolies through collusion between the middle class and government officials. The system which emerged in such cases did not provide equal opportunities for all to "do business".

Governments' determination of the economic direction of developing countries was a critical factor in shaping the industrial relations systems which emerged. A direct consequence of this was the emergence of the government as the largest employer - particularly in countries which had some socialist orientation. The government as employer, like any other employer would wish to do, influenced the type of industrial relations institutions which emerged. The shape of industrial relations was further refined by the particular industrialization and economic strategies adopted in each country, as we shall see. Socialist and import substitution strategies produced rather different models to ones which emerged in the business-friendly, outward looking, export-oriented countries. But whatever the economic and political orientations of the governments of Asian developing countries, the common element was that economic development and its imperatives were government, and not entrepreneurial, driven. As aptly remarked, the State's role was not "restricted to 'entrepreneurial assistance' only, but extended to 'entrepreneurial substitution'."<sup>(5)</sup>

A further difference between Western industrialization and the developing country model is that industrialization in developing countries is still occurring in an environment of a dual economic structure, where there is both a large rural/agricultural base and a large and growing informal sector. Even today in many rapidly industrializing countries such as Thailand and Indonesia the rural and informal sectors continue to be substantial. Unlike in the West, therefore, a proletariat in the sense of a distinctive working class does not numerically dominate the working population. This has had an effect on the potential membership of unions and their capacity to bargain with employers on equal terms. In some cases the balance has been restored by the political activities of, and political support given to, unions by socialist

oriented governments. In other cases the government encouraged (some may say created) a union which the government could control. This is reflected in the right retained by many Asian governments to intervene in collective bargaining, in the restrictions imposed on bargainable issues (Malaysia and Singapore), and in the right to intervene in disputes through the arbitration process.

The many atypical forms of employment in developing countries do not have their counterparts in the employment relationships covered by Western industrial relations systems, and they cannot easily be accommodated in Western labour law concepts. The relatively low levels of literacy and education in many developing countries make it difficult for workers to participate in a Western type system, and this was one (though not the only) reason why trade unions were sometimes led by an educated 'elite'. Workers could not at the early stages of industrialization be expected to produce leaders from their ranks and function as if they had been used to a pluralist, power sharing system.

The approaches to industrial relations in developing countries can be broadly classified into three groups. One group of countries has had nationalist-populist governments the industrial relations policy of which was

"to encourage the development of the labour movement in a corporatist framework to serve the broad political and economic interests of the state. The central labour organization in such countries is supported by the government ... the government in return for their support increases the job protection and other facilities of the workers. Most of these steps in favour of workers are taken without recourse to collective bargaining. To ensure the continuous support of the trade unions in such systems, the government applied strict control in selecting the leadership and in the structure and functions of the trade unions ... Thus in such a system trade unions are incorporated into the State's administrative structure in a corporatist way."<sup>(6)</sup>

While this description broadly fits South Asia, in two respects, however, it does not fit India and Sri Lanka. Since both countries have shared a pluralist outlook, there has been, in a legal sense, unrestricted freedom of association, but with the selection of union leadership by the political party to which a union may be affiliated. Unions supported by opposition political parties have been allowed to function, and in Sri Lanka for instance, the legal system enables them to canvass freedom of association in the Supreme Court as a fundamental rights issue. In some of the countries in this group trade unions were involved in the independence movements and, after independence, continued to enjoy considerable political power and patronage, and sometimes even representation in Parliament.

The second group consists of the more authoritarian governments which ensured that unions did not indulge in political activities. In some countries unions were purged of communist elements. In one way or another unions were controlled so as to prevent them from emerging as a force in opposition to the government. Thus Singapore, Indonesia, Malaysia and the Republic of Korea have favoured recognition of one union.

The third category consisted of the centrally planned socialist countries in which there were no employers as the State was the only employer. The union did not play the role of protecting or furthering the interests of employees as workers were not supposed to have interests different to those of the government. The unions administered welfare functions and were in effect instruments of State policy.

The conclusion therefore is that "there is no single logic of industrialization leading to one particular type of industrial relations system."<sup>(7)</sup> Consequently industrial relations in Asia should be understood in the historical context of each country or sub-region. Industrial relations and human resource policies have played an important role in the economically successful Asian countries viz. the East Asian and some of the South-East Asian countries. If industrial relations and human resource policies have failed to promote economic development in South Asian countries, it is arguable that the fundamental problem lay in the economic direction that sub-region followed which did not adapt to changing circumstances, and the industrial relations system in a sense mirrored that direction which failed to deliver growth. Unions in some South Asian countries have been in the forefront of the demands for nationalization of industries and enterprises. Acceding to their demands led to a substantial loss of investments and opportunities to modernize national economies.

### **Industrialization Policies**

The different economic directions taken by Asia are reflected in the post-colonial industrialization strategies as represented by the outward-looking, export-oriented ones of East and South-East Asia and the inward-looking, import-substitution strategies of South Asia. These strategies have had a marked influence on industrial relations and human relations policies of the different sub-regions.<sup>(8)</sup> The import-substitution protectionist countries tended to have a labour protection policy based on a highly legalistic industrial relations system in which labour costs were not a very significant consideration, so that productivity, skills development and other conditions necessary to face competition in export markets received little attention. Countries which concentrated on equity through labour protection were characterized by relative inefficiency, inflexibility and a failure to recognise in time the changes needed to successfully compete in a globalized environment. South Asian industrial relations is characterized by union pluralism, politicization and multiplicity of unions, and in some cases by extreme labour protection and inter-union rivalry as in India and Sri Lanka, all of which prevented the development of cooperative bipartite relations or meaningful tripartism. Industrial relations issues have been heavily influenced by political considerations, preventing the development of stable industrial relations. In a sense, the relative political instability of the region has been reflected in industrial relations as well. However, some of these highly regulated industrial relations systems are gradually adapting to more flexible approaches, and there are indications of a greater desire than hitherto to establish tripartite and bipartite dialogue and cooperation. India, with arguably the most inflexible industrial relations system in Asia, is experiencing pressures to move from a protectionist to a more facilitative, deregulated and flexible system, brought about by economic changes and new industrialization policies.<sup>(9)</sup>

On the other hand labour costs and foreign investment were important factors in the policies of South-East and East Asian countries which depended on the manufacture and export of low cost goods. In some of these countries the industrialization strategy influenced the attitude towards unions<sup>(10)</sup>, which included a refusal to allow them to intervene in the development strategies of the government. Different strategies were adopted in different countries (Malaysia, Indonesia, Republic of Korea, Japan, Singapore) to remove Communist or left-oriented influence from trade unions. By contrast Communist or left-oriented unions have had considerable influence in Sri Lanka and India ever since those countries gained independence, partly due to the pluralistic political system which they joined and partly due (initially) to their close association with the movement for independence. With the rapid economic development of several South-East and East Asian countries greater reliance is now placed on technology,

Japan had achieved quite some time ago) necessary for competitive advantage based on productivity and quality. Labour costs, though still important in South East and East Asian countries, are being overshadowed by these other considerations. Indeed, industrial relations systems which hitherto provided little scope for unions to function as they do in market economies, may find it necessary to relax control over union activities in order to facilitate changes in enterprises with the least possible friction.

### **The Role Of The State**

In several Asian countries the State - in some cases to the exclusion of unions - regarded itself as the protector of workers and their welfare. The State's plans for growth did not include the practice of pluralism which was seen as being inimical to economic development. Rather than banning unions, they were made adjuncts of the government to ensure the non-emergence of independent unions which could challenge the government's authority or economic plans. Some such governments paid only lip-service to freedom of association and the right to bargain collectively. The State's control of industrial relations has been strongest in countries in which one party has succeeded in remaining in power for a long period of time, where there have been military regimes, where the government has assumed the primary role in economic development and has exercised a certain degree of authoritarianism, or in socialist countries now moving towards a market economy.

State intervention in the labour market has been pervasive in several East and South-East Asian countries where the State has viewed itself as the chief architect of economic development and stability. Sei-I Park<sup>(11)</sup> points out that at its inception the Republic of Korea was favoured with an educated workforce but lacked capital. The State's strategy at the time promoted labour-intensive industries with low capital needs, but with the emergence of an entrepreneurial class with capital to invest, the emphasis shifted to heavy industries and investment in developing the necessary skills. The main objectives of Korea's industrial relations policy were industrial peace reflected in the absence of work stoppages, etc. and the creation of a favourable labour market climate to achieve economic growth. Consequently in Korea, as in some other countries in the region which have achieved rapid economic growth, interest groups such as trade unions were not permitted to stall through labour agitation the implementation of policies the government had mapped out to achieve such growth. With rapid economic progress and a well educated workforce the democratic reforms implemented in Korea in 1987 had become inevitable, and the relaxation of decades of union control were followed by a period of militant labour disputes. According to Park the choice facing Korea is between liberal pluralism and liberal corporatism. He believes the second choice is the more likely one, given the relative inexperience of unions in collective bargaining and the Korean tradition of according to the State the main role in regulating society.

Instead of seeking to control the other actors in the industrial relations system, the State in Japan, as pointed out by Kazuo Sugeno<sup>(12)</sup>, promoted labour-management dialogue, cooperation and stability through procedures for labour dispute adjudication emphasizing employment security, bargaining and joint consultation mechanisms, and by promoting the consolidation of four major trade union confederations into one body. At the national level it has effectively involved employers and workers in consultations in the formulation of labour policies through their participation in trilateral councils. But even in Japan the 1950s witnessed a period of extreme union militancy, which resulted in measures to purge the union movement of its left-oriented elements.

It is necessary to draw a distinction between Japan and Korea on the one hand and South East Asia (ASEAN) on the other in regard to their development model. The Japanese and Korean models were based on nurturing and developing national 'champions', with their economies being relatively less open to foreign investment. Nor did they allow financial markets to develop and foreign investment in them. Entrepreneurs had to seek credit from banks whose policies were dictated or influenced by governments. The ASEAN countries (and Hong Kong) were more open (in the case of Singapore and Hong Kong completely open) to foreign direct investment. They were also more inclined to allow financial markets to develop and to allow foreign investment in them. The attempts by South East Asian countries to emulate the Korean and Japanese example of developing national 'champions' (e.g. automobiles in the case of Malaysia and aerospace in the case of Indonesia) have been at best minimal. China and India appear to be taking the path followed by South East Asia rather than by Korea and Japan. This choice was probably influenced partly by the fact that they are seeking to change their development strategies at a time when investment barriers are disappearing, international capital markets are flourishing, and a free market economy in which governments intervene less has become more common place.

While the role of governments in Asian countries has shaped the industrial relations system, in some the role of trade unions has also been an important determinant of industrial relations outcomes. In India and Sri Lanka, for instance, trade unions and many of their leaders were in the forefront of, or identified with, the movements for national independence. Union leaders were either politicians or they enjoyed political patronage. This had a profound influence on post-independence governments which, because they were democratic, sought the support of the working population through trade unions. The latter were sometimes led by well-educated middle class elite who were able to obtain in return concessions in the form of obligations on employers through legal prescriptions. Representation of trade unions in Parliament enabled unions to push for labour protection legislation. Trade unions, lacking industrial strength, derived distinct advantages from political leadership of unions but, in many cases, failed to produce leaders from within their own ranks. While in several Asian countries only one union has been 'encouraged' (e.g. Singapore, Indonesia), in others (Sri Lanka and India) union pluralism has been recognized from an early stage.

In Asia, therefore, it is not only industrialization policy *per se* but also the overall role of the government in economic development and the political complexion of the government (whether democratic or authoritarian) which have shaped industrial relations. The core of industrial relations in industrialised market economies is the ability of managements and unions to negotiate terms and conditions of employment relatively free of State control or intervention. In many developing countries this freedom has been substantially less, with the core of the system being the State's power or influence, exercised either through legal control or administrative action. This influence of government in industrial relations has, in several Asian countries, been also prompted by the State's involvement in business and the fact that the State has been the largest - or a large - employer. The State also assumed the responsibility for ensuring that the two sides of industry act in a manner consistent with the objective of accelerated economic development. Where there is no agreement between the two social partners - and an industrial relations system must pre-suppose the existence of disagreement - a third party has had to prescribe the rules which voluntary action has not been able to bring about. Many Asian governments have, either directly through the exercise of their political and administrative power, or indirectly through State-created institutions such as courts and tribunals, prescribed the interests to be protected, how they are to be protected and the limits within which the parties may act. Interventions may be the result of demands made by labour

or management, each seeking protection by the State of its interests. In South Asia it is the interests of labour which, by and large, have been protected with less consideration given to business interests. The South-East and East Asian business interests have not been sacrificed for the purpose of protecting labour (the latter may admit that their standards of living have substantially improved but claim that their freedom of action has been limited). Therefore the legal and administrative interventions of governments have, in a sense, been public policy statements which in South-East and East Asia underlined accelerated economic development, and in South Asia contributed to economic stagnation. The whole of Asia (other than perhaps Japan) has experienced a high degree of State intervention in and control of industrial relations, but the objectives have differed principally between South Asia and the other sub-regions.

Restrictions exist in several countries to ensure that management prerogatives are not eroded, or that industrialization and investment strategies are not impeded. In Singapore and Malaysia transfer, promotion, retrenchment and lay-off and work assignments are considered management prerogatives and are excluded by law from the scope of collective bargaining. No bargaining on the introduction of new technology is possible in Taiwan. In Singapore and Malaysia collective agreements require certification by the Industrial Court, which is entitled to refuse certification if the provisions are harmful to the national interest. Government intervention is sanctioned in Korea, Japan, Thailand and the Philippines when industrial disputes endanger the national economy. Concessions to foreign investors have been afforded in special economic zones. In some cases limits have been placed on negotiations on terms and conditions of employment in certain types of industries - in 'pioneer' industries in Malaysia and in 'new industrial undertakings' in Singapore. Strikes have been restricted through several measures. They have been prohibited in essential industries which term has sometimes been defined broadly. A strike can be pre-empted, delayed or rendered illegal in several ways - in Malaysia through the conciliation and arbitration process, or a cooling off period in Korea. Interestingly, in Sri Lanka a strike can be rendered illegal by a reference of the dispute to an industrial court or to an arbitrator, but this has only very rarely been done even when strikes have been by unions opposed to the government. In several Asian countries restrictions exist on strikes in the public sector, and strikes are sometimes prohibited if they are a 'secondary' form of trade union action. The several institutional arrangements which exist to channel individual grievances (such as labour courts) and to settle collective disputes (such as conciliation, industrial courts, arbitration) have tended to reduce the need for employers to resort to collective bargaining for which there is, in any event, less scope in an environment of low union rates. By contrast in some South Asian countries such as India and Sri Lanka collective bargaining can take place, and strikes can commence, on practically everything which is connected with the terms and conditions of employment.

### **Trade Unions In Asia**

On the whole unionization rates are low in Asia and have declined in recent years, except in the Republic of Korea and Taiwan where there was an increase after democratization. In some Asian countries union influence at the national level is not matched by their influence at the workplace level. Nor is the influence of unions always related to union density. In Singapore the union has been involved in tripartite dialogue and institutions and has been included in the policy planning process. In Sri Lanka whichever unions have supported the government have had considerable influence, especially since some of them have been represented in Parliament. As for India, "the political orientation of trade unions and their close ties with India's political parties has ensured that the labour movement has a political influence far greater than their numbers suggest. Labour is the swing vote in at least 30% of all parliamentary constituencies

... The Indian case suggests therefore that trade union influence and power are not determined by sheer numbers, but by the institutional network in which unions operate, and the specific exclusionary or inclusionary policies of the State."<sup>(13)</sup>

Unlike in South Asia where union pluralism has been allowed and even promoted by political parties, many other Asian countries have encouraged only one union and have made it difficult for other unions to operate. This has been achieved, for instance, through the process of compulsory registration which has been used to produce company or industry unions (in Thailand and Singapore); in Hong Kong, Singapore and South Korea it has been used to prevent the registration of a multiplicity of unions representing the same trade or industry.<sup>(14)</sup> On the other hand, in India and Sri Lanka the concept of compulsory registration has been used to facilitate freedom of association (and consequent multiplicity of unions) - a purpose opposite to that in other countries. In Taiwan until 1987 strike activities carried a mandatory death sentence. While the national union in Taiwan was encouraged because it was government controlled, any independent union movement were suppressed. Quite apart from hostility in some Asian countries to an independent union movement, union strength has been affected by the large informal and rural sectors in which people work - for example, in Indonesia, Thailand, the Philippines and the South Asian countries. In Thailand the majority of wage earners are in enterprises with less than 10 employees. Since a union can be formed only where 10 or more employees in an enterprise join to do so and legally collective bargaining takes place only in enterprises with at least 20 employees, the scope for unionization and collective bargaining is limited. In the Republic of Korea enterprise level rather than industry level bargaining structures have been encouraged and recognized, but there is union pressure to recognize industry bargaining structures. Except for Singapore and Taiwan, negotiation and bargaining have generally taken place at the industry or enterprise level. With the introduction of a flexible wage system in Singapore in the late 1980s, negotiations on wages have been substantially decentralized. The low unionization rates in Asia dictate that any scope for collective bargaining is largely at the enterprise level.

### **Culture And Values**

Any commentary on the Asian scene would not be complete without considering the controversial issue of the influence of cultural factors on industrial relations in general, and on human resource management policies and practices in particular, though this is not to imply that culture and value systems have not influenced industrial relations systems and practices in Western countries. While in some quarters it has been felt that culture is over-emphasized, yet until recently it has been under-played in attempts to understand the employment relationship in Asia. It is not suggested that there are cultural traits or values which apply to Asia as a whole. But there are some which apply to several countries (especially in a sub-region), while others are applicable to particular countries.

Though not applicable to every part of Asia, Confucianism is a compelling influence in many Asian societies. The rationale for business in traditional Chinese society was the consolidation and furtherance of the interests of the family. Hierarchy and respect for authority are ingrained in most Asian societies. The authority of the leader in an enterprise - who may often be the owner - is accepted. In return there is an expectation that he would look after the interests of subordinates. The idea of the family is translated into the group in the business context, and loyalty to the group and obedience to authority contrast sharply with the more individualistic traditions of the West where social satisfaction is found outside the group and, in any event,

enterprises is based on a social network dependent on personal contacts and influence.<sup>(15)</sup> Though from different sub-regions, the hierarchical structure of Indian and Thai societies is mirrored in the enterprises in both these countries. In Thailand traditionally "society has been highly stratified, with distinct class groupings and little mobility across class lines ... The class system is reflected in the organization and management of family-owned enterprises ... (where) ... there is little need for highly formalized management systems, as the external social system largely defined patterns of interaction, rights and obligations."<sup>(16)</sup> Control of employees by management is effected through a hierarchical system which mirrors the class system, in which deference to authority need not be secured by rules.<sup>(17)</sup>

In some countries such as Malaysia paternalism is highly personalized. People in the higher echelons of the enterprise hierarchy are expected to be 'patrons' of subordinates, even to the extent of assisting with children's schooling and lending money:

"The vertical ties are strengthened because company recruitment is usually offered first to family members of existing employees, friends or villagers. This patron-client relationship, evident in the wider society, is thus recreated in the workplace, and tends to militate against conflictual relationships. A lower ranked employee can often expect to secure more material benefits through patronage than he or she could hope to achieve through industrial action - and that industrial action could, of course, cause irrevocable damage to the client's relationship with his/her patron."<sup>(18)</sup>

In Sri Lanka it has not been unusual in collective bargaining for unions to negotiate for a certain percentage of vacancies to be reserved for family members of employees if they are found to be suitable. Practices seen as nepotism in other cultures are sometimes regarded as social obligations in Asia. The culture of conflict avoidance and of 'saving face', though claimed by some commentators to be inadequate explanations of attitudes and practices, should not be underplayed.<sup>(19)</sup> In the Philippines, for example, dismissing employees poses a major problem to supervisors and managers for this reason. Management by objectives (MBO) has been found to be difficult to implement in enterprises in societies where people are quite comfortable with large power distances, as it involves *inter alia* candid and objective performance appraisals, the difficulty of confronting employees with their poor performance, and the difficulty faced by subordinates in disputing their superior's judgement. In these cultural contexts the union is sometimes regarded, not only by the employer but also by some employees, as an outsider expecting loyalty which should primarily be to the group and to persons in authority within the unit. Unionism is therefore sometimes seen as involving a conflict of loyalty.

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## **SOME CURRENT INDUSTRIAL RELATIONS CONCERNS**

In the context of globalization, the focus of industrial relations is rapidly changing. First, there is an increasing appreciation of the direct relevance of labour relations and human resource management to enterprise performance and its competitiveness (e.g. productivity and quality of goods and services, labour costs, quality of the workforce, motivation, prevention of disputes and not only their settlement).

Second, even in countries in which many major decisions in industrial relations were taken at the macro level (e.g. New Zealand, Australia, India), greater attention is now being paid to relations at the workplace level. This is seen as necessary to enhance flexibility and quicker responses to change when needed, and to develop workplace procedures and mechanisms which could contribute to more cooperative relations between management and labour, innovation, high quality and customer responsiveness. For governments which have been highly interventionist in the labour market, this poses the problem of finding the right balance in their interventions in industrial relations. For organizations of employers and workers the shift of emphasis to workplace relations will imply delivery of 'new' products to their members if they are to remain relevant. For instance, they would have to assist their members in developing the necessary skills to manage workplace relations.

Third, higher levels of education and skills, especially in the more industrialized countries in Asia, is compelling re-thinking on how people should be managed. The need for greater worker involvement in decisions in enterprises, not to speak of more information sharing and consultation, is increasingly appreciated. In the more industrially advanced countries in Asia where there is a preference for employment generation in high-wage, high-skill jobs, employee development through skills training is a major policy direction.

Fourth, due to substantial increases in investment in Asia from both within and outside the region, and given the fact that Asia is a heterogeneous region characterized by ethnic, cultural, linguistic and religious diversity, many managements, employees and unions have to deal with people from different backgrounds and cultures. This is further accentuated by the increasing labour migration within Asia. Differences in industrial relations systems, attitudes to and of unions, work ethics, motivational systems and leadership styles, negotiating techniques, communication and consultation methods, values, expectations of employees, and interpersonal relations, have led to cross cultural 'mismanagement', and account for some part of workplace disputes. Therefore, cross cultural management issues are assuming substantial importance in the region.

Fifth, several aspects of wages and pay have surfaced as major concerns. Many employers are concerned with the effects of minimum wage increases on competitiveness if there is no compensating increase in productivity. Governments are concerned with the possible effects of minimum wage increases on employment generation. Both governments and unions nevertheless see minimum wages as a 'safety net' measure to uplift those living below the poverty line, and also as a way of raising living standards. Some governments and most employers wish to review traditional criteria to determine pay levels (e.g. cost of living, seniority), and to introduce a more flexible pay system in which performance criteria, profitability and productivity are given greater weightage. Such changes are viewed as necessary to absorb business downturns and to create the capacity to reward performance. At the same times, if employees are to cooperate in productivity enhancement, they expect concrete gains to them as well. As such, productivity gainsharing will have to be introduced into the agenda by employers' themselves without waiting for initiatives in this regard from employees and unions.

Sixth, with the end of the cold war and the disappearance of traditional ideological differences, unions are more concerned with their core industrial relations functions and issues, which include freedom of association in countries in which it is restricted; labour rights in special economic zones; increasing their membership; and participating in change and transition.

Seventh, countries in transition to a market economy are finding it necessary not only to establish an appropriate labour law framework but also to develop an industrial relations system which would be conducive to a smooth transition, in the context of the absence previously of the concepts of negotiation and freedom for enterprises to make a decisions which, in market economies, are taken within the undertaking.

Eight, the question of industrial relations in the public sector - especially in the public service - has assumed importance. In many cases their bargaining rights, for instance, are less than those of private sector employees.

Ninth, changing patterns of work (e.g. more homework, part-time workers, sub-contracting) have created concerns for unions in particular. Employment insecurity, social security, minimum wages and conditions of work are some of the areas of concern in relation to them. Further, traditional industrial relations systems geared to the concept of a full-time employee working within an enterprise is increasingly inapplicable to the body of people working outside an enterprise system - a body which in some countries may in the future exceed those working within an enterprise.

Tenth, the increasing influx of women into workforces has made gender discrimination, better opportunities to them in relation to training and income equality critical issues.

Finally, even in Asia (and more so in the West) employers are looking to human resource management as a way of enhancing enterprise performance and competitiveness. This will have important consequences for traditional industrial relations and for unions.<sup>(20)</sup>

These developments are leading all three actors in the industrial relations system to view labour relations from a more strategic perspective. It is also leading to a blurring of the distinction between industrial relations and human resource management. The latter is increasingly seen by employers as requiring a shift from traditional personnel and welfare functions to a more strategic role, though they have a long way to go to achieve this objective.

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## **CONVERGENCE OF INDUSTRIAL RELATIONS THROUGH GLOBALIZATION AND INFORMATION?**

There are several circumstances which seem to make the convergence theory of C. Kerr, J.T. Dunlop, F. Harbison and C. Myers<sup>(21)</sup> more likely to translate into reality in the years to come than it appeared at the time they expounded the theory. The first is the end of the Cold War which automatically led to the demise of one political and economic system. There are indications in some of the centrally planned economies moving towards a market-oriented system of a desire to introduce some form of tripartism. In this respect in Asia Vietnam is probably the best example as it has welcomed ILO programmes on tripartism, and the government has requested follow up activities and views tripartism as a useful process through which balanced economic and social development could be achieved. Even international institutions such as the World Bank and the International Monetary Fund have in recent years called for more involvement of unions in the development process. In fact, in their last World Development Report the World Bank regards freedom of association as an essential feature of a market economy. A second circumstance is the micro-electronics revolution and the rapid

parts of the world are impacting on each other, and thus promoting a greater degree of pluralism than before. Some countries are faced with the dilemma of needing sophisticated information systems to upgrade their economies, while at the same time wishing to exclude people's access to information considered to be too 'liberal' - an increasingly impossible task.

Third - and equally significant - is the process of globalization which has the potential to promote convergence for several reasons. Over the last quarter of a century the number of multinationals has increased from approximately 7,000 to about 38,000. With the lowering of investment barriers the numbers are likely to increase, and new forms of management are being popularized in Asia, though they are likely to be modified to suit particular local environments. The need to be competitive is compelling indigenous - often family controlled - enterprises to resort to more 'modern' management methods which would serve the objectives of increased efficiency, productivity and quality. The value of more information sharing, consultation, employee involvement and managing in a less hierarchical structure is common place wisdom today, and it is being accepted by Asian enterprises even if gradually. The higher levels of education and awareness among people are likely to require Asian workforces to be managed in ways not too dissimilar to ones in Western industrial relations systems. The end of the Cold War coupled with globalization has also provided some countries such as the USA with a leverage to promote the recognition of more labour and union rights in Asian countries, though these attempts are often viewed in Asia as protectionist measures designed to reduce competitive advantage based on labour costs.

Globalization usually implies the process which has entailed internationalization of products, services and markets. However, this process together with the emergence of the information age are bringing about a globalization of ideas and values. Many economies and enterprises accept today that one critical competitive weapon lies in people. It is the development of people that adds value to society, so that creating an environment which enables people development is the touchstone of development. The tendency towards globalization of ideas and values is more likely in an age when information technology provides people with easy access to ideas, events, standards and achievements of other countries. It has even influenced migration. The concept of globalization of ideas and values is based on the premise that economic integration, to be truly effective, requires a degree of social cohesion which, in turn, is possible if there are shared values among those participating in the global economy. The debates on 'values' between the West and Asia are a result of trying to globalize values. One Asian response is that universality in this respect, if it is even practicable, should reflect the values of countries whose populations total over two and a half billion people.

Fourth, the significant role that the ILO has played in the spread and acceptance of basic human rights values pertaining to labour is also contributing to some measure of convergence. To take one example only, the law and practice of many states have been influenced by the ILO's concept of the Freedom of Association as enshrined in Convention No. 87 and of Collective Bargaining as reflected in Convention No. 98. Membership of the ILO in itself involves a constitutional obligation to respect the principles of freedom of association. The ILO Governing Body Committee on Freedom of Association, the ILO Conference Committee on the Application of Conventions and Recommendations, and the ILO's Committee of Experts have, through their work, made substantial contributions to the 'convergence' of some of the basic values underlying industrial relations.

## IS THERE A WESTERN AND EASTERN APPROACH TO INDUSTRIAL RELATIONS?

### Difficulties In Making The Distinction

A comparison of Asian systems of industrial relations with Western approaches to industrial relations helps towards understanding the potential for the convergence of industrial relations between the two regions, or else the absence of such potential. But such a discussion raises the fundamental issue whether particular regions could be regarded as having distinctive models of industrial relations and, therefore, whether it is accurate to speak of 'western' and 'eastern' systems of industrial relations.<sup>(22)</sup> It is difficult to discern a specifically 'western' industrial relations system due to differences between, for instance, the British and German systems. Even though collective bargaining is a fundamental feature of industrial relations in the West, yet collective bargaining in the USA is different from collective bargaining in France or Sweden, while worker participation has different meanings in Germany and in some other European countries.<sup>(23)</sup> Nor do the industrial relations systems in Asia-Pacific reflect any common approach or principles which could justify the label of an Asian approach to industrial relations. Asia is a heterogenous region, with differences in both cultural and historical traditions. Some South Asian countries have been dominated by legislative intervention in industrial relations coupled with a high degree of judicial control, and multiplicity and politicization of unions. They, together with Australia, New Zealand and Japan, recognise voluntary unionism, and have a tradition of decades of unions being free to influence important economic and social (and sometimes political) policy decisions. Overall, attention in South Asia has been focused on dispute settlement rather than on dispute avoidance and on ways to promote harmonious industrial relations. The systems in Japan and Singapore are examples of tripartite and bipartite consultation and approaches to the solution of labour issues. Japan shares with some of the European countries (e.g. Scandinavian) a commitment to worker involvement, rather than to worker participation in the German sense. In some East and South East Asian countries trade unions, other than ones seen as 'friendly' to the government, have been discouraged. The Australian and New Zealand systems are closer to the Anglo-American model of industrial relations. China, the countries of the former Indo-China as well as Mongolia are moving towards a market economy, and it is left to be seen as to what type of industrial relations system will emerge in these countries.

### Possible Distinctions

Notwithstanding these differences even within regions, a possible approach to the distinction between an Asian and a Western model of industrial relations is to identify some of the elements which are fairly distinctive in the systems which operate in some of the countries in Asia and in the West. There are certain fundamentals of industrial relations which cut across cultural differences and are common to each region. When looked at in this way, different approaches can be discerned in the West and in Asia. First, there can be little doubt that underpinning Western approaches to industrial relations is a value system founded on the concepts of democracy and pluralism, a 'balance of power' between the two social partners (employers and workers), and minimal State intervention in reconciling conflicting interests and disputes between employers, employees and their organizations. Such resolution is left mainly to the two social partners through bipartite mechanisms, primarily the instrument of collective bargaining. This approach has been made possible due to the existence of strong

organizations representing workers and employers, by a tradition of tripartism which recognises the respective roles of all three partners, as well as by a tradition of bipartism. In Asia the position has been substantially different. Unions, by and large, have been relatively weak, and State intervention in industrial relations has, as we have seen, been an important feature. The heavy hand of the State can sometimes be seen even in regard to conciliation. In contrast to the West, in some Asian countries conciliation contains an element of compulsion and arbitration. In some of the South Asian countries, for instance, parties to a dispute can be compelled to submit to the conciliation process. The third party conciliator is sometimes seen as 'compelling' the parties to arrive at a settlement, thus coming close to the role of an arbitrator.

A second possible distinction between Western and Asian approaches to industrial relations is in a value system which in many Western societies places a greater emphasis on individual rights, and in some Asian countries more emphasis on group values. To this distinction could be added the further difference between a greater egalitarian outlook in the West and more hierarchical societies in Asia where respect is paid to elders and to persons in authority. Therefore in many Western societies the law views the employment relationship as being one between persons who are equal in the legal sense. However, since the law also recognises the reality that in economic terms the two are not equal, legal protection is afforded to redress the unequal power position of the two parties. In some Asian societies the inequality of the parties in the employment relationship is not just an economic reality, but also a social one, so that Westerners would probably call the relationship a paternalistic one. This is particularly true of the relationships which exist in the numerous 'family businesses' in Asian countries. Interpersonal relationships perhaps have a greater impact on the management of enterprises in Asia than in many Western societies, where principles and systems play a more significant role in managing people at the enterprise level. It is also a characteristic of some Asian societies to avoid confrontation, on the premise that conflict must be avoided in the employment (and social) relationship.

In Western countries the main instrument for reaching agreement on terms and conditions of employment is collective bargaining<sup>(24)</sup> which could offer a third point of contrast between Western and Asian approaches to industrial relations. Collective bargaining is not as widespread in Asia as in the West, and in Asia it occurs more at the enterprise level, and is not the chief means of determining terms and conditions of employment. Collective bargaining assumes the existence of representative unions. In many Asian countries unionisation is relatively low, and does not cover the vast informal and unorganised sectors. Similarly, employers' organizations seldom undertake collective bargaining, which is a reflection of the relative absence of collective bargaining at the national and industry level. Collective bargaining is sometimes seen as being conflictual in the sense that it is a means of sharing the surplus rather than a means of exploring areas for joint action to increase the surplus available for sharing. Joint consultation schemes are sometimes perceived as being more appropriate to Asian approaches as they focus more on the enterprise situation than does collective bargaining at the industry level. Since collective bargaining in Asian systems takes place more often at the enterprise level, rather than at the national or industry level, it reduces the impact of collective bargaining on the industrial relations system as a standard setting mechanism for determining terms and conditions of employment.

Another distinction could be suggested by reference to Western and Asian reactions to industrial conflict. Western societies recognise industrial conflict as a natural consequence of a failure to reconcile conflicting interests on fundamental matters such as wages. In Asia one

sometimes perceives that governments and employers have a more deep-seated abhorrence of strikes. This may explain, to some extent, the following measures Asian countries have adopted to prevent or curtail strikes:

- i. Outlawing strikes and lock-outs, particularly in essential industries, and defining an essential industry so as to encompass a wide range of economic activity.
- ii. Legislative provisions obliging conformity with several procedures so as to make strike action difficult, if not impossible, and enabling a government to pre-empt a strike by resort to legal procedures such as compulsory arbitration.
- iii. The invocation of the criminal law to punish strikers in certain circumstances.

Therefore, attitudes in some Asian countries instinctively react against the resolution of conflicting interests through methods which are perceived as subversive or conflictual. <sup>(25)</sup> These attitudes could have some connection with the concept of "harmony", which finds expression even in the title of the Malaysian Code of Conduct signed by the tripartite constituents. The need for 'harmonious industrial relations' is often stressed in Asia. On the other hand, the conflictual relations in South Asia do not reflect any degree of 'harmony', while it may be claimed that the absence of open conflict in some other parts of Asia has been due to suppression of labour rights, which is now giving way to more open conflict.

Labour disputes which erupt into strikes and other forms of trade union action are sometimes considered to disrupt the whole - a significant aspect of Eastern thinking. Whether in Western or other societies, conflict is inherent in the type of social relationships which industrial relations reflects. Some of the classics of Eastern philosophy such as I Ching <sup>(26)</sup> see the world in terms of the division of Yin and Yang. These represent polar opposites which encompass everything e.g. heaven and earth, light and dark, hot and cold, etc. The relationship between these opposites is on the one hand contradictory and on the other complementary. Through their interaction these two seemingly contradictory forces "produce all things and changes in the universe, in the nature and in the society .... Being basically conflict prone and contradictory in nature, the parties in the industrial relations system are also to be complementary to each other and reciprocal in their interaction because without each other neither labour nor management can exist in the industrial relations system." <sup>(27)</sup> An important part of this philosophy is that no particular force can grow in strength without limit, and ultimately harmony can be achieved only where the polar opposites (Yin and Yang) are well balanced. In industrial relations terms this means the balance of conflicting interests with the minimum of friction. In the final analysis the search for an Asian model of industrial relations is a reflection of an Asian dilemma, aptly expressed by J Schregle <sup>(28)</sup> as follows:

"The search for Asian models of industrial relations must be seen within the wider context of the East-West dialogue, the apparent dichotomy of an occidental and an oriental society. Not many people in the West are fully conscious of the predicament, the dilemma in which many Asians find themselves in this dialogue. This dilemma has many facets but reduced to its basic elements it centres in essence around the two notions of 'modernisation' and 'westernisation'. While these two terms may have been seen by Asians in the past as being synonymous, this is no longer the case. The question to which they seek an answer is how one can say 'yes' to modernisation and 'no' to westernisation. In other words, the challenge is how can one adopt and absorb modern technology, which must come from the West and, at the same time, safeguard one's own traditional and cultural values."

## Importance Of National Diversity

If the elaboration of the relevance of national and cultural diversity is thought to be exaggerated when applied to human relations, one only needs to look at what multinationals have learnt about these factors in designing product and marketing strategies in Asia and elsewhere. They have found that global products may have to be changed to accommodate national and local sensitivities and tastes. For instance, Coca-Cola found that its product has to be sweeter in southern Japan than in Tokyo; the anti-alcohol policy of some companies (IBM, Disney) had to be modified in France; 7-Up did not sell in Shanghai because the brand name meant "death through drinking" in the local dialect. Asea Brown Boveri's Percy Barnevik probably invented the concept of the multi-domestic company,<sup>(29)</sup> whose motto is "think global, act local". ABB has successfully designed a system to exploit core technologies and global economies of scale without the necessity to erode responsiveness to local market needs and conditions. Unilever and Nestle have been particularly adept at adapting global products to suit local tastes. If some of the most powerful brand names have had to make concessions to local differences, it is possible that in the far more sensitive area of human relations 'convergence' is less likely, or at least more difficult. Even ways of negotiating (important in industrial relations) are radically different in some Asian countries in comparison with the West. In fact employers increasingly realize that cultural diversity should be exploited, and this is the rationale for many strategic alliances and joint ventures. An essential feature of multinational management today is the compromises they have to make in reconciling the tension between global and local considerations. Over the last decade the global players have come to increasingly recognize the need to include 'local flavour' in global strategy. There is nothing special about industrial relations which exempts it from the need to adapt. If managing human resources requires such adaptation, as it has increasingly become evident especially in the 1990s with increased investment and cross-cultural management, so also does industrial relations. Cultural factors have been found to impact even on productivity.<sup>(30)</sup> Studies have revealed that in the absence of prior training only about 20% of foreign managers are successful, about 25% to 40% are complete failures, with the failure rate being highest in developing countries.<sup>(31)</sup> Studies also reveal that "the single most consistent and best predictor of overseas success was interpersonal skills ... (which) are composed of six items: interpersonal flexibility; respect; listening skills; relationship building; self-control under stress; and sensitivity to host - country issues."<sup>(32)</sup> Admittedly cultural factors are not peculiar to Asia. The point is that until recently little attention has been paid to them by advocates of industrial relations and management systems from the West.

On the other hand, national diversity in industrial relations has sometimes been explained by reference to different stages of industrialization and due more to historical than to cultural factors. In this context, one of the important theories is the 'late development' theory propounded by Ronald Dore<sup>(33)</sup>, according to which countries which have industrialized late have certain advantages in being able to commence with the 'technology' currently in vogue, including 'social technology' (e.g. education, managing people). The 'late development' effect could be a significant factor in the convergence of social systems, of which industrial relations is one. It is a characteristic of advanced industrial societies that organizations tend to share the 'democratic' and egalitarian concepts of equality rather than ideals based on a division of superior and inferior.<sup>(34)</sup> According to Dore those countries industrializing late are more likely to have governments playing a dominant role, and are likely to recognize trade union rights.<sup>(35)</sup> Though undoubtedly countries which are not among the first to industrialize have the benefit of learning from the experiences of others which have already industrialized, this hardly detracts

relations. The relevance of attitudes and values is in fact recognized by Dore<sup>(36)</sup> in relation to Japan; he also recognizes several other sources of national diversity.<sup>(37)</sup> The 'late development' theory does not help to explain why in Asia where (except for Japan) industrialization commenced after the War, South Asia recognized union pluralism while others did not, and why democratic institutions were common in South Asia but initially not in South East or East Asia.

### **Relevant Aspects Of Asian Culture And Values**

The next question is what aspects of culture<sup>(38)</sup> and values in Asian countries are relevant in understanding and managing the employment relationship in Asia. On the whole there is little connection between South Asia on the one hand and South East and East Asia on the other. But East and South East Asia exhibit characteristics which are fairly common in both sub-regions, many of which have already been referred to. Respect for authority, age and seniority affects the relationship between subordinates and superiors in South, South East and East Asia, though more prominently in the latter two sub-regions. In the important areas of communication and negotiation, it is always productive in South-East and East Asia to place it in a social context. It is significant that the Japanese (and to some extent South-East and East Asia) are less comfortable than Westerners with communicating and negotiating through modern methods such as video conferencing because of a cultural proclivity towards face to face contact in negotiations. The fact that technology is likely to ultimately change such attitudes because it is found to be more productive does not destroy the thesis that cultural traits, so long as they persist, have to be taken into account in devising and implementing social and human relations systems. The well-known practice of not acting in a way to make others 'lose face' is basic to dealing with South-East and East Asians. Conflict avoidance is another characteristic, so much so that it is not unusual to pretend there is no problem or issue when in fact there is one. The emphasis on relationship building is one way of ensuring conflict avoidance, but South Asian and non-Asian cultures would probably pay greater attention to conflict resolution. The more collectivist, as opposed to individualistic, values in South East and East Asia facilitate team work and they have engendered a preference for group rewards in pay systems. In most Asian societies there has been acceptance of 'power distances'. As pointed out by a group of researchers from Hong Kong<sup>(39)</sup>, many Eastern cultures "tend to emphasize the qualities of collectivism, familism, hierarchical structure, unidimensionality, and structural rigidity, while Western culture highlights the attributes of individualism, institutionalism, egalitarianism, multidimensionality, and structural flexibility".

The following tentative suggestions are offered:

- i. Asian countries could re-examine their industrial relations systems with a view to identifying areas of common interest as well as conflicting interests, and seek to build mechanisms to strengthen common interests and establish dialogue on the conflicting interests. The development of workers' skills and their growing indispensability to enterprise competitiveness are examples of areas where the interests of employers and employees converge, irrespective of regional differences.
- ii. Would joint consultation schemes be more appropriate to Asia than collective bargaining, as such arrangements are inherently less conflict-oriented and involve more communication and consultation which are often critical to motivation in Asian countries? Joint consultation arrangements may also promote continuing relations between management and employees, unlike collective bargaining which is more *ad hoc* in the sense that it usually takes place after long intervals when fundamental issues

such as wages need to be negotiated. Alternatively, should the search be for ways of blending collective bargaining with joint consultation into the industrial relations system, as the Japanese have successfully done?

- iii. Are Asian systems of industrial relations likely to move towards increased bipartite relations and mechanisms to reconcile conflicting interests, or is the State likely to dominate, or play an important role in such reconciliation? The development of bipartite relationships and mechanisms, as well as of effectively functioning tripartite ones, will partly depend on the emergence of a more unified, stronger and more representative trade union movement.
- iv. If inter-personal relationships are more important in Asian societies than in Western ones, is it necessary in Asia to focus on human resource management policies and practices to create an enterprise climate conducive to fostering trust? American enterprises have been looking at Japanese management practices in order to ascertain their relevance and applicability to American enterprises. In the context of trust and intimacy, which is important in some Asian cultures, the following observations may be relevant:

"In the contemporary American mind, there is apparently the idea that intimacy should only be supplied from certain sources. The church, family and other traditional institutions are the only legitimate sources of intimacy. We resist the idea that there can or should be a close familiarity with people in the workplace. 'Personal feelings have no place at work', is the common feeling. Yet we are faced with an anomaly. In the Japanese example, we find a successful industrial society in which intimacy occurs in the place of work as well as in other settings. The Japanese example forces us to reconsider our deeply-held beliefs about the proper source of intimacy in society."<sup>(40)</sup>

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## SOME CONCLUSIONS

Western industrial relations institutions such as collective bargaining and arbitration were taken over by developing countries. However, they were not transplanted but adapted to fit the fundamental premise that the State has a right to intervene to ensure that the two social partners act in a manner consistent with the government's development objectives. Therefore, industrial relations systems and techniques have developed in the West in this century in an industrialized environment quite different to that of many developing countries. In principle this was no different to Western industrial relations systems being developed in terms of a rationale of the social partners being accorded sufficient leeway to determine how they should protect and further their interests, precisely because the government's role in the labour market was less interventionist. Therefore industrial relations theories developed under conditions of laissez-faire, pluralism, minimal government intervention, and a relative balance of power between the two social partners, would fail in explaining or achieving understanding of industrial relations which developed in an environment of strong colonial and post colonial governments which assumed the right to determine the direction of development, an absence of an easily defined working class as in the West, the initial lack of an entrepreneurial class to drive the industrialization process, and the continued existence of a large rural base and an informal sector.

There is scope in Asia for 'modern' human resource management policies and practices. Japan, which has adapted Western management systems and incorporated into them its unique blend of human resource policies and practices, is an example of successful modernization without westernization.<sup>(41)</sup> While Japan exported to the U.S.A. the concept of 'lean production', the Americans are now exporting to Japan the concept of 'lean management'. Many Asian countries do not have sophisticated human resource management policies, and management practices are largely ones which reflect traditional social values and practices. But intense competition among Asian enterprises and between them and Western ones in the global market, the enhanced productivity drive which is a consequence of globalization, and the shortage in some countries of skilled labour, are resulting in increasing attention being paid to more structured policies and practices in managing people in workplaces. The shift by some Asian countries to more technology-based valued added industries (e.g. Malaysia and Taiwan) and to services (Singapore) has underlined the need to invest more in worker motivation, skills and training. Many Asian countries are also examining ways of reforming their traditional seniority based pay systems to encourage better performance and higher productivity and to reward the acquisition of skills and multi-skills without increasing labour costs. Many enterprises are re-orienting their management towards more structured human-oriented forms of management, in the realization that productivity and quality require increased employee involvement in decisions which affect them as well as more control over their jobs. The power of appropriate human resource policies, properly implemented and widely diffused within firms and across sectors and the national economy to meet both management objectives and employee aspirations, is increasingly appreciated by Asian enterprises. The young managerial staff emerging in many Asian countries appear to be less comfortable with the transference of social hierarchies into enterprises as they reduce the opportunities for individual contribution, creativity and innovation. East Asian countries are even re-examining their education systems with a view to developing people who will be more creative and innovative as required by the key industries of today and in the future. The emphasis in most countries on human resources development policies to create the kind of workforce needed for less labour intensive and more value added activities is resulting in better educated and affluent workforces, more likely to want a greater voice in enterprise decisions. In the less unionized environment of these countries how their aspirations and needs are to be expressed is the question. In countries such as Indonesia and Korea which have favoured one union only, other unions have emerged, and in both these countries as well as in Thailand there is increasing agitation on labour issues.

If there is likely to be a convergence of basic industrial relations values, it is likely to occur due to the information age and technology as well as to globalization; and such convergence is likely to take the form of traditional industrial relations approaches having to accommodate other ideas i.e. different systems each modifying itself so as to converge towards an acceptable compromise. The trends in human resource management (which are outside the scope of this discussion) are likely to play a major role in this regard. The contribution of some Asian countries in the form of joint consultation and consensus and relationship building (in principle similar to the values underlying some of the Scandinavian systems though Sweden appears to be moving in the opposite direction in recent years) is likely to remain an important focus of even other Asian countries striving to base their systems on similar principles. Singapore has achieved a degree of consensus building even though by means regarded by others as somewhat authoritarian, and in Indonesia consensus building is an important objective given its ethnic, linguistic and to some extent religious diversity. In all the Asian countries the impact of information technology is leading to a push for greater labour rights, while the implications of globalization (e.g. competitiveness and cross cultural management issues) are leading to the

examination of industrial relations techniques which would be best suited to a globalized environment. Convergence is therefore likely to be the result of different models interacting with each other, and resulting in 'borrowings' from each other.

There are good reasons why a future convergence of 'human relations' systems, of which industrial relations is a part, is likely to result in a 'hybrid' system, rather than in a transplant of Western models. The economic performance of East Asia has created a plethora of studies which seek to identify the reasons for its success. Western scholars have found considerable difficulty in explaining its success in terms of development models which they espouse as the only road to success. As a result, a vast body of literature has emerged which provides other insights into the 'East Asian economic miracle'. Similarly, many of these countries, despite social hierarchies and a lack of egalitarianism, have been remarkably successful in raising living standards.<sup>(42)</sup> Just as much as the West has looked to Japan for lessons which could be learnt not only from its manufacturing prowess but also from its human resource policies and practices, with the increasing integration of Asia in the global economy the way Asians arrange their human relationships may not ultimately be much influenced by other systems. In this regard the global corporate players are likely to play a major role because it is they who have been among the first to realize that culture is reflected in behaviour, beliefs and values, and underlying assumptions,<sup>(43)</sup> and that corporate culture, for instance, can impact on behaviour, beliefs and values (which are more visible) rather than on underlying assumptions.<sup>(44)</sup> Global players have realized that skills in managing and coping with cultural relativity require corporate culture to fit national culture, and that competitive advantage flows from using, rather than ignoring, cultural diversity.

To conclude on a rather inconclusive note, it is interesting to speculate on which of two different industrial relations approaches Asian countries are likely to adopt. Traditionally industrial relations has been based on the theory that problems in labour relations emanate largely from market imperfections which operate against the interests of labour and cause imbalances in the power relationships of employers and employees. These imperfections have to be cured through a range of interventions, both State (protective labour laws, conciliation and dispute settlement machinery) and voluntary action by employees to protect themselves and further their interests through trade unionism (but backed by State interventions to guarantee this right) to redress the balance of power (through collective bargaining). The other theory, increasingly important since the 1980s, is that labour problems arise not so much from factors external to the enterprise, but due to internal unsatisfactory management. The corrective lies in the installation of human resource management policies and practices embraced in concepts such as recruitment and selection, employee development and retention, motivation and leadership. The objective is to ensure a convergence of organizational and individual goals, and to balance individual and organizational needs. As aptly expressed by Edgar Schein<sup>(45)</sup> in regard to the basic problem in management:

"Part of the problem is that we have split off human resource management from the general management problem, as if there were some other kind of management other than human resource management. As long as organizations are based upon the coordinated action of two or more people, management is by definition human resource management".

The truth probably lies in between the two theories i.e. both represent a correct diagnosis but neither is an entirely sufficient explanation, so that some form of integration between the two is necessary.<sup>(46)</sup> The choice made by Asian countries may probably be influenced by which

approach is likely to contribute to competitive advantage, which approach is likely to promote social stability, and also by the future strength and role of trade unions. Perhaps the choice will be a blend of the two.

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## ENDNOTES

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2. S.A. Siddique "Industrial Relations In A Third World Setting: A Possible Model" in 1989 (Vol.31) *The Journal of Industrial Relations* (Australia) 385-401. See this article for a well analysed rejection of the 'convergence' theory of IR, and for the numerous literature relevant to the issue. For the labour law and IR systems in Hong Kong, Malaysia, Singapore, South Korea, Japan, the Philippines, Thailand and Taiwan see *Labour Law And Industrial Relations In Asia* ed. by S.J. Deery and R.J. Mitchell (Longman Cheshire, Australia, 1993). See *Industrialization And Labor Relations: Contemporary Research In Seven Countries* ed. by Stephen Frenkel and Jeffrey Harrod (Cornell University, ILR Press, N.York, 1995) for the effects of industrialization on labour relations in Hong Kong, Malaysia, Singapore, South Africa, Taiwan and Thailand. For the South Asian countries see J. Schregle *Negotiating Development: Labour Relations In Southern Asia* (ILO, Geneva, 1982).
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- [15.](#) See for example the sample survey results in J.J. Lawler, H.C. Jain, C.S. Venkata Ratnam and V. Atmiyanandana *Human Resource Management In Developing Economies: A Comparison Of India And Thailand* (1995 May 6:2) *The International Journal of Human Resource Management* 319.
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- [19.](#) See J. Schregle "In Search of Alternative Models for Asian Industrial Relations" in *Agenda for Industrial Relations In Asian Development* (Proceedings of the Asian Regional Conference on Industrial Relations, Tokyo, 1981, Japan Institute of Labour) 284-318.
- [20.](#) See S.R. de Silva *Harmonizing Industrial Relations and Human Resource Management*, ILO, 1995.
- [21.](#) *Industrialism And Industrial Man*, *op.cit.* See also C. Kerr "Postscript to Industrialism and Industrial Man" in 1971 (103) *International Labour Review* 519-540.
- [22.](#) See J Schregle "In Search of Alternative Models for Asian Industrial Relations: A Discussion Paper", Kyong-Dong Kim "Explorations Into The I Ching, The Classic of Change, In Search of Alternative Models for Asian Industrial Relations", S. Chandra "In Search of Alternative Models of Asian Industrial Relations", in *Agenda for Industrial Relations In Asian Development*, Proceedings of the 1981 Asian Regional Conference on Industrial Relations, Tokyo, 1981 (Japan Institute of Labour), J. Schregle *Negotiating Development* (ILO, Geneva, 1982) at 52-72, 183-186. This section is indebted to the writings of J. Schregle.
- [23.](#) See J. Schregle "In Search of Alternative Models for Asian Industrial Relations: A Discussion Paper", *op.cit.*
- [24.](#) "...there is wide agreement in the West on the principle that collective bargaining should be considered, and promoted, as a desirable means for the negotiation of wages and terms and

conditions of employment between employer or employers' organisations, and the workers acting collectively, normally through their trade unions, but in some cases also through other forms of representations.": J. Schregle, *ibid.*

[25.](#) See the observation of a Commissioner of Labour of Hong Kong J.N. Henderson: "Many of the trade disputes dealt with by the Labour Department here in Hong Kong have arisen from local circumstances and attitudes and have to be resolved by methods and approaches that you will not find in the case studies of the Harvard Business School or the London School of Economics" (Second Asian Congress on Human Resource Management, Hong Kong, 1979, in *Contemporary Labour Relations In The Asia-Pacific Region* ed. by Terry W. Casey, Libra Press Ltd., Hong Kong, 1979 at 6.) According to Henderson information, courtesy, sensitivity and communication are basic elements of labour relations.

[26.](#) See Kyong-Dong Kim "Explorations Into The I Chang, The Classic of Change, In Search of Alternative Models for Asian Industrial Relations", *op.cit.*

[27.](#) *ibid.*

[28.](#) J. Schregle "In Search of Alternative Models for Asian Industrial Relations: A Discussion Paper", *op.cit.*

[29.](#) See "The Logic of Global Business: An Interview with ABB's Percy Barnevik" in 1991 (Vol.69) *Harvard Business Review* 91. "ABB is an organization with three internal contradictions. We want to be global and local, big and small, radically decentralized with centralized reporting and control": Percy Barnavik, *ibid.* at 95.

[30.](#) See *Easternization: Socio-Cultural Impact On Productivity* ed. by Kwang-Kuo Hwang (Asian Productivity Organization, Tokyo, 1995).

[31.](#) See Suntaree Komin "Socio-Cultural Influences in Managing for Productivity in Thailand" in *Easternization: Socio-Cultural Impacted On Productivity*, *ibid.* 334 at 338.

[32.](#) *ibid.* at 338-339.

[33.](#) *British Factory - Japanese Factory: The Origins Of National Diversity In Industrial Relations* (University of California Press, California, 1973).

[34.](#) But how true is this of the first country to industrialize - England - where management has continued to be a status rather than an activity, even if it is changing at this late stage?

[35.](#) *op.cit.* at 415-416.

[36.](#) For example *ibid.* at 417.

[37.](#) *ibid.* at 414.

[38.](#) On the whole issue of culture and its dimensions in people management, see the numerous writings of Geert Hofstede who has been responsible for some of the most in depth research studies on a global scale. See also Min Chen *Asian Management Systems* (Routledge, London, 1995) which analyses the influence of Confucianism on management systems in Japan, Korea,

China, and on overseas Chinese. Confucian cultural traditions in this respect include "the harmony of interpersonal relationships, the hierarchical structure of the society and organization, the importance of family, the prevalence of authoritarianism, paternalism and personalism, the system of mutual obligation, and the universality of the guanxi network": *ibid.* at 294.

[39.](#) Ng Sek Hong, Sally Stewart and Chan Fun Ting "Socio-Cultural Impact on Productivity: The Case of Hong Kong" in *Easternization: Socio-Cultural Impact On Productivity*, *op.cit.* 47 at 53.

[40.](#) William Ouchi *Theory Z* (Reading, Mass: Addison - Wesley, 1981) at 8-9.

[41.](#) See J. Schregle "In Search Of Alternative Models Of Asian Industrial Relations", *op.cit.*

[42.](#) Witness the Republic of Korea which raised per capita income from 94 US Dollars in 1960 to 9500 by mid 1995, or Singapore whose per capita income is equivalent to industrialized country levels.

[43.](#) See E.H. Schein *Organizational Culture And Leadership* (Jossey-Bass, S. Francisco, 1985), Susan C. Schneider "National vs. Corporate Culture: Implications For Human Resource Management" in *Globalizing Management* ed. by V. Pucik, N.M. Tichy and C.K. Barnett (John Wiley and Sons, N.York, 1992) 159 at 160-162.

[44.](#) "The underlying assumptions prescribe ways of perceiving, thinking, and evaluating the world, self, and others. These assumptions include views of the relationship with nature and of human relationships": Susan C. Schneider, *op.cit.* at 161.

[45.](#) "Human Resource Practices In Organization Transformation: Are They Culture Specific?" (Paper presented at the Massachusetts Institute of Technology - Nanyan Technological University Seminar, Singapore, June 1995).

[46.](#) See S.R. de Silva: *Harmonizing Industrial Relations And Human Resource Management* (ILO, 1995).

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