

# *Industrialization & Labor Relations*

*Contemporary Research in Seven Countries*



EDITED BY STEPHEN FRENKEL & JEFFREY HARROD

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# Abbreviations

ACD	Advisory Committee on Diversification (Hong Kong)
ACTWUSA	Amalgamated Clothing and Textile Workers' Union of South Africa
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Agreement
ANC	African National Congress
ASEAN	Association of South East Asian Nations
BIE	Bureau of Industry Economics (Australia)
BTI	Board of Trade and Industry (South Africa)
CIGU	Cotton Industry Workers' General Union (Hong Kong)
CIWGU	Clothing Industry Workers' General Union (Hong Kong)
CLA	Council of Labor Affairs (Taiwan)
COSATU	Congress of South African Trade Unions
CPF	Central Provident Fund (Singapore)
CUEPACS	Congress of Unions of Employees in the Public and Civil Services (Malaysia)
EIWU	Electrical Industry Workers' Union (Malaysia)
EOI	Export-oriented industrialization
EPZ	Export processing zone
FTU	Federation of Trade Unions (Hong Kong)
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GEIS	General Export Incentive Scheme
GMP	Good manufacturing practice
GNP	Gross national product
GSP	General system of preferences
HIC	Heavy Industries Corporation (Malaysia)
HIP	Heavy Industries Policy (Malaysia)
HR	Human resources
HRM	Human resource management
ICA	Industrial Coordination Act (Malaysia)

IDC	Industrial Development Corporation (South Africa)
ILO	International Labour Organisation
IR	Industrial relations
ISI	Import-substitution industrialization
LFPR	Labor force participation rate
LRA	Labour Relations Amendment (South Africa)
LTA	Long Term Arrangement regarding International Trade in Cotton Textiles (Hong Kong)
MAEI	Malaysian American Electronics Industry
MAS	Malaysian Airlines
MNC	Multinational corporation
MTBF	Mean time between failures
MTUC	Malaysian Trade Union Congress
NACTU	National Council of Trade Unions (South Africa)
NCF	National Clothing Federation (South Africa)
NEF	National Economic Forum (South Africa)
NICs	Newly industrialized countries
NICTEX	National Industrial Council for the Textile Industry (South Africa)
NPB	National Productivity Board (Singapore)
NTUC	National Trade Union Congress (Singapore)
NUM	National Union of Mineworkers (South Africa)
NUTW	National Union of Textile Workers (South Africa)
QC	Quality circles
QCC	Quality control circles
SACCOLA	South African Consultative Committee on Labour Affairs
SACOB	South African Chamber of Business
SACTU	South African Congress of Trade Unions
SACTWU	South African Clothing and Textile Workers' Union
SNEF	Singapore National Employers' Federation
SWDGU	Spinning, Weaving and Dyeing Trade Workers' General Union (Hong Kong)
Texfed	Textile Federation (South Africa)
TQM	Total quality management
TUC	Trades Union Council (Hong Kong and Kowloon)
TWIU	Textile Workers' Industrial Union (South Africa)
UMNO	United Malay National Organization
UWUSA	United Workers' Union of South Africa

# Preface

**T**he past decade has been marked by significant economic changes as many advanced and developing countries have registered very low growth rates while some countries in East Asia have continued an upward momentum. Several leading commentators have suggested that the management of human resources, or the quality of labor relations broadly defined, has been critical in limiting higher productivity in Western countries; hence, the need to implement "high-performance" or "mutual-commitment" models.

At the same time, labor relations has received much less attention as an explanatory variable in accounting for the rapid growth in productivity of the Asian "dragons" and "tigers." This partly reflects the dominance of conventional economics, whose practitioners treat worker commitment as unproblematic, either because the firms they are studying simply allocate resources according to relative prices or because employee cooperation has been secured by labor repression orchestrated mainly by strong states. Although repression is a continuing problem in some countries, in many industrializing nations, political democratization, penetration by multinational corporations, tight labor markets, and state support for (restricted) collective bargaining have opened opportunities for workers and unions. These developments raise two questions: how are employers responding to these changes, and what patterns of labor relations are emerging at the national, industry, and workplace levels?

In view of these developments and emerging issues, the editors of this volume decided to organize a conference on the theme of labor, management, and industrialization. The conference, which was held in Sydney, Australia, in September 1992, brought together scholars with a common interest in labor relations and human resources in industrializing countries.

Included in this volume is a selection of the papers, revised and updated, that were presented by the leading researchers at that conference. The papers were selected largely on the basis of the light they shed on the connection between structural factors and labor relations processes and consequences at the macro (national), meso (industry), or micro (work-place) level.

The volume complements an earlier study of trade unionism (*Organized Labor in the Asia-Pacific Region: A Comparative Analysis of Trade Unionism in Nine Countries*, ILR Press, 1993) edited by Stephen Frenkel. This volume is particularly suitable for courses in comparative international industrial relations and international human resource management. More generally, the book is intended to stimulate debate and promote further research on industrialization and labor relations so that sometime in the near future it will be possible to make systematic international comparisons and develop testable theories. These theories would relate forms or aspects of industrialization to labor relations arrangements and account for similarities and differences in industrial relations patterns and trends.

The chapters in this volume benefited from discussion at the conference and were revised in response to comments by the editors. We would like to thank the contributors for their cooperation and patience in the process of producing this volume.

Finally, the editors would like to thank Annette Mitchell for editorial and research assistance and Faith Short at ILR Press for improving the overall quality of the manuscript and guiding it through the various stages toward final publication.

Stephen Frenkel  
Sydney, Australia

Jeffrey Harrod  
The Hague, Netherlands

January 1995

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# Introduction



# Labor, Management, and Industrial Relations: Themes and Issues in International Perspective

*Stephen Frenkel and Jeffrey Harrod*

The past decade has been notable for major political changes centered around the demise of communism, the rise of nationalism, and the gradual liberalization of foreign trade, highlighted by the Uruguay round of General Agreement on Tariffs and Trade (GATT) meetings, concluded toward the end of 1993. The past decade has also been a period of contrasting economic fortunes. For most developing countries outside East Asia, poverty and rising debt remain major problems. For the advanced countries, although more recently for Japan, strong economic growth has proved elusive. By contrast, economic and social progress have been most evident in the four "Asian dragons"—Hong Kong, Singapore, Taiwan, and the Republic of Korea—and the three "Asian tigers"—Malaysia, Thailand, and China. Further change is occurring as the East European countries wrestle with economic and industrial restructuring and previously war-torn "recovering countries," such as Vietnam and Kampuchea, begin to industrialize.

Economic stagnation and development are related phenomena: the concern over "deindustrialization," unemployment, and the proliferation of low-wage service sector jobs in advanced countries partly reflects the success of newly industrialized countries (NICs) in relatively labor-intensive manufacturing markets and the export of semiskilled jobs to lower-wage countries by multinational companies (MNCs). These cross-national production links appear to be extending into regional and global networks. Markets are expanding, and MNCs are pursuing interfirm ties into the NICs, whose well-educated citizens welcome employment in higher-skilled jobs.

The context of employment and work described briefly above highlights new concerns. In the advanced countries, providing employment, prefera-

bly in high-wage, high-skill jobs, figures prominently on the public policy agenda. More generally, ensuring that business and labor relations structures are conducive to innovation, high standards of quality, equity, and customer responsiveness is an increasing concern. The connection between business strategy, technology, and human resource policies, particularly vis-à-vis manufacturing workers, is attracting significant attention (Appelbaum and Batt 1993; Jürgens, Malsch, and Dohse 1993; Kochan, Katz, and McKersie 1986; MacDuffie and Krafcik 1992). Despite their growing importance, so-called knowledge workers (Drucker 1993; Quinn 1992) have been neglected by researchers. The same is true of the employment and labor practices of MNCs, whose expanding international subcontracting webs and interfirm alliances are subjects awaiting detailed scrutiny (Reich 1991:110–53).<sup>1</sup>

For the high-growth countries and those likely to develop rapidly in the near future, the issues center on the changes in direction that will ensure continuing economic growth. Public policy makers and senior managers must decide which markets merit the most attention and what kinds of industry intervention are feasible. Should foreign direct investment in selected sectors be encouraged under conditions that might undermine acceptable standards of protection for employees? If labor flexibility and high productivity are to support capital and knowledge-intensive activities, what labor market and industrial relations strategies should governments pursue? At the industry level, what should employer associations and unions be doing to mobilize their members in support of policies that encourage innovation, competitive success in export markets, and favorable employment opportunities? At the firm and workplace levels, the capacity of flexible technology to produce customized items efficiently at lower volumes and higher quality means that neo-Taylorist work arrangements can no longer be taken for granted.<sup>2</sup> Decisions must be made regarding new forms of job design and work organization and the extent to which information and consultation are shared among managers and employees. With the spread of education and accompanying demands for participation, mechanisms for ensuring equitable treatment in the workplace are also on management's agenda.

A distinguishing feature of this collection is that the contributors focus on these issues in countries that are not advanced societies. These include both newly industrialized countries—Hong Kong, Singapore, South Korea, and Taiwan—and developing countries—Malaysia, South Africa, and Thailand. Change is a central feature of industrialization, and the industrial relations consequences of change are evident at national, industry, and enterprise/workplace levels. Accordingly, the volume is organized into three parts, each focusing on changes in labor relations policies, structures, and practices at these different levels. More will be said about the book's organization and content later. Here only two points need highlighting.

First, the volume complements rather than duplicates recent research on labor subjugation (Deyo 1989; Southall 1988), trade unionism (Frenkel, ed., 1993), and labor relations systems (Deery and Mitchell 1993) in industrializing countries. This is in part because of the variety of theoretical frameworks used by the contributors. This relates to our second point: issue-oriented research conducted at different levels of analysis necessitates theoretical pluralism based on ideas from several disciplines. As we will argue, however, each of the original papers included in this volume is informed by, or engages with, at least one of three perspectives on industrialization described below.

Our aims in publishing this collection are threefold: first, to provide information and analysis not readily available elsewhere; second, to stimulate thinking and discussion about the relationship between industrialization and labor relations in the contemporary international economy; and third, to present an array of issues and perspectives that may encourage further research on the NICs and developing countries.

The remainder of this chapter is organized into two sections. In the first section, we outline, in turn, the independent nation, dependency, and multiple path perspectives on industrialization. These frames of reference generate research issues that connect labor relations and the process of industrialization. Key studies in these three traditions are briefly reviewed, and readers are briefly referred to subsequent chapters. The features and content of the remaining nine chapters are highlighted in the second section.

### ***Theoretical Perspectives on Industrialization and Labor Relations Research Issues***

The unifying theme of this volume is the impact of industrialization on labor relations, broadly defined.<sup>3</sup> Industrialization is a term normally applied to countries or regions. It is indicated by long-term economic growth rates and trends in industrial and occupational structures and human capital endowments. Industrialization is based on a variety of external (international) and internal economic relationships, typically involving various state institutions, business, representatives of labor, and other interest groups.

Theories of industrialization are typically based on one of three views on a country's external relationships. The first view is the *independent nation perspective*. Proponents of this perspective assume that national leaders are able to devise and implement development strategies that are relatively independent of those followed in other countries. An example of this perspective is the theory of industrialization advanced by C. Kerr and his colleagues (1960), in which the strategy of industrialization and its