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The Changing Focus of Industrial Relations and Human Resource Management

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Abstract

This Paper deals with four main themes. First, why and in what sense industrial relations (hereinafter referred to as "IR") and human resource management (hereinafter referred to as "HRM") are changing at least in respect of their focus and in some respects their role. It also covers current or emerging issues in both fields. Second, the influences which have shaped IR outcomes in Asia are discussed. The third addresses the differences and conflict between IR and HRM and the potential for reducing such differences and conflict. The final theme deals with some current and future issues - for employers but not only for them.

The introduction seeks to highlight in a general way, some issues relevant to the changing IR scene. The second section explains the main emphasis of traditional (collective) IR and their implications, and why the emphasis is shifting to IR at the level of the workplace. The third section covers the impact of globalization on both IR and management. Management is included because, with the increasing emphasis on workplace relations, IR is also an important part of employment relations and of the management of organizations. The importance of competitive advantage and of the increasing presence of multinationals to IR are addressed.

The fourth section analyses some of the main influences on IR in Asian sub-regions, and the government roles and industrialization policies that contributed to different approaches to IR. It also addresses the problem of the absence in economies in transition. of an IR system appropriate to a market economy. It is suggested that there is some evidence of a possible convergence of IR systems as a result of influences from Western industrialized country IR and management systems.

The fifth section looks at HRM as a strategy, the movement from personnel management to HRM, and how HRM is becoming an important tool in achieving management objectives, even though there is still a wide disparity between rhetoric and practice.

The sixth section addresses the issue whether, and if so in what sense, IR and HRM are in conflict and in what ways they are different. The seventh section examines the question whether there could be a harmonizing of IR and HRM, and if so, what needs to be done for that objective to be achieved.

The final section addresses some of the current issues IR has to face, especially but not only from the perspective of employers, as well as the continuing relevance of IR.

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1. Introduction

Industrial relations in countries, sub-regions and regions, have been influenced by a variety of circumstances and actors such as political philosophies, economic imperatives, the role of the State in determining the direction of economic and social development, the influence of unions and the business community, as well as the legacies of colonial governments. Over several decades IR in many industrialized market economies of the West, and also in Australia and New Zealand in the Asia-Pacific as well as in the South Asian countries, paid less attention to competitiveness than did the younger 'discipline' human resource management. IR fulfilled the function of providing employees with a collective voice, and unions with the means to establish standardized terms and conditions of employment not only within an enterprise but also across an industry, and sometimes across an economy. This was achieved through the freedom of association, collective bargaining and the right to strike. Similar results were achieved in the South Asian sub-region where political democracy, and sometimes socialist ideology, provided enormous bargaining power and influence on legislative outcomes to even unions with relatively few members. A different IR regime emerged in some of the South-East and East Asian economies (as we will see), driven by competition in export markets and different political systems bearing little resemblance to the values underpinning Western-style democracies.

While we will return to this subject, it is worth noting that during the past decades labour relations were often viewed by Asian governments as a means of minimizing conflict, preventing union agitation, or as in the case of India and Sri Lanka, of controlling employers and winning votes. Conflict resolution was achieved through dispute prevention and settlement mechanisms external to the enterprise, such as conciliation, arbitration and labour courts. In South Asia the objective was also achieved through restrictions and prohibitions on the freedom of action of employers in matters such as termination of employment, closures and even transfers of employees. On the other hand, several South East Asian countries resorted to measures to restrict trade union action and to control unions, as well as to avoid union multiplicity. In South Asia while the focus of IR was on equity from the point of view of workers and unions, in South-East Asia the emphasis was on economic efficiency and less on worker protection laws. Low unionization in many Asian countries, strong governments in South-East Asian countries and the Republic of Korea, and perceptions that unions can be potential obstacles to a particular direction of economic development, led to a relative neglect

of IR. Moreover, hierarchical management systems and respect for authority, which have mirrored the external social system, have been inconsistent with consultation, two-way communication, and even with the concept of negotiating the employment relationship. Japan, however, was an exception where, since the 1960s, workplace relations and flexibility facilitated by enterprise unionism dominated IR in the larger enterprises. Australia and New Zealand have traditionally focused on centralized IR, though the emphasis has radically changed in New Zealand during this decade, and is changing in Australia.

Globalization has led employers to push for less regulation of IR, less standardization of the employment relationship, and a greater focus on the workplace as the centre of gravity of IR. Employers as well as some governments are viewing IR from a more strategic perspective, *i.e.*, how IR can contribute to and promote workplace cooperation, flexibility, productivity and competitiveness. It is increasingly recognized that how people are managed impacts on an enterprise's productivity and on the quality of goods and services, labour costs, the quality of the workforce and its motivation. The industrializing Asian countries which recognize limited labour rights are gradually coming to terms with union pluralism and agitation, and the need for less hierarchical and paternalistic approaches to managing people. On the other hand, traditional IR, which developed in the context of mass manufacturing, is viewed by many employers as less appropriate to the growing service sector, the emerging knowledge workers, and the proliferation of work performed outside the enterprise, under arrangements which do not fit the traditional IR concepts of standardized employment terms and conditions for people working *within* an enterprise. The diminishing role of the State as employer (still important as it is in several countries) may correspondingly reduce the State's interest in intervening in IR. The direction in which economies in transition is heading is uncertain, but indications are sufficient to raise the question whether over-regulation of the labour market through legislative activity is a possibility, in which event it will stifle the flexibility employers will need in time to come to compete in the global marketplace in more value-added industries than the ones they are engaged in at present.

Employers and employers' organizations need to influence the industrial relations system (including the labour law) in the context of competitiveness. Not all employers' organizations in Asia-Pacific are adequately equipped to do so, so that they have to acquire the requisite knowledge base needed to influence the policy environment. This also implies that employers' organizations will have to develop a strategic perspective of IR, in the same way that employers are seeking to develop HRM policies and practices which foster competitiveness. In this task it is inadequate to merely espouse the familiar claim that labour markets should be deregulated. It is sometimes not clear whether this claim means that we should dispense with labour laws, or whether it means that there should be a careful identification of the legitimate areas of legal prescription. If it is the former, it is difficult to see how there can be social stability if one group is to be granted unrestricted freedom of action. If it is the latter, it means being able to identify the interventions which obstruct the efficient functioning of the market. Efficiency (on behalf of which deregulation is espoused) and equity are not antithetic concepts. Rather, it is efficiency and inequity which are antithetic as inequity leads to inefficiency. What we need to do is to develop a perspective of labour law and IR which is based on the premise that it is not economies which compete, but enterprises and clusters of competitive industries,⁽²⁾ a theme we will return to.

Policy makers and unions also need to address the issue of IR in the context of competitiveness. If they do not, it will further compel employers to resort to HRM as the more relevant means for achieving corporate objectives. It has to be appreciated that IR did not grow

out of a need to develop competitive strategies, while this has been precisely the background and impetus to the development of HRM, even if effective HRM in practise still remains islands of excellence. With the declining importance of collective IR, the increasing interest in workplace relations and the weakening of unions in many industrialized countries, IR will have to accommodate employment relations in the non-union sector and the individual employment relationship. As such, it may even need to change its name or label to 'industrial and employment relations' to more accurately reflect the reality.

Despite the shift of emphasis away from collective IR in the 1990s, there is a growing interest in Asia in the IR systems of other countries, both within and outside the region. This is most evident in economies in transition, as we shall see. These governments, as well as representatives of employers and employees, are looking for models from other countries which can be adapted to their own conditions. This search is prompted because of the need to establish an IR system relevant to the emerging business environment. It is also a result of the recognition of the necessity to develop an IR system which contributes to social stability which can otherwise be eroded by disputes and conflicts. This search is not confined to economies in transition. In Thailand, for instance, the labour administration authorities have commenced, with the support of the ILO, a project aimed at encouraging employers and workers to establish better workplace relations and mechanisms. Here again they are seeking to identify successful models and experiences for purposes of benchmarking and adaptation.

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2. The Increasing Interest in Workplace Relations

Early Emphasis and Current Trends

At its inception the labour market was dominated by the classical economics view which espoused free and unregulated labour markets. This laissez-faire capitalism led to social injustices and inequities since labour did not have the power to bargain with employers in terms in a way which even approached a degree of equality in bargaining strength. Additionally, the dominant position of the employer in what was formerly termed the "master and servant" relationship prevented labour from enjoying rights. IR therefore came to espouse a degree of labour market regulation to correct the unequal bargaining power. It was natural that IR developed in the context of 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 between employers and employees. The causes of labour problems - even those within the enterprise - were thought to need addressinh through a range of initiatives external to the enterprise, by

- the State through protective labour laws and dispute settlement mechanisms
- voluntary action on the aprt of employees to protect themselves and increase their bargaining strength through freedom of association and collective bargaining, but backed by State interventions to guarantee these rights.

The focus on relations external to the enterprise - especially through national/industry level collective bargaining - was initially welcomed to an extent even by employers in several industrialized countries because it reduced (through standarized terms) competitive advantage

based on labour costs. Besides, it took the most contentious issue - wages - out of their direct responsibility and transferred its negotiation to the representatives of the social partners, viz., unions and employers' organizations. Unions naturally welcomed it as it gave them an influential base outside the enterprise by uniting employees from many organizations on either an industry or national basis. It also provided an important role in IR for employers' organizations as well as for the State.

When 'transferred' to developing countries, it sometimes had disastrous consequences because it facilitated the multiplicity and politicization of unions. In this regard, the workability of an IR system in which the emphasis was on major decisions taken outside the workplace presupposed a high rate of literacy, as well as of education and awareness among employees, and an ability to monitor the actions of their representatives operating at a level far removed from the workplace. This was lacking in the case of developing countries.

In these circumstances for the greater part of this century the work of IR academics and researchers largely focused on trade unionism, collective bargaining, labour law, dispute settlement and, generally, on the external environment. Their interest in what occurs at the workplace level is of very recent origin.

The emphasis on collective IR was facilitated by government intervention in IR through legal prescriptions (which emphasized the normative aspects of IR), as well as by the growth of union power which depended on decisions to be implemented at the enterprise level being made outside the enterprise in a way which, like laws, had a normative effect. Consequently, in many countries rules and obligations on employers were imposed from outside in respect of an essentially bipartite relationship at the enterprise level. Therefore organizations had limited flexibility to effect changes, which had to be made within the parameters set by the externally imposed norms. Among Western countries enterprises in the USA have been the least hampered by external norms in making adjustments at the enterprise level to respond to changes.

Collective IR operates in three ways. One way is through national or industry level agreements between unions and employers' organizations. A second way is through agreements between a single employer and a union. A third way is through legislative enactments applicable to employers and employees generally, or to particular sectors, or to particular categories of employees. National agreements may sometimes stipulate general principles, leaving the details to be worked out through negotiation at the enterprise level.

Regulating the internal labour market (the enterprise) through means external to it redressed the balance of power between labour and management and, by settling terms and conditions of employment, reduced conflict at the enterprise level on such matters. A more 'enterprise-based' view - long ignored by most academics and recognized by employers during the last two decades - saw that labour problems or issues are due not only to conflict over terms and conditions of employment usually negotiated between unions and employers. They are reflected in or emanate from, for example, low productivity, absenteeism, high labour turnover, lack of job security, the physical work environment, repetitive jobs, lack of motivation, the failure to recognize the performance of individuals or groups inherent in standardized wage systems, and lack of training. Many of these problems or their causes required them to be addressed at the enterprise level. Hence the view emanating from HRM and increasingly important since the 1980s, that labour problems arise not so much from factors external to the enterprise, as from the unsatisfactory management of human resources within the enterprise. Hence the corrective actions needed to be taken at the enterprise level, with the objective of

ensuring as far as possible (through appropriate HRM policies and practices) a convergence of organizational and individual goals and needs, or a reasonable balance between them. Other developments which challenged the dominance of collective IR were the employers' claim to flexibility needed to adapt to changes required to compete in the global marketplace, the emergence of atypical forms of work alien to the standardization sought to be achieved through collective IR, and the changing character of the workforce.

IR problems need to be addressed by means which are both internal and external to the enterprise. Some basic conditions of employment cannot be left to each individual employer to decide. The problem is that there has been over-emphasis on external regulation, and IR has lost sight of the fact that in the final analysis the quality of an IR system has to be judged by how it works in practise - and that the centre of gravity of IR is the workplace.⁽³⁾

It also lost sight of the fact that sound relations have to be built from within the organization. The lacuna thus came to be filled by HRM, and employers pushed for moving negotiations to the workplace level.

In developing countries the situation has differed from country to country or region to region. In many of them as in Asia, negotiations outside the workplace leading to normative agreements covering large sectors of the economy have been the exception. This has been due to

- low unionization rates
- control of unions by governments in some countries
- State prescription of the rules of the IR system, reducing the scope for negotiated agreements having a normative effect. This has been mainly due to two reasons. In the more 'union friendly' South Asian region it has been the result of the political patronage extended to unions who have used their influence to secure through legislation what they could not through negotiation. In the less 'union friendly' South East and East Asian region, it has stemmed from the desire to control unions and to ensure that they do not seek to disrupt the direction of economic development.

In more recent times IR has been influenced by other social sciences such as organizational psychology and behaviour. Traditionally economics and law were the two main influences on IR, which led to a concentration on macro level IR, and therefore on unions, government and collective bargaining, important as they were. Organizational behaviour has been influenced by psychology which centres on the individual, and by social psychology which focuses on relationships between people and on group behaviour. It is easy to see, therefore, why HRM has been influenced by the other social sciences. Paradoxically IR, though dealing with 'relations', has largely ignored until recently the social sciences relevant to human behaviour within organizations. The reason is that the 'relations' it concentrated on were relations external to the organization, including relations with the State.

Reasons for Emphasis on Workplace Relations

Several changes in recent years have been responsible for more attention being paid to employment relations within organizations. The first is the impact of globalization which has significantly changed the ways in which enterprises are managed and work performed. Enterprises have resorted to a range of measures to increase efficiency and competitiveness, based not on low wages and natural resources, but on innovation, skills and productivity as ways of improving quality and reducing costs.⁽⁴⁾

Since productivity and quality have become major considerations in competitiveness, the quality of the workforce and training have become critical factors. Shorter product life has enhanced the need for multi-skilled easily trainable employees. Employee skills have become important determinants not only of flexibility, productivity and quality, but also of employability, investment and the ability to rapidly adapt to market changes.

A second development which has shifted attention to workplace relations is technology. On the one hand, technology management is possible only through people, and the way they are managed and trained affects the success of such transfer. Technology is also displacing traditional jobs and creating new jobs requiring different skills. Further information technology, the limits of which are not known in terms of its potential to effect change, is exerting a tremendous impact on the structure of organizations, the nature and location of work and the way it is organized. In societies of the future information and knowledge will be - as in fact they already are - crucial to competitiveness. Technology is already facilitating changes in organizational structures creating flatter organizations. This has resulted in management effected less by command and supervision, and more through emphasis on cooperation, information-sharing and communication, and with a more participative approach to managing people. Modern technology now makes it possible for aspects of work to be performed outside the enterprise, for example from home, and even outside national borders. Part-time work is increasing particularly due to the influx of more females into employment and their preference in some cases for part-time work. Developing countries are also feeling the impact of these changes.

A third factor is the changes occurring in workforces, to varying degrees, in both industrialized market economies and developing economies. Many countries have witnessed the emergence of workforces with higher levels of education and skills than before which need to be managed in a manner different from the way in which employees, especially blue collar employees, have hitherto been managed. This will assume more importance in the future as a result of the enlarging service sector and the growth of knowledge-intensive industries. The skills of an employee are, therefore, an issue on which the interests of employers and employees converge, and the "development" of the employee is now of greater mutual advantage to employers and employees. Hence the greater need than before for cooperative and participative forms of IR. Further, the many emerging work arrangements do not fit into the traditional employment relationships. Increasing numbers of enterprises are differentiating between the core and peripheral workforce, which consists of those whose work can be performed by persons outside the enterprise who specialize in it. The tendency is to contract with outsiders to perform this work. Even manufacturing companies are becoming essentially assembly firms, and many service organizations now act as brokers "connecting the customer with a supplier with some intervening advice."⁽⁵⁾ The increasing number of temporary and part-time employees in the rapidly expanding service industries, some of which experience peak periods (hotels, airlines, shops) require a flexible labour force. Thus, instead of one workforce, we are moving towards these various groups, each with different contractual arrangements and requiring to be managed differently. The indications are that at the beginning of the next century less than half the workforce in industrialized countries will be in full-time employment within the enterprises as we know it.⁽⁶⁾ These trends will not be confined to the highly industrialized countries, but will appear in the fast growing economies as costs rise, competitiveness increases, and more women participate in economic activity.

In summary, traditional (collective) IR (as did management) evolved in an age of mass production systems. Among its characteristics are the following:

- An emphasis on solving IR problems through means external to the enterprise.
- Standardization of employment terms which was appropriate to the largely repetitive tasks, narrow job classifications that prevailed, and to less educated workforces as well as hierarchical management structures. The notion of standardization - acceptable to employers as well - meant that the employment relationship could be standardized either through external means (laws and national/industry agreements), or through agreements at the enterprise level prescribing standard terms and conditions of employment.
- Coverage of employees by standard contracts providing for fixed hours, remuneration fixed by law or by collectively bargained agreements.
- IR developed at a time when services were less important to the economy than they are today, and in an age when most people (other than those in agriculture) physically worked within an enterprise. The idea of people working *for* an organization but not necessarily *in* an organization is of recent origin.

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3. Globalization and The Changing Face of Industrial Relations and Management

Globalization

The pressures on traditional IR models are not all due to globalization, as we shall see, but many of the changes taking place can be traced to globalization. It is not always easy to disentangle the causes and effects of globalization. However, it would probably be true to say that globalization is represented by the opening up of markets due, in large measure, to foreign direct investment consequent upon the lowering of investment barriers in practically all countries; by the liberalization of trade, and by the deregulation of financial markets in consequence of which governments increasingly have little control over the flow of capital across borders. All this implies the dominance of the market system, facilitated by the collapse of alternative economic (and in many cases political) systems. There is also a direct link between globalization and information technology (IT). Rapid technological change and reduction in communication costs have facilitated the globalization of production and financial markets. At the same time globalization stimulates technology through increased competition; it diffuses technology through foreign direct investment. As aptly observed:

"Together, globalization and IT crush time and space."

These developments have had further effects such as:

- democratization and pressures for more labour rights in countries where such rights have been restricted
- more liberalization and deregulation
- competition for investment
- increased economic independence of nations
- capital, information and technology flows are on the increase
- internationalization of enterprises and creation of mergers and alliances

- customer-driven (and not product-driven) global and local markets, but at the same time segmented markets
- competitiveness increasingly based (not on low wages or natural resources) on knowledge/innovation, skills and productivity. The success of global companies is to a large extent dependent on their ability to organize (within and between organizations) across national boundaries information, money, people and other resources.⁽⁷⁾

Employer Responses and Implications for Industrial Relations

Among the responses of employers are the following:

- Moving production overseas to reduce costs and to facilitate sensitivity to local and regional market requirements.
- Contracting out and out-sourcing. It is an important rationale of out-sourcing that it, on the one hand, enables an enterprise to concentrate on its core competencies, and on the other hand, it makes service work more productive. For example, in the USA, outsourcing of functions in hospitals not directly related to the work of doctors and nurses (care of patients) has substantially increased the productivity of the hospitals, and provided new opportunities for service employees. "Outsourcing is needed not just because of the economics involved. It is required equally because it gives opportunities, income and dignity to service work and service workers."⁽⁸⁾
- More part-time and temporary work (especially among women, the elderly and students)
- Introduction of new technology
- Pushing for a more deregulated and flexible labour market
- More emphasis on productivity and quality
- Greater employee involvement in the design and execution of work
- Shifting the focus of collective bargaining from the nation/industry level to the enterprise level. Employers are of the view that issues relevant to the employment relationship such as work re-organization, flexible working hours and contractual arrangements, and pay for performance and skills, are increasingly workplace-related, and should therefore be addressed at the enterprise level. In the USA collective bargaining has, with some exceptions, been very much at the enterprise level; in the UK there is a marked shift towards enterprise bargaining; and the trends in Continental Europe are also in that direction. In many Asian countries outside Australia and New Zealand, the relatively little collective bargaining has been mostly at the enterprise level. In New Zealand negotiation has in the 1990s been almost entirely decentralized, and in Australia the trend is in the direction of decentralization.
- Exceptionally (in the USA) employers have reduced terms of employment through 'concession bargaining' when firms have been in financial difficulties.
- Downsizing the workforce.

One important response has been the introduction of flexibility in the employment relationship to increase the capacity of enterprises to adapt rapidly to market changes. This has involved measures such as

- flexible working hours
- part-time work
- different types of employment contracts to the standard ones familiar to collective IR
- flexibility in functions, so that employees who are multi-skilled are not confined to the

performance of only one task. They can cover up for absenteeism, and make some jobs redundant.⁽⁹⁾

- flexible pay which involves some component of pay being dependent on performance, whether of the company, a group or the individual.

Globalization has, through technology diffusion, substantially increased the introduction of new technology. This, as well as the need for flexible adaptation to market changes, have led to the re-organization of production systems and methods of work, such as the following:

- Reduction of narrow job classifications and demarcation lines between managers and workers, accompanied by skills enhancement needed to perform jobs with a broader range of tasks.
- Increasing areas for worker involvement in the conception, execution and control of work.
- A greater focus on workplace relations and policies and practices conducive to better motivation and performance such as information-sharing and two-way communication.

These responses have increased the necessity for employers to make more investments in skills training, to offer incentives to employees to improve their skills, and for workers to take upon themselves some responsibility for their own development.

The competition generated by globalization and rapid technological changes accompanied by shorter product life have, while destroying countless jobs in industrialized countries, created opportunities for multi-skilled and easily trainable workers, and for the most significant group of emerging employees - the knowledge worker.⁽¹⁰⁾ Knowledge and skills have become the most important determinants of investment, employment opportunities, productivity and quality and of flexibility.

The impact globalization and information technology have had on each other has made work more mobile, capable of being performed in different parts of the world without the need to actually set up physical facilities in other countries.

Other changes in the nature of work and workers are being brought about partly by globalization, but not entirely because of it. For instance, it is arguable whether globalization is solely responsible for the growing service sector, and it does not account for the rapid influx of women into the workforce. Be that as it may, some of the changes which have a fundamental impact on traditional IR include the following:

- the expanding service sector at the expense of the manufacturing sector in industrialized and rapidly industrializing countries
- more advanced and skilled workforces
- The rapid influx into the workforce of women who will, in some countries, occupy more than half the emerging jobs
- an increasing number of people who will not be working *in* an organization, though they will be working *for* an organization
- The decreasing number of people working under 'permanent' contracts of employment, and the proliferation of other types of work arrangements such as part-time and temporary work, home work and contract work. Thus traditional IR has been challenged to accommodate different types of employment contracts, and different types of pay systems to reward performance and skills.

Competitive Advantage and Industrial Relations

The push for competitive advantage render it necessary for IR, without abandoning its earlier function of providing mechanisms to secure a fair distribution of the gains of economic performance, to also develop a strategic perspective which promotes the goal of competitiveness. This implies an IR system not only from the point of view of bargaining, conflict resolution, basic rights and so on, but also from the point of view of contributing to enterprise performance on which the welfare of employees also depends.

Viewing IR from the perspective of competitive advantage involves distinguishing between competitive and comparative advantage. Whether it is economies or enterprises that truly compete in the global marketplace is a complex issue. But certainly the overall national environment of which IR is a part, contributes to the competitiveness of industries and enterprises. However, as pointed out by Michael Porter, there is "no accepted definition of competitiveness. To firms competitiveness (means) the ability to compete in world markets with a global strategy."⁽¹¹⁾ On the other hand, to some politicians it signifies a positive balance of trade, while to some economists it means a low unit cost of labour adjusted for exchange rates.⁽¹²⁾

Comparative advantage of a country is based on the greatest advantage (or the least disadvantage) a nation has in relation to its trading partners. Where this advantage depends on a natural resource (e.g. oil) and wages rise to a level similar to that of competitors, the comparative advantage is lost. Dependence on low skilled low cost labour renders it impossible to add value to the particular advantage or resource. Where the investment in education and skills development has been low or inappropriate, moving to more value-added activities beomes difficult, if not impossible.

Competitive advantage, by contrast, is based on the ability to add value to the advantage or resource. High and appropriate investment in education and skills enables the absorption of higher wages, which are compensated or off-set by higher productivity/quality and the capacity to innovate and introduce technological change. Today, of the many factors on which competitiveness is based,⁽¹³⁾ people are a key factor. Their contribution to competitiveness is conditioned by their literacy, type and quality of education, their skills, motivation, work attitudes, value systems and quality of life.

If, therefore, employers do not see IR as contributing to strategic management objectives, they will continue to view the techniques of HRM as being more relevant to their objectives, as a way of individualizing the employment relationship and keeping decision-making within the enterprise. Hence the issue - to be covered elsewhere in this Paper - of harmonizing IR and HRM.⁽¹⁴⁾

Management and Industrial Relations

These developments impact not only on IR. Technology, information and the imperatives of succeeding in the global marketplace are transforming the way enterprises are managed as well as management objectives themselves. The much closer relationship between management and IR needs to be recognized - principally because both must focus on people and IR at the workplace level.

Industrial relations systems and practices are shaped by the three main actors - governments, workers/unions and employers/employers' organizations. In Asia, for instance, governments have had (as we have seen) a significant impact on IR. In Continental Europe unions in some countries (Germany and the Nordic countries) have had a major influence on shaping IR. In the UK the Thatcher governments had a significant influence in changing the direction of IR. In the USA it has been more employer-driven. However, it has been too infrequently appreciated by IR specialists that IR are shaped to a large extent by the way enterprises are managed, and that when fundamental changes occur in management they create changes in IR as well. This is particularly so in the context of globalization; many of the changes taking place in IR - indeed the increasing shift from collective IR to more enterprise (and in some cases, individual) focused IR - are spurred by employers. It is significant that the collective standardized model of IR evolved during the era of the classical model of the enterprise which itself sought standardization at the expense of creativity and innovation.

Therefore in this context it is useful to note two important - and diametrically opposite - theories about management. The first and earlier theory is to be found in the scientific management school (best represented by F. Taylor), which viewed the worker as a mere cog in the organizational structure. Since, according to Taylor, the worker does not possess creative ability let alone intelligence and wisdom, the elements of a human-oriented management system which promotes sound industrial relations such as communication, consultation and participation, found no place in the theory. The hallmarks of organizations based on this model are centralized and clear lines of authority, a high degree of specialization, a distinct division of labour, numerous rules pertaining to authority and responsibility, and close supervision. This concept of management can be seen as an ideal breeding ground for an industrial relations system based on conflict rather than on cooperation.⁽¹⁵⁾

The opposite theory, appropriately styled the human relations school, had as one of its earliest and celebrated exponents, Douglas McGregor. He gave an impetus to the development of a management theory which focused on the human being as part of an enterprise, which, in turn, was viewed as a biological system, rather than as a machine. Human relations, trust, delegation of authority, etc. were some of the features of this theory. In the preface to his classic *The Human Side of Enterprise*⁽¹⁶⁾ McGregor underlined the necessity to learn

"about the utilization of talent, about the creation of an organizational climate conducive to human growth ... This volume is an attempt to substantiate the thesis that the human side of enterprise is 'all of a piece' - that the theoretical assumptions management holds about controlling its human resources determine the whole character of the enterprise. They determine also the quality of its successive generations of management."

Two basic realities of an organization in McGregor's model is the dependence of every manager on people under him and the potential of people to be developed to match organizational goals. He therefore postulated that people are not by nature resistant to change in an organization, and that people have the potential to be developed and to shoulder responsibility. As such, management's main task is to organize business in such a way as to match people's goals with organizational ones. McGregor believed that the dynamism for organizational growth is found in the employees of the organization. It could be said that in McGregor's Theory Y (as it is called) is to be found the essence of human-oriented management and workplace industrial relations systems. The events noted in the succeeding paragraphs which are compelling enterprises to pay greater attention to the human factor in

management, serve to vindicate McGregor's basic theory propounded as far back as 1960, if not earlier.

However, subject to exceptions (such as Japan in Asia) most large enterprises continued to be dominated by hierarchies. This is reflected in the classic "strategy, structure, systems" (the three Ss) of modern corporations, vividly expressed by two writers:

"Structure follows strategy. And systems support structure. Few aphorisms have prevented western business thinking as deeply as these two. Not only do they influence the architecture of today's largest corporations but they also define the role that top corporate managers play."⁽¹⁷⁾

As explained by Bartlett and Ghoshal⁽¹⁸⁾, in this concept of an enterprise top level managers see themselves as the designers of strategy, the architects of structure, and the managers of systems. The impact of the three Ss was to create a management system which minimized the idiosyncracies of human behaviour, emphasized discipline, focus and control, and led to the view that people were "replaceable parts".⁽¹⁹⁾

The basic flaw - particularly in the context of today's globalized environment - of this concept is that it stifled the most scarce resource available to an enterprise: the knowledge, creativity and skills of people. Successful enterprises have now moved away from this corporate design, and their philosophy, which has transformed corporations enabling them to compete in the new competitive environment, consists of the following:

"First, they place less emphasis on following a clear strategic plan than on building a rich, engaging corporate purpose. Next, they focus less on formal structural design and more on effective management processes. Finally, they are less concerned with controlling employees' behaviour than with developing their capabilities and broadening their perspectives. In sum, they have moved beyond the old doctrine of strategy, structure, and systems to a softer, more organic model built on the development of purpose, process and people."⁽²⁰⁾

Those enterprises which have effected a successful transformation to a more 'people-focused' organization recognize that the information necessary to formulate strategy is with their frontline people who know what is actually going on, whether it be in the marketplace or on the shopfloor. The chief executive officer, for instance, can no longer be the chief architect of strategy without the involvement of those much lower down in the hierarchy.

How do these developments relate to enterprise level labour relations? In essence, they heighten the importance of the basic concepts of information sharing, consultation and two-way communication. The effectiveness of the procedures and systems which are established for better information flow, understanding and, where possible, consensus-building, is critical today to the successful managing of enterprises and for achieving competitiveness. As such, the basic ingredients of sound enterprise level labour relations are inseparable from some of the essentials for managing an enterprise in today's globalized environment. These developments have had an impact on ways of motivating workers, and on the hierarchy of organizations. They are reducing layers of management thus facilitating improved communication. Management today is more an activity rather than a badge of status or class within an organization, and this change provides it with a wider professional base.⁽²¹⁾ The present trend in

labour relations and human resource management is to place greater emphasis on employee involvement, harmonious employer-employee relations and on practices which promote them. One of the important consequences of globalization and intense competition has been the pressure on enterprises to be flexible. Enterprises have sought to achieve this in two ways. First, through technology and a much wider worker skills base than before in order to enhance capacity to adapt to market changes. Second, by introducing a range of employee involvement schemes with a view to increasing labour-management cooperation at the shop floor level, necessary to achieve product and process innovation. Achieving flexibility does not depend on the absence of unions. Organizational flexibility

"depends upon trust between labour and management. It implies that workers are willing to forego efforts to establish and enforce individually or through collective action substantive work rules that fix the allocation of work, transfer among jobs, and workloads. Organizational flexibility also implies that workers are willing to disclose their proprietary knowledge in order to increase labour productivity and the firm's capacity for innovation."⁽²²⁾

Manufacturers in Japan and Germany were more successful than those in, for example, Britain and France in achieving this flexibility. The two former countries after World War II institutionalized labour-management consultation.⁽²³⁾ Many organizations have successfully transformed themselves to promote the role of trust.⁽²⁴⁾ In strategies involving the use of technology and promotion of innovation, employees are a critical factor. The requirement of organizational flexibility and its industrial relations and human resource implications have had a major impact on the way organizations are structured (less hierarchical), how authority within the firm is exercised (less unilateral), and on how decisions are arrived at and work organized (through information sharing and consultation, transfer of more responsibility to employees and cooperative methods such as team work).

Traditional assumptions that efficiency is achieved through managerial control, technology and allocation of resources have given way to the view that efficiency is the result of greater involvement of employees in their jobs, teams and the enterprise. Organizations which have made this shift tend to reflect the following characteristics: few hierarchical levels; wide spans of control; continuous staff development; self managing work teams; job rotation; commitment to quality; information sharing; pay systems which cater to performance rewards and not only payment for the job; generation of high performance expectations; a common corporate vision; and participative leadership styles. It hardly requires emphasis that achieving most of these requires training. In Asia too there is a keen awareness in the business community that radical changes are necessary to sustain Asia's dynamic growth. The point is well made by a noted Asian:⁽²⁵⁾

"The earlier generation's recipe for success hinged on hard work, smart moves, the right business and political connections, monopolies, protectionist barriers, subsidies, access to cheap funds and, in many cases, autocratic leadership and a docile labour force. The 'global village' is this system's nemesis ... the new 'Global-Asian' manager has to exercise greater levels of leadership than before, and balance this with being an entrepreneur, modern manager and deal-maker skilled at public relations. To this has to be added coaching, team-building and motivating the company, the ability to visualize, plan strategically, market and re-engineer products and services, and the belief in a customer driven culture."

None of these shifts is feasible without a substantial change in traditional models of dealing with people in an enterprise.

The Multinational Dimension

Globalization has substantially increased the influence of multinationals (MNEs) on the IR environment. A few figures indicate their importance in the global economy:

- From about 7,000 MNEs in 1969, the number has increased to over 37,000 today
- Though employing directly less than 2% of the world's labour force, they account for one-third of the world's private sector assets,⁽²⁶⁾ and have world-wide sales of US \$ 5.5 trillion, which is marginally less than the USA's GDP in 1993.
- In 1995 foreign direct investment was in the region of US \$318 billion, with the USA receiving US \$60 billion and the UK US \$30 billion.

What is significant about the increased presence of MNEs, especially in developing countries, is that governments are competing to attract them and are prepared to change the environment (including the IR environment) to achieve this objective.⁽²⁷⁾ This gives the MNEs the opportunity to spur changes which have commenced - for instance, in economies in transition. The point is graphically made by the well-known former CEO of Asean Brown Boveri, Percy Barnevik:

"Global companies speed up the adjustment. We don't create the process, but we push it. We make visible the invisible hand of global competition."⁽²⁸⁾

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4. Some Influences on Asian Industrial Relations

Main Influences

The IR systems in Asian countries have emerged from circumstances and values somewhat different to those which underpin and which have shaped Western IR systems. Western models of IR do not adequately explain, and help us to understand, the shape that Asian IR 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 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."⁽²⁹⁾

About thirty five years ago a group of famous writers claimed in a seminal and celebrated work⁽³⁰⁾ 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.⁽³¹⁾ The reasons for this explain the current shape of IR in Asia and many Asian views on IR.

One fundamental reason for the divergence between Western and Eastern (and developing country) IR systems is to be found in the different industrialization processes followed, and the consequences for social systems such as IR. 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 organize themselves collectively into trade unions to protect and further their interests. Western governments did not, unlike some developing ones, 'create' unions. Western IR 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 IR. In such an environment collective bargaining - a fundamental institution of Western IR 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 the development of this class, and sometimes (as in Japan and Korea) provided it with protection from competition until it 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 Asian countries was a critical factor in shaping the IR 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 such as India and Sri Lanka. The government as employer, like any other employer would wish to do, influenced the type of IR institutions which emerged. The shape of IR 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'."⁽³²⁾

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 some former 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 IR systems, and they cannot easily be accommodated in Western labour law concepts. The relatively low level of literacy and education in some developing countries made 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 within their ranks and function as if they had been used to a pluralist, power sharing system.

The approaches to IR in developing countries can be broadly classified into three groups. One group of countries has had nationalist-populist governments the IR 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 the 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."⁽³³⁾

While this description broadly fits South Asia, in two respects it does not. While India and Sri Lanka have shared a pluralist outlook, there has been, in a legal sense, unrestricted freedom of association, but with influence on union leadership by the political party to which a union may be affiliated. Union supported by opposition political parties have been allowed to function, and in Sri Lanka, for instance, the legal system allows them to canvass freedom of association in the Supreme Court as a fundamental rights issue. In both countries trade unions were involved in the independence movements and, after independence, continued to enjoy considerable political power and patronage, and sometimes 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. The communist movements and insurgencies in some of the South-East and East Asian countries, and the role of unions in this regard, had a decided impact on how unions came to be viewed in these countries. 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 expected 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."⁽³⁴⁾ Consequently IR in Asia should be understood in the historical context of each country or sub-region. IR 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.⁽³⁵⁾ If IR 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 IR 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.

Influence of 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 IR and human resource policies of the different sub-regions.⁽³⁶⁾ The import-substitution protectionist countries tended to have a labour protection policy based on a highly legalistic IR 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 IR 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. IR issues have been heavily influence by political considerations, preventine the development of stable IR. In a sense, the relative political instability of the region has been reflected in IR as well. However, some of these highly regulated IR 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 IR 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.⁽³⁷⁾

On the 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⁽³⁸⁾. 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,

skills, a flexible workforce, employee involvement and cooperation (all of which of course 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, IR 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.

Malaysia is one of several examples of countries whose industrialization policies affected the IR system. In the early 1980s Malaysia shifted from an import substitution to an export-oriented policy which depended on attracting foreign investment. This shift in economic policy was accompanied by several State interventions in IR intended to attract foreign enterprises and enhance the competitiveness of enterprises. Union structures were changed to encourage enterprise unions, mergers of several national federations of unions were barred, unions were not allowed in the electronics industry, and in order to reduce costs, changes were made in the definition of wages and overtime. Strikes in essential services were prohibited and the requirement of registration of unions was used to prevent the proliferation of unions. In the 1990s due to a tight labour market and increased labour costs resulting in investors seeking other countries for their low wage cost activities, Malaysia is concentrating on skills development to attract more technology-based investment. The prohibition of unions in the electronics sector has been removed. Thus the State's role was the dominant one in determining the direction of economic development, and of the IR system thought to be necessary to underpin economic policies.

The Role of Asian Governments

In several South-East and East 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 to 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 the freedom of association and the right to bargain collectively. The State's control of IR has been the 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-Park⁽³⁹⁾ 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 IR 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 IR system, the State in Japan, as pointed out by Kazuo Sugeno,⁽⁴⁰⁾ 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 Japan in 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 examples 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 commonplace.

While the role of governments in Asian countries has shaped the IR system, in some the role of trade unions has also been an important determinant of IR 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 IR. The core of IR in industrialized 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 IR 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 IR system must pre-suppose the existence of disagreement - a third party has 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 or 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 little 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 claimed 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.

Economies in Transition

In Asian economies in transition (China, Mongolia, Viet Nam, Laos and Cambodia) the governments are seeking to establish a labour law system relevant to a market economy. Viet Nam already has a Labour Code, and China is in the process of enacting several laws including one covering collective bargaining contracts. There were hitherto no IR in these countries as known in a market economy, as there were no private employers (or employers' organizations), and employees were not expected to have interests different from those of the employer (the State) as they were considered to be the owners of the enterprises. Decisions were made not so much by managers as by the State.

These countries are now seeking appropriate IR 'models'. Employers in these economies will need to develop the expertise necessary to persuade the other two constituents that the labour law framework should not be too regulated so as to deprive enterprises of the flexibility which will be needed to adapt to changes when these economies have to move to the next stage of economic development. Much will depend on whether the governments, which are interventionist in most aspects, prescribe minimum rules, or whether they will seek to regulate most aspects of the employment relationship. In Viet Nam the law makes it obligatory for a union to be established in each enterprise, so that voluntary unionism is hardly in evidence there. In Mongolia a law of the early 1990s requires employers to enter into collective bargaining contracts, and not merely into collective bargaining. In some of these countries employers' organizations can be established only if favoured by the governments. However, the governments in these countries are in favour of having an employers' organization, though their role is not viewed in the same way as in a market economy. Employers remain the weaker of the three constituents, and currently also lack the IR expertise to effectively influence legislative outcomes.

Some Evidence of Convergence of Industrial Relations

For reasons we have noted, IR in several Asian countries have been a hybrid - using many Western concepts such as trade unionism, freedom of association, collective bargaining and tripartism, but adapting them to suit particular industrialization/economic policies as well as political/social philosophies of governments. Sometimes even legislative models introduced during British colonial times in different sub-regions have served different purposes. A case in point is the concept of trade union registration, which helped to support almost unrestricted freedom of association and union multiplicity in India and Sri Lanka, but was used elsewhere (as in Malaysia) to promote a single union structure, or at least to prevent unrestrained multiplicity.

Four circumstances suggest that while IR in Western market economies are undergoing change at least of emphasis, many Asian countries are looking at several aspects of at least Western-influenced IR practices. The first - and general one - is that globalization entails not only internationalization of production and markets, but together with information technology it is resulting in some degree of globalization of ideas and values. This has been given a further impetus in recent times by the debate in relation to the World Trade Organization on whether trade and labour rights should be linked, and the Asian view that labour rights are a matter to be considered within the International Labour Organization. In addition, the emergence of a better educated and increasingly influential middle class - a process which is nowhere near completion - more open to an outward orientation, will probably contribute to a greater convergence of ideas, including ideas on fundamental rights. It is not unlikely that Asians will,

in due course, come to accept the premise that economic integration, to be truly effective, requires a degree of social cohesion through some shared values among those participating in the global economy. Higher levels of education among employees will probably add to this process. On the other hand, a different view has been advanced on this aspect of the matter which merits consideration:

"...our preliminary observations do not lend much support to the hypothesis that democratization necessarily fuels the transportation of IR/HR arrangements. It appears that more important explanatory factors are: the dynamics of product (and labour) markets; action by large (and in many cases international) trend-setting companies harnessing the socio-cultural resources available to meet the dynamics of these markets; action by governments (not necessarily ones that have become significantly more democratic)."⁽⁴¹⁾

Second, Asian employers are being increasingly influenced by Western management concepts and techniques, though at the same time seeking to preserve some of their own values. The need for change in the management of enterprises, especially to adapt to the global environment, is increasingly recognized by Asian business leaders.⁽⁴²⁾ Changes in management practices, as in the case of family businesses which may need to introduce more professional management to operate on a more global scale, could significantly influence employment relations - particularly through the medium of human resource management.

A third circumstance is the pre-occupation of Asian economies in transition to create a suitable IR and labour law system. The interest in using Western market economy concepts adapted to national conditions is evident from, for example, the information and assistance these countries are seeking from the ILO. The following are examples:

- Requests to the ILO for programmes on tripartism
- Legislative activity in China, for example, has been accompanied by requests for information (through workshops and study tours) about IR in market economies outside Asia as well.
- Requests for training in negotiation/collective bargaining (a concept previously non-existent in such countries) and negotiation skills.
- Requests relating to dispute prevention and settlement mechanisms which have basically originated from IR systems in Western market economies. This includes workplace and national level mechanisms.

Fourth, while trade union membership in several industrialized market economies is declining, in the Asian industrializing countries trade unions, if not exactly increasing their membership, are reflecting through their activities a degree of labour unrest. Recent events in the Republic of Korea and Indonesia are illustrative, and indicate a move towards greater union pluralism. In economies in transition the pre-existing union continues to function as part of the government apparatus. It is too early to say whether it will ultimately function as an autonomous group. On the whole it would seem that employees wish to have a greater say in regard to their terms and conditions of employment, often through their representatives.

In sum, there seems to be scope for some form of convergence of IR systems, even if not through a transplant of Western systems which are themselves undergoing change. A substantial influence on employment relations may be exercised by HRM, made possible also by the relatively low unionization rates in Asian countries, though the existence of unions should not be a barrier to the introduction of HRM policies and practices. Labour unrest is

most likely to surface in countries in which economic growth has been accompanied by widening income disparities, and in countries with highly politicized trade unions and poor attention to mechanisms which promote better workplace cooperation.⁽⁴³⁾

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5. Human Resource Management As A Strategy⁽⁴⁴⁾

Introduction

As we have seen, the model of an enterprise during the greater part of this century was dominated by the concept of 'strategy, structure and systems', which had implications for relations at the workplace. We have also noted that this is changing.

A group of people become an organization when they cooperate with each other to achieve common goals. Communication among them is therefore important. But people have individual motivations which often differ from the corporate goals. An effective organization is one which succeeds in getting people to accept that cooperating to achieve organizational goals also helps them to achieve their own goals provided they are adequately rewarded through extrinsic and intrinsic rewards. This is achieved primarily through leadership and motivation.

Employers therefore increasingly view human resource management from a strategic perspective, and as an appropriate means through which the chasm between organizational and individual goals can be narrowed. As it has been aptly observed:

"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."⁽⁴⁵⁾

Despite the proliferation of writings and studies on HRM, there is a wide gap between the rhetoric and the reality, though the gap has been narrowing in the 1990s. There is as yet inadequate research to ascertain the extent to which practice matches corporate policy statements, and the impact of HRM policies and practices on employee behaviour and morale. To have a major impact on enterprises, HRM has to be diffused across an economy, rather than remain islands of excellence. Nevertheless, promoting excellent models of HRM stimulates interest in better people management.

From Personnel Management To Human Resource Management

The increasingly important role of HRM is reflected in the transformation of the personnel management function from one of concentrating on employee welfare to one of managing people in a way which matches organizational and individual goals and providing employees with intrinsic and extrinsic rewards.⁽⁴⁶⁾

Therefore today

"far from being marginalised, the human resource management function becomes recognized as a central business concern; its performance and delivery are integrated into line management; the aims shift from merely securing compliance to the more

ambitious one of winning commitment. The employee resource, therefore, becomes worth investing in, and training and development thus assume a higher profile. These initiatives are associated with, and maybe are even predicated upon, a tendency to shift from a collective orientation to the management of the workforce to an individualistic one. Accordingly management looks for 'flexibility' and seeks to reward differential performance in a differential way. Communication of managerial objectives and aspirations takes on a whole new importance."⁽⁴⁷⁾

What separates or distinguishes HRM from the traditional personnel function is the integration of HRM into strategic management and the pre-occupation of HRM with utilizing the human resource to achieve strategic management objectives. HRM "seeks to eliminate the mediation role and adopts a generally unitarist perspective. It emphasizes strategy and planning rather than problem solving and mediation, so that employee cooperation is delivered by programmes of corporate culture, remuneration packaging, team building and management development for core employees, while peripheral employees are kept at arm's length."⁽⁴⁸⁾

HRM strategies may be influenced by the decisions taken on strategy (the nature of the business currently and in the future) and by the structure of the enterprise (the manner in which the enterprise is structured or organized to meet its objectives).⁽⁴⁹⁾ In an enterprise with effective HRM policies and practices, the decisions on HRM are also strategic decisions influenced by strategy and structure, and by external factors such as trade unions, the labour market situation and the legal system. In reality most firms do not have such a well thought out sequential HRM model. But we are considering here is also effective HRM, and thus a model where HRM decisions are as strategic as the decisions on the type of business and structure.

At a conceptual level the interpretations of HRM indicate different emphases which lead to concentration on different contents of the discipline. The various distinctions or interpretations indicate that HRM

"can be used in a restricted sense so reserving it as a label only for that approach to labour management which treats labour as a valued asset rather than a variable cost and which accordingly counsels investment in the labour resource through training and development and through measures designed to attract and retain a committed workforce. Alternatively it is sometimes used in an extended way so as to refer to a whole array of recent managerial initiatives including measures to increase the flexible utilization of the labour resource and other measures which are largely directed at the individual employee. But another distinction can also be drawn. This directs attention to the 'hard' and 'soft' versions of HRM. The 'hard' one emphasizes the quantitative, calculative and business-strategic aspects of managing the headcounts resource in as 'rational' a way as for any other economic factor. By contrast, the 'soft' version traces its roots to the human-relations school; it emphasizes communication, motivation, and leadership."⁽⁵⁰⁾

There are several ways in which HRM has changed earlier attitudes and assumptions of personnel management about managing people.⁽⁵¹⁾ The new model of HRM includes many elements vital to the basic management goal of achieving and maintaining competitiveness.

First, HRM earlier reacted piece-meal to problems as they arose. Effective HRM seeks to link HRM issues to the overall strategy of the organization, with the most effective HRM policies and practices integrated into such corporate policies and strategies to reinforce or change an

organization's culture. Integration is needed in two senses - integrating HRM issues in an organization's strategic plans and securing the acceptance and inclusion of a HRM view in the decisions of line managers. The HRM policies in respect of the various functions (e.g. recruitment, training, etc.) should be internally consistent. They must also be consistent with the business strategies and should reflect the organization's core values.⁽⁵²⁾ The problem of integrating HRM view business strategy⁽⁵³⁾ arises, for example, in a diversified enterprise with different products and markets. In such cases it is difficult to match HRM policies with strategies which could vary among different business activities, each of which may call for different HRM policies.

Second, building strong cultures is a way of promoting particular organizational goals, in that "a 'strong culture' is aimed at uniting employees through a shared set of managerially sanctioned values ('quality', 'service', 'innovation' etc.) that assume an identification of employee and employer interests."⁽⁵⁴⁾

However, there can be tension between a strong organizational culture and the need to adapt to changed circumstances and to be flexible, particularly in the highly competitive and rapidly changing environment in which employers have to operate today. Rapid change demanded by the market is sometimes difficult in an organization with a strong culture. IBM has been cited as a case in point. Its firmly-held beliefs about products and services made it difficult for it to effect changes in time, i.e. when the market required a radical change in product and service (from mainframe, customized systems, salesmen as management consultants to customer-as-end-user, seeking quality of product and service) to personal computers (standardized product, cost competition, dealer as customer).⁽⁵⁵⁾ Nevertheless, in the long term a strong organizational culture is preferable to a weak one:

"Hence it could be said that the relationship between 'strong' cultures, employee commitment, and adaptability contains a series of paradoxes. Strong cultures allow for a rapid response to familiar conditions, but inhibit immediate flexibility in response to the unfamiliar, because of the commitment generated to a (now) inappropriate ideology. 'Weak' cultures, in contrast, when equated with ambiguous ideologies, allow flexibility in response to the unfamiliar, but cannot generate commitment to action. Yet strong cultures, through disconfirmation and eventual ideological shift may prove ultimately more adaptive to change, assuming the emergence of a new strong yet appropriate culture. This may be at the cost of a transitional period when ability to generate commitment to any course of action - new or old - is minimal."⁽⁵⁶⁾

Third, the attitude that people are a variable cost is, in effective HRM, replaced by the view that people are a resource and that as social capital can be developed and can contribute to competitive advantage. Increasingly, it is accepted that competitive advantage is gained through well-educated and trained, motivated and committed employees at all levels. This recognition is now almost universal, and accounts for the plausible argument that training and development are, or will be, the central pillar of HRM. Thus

"The existence of policies and practices designed to realize the latent potential of the workforce at all levels becomes the litmus test of an organization's orientation."⁽⁵⁷⁾

Fourth, the view that the interests of employees and management or shareholders are divergent and conflictual - though substantially true in the past - is giving way to the view that this need not necessarily be so. As organization which practices effective HRM seeks to identify and promote a commonality of interests. Significant examples are training which enhances

employment security and higher earning capacity for employees while at the same time increasing the employee's value to the enterprise's goals of better productivity and performance; pay systems which increase earnings without significant labour cost increases, and which at the same time promote higher performance levels; goal-setting through two-way communication which establishes unified goals and objectives and which provides intrinsic rewards to the employee through a participatory process.

Fifth, top-down communication coupled with controlled information flow to keep power within the control of management giving way to a sharing of information and knowledge. This change facilitates the creation of trust and commitment and makes knowledge more productive. Control from the top is in effective HRM being replaced by increasing employee participation and policies which foster commitment and flexibility which help organizations to change when necessary. The ways in which the larger Japanese enterprises have installed participatory schemes and introduced information-sharing and two-way communication systems are instructive in this regard.

In enterprises which tend to have corporate philosophies or missions, and where there are underlying values which shape their corporate culture, HRM becomes a part of the strategy to achieve their objectives. In some types of enterprises such as ones in which continuous technological change takes place, the goal of successfully managing change at short intervals often requires employee cooperation through emphasis on communication and involvement. As this type of unit grows,

"If there is strategic thinking in human resource management these units are likely to wish to develop employee-relations policies based on high individualism paying above market rates to recruit and retain the best labour, careful selection and recruitment systems to ensure high quality and skill potential, emphasis on internal training schemes to develop potential for further growth, payment system designed to reward individual performance and cooperation, performance and appraisal reviews, and strong emphasis on team work and communication ... In short, technical and capital investment is matched by human resource investments, at times reaching near the ideals of human resource management."⁽⁵⁸⁾

If, as is often the case, (the UK is a good example⁽⁵⁹⁾), enterprises are dominated by financial issues, HRM will not be a part of the central strategy of such enterprises.

Human Resource Management In Achieving Management Objectives ⁽⁶⁰⁾

HRM has three basic goals which contribute to achieving management objectives. The first is integration of HRM in two senses: integrating HRM into an organization's corporate strategy, and ensuring an HRM view in the decisions and actions of line managers. Integration in the first sense involves selecting the HRM options consistent with (and which promote) the particular corporate strategy. The option is determined by the type of employee behaviour expected (e.g. innovation) needed to further the corporate strategy. For instance, the HRM policies in relation to recruitment, appraisal, compensation, training, etc. differ according to whether the business strategy is one of innovation, quality enhancement or cost reduction.⁽⁶¹⁾ A strategy of innovation may require a pay system less influenced by market rates but which rewards creativity, and the pay rates would even be low so long as there are ways of making up the earnings package. A cost reduction strategy may lead to pay rates being strongly influenced by market levels. Similarly, training and development would receive less emphasis in a cost

reduction strategy than in one where the objective is innovation or quality. But such integration is difficult without securing the inclusion of a HRM view in the decisions and practices of line managers. This requires that HRM should not be a centralized function.

A second goal of HRM is securing commitment through building strong cultures. This involves promoting organizational goals by uniting employees through a shared set of values (quality, service, innovation, etc.) based on a convergence of employee and enterprise interests, which the larger Japanese enterprises have been particularly adept at.⁽⁶²⁾

A third goal of HRM is to achieve flexibility and adaptability to manage change and innovation in response to rapid changes consequent upon globalization. Relevant to HRM policies in this regard are training and multi-skilling, re-organization of work and removal of narrow job classifications. Appropriate HRM policies are designed, for instance, to recruit, develop and retain quality staff, to formulate and implement agreed performance goals and measures, and to build a unified organizational culture.

The Increasing Interest in Human Resource Management

The 1990s in particular have witnessed an increasing interest in HRM, including in Asia. This is likely to transform rhetoric into more widespread practice and implementation of policies. Among the factors which have contributed to the increased interest in HRM are the following:

- The shift from addressing issues relating to the employment relationship at levels external to the enterprise to addressing them at the enterprise level. This shift is evident even in countries which have operated centralized IR systems to determine basic terms and conditions relating to the employment relationship (e.g. Australia, New Zealand, Sweden). This shift is associated with the idea propagated by employers that in an increasingly globalized environment competitiveness is won or lost at the level of the enterprise and industry. As such, changes that are needed to make enterprises competitive can best be effected by matching organizational and individual goals, which requires action at the enterprise level. Since by its very nature, HRM operates at the enterprise level, it is being viewed by employers as the preferred method.
- Since much of IR activity in the past has focused on relations outside the workplace, IR is seen as less relevant to management objectives.
- The formulation and implementation of HRM policies are not necessarily dependent on the existence of a union, unlike traditional IR which is based on the premise of the existence of unions. For instance, collective bargaining usually assumes a union as the bargaining agent of employees. Many of the areas of HRM (selection and recruitment, leadership and motivation, employee development and training, employee retention) are implementable even where there is no union. However, this is not to suggest that unions should not be involved where they exist, and as we shall see, they have worked best in a unionized setting.
- The increasing examples of excellence in HRM have generated an interest in it as a means of achieving management objectives.
- The traditional role of personnel managers has failed to exploit the potential benefits of effective management of people. Nor did personnel management form a central part of management activity.
- Decline in unionism has opened the way for managements to focus more on individuals, rather than on collective issues.
- Many important aspects of HRM (e.g. commitment, motivation, leadership) emanate

from the area of organizational behaviour, and underline management strategy. This has provided the opportunity to link HRM with organizational behaviour and management strategy.

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6. The Conflict Between Industrial Relations and Human Resource Management

The two basic issues are how does HRM challenge IR, and how can the conflict, if any, be resolved so that the two complement each other. This section addresses the first of these two issues.

In addressing the first question, it is necessary to identify some of the key differences between HRM and IR⁽⁶³⁾. IR is essentially collectivist and pluralist in outlook, dealing with relations between employers and unions, and between them and the State, which predicates that the outcomes are standardized rules and procedures. The collective aspect of IR is reflected in some of the central features of an IR system such as freedom of association, collective bargaining, right to strike, trade unionism, dispute settlement and worker participation in management through union participation. HRM, on the other hand, does not encompass a third party (the State). It is bipartite but essentially individual focused as is evident from the key HRM subjects such as selection and recruitment, induction, appraisal, development and training, leadership and motivation, and retention of staff through intrinsic and extrinsic rewards.⁽⁶⁴⁾ The point is well made by one writer:

"The empirical evidence also indicates that the driving force behind the introduction of HRM appears to have little to do with industrial relations; rather it is the pursuit of competitive advantage in the market place through provision high quality goods and services, through competitive pricing linked to high productivity and through the capacity swiftly to innovate and manage change in response to changes in the market place or to breakthroughs in research and development Its underlying values, reflected in HRM policies and practices, would appear to be essentially unitarist and individualistic in contrast to the more pluralist and collective values of traditional industrial relations."⁽⁶⁵⁾

A second point of difference is that IR consists of a large component of rules set by the State through laws, by the parties through negotiated agreements, or by courts or tribunals. HRM deals less with rules than with policies and practices

"designed to maximize organizational integration, employee commitment, flexibility and quality of work. Within this model, collective industrial relations have, at best, only a minor role."⁽⁶⁶⁾

A third point of difference, flowing from the earlier mentioned differences, is that the pluralist outlook of IR assumes (of course correctly) a potential for conflict between the two parties, or between one of them and the State, flowing from difference interests. IR seeks to balance these interests through means directed at the 'collective' e.g. collective bargaining or other similar procedures as well as dispute settlement procedures. A concession is made to the individual in the form of grievance handling procedures. HRM is unitarist and sees - or at least tries to achieve - a commonality of interests. It views problems as emanating from reasons internal to

the enterprise (e.g. poor people management), requiring them to be addressed through internal, not externally imposed, policies. HRM is the management of human resources rather than collective relations, and is therefore enterprise focused.

From these differences flows a fourth difference. HRM involves the individualization of the employment relationship, whereas participation in IR involves unions rather than individuals directly. In terms of securing commitment HRM addresses the issue both individually and collectively. In the case of pay and rewards, IR has generally emphasized the collective, and therefore standardization, as leading to equity. HRM sees equity and efficiency flowing from differentiation based on performance (group or individual_ and skills application; hence the development of performance and skill based pay systems. This difference is further heightened by the flexibility (working hours, types of contracts, functional, pay, etc.) claimed by employers to be needed to enable them to adapt rapidly to change. This claim therefore breaks down the standardization inherent in traditional IR approaches to wages, contracts, functions, working hours. It also creates tensions within enterprises with unions, which have preferred the employment relationship to be governed by standardized terms and conditions of employment. For example, in IR pay is based largely on job evaluation and cost of living, while HRM seeks to introduce a performance element into pay.

A fifth difference between IR and HRM is the more integrated approach of HRM which places it closer to corporate planning and strategy than IR, which has always been only at the periphery of corporate planning. This integration also involves greater involvement of line managers in HRM, concentrating as it does on the individuals in the line manager's department, whereas IR has been regarded as a specialist's function.

A sixth - and a major difference or more accurately a major potential point of conflict between employers and unions and between HRM and IR - is the employee loyalty and commitment HRM seeks to harness. The issue sometimes resolves itself into whether dual allegiance is possible *i.e.* commitment to the goals and values of the organization on the one hand, and commitment to the trade union on the other. In principle, there should not be a conflict, as is evident from the situation in the larger Japanese enterprises where HRM and IR have co-existed, unions have been involved in HRM policies (facilitated by enterprise unionism), and consultation and communication systems have considerably contributed to the development of common understandings and goals among employees, unions and managements on the relationship between enterprise growth, competitiveness and their own welfare. Dual loyalty is possible only where unions and their members share some goals in common with management.

Seventh, the emergence of new categories of employees has heightened the distinctions between IR and HRM. Industrialized countries are witnessing the emergence of knowledge workers who, as the professional core who "own the organizational knowledge which distinguishes that organization from its counterparts. Lose them and you lose the organization." ⁽⁶⁷⁾ It is their ability to "allocate knowledge to productive use" ⁽⁶⁸⁾ that will determine the competitiveness of organizations in the future. Knowledge workers are costly, often in short supply, owe little allegiance to countries, and are highly mobile because they can move even across national borders with relative ease to location where their knowledge-based skills are most in demands and the rewards the greatest. Since they prefer an environment conducive to creativity, innovation and the flowering of their skills and talents, enterprises with human resource systems which approximate as closely as possible to the ideal model of HRM are the ones that attract them. The individualization thrust of HRM is more suited to their aspirations, rather than the rule-bound, standardized and collectivist approach of IR. They do

not expect to be treated under a standardized system - under a collectively negotiated pay system for instance - but expect performance to be recognized and rewarded.

The proliferation of other categories of employees - part-time, home workers, contract workers - do not fit the traditional IR models developed in an age of mass production to fit the notion of all employees working within an enterprise, rather than *for* one.

Several other issues arise in connection with IR and HRM⁽⁶⁹⁾ such as whether HRM is practised as an anti-union or union avoidance strategy, the effect of unionization on HRM, and union views on HRM. These are outside the scope of this Paper. In summary, many employers see an incompatibility between IR and HRM for reasons such as the following:

- IR considers the mass rather than the individual
- In IR pay determination has traditionally been on criteria different to objectives sought to be achieved by HRM
- IR seeks to reconcile conflict; HRM to match goals
- In IR communication with employees is through unions; in HRM it is not necessarily so.
- IR has traditionally promoted standardization, whereas HRM is more concerned with flexibility
- Some of the central issues in HRM such as leadership, motivation and training either do not form part of IR (leadership and motivation) or have been a relatively incidental focus (training).

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7. Harmonizing Industrial Relations and Human Resource Management

What it Involves

In 1993 the European employers' organizations at their annual general meeting addressed the issue of HRM, and the following summary reflects their views:⁽⁷⁰⁾

"The key to competitiveness is quality. And quality depends more on the commitment of individuals than on their acquired technical skills; more on the way these individuals behave and their team spirit than on the passive execution of orders received. Regulations - be they internal to the enterprise or imposed by the legislator - plague innovation and have a negative effect on motivation. Good human resource management lies in the behaviour of each employee within an enterprise ... It applies to individual men and women.... The classic approach to industrial relations is entirely different, with its peculiarity being collective bargaining - which, by definition, does not consider the individual but the mass. The status of a worker is defined by a few general criteria such as his professional category and possibly his seniority and his age. Remuneration, for example, is calculated on the basis of a few simple elements, which do not take into consideration personal behaviour and individual performance. Work provided is considered purely from the quantitative angle. The future of collective bargaining, therefore, depends on the extent to which it can take into account the demands for individualization which modern methods of human resources management imply.. This should not of course lead to arbitrariness... Legislation and regulation imposed by the State should

also leave a sufficient margin of flexibility to allow for adaptation."

Reconciling or harmonizing the apparent incompatibility between IR and HRM is a major challenge faced by IR. If it is to take place it requires integration which involves expanding the frontiers of both i.e. HRM should take into account the external environment more than it does at present, and IR should focus far more than it does on workplace relations and recognize that it should not consist largely of collective relations.

Alternatively, it requires the two to operate as dual or parallel systems, which is less advantageous, because this is less likely to expand the frontiers of either.

There are some pre-conditions to harmonization:

- changes in both management and union attitudes
- acknowledgement of the link between employee development and enterprise growth
- recognition that employer and employee interests are not only divergent but also common e.g. productivity is an important issue to both
- both HRM and IR should be prepared to accommodate the other. At present IR seems to view HRM as its nemesis.
- unions would need to be more willing to involve themselves in HRM, and not over-emphasize their national agenda. Otherwise employers will have free rein in promoting HRM at the expense of IR. This also involves training of unions in HRM. Where union structures change, as happened in Japan when enterprise unions became an important feature, the potential for such involvement is greater. Union cooperation would depend to a large extent on whether in a particular enterprise HRM is perceived as a union avoidance strategy. Union involvement can be critical, since research appears to indicate that HRM initiatives have worked most effectively in unionized settings.⁽⁷¹⁾
- changes in IR thinking
 - redesigning collective bargaining to accommodate more workplace issues (as is already occurring)
 - less adversarial relation
- IR needs to open its doors to other social disciplines (e.g. organizational behaviour and psychology, industrial sociology) with consequent attention to team work and new forms of work organization
- IR would have to recognize that communication in an enterprise need not necessarily be only effected collectively. Dual communication systems (as in the case of joint councils in Japan) are possible and can complement each other.
- IR has to embrace the whole employment relationship, and not only its collective aspects.⁽⁷²⁾
- Managements should themselves be willing to involve unions in HRM initiatives. Workplace cooperation mechanisms, for instance, tend to be more effective where, in a unionized environment, unions are consulted.
- A more strategic perspective of IR needs to be developed, going beyond including traditional objectives such as distributive justice. Such a perspective would need to place less emphasis on standardization and to espouse productivity and competitiveness.

The other solution is that HRM will more or less take over IR's role within the enterprise, and IR will continue to operate at a different level outside the workplace, with the State continuing to play a role, albeit a diminished one. The feasibility of this solution depends on a consensus that some common standard rules are necessary in any social system.

Future of Human Resource Management

If HRM is not to remain more in the realm of rhetoric with wide disparities between theory and practice, several things need to take place. First, HRM needs to be diffused across industries and the economy. For this to occur the following conditions need to be satisfied:

- HRM should be an essential part of management education and training (some would say that it should be the essence).
- From this, two important consequences are likely to follow. HRM is likely to be ingegrated into corporate strategies and line managers' functions and decisions. This would reduce the need for HRM specialists, except at the policy level where they will have a greater voice. Business strategies are then likely to be built less around low cost and low wages, but around the real sources of competitive advantage such as flexibility, quality and customer service.⁽⁷³⁾
- Employment policies which support employment security, without which HRM policies, including training, would have little motivational effect. This does not mean guaranteed employment, but a policy which treats termination as a last, rather than a first, resort.⁽⁷⁴⁾
- Learning from international experiences and diffusing the information can have a transforming effect, as was the case when American manufacturing was transformed through in-depth studies of Japanese manufacturing in the automobile industry.
- Substantial investment in people and the willingness of employers to view the benefits from a long-term perspective - a difficult task in a system which is driven by short-term investor pressure.
- HRM requires to overcome one of its weaknesses, namely, to recognize that the choices available to managements are governed not only by internal but also by external considerations. "Ironically ...students of HRM often begin with the weakening of external labour market institutions and the liberalization of management in the firm as necessary pre-conditions for the adoption of HRM ... the more HRM is seen to be the preserve of each individual firm acting in isolation, the least likely it is that HRM practices will grow and flourish in the wider economy."⁽⁷⁵⁾

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8. Future Issues For Industrial Relations

Continuing Relevance of Industrial Relations

In a globalized environment with businesses, money and people moving with relative ease across borders, the relentless pursuit of competitive advantage at the expense of all else, the disruption of social relationships and stability, the rapid outdateding of knowledge, skills and technology, with learning being a life-long pursuit, and increasing job insecurity, the only certain factor is change and its rapidity. Poverty worldwide is nowhere near reduction to minimal levels, and on the contrary, is increasing. Many of the benefits of recent changes have benefitted a few, and in many countries income gaps are widening, rather than narrowing. It has been suggested by eminent writers that the world may well be heading towards over-production of goods, food shortages, and environmental degradation.⁽⁷⁶⁾ Before we dispense

with institutions or systems which have contributed to social stability, it is worthwhile assessing their continued relevance. Industrial relations is one such.

IR is no doubt undergoing needed changes, but it is by no means irrelevant. Its major contribution was that it facilitated distributive justice and thereby contributed to social stability. Western Europe is probably the best example of an IR system which was underpinned by its social market principles and, by concerning itself with distributive justice and equity, raised the living standards of the majority, thus providing decades of relative social stability. If, as many employers claim, the labour market in that region is too regulated in the context of the changed environment, this does not imply a total abandonment of the system, but only its reform. In fact when we speak of changes in IR in many countries, it does not always imply a radical change, but rather a change of emphasis. For instance, the idea of negotiation on which collective bargaining is based, continues to be valid even if the trend is towards decentralized bargaining. Nor is there anything in HRM that contradicts the value of negotiation.

HRM undoubtedly poses a challenge to IR as we have seen. But a democracy and pluralism are based on the recognition of different interest groups within a society, each acting as a check and balance in relation to the other to prevent a centralization of power. A system which provides some external regulation of the behaviour of groups must therefore be necessary.

Since HRM is enterprise-focused, there is a need for a system which can deal with issues which arise in the external labour market. At last for those who have no individual bargaining power - and they constitute the majority of the world's working population - traditional IR institutions such as freedom of association, collective bargaining, minimum employment terms (e. g. age of employment, force labour, safety and health, holidays), social security and dispute settlement mechanisms continue to be relevant. Policies need to be formulated on these matters and applied across society. The fact that some traditional IR features may need to be changed, does not imply that they are irrelevant; the need for a greater enterprise focus does not imply the absence of a national focus as well.

IR institutions continue to have the following relevance:

- Collective bargaining, even if it be at the enterprise level, can still help to reduce inequalities in negotiating power
- Freedom of association provides the foundation for the recognition that employees have rights.
- Industrial peace needs to be ensured both by addressing it at the enterprise level, any by providing in the event of their failure, safeguard mechanisms external to the enterprise such as conciliation, courts or tribunals.
- Processes such as tripartism are needed to ensure that the relevant parties have the opportunity to influence labour policy and legislative outcomes.
- The boundaries of action within which parties may act need to be set.
- Social protection through minimum standards may often be required, whether they relate to children or women, safety and health or superannuation.

Current and Future Issues

In these circumstances the issues which IR will be called upon to address, in particular in Asia, need to be identified. Employers are now compelled to view IR and HRM from a strategic perspective; in other words, not only from the traditional viewpoint of negotiating terms and

conditions of employment and performing a personnel and welfare function. IR and HRM are directly relevant to competitiveness, and how they are managed will impact on enterprise performance, e.g.

its productivity and quality of goods and services, labour costs, quality of the workforce, motivation, prevention of disputes and not only their settlement, and aligning employee aspirations with enterprise objectives.

Minimum Wages

In countries which have a legal minimum wage three employer concerns are evident. The first is that minimum wage levels sometimes tend to be fixed on extraneous considerations (e.g. political), or on inadequate data needed to define the level of wages. The second concern is that such instances have an adverse effect on competitiveness in the global market and on employment creation where the minimum wage is fixed above a certain level (much of the controversy relates to what that level is). Therefore many employers prefer to see the minimum wage, if there is to be one at all, as a 'safety net' measure to uplift those living below the poverty line.

The third concern relates to increases in minimum wages not being matched by productivity gains which would help to offset increased labour costs.

Flexible/Performance Pay

Many employers, and even some governments, wish to review traditional criteria to determine pay levels such as the cost of living and seniority. Pay systems which are flexible (i.e. based on profitability and productivity) so as to be able to absorb business downturns and also reward performance, are receiving considerable attention. One major problem in this regard is how employees and their organizations can be persuaded to negotiate on pay reform. The objectives of pay reform will not be achieved unless reforms are the result of consensual agreements and are a part of a larger human resource management strategy and change in human resource management systems.

"We now pay workers not for output produced, nor even for labour input provided, but simply for time spent on the job."⁽⁷⁷⁾

Traditionally wages and pay have been determined through government regulation, minimum wage determination, negotiation with unions, decisions of arbitration and labour courts and the individual contract of employment. The factors or criteria which have influenced pay and pay increases have included profit (but generally unrelated to individual or group performance), job evaluation, seniority, cost of living, manpower shortage or surplus, negotiating strength of the parties and skills. Performance measures such as productivity or profit related to the performance of a group has been of less importance in determining pay increases. Though skills have been reflected in pay differentials, pay systems have been seldom geared to the encouragement of skills acquisition and application. Industrialized countries have built their competitive advantage not around low wages, but around clusters of competitive industries in which high earnings and standards of living have been sustained through improved technology, productivity and quality. Many Asian countries now recognize that high technology, productivity and low earnings cannot be combined and sustained over a long period of time. Many Asian employers are now seeking to sustain their competitiveness through pay increases which are more related to performance measures as a way of absorbing increased labour costs,

while at the same time rewarding and motivating employees. Japan, Singapore and the Republic of Korea, for example, have succeeded in moving to high value-added and technology-based or service activities partly because they had invested in skills development and accepted the fact that higher earnings (in Singapore partly through a flexible pay system) are an essential strategy for entry into the knowledge-based industries of the future. Increases in real earnings have been made possible because investment in education and skills contributed to productivity enhancement which, in turn, created the capacity to absorb higher earnings. In the 1980s Singapore made a deliberate shift to a high wage economy in order to encourage entry into high value-added activities. Productivity increases are necessary to sustain higher earnings; at the same time there cannot be any long term productivity growth without an increase in real wages.

Traditional pay systems for non-executive staff have generally been characterized by standardization across and within sectors (e.g. government, particular industries) and within enterprises. So long as employers were competing mainly in domestic markets which were protected from foreign competition - in some cases leading to monopolies - the effects of standardization on considerations such as performance, recruitment and retention of good staff, etc. were less felt. Indeed, standardization, while being equitable from the point of view of employees, benefitted employers as well by reducing competition based on labour costs.

With the gradual opening up of economies to world trade and foreign investment, local employers are now compelled to compete with enterprises with sophisticated technology, more productive ways of providing goods and services, and the advantage of being global players. In many instances these foreign enterprises are able to attract the best local talent on terms and conditions beyond the capacity of many local enterprises to pay. With the acceleration of the process of globalization, accompanied by the movement of former centrally planned economies towards market economies, governments and private enterprises have had to compete in the global market by developing competitive advantages, which are affected by costs and quality. Productivity increase as the measure of performance at the national and enterprise levels, with quality as an intrinsic part of productivity, is becoming the goal of many developing countries as well - now pushed to the forefront by the forces of globalization and the collapse of economic systems which were alternatives to a market economy. Economies which are seeking to progress from low cost manufacturing to highly-skilled and technology-based production need pay systems which not merely recognize skill differentials (as standard pay systems do), but also provide an incentive to acquire skills and multi-skills facilitated by years of careful and correct investment in education and training.

In the area of IR, collective bargaining outside the enterprise is seen by employers as achieving distributive justice in the sense of equality, with outcomes often being based on the bargaining strength of the parties. It is increasingly viewed as contributing little to productivity and performance. The outcomes often leave employers with little or no capacity to make further payments on account of performance under a scheme. The movement towards decentralization of collective bargaining has been the result of the need to address efficiency and performance issues at the enterprise level. It is natural that with decentralization employers would seek ways to introduce performance criteria into wage increases.

The increase in atypical forms of employment (e.g. homework) which cannot consistently or always be supervised, has also influenced the search for alternative forms of pay.

Traditionally increased earnings were secured and performance rewarded partly through promotions. With limitations on higher positions in the context of organizations becoming less hierarchical in the future, relating part of pay increases to performance would be a way of rewarding performance, other than through promotions.

In these circumstances pay systems are increasingly forming a part of human resource management initiatives to achieve enterprise-level objectives and strategies, with more attention being paid to how they fit into the overall human resource management policies of enterprises.

These developments have several implications for pay systems. Employers (and some governments) see that pay increases need to be more than matched by productivity increases if competitiveness is to be achieved or maintained. The relationship between pay, productivity, skills and inflation were understood quite early in Asia by Japan as well as by the newly industrialised economies. Some other South-East Asian countries have also come to appreciate this relationship.

The pressure in the Asia-Pacific region for the recognition of performance criteria in pay determination has not come only from employers. In Singapore the government initiated the move to flexible pay. In Malaysia the government drew attention in 1988 to the desirability of introducing a flexible pay system. In Fiji the government has been exploring the feasibility of introducing performance pay into the public service, while encouraging employers to do likewise. The Minimum Wage Board in Papua New Guinea has, since the early 1990s, been required to relate minimum wages to performance criteria in place of indexation. In recent years the wage determination system in Australia has encouraged employers and unions to negotiate a part of wage increases in the context of productivity and productivity-related improvements. The fundamental shift of industrial relations to the enterprise level and the individualization of the employment relationship in New Zealand have provided ample scope for performance-related pay. Therefore it is increasingly recognized that performance and skills criteria need to be injected into pay determination; that it cannot be achieved through centralized or macro-level pay determination; and that changes have to be negotiated at the enterprise level.

In these circumstances, a major concern for employers will be to negotiate pay systems which

- achieve a strategic business objective;
- are flexible in that their variable component could absorb downturns in business and reduce labour costs;
- are oriented towards better performance in terms of productivity, quality, profit, etc.;
- are capable of enhancing workers' earnings through improved performance;
- are capable of reducing the incidence of redundancies in times of recession or poor enterprise performance through the flexible component of pay;
- are able to reward good performance without increasing labour costs, and
- are able to attract competent staff.

The types of schemes which fall within the description of performance pay are varied. Broadly speaking, they consist of schemes designed to share or distribute the financial results of enterprise performance with or to employees. In essence, performance pay is based on paying

the worker for his or her value, rather than the value of the job. Such schemes fall into four broad categories:

- individual-based or based on individual performance, such as incentive schemes and sales commissions
- profit-sharing which applies to all or most of the employees
- gain-sharing measured by a pre-determined formula, applicable to all groups of employees. The performance measure may be profit or some other objective such as productivity
- employees share ownership schemes.

Cross-Cultural Management

Asia is a heterogeneous region, characterized by ethnic, cultural, linguistic and religious diversity. Due to substantial increases in investment in Asia by both Asian and Western investors, many employers and unions are dealing with workers and employers from backgrounds and cultures different to their own. Some of the resulting problems and issues (reflected, for instance, in the proliferation of disputes due to cross-cultural 'mismangement') fall within cross-cultural management. The problems arise due to differences in IR systems, attitudes to and of unions, work ethics, motivational systems and leadership styles, negotiating techniques, inappropriate communication, consultation and participation procedures and mechanisms, values (the basic beliefs that underpin the way we think, feel and respond), expectations of workers and interpersonal relationships.

These cross-cultural management issues in turn pose the following problems:

- What particular IR and human resource management considerations at the regional, sub-regional and country level affect the development of sound relations at the enterprise level in a cross-cultural environment?
- What would be the most effective programmes for this purpose?
- How can investors in Asia familiarize themselves with the environmental and cultural considerations in the recipient country relevant to their managing people at work?
- How could information be collected, analyzed and disseminated?

Dispute Prevention

Most countries (other than those in transition to a market economy) have long-standing dispute settlement procedures at the national level (e.g. conciliation, arbitration, industrial or labour courts). Essential as these are, they operate only when a dispute arises. Equally important are dispute prevention through communication, consultation and negotiation procedures and mechanisms operating at the enterprise level. These are not particularly common in many Asian enterprises. A more positive movement from personnel management to strategic human resource management is called for.

Industrial Relations/Human Resource Management Training

Not many developing countries in the region have facilities for training in labour law and IR - negotiation, wage determination, dispute prevention and settlement, the several aspects of the contract of employment, and other related subjects such as safety and health. More facilities are probably available in human resource management. Since IR has assumed a particularly important role in the context of globalization, structural adjustment and in the transition to a

market economy, employers in each country would need to identify what aspects of IR and HRM should be accorded priority, how training in them could be delivered, and what concrete role is expected from an employers' organization.

Balancing Efficiency With Equity and Labour Market Flexibility

During this century IR and the law in industrialized countries have paid considerable attention to the means through which the unequal bargaining position between employees and management can be rectified. The imbalance in their respective positions has been corrected primarily through the freedom of association and collective bargaining. Thereafter the focus in some countries has been more on the relationship between management and labour and their organization rather than on their relationships with the state. This has been due to the fact that the State has adopted a less interventionist role than in developing countries, based on the premise that regulation of the labour market should, to a large extent, be left to the employers, workers and their organizations. However, in some Western European countries, Australia and most Asian countries attention has focused on relationships with the State because of the role governments have played in regulating the labour market (through laws and also through labour courts or tribunals), or in directing economic development and industrialization.

Traditional IR view labour problems as arising due to employers wishing to use resources productively and to generate profit, while employees wish to maximise their return on labour. The State intervenes for a variety of reasons. The setting in which IR developed was conditioned by the national environment - political, economic, social and legal. But today the conditioning environment increasingly includes the international and regional context. Globalization has created pressures on IR for efficiency in the employment relationship, reflected for instance on the emphasis on flexibility (types of contracts, working time, pay, etc.) and productivity. These developments and the pressures for labour market deregulation and flexibility raise the issue of efficiency versus equity. However, the main issue for IR in this regard is not efficiency and equity as antithetic concepts, but how to achieve a balance between the two. This is because while an IR system should facilitate competitiveness, it should also promote equity by ensuring a fair return on labour and a fair sharing of the gains from economic activity, reasonable and safe working conditions, and an environment in which employees can communicate and discuss their concerns and be represented in order to protect and further their interests. According to one writer, the practices which make up equity are mainly "employee participation in employment decisions including bargaining; due process in resolving perceived injustice; security of expectations through job rights, work rules and compensation structures; and job design of a sort that is responsive to technology and organization, as well as job-holder needs."⁽⁷⁸⁾ Efficiency cannot be achieved through an IR system which is devoid of equity, particularly now when competitiveness depends so much on people, who will withhold efficiency in an environment which is inequitable and demotivating. Such withholding is often reflected in absenteeism, indiscipline, low productivity and quality, a lack of customer concern and high turnover. As such, it is efficiency and inequity which are antithetic, and it is sometimes overlooked that equity is "not an extraneous constant imposed upon the market by political institutions but rather a vital lubricant of the market process."⁽⁷⁹⁾

Further, political instability is sometimes the result of large sections of the population not being beneficiaries of economic development. This may occur when, for instance, large disparities in wealth continue to grow and there is no significant improvement in the conditions of those living below the poverty line. It has been aptly stated that:

"It is one of the least advertised, and for the very affluent the least attractive, of economic truths that a reasonably equitable distribution of income throughout the society is highly functional."⁽⁸⁰⁾

The issue of efficiency and equity arises in the debates pertaining to labour market regulation and flexibility. Employers in particular see labour market rigidities resulting from over-regulation of the labour market, especially from outside the enterprise such as from the plethora of labour laws in some of the South Asian countries, the orders of labour courts, and union activity outside the enterprise, all of which, according to employers, circumscribe their capacity to effect needed changes to adapt to the globalized environment.

Labour market regulation is "the creation and enforcement of rules which are designed to control the actions of individuals and groups who are a party to the production of goods and services."⁽⁸¹⁾ In his classic work of three decades ago, Allan Flanders viewed IR as "a study of the institutions of job regulation,"⁽⁸²⁾ through sources both internal and external to the enterprise. According to Flanders, while external sources of regulation seek to protect employees from the adverse effects of a completely unregulated market and to minimize conflicts between unions and employers, internal forms of regulation arise from employer initiatives to control employee work behaviour.⁽⁸³⁾

The debates about labour market regulation reflect three positions: one which favours a completely unregulated labour market; one which espouses a decentralized IR system so that external regulation is reduced, and arguments which advocate external regulation as being necessary to address a range of issues which need to be resolved for reasons of both equity and efficiency.⁽⁸⁴⁾ In respect of the third argument, it has been pointed out that:

"The production of goods and services requires the coordination of activities that transform resources into an activity or product. To achieve these it is necessary to have procedures or rules that will ensure efficiency. In reality, then, the debate is not about whether there should be rules but about the *source* of rules and what *form* they should take."⁽⁸⁵⁾

If the objective is to balance efficiency with equity, rules in a labour market system would need to be formulated from both within and outside the enterprise, the issue being one of degree or the extent of regulation. The rules formulated from outside the enterprise may relate to basic human rights such as those enabling organizations of employees and employers to operate, rules against child and forced labour; rules to govern conflict, strikes and other work disruptions; institutions and procedures to resolve disputes; tripartite mechanisms to facilitate consensus on national labour policy; minimum terms on matters such as safety and health, minimum age of employment, holidays, maximum working hours, social security, and minimum wages where appropriate; rules against discrimination in employment *e.g.* on grounds of gender. The other source of rules is the enterprise where the particular needs of both management and employees are addressed. Some writers claim that there is little evidence to suggest that an environment without some external regulation results in more efficient practices within the firm, and "research indicates that the critical factors determining good economic performance are neither internal nor external to the workplace, but come from linking both forms of regulation."⁽⁸⁶⁾ Since reliance on only internal modes of regulation may well lead to rules determined solely or largely by management, the challenge for years to come will be how

It is probably safe to predict that decentralization trends and moves to reduce external regulation are not transitory phenomena, but are likely to endure for many years in the foreseeable future. The fact that pressures for better corporate performance will increase, rather than decrease, is obvious. Therefore IR cannot afford to be "static" if it is to endure itself especially managements, at a time when much of management is about change.⁽⁸⁷⁾ External labour market regulations which are seen as obstacles to needed change are likely to be modified. Where workers achieve higher educational levels, they may wish to have a greater influence and voice at the workplace level over the formulation of rules in accordance with which work is to be performed. In the competition for economic superiority, market share and foreign investment, governments of fast industrializing countries are hardly likely to regulate the labour market except for the purpose of promoting efficiency and balancing it with equity. With increasing affluence, people in most societies are likely to want the fruits of development equitably shared across society. It is instructive to note that in Western Europe there has, up to now at any rate, been a deep seated commitment to balance economic achievements with social progress, so much so that education, health care, social security and quality of life have been opted for in preference to maximizing profits at their expense, thus ensuring a comfortable standard of living for most people.⁽⁸⁸⁾ It is left to be seen how the evolving global economy affects the ability of such countries to maintain this emphasis. Many employers and others see Western Europe over-regulated to the point of coming close to rendering industries uncompetitive.

Freedom of Association, Labour Rights and Changing Patterns of Work

With the disappearance of major ideological differences with the end of the cold war, unions are likely to move towards a greater concentration on their core IR functions and issues. In some Asian countries freedom of association, including labour rights in special economic zones, has risen as an issue. The need for employees and their representatives to be involved in change and in transition, and the willingness of employers to involve them, is an emerging issue in many Asian countries.

Changing patterns of work (e.g. more homework, part-time work sub-contracting) have created concerns for unions in particular. Job security, social security and minimum conditions of work are some of them. Traditional IR systems based on the concept of a full-time employee working within an enterprise is increasingly inapplicable to the many categories of people working outside the enterprise. In some countries in terms of numbers they are likely in the future to exceed those working within an enterprise.

IR in the public sector - especially in the public service - where negotiation rights, for instance, are less than in the private sector, is also likely to be an issue in the future.

Women

The increasing influx of women into workforces has raised issues relating to gender discrimination, better opportunities for them in relation to training and higher-income jobs and welfare facilities.

Migration

There is a large migration of labour from labour surplus to labour shortage countries in Asia. Among the issues which have arisen are their legal or illegal status (which may affect their rights), trade union rights and their access to the same level of pay and other conditions enjoyed by nationals. Social security for migrant workers is one of the major problems as many receiving countries do not extend social security benefits to them.

Human Resource Management

With increasing reliance by employers in Asia on HRM as a means of enhancing enterprise performance and competitiveness, important consequences will arise for IR and for unions.⁽⁸⁹⁾

What part unions can and will play in HRM and whether IR and HRM will operate as parallel systems (if so what their respective roles will be), or become integrated (especially since the distinction between IR and HRM is becoming blurred), are some of the issues which will have to be addressed.

Transition Economies

In countries in transition to a market economy major challenges and issues have arisen, principally because they are seeking to adapt to an IR system in which, for instance, employers' organizations and union pluralism have hitherto been unknown. Unions in such economies may play a welfare role, and sometimes a supervisory role, rather than a negotiating role. Managements and unions in such a system participate not so much in deciding terms and conditions of employment, but in applying decisions which are largely made outside the enterprise. There is less scope in a centrally planned economy for tripartite dialogue between government on the one hand and independent organizations of workers and employers on the other. In a market economy decisions are for the most part, made within the enterprise, and where they are made externally, they are generally the result of discussions with workers' and employers' organizations representing the interests of their members vis-a-vis each other and with the government. The government creates the framework in which the social partners are consulted on matters directly affecting the interests they represent, and the social partners seek to influence the economic and social policy formulated. Labour relations are based largely on the basis of negotiation between the two social partners, and the outcomes are usually recognized by the State so long as they do not conflict with national laws or with fundamental national policy.

Another reason for the critical role of IR in an economy in transition is the absence or inefficiency generally, during the process of transition, of safeguard mechanisms (such as for dispute prevention and settlement) at the national, industry and enterprise levels, to channel differences and disputes into peaceful means of resolution. The disputes therefore can involve considerable work disruptions and sour the environment needed to achieve sound industrial relations, and thereby also retard the achievement of overall development objectives.

In these circumstances countries in transition to a market economy are addressing a range of problems such as: the role of employers' and workers' organizations; national policy formulation through a tripartite process; a labour law system relevant to the new economic

environment; methods and criteria in wage determination; dispute prevention and settlement procedures and mechanisms; and managing public sector enterprises in a competitive environment.

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Endnotes

- [1.](#) The views expressed in this Paper are those of the author, and should not be construed as those of the International Labour Office.

- [2.](#) This is probably why economists have some difficulty in accepting the notion of competition - see for instance, Paul Krugman *Peddling Prosperity* (Norton & Co., N. York, 1994) Appendix to Chapter 10, while global companies and managers have little difficulty in understanding it.

- [3.](#) "But the regulation of the workplace has often laid at the margins of academic interest. In many countries ...key substantive rules of work were determined through national or industry agreements (most continental European countries), through detailed contracts at the company level (North America), or through State arbitration systems (Australia). Workplace relations were assumed to be determined by national institutions": P.K. Edwards, Jacques Belanger and Larry Haiven "The Workplace and Labour Regulation in Comparative Perspective" in *Workplace Industrial Relations and the Global Challenge* ed. by Jacques Belanger, P.K. Edwards and Larry Haiven (ILR Press, Cornell University, Ithaca, New York, 1994).

- [4.](#) See below under Globalization.

- [5.](#) See Charles Handy *The Age of Unreason* (Business Books, London, 1989).

- [6.](#) *ibid.*, chapter 2.

- [7.](#) John H. Dunning *The Globalization of Business* (Routledge, London, 1993) p.5.

- [8.](#) Peter F. Drucker *The Post Capitalist Society* (Butterworth-Heinemann, Oxford, U.K., 1993) p.86.

- [9.](#) See Kazuo Koika "Globalization, Competitiveness and Workers' Skills" *IIRA Third Asian Regional Congress*, Taipei, 1996.

- [10.](#) On knowledge work and knowledge workers see Peter F. Drucker *The Post Capitalist Society*, *op.cit.*, *Managing In A Time Of Great Change* (Butterworth-Heinemann, UK, 1995) pp.203-219, Charles Handy *The Age of Unreason* (Business Books, UK, 1989).

- [11.](#) Michael Porter *The Competitive Advantage of Nations* (Macmillan Press, London, 1990) xii.

- [12.](#) *ibid.*

[13.](#) such as macroeconomic development, internationalization of the economy, the right interventions by the government, finance, infrastructure, management, science and technology

[14.](#) For the challenges IR faces in the globalized environment and the implications of changes for the Asian region - see Russell D. Lansbury "Perspectives of Industrial Relations in the Twenty First Century", *IIRA, Third Asian Regional Congress*, Taipei, 1996.

[15.](#) However, Peter F. Drucker *The Post Capitalist Society, op. cit.*, pp.31-36 points out that Taylor was largely misinterpreted by both employers and trade unions. His goal was not efficiency but productivity, which should benefit the worker and not only the owner, and would create a harmonious relationship.

[16.](#) McGraw-Hill, USA, 1960. The reference is to the Penguin edition.

[17.](#) Christopher A. Bartlett and Sumantra Ghoshal "Changing the Role of Top Management: Beyond Strategy to Purpose" in 1994 (November-December) *Harvard Business Review* 78, "Beyond Structure to Purpose" 1995 (January-February) *Harvard Business Review* 87, and "Beyond Systems to People" 1995 (May-June) *Harvard Business Review* 133.

[18.](#) *ibid.*

[19.](#) 1994 (November-December) *Harvard Business Review* at 80.

[20.](#) *ibid.*

[21.](#) See Charles Handy *The Age of Unreason* (Harvard Business School Press, Boston, Massachusetts, 1990) 154. See Chapter 6 for the type of leadership and management qualities needed in the new organization.

[22.](#) Edward H. Lorenz "Trust and the Flexible Firm" in 1992 Vol.31 (No.3) *Industrial Relations* (University of California) 456.

[23.](#) *ibid.*

[24.](#) See, for example, Boeing - Anthony Sampson *Company Man* (Harper Collins, London, 1995) 5-8. Ironically Edwards Deming, the American, was listened to by the Japanese, and not by the Americans until recently.

[25.](#) Robert Chia "The New Leaders That Asia Needs" in (Vol.31 No.9 September 1995) *Asian Business* 58.

[26.](#) 1994 World Investment Report (UNCTAD).

[27.](#) For example for Malaysia, see R. Ariffin "Changing Employment Structures and Its Effects on Industrial Relations in Malaysia" *IIRA Third Asian Regional Congress, op.cit.*

[28.](#) "The Logic of Global Business: An Interview with Percy Barnevik" in 1991 (March-April) *Harvard Business Review* 105.

[29.](#) 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).

[30.](#) C. Kerr, J.T. Dunlop, F. Harbison and C.A. Myers *Industrialism And Industrial Man* (Harvard University press, Massachusetts, USA, 1960).

[31.](#) We will examine later whether there is now a greater potential for this convergence theory to be realised due to factors such as increasing globalization and the application of information technology.

[32.](#) S.A. Siddique "Industrial Relations In A Third World Setting: A Possible Model", *op.cit.* 393.

[33.](#) S.A. Siddique *ibid.* 395-396.

[34.](#) S. Hill and K. Thurley "Sociology and Industrial Relations" in 1974 *British Journal of Industrial Relations* 147-170.

[35.](#) For a case study on how Singapore adapted its labour law and IR system to promote the imperatives of economic development, see the Paper by Tan Peng Boo "National Industrial Relations and Economic Development - The Singapore Experience" (1996, unpublished)

[36.](#) See Sarosh Kuruvilla *Industrialization Strategy And Industrial Relations Policy In South East Asia* (Working Paper, Institute of Collective Bargaining, Cornell University, U.S.A., 1994), Sarosh Kuruvilla and C.S. Venkata Ratnam *Economic Development And Industrial Relations In South And South-East Asia: Past Trends And Future Directions* (Paper presented at the IIRA World Congress, Washington, May 1995).

[37.](#) See C.S. Venkata Ratnam "Impact of New Economic Policies on the Role of Trade Unions" in 1993 (29) *Indian Journal of Industrial Relations* 56.

[38.](#) See Frederick Deyo *Beneath The Miracle: Labour Subordination In East Asian Development* (University of California Press, Berkeley, U.S.A., 1989).

[39.](#) "The Role Of The State In Industrial Relations: The Case Of Korea" in *The Future of Industrial Relations* ed. by John R. Niland, Russell D. Lansbury and Chrissie Verevis (Sage Publications Inc., U.S.A., 1994) 76-93.

[40.](#) "The Role Of The State In Industrial Relations In Japan: The State's Guiding Role In Socio-Economic Development" in *The Future Of Industrial Relations*, *op. cit.* 94-112.

[41.](#) G. Bamber and C. Leggett "Tiers of Change in the Asia-Pacific Region: Reflections on Democratization, Industrial Relations and Human Resources", *IIRA, Third Regional Congress*, Taipei, 1996.

[42.](#) See, for example, the text at footnote 25.

[43.](#) For IR in the context of South-East and East Asian development see *Employment Relations in the Growing Asian Economies* ed. by A. Verma, T. Kochan and R. Lansbury (Routledge, London, 1995), F.C. Deyo *Beneath The Miracle: Labour Subordination in the New Asian Industrialism*, *op. cit.*, S. Frenkel *Organized Labour in the Asia-Pacific Region* (ILR Press, Ithaca, U.S.A., 1993).

[44.](#) On the subject of HRM in this and the succeeding two chapters, see the literature cited in S.R. de Silva *Harmonizing Industrial Relations and Human Resource Management* (ILO, 1995) and the outstanding Karen Legge *Human Resource Management: Rhetorics And Realities* (London, Macmillan, 1995). For an examination of the actual delivery of HRM see Karen Legge, *op.cit.* and Dave Ulrich *Human Resource Champions* (Harvard Business School Press, Mass., 1997).

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

[46.](#) For a description of this evolutionary process see Derek Torrington *New Perspectives On Human Resource Management* ed. by John Storey (Routledge, U.K. 1991) 55 - 66.

[47.](#) John Storey "Introduction: From Personnel Management To Human Resource Management" in *New Perspectives on Human Resource Management*, *op. cit.* 6.

[48.](#) Derek Torrington, *op.cit.* 61

[49.](#) See John Purcell "The Impact of Corporate Strategy on Human Resource Management" in *New Perspectives On Human Resource Management*, *op. cit.* 67-91.

[50.](#) John Storey "Introduction: From Personnel Management To Human Resource Management", *op. cit.* 8.

[51.](#) See M. Bert and B. Spector "Corporatewide Transformations in Human Resource Management" in *Human Resource Management: Trends and Challenges* ed. by R.E. Walton and P.R. Lawrence (Harvard Business School Press, Boston, USA, 1985).

[52.](#) See L. Baird and I. Meshoulam "Managing the Two Fits of Strategic Human Resource Management" in 1988 (Vo.13 No.1) *Academy of Management Review*.

[53.](#) On this subject see R.E. Miles and C.C. Snow "Designing Human Resource Systems" in 1984 (Summer) *Organizational Dynamics*, P. Miller "Strategic Industrial Relations and Human

Resource Management - Distinction, Definition and Recognition" in 1987 (No.4) *Journal of Management Studies*.

[54.](#) Karen Legge "Human Resource Management: A Critical Analysis" in *New Perspectives on Human Resource Management*, *op.cit.* 38.

[55.](#) *ibid.* 36.

[56.](#) *ibid.* 36-37.

[57.](#) John Storey "Introduction: From Personnel Management To Human Resource Management" *op.cit.* 15.

[58.](#) John Purcell "The Impact of Corporate Strategy on Human Resource Management", *op. cit.* 78.

[59.](#) See Peter Armstrong "Limits and Possibilities for HRM in an Age of Management Accountancy" in *New Perspectives On Human Resource Management*, *op. cit.* 154.

[60.](#) See David E. Guest "Human Resource Management and Industrial Relations" in (1987) 24 *Journal of Management* 503.

[61.](#) See John Storey and Keith Sisson *Managing Human Resources and Industrial Relations* (Open University Press, U.K., 1993) 66 for a chart of options based on R.S. Schuler and S. Jackson "Linking Competitive Strategies with Human Resource Management Practices" in 1987 (1) *Academy of Management Executive* 209 - 213.

[62.](#) "...a workforce that strongly identifies with the interests of the company also provides a critical source of competitive advantage.":Herbert A. Henzler "The New Era of Eurocapitalism" in *The Evolving Global Economy* ed. by Kenichi Ohmae (USA, Harvard Business Review Book Series, 1995).

[63.](#) See John Storey and Keith Sisson *Managing Human Resources and Industrial Relations*, *op.cit.* 21 for a table of key differences between IR and HRM.

[64.](#) Some aspects of HRM such as team work and corporate culture building have a collective relations flavour, but they do not belong to the province of IR.

[65.](#) David E. Guest "Human Resource Management: Its Implications for Industrial Relations and Trade Unions" in *New Perspectives On Human Resource Management*, *op. cit.* 43.

[66.](#) David E. Guest "Human Resource Management and Industrial Relations", *op.cit.* 503.

[67.](#) Charles Handy *The Age of Unreason* (Harvard Business School Press, Boston, USA, 1990) 91.

[68.](#) Peter F. Drucker *The Post Capitalist Society* (Butterworth Heinemann, U.K., 1993) especially the Introduction and Chapters 1 and 10.

[69.](#) See S. R. de Silva *Harmonizing Industrial Relations and Human Resource Management*, *op. cit.* 74-79.

[70.](#) Quoted from the *Free Employer* (No.5 September-October 1993), the Information Bulletin of the International Organization of Employers, Geneva. See further David E. Guest "Human Resource Management: Its Implications for Industrial Relations and Trade Unions" in *New Perspectives On Human Resource Management* ed. by John Storey (Routledge, London, 199) 41.

[71.](#) "It is the union rather than the non-union workplaces which exhibit the HRM initiatives that are to be found": John Storey and Keith Sisson *Managing Human Resources and Industrial Relations* (Open University Press, U.K., 1993) 225. See also Keith Sisson "In Search of HRM" 1993(Vol.31) *British Journal of Industrial Relations* 206.

[72.](#) "...the subject matter of industrial relations has to move beyond the exclusive preoccupation with the collective aspects of the employment relationship that has dominated policy as well as teaching and research for the past thirty years. The individual aspects of the employment relationship can no longer be treated as part of the context. The obvious justification for giving these individual aspects greater prominence is that the union-free sector is becoming numerically more and more important. But this is not the only consideration. In the union sector it is the interplay between 'collectivism' and 'individualism' that emerges as increasingly important. Some might say that it was ever thus, and that it was only the myopia of industrial relations specialists that stopped us from recognizing the obvious. Be that as it may, there is no longer any justification for not accepting that industrial relations is about the employment relationship as a whole: Keith Sisson "In Search of HRM", *op. cit.* 203.

[73.](#) Thomas A. Kochan and Lee Dyer "Managing Transformational Change: The Role of Human Resource Professionals": in *The Future of Industrial Relations* (Sage Publications Inc., USA, 1994) ed. by John Niland, Russell D. Lansbury and Chrissie Verevis 221- 224.

[74.](#) "... commitments to employment security are often the *quid pro quo* for acceptance of transformed human resource practices in unionized settings and are equally common in transformed systems in non-unionized settings.": Thomas A. Kochan and Marc Weistein "Recent Developments in US Industrial Relations" in 199 (Vol.32) *British Journal of Industrial Relations* 494.

[75.](#) John Purcell "Human Resource Management: Implications for Teaching, Theory, Research and Practice in Industrial Relations" in *The Future of Industrial Relations*, *op. cit.* 216 - 217.

[76.](#) See, for example, William Greider *One World, Ready or Not: The Manic Logic of Global Capitalism* (Simon and Schuster, N. York, 1997).

[77.](#) Alan S. Blinder ed. *Paying For Productivity* (The Brookings Institution, Washington, 1990) 2.

[78.](#) Jack Barbash "Equity As Function: Its Rise And Attrition" in *Theories and Concepts in Industrial Relations* ed. by Jack Barbash and Kate Barbash (University of South Carolina Press, USA, 1989) 114 at 116.

[79.](#) Arthur Okun "The Invisible Handshake and Market Processes" in *Brookings Report* No.356, 1980 at 8.

[80.](#) John Kenneth Galbraith *The World Economy Since The Wars* (Mandarin Paperbacks, UK, 1994) at 81-82.

[81.](#) M Bray "A Precarious Victory: The Regulation of Self-Employed Owner-Drivers in New South Wales Road Transport 1940 - 1988" Industrial Relations Research Centre, Monograph 29, Kensington, University of New South Wales. On the whole issue see John Buchanan and Ron Callus "Efficiency and Equity at Work: The Need for Labour Market Regulation in Australia" in 1993 (No.35) *The Journal of Industrial Relations* (Australia) 515 which covers not only Australia but also the policy debate and general issues involved.

[82.](#) *Industrial Relations: What Is Wrong With The System?* (Faber and Faber London, 1965) at 10.

[83.](#) *ibid.* at 15 - 18.

[84.](#) For details see the analysis by John Buchanan and Ron Collins, *op.cit.* at 518 - 524.

[85.](#) *ibid.* at 519.

[86.](#) *ibid.* at 530. See 524 *et.seq* for an analysis of the arguments against reliance on internal regulation only to achieve efficiency.

[87.](#) "traditional industrial relations has been more about the established contours of bargaining and other rule making, whereas the focus of the 1990s seems to be much more about engendering change in the interests of greater flexibility.":John R. Niland "Change and the International Exchange of Ideas" in *The Future of Industrial Relations* ed. by John R. Niland, Russell D. Lansbury and Chrissie Verevis (Sage Publications, California, 1994) 451 at 466.

[88.](#) On this issue and the European (as distinct from American and Japanese) view of capitalism see Herbert A. Henzler "The New Era of Eurocapitalism" in *The Evolving Global Economy* ed. by Kenichi Ohmae (Harvard Business Press, 1995) 3 - 17.

[89.](#) See S.R. de Silva *Harmonizing Industrial Relations and Human Resource Management*, *op.cit.*

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