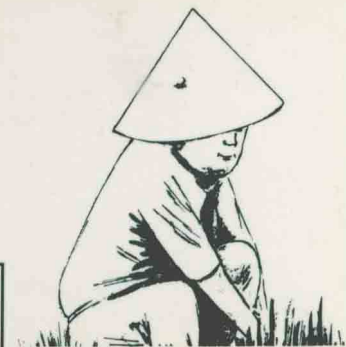


# Worker Rights and Labor Standards in Asia's Four New Tigers

## A Comparative Perspective



Marvin J. Levine

*Worker Rights and  
Labor Standards in  
Asia's Four New Tigers  
A Comparative Perspective*

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*PLENUM PRESS • NEW YORK AND LONDON*

Library of Congress Cataloging-in-Publication Data

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Levine, Marvin J., 1930-

Worker rights and labor standards in Asia's four new tigers : a comparative perspective / Marvin J. Levine.

p. cm.

Includes bibliographical references and index.

ISBN 0-306-45477-7

1. Employee rights--Asia. 2. Industrial relations--Asia.  
3. Labor laws and legislation--Asia. 4. Comparative industrial  
relations. I. Title.

HD8653.5.L48 1997

331'.01'1095--dc21

97-8964

CIP

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ISBN 0-306-45477-7

© 1997 Plenum Press, New York  
A Division of Plenum Publishing Corporation  
233 Spring Street, New York, N. Y. 10013

<http://www.plenum.com>

10 9 8 7 6 5 4 3 2 1

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Printed in the United States of America

# *Preface*

“From one acorn, a large tree grows.” Paraphrasing this time-honored adage, this book developed from small beginnings. My original intent was to develop a journal article dealing with labor relations in the free trade areas of China known as special export zones (SEZs). It soon became evident that little independent labor union activity on the part of Chinese labor organizations was permitted, although foreign joint ventures had unions. My interest was whetted as to the reasons for the almost complete absence of independent Chinese unions and I expanded the investigation of SEZs into an examination of Chinese labor relations in the macro sense.

In the course of studying labor relations in the People’s Republic, I ran across a book about Thailand by Robert Muscat which referred to that country as the “fifth tiger.” Singapore, Hong Kong, South Korea, and Taiwan are known as the “four tigers” of Asia because of their dramatic economic growth during the past three decades, accompanied originally by restrictions on worker rights and minimal labor standards. I decided to expand what was developing as a book on China into a study covering three other Asian nations that also have experienced heightened economic activity in recent years but at the cost of governmental repression of freedom of association and collective bargaining rights. These three countries are Indonesia, Malaysia, and Thailand, and along with China, I have chosen to refer to them as Asia’s “four new tigers.” For that matter, in the final analysis, worker rights and labor standards can be subsumed under the general rubric of human rights.

These nations are known as developing countries as against the developed economies of the West, based on levels of economic activity and per capita incomes of the population. I have attempted to explain how worker rights and labor standards have fared against the background of higher growth levels, and whether economic improvements have resulted in political liberalization in these nations. The question is how closely these four countries will follow the Western model or whether they will develop a distinctly Asian paradigm of worker rights and labor standards.

I am grateful to the following persons for their assistance: Dean Miriam Erez of the Israel Institute of Technology for the generous use of research facilities during a

recent sabbatical; Lee Preston of the University of Maryland for his incisive comments during the early stages of the book; Arne Kallberg of the University of North Carolina for his thorough review of the manuscript; Alanna Knaus for her invaluable computer assistance; and Barbara Shaw for her timely work on tables and diagrams.

Last but not least, thanks are owed to my editor, Eliot Werner, for his belief in the viability of this endeavor.

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PART I

# *Prologue*



# *Introduction*

Four economies in East Asia—the Republic of Korea, Hong Kong, Singapore, and Taiwan (the Republic of China)—exhibited such rapid economic growth during the 1965 to 1990 period that they were termed the “Four Tigers” by many observers. Also close on their heels, the economies of three newly industrializing Asian nations—Indonesia, Malaysia, and Thailand—have grown more than twice as fast as the rest of Asia, roughly three times as fast as Latin America and South Asia, and 25 times faster than Sub-Saharan Africa.<sup>1</sup> However, no assessment of Asian growth and productivity would be complete without including the performance of China, which has achieved annual double-digit growth during the past decade, so much so that 160 million Chinese have emerged from poverty.

These economic success stories have featured high growth rates, substantial reductions in poverty, agricultural transformations, rapid fertility decline, and manufactured export growth policies. Yet, one must inquire about the human capital component involved in these developments, as diagrammed in Figure I-1 where we have developed a descriptive model worker rights/labor standards system, which will measure the level of *de jure* and/or *de facto* protection afforded workers in the four countries we will cover. Obviously, this is an ideal system and in a real industrial relations environment one would expect considerable variability from the norms established by an optimum paradigm. A number of questions need to be asked as we follow this line of inquiry. For example, what has been the labor trade-off in terms of the status of worker rights and labor standards in these rapidly developing nations? Are there laws establishing minimum wage and maximum hour requirements for workers? How are female and child labor regulated, if at all? How are union organizing and collective bargaining treated? To what extent does organized labor participate in the political process and are its interests effectively represented? What is the status of occupational safety and health legislation and workers’ compensation? Which fringe benefits are defined by statute? Is due process afforded workers whose employment is terminated? Are unemployment benefits available to cushion the shock of economic displacement? Does export-oriented economic policy include the sale of goods produced by forced or prison labor? Will workers receive at least a minimum level of subsistence from publicly mandated pension and retirement plans

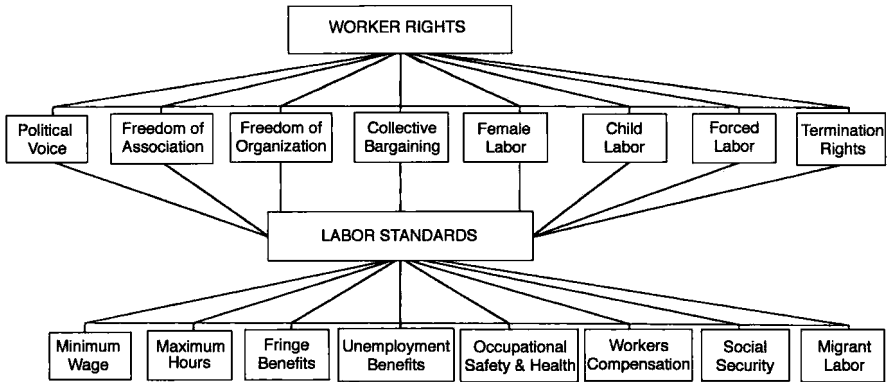


FIGURE I-1. A Model Worker Rights/Labor Standards System

included in social security programs? What safeguards are in place to prevent the exploitation of both domestic and foreign migratory laborers?

Indonesia, with a population approaching 200 million, is the world's most populous Islamic state. Malaysia is the most economically successful Islamic nation. China's 1.25 billion people have only one recognized labor federation (which is government controlled), while Thailand has an independent labor federation and is the only country of the four to be studied that has not experienced colonial status.

In Malaysia, the government has restructured the labor sector to suppress radical activity in an effort to ensure political stability, abolishing trade-based labor unions and promoting the creation of enterprise-based "in-house" labor organizations. In this framework, management and company union representatives are required to jointly formulate and implement work-related policies, following the Japanese model of postwar labor relations. Similarly, labor movements in Thailand and Indonesia, while not being systematically restructured, are nonetheless routinely suppressed at the first sign of radicalism, primarily due to official fear of communism.

No assessment of Asian developments would be complete without consideration of mainland China, in the 1990s Asia's second largest economy after Japan, in terms of total Gross Domestic Product. Despite their pivotal contributions to a burgeoning economy, however, Chinese workers have no legal right to organize independent unions or even to demand safe working conditions. There also is no national minimum wage. In no small part due to these factors, many students shifted their focus from democracy to workers rights after the 1989 Tianenman Square massacre.

We will examine the interplay between these and other significant economic, political and sociological variables. Key issues to be explored will include the following:



1. The arguments that the leaders of China, Indonesia, Malaysia, and Thailand are presenting to counter Western demands for the introduction of minimum labor standards in trade agreements.
2. The inhibiting effects of divergent national values and cultural characteristics on improvements in the status of worker rights and labor standards.
3. The means to provide countries at all stages of development with opportunities for growth that do not depend on abuses of labor standards.
4. The reasons why positive economic developments in China, Indonesia, Malaysia, and Thailand have not produced concomitant improvements in labor conditions.
5. The status of protective labor legislation and its implementation.
6. The type of political regime and the choice of development strategy have important economic consequences for labor.
7. The question as to whether progress toward democratization and human rights is dependent on economic development is complex. In the relationship one has to take into account intervening variables, e.g., the size and character of the middle class, the set of inherited values in a society that affects people's attitudes toward government and liberty, the mechanisms for the distribution of income and wealth.
8. The role that the International Labor Organization (ILO) can play in improving worker rights and labor standards in newly industrializing countries.
9. Policies and programs to improve working conditions for women and children.

The following synopsis of recent important developments in China, Indonesia, Thailand, and Malaysia will help establish the setting for our investigation of these important topics. An exhaustive literature review determined the paucity of sources dealing with most of the topics covered in the book. Also, due to authoritarian regimes in the four countries, it was not feasible to draw upon governmental sources for information since their biases would prevent the gathering of reliable data. Consequently, I found the Lexis-Nexis database to be invaluable in this respect and utilized sources with higher reliability such as the *Bangkok Post*, *Business Times* (Malaysia), *Australian Financial Review*, *Asian Wall Street Journal Weekly*, *International Herald Tribune*, and *The Straits Times* (Singapore). Wire service reports from the Reuter News Service-Far East and Reuter Textline also were utilized extensively as were State Department Human Rights Reports and Country Reports.

## CHINA

The Chinese political system, severely shaken by the prodemocracy protests in 1989, still exists, outliving the communist regimes in the former Soviet Union and Eastern Europe. There has been a significant political transformation since the Mao