

Globalization and Industrial Relations in East Asia: A Three-Country Comparison

STEPHEN J. FRENKEL and DAVID PEETZ*

Globalization enhances competitiveness, both at the level of the firm and at the level of the nation. As observed in China, Malaysia, and Korea, this leads management and the state to adopt strategies designed to increase labor effectiveness to the benefit of capital. However, the effect of globalization on industrial relations procedures and substantive outcomes is contingent. Pressure for greater flexibility in the use of labor is ubiquitous, but the outcome is constrained by cultural norms valuing hierarchy and security. State strategies vary by historical circumstance, resource endowments, and internal political dynamics, including the influence of trade unions. While Malaysian industrial relations is heavily constrained by the discipline of high exposure to international capital, in China and Korea, major struggles are shaping the future of workplace and national labor market governance. Thus the extent and impact of globalization vary between countries, resulting in similar preoccupations by policymakers yet leading to variable responses and industrial relations outcomes.

THIS PAPER FOCUSES ON globalization and industrial relations in three leading East Asian countries: China, Malaysia, and the Republic of Korea. *Globalization* refers to the processes that reduce barriers between countries, thereby encouraging closer integration of economic, political, and social activity. Economic aspects are the most important. These include rapidly expanding international trade and financial flows and foreign direct investment (FDI) by multinational corporations (MNCs).

*The authors' affiliations are, respectively, Centre for Corporate Change, Australian Graduate School of Management, University of New South Wales, Sydney, and Centre for Research in Employment and Work, Griffith University, Brisbane. We would like to thank three anonymous referees for helpful comments on a previous draft, and a special thanks to George Strauss for assisting us to continuously improve the product. Ongoing discussion with Sarosh Kuruvilla also has been very useful.

Globalization implies economies that are opening to international competition and that do not discriminate against international capital. Thus globalization is often accompanied by (and is often said to demand) liberalization of markets and privatization of productive assets. Globalization enhances competitiveness, both at the level of the firm and at the level of the nation. This leads management and the state to adopt strategies designed to increase labor effectiveness (productivity, quality, and/or innovation) (Kuruvilla, 1996). However, for various reasons referred to later, patterns of labor relations continue to vary substantially.

There are four grounds for choosing to examine China, Malaysia, and Korea: (1) As significant and rapidly growing economies, these countries stand as models for other developing countries. (2) They exemplify the range of industrial relations changes occurring in East Asia, from attempts at building basic labor relations institutions (China) to transforming industrial relations in order to compete in high-value markets (Korea). (3) The three countries are at different stages of industrialization. China, with a per capita national income of \$530 in 1994, is clearly a less developed country, while Malaysia, with a per capita income of \$3480, is approaching newly industrialized country status. Korea (\$8260)¹ is the first Asian “tiger” to be admitted (in December 1996) to the club of advanced countries, the Organization of Economic Cooperation and Development (OECD). (4) Typical of the region’s diversity, they have different cultural and historical features. China is the largest of several countries (e.g., Vietnam, Laos, Cambodia) that have been dominated by communist states against a background of various local religions, especially Buddhism. These countries seek to reconcile market-oriented economic policies with single-party political control. Malaysia—like Hong Kong and Singapore—has been influenced by British colonialism. Similar to Singapore, Malaysia is controlled by a ruling party and a strong leader but nevertheless permits limited democracy. Mainly Confucian Korea, like Taiwan, experienced a relatively long period under Japanese occupation. It has gone further down the democratic road than Malaysia and Singapore. Like several other East Asian countries, Korea has suffered from political corruption that undermines the state’s legitimacy.

This paper is organized as follows: First, we describe our overall framework. We examine the relationship between industrialization and globalization in these three countries. We explore the impact of globalization on industrial relations *procedures*—the way labor market institutions and rules for setting wages and conditions of employment have

¹ Dollar conversions calculated at relevant periods.

changed. We look at *substantive* changes in industrial relations, especially earnings levels, labor use, and industrial conflict. Finally, we synthesize our findings.

Two caveats: The process of globalization is far from complete, and its effects will be seen only over a longer time period. Second, globalization influences other processes, such as market liberalization, privatization, and patterns of industrialization and political change. Consequently, it is difficult to delineate precisely the impact of globalization both directly on industrial relations and indirectly through these other processes.

Analytic Framework

Globalization offers opportunities for generating higher profits for MNCs and more rapid economic growth for host nations. Driven by a need for greater competitiveness, employers seek higher labor flexibility, productivity, and quality. To attract and retain foreign investment, governments liberalize markets and privatize public enterprises. However, they do so in accordance with their political values and in response to domestic political pressures. Employees seek to protect and advance their economic interests and may demand union representation. Government policy may, to varying degrees, moderate or intensify the bias of globalization that favors capital rather than labor. Globalization challenges labor market and workplace procedures to deliver substantive outcomes (competitive wage levels, labor practices, and regulation of industrial conflict) that are acceptable to employers and investors, employees, and governments.

International variations in the scope and pace of industrial relations change reflect several factors, including the nature of the economy, particularly the responsiveness of the labor market to employer demands, the government's industrialization strategy, and the political dynamics influencing the extent to which this strategy can be implemented. Some countries remain highly regulated, their governments being influenced by political forces wary of opening the door too rapidly to foreign firms. Pressure for major labor market changes is correspondingly weak. Vietnam is an example. Others, having embarked on the road to reform and supported by skilled urban workers and an emerging middle class, are keen to move rapidly. Changes in industrial relations become more pressing and more likely. Contemporary China is a case in point. Once globalization has become a central feature of a national economy, government labor market and economic policy is constrained by the requirement to satisfy foreign investors and MNC managers, as clearly demonstrated by

the 1997–1998 Asian currency crisis, when investors lost confidence in the economies of several Asian countries.

Procedural and substantive aspects. Procedural aspects of industrial relations refer to elements of governance systems operating mainly at national and workplace levels. These systems are related in that rules made at the national level usually impose limits on workplace arrangements. Because of differences in historical circumstances, resource endowments, and level of economic development, variations in national and workplace labor market governance systems are likely. In order to help understand these differences, four systems of *national* labor market governance (labor laws and national public policy) can be distinguished:

State unilateralism. The government is responsible for creating and maintaining the framework for relationships between management and workers.

State-employer bipartism. The state and employers form a coalition that determines this framework.

State-union bipartism. A coalition is formed between the state and unions to regulate employment.

National tripartism. Governments, employers, and unions are the responsible institutions.

Governance systems at workplace level—i.e., the rules that order relationships between management and employees—likewise can be categorized into four forms as follows:

Management unilateralism. Management, unhindered, is the key rule maker and administrator at the workplace level;

Joint regulation or collective bargaining. Workplace procedural rules are the product of bargaining between management and unions with no significant state participation.

Management-state bipartism. Workplace governance is achieved by a coalition of management and some state institutions (e.g., the ruling party).

Workplace tripartism. Workplace governance involves state, management, and union structures.

Globalization often encourages changes in previously relatively stable workplace systems. In East Asia, paternalistic workplace relationships founded on unchallenged hierarchies provided long-term employment

and some forms of nonwage welfare for a substantial core of workers. But competition leads to changes in the procedural aspects and creates uncertainty (especially job insecurity) among employees. Firms are pressured to seek more effort and responsiveness from employees, and governments are encouraged to weaken legal protection of working conditions and bargaining rights. However, the pressure for higher productivity and quality at lower cost is ameliorated by its own contradictions: The growth in incomes that accompanies economic development often improves workers' labor market position, leading them to demand stronger job security and improved welfare benefits (with the state often taking the welfare burden from employers). Employers meanwhile find that high labor turnover is incompatible with improving productivity and quality. This provides an incentive to improve worker commitment, skills, and employment security.

As indicated earlier, globalization influences two key substantive outcomes: wages and labor use. In short, there will be pressure to reduce unit labor costs and hence contain wage increases. Labor will tend to be used more efficiently through increasing flexibility and more intensive use. *Flexibility* refers to employers' capacity to adjust the quantity of labor (referred to as *numerical flexibility*) or its price (*wage flexibility*) or to deploy labor between activities (*functional flexibility*) to match changing volumes or methods of production (Atkinson, 1985). A third substantive outcome of industrial relations is industrial conflict: the extent to which pressures for change arising from globalization are expressed in the form of industrial disputes. Although conceptually distinct, procedural and substantive industrial relations aspects interact. Thus a rise in real wages normally associated with economic growth also may lead to changes in a government's industrialization strategy and associated labor market policies.

As globalization proceeds, we expect to find a growing state reliance on employer interests, while those of employees are accommodated only to the extent that the labor movement can exert influence. Thus globalization creates a tendency for state-employer bipartism combined with management unilateralism, particularly in countries at lower levels of industrialization. Globalization is also likely to promote industrialization, thus assisting in raising wages. We anticipate that mainly cost-based competition, based on wage and numerical flexibility, will intensify as globalization affects countries at lower levels of industrialization. At higher levels, this will be accompanied by intense competition based on quality and innovation. Where industrialization is more advanced and unions more powerful, there might be countervailing tendencies to

tripartism at the national level and joint regulation at the workplace, although nationally the state and employers will tend to form the main coalition to ensure an adequate return on investment. Functional flexibility becomes a management priority. Globalization may have opposing effects on industrial conflict: Increased uncertainty among employees may increase workers' disposition to strike, but exposure to the disciplines of the international market may reduce their capacity to take action.

Globalization and Industrialization: Empirical Evidence

Globalization is illustrated by growth in international trade, FDI flows, and multinational institutions (MNCs and cross-national mergers and acquisitions), as well as by changes in institutional rules governing ownership and investment.² East Asia has been a key focus. Between 1980 and 1995, merchandise exports and imports of the seven main ASEAN nations increased by 17 percent a year compared with a corresponding figure of 8 percent for the world (WTO, 1996:22). East Asia (excluding Japan) accounted for nearly a quarter of total world FDI inflows in 1994, compared with an annual average of around 9 percent over the 1984–1989 period (UNCTAD, 1996).

Table 1 illustrates aspects of globalization in China, Malaysia, and Korea.³ China has a growing level of exposure to foreign trade and inward FDI (coming mainly from Chinese communities in Taiwan, Singapore, and Hong Kong) and is at the stage of “early integration.” By comparison, Malaysia is “heavily integrated” both through rapidly expanding international trade and inward FDI. Korea, the most developed of the three countries, has been a “domestic globalizer,” engaging in moderately high levels of foreign trade with little inward FDI. Unlike most other Asian newly industrialized countries (NICs) and Malaysia, Korean export industries were based on domestic investment rather than FDI. Korean companies have been relocating labor-intensive operations to low-cost countries. Hence Korean outward FDI exceeded inward FDI

² International trade grew from 25 percent of world gross domestic product (GDP) in 1970 to 45 percent in 1990 (World Bank, 1997:51), and there was a doubling of FDI flows between 1980 and 1994 relative to both global gross fixed capital formation and world GDP. According to UNCTAD (1995:xxii), “the number of parent firms headquartered in 15 major developed home countries nearly quadrupled between 1968–1969 and 1993, from 7000 to 27,000.” Many countries have moved to deregulate markets, privatize state enterprises, and strengthen measures such as bilateral investment treaties to prevent discrimination against foreign investment (UNCTAD 1995:xxvii).

³ The extent to which a national economy is integrated into the world economy through a series of networks or production chains is also relevant. This aspect is not easily measured and is therefore not considered in this paper.

TABLE 1
INDICATORS OF GLOBALIZATION: CHINA, MALAYSIA, AND KOREA, 1991–1995

	China	Malaysia	Korea
Exports as percent of GDP	18.0	85.2	29.9
Imports as percent of GDP	17	86.5	30.9
Inward FDI as percent of gross fixed capital formation	16.3	21.3	0.8
Outward FDI as percent gross fixed capital formation	1.9	5.7	1.5

SOURCE: World Bank, 1997; UNCTAD, 1997:Table B5, p. 334.

over the recent period. For Korea, globalization meant, until recently, exports based on domestic company strength combined with outward FDI, in contrast to Malaysia's reliance on exports generated by MNCs and inward FDI.

China. China had a heritage of failed attempts at centralized, command-style industrialization based on import substitution and accompanied by political mobilization. The modernization drive, which began 20 years ago, was associated with increased reliance on markets and a shift to a low-cost, export-oriented industrialization (EOI) strategy, underpinned by substantial FDI. Large Chinese trade surpluses and overseas pressures led to a 1997 decision to lower tariffs substantially (*Wall Street Journal*, September 15, 1997, pp. 15, 17).

Pursuing "market socialism," the Chinese government has been selective in the type of FDI it accepts and active in determining its geographic location. Efforts are underway to strengthen management and to establish a state safety net as firms retreat from providing welfare. There is no shortage of problems: wide regional inequalities, the central administration's inability to control regional and local governments, corruption at the local level, and increasing unemployment as debt-burdened state-owned enterprises (SOEs) and township and village enterprises are rationalized. Since failure to address these problems may undermine the position of the ruling Communist Party, there is a strong incentive for change, including changes to industrial relations.

Globalization has affected most sectors of the Chinese industrial economy: directly, through the establishment of MNC-owned, foreign-funded enterprises and joint MNC-local ventures, and indirectly, through the

impact that competition and liberalization, integrally associated with globalization, are having on SOEs and township and village enterprises. Subsidies have been reduced, and controls over local management have been eased or lifted. Reform of SOEs has led in turn to considerable dislocation of labor (White, 1996:439). While unions appear to be sympathetic to the plight of employees, their lack of autonomy from the state prevents any concerted action designed to influence the government.

Malaysia. More explicitly than Korea, the Malaysian government has encouraged firms to emulate Japan and has courted Japanese investment and technological cooperation. Industrialization began with import substitution, turning in the late 1960s and early 1970s to a low-cost EOI strategy (Kuruville, 1996; Sharma, 1996:37). Underpinning the strategy was a strident nationalism. With rising productivity and wages, Malaysia shifted to a higher value-added EOI strategy in the mid-1980s. By 1987, Malaysia, with government encouragement, was the world's largest semiconductor exporter (UNCTAD, 1995:xxxix).

Malaysia is ethnically more diverse than many Asian countries: A *bumiputra* (Malay) majority (comprising about 54 percent of the population) coexists with a large, mainly Chinese minority (37 percent) (Sharma, 1996:29) that controls most of the private sector but not the government. The government has redistributed wealth to the *bumiputras* and served as their economic protector, a key to understanding union weakness and the limited pressure for change in industrial relations in Malaysia.

Korea. Like most other Asian NICs, Korea's industrialization began in the 1960s based on labor-intensive exports of light manufactured goods to advanced countries. The *chaebol* (large, conglomerate enterprise groups) were shielded from foreign competition at home by high tariffs and government assistance (Woo, 1997:30). In the 1970s, an import-substitution policy emerged for selected large-scale, heavy industries. Then in the 1980s, inefficiency and industry concentration led the government to emphasize the market rather than targeted sectors. To promote balanced growth, government support was redirected into small and medium-scale industry. Worker militancy and an overheated economy led to stabilization policies to restrain inflation in the early 1990s. A more restless labor movement encouraged *chaebol* management to search for more effective approaches to managing human resources (Ungson et al., 1997:Chaps. 3 and 6). Meanwhile, to promote globalization, the government emphasized technology upgrading,

education, training, and improving *chaebol* efficiency. Eventually, the 1997 debt and currency crises forced the pace of the liberalization of capital markets, already underway, and weakened the influence of the *chaebol* in relation to foreign capital.

The timing and sequence of industrialization meant that the state in Korea, like the other East Asian NICs, was able to shape labor institutions prior to the development of a coherent working class (Deyo, 1989). In Korea, however, with the move toward heavy manufacturing in the 1970s, workers' collective power crystallized mainly around demands for better wages and working conditions. Successive waves of state repression and rising worker unrest in the late 1980s led to the growth of a militant unofficial union movement alongside its moderate official counterpart. Recently, however, with the pressure to maintain competitiveness in high-technology markets such as semiconductors and advanced electronic goods, government policy has sought (unsuccessfully) to reconcile the interests of capital and labor (see later).

In summary, although each of the three nations has recently followed the EOI path, the timing of industrialization and their respective histories and resource endowments have led to variations in levels of industrialization and extent of integration into the world economy. China welcomes FDI in a selective fashion and is beginning to open its markets to foreign competition; its employers compete mainly on the basis of low-cost labor. Malaysia, on the other hand, is heavily reliant on continued FDI and exports of increasing technical sophistication. Korea, at a higher stage of development, is focusing on considerably more technologically advanced goods. This brings Korean companies into competition with those headquartered in the advanced countries. Accordingly, innovation and quality are paramount values.

Procedural Changes

This section examines how government policies, union structures, employer strategies, and workplace industrial relations in the three countries have been influenced by globalization.

Government policies. As globalization proceeds, governments feel compelled to ensure that firms remain efficient so that the country remains an attractive location for FDI. To do this, they may promote bipartite (state-employer) alliances that provide acceptable levels of managerial control over labor and seek to prevent labor shortages from limiting economic growth. Alternatively, governments may incorporate

unions into pseudotripartite or state-union relationships in which unions are kept weak, their role being to assist in the prevention and management of industrial conflict.

Governments also may have political motivations for preferring managerial control to collective bargaining. Independent unions may support opposition parties, and they may threaten government rule by encouraging strikes and demonstrations that adversely affect investors' perceptions of future profitability.

Public policymakers face dilemmas in all three countries. In China, the transition from a command economy leads to uncertainty, unemployment, and potentially explosive disenchantment with the government and a struggle over the fundamental direction of labor market change. In Malaysia, the dilemma is whether current labor market institutions are capable of fostering the higher levels of employee flexibility, productivity, and quality necessary to compete in higher-value-added markets. In Korea, policymakers' attempts to balance employer and worker interests in the face of globalization faced major obstacles and attracted widespread condemnation.

In China, moving toward "market socialism" has meant eradicating the "iron rice bowl," under which Chinese employers provided cradle-to-grave welfare for their employees in return for mandated lifelong loyalty (Howard, 1991). Instead, a majority of state-owned enterprise employees are expected to be on individual labor contracts in the near future (Xiaowei, 1995). As the move to markets proceeds, security of employment recedes, as does state unilateralism at the national level. Starting with a 1995 labor law and experimental programs in six major centers, the Labor Ministry has been promoting collective bargaining. At present, there are about 100,000 collective contracts. Nonetheless, concern that relaxation of Communist party control will lead to direct action by workers has meant that decentralization in decision making to the enterprise level has not been matched by adequate autonomy for unions or the right to strike (Chan and Senser, 1997:115–116).

China is experiencing a tension between the forces promoting collective bargaining and those seeking to maintain the ascendancy of the party. Exploiting widespread variation in provincial implementation of national laws (Zhu and Campbell, 1995:15), overseas Chinese investors are accused of bypassing labor regulations, with the acquiescence or connivance of local authorities (Gao, 1993). Many partners in joint enterprises are local government agencies or affiliates who believe that if laws are enforced, MNCs may move to other low-wage areas (Chan and Senser, 1997:107).

In Malaysia, since EOI has been underway, the state has actively shaped industrial relations procedures (as noted below) and changed substantive aspects to suit foreign investors. These include reductions in overtime pay rates, exemption of special economic zones from prohibitions on women working at night, and ignoring laws on minimum wages and equal pay for equal work (Kuruville, 1996). Despite a legal framework that purports to enable collective bargaining, the basic thrust has favored managerial unilateralism. This has continued even after the government began encouraging higher value-added industries such as advanced semiconductors and automobiles (Kuruville, 1996). As part of the government's "Look East" strategy (Smith, 1994), policy measures were introduced to promote skill development and adoption of Japanese management and union practices. At the firm level, the importance of labor costs in influencing employment plans has declined relative to that of product quality⁴ (Standing, 1993:57).

Union influence in Malaysia has been clearly circumscribed by laws pertaining to union recognition, the definition of issues subject to bargaining, freedom to strike, and dispute resolution (Kuruville, 1993; Sharma, 1996). Reflecting a desire to contain union power and promote FDI, government policy favors relatively weak, enterprise unions. Union size and structure are heavily regulated through laws administered by a registrar who has broad powers to deny an application for union registration. The minister can suspend unions (Sharma, 1996:67). Unions may not operate across industries, and industries are narrowly defined to minimize union reach and size (Arudsothy and Littler, 1993). For example, under pressure from foreign investors, the Union of Electrical Workers was excluded from covering electronics workers in the MNC-dominated electronics industry. National unions participate in national tripartite bodies, but they have been unable to make labor law more favourable toward workplace-level unionism.

In Korea, prior to 1987, the state suppressed strikes, independent union activity, and other forms of dissent. Militant unions emerged, but the law and employers discouraged collective bargaining. Labor standards were poorly enforced. With wages held below the level that would have prevailed under effective collective bargaining, employers were "seemingly reluctant to involve themselves in the development of technology and human resources" (Woo, 1997:31).

⁴ This is partly because labor costs have been held down by the importation of an estimated 2 million foreign workers, mainly from Indonesia. Anticipating economic contraction arising from a 40 percent devaluation of the Malaysian ringgit, the government announced that work permits of more than 700,000 foreign workers would not be renewed. Around 90,000 foreign service sector employees would be offered work in plantations and manufacturing (*New Straits Times*, January 9, 1998, p. 1).

Things changed dramatically following new President Roh Tae-Woo's June 1987 public declaration to replace authoritarian rule by democracy. One step in this direction was legislation substantially curbing the Korean government's ability to intervene in industrial disputes and prevent strikes. Restrictions on people holding trade union office and unions organizing strikes were eased. Prohibitions were removed on the involvement of peak union councils in enterprise bargaining (Shin and Wailes, 1997:3). The law, however, continued to prohibit public-sector unionization or political action by unions and made the formation of new independent unions extremely difficult.

In April of 1996, the government announced its intention to pursue a new approach to industrial relations. This was associated with more liberal economic policies and in response to continuing relocation of manufacturing to low-wage countries, as well as the lingering threat of militant unionism (Woo, 1997:23). Since the current law reflected norms of lifelong employment and paternalism, the state was pressured by employers to legislate to remove labor market "rigidities." The new bill was strongly opposed by the unions and revised after the largest general strike in Korea. However, further changes were enforced by the International Monetary Fund (IMF) as part of its \$57 billion restructuring loan following the 1997–1998 debt and currency crisis. Unions threatened a national strike but eventually reached agreement with the government of President-Elect Kim Dae-Jung to allow passage of a law facilitating layoffs, in return for conditions regarding the circumstances of layoffs, a national employment stability fund, freedom of association in the public sector and in relation to union political activities, and the establishment of a permanent tripartite panel on layoffs. Within days, however, affiliates of one of the union federations rejected the deal and threw out the federation leadership, and the government was warning it would deal harshly with any strikes threatened in opposition to the agreement. The threatened action was withdrawn "in consideration of public concern that the labor action would worsen the financial crisis" (*Korea Herald*, February 7–14, 1998).

In sum, in promoting and reacting to globalization, governments in the three countries have sponsored legislation strengthening workplace managerial control and reducing workers' job security, although political considerations have required that workers' interests cannot be totally ignored. Cross-national differences in industrial relations procedures have remained largely intact, and even China's move to market is not necessarily bringing it to resemble a Korean or Malaysian model.

Union structures and employer strategies. Unions and employer organizations in the three countries vary in size, strength, and autonomy

from the state. In each country, the union movement is divided and the government has favored the more moderate union elements, through methods that range from political favoritism to legal suppression. Where the state has suppressed independent union organizations, as in China and Korea, official unions face legitimacy problems among their membership. Globalization has further encouraged employers to limit union influence in order to control costs and improve labor performance. Pressure for effective shop-floor organization has grown, but its development has been retarded by union difficulties in coordinating beyond the enterprise level. This is partly because of constraining legislation, as in Malaysia and Korea. Meanwhile, multiemployer organizations have increased in strength, Korea being a prime example.

In China, where unionization of industrial workers is mostly compulsory, official union density outside of agriculture in 1995 was stable at around 92 percent. Sometimes workplace union officials have a role in workplace management; more commonly they hold a position in the party (Chan and Senser, 1997:112). Historically, unions have been seen as a “transmission belt” of ideas from the “top” (the state) to the “bottom” (the workers). The constitution of the peak council—the All China Federation of Trade Unions (ACFTU)—describes unions as the “bridges and bonds” linking the party and the masses of the workers and staff members (Zhu and Campbell, 1995:12).

Although this controlled form of unionism predominates (Goodall and Warner, 1997:584), elements in the Chinese state have perceived some value in semiautonomous unions that can be used to “restore or win the confidence of workers in state authority and evoke their enthusiasm for the cause of modernization”—thereby forestalling the creation of a renegade union movement along the lines of Poland’s Solidarity (Zhang, 1997). There have been signs that since 1989 the official national union movement has been taking a more independent stance (Chan, 1995). It has had some influence on national policymaking, helping to shape the 1994 labor law, for example. But this has come at the price of maintaining a high level of dependence on the party, in a “Faustian bargain” (White, 1996:445) that limits independent workplace representation: The state ensures the ACFTU’s continuing monopoly as the sole legal peak union body by suppressing autonomous unions⁵ (Chan and Senser, 1997:112). Thus, at the national level, there is a form of state-union bipartism, but

⁵ Ironically, the labor law enables collective agreements to be negotiated by employees who are not members of official unions. There have been an estimated 800 unofficial worker organizations operating “like secret societies” in the Shenzhen special economic zone alone (White, 1996).

one in which the union movement is subservient to the state. Surveys, however, show that workers (not surprisingly) want more powerful, less dependent organizations to represent their interests (Chan and Senser, 1997:113; White, 1996:447). Bureaucratic inertia and the fact that most union leaders' career paths lie with state and party (Zhang, 1997:148) reinforce the prevailing practice. The future of trade unions depends on their separation from the party, management, and the state. Without autonomy, there can be no effective representation of workers by "unions" and no meaningful collective bargaining.

Although MNCs are legally required to recognize a union, and despite an ACFTU campaign to unionize the entire foreign-owned sector, unions were present in only 40 percent of foreign-invested enterprises in 1996 (Chan and Senser, 1997:113). Unions in this sector have variable relationships with joint ventures (Goodall and Warner, 1997:584–585). Concerns about industrial relations in joint ventures have led to state backing for the union movement's move toward a collective bargaining model in that sector (Ng, 1995:64). Still, many MNC employers oppose union recognition even though independent unions are disallowed. In a pattern akin to state-employer bipartism, they benefit from union-free deals with local governments financially dependent on MNCs (White, 1996:449).

The authorized workplace union protects employees from overzealous efficiency measures but, under the influence of party officials, delivers the benefits of control to management in a form of management-state bipartism (Chan, 1996). Unions then have difficulty generating loyalty or legitimacy among workers when they are seen as "junior partners" of MNCs and do little to influence wages and conditions of employment or to assist workers cope with such problems as unemployment, housing, and job acquisition (Ng, 1995:68–69).

Employer associations are in embryonic form. The main reasons for this are absence of independent unions pressuring employers to counterbalance the power of labor and slowness in separating the state and party from employers.

As in China, Malaysia's union movement is weak. Similar to Korea, the combination of a strong state and a weak labor movement originated in a conflict between pro-communist unions and the government in this case, a British colonial administration (Sharma, 1996). Union density was only 9 percent in 1994 (down from 11 percent a decade earlier), and there are three peak union councils divided along political, sectoral, and ethnic lines (Arudsothy and Littler, 1993:118–120). The government has been accused of promoting and supporting one of the moderate peak councils, an accusation it denies. It has, however, appointed representatives of this

body (the Malaysian Labor Organization) to tripartite bodies in place of some members of the largest organization (Malaysian Trades Union Congress). Despite their disunity and low work force penetration, unions remain important because of their position in the plantation sector, in some large, wage-leading, companies, and in the public sector.

There has been increasing employer opposition to, or undermining of, unions in the light of constant demands for greater flexibility. In some cases, potential union leaders have been promoted into supervisory or managerial positions. In other cases, management has played on ethnic divisions (Yun, 1990:84). Foreign employers often refuse to recognize newly registered unions, intimidate union activists, or insert antiunion clauses in individual employment contracts (Ariffin, 1997:51). Commitment-oriented management policies are sometimes used to reinforce paternalistic workplace cultures. When deployed in combination with favorable compensation packages, such policies may reduce the perceived need for union protection. This occurs particularly in less labor-intensive industries such as biotechnology and information technology, where there has been substantial foreign investment (Ariffin, 1997:51; Joseph, 1997:10).

The growth of contract work also has undermined unionism (Yun, 1990:82). In addition to the rise in undocumented, foreign workers and the change in land use (BILA, 1995:8–9), this is a major reason behind the almost 50 percent reduction in the membership of Malaysia's largest union, the National Union of Plantation Workers. Cultural factors also dampen the incentive to join unions. Workers often seek second incomes (e.g., from operating street stalls at night) and hence need the flexibility to do this. Employers may persuade employees that unionization would lead to rigid rules that preclude such flexibility. Employees' limited attachment to their main employer and low potential financial gains from unionism (compared with the gains from undertaking a second job) make unionization even more difficult (Smith, 1994:13).

As union density has been declining, the government has been sponsoring changes in union structure. Between 1982 and 1992, membership in enterprise unions grew by 98 percent, whereas membership in other (industry) unions fell by 15 percent. By 1992, 42 percent of union members were in enterprise unions (BILA, 1995:11). This relative expansion of enterprise unions may promote workplace organization and collective bargaining. In practice, however, low and declining union density, the incapacity to link up with other strong enterprise unions, and restrictions on seeking support from industry unions have together inhibited the development of workplace unionism and collective bargaining.

In the 1970s and 1980s, Korean unionization was facilitated by the growth of heavy industries such as steel, shipbuilding, chemicals, and automobiles (Deyo, 1989:29). Although unions were hampered in their ability to bargain and strike by the state, they nevertheless collected substantial support (Won and Oh, 1983). However, unions could only affiliate nationally with the officially recognized peak body—the Federation of Korean Trade Unions (FKTU)—which had been heavily sponsored and influenced by the state and employers in the 1940s and 1950s (Woo, 1997:26). The president's public commitment to democracy in June of 1987 gave impetus to demands for political activity and industrial participation by workers. At first, demands to join independent unions were met by concerted and illegal employer resistance. Without immediate government support, however, this resistance waned, and union density increased substantially (Park, 1993:159), rising from an estimated 12 percent in 1986 to 19 percent in 1989.⁶ By 1995, the number of unions was 2.5 times the number in 1986, and the number of union members was 1.6 times larger.

For several reasons, however, union density had declined during the 1990s, falling back to 13 percent in 1995. Employment growth was concentrated in more weakly unionized service industries. The unions' role as a key protagonist in the struggle for democracy was supplanted by other social movements (Lee, 1997:9). Government policy and legislation hampered union expansion. Meanwhile, workers were alienated by the inexperience of new union officials and continuing divisions between the militant unions under the umbrella of the then unrecognized Korean Confederation of Trade Unions (KCTU) and those affiliated with the official FKTU (Kim, 1997:5). Employers' associations strengthened and centralized as the need for employer coordination became more urgent (Lee, 1997:11). Finally, and most important, employer resistance to unions stiffened. Greater exposure to more intense international competition, rising labor costs, and institutionalized constraints on labor use led *chaebol* managers to insist on greater flexibility in deploying labor. And as we have noted, employers continued to closely influence government policy. Following the U.S. model of a union-free, deregulated labor market, the government conceded little ground to unions and collective bargaining, seeking to uphold management control as a basis for profitability and economic growth.

⁶ Alternative estimates allowing for underreporting suggest that union density rose from 16 percent in 1986 to 23 percent in 1989, declining to 19 percent in 1992. By 1990, an estimated 86 percent of companies with 500 or more employees had recognized unions (Jeong, 1995:257).

Workplace industrial relations forms and practices. In each country, globalization has been associated with changes in employment relations structures and practices. However, the nature of this impact has varied. Where EOI has been based on low-wage strategies, globalization has tended to introduce or reinforce hierarchical or oppressive regimes of workplace control. Where high wages have forced a shift to a high-value-added EOI strategy, globalization might, if anything, have assisted the adoption of commitment oriented practices such as broader, more challenging jobs, employee involvement, and teams.⁷ In any event, traditional cultural values and norms have a critical influence on employment relations. These include deference to hierarchically ordered authority, avoidance of open conflict, preservation of “face” in public settings, and a preference for affective-personal rather than rational-legal means to resolve problems. These values and the norms they engender have hampered the development of trade unions and the emergence of joint regulation while increasingly being seen as barriers to enterprise performance.

Managerial unilateralism at the workplace level varies: It may assume the form of rather ill-defined paternalism associated with the “iron rice bowl” pattern of Chinese state-owned enterprises, or it can involve uncompromising hierarchical command, typified until quite recently by Korean management. It is widely recognized in the three countries that control needs to be geared to efficiency; however, control that is overly harsh or lacks legitimacy, owing to insufficient managerial expertise, will limit worker commitment and reduce productivity and quality. Globalization simultaneously creates uncertainty at work, especially job insecurity, yet requires management to harness worker commitment. Hence the attraction, and the difficulty, of applying modern management techniques. The need for worker commitment has contributed to acceptance of cooperative unionism in some organisations.

In China, there have been frequent reports of human rights abuses occurring in foreign-owned companies and joint ventures (Zhu and Campbell, 1995:16). As market liberalization proceeds, sweatshop conditions also appear to be increasing in state-owned enterprises (Solinger, 1995:166; Chan and Senser, 1997:108). Privatization, now underway, is likely to exacerbate this trend.

Two workplace models compete for dominance in China: the collective bargaining model, requiring independent unions, and a management-state

⁷ Globalization permits the transfer of effective management practices from subsidiaries in the advanced countries to Asia. However, there are barriers to diffusion including limited contact between subsidiaries, product and labor market differences, cultural variations between home and host countries, and heavy administrative costs associated with diffusion.

bipartite model, in which the state (via the party) combines with management and subverts unions to ensure control of workers. It is the growing evidence of employee mistreatment, combined with the ideological advantages of criticizing MNCs, that has led the central government to encourage collective bargaining.

There are major difficulties in promoting collective bargaining in state-owned enterprises. Management, under pressure to minimize costs in the face of privatization, will seek to unilaterally determine conditions. For unions to change their focus from welfarism to being independent collective bargainers requires the separation of management and party interests from those of the union (Lee, 1995). Unions also need to be more responsive to their members. At this point, the logic of joint regulation clashes with paternalistic Chinese cultural norms, which discourage conflict with the workplace “father figure” (the workplace director). Management is likely to use these norms to distance workers from seemingly confrontational unions, but if unions are to represent workers, they must be willing to challenge management (Yang, 1989). Meanwhile, moving from the paternalistic “iron rice bowl” greatly increases worker insecurity, breeding a desire for bargaining by independent unions.

In Malaysia, workplace industrial relations continues to be heavily influenced by legislation and government’s eagerness to resolve industrial disputes. For example, grievances against management often have been channeled directly to a government department, minimizing the union role (Ariffin, 1997:49) and limiting development of workplace bargaining. Malaysian workplaces also illustrate the importance of culture. Female subservience to male kin is an Islamic value “which is easily transferred to the male supervisor role in industrial organizations,” while harmony “must be maintained on the surface at all costs in Malaysian society, because to express anger is to sever the relationship and the possibility of future cooperation forever.” Hence conflict is often expressed through covert mechanisms that can include “mass hysteria” and “spirit possession” (Smith, 1996:45). Transmitted mainly through MNCs, globalization is changing social values. Traditional families, immersed in consumerism, send daughters to work in distant locations to generate the income to purchase consumer goods (Smith, 1994:43). Without this migration of labor to the cities and to export processing zones, Malaysia’s rapid growth would have been impossible.

In Korea, prior to 1987, the management of workplace relations was “patriarchal and absolute” (Chung, 1997:3). Principles of Confucianism were used to justify the notion of a hierarchically and collectively ordered, patriarchal society in which national interests and harmony take

precedence over individual interests. Parents would sacrifice for their children's education, including submitting to unsatisfactory work conditions (Woo, 1997:27–29). Since wages and conditions were determined unilaterally, management did not need to negotiate workplace matters. This also meant that they had poor conflict-resolution skills.

With the coming of democracy in 1987, authoritarian workplace relations began to yield to cooperation, as unions tried to negotiate new procedural rules (Kim, 1997). Two broad factors underpinned this tendency. First, with unilateral state control no longer acceptable, unilateral managerial control also was unsustainable. Second, Korea's comparative advantage was changing; rapidly rising wages and the movement of labor-intensive industries offshore made paternalistic and authoritarian practices less viable vis à vis more highly educated, skilled employees. On the other hand, employers have been reluctant to share control, particularly with the more militant unofficial unions. Thus employment relations are shifting rather slowly from the still prevalent management unilateralism to tripartism or joint regulation.

Overview. As noted earlier, globalization encourages management rationalization and greater efforts to compete more effectively. In China, this means privatizing most of the state sector, placing more emphasis on costs and quality, and removing worker security. These tendencies have increased management control. To prevent the abuse of power, the state now paradoxically tries to promote collective bargaining across industry while maintaining a tame official union movement. In essence, labor market governance relationships in China are moving from state unilateralism at the national level and tripartism at the workplace level toward an unstable form of state-union bipartism at the national level (in which the unions are weak) and management-state bipartism at the workplace level. This might develop into joint regulation if independent worker representation can be established.

Arguably, it is in Malaysia that the procedural rules are most clearly articulated and followed. This system is tripartite in form, but with weak unions it is closer in content to national management-state bipartism and workplace managerial unilateralism, operating to ensure continuing flows of FDI. It is not an especially dynamic system, having been designed to contain and resolve conflict rather than foster productivity and quality-oriented management-labor practices. This differs from Korea, where management, assisted by the state, has tried to increase labor flexibility, but such efforts have been countered by relatively strong trade unions. This unstable pattern of state-employer bipartism

has promoted management unilateralism at the workplace level, where union demands for recognition, collective bargaining, and more job security remain unfulfilled.

Finally, it is important to note the interaction between economics and culture. Notions of paternalism or subservience are barriers to both union organization and labor “flexibility” in the three countries. The erosion of these values caused by urbanization and the culture of individualized consumerism promotes a more self-confident and critical class of skilled workers who are likely to demand independent trade unionism and joint regulation. This is evident in Korea, and we anticipate it emerging more strongly in Malaysia, and in China.

Substantive Changes

This section examines the impact of globalization on three substantive industrial relations elements: wages, labor utilization, and industrial conflict.

Wages. Rapidly increasing real wages, especially in Malaysia and Korea, have spurred employers to keep unit costs under control by more closely linking earnings to productivity. These efforts have not been very successful. Indeed, in Malaysia and Korea, there is little evidence of any move away from seniority-based wage systems, although in Korea this is anticipated in the future (Ungson et al., 1997:203, 215).

In China, nominal wages growth averaged 12 percent per year over the 1988–1994 period (16 percent in manufacturing), whereas annual real wage growth averaged 3 percent (7 percent in manufacturing). Globalization has accelerated this trend. In 1994, the average wage in manufacturing was around \$8 per day. Average wages are 25 to 50 percent higher in MNCs and joint ventures than in state-owned enterprises, partly because of national regulations stipulating a higher minimum wage in MNCs. Piece rates and bonuses have been growing in importance; bonuses accounted for just 2 percent of pay in 1978, rising to 17 percent in 1988. Wage system reform has been aimed at removing rigidities in the structure and distribution of pay. All this has contributed to increased inequality (Ng, 1995:70; Chan and Senser, 1997:104).

In Malaysia, real wages in manufacturing grew by 5 percent a year over the two decades to 1990 (EIU, 1995:23). The shift to a higher-value-added, technology-based EOI strategy, associated with a tendency to focus on skill development and not simply cost containment, has been made necessary by changes in competitive advantage arising from labor

shortages that spurred higher real wages. Wages growth has been slower in nonunion firms, where collective bargaining is absent (BILA, 1995:3). The Malaysian government has encouraged wage flexibility through profit-sharing. The campaign has been resisted successfully by employees and unions because it would transfer risk from shareholders to employees and because seniority-based pay increments resonate with the cultural significance accorded to age and experience.

In Korea, nominal wages grew by 6 percent a year over the 20-year period to 1987 and then by 20 percent a year between 1988 and 1991 (Mazumdar, 1993:369). Growth subsequently slowed but still averaged 16 percent annually over the 1991–1996 period (*Australian Financial Review*, August 13, 1997). Labor shortages facilitated union bargaining power and wage growth, particularly in the early 1990s (Lee, 1997:13). Over the decade to 1994, real wage growth across the economy averaged 8.2 percent annually. By 1996, before the currency collapse, average wages in Korea, at \$8.23 per hour, were nearly half the average level prevailing in OECD member countries (\$17.41). Korean employers sought ways to reduce labor cost growth by tying wages more closely to performance. Government wage-setting policy acknowledged the prevailing wage system, and relatively strong unions in large companies limited management's discretion to introduce new payment schemes (Kim, 1995:225). More recently, the debt crisis has led to pressure for wage freezes and cuts.

Labor use. Attempts have been made to use employees more efficiently. The pace of work has intensified, and training has expanded. Firms have sought greater freedom to vary the size of their work force as they wish. To the extent that this numerical flexibility reduces income or challenges existing workplace norms, it has been resisted.

In China, legislation introduced in 1986 enabled employers to hire employees on fixed-term contracts rather than on lifetime employment. This substantially increased management's capability to adjust labor supply to demand. The relaxation of controls on the movement of rural job-seekers to urban areas has led to a surplus of (predominantly female) peripheral labor in the cities, restricted to temporary jobs and without access to social welfare (Ip, 1995:278, 282). Employees are concerned about declining employment and career opportunities and are increasingly dissatisfied with management (Wengfang et al., 1996). As globalization increases competitive pressure on firms, work is being intensified (Gao, 1993:29). Despite a legislated reduction in the working week in 1994, standard working hours are increasing in many factories, and a

sense of “job security panic” is said to grip a growing part of China’s work force (Chan and Senser, 1997:109, 111).

In Malaysia, contracting-out and casualization have expanded appreciably. “Core” employees are sometimes laid off and later rehired as contract, casual, or temporary workers (Standing, 1993:65–66). Because these workers are unaware of the law and are not union members, they often receive less than their legal entitlements (Lee and Sivananthiran, 1996:89–90). Increased use of foreign labor (BILA, 1995:14) is seen by employers and government as a means of combating labor shortages and wage increases, especially among unskilled workers (Joseph, 1997:8). This does not always benefit employers, however, since foreign workers may strike “without recourse to the established system of industrial relations” (Joseph, 1997:9). Nonetheless, the drive for greater numerical flexibility is leading to a shift “away from employment security and a shift of employment risk from companies to workers” (Standing, 1993: 43). While the limited spread of profit-related pay is providing a form of wage flexibility, and some firms, particularly MNCs, are emphasizing skills development (Kuruvilla, 1996), the main mode of adjustment is through numerical flexibility, especially layoffs.

In Korea, employers also have sought to weaken lifelong employment. Being insulated from global financial forces from the 1970s to the mid-1980s, they lacked expertise in adjusting practices to major structural change. Shifting to a high wage environment in the 1990s, and limited in the amount of numerical and wage flexibility they could achieve, Korean employers started emphasizing functional flexibility. Some companies have been implementing policies designed to improve employees’ sense of organizational commitment and to contain unions (Ungson et al., 1997: Chap. 9). The 1998 agreement on layoffs is aimed at enabling a shift to numerical flexibility, with up to a million job losses predicted.

Industrial conflict. The three countries show quite different patterns of industrial conflict. “Wildcat” strikes are increasing in China, whereas in Malaysia organized conflict is declining, although there is evidence of covert opposition to management. In Korea, strikes peaked and have since diminished; however, the future is uncertain in the wake of the 1997–1998 currency/debt crisis.

In China, beginning in the early 1990s, there was a growing incidence of “wildcat” strikes without any union presence or organization, especially in MNCs (Lee, 1995; Howard, 1991). Such action by unorganized workers (or unrecognized unions) reflects both the ability of firms to prevent unionization and the failures of existing official unions. It was partly

as a result of this rising conflict that the need for collective bargaining was recognized. With more foreign-owned firms and uncertainty over the future of state-owned enterprises, conflict has continued to rise. Officially recorded labor disputes brought before arbitration panels increased by over 50 percent each year in 1993, 1994, and 1995 (BILA, 1996a).

In Malaysia, where there is a high dependence on FDI and exports, strikes are uncommon. The plantation sector accounts for the largest share of disputes (BILA, 1995:13). Official statistics reveal that over the 1993–1995 period, an average of 5400 working days were “lost” annually due to industrial disputes, a drop of over 40 percent from 1986–1988 (ILO, 1996:1072). However, in the years between these two dates there was a sharp rise in disputes—302,000 days “lost” in 1990, almost entirely as a result of conflict in rubber plantations. Outside the plantations, there have been few disputes. Nevertheless, as noted earlier, unorganized forms of conflict, signifying tension between management and employees without the opportunity to strike, are evident (Smith, 1996).

In Korea, following the president’s 1987 democratization declaration, days “lost” in industrial disputes increased from 72,000 in 1986 to 6,950,000 in 1987. This massive increase came despite earlier substantial growth in real wages (Mazumdar, 1993:369). Conflict remained near this level until 1989, when an economic slowdown reduced union bargaining power. Through the 1990s, conflict gradually eased until, in 1995, there were just 393,000 days “lost.” Strikes were becoming larger and longer: an annual average of 565 workers involved per dispute in 1995 compared with 170 in 1986 with an average strike duration per employee of 7.9 days in 1995 compared with 1.5 days in 1986. “Wildcat” and grievance strikes were tending to be replaced by strikes that indicate more organization and greater determination by workers and managers. This was illustrated in the 1997–1998 general strike against changes in labor law.

Overview. Globalization has led to more pressure from employers in the three countries for increased numerical and wage flexibility, work intensification, and reduced union influence. As noted earlier, at the micro level, such adjustments have been difficult to implement. On the other hand, at a macro level, structural adjustment—the movement of human resources from contracting to expanding industries and jobs—has been facilitated by economic growth and increasing real wages. Nevertheless, pressures for greater flexibility are being transmitted to the procedural aspects of industrial relations. Thus in China we noted the establishment of collective bargaining institutions in order to contain industrial conflict, and in Malaysia, the government introduced measures

to increase wage flexibility and improve skills. In Korea, the government recently reformed aspects of industrial relations to promote numerical and work-time flexibility, although it has had great trouble finding a framework acceptable to all parties.

In response to rapid real wage growth, employers in the three countries have tried to keep labor costs down by increasing wage flexibility (e.g., by linking pay to performance) and numerical flexibility (through “casualization” and layoffs). There is also some evidence of labor intensification. Attempts at wage flexibility have proved less successful in Malaysia and Korea. In Korea, wage rigidity has been institutionalized by stronger unions. Numerical flexibility has been the major means of containing rising wage costs in China and Malaysia. This is also becoming important in Korea.

Industrial conflict patterns reflect different political-economic circumstances. In China, fear of unemployment without income and harsh treatment by some employers are fueling a rising trend of “wildcat” strikes and protests, whereas in Korea there has been no consensus on an acceptable system of industrial relations. The battle lines are drawn between profit-oriented employers and employment-conscious workers. By contrast, the atmosphere in Malaysia is less tense: Strikes have declined over time, in part because conflict is individualized, unions are marginalized, high exposure to global forces makes union gains more difficult, there is a better match between cultural norms and employer behavior, and change has involved less upheaval than in China or Korea.

Conclusion

Several patterns emerge from this analysis. Globalization is part of the historical process of industrialization that directly influences industrial relations. It also has an influence on other processes (such as market liberalization and political change) that mediate its relationship with industrial relations. It creates a tendency to state-employer bipartism in national labor market governance, particularly in countries at lower levels of industrialization. At higher levels of industrialization, where unions are more institutionalized, there may be weaker tendencies to national level tripartism, albeit favoring employer interests. At the workplace, globalization reinforces tendencies toward management unilateralism as the dominant procedural system, although as industrialization gathers pace there will be some pressure for joint regulation. As globalization fosters continuing industrialization, real wages also rise (although when currency and debt crises erupt, the impact on real wages can be severe). Faced with

the imperatives of globalization, management consistently seeks greater wage and numerical flexibility (and, at higher levels of industrialisation, greater functional flexibility and associated government policies to improve skill formation).

A common theme is the importance of culture in limiting globalization's push for flexibility. Asian patterns of workplace relations have been characterized by paternalism, hierarchy, and employment stability. In confronting these norms, globalization tends to evoke worker resistance, including a desire for collective bargaining. Its undermining of stability contradicts the need firms have, as wages rise, to encourage worker commitment and skill formation. However, in each of the three countries we noted that collective bargaining was retarded and its growth could not be guaranteed. Globalization may have opposing effects on industrial conflict: Increased uncertainty among employees may increase the disposition to strike, but exposure to the disciplines of the international market may reduce the capacity to take action.

In the context of these patterns of similarity and divergence, we have nonetheless been struck by the contingent way globalization affects industrial relations. If industrialization and democratization create conditions that promote unionism, national tripartism, and joint regulation, then globalization and attendant market liberalization have the reverse tendencies, heightening the employer imperative for flexibility and cost minimization and increasing employer and state resistance to unions and their involvement in regulation at the national and workplace levels. The net outcomes, as globalization proceeds, thus depend on the interplay of international and domestic forces.

State strategies are influenced by domestic considerations aimed at maintaining institutional legitimacy, so patterns of both national and workplace-level governance tend to vary between countries, as does the impact of globalization on those patterns. In Korea and China, the impetus given to a workplace-level collective bargaining model by the interaction of globalization with domestic forces has been greater than in Malaysia. In Korea, democratization was a more significant factor than globalization in facilitating collective bargaining. In China, domestic policy choices ultimately will determine whether the infant collective bargaining model is overwhelmed by a bipartite management-state (party) alliance. Differences in labor organization and tolerance of militant unions enabled Korean workers to more effectively resist demands for greater flexibility than their Chinese counterparts. Although unions are divided in each country and the state favors more acquiescent union elements, there are large differences in the extent of discrimination against

militant unions: outright prohibition in China, strong legal controls in Malaysia, and occasional suppression in Korea. In each case, fostering independent unionism presents policymakers with a dilemma. In China, permitting independent unionism in order to facilitate collective bargaining might challenge the supremacy of the Communist party. In Malaysia, enterprise unionism and union disunity at the national level contribute to inertia at a time when growing international competition calls for more institutional innovation. Governments and management are, however, reticent to strengthen organizations that may challenge the status quo. The problem in Korea is perhaps most serious. Union divisions along moderate/militant lines and a failure to establish adequate procedural or substantive arrangements acceptable to the union movement constitute significant barriers to enhancing worker commitment and engendering a more innovative approach to competition in higher-value markets. The relationship between unions and globalization is an important analytical issue, the significance of which extends well beyond industrial relations into questions of democracy and social justice in these three leading East Asian countries.

Globalization also creates its own contingencies: It increasingly exposes countries to external shocks such as currency movements and recessions emanating in other countries, which makes growth and hence industrial relations stability in any single country more problematic. Moreover, weaker government control over national economies implies continuing divergence in industrial relations practices within countries, especially between foreign trade-exposed sectors and elsewhere (see Darbishire and Katz, 1997; Locke et al., 1995).

Still, amid this diversity there is the common experience of the state relying increasingly on links with capital to secure ongoing legitimacy. There are tendencies to state-employer bipartism, but where workers have a significant political voice (through unions and/or parties), a form of tripartism that privileges the state-employer coalition might emerge. If this is a form of convergence, it is a weak one, and contingent on the social, political, and economic factors we have discussed. Certainly, it contrasts with more deterministic convergence theories (Kerr et al., 1960; Sharma, 1991; Dore, 1989) that lean toward treating a single country as a model for the future.

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