

GLOBALIZATION AND INDUSTRIAL RELATIONS OF CHINA, INDIA, AND SOUTH KOREA: AN ARGUMENT FOR DIVERGENCE

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Driven by technological advances, improved communications, economic liberalization, and increased international competition, globalization has brought in an era of economic, institutional and cultural integration. Under globalization the workplace practices are under a constant state of flux. Academics are not only analyzing the benefits and the deleterious effects of this phenomenon on the employment relations of developed and under-developed nations. They have also stirred up the old controversy regarding the longer-run trajectory of employment relations systems under the pressures of globalization. The debate is on the question that whether the industrial relations systems of countries are converging or diverging. This paper analysis employment relation systems of three Asian countries-China, India, and Korea- and makes a case for diversion in employment relation systems.

Globalization can be defined as a process of rapid economic, cultural, and institutional integration among countries. This unification is driven by the liberalization of trade, investment and capital flow, technological advances, and pressures for assimilation towards international standards. Globalization has reduced barriers between countries, thereby resulting in intensification of economic competition among nations, dissemination of advanced management practices and newer forms of work organization, and in some cases sharing of internationally accepted labor standards. On the other side globalization has evidently contributed to unemployment, increase in contingent labor force and a weakening of labor movements.

The biggest question today is regarding the impact of this economic phenomenon on employers, employees and industrial relations of developed and under-developed countries. Supporters of globalization say that free trade and increasing foreign direct investment will increase employment and earnings in advanced and developing countries. Critics argue that globalization, in reality has a deleterious effect on the wages, employment, working conditions of most, though not all developing country workers. These negative effects they believe are resulting from competition of multinationals and selective opening of markets to international trade in favor of industrially advanced countries.

The debate on the impact of globalization is not restricted to the above-mentioned areas. It has also stirred up an old controversy regarding the longer-run trajectory of employment relations systems. John Dunlop in his book "*Industrialism and Industrial Man (1960)*" took technological development as the main force and said that industrialism has commanding logics of its own and these logics result in advanced industrial societies becoming more alike, despite political and cultural differences, and certainly more alike than any one of them is like a less developed country. Other scholars like Doeringer (1981), Piore (1981) have taken rulemaking processes and regulatory institutions respectively as the main focus and concluded that all countries show tendencies to institutionalize their arrangements of rule making and there is convergence as far as regulatory institutions are concerned.

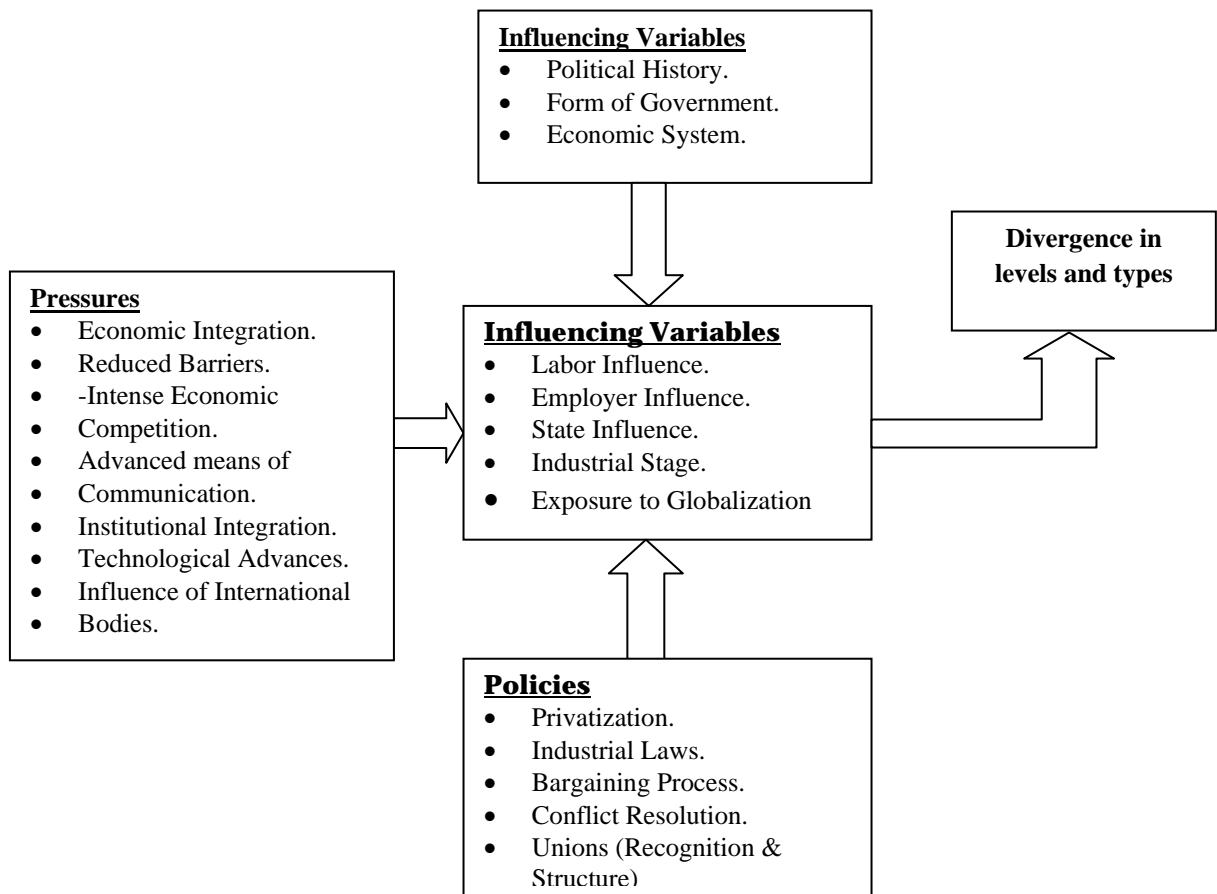
Developing countries under global pressures are trying to stay on the economic map. In order to do so these countries are taking steps to make sure that compared to other developing countries their economic environment provides more incentives to multi-national companies and attracts more foreign direct investment. The argument is that the developing nations, in an attempt to achieve these overall goals are making legal changes and adopting new employment practices which are similar to each

other and their employment relations are moving towards the same direction. These similarities can range from lay off policies, collective bargaining structures, and legal rights of workers to worker safety legislation. At the workplace level this convergence, according to the scholars, is taking two forms: functional flexibility aimed at increasing the skills of workers and making them multi-task for producing complex goods and services, and numerical flexibility characterized by lack of unionization, increased contingent workers and Taylorist work practices.

On the other hand, Ira Katznelson and Aristide Zolberg in their book “*Working-Class*

Formation (1986)” took formation of the working class as a major and crucial outcome of industrial development and concluded by their case studies of industrialized countries that there are as many variations as there are cases. They attributed these distinctions to the differences to political and legal backgrounds, and the character of the regime within each of these countries. Derbshire and Katz (1997) coined the phrase ‘converging-divergence’ to describe commonalities in the changes underway in employment relations across countries (Bamber, 2001).

Figure 1



They believed that there is little evidence of convergence, in fact there are variations and they categorized the emerging patterns as low wage (managerial discretion, hierarchical work patterns, piece-rates, anti-union, and high turnover), HRM (corporate culture, directed teams, better wages, contingent pay, individual careers, and union substitution), Japanese oriented (Standardized procedures, problem-solving teams, high pay linked with seniority, and enterprise unionism), and joint team based (joint decision making, semi-autonomous teams, high pay career development and union and employee involvement). Finally, the institutionalists believe that institutional influences remain important in shaping employment relations. They see the importance of the interaction of several factors, including economic strategies, culture, and the role of the state, in the debate of convergence and divergence. They see employment relations systems as strongly institutionalized within wider business systems that are, in effect, specific to the particular societies in which they take shape, making convergence unlikely.

Due to the enormity of the task it was not possible to discuss the issue of convergence and divergence at the global level in this paper. Therefore, I will try to answer this question with reference to three countries -China, India and South Korea- representing three different political systems in Asia. I will attempt to analyze what type of policy changes these countries are making to attract foreign investments and whether these policies are resulting in similar employment relations systems or not. The choice of these countries was made not only because of the fact that they have different political traditions, but also because of their high level of exposure to globalization, and their levels of economic and industrial development. The argument in my paper is that pressures of globalization tend to change the employment relations of countries. These pressures, however, interact with domestic factors of economic systems, political histories, forms of government, legal histories, industrial stages, exposure to globalization, labor influence and state influence in each country and different variations of policies regarding industrial relations are manifested, leading to

divergence, as shown in figure 1. I will also, in the discussion of the countries, try to establish how these changes are affecting the relative influence of the actors of employment relations- state, employer and employees- in these countries.

CHINA

China with the largest population in the world has a labor force of 778.1 million (2003 est.). By occupation 50% of the country's labor force is in agriculture, 22 % in industry and 28% in services. The share of these sectors in the total GDP does not commensurate to the percentage of people employed: agriculture contributes 14%, industry 52.9% and services 32.3%. It has an inflation rate of 1.2% and an unemployment rate of 10.1%.

The arrival of socialism in the underdeveloped regions, Lenin argued, meant that Marx's prediction of the "withering away of the state would be necessarily protracted and that a "dictatorship of the proletariat" (that is, the communist party) would have to first carry out the unfinished tasks of industrialization as a precondition for building socialism. This argument provided the justification for rejecting syndicalist arguments about "workers' control" over factories in favor of the organization of the economy under a single party apparatus that would manage production and distribution in the name of the proletariat (Chen, 2001).

Based on the above, the Chinese industrial relations were characterized by: rejection of autonomous forms of workers' organizations in favor of single, centralized trade union federation, importance of the state enterprises (*danwei*) as the center of productivity and distribution of basic necessities and services. Although the Chinese Communist Party (CCP) was publicly committed to the welfare of workers, the party nevertheless opposed any independent action by workers and designated the All-China Federation of Trade unions (ACFTU) as the official intermediary between the workers and the party-state.

The Chinese economic planning was done as the whole economic system was one large firm. The economic system was dominated by the SOEs (State owned enterprises), however the

China also had COEs (owned by responsible collectives), and DPEs (owned by individuals). The government support was for the SOEs, therefore, other types of firms were fewer in number and were less developed (Zhu, 1995). In the traditional system there were two kinds of employees: permanent employees (based on iron rice bowl system i.e. lifelong employment) and temporary employment. Majority of workers were permanent employees with the control of all aspects of their employment under the control of the state labor personnel departments (Zhu, 1995).

Recent Changes

While the industrial relations in China have undergone significant change since the implementation of the “Four modernizations” reform program in 1978, the Chinese party has remained firmly entrenched in power (Chen, 2001). The Chinese economic reform leading to transformation of labor relations has proceeded in two directions. First, newly formed non-public-owned sectors such as joint ventures and private enterprises encompass public owned sector and attack the latter’s privileges (Baek, 2000). These new enterprises have brought in stricter worker discipline, numerical flexibility by bringing in labor contract systems and have distanced themselves from the social burdens of unemployment, over-employment and worker welfare. Second, the internal structures-which would be discussed later in detail- of the state owned enterprises (SOEs), have also undergone considerable change.

To achieve the above mentioned goals the Chinese government has pursued three interrelated labor policies: first, it has introduced labor contract systems. The experiment started in 1983 but was made into a law in 1986. The new system introduced the “contract system employees”. The contract must be for at least one year and had provisions covering major topics of probation, job requirements, working conditions, remuneration, discipline and penalties. In addition to this, the old style temporary workers-seasonal industrial workers working under a labor agreement of limited duration- remained intact. In state and collective

owned enterprises there are permanent, temporary and contract workers. In foreign-invested enterprises (FIEs), there is a mix of temporary and contract employees, and in individual owned there are only temporary employees (Zhu, 1995).

Second, the wage system has been changed to bring in wage disparities. The idea behind the wage reform is that the performance should be linked with enterprise productivity and individual performance (Zhu, 1995). Third, the government has marketized the social security by transferring the responsibility of social welfare from work units to individuals (Baek, 2000). This policy has disintegrated the work unit based socialist safety net that has guaranteed full and lifetime employment and has brought in insurance systems.

Ideological Issues

The concept of nation-state and nationalism is deeply embedded in the Chinese communist party ideology. It had its roots in the resistance to the occupation of China by the western powers in the mid nineteenth century. Mao Zedong accepted that the world is “divided along ideological fault lines but he believed that it was still a world of nation-states. His aim was that the Chinese nation-state should take its rightful place in this “inter-national” world” (Knight, 2003). The split from Communist Russia and the Cultural Revolution reduced China’s contact with the world and the emphasis was made on self reliance and independence. After Mao’s death in 1978, Deng Xiaoping made it legally possible to introduce economic measures based on capitalist thought to gain rapid economic (Knight, 2003). This “opening to the outside” (duiwai kaifang), or the “open door policy” not only meant western economic policies, but also the opening to western ideas and culture. Even with this major shift in policy the Chinese party leaders still considered that the world consists of nation-states.

Since the Asian economic crisis of 1997, and the return of Hong Kong to China, the Chinese leadership has started looking at the world as ‘global’ (Knight, 2003). The new concept is that China needs to engage in the

process of globalization so as to benefit the Chinese nation-state. Nick Knight in his article *“Imagining globalization: The world and Nation in Chinese Communist Party Ideology”* has described the Chinese Communist party orientation to globalization in five points. First, globalization has developed out of the imperative need of capitalist enterprises to seek the most profitable site of investment. Second, while the term “globalization” might be new, the tendency of capitalism to become global is not. Third, globalization is not driven by technology, but development of requisite technology has led to mobility of capital and expansion. Fourth, globalization leads to homogenization, but this phenomenon would not lead to assimilation as local cultures would counterbalance the erosive effects. Lastly, the nation-state will remain in existence and would exist central to the contest between the forces for and against the neo-liberal economic agenda.

Owing to the recent changes in the Chinese economic system, academics like Harry Williams believe that if socialism is defined as equality and democracy in society, politics and economy then China has ceased to be a socialist state. Whether China is still a socialist state or not is a question for another research paper but the economic changes discussed above and the Chinese view on globalization has initiated a debate in China on the effects and policies related to globalization. Some writers like Nick Knight believe that engagement with global economy will lead China to a capitalist system and would not lead to realization of socialist goals as seen by the communist party. On the other hand, there is also a strand of thought expressed by academics like James Petras (2000), which is also supported by the view of the Chinese communist party as discussed above that neo-capitalism would lead to social cleavages, fragmentations and enhanced control of Western nations and in particular the US, on the Chinese economy. Therefore, the opportunity of globalization should be used to initiate a socialist renewal by a new strategy of development from below, structural adjustment policy where property is re-socialized, rural cooperatives are re-introduced, illicit wealth is confiscated and the policy of selective openings is pursued.

Privatization

Thousands of state owned enterprises (SOE) were sold as stress was put on privatization in the fifteenth session of the Chinese Communist Central Party Committee in 1997, (Taylor, 2002). This policy is seen as an important element in increasing efficiency and achieving ‘market socialism’. In China, privatization can take several forms, but it essentially entails transfer of control (though not always ownership) from public to private interests (Taylor, 2002). Ideologically, privatization is considered as an attempt to increase compliance to reforms by workers and managers aimed at financial self-reliance. Privatization does not, however, mean that the Chinese economic system is becoming more capitalist, but on the other hand, the emphasis is on financial self reliance of the enterprises with political accountability in tact (Taylor, 2002).

Numerous bankers and economists consider ‘big bang’ or ‘shock therapy’-whereby state swiftly and indefinitely withdraws from ownership and market forces fill the vacuum- as the only solution to overcome the evils of socialism. However, China’s privatization has occurred with an intact authoritarian system and by adopting a gradualistic and incremental approach. In a study done by Bill Taylor (2002) on seven enterprises in Guangdong and Shanghai, the writer has come to the conclusion that “while in some cases, the state sold significant ownership rights over its enterprises, the picture of privatization is complex than mere share ownership. Ownership and control remain largely aligned, and control is maintained within the firms”. Except for joint ventures where clear identifiable partners are visible and directorships were according to the percentage of shares owned, enterprises mostly had internal cadres and managers as board of directors and these enterprises represented a continuation of existing interests rather than a transformation in the ownership structure. In enterprises owned 100% by the corporate management, there was an agreement that the senior managers will run the enterprise according to a contract and with specific targets set by state agencies.

According to the managers of these enterprises the state still exerted direct pressure

in the shape of forced mergers into larger enterprise groups controlled by state authorities. The state also had indirect influence, such as following the government cadre system in reorganizing enterprise's management. According to Bill Taylor these cases do not make clear that if there was any privatization at all. But one thing from these cases is clear that the state no longer underwrites an enterprise's finance. Privatization has given some autonomy to the plant to operate independently from direct outside interference. This independence has led to policies by managers in which market is now being used as primary criterion by which organizational and individual performance is measured.

There has been a gradualist reform movement, in which privatization has very limited but definite impact on reconstitution of industrial relations. There is increased pressure, discipline and threat of redundancies. There is removal of state guarantees. Market is now seen as real. Managers are now freer to take decisions, but they are also responsible of their actions and financial decisions to the state. Party is still very important and central to the whole system as "the cadre's career is still decided largely by the party, the workers still have a say over the performance of cadres, and the material and market are still largely determined by the state and other SOEs" (Taylor, 2002).

The process of marketization, which puts emphasis on privatization, also includes reform of the SOEs. These reforms started with a report in 1997 by the State Commission for Economic Restructuring. The report envisaged that 15 to 20 million surplus workers in the state sector would lose jobs by 2000. With the latest reforms the enterprises have made some significant gains in autonomy over the recruitment and retention of employees. The needs for efficiency and flexibility have been met by mass lay-offs and this has created the problem of a large surplus of workers laid-off from the SOEs. To overcome the problem an internal market has developed within many large SOEs. Workers are shifted from overmanned core production units and into new sub-companies set up for the absorption of surplus

labor (Sheehan, 2000). Some SOEs have set up labor pools for surplus labor where they can undergo retraining and can be absorbed in new jobs, also there is a movement of labor from semi-skilled to unskilled service industry jobs. Since 1995 labor law has also made local governments to find work for the laid-off workers so as not to leave the entire burden on the SOEs. Although the role of the government in determining SOEs levels of employment has reduced considerably, still the government has some influence or authority. Enterprises may still be compelled to employ workers (often those laid off by other enterprises) whom they do not need or want, or loss making enterprises may be merged with more successful ones against the latter's will (Sheehan, 2000).

Collective Bargaining

In a planned economy the reconciliation of interests of the managers and the workers is conducted under an administrative framework and through guarantees from the government. The recent attempts of the Chinese government to integration with the world economy have resulted in growing divergence between the interests of the managers and workers. This divergence was expressed by an increase in labor disputes-the number of registered labor disputes went up from 33,000 in 1995 to 155,000 in 2001. Owing to this, a new institutional framework was introduced that centered on: legal and contractual regulations of labor relations, a system of tripartite labor disputes, development of workplace 'collective consultation' between trade unions and employers and most recently a system of tripartite consultation (Clarke, 2004).

The 1994 Labor Law formalized the individual labor contracts. However, legal foundation for the collective contracts was laid down in 1992 Trade Union Law. Initially, the stress by the government and the enterprises was on individual contracts but the ACFTU-All Chinese Federation of Trade Unions- led a campaign and was able to secure the approval of the state and the party, which eventually led to an increase in collective contracts. In these collective contracts the parties make sure that

guidelines given by local labor bureaus and government directives are followed. The government bodies check the legality of the contracts but enterprises develop their own practices. The ACFTU is performing a dual role in the arrangement. On the one hand it is defending the rights of employees and on the other it is assigned by the party to promote reform and maintain social stability.

To ensure that the rights and interests of workers and staff members are represented by trade unions the traditional method of 'consultation' is still in use. The proposals of management or trade unions are referred to lower levels of discussion, and comments and suggestions are reported back to the enterprise trade union. The process has its deficiencies but it has been found that when properly implemented this was a good method to illicit opinion (Clarke, 2004). Wage negotiations are usually conducted separately from the collective contract, although sometimes, minimum wages are specified. In joint ventures the trade unions tend to take a position that is a little more independent of management than in the SOEs. This was primarily because of its role in ensuring that the management adhered to the provisions of the labor laws and regulations (Clarke, 2004). Despite the often gross exploitation of the workers in foreign enterprises, local government and trade unions have kept themselves largely out of them so as not to frighten off foreign investors. The party and the labor administration also do not have any power over them to agree to a contract.

To sum up, it can be said that collective consultation has not introduced a new system for labor negotiations because it has been integrated in the traditional system of consultation. The system is less participatory and the trade unions normally defers to the management's judgment in the name of interests of the enterprise. No substantive details are incorporated in the collective contracts; at best these contracts remind the employers of their legal obligations and monitoring and implementation of labor legislation in the workplace. The trade unions do not provide an effective channel through which members aspirations or grievances could be expressed. According to the system, the trade

union organizations may not be subject to the routine intervention of the party and state. The social and the institutional structure within which labor relations are regulated have not changed radically and they will not change until the enterprise trade union develops into an organization that, in its structure and practice, disengages from management and represents interests of its members.

Conflict Resolution

According to Seung Wook Baek (2000) in China, beginning in the early 1990s there was a growing incidence of wildcat strikes without any union presence or organization, especially in MNCs. The economic reforms initiated by the government had taken the safety net away from the workers and had put many vulnerable enterprises into bankruptcy and this resulted in a rapid increase in labor disputes. Between 1987 and 1992 collective labor disputes increased six times. In the first half of 1994, 1104 collective petitions and strikes were reported to have occurred (Baek, 2000). One of the responses of the Chinese government was to recognize the need for establishing collective bargaining structures. As the second response, the State Council promulgated the Provisional Regulations on the Settlement of Labor Disputes in State-owned enterprises on July, 1987. This was the first attempt to establish labor disputes through institutional procedures since 1955, when formal procedures to handle labor disputes were abolished and the department of letters and visits (*Xinfang*) was made responsible to handle disputes.

The regulations established a three level basis of settling disputes: internal mediation within the enterprise, arbitration at local levels based on tripartite principle and final resolution by People's Courts. Later on July 6, 1993, the Regulations of the People's Republic of China on the Settlement of Labor Disputes in Enterprises were introduced. The new regulation inherited the three tier system but was widened to include all enterprises beyond state owned enterprises, and the range of items of labor disputes was also widened (Baek, 2000). Arbitrators and arbitration tribunals were also created. However, the enterprise mediation

committee was changed from a mandatory to advisory requirement (Baek, 2000). With the institutionalization of mediation and arbitration process the trade unions were given an additional role in the procedure. The chairmen of enterprise trade unions presided as the chair of mediation committees, and the higher level trade unions participated in arbitration committees (Baek, 2000). However, in such situations the unions are more in the role of mediators rather than organizers of workers. The implication of procedures to handle labor disputes is that where the official system to handle labor disputes is observed, collective action is prohibited in principle (Baek, 2000). Due to the union's lack of organization of workers the other problem is that such mediation and arbitration bodies mostly exist in state-owned enterprises and in the private sector such bodies do not exist.

Industrial Law

Article 35 of the Chinese Constitution states "Citizens of People's Republic of China enjoy freedom of speech, of press, of assembly, of association, of procession and of demonstration". The extent of these rights is limited by Article 1 which states "The People's Republic of China is a socialist state under the people's democratic dictatorship led by the working class and based on alliance of workers and peasants". These two articles put together give rise to a complication, workers point to the Article 35, and the state responds with Article 1, to justify arrests and imprisonments on the ground that strikes and other such industrial unrest threatens the existence of worker's state, and more recently, to the implementation of rule of law (Chen, 2003).

China had no unified labor law until 1 January, 1995. Prior to 1995, Model Outline of Intra-Enterprise Discipline Rules (MOIDR) was prevalent, and as is clear from the title this was only aimed at industrial peace and definition of worker's legal rights. The 1995 law applies to all employing units, state organs, public institutions and laborers 'who form a labor relationship' with the employer. The law however, does not define laborer and in practice domestic workers,

senior government officials, civil servants, rural laborers and sex workers are left outside the scope of the law. The law defines individual contract as an 'an agreement that establishes relationship between a laborer and an employing unit i.e. it is the legal basis of labor relations'. If the relationship can be established then the employer is legally bound to fulfill the requirements of the labor law even without a contract. However, the existence of a contract does not guarantee compliance with its terms.

Collective contracts present a unique problem. A genuine collective contract is one which is between independent organ of workers and the employer, but Article 10 of the Trade Union Law particularly outlaws freedom of association. Collective contracts are approved by the labor bureau and if they violate any regulation they are rendered invalid. The law does not give any further explanation. It also does not have any provisions for changes and cancellation of the collective contract. Although there is a high coverage of the collective contracts but high rate of incidents of disputes gives a different picture as to the efficacy of these contracts.

Coming to individual workers, the law provides grounds for summary dismissal of probationary employees due to various offences. The concept of labor discipline is not explained. Employees can be dismissed simply for under investigation for criminal charges. The law also gives great scope for blacklisting militants and also provides provisions for mass lay-offs.

Wages for most of China's employees are determined by a mixture of market forces and government intervention (Chen, 2003). States implement a system of minimum wages based on local conditions, average number of family, lowest expenses needed to live, productivity, labor market and regional differences in employment. Working hours are limited to 40 hours a week. Overtime is limited to three hours per day. However, there are a number of clauses in the law that allows the management to extend working hours in 'special circumstances'.

Trade Unions

After 1949, Chinese trade unions, which had been strong in urban sectors before 1949, were weakened through a series of successive historical upheavals, such as the down fall of the vice-chairman of ACFTU, in the late 50s, the Great Leap Forward when the slogan of 'abolish trade unions' appeared, and the Cultural Revolution when the trade unions were abolished (Baek, 2000). In the mid 1980s the ACFTU started to reorganize itself and made efforts to represent workers' interests by participating in policy making process e.g. the 1994 Labor Law. However, it is quite evident that the economic reform gives trade unions a secondary importance. Also the support of trade unions by ordinary workers is not so active.

There has been a recent trend towards increase in trade unions mostly in SOEs. But the trade unions in SOEs are still dependent organizations directly under the control of state and party with least involvement of rank and file. Also the expenses of enterprise unions are very dependent on their income provided by the enterprises as their main source of income (Baek, 2000). The prominent characteristic of Chinese enterprise union is its range of membership. On one extreme the party secretary or the factory director can also join the same union as marginal workers, including contract and provisional workers. This particular feature impedes the development of unions in China into truly rank and file workers' organizations. There is also a shortage of full time union cadres, as in a recent change in the law in 1994 the union cadres are now paid by the enterprises, which makes it beneficial for the enterprises to further keep the number low.

The purpose of the unions has always been to educate and organize the masses of the workers to support the laws and regulations of the government. The new law provides a lot of changes but still unions are not considered as a vehicle of social change and reform. The three tier union system-enterprise union, county level and nationwide organization (ACFTU) - still is being used as an organ to improve production efficiency. Chinese trade unions, in reality, have taken the role of department of labor management in enterprises. The quality of cadre

was always low and still is, and the economic reforms have not changed anything in this practice. The discretionary power of trade unions has gradually been reduced.

INDIA

The Republic of India with a population of just over a billion is the second most populous state in the world after China. It has a population growth rate of 1.4% and literacy rate of 60%. Ethnically the Indian is dominated by Indo-Aryan race that is 72% of the total population. On religious lines the population is dominated by Hindus who are 81.3%. The Indian labor force is 406 million, with 60% in agriculture, 17% industry and 23% services.

Industrial Relations before 1991

Like most of the countries with colonial origin, India based most of its laws on the colonial structure left by the British. Industrial law was no exception, the Indian government built on colonial labor institutions and regulations to fashion an industrial relation system that sought to control industrial conflict through a plethora of protective labor legislation, influenced by the strong ties between the major political parties and labor forged in the struggle of independence (Kuruvilla, 2002). These laws covered a wide range of aspects of workplace industrial relations; including detailed laws on safety and health, dismissals and layoffs and industrial disputes. The basic purposes of these laws, like under the British colonial rule, were to contain industrial disputes within the framework provided by the laws and maintain continuity of production. One example of this strategy was the Industrial Disputes Act. This act allowed employers to layoff employees only temporarily, with compensation up to 180 days and employer was also required to get permission from the government which was rarely given because of the close ties of the unions with the political parties. On the other hand the right to strike existed but all strikes needed due notices and strikes could be brought to an end with either party requesting for a third party intervention through government conciliation offices. If conciliation failed the government had the right to refer the dispute to compulsory arbitration or

to a labor court or industrial tribunal for a final decision (Kuruvilla, 2002).

In addition to the above policy, the Indian industrial relations were also tilted more towards the workers. In the absence of social security legislation the burden of social policy like retirement, medical care and even child care was left on the employers. During this period the economic policy emphasized on the growth and long-term development of heavy industries in the public sector with largely indigenous technology, coupled with the policy of industrial licensing, import controls, and restrictions on foreign ownership that protected public and private sector firms from international competition (Kuruvilla, 2002). These protectionist policies created an atmosphere that led to increased inefficiency in the firms, over employment –especially in public sector– inability to introduce efficient and labor saving methods of production. These problems were enhanced by the fact that there was a relatively high incidence of labor strikes and also competition among various unions as there was no sole-bargaining agent legislation. The unions themselves were not united and at the same time there was not much of a spirit of cooperation between the employees and the employers. There was diversity not only in unions but also in industrial relations laws, each state had the right to enact its own labor laws. This feature produced a variety of local colors of unions with varying orientations to labor relations and for the most part kept the labor movement from become national.

Union density was about 38% in the formal sector workers. As can be ascertained from above, the unions had an influential voice due to their links with political parties, in fact all political parties had their union wings. Unions were mostly structured on enterprise, industrial, political or regional lines. Bargaining structure during this period was industrial or enterprise based, although there was provision in the laws for tripartite structures and works council type institutions but these were not followed in practice (Kuruvilla, 2002). There was inter-union rivalry and adversarial relationship with the employers. Although the employers were

protected by the state policies of protectionism, still they faced the problem of high costs and rigid systems of production.

Since 1991

As long as the protectionist policies were in place the higher cost and the relative lack of flexibility imposed by the industrial relations systems regulations did not pose a serious problem because Indian manufacturers did not have to compete in the international market. With the coming of globalization, the 40 year old policy of protectionism proved inadequate for Indian industry to remain competitive. Therefore, in 1992 the process of liberalization started. The balance of power shifted in the favor of the employers. Apart from the pressure from the international market, international bodies like IMF also exerted pressure to change labor policies in India. Employers pushed for workforce reduction, given their inability to retrench employees, they introduced policies of voluntary retirement schemes. There has been an increase in the demand for functional and numerical flexibility in the workplace by the employers.

Globalization has also brought in the beginning of a government-employer coalition. This coalition is quite obvious keeping in view the enthusiastic support of the government for economic liberalization. In Maharashtra for example for the first time the government has declared several private sector firms as ‘essential and public utilities’ permitting a ban on strikes in these sectors (Kuruvilla, 2002).

In a study by Hiers and Kuruvilla in 1997, they discuss the changes in the industrial relations in India and bring out the following dimensions:

- Collective bargaining in India has mostly been decentralized, but now in sectors where it was not so, are also facing pressures to follow decentralization.
- Some industries are cutting employment to a significant extent to cope with the domestic and foreign competition e.g. pharmaceuticals. On the other hand, in

other industries where the demand for employment is increasing are experiencing employment growths.

- In the expansionary economy there is a clear shortage of managers and skilled labor.
- The number of local and enterprise level unions has increased and there is a significant reduction in the influence of the unions.
- Under pressure some unions and federations are putting up a united front e.g. banking.
- Another trend is that the employers have started to push for internal unions i.e. no outside affiliation.
- HR policies and forms of work are emerging that include, especially in multi-national companies, multi-skills, variable compensation, job rotation etc. These new policies are difficult to implement in place of old practices as the institutional set up still needs to be changed.
- HRM is seen as a key component of business strategy.
- Training and skill development is also receiving attention in a number of industries, especially banking and information technology.

Keeping in view the above analysis, it is quite evident that the industrial system right now is trying to shift from the old system to the new. In the process, it is experiencing tension between the workers who are trying to keep jobs and the employers who are trying to achieve flexibility so as to cope with the domestic and international market competition. In essence, these practices have accentuated the diversity existing in the Indian industrial system considerably. Some analysts like Bhattacharjee (2001) suggest that there is so much variation in the Indian industrial relations that it is no longer appropriate to think of one “national” Indian industrial relations system. However, the shift is now away from maintaining labor peace and towards the increase in firm level competitiveness through basically numerical

flexibility as India becomes more integrated into the world economy (Kuruvilla, 2002).

Actors

The role of the state in the industrial relations depends on the ideological (socialist, communist, or neo-capitalist persuasion), political (neo-colonial, democratic, dictatorships) and socio economic (protectionist and neo-liberal policies) orientation (Sivananthiran, 1999). In India the role of the state may be studied over four time periods: colonial period, post colonial period, emergency era (1975-77), and post liberalization era. During the colonial period under the British the industrial relations were just another means of keeping the colonies in line, the labor law and the power of the state was used to maintain peaceful industrial relations so as to have continued production.

In the post colonial era, the Indian government more or less built its labor relations structure on the pre-existing colonial law; the main purpose was again to achieve industrial peace. At the same time, in India there was political support for the Indian unions and there were laws that protected the rights of the worker but the main purpose again was that industrial peace should be maintained. The Indian state was tolerant of unions and recognized the value of labor management cooperation in the context of planned economic development. There was more burden on the employers but protectionist policies kept the employers complacent. During the emergency rule the rights of the unions were restricted, but this era did not have a lasting effect on the industrial relations. In the era of globalization and liberalization, the government has realized that in order to keep India competitive, policies should be implemented that result in flexible workplace practices. The employers are now facing the pressures of global competition, and they also want to remain competitive. For this purpose the stress is now on more pro- employer policies.

The role of the state has always been pervasive in Indian industrial relations. There have always been detailed laws on collective bargaining, dispute resolution, employee participation and employment security. There is

also a court system, the independent labor courts in India are the main mechanism for the implementation of labor law.

During the independence movement, the political leaders also held leadership positions in major trade unions, they led and supported trade union movements in major industries. After the independence (1947) many trade union leaders held important positions in the government. Besides, under Prime Minister Jawaharlal Nehru the Indian government opted for socialistic ideology based on the principles of controlled economy. During this period the government had three basic policies: industrialization through public sector, creation of democratic institutions and protecting the interests of working class. Therefore, during this period and till liberalization the union membership increased. The verified membership of the All India Central Trade Union Organizations (CTUOs) –includes a total of 12 central trade union organizations- increased from about 2 million to over 12 million between 1960-1989 (Sivananthiran, 1999). This membership data, however, did not include unions which are not affiliated to CTUOs.

An important aspect of union influence is union finances, in India, unlike China, the unions are financially independent. The main source of income of trade unions is union dues from their members, which account for 70% of the total income. The second major source of income is donations, which account for 16% of the income. The rest of the income is from sale proceeds of publications, interests of investments and miscellaneous receipts (Sivananthiran, 1999). One problem faced by the Indian unions in finances is that the dues taken from the union members are not huge as the wages are not as high as in industrial countries, and even these minimal dues are difficult to collect in the absence of any “check-off” system.

The Trade Union Act of 1926, which guides and protects trade unions, provides that all unions should have a constitution and should be governed by democratic principles. The purpose of the act was to promote transparency and democracy in union structures. In practice, however, legal requirements mandated by the act

are not fully complied with. There are elections for union officials but in most of the cases same people keep on getting elected. Rank and file participation is not adequate, the general membership only comes in the scene when there is a pending issue regarding wages etc involved. During normal times the membership participation is very low. One issue related to less membership participation is the lack of professionalism of the union leaders. The leaders and organizers do not make strategies regarding succession plans, development of leadership and proper propaganda to involve rank and file members. Finally, non-participation of women in union work is also a sign of the absence of union democracy.

As already discussed, most of the unions are affiliated with political parties of different political orientation ranging from socialist to Hindu fundamentalist. These political parties have their issues among themselves and these issues are also reflected in their union wings. Due to this reason there is very little unity in the trade unions in India. There have been some attempts to unify the unions, mainly by leftist trade unions but they have not been so successful. Along with the lack of unity another issue that has kept unions from becoming more influential is that they have not really involved themselves in social issues. There are few unions who take up non-bargaining activities like population control or adult literacy programs, but there is no major effort in this direction.

With liberalization the greatest fears faced by unions are: privatization, redundancy in the public sector and unemployment, flexibility and multi-skilling leading to inadequate skills in present workers, and changing structure of the labor market making it more profitable for the employer to employ part-time workers. The introduction of National Exit Policy, which allows industry to rationalize their workforce by paying previously agreed upon compensation for separation, is a new cause of concern for the unions. The government has under National Renewal Fund policy proposed to close sick units, bring in MNCs, and abolish licensing and restrictive controls in order to create a free

market economy. Labor unions are generally opposed to these measures and believe that these would adversely affect the unions. In view of the above there is a clear and urgent need for unions to reorganize themselves. They should try to achieve unity, better organization, propaganda, development of leadership and stress on professionalism.

Processes

As we have seen earlier, the main purpose of the Indian state was to maintain industrial peace therefore, the state intervention by means of dispute settlement acts was imperative and important. The Industrial Disputes Act passed in 1947 had its basis in two laws of United Kingdom: The Conciliation Act (1896) and the Industrial Courts Act (1919). The main objectives of the act was to preserve good relations between the workers and employers, investigate and settle industrial disputes, prevent illegal strikes and lock-outs, provide relief to workers in matters of lay-offs and retrenchment and promotion of collective bargaining. The principle techniques of settlement provided in the act were; collective bargaining, mediation and conciliation, investigation, arbitration, and adjudication. All disputes have to go through the process of conciliation, the issue should be trade union related, and requires disputes to be referred by the appropriate government. Adjudicators have the power to create, alter and modify, vary and set aside contracts, and can direct reinstatements in cases of wrongful termination. The awards need to be published and the government has the right to reject or modify the award. Failure to implement the award is an unlawful practice and the party can be prosecuted for the same. Final award can only be challenged by filing a petition to the High Court or the Supreme Court.

Although the process and the Industrial Disputes Act are quite comprehensive, the biggest problem with it is the delay. The process itself is so long and tedious that cases are delayed for years and even if they are decided the awards are not often implemented by the employers especially when the litigant is a government or a public sector unit (Ghose, 2003). To overcome the problem of delays, court

costs, procedural formalities and adversarial justice a new approach to dispute resolution has emerged. This system is called the Lok Adalat System, literally translated this would mean 'Peoples Courts'. The origins of this system are in the age old institutions of village *Panchayat* (village courts) and *Baradary* (Community) system. The first experiment of Lok Adalats was done in Kalyan near Bombay in 1978 (Ghose, 2003). Chapter VI, of the Legal Services Authority Act addresses the establishment of Lok Adalats, and states that they would be served by retired judges or judicial officers. Cases can come to these courts when the courts decide that there is a chance for conciliation, parties have agreed to approach the Lok Adalat and the court is satisfied that the matter is fit for the forum. The drawbacks of these courts are that they are still sponsored and controlled by authorities, the cases are decided by the same judges who have served in courts and the Adalat can not decide any case without consensus. Therefore, all that is needed to scuttle the process is that either of the parties refuse to agree to conciliation. This new alternate to dispute resolution is basically an attempt to provide one more forum for conciliation but under the control of the authorities, so that the pressure on courts and costs of the process could be reduced.

The process of collective bargaining in India is going towards decentralization. This movement is very much consistent with what is happening in other parts of the worlds, especially in European countries and America. The purpose of this decentralization is to give more flexibility to the employer to face the competition from abroad. The unions are not organized at the national level and there is no unity among them anyway to go for a centralized bargaining. Like the process of collective bargaining, the process of wage determination is also controlled by the state. In industries, where the public sector dominates, the government naturally plays a central role in determining wages. In other industries that are dominated by private sector, it chooses to play a major role by establishing wage boards. In all these industries there is little space for collective bargaining (Sivananthiran, 1999). The trend towards flexibility is not only evident from

collective bargaining, it is also apparent from the changes in work practices. Now more and more firms are introducing new manufacturing technologies. Total quality management, leaner organizations by eliminating middle management and supervisors and more HR practices are becoming the norm in industrial set ups. The predominant effort of the Indian companies is to restructure themselves. Often their focus is primarily on numerical flexibility, although these efforts are accompanied by more dynamic and flexible HR practices that are in tune with a long-term orientation to competitiveness based on higher technology intensive production (Sivananthiran, 1999).

To sum up, it can be said that the Indian state has and is still playing an important role in the country's industrial relations. The basic purpose of the state intervention has been to maintain industrial peace, but recently with the advent of globalization the policy is changing towards a more competitive approach.

KOREA

The Republic of South Korea (hereafter Korea) has a population of 45 million; by the late 1990's almost 80 % was urban, an increase from only 30% in 1962 (Bamber, 2001). Korea is ethnically homogenous, about half of the South Korean population is Buddhist although there is significant Christian presence, all have inherited Confucian values. In the late 1990's the labor force was 20 million with a participation rate of 20%, unemployment was not much above 2% yet weekly working hours remained the longest for any country reported by the ILO. Rapid industrialization through export oriented manufacturing has resulted in Korea's per capita gross national product increasing from \$87 in 1962 to more than \$10,000 in 1997. Korea is the world's twelfth largest economy and it became a member of the Organization for Economic Cooperation and Development in 1996(Bamber, 2001).

Korea was a 500 year old feudal kingdom before it was opened to the outside world by the Kangwha Treaty of 1876. Under the feudal system, Korea was ruled according to the Confucian code of personal, socio and civic

behavior. The society was rigidly stratified into a class system where workers belonged to the lower classes and wage labor was rare (Bamber, 2001). From 1910 to 1945, Korea was under the Japanese colonial administration and industrial relations were restricted under the Japanese authority. After WWII there were several changes in the Korean industrial relations regulations, the 1953 legislation regarding trade unions and labor disputes formally established industrial relations in Korea. During the 1945-1960 period workplace industrial relation in major conglomerates known as Chaebols was modeled closely on the Japanese system and has been described by various authors as "paternalistic" or "authoritarian" (Kuruvilla, 2002). After the liberation in 1945 there was a brief renaissance of unionism but in 1947 the leftist unions were banned by the American Military Government and were replaced by General Federation of Korean Trade Unions (GFKTU). In 1961 unions were obliged to affiliate to industry federations under a government sponsored national center known as Federation of Korean Trade Unions (FKTU). To summarize the Korean industrial relation system in the 15 years after WWII, it can be said that the system was set up for the subordination of workers and trade unions to the combined institutionalized interests of a repressive state and monopolistic capitalism (Kuruvilla, 2002).

Under the new martial law in 1981 the economic development strategy turned towards higher value added exports. To cope with the neo-economic policy changes were made in the legal system and Japanese style enterprise unions were formed. However, the government ensured its system of political control by forcing all unions to be part of the FKTU. Further, given the involvement of both students and church organizations, the government prohibited the involvement of third parties in unions. While these actions are clearly politically motivated, they also helped the chaebols to contain or avoid industrial conflict and continue their authoritarian management styles. The Korean Industrial relation system during the period of martial law continued to have dispute prevention and dispute avoidance as a primary focus of its

policies as part of the overall goal of maintaining stability. Also the workplace HR practices were similar to those of Japan which included implicit employment guarantees, seniority based wages, and formalized recruitment from good schools as well as cultural and ideological programs as part of a strategy to weaken independent trade unions and to purport company loyal unionism (Kuruville, 2002). In the pre 1987 system the union density was about 9%, unions were enterprise based with compulsory affiliation to FKTU. Collective bargaining was limited and was largely enterprise based and there was a general focus on stability and general flexibility.

Korean Industrial Relations after 1987

With the democratization in 1987, the Korean industrial relations underwent considerable change. With the liberalization of the labor law, the labor movement started to come out of the shadows of chaebols and the government. The union density increased (18.6 % in 1990) and there was also an increase in industrial strikes. With the formation of Korea Confederation of Trade Unions (KCTU)-an independent union federation- the dominance of FKTU also reduced. Bargaining also increased with the increase in union strength.

Korean economy had always been heavily dependent on the Chaebols. In the 1990s the top 50 Chaebols accounted for nearly 20% of the gross national product and employment and 40% of sales in manufacturing (Kim, 2003). Therefore, the chaebol response to union activism was very important. The chaebol response to this new union militancy was a mixture of more suppressive policies and progressive HR practices. The main response since the 1980s, however, has been the adoption of hard line methods e.g. hard bargaining, dismissal of union activists, and blacklisting (Kim, 2003). During this period the labor movement was also divided, unions favoring the FKTU, keeping in view the need for Korea to be competitive, opted for more moderate methods. On the other hand independent unions did not agree with FKTU's policies and favored KCTU- which continued to be illegal till 1999.

The erosion in competitive position also saw an increase in Korean investment abroad in low-cost areas, particularly in Asia and Latin America (Kuruville, 2002). The employers in order to meet the competition increased demands for restructuring and flexibility in the workplace. The old Japanese style system of life long employment was also challenged. These demands were met by some degree of resistance by the unions but there was some progress towards functional flexibility and increasing skills as well as restructuring (Kuruville, 2002). The Government of Kim Young-Sam responded to the growing union militancy in 1996 with a predawn clandestine reform of labor legislation, which on the one hand allowed union participation in politics and allowed multiple unions at the workplace by 2002, and on the other hand avoided recognition of the other peak federations until 2000, and most important, increased the authority of the employer to lay off employees.

The Crises of 1997 and Recent Changes

The Asian economic crisis that began in 1997, led to major changes in Korean industrial relations. In 1996 the government had already initiated a new approach to industrial relations, towards more liberal economic policies and against the old paternalistic workplace practices. The new bill was strongly opposed by the unions and was revised after the largest general strike in Korea (Kuruville, 2002). However, there were more changes in the same direction, due to the IMF bailout of the Korean economy after the crisis and the accession of Kim Dae-Jung- viewed as more friendly to the labor movement than his predecessor (Kuruville, 2002).

With IMF's help the Korean economy was able to have a quick recovery. Foreign currency reserves increased from \$3.9 billion in 1997 to \$48.5 billion by the end of 1998, while the exchange rate, also stabilized around 1,204 won/US\$ (Chang & Chae, 2004). However this unexpected quick recovery was done at the expense of a vast majority of population. The policies during the recovery period had led to bankruptcy of the so-called non-competitive firms, massive growth of unemployment, deterioration of living standards of a huge

percentage of population. The most devastating impact was on the working class as there was an increase in job insecurity, cutting down of wages, downsizing of production scale, major layoffs. About a million lost their jobs in the first half of 1998 (Chang & Chae, 2004).

The results of the IMF bailout, and coming to power of a relatively moderate leader led to the 1998 reforms, which brought far reaching changes in the Korean employment relations. For the first time labor was given participation in national decisions through the creation of the Tripartite Commission. The Commission issued a social pact for dealing with the economic crisis, with several key decisions on industrial relations (Kuruvilla, 2002). The “February Agreement” covered corporate, public, and financial sectors and the labor market as well (Chang & Chae, 2004). On the labor’s side the reforms recognized the KCTU, established an unemployment insurance fund coupled with the amount and periods of unemployment benefits as a part of a social safety net package. It also included collective bargaining rights for the public sector from 1999, gave freedom to labor unions to be active politically, revised labor laws to permit layoffs, gave employers the right to use temporary labor for periods up to 1 year with obligation to give advance notification of layoffs and various other obligations in case of layoffs.

The leadership of KCTU had to face massive criticism from its affiliate unions for agreeing to the introduction of flexible measures at the workplace, particularly the layoffs. The agreement was voted down by the affiliates, and the affiliates moved for a general strike. The labor movement had already lost its basis of militancy due to the increasing job insecurity, so the strike was not a success. Also the social net that was supposed to support the unemployed was not very effective (Chang & Chae, 2004).

Actors

Korean unions are represented on three levels. There are local unions based on the plant, an enterprise, a region or an occupation, most commonly at the plant or enterprise. Thus all union members at a particular plant or enterprise, regardless of their occupation, join

the one local union (Bamber, 2001). The local unions make up occupational federations and regional councils, the right to negotiate is vested in the local unions with regional councils and industrial federations having only the right to consult and discuss.

The Korean government only recognized the FKTU after it had dismantled the communist labor movement in 1949 (Kim, 2003). The FKTU, as the only labor union since 1960, has received financial support from the government and it has remained under government influence. Economic success and substantial wage increases were used by the government to justify authoritarian IR policies. However, “fast industrial growth, emergence of a middle class population and rising level of education provided the political basis for workers” (Kim, 2003). Therefore, in the late 1970s a strong labor movement developed. There was a great proliferation of strikes in the 70s and 80s. There was also a movement towards independent unions that resulted in the formation of Korea Confederation of Trade Unions (KCTU). The KCTU was recognized as a union federation after the largest general strike in Korea in 1997.

Soon after the contentious ‘February Agreement’, the state started to intervene in industrial conflicts and declared that structural adjustments can be a matter of discussion but cannot be a matter of struggle, therefore, all strikes related to structural adjustments were treated as illegal and trade unions leaders were imprisoned. In the five year period of restructuring after the agreement the government has facilitated marketization of control over labor-creating a large scale reserve army with job insecurity, competition based personnel management, and capability based wage systems- it has also removed obstacles in order to facilitate marketized labor control and ensured a smooth operation of the deregulated labor market (Chang & Chae, 2004).

Although the above discussed situation of labor is quite bleak, there are some developments that can be termed as major watershed in Korean labor movement. The public sector, which is 9.28%-70% out of this are government employees- of the total

workforce, represented a tranquil sector. When the crisis of 1997 took away from public sector employees, the well developed welfare system and permanent employment system, they also started to protest. The largest protest, which was in fact a unified effort from the five independent power plant companies, led to a strike and an agreement in April 3rd 2002. In the agreement the state got what it wanted but the struggle showed that the public sector can also be organized and there can be an alliance between the public and private sector as the agreement was negotiated by KCTU. There have also been attempts to organize temporary workers. Although there is opposition between the temporary and permanent workers, but there have been occasions in which irregular workers were successfully organized with the cooperation with regular workers (Chang & Chae, 2004).

The financial crisis and the recognition of KCTU as a legal labor federation led to a sharp decline in the membership of FKTU. Due to the competition from KCTU the older federation had to change its stance to being more aggressive, which in itself is a good development. Another significant development is the trend towards industrial unionism was that “the financial crises and the massive layoffs led union leaders to realize inherent limitations of enterprise unionism” (Kim, 2003). They have realized that enterprise level unions cannot respond effectively to national level issues and crisis. Earlier industrial unions were prohibited by law, but two revisions of labor law in 1987 and 1997 made it lawful and easier to establish industrial unions. The shift to industrial unions is decisive and quick. In the two year period 1998-2000, almost 20 industrial unions were formed (Kim, 2003). In the long run, the movement towards industrial unionism is expected to improve the organizing potential of Korean labor movement.

The state, before 1987 acted as a ‘benevolent dictator. It had an extensive legal setup to provide protection to the employees but at the same time independent labor movement was suppressed. Since democratization its approach has mostly been a reaction to certain developments, first it was democratization, then

the 1997 crisis and in between there were labor upheavals, which led to hasty and controversial structural changes. It is still experimenting with policies and strategies. One very important feature of the Korean industrial relations is the dependence of the country’s economy on the chaebols. The state cannot ignore them, and now with the increase in union organization the chaebols are also becoming more suppressive. The Korean government will at some point have to decide what role they want to play in the industrial relations and how they can achieve balance.

Processes

Collective bargaining in Korea is regulated by the Trade Unions Act. Representatives of a union or other appropriate groups can negotiate an agreement with the employer or employers’ organizations. A union can also entrust the negotiation to a union federation with which it is affiliated. The law allows multi employer bargaining to be conducted at enterprise and industry level. Most bargaining takes place at the enterprise level, but multi-employer regional and national wage bargaining is conducted in transport and textile, where there are smaller companies and fewer employees. Since 1987, collective bargaining has become more important in regulating industrial relations, however, more than 90% of small enterprises have no collective arrangements.

Another issue with collective arrangement is that “since the piece rate was higher than the wage increase through collective bargaining in the aftermath of the 1997 crisis, workers have increasingly accepted the capability based wage system” (Chang & Chae, 2004). The result has been that the trade unions have faced a decline in the collective bargaining process as there is less support of it at the floor level. Also “continual reformulation of workplace organization also undermines trade union delegates’ leadership on the shop floor, replacing it with increasing authority of foremen and team leaders” (Chang & Chae, 2004).

The Labor Management Council Act 1980 stipulates that a Labor Management Council (LMC) should be created to meet four times a year in any establishment employing 50 or more

employees (Bamber, 2001). The councils are required to consult with employee representatives on issues related to welfare, education and training and grievance handling. Firms are required to submit the rules of their LMCs to the Minister of Labor, who has the authority to dissolve them or order the reselection of the council. These bodies have remained more symbolic in nature and before 1987 they were used to legitimize the power of the enterprise over the workers.

Mechanisms for resolving disputes have long been formalized in Korea. In 1953, a labor Relations Commission was established to provide conciliation, mediation and arbitration of labor disputes. However, disputes in 'essential public enterprises' require longer cooling off periods and compulsory arbitration. The regulations for 'major defense industries' is such that a legal strike by their employees is virtually impossible (Bamber, 2001).

In summary we can say that Korean industrial relations are in a period of transition: the independent labor movement has been recognized recently. It is still at embryonic stage but on the other hand it is also militant, has started to organize more efficiently and has been a major source of concern for the government. Labor market has changed its outlook; now the labor is facing problems of job insecurity, capability based wage system, more working hours and the use of more HR practices. Temporary and daily contracted workers have increased tremendously, accounting for a total of 52% of the total workforce in 2001 (Chang, 2004). There have been attempts to organize this huge portion of workers but the unions are obviously facing problems in this matter.

The transition to democracy coincided with the international need for flexibility. This led to the erosion of competitive advantage in several sectors, particularly in low cost sectors of textile, shoes and electronics, which has led to migration of Korean firms to other low cost areas in the world. The IMF bailout and the accession of Kim Dae-Jung have facilitated the employers push towards more functional and numerical flexibility. This movement has met considerable resistance from the labor

movement and is getting stronger and more vociferous. Industrial unionism is also growing, which has been important in recent labor organization.

DISCUSSION

Changes in organization and workplace practices are nonstop under globalization. According to Professor Rene Ofreneo, if we look at this phenomenon we can see some drivers behind it: First, technology, which is changing how certain products are produced and at the same time altering the size and the quality of labor that is required to produce those products. Second, policies of economic liberalization that lead to the opening up of the economy, free flow of goods and capital, and integration with the world economy. It is also leading to privatization policies by governments, deregulation of entire sectors, tariff reduction and import liberalization. Third, pressures of competition, businesses have to adjust to the ever increasing global and domestic competition. The competition is cut throat and companies which are not prepared or undercapitalized should either try to upgrade themselves or be destroyed by bigger global transnational corporations.

Under the above mentioned pressures we have seen that the countries which have been discussed have taken a number of steps to link them with the world economy. From the cases we can, however draw certain conclusions: First, in all three cases the initial strategy of the state was to achieve industrial tranquility. In China industrial stability was imposed by the state in the name of the people's state. In India, first the colonial law was implemented, which was aimed at keeping colonial workers in line and then later through a dispute resolution system, the state aimed at keeping the conflict out of the realm of strikes. In South Korea the same goal was achieved by a coalition between the state and the major industry conglomerates.

Second, in all three cases major structural changes started to happen in the 1980s and 90s. In India and China it happened because of the governmental policies of economic liberalization. In Korea it was due to the

beginning of the process of democratization that led to major industrial relations changes. Third, the changes that have occurred in a couple of decades are basically in the legislative frameworks and more importantly in the strategies of the parties. In China there have been a lot of changes in the structure of the law governing industrial relations. However, in industrial relations the most powerful and influential party is the state and it can be ascertained that there has been a change in the strategy of the party that matters the most. The Chinese state wanted to enter globalization, increase financial viability of the huge state owned sector, attract more foreign capital and benefit from the whole process, while remaining at the centre of the power structure. In India, the Indian government has changed its policy since the liberalization of the economy; the state is now concentrating more on competition and attracting foreign capital rather than the previous aim of stability. There have not been major changes in the legal structure but the strategy of the employer has changed drastically. Earlier the employers had rigid workplace practices but they were complacent because of protectionist policies of the government. Now, with the increase of global competition the employers want flexibility and encouraged by the recent changes in the state's stance they have in fact become more vocal for flexibility. In Korea there is not much change of strategy as far as the state and the employers are concerned, but there have been legal changes and the strategy of the unions has changed. The unions are now more militant than ever, they are trying for labor movement unity, industrial unionism and experimenting with tripartism.

Fourth, the most consistent theme in the recent changes is the need for flexibility. This need is a direct corollary of the global competition. The employers want to be flexible numerically or functionally or both so that they can change and adjust to the changing patterns of production. In China, we find that the trend is towards both types of flexibilities. In the foreign owned sector the Chinese government does not interfere at all, in the state owned sector there has been a lot of privatization and rationalization of redundant workers. Due to these steps there have been a lot of layoffs, as a certain amount of

autonomy has been given to the managers in SOEs. In India there is primarily numerical flexibility, there is an increase in the irregular worker and part time jobs. In Korea, like there is a trend towards both types of flexibility.

The fifth conclusion is actually related to the previous point. We have argued that the most salient constraint in the 1990s has been the need to enhance firm level competitiveness by increasing numerical and functional flexibility. An alternative explanation is that it is not a shift in constraints that we are seeing but rather a reassertion of the employer control (Frankel, 1999). In China, the state has always been at the helm of affairs, there is a lot of privatization but it is more of control rather than of ownership. As we have seen there are direct and indirect pressures the state can put on the firms. Flexibility in China is just a method of making the firms realize that they have to be financially viable units or they will cease to exist, and to achieve this, have been given some autonomy in decision making at the firm level. In Korea, the state-employer partnership still exists. The Korean state is still strong but it would seem that in the recent years the state is losing some control over the workers, as in some recent situations where the workers were able to pressurize certain reforms and changes. In Korea, policymakers' attempts to balance employer and worker interests in the face of globalization faced major obstacles and attracted widespread condemnation (Frankel, 1999). Still state has been and is facilitating smooth working of the industrial relations in the favor of the chaebols. The chaebol system has existed since 1945 and even with a lot of changes has a lot of importance and power. In India the situation is a little different the employers did not have total control before economic liberalization, but now under the competitive environment the employer is gaining more control in the name of flexibility. To sum up we can say that flexibility in the three cases that we have seen is translated in the employer having more control over the workers and unions.

Sixth, in all the three countries discussed, there are weak and fragmented union movements. In China, the union movement as such does not exist, there have been a lot of

strikes over the last couple of decades but those were reactions to bad conditions and low wages. Labor unions are not considered in the Chinese party vocabulary as an important factor in industrial relations. The party considers-in good times- the unions as training facilities for the workers and in bad times there is outright prohibition. In India, the situation is a little different, unions have existed before independence, and many union leaders were also fighting the British for independence. After independence these leaders became important figures in the Indian politics. Therefore, unions had the support of the political parties, they were financially independent and had the legal system behind them. Even with all of these factors in their favor the Indian unions were fragmented and got more fragmented under the pressures of globalization and competition. Korean independent labor movement though started in the 1970s got recognition by the state in the late 1990s with the acceptance of KCTU as independent union federation by the state. The labor movement is still at an embryonic stage trying to define itself and trying to find its proper niche in the Korean industrial relations. It is faced with the daunting task of employer movement towards more suppressive measures, the increasing number of irregular workers and global and domestic competition. Seventh, as discussed above the state still is an important player in the industrial relations of all three countries. The state as an important actor has mostly played a role to facilitate the employers. 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 (Frankel, 1999).

From the above discussion it is clear that in the three cases under discussion there are a number of similarities, which strengthen the case for convergence. In most of the analytical work that I have come across on the three countries I have observed that as domestic forces industrialization and democratization often lead to development of unionism, tripartism and joint

regulations. On the other hand globalization and economic liberalization, as international forces tend to have an opposite effect. They lead to employer and state resistance to unions, flexibility, employer control, job insecurity and worker redundancy. In the interaction between the two forces it is reasonable to assume that there is a tussle between the domestic forces and international forces. These domestic forces include a lot of factors including political systems, economic policies, culture, history and influence of unions. Even in countries where state is all powerful, its strategies are influenced by the domestic considerations aimed at institutional legitimacy. The following discussion would now make the case for divergence in the industrial relations of the three countries studied.

A CASE FOR DIVERGENCE

While discussing the effects of globalization the analytical questions that are frequently discussed by academics include analysis of whether globalization is leading towards liberal economic policies as opposed to regulated. Is the collective bargaining system in the countries going towards decentralization or centralization? And lastly, the most important question as far as industrial relations are concerned is whether the systems are going towards functional or numerical flexibility as opposed to remaining rigid.

As far as regulation v. deregulation is concerned, I believe that the Chinese system is still very much regulated, there are some changes and some autonomy at the enterprise level, but decision making is still a part of the major functions of the party structure. Economic policies are decided at the highest level as they have been since 1949. The liberal economic policy in China primarily means attracting foreign investment and providing foreign investors with the environment that would make them stay in China. In Korea, the business was already in the hands of private conglomerates, which is still the case; economic policy was a matter to be decided by the state for the most part, for the benefit of the chaebols. The system is more or less still the same except one change

that now the unions have started to assert themselves and some recent legislative changes now help them to organize. Due to worker pressure there have been attempts at tripartism. The Indian economy was regulated from the beginning, but now it has changed to liberal. So in the three countries China is at one extreme with India at the other and Korea is between the two.

Coming to centralized or decentralized collective bargaining we can say that in China the concept of individual and collective consultation is new. The system, at the moment, is decentralized with emphasis on enterprise level contracts and individual contracts. In Korea collective bargaining has always been decentralized. In fact there is a recent trend towards industrial bargaining and tripartite agreements. India, even though it had strong individual unions, has always had a decentralized collective bargaining system and the bargaining structure has remained the same. There is however some industry wide bargaining like in the banking sector in India. Unlike the industrialized countries in the west flexibility in the three countries discussed does not mean decentralization as there was no centralized bargaining to start with. In fact as seen in the Korean case there is some evidence of centralization.

Coming to the most important question of workplace flexibility, it can be observed that the general movement is towards greater flexibility in all three countries. But owing to differences in the structures and systems of the countries, different forms of flexibility dominates in all three. In India, the movement is towards numerical flexibility. For this purpose retirement schemes and 'Greenfield' strategies are dominant. There is also union avoidance and increase in suppressive policies in the country. China is experiencing increased external labor market flexibility and at the firm level has been witnessing increase in both functional and numerical flexibility ever since deregulation of the economy (Kuruvilla, 2002). In Korea also, there is trend towards both types of flexibility. The biggest effect of strategy for numerical flexibility is that more than 50% of the total work force is now composed of irregular

workers. On the other hand, the Korean government had in the past and still is spending money to educate its workers and increase their skill level.

The difference is not only in the form of flexibility but also in the level of flexibility. In India, we have the strongest movement towards workplace flexibility at the workplace level. Not only that, HR practices is now considered to be an important element to enhance flexibility and prepare businesses to be able to face global competition. In China, as we have already seen, the flexibility and autonomy that the state has given the SOEs and the newly privatized SOEs is primarily aimed at the strategy that the state will not now give financial support to the enterprises. In other words the enterprises will have to be viable economic units in order to survive. This aim is achieved by giving some autonomy to the managers, but the overall control is in the hands of the state. The situation in the foreign investment companies is different; the state leaves such enterprises with complete autonomy, so as not to scare foreign capital off. In Korean industrial relations the trend towards greater flexibility is dominant like India. They have reverted from the Japanese style paternalistic system to HR practices. One difference between India and Korea is that in Korea the attempts to achieve flexibility by the employers have met stiffer resistance from the workers.

The increased impetus for flexibility has different reasons for different countries. In India, when the planned and protectionist system came to an end with the liberalization policy, the employers for the first time faced global competition and realized that their rigid workplace practices were not adequate to deal with this situation. Therefore, they campaigned for more flexibility. In China too, the process of liberalization of the economy in order to integrate it to the world economic system was the primary reason for the demand for flexibility. In Korea however, the process of democratization increased the militancy in the labor movement and this eroded Korean competitive advantage in large industries leading to the demands of greater flexibility.

What influences the choices for different types of flexibilities? Kuruvilla and Erickson (2002) have come up with four factors that affect decision making regarding flexibility: First, they believe that in states where there was greater emphasis on job security in the past; there is greater level of numerical flexibility. They also believe that this tendency was evident even if the ability to layoff and retrench employees was difficult. In this regard they gave the Indian example, where the employers would find very difficult to lay off employees, therefore the employers came up with voluntary retirement schemes.

The second influencing factor is the source of competitive advantage of the country in question. Kuruvilla and Erickson believe that numerical flexibility strategies tend to dominate in countries where the source of competitive advantage is low labor costs, as is the case of Indian industrial relations. There will also be numerical flexibility in industries that are labor intensive. In firms and nations that seek to capitalize on low costs, there is little incentive to invest in long-term training and continuous upskilling, associated with functional flexibility (Kuruvilla, 2002). The third factor associated with the choice of flexibility is the existence of governance institutions that encourage long-term investments in technology, research and development, and HR development (Kuruvilla, 2002). In Korea for example the education system has been reformed by the state, there are also incentives for training and upskilling via tax incentives. In addition the Korean government has funded massive infrastructure projects for training necessary for competing in the global economy.

Unions, is the fourth factor, it also plays an important role in the decision regarding the form and level of flexibility. Kuruvilla, Das, Kwon and Kwon (2002) have assessed decline of the union growth in Asia. For their analysis they had taken the variables of union density, and union influence-bargaining centralization and coverage. After an exhaustive study of seven Asian countries including China, India and Korea, they have come to the conclusion that over all there is a decline in union density

figures in Asia. The data also suggest that , while Asian labor movements, on average, do not lag behind their Western European or North American counterparts in terms of union density, they certainly do so in terms of union influence (Das, 2002). In terms of influence they see two trends in Asia: one pattern where union influence corresponds somewhat to union density-like in the case of Korea and India- and a second pattern where union density differs dramatically from union influence score-China where the union density is 61% while coverage is 15%- (Das, 2002). Although, from the above analysis the influence of the unions can be termed as weak, but it is reasonable to expect that strong unions will push firms and countries in the direction of functional flexibility strategies (Kuruvilla, 2002). It is true that stronger unions in Korea have affected and continue to influence, the ability of Korean Chaebol to adopt numerical flexibility strategies despite the obvious need of chaebols to cut labor cost.

I believe that to the above four factors given by Kuruvilla and Erickson three more can be added: First, is the exposure of not only the individual countries to globalization but also the exposure of different sectors of the industry in the same country. In India, there is a clear distinction between sectors facing competition due to globalization and sectors that are not, for example, in computer software industry there is immense international and domestic competition, therefore there is a much stronger trend towards flexibility and the state is also supporting these workplace practices. On the other hand agriculture sector that is not exposed to globalization still gets protection, and subsidies. Korea is the only country of the three discussed whose industry is actually going out of the country to low cost countries. Second, is the role played by the state. We have seen that the state plays a pervasive role in all three countries, but still there are levels of control. The state power can also overshadow the influence of the unions, for example, in Korea there has been greater resistance to the demands of flexibility by the unions than China, but the level of flexibility achieved in both the states

differs. It is higher in Korea, because the unions are militant but the state-chaebol coalition is stronger. On the other hand in China, the unions are controlled by the state but still the trend towards flexibility is weaker than Korea because the state wants to bring in gradual changes and wants to remain in control of the change process.

The third factor is the influence of international bodies like the International Monetary Fund (IMF) and World Trade Organization (WTO) and some transnational companies (TNCs). The process of assimilation to the global standards is not an automatic one. It is not just the market forces that are bringing the changes towards convergence of industrial relations, but there are also pressures from the world organizations and TNCs towards liberal economy and free trade. At the center of WTO are giant corporations wishing to extend their power. This power is already enormous. It is shocking to learn that 52 of the world's 100 largest financial bodies are not countries but transnational corporations (Shepherd, 1999). On the other hand there is the IMF. We have seen in the Korean example that when the IMF helped Korea out of economic troubles in 1997 the restructuring program led to quick recovery but it also increased unemployment, working hours and reduced the social net. In countries where the pressure of these international entities is great, the likelihood of opting for deregulation, decentralization and flexibility would increase.

CONCLUSION

Globalization is here to stay, it would be ridiculous on the part of the nations of the world to close their eyes to it and wish it away. Any country that wants to be on the economic map of the world would have to enter this competitive environment. In order to face the competition flexibility is imperative; therefore we see in the three countries that there is a trend towards flexibility. But we have also seen that the needs, types and levels of flexibility in different countries is different based on the factors discussed. There is no doubt that in the short run there is convergence towards workplace flexibility owing to the pressures of international competition, but in the long run in the three countries that we have discussed the future of

flexibility will depend on the interaction of the key players in their respective industrial relation systems.

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