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THE FUTURE OF CHINA'S HUMAN RESOURCE MANAGEMENT IN ITS ASIA PACIFIC CONTEXT: A CRITICAL PERSPECTIVE

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**THE FUTURE OF CHINA'S HUMAN RESOURCE MANAGEMENT
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ABSTRACT

This paper looks critically at how China's human resources (HR) may in future be managed, taking its wider Asia Pacific regional dimension. It argues that whilst the IR / HRM systems of the countries in the region are hardly homogeneous, there may be both commonality and diversity. In order to unravel the features of each of these, it posits the four logical cases of 'hard convergence', 'soft convergence', 'soft divergence' and 'hard divergence'. These possible outcomes are explored in further detail. It argues that the most probable outcomes for the Chinese HR system are likely to be the middle options. 'Soft convergence' may occur as a result of broader factors such as responses to broad economic trends such as globalisation; however, 'soft divergence' may still be a constraining factor, in effect creating a form of HR 'with Chinese characteristics', given that the devil is always 'in the details'.

INTRODUCTION

Discussing the future of Chinese HR in its Asia Pacific regional dimension is a challenging task. To start with, we look at the broader Chinese IR/HRM system in its pre-reform and post-reform stages. We next attempt to place it in its regional context. We then attempt to see if it is likely to ‘converge’ or ‘diverge’ from HR patterns both internationally and within the region. This is a challenging task, but one that will reveal possibly important insights into its present and potential strengths and weaknesses.

After the ‘Liberation’ in 1949 when the Chinese Communist Party took power, state-owned enterprises (SOEs) dominated Chinese industrial production and its HR (Warner 1995) over a period ranging from the early ‘fifties to the late ‘eighties. Such work-units (*danwei*), as they were called, embodied the so-called ‘iron rice bowl’ (*tie fan wan*) which ensured ‘jobs for life’ and ‘cradle to grave’ welfare for many urban industrial SOE workers. Walder (1986) has described this relationship as ‘institutional dependency’, to which we will return later. In the last two decades, a wider range of ownership has been introduced, such as wholly Foreign-Funded Enterprises (FFEs) and, most notably, Joint-Venture firms (JVs) whereby state enterprises have linked up with foreign business partners. A vast new non-state sector of both quasi-private Town and Village Enterprises (TVEs) has sprung up, as well as fully privately-owned firms. Once SOEs dominated employment in industry in the PRC; now they do not. The Chinese economic horizon has widened considerably and the structure of its industry has diversified immeasurably since the early days of the Open Door reforms in the late 1970s. As we move into the twenty-first century, China has emerged from not only the final stages of a ‘command economy’ but also the early phases of a ‘transitional’ one. We may call it a ‘mature transitional economy’.

An important feature of the change process in the Chinese economy leading to the latest phases of transition has been the enterprise and labour reforms that have largely occurred in the 1980s and 1990s, aimed at phasing out the ‘iron rice bowl’; the latter was generally believed by economists to be associated with poor people management and to bolster factor immobility and inefficiency (Warner 1995). Managers were thus to be allowed more autonomy, particularly to hire and fire; decision-making was to become more decentralised in not only personnel but also marketing and purchasing domains. Already, many JVs quickly incorporated such practices in their own management systems. Most foreign-funded, as well as Town and Village and privately owned enterprises had much more autonomy in their people management compared with their state owned equivalents. Today, even SOEs are evolving in this direction, but it will take some time, given their institutional and organisational inertia, before they are as ‘flexible’ as the others mentioned above. The future decades are likely to see an acceleration of this trend.

Many personnel reforms involving the introduction of labour contracts, performance-related rewards systems and contributory social insurance were introduced (see Ng and Warner 1998). Separate specific governmental regulations governing the JVs and FFEs were initially set up but later wider reforms have been implemented that have been applicable to both state and non-state enterprises. The new 1994 labour legislation, amongst other reforms, for example, was intended to cover Chinese firms across the board. A new labour-management relations system has been put in place. The new labour legislation placed fixed-term labour contracts, collective contracts and agreements, redundancies, dispute arbitration, amongst other issues, on a formal codified legal basis. There may now be over 300,000 such collective contracts signed, according to ACFTU sources. Some scholars have even speculated whether China is now evolving a system of ‘collective bargaining’, based on collective contracts (see Warner and Ng 1999). In so far as China has an HR system in a sense comparable with Western or other Asian ones, it was now embedded in a more market-driven framework. This may also have led to an evolution of people-management in the PRC from personnel administration (*renshi guanli*) as typical of most SOEs, to human resource management (*renshi ziyuan guanli*) as seen in the leading edge JVs (see Warner 1995; Ng and Warner 1998). But one must be cautious here in seeing this form of HRM as typical of Chinese practice. Many academic papers written on this subject tend towards wishful thinking and exaggerate the degree to which HRM is implanted, often using it as a synonym for PA, or IR more broadly.

The contrast between the pre-reform and reformed systems of people management, whether IR or HRM, is set out in Figure I. We can see the transition from the ‘iron rice bowl’ and associated characteristics to the new market-based one.

Figure I: The Evolution of the Chinese IR/HRM Systems

<i>PRE-REFORM MODEL</i>	<i>POST-REFORM MODEL</i>
State ownership	Diffused ownership
Resource-constrained	Market-driven
Technical criteria	Allocative efficiency
Economic cadres	Professional managers
Iron rice bowl	Labour market
Jobs for life	Employment contracts
Work assignment	Job choice
Personnel administration	Human resource management
Egalitarian pay and perks	Performance-related awards
Enterprise-based training	Outside courses
Company flats	Rented housing market
In-house social services	External social provision
Free medical care	Contributory medical insurance
Central trade union role	Weaker union influence
Top-down union structure	Firm-based union structure
High institutional dependency	Low institutional dependency

COMPARING THE CHINESE HR SYSTEM WITH ITS ASIAN COUNTERPARTS

We next attempt to place the description of the Chinese system outlined above in its Asia Pacific dimension. Some writers indeed refer to the 'Asian model' in the HR field (see Ng and Warner 1998); it is seen as basically 'non-adversarial' in nature (although South Korea may be an exception). The Asia Pacific countries are generally seen as low in their unionisation (although this level varies) or that their unions are government-sponsored and often rather 'tame'. Strikes are perceived to be less common than in the West or constrained by either by culture, ideology or law. According to scholars such as Dore (1973) and Thurley (1988), the Asian model is said to reduce the 'we-they' relationship and may help negate conflicts between capital and labour. Other writers (Deery and Mitchell 1993: 16) are uncertain and argue that some cultural influences may be present in one sector but not in others in the same country. Although Chinese HR may be said to have once been 'exceptional', it is also less so in that it is broadly 'Asian' in the sense of being 'non-adversarial' (see Ng and Warner 1998). Not all Asian HR systems are neatly harmonious and conflict-management is handled in a variety of ways in the respective national contexts, however (see Leung and Tjosvold, 1998).

As Rowley (1997:1) puts it, 'Asia provides a paragon of practices around which companies searching for "success" and the "one best way" can converge'. The Asian way was identifiable and transplantable. There are common features in many Asia Pacific Rim economies in these respects and in others, although the specific institutional forms may have varied from one country to another (see Hamilton 1995). But the Asian model 'was stretched thin' (Godement 1999:15). It was probably naïve, in retrospect, to have imagined a homogenous bloc of countries, institutions and practices. The Asia-Pacific people-management or HRM model has, further, been put forward as an 'alternative' to the Western standard industrial relations and HRM templates which have emerged in the post-war years, although we would not argue here that across Asia or even in the West, these systems and sub-systems have much more than a family resemblance. Yet the Chinese HR system has relatively more of the Asian model than its Western counterparts.

PROBLEMS

An attempt to evaluate where Asia Pacific HR systems, including that of the PRC, are going has been made by the present writer and a colleague (see Ng and Warner 1999, in press) based on 'the late-development effect'. It breaks down the whole into two sectors, namely the advanced economies and sectors on the one hand and the less developed countries on the other. Yet there remain problems with compressing so much into a basic dichotomy. The region is so widely defined and so varied.

Geographical factors feature so strongly, with the PRC pre-eminent so clearly in terms of landmass and population. The economies of the region have on the other hand been economically and industrially dominated by another nation, namely Japan. The 'little Dragon' economies in turn also stand apart from many others in terms of the level of economic development they have achieved. Whether the Asian so-called 'miracle' will be able to be sustained into the twenty-first century is of course moot. Even if Asian economies grow at respectable rates of growth, they may not pick up the pace of the 1990s. China has had a floundering growth rate for the last ten years and it was down to only just over 7 percent per annum for 1990, if official statistics are to be believed. But even this level was well above the average for, say, EU economies.

Additionally, many cultural traditions criss-cross the Asia-Pacific Rim. Confucianism has been one that has been much discussed in recent years (see Redding 1990) as associated with economic dynamism (although in the past, the opposite had been argued by other scholars particularly in the immediate post-war period). Certainly, there are common values in Asian societies, regardless of their political complexion. The importance of respect for seniority, the search for harmony, the role of relationship and connections (*guanxi*) are no doubt important in the Chinese context. Whether, on the other hand, the Chinese HR system is critically determined by this cultural legacy is moot.

Political factors also form patterns. There were, for instance, the British, Dutch and Japanese colonial legacies. More recently, Marxist-Leninism, in both Soviet and modified versions, was a formative force in many parts of Asia, most notably in the PRC (as well as in North Korea and North Vietnam). Since the onset of the economic reforms in China, this is less the case, as the market-driven reform policies of Deng Xiaoping took root. The future of Chinese HR may be less 'politicised' in future for this reason, although the Chinese trade unions, the All China Federation of Trade Unions (ACFTU) will still remain tied to the Party. Its role may have of necessity to be less centralized in a market-driven economy with a burgeoning non-state sector, as we shall see in more detail later in this paper.

AN ANALYTICAL FRAMEWORK

We now attempt to devise an analytical framework to see how far Asian people-management systems may be becoming more or less like each other. One possible way of analysing this problem of convergence/divergence in general terms is to construct a four-fold analytical framework of logical possibilities (adapted and developed from an earlier version, see Warner 2000). The four categories below sum up what is possible as outcomes (see Figure II). We will apply this framework both broadly and to the PRC specifically.

The possibilities

1. 'Hard convergence'
2. 'Soft convergence'
3. 'Soft divergence'
4. 'Hard divergence'

Figure II: Four-Fold Analytical Framework

	<i>CONVERGENCE</i>	<i>DIVERGENCE</i>
<i>HARD</i>	1*	4***
<i>SOFT</i>	2**	3***

Key

.*	Relatively most improbable
**	Most probable
***	Equally probable
****	Absolutely most improbable

[see below]

The probabilities

[1] Taking what we imagine to be the most relatively improbable scenario first, 'hard convergence' seems an unlikely prospect for the Asia Pacific HR systems and the Chinese one in particular, unless one fully accepts the classic 'convergence' argument as articulated by Kerr et al (1962) and successors. If spreading industrialisation and technological change make for comparable super-structures, it would follow that we would see common IR/HRM systems all over. Globalisation, in the latest modified version of the convergence hypothesis, may be seen to lead to international economic competition presenting common problems and comparable organisational solutions for enterprises wherever they were located. Deregulation and privatisation would also follow in their train. To argue, however, that all Asian IR/HRM systems, including the Chinese one, have or are likely to converge

seems to be too bold an assertion to justify, given the empirical evidence available. On the surface, there may have been apparently common economic, social and political problems across the region as devaluations led to bankruptcies and downsizing, but the specifics have varied greatly from economy to economy (see Godement 1999). In this context, we must assert once again that the ‘devil’, as always, is in the details. It is therefore unlikely that the Chinese case, in the context discussed here, will be a case of ‘hard convergence’.

[2] On the other hand, we may be able to more convincingly argue that ‘soft convergence’ may be somewhat more plausible and more likely outcome both for the region as a whole and for China in particular. Here, we would only need to posit some ‘family resemblance’ (see Warner and Ng 1999 for a discussion on the prospects of collective agreements in the PRC, for example). It may of course be possible to see common features in, say, the sectors dominated by the MNCs or where there are joint ventures in the PRC or indeed elsewhere. It could be argued that soft (alternatively, one may call it relative) convergence might be achieved by the implementation of International Labour Organization (ILO) standards, for instance. By this, the local practices may converge with the external templates. Some kind of ‘soft convergence’ might occur where a regulatory framework of labour markets was laid down by law. Even if the State was ‘in retreat’, at least in terms of ownership, stronger labour legislation, in principle, might be enforced. Another way may be where the local ‘deviant’ form may relatively converge with the local form that is more aligned with the external one that conforms more with international, mainly Western-style HR practice, say where Chinese SOEs begin to copy joint ventures or foreign wholly-owned firms. This prospect seems more likely for the Chinese HR system but with important caveats, as we shall now see below.

[3] ‘Soft divergence’ may be equally persuasive as an option, with diversity more or less weighing in the balance, for the following reason. The Chinese system, and indeed many other Asian systems, always saw itself as distinct, the former probably more than the others. The phrase ‘with Chinese characteristics’ is often used. We would here posit that national/local differences remain relatively more or less stable (see Hofstede 1980), but not indefinitely so. We would posit here that differences would remain relatively strong due to strong institutional and organisational inertia. Common international benchmarks in terms of labour protection, for instance, might be implemented in the broad but with differences of detailed implementation. Here, the ‘deviant’, relatively divergent forms may prevail in one form or another. The local firms may adapt to some degree but still retain their ‘core’. It is clear from existing evidence that the Chinese IR system remains one with ‘Chinese characteristics’.

[4] Looking now at the other extreme case, ‘hard divergence’ may also be the least plausible outcome and the absolutely most improbable scenario, as it would be hard to argue that countries are tending

towards becoming more and more different, even taking into account the so-called Chinese (or indeed Japanese) 'exceptionalism'. Few observers would argue that 'exceptionalism' is on the increase in Asia or elsewhere. Structural reform may be advocated by international agencies and banks across the board. Some, however, may be moving in one direction, whereas others may be gravitating in another. Some countries may become more or less responsive to International Monetary Fund or World Bank programmes, for instance. Others may try to go their own ways. But there are common paths which are suggested by those pushing for 'globalisation'. While there are still distinctive policies, there is very little data to suggest that the PRC is becoming absolutely 'divergent' in its economic characteristics and in particular its people-management systems. In no convincing way is China becoming increasingly and absolutely dissimilar from its Asian counterparts in its economic and people-management characteristics.

DISCUSSION

Not only have we to take into account the commonly experienced 'late development effect' in the Asia Pacific region, but also the recent economic and organisational turbulence in looking at how the Chinese HR system has evolved. The former endowed several advantages on the countries involved (they could, for instance, learn from the mistakes of the West and later Japan vis à vis the industrialisation process) but the latter presents more difficulties as the so-called Asian crisis was not only unexpected but offered no templates as to how to cope with the implications of the downturn. Knee-jerk reactions in the case of many countries in terms of reacting by mass 'lay-offs' in enterprises experiencing financial and trading difficulties might be one reaction but its implications in the long term are unclear. China has also responded by taking World Bank criticisms of its SOEs seriously, for example; it has similarly cut jobs and welfare.

Not only were large numbers of workers reduced to 'bread-line' conditions in many Asia Pacific countries during the recent 'Asian crisis', but also many members of the middle-class and 'new-rich' were pauperised. Where there were 'jobs for life' in some sectors, often State but in some countries private, say in Japan, South Korea, Taiwan and so on, these were to be now under a cloud. Deflation and job insecurity now go hand in hand not only in those countries but also in the PRC. Workers, including formerly protected Chinese ones, now fear for their jobs, and have stopped spending. Prices have moved downwards and inventories of unsold goods have mounted. Deregulation, too, has meant more income has to be spent on what were formerly 'free' or highly subsidised goods and services. China has experienced a number of the above consequences of downturn and downsizing. If anything, this is likely to become more likely as key Chinese SOEs downsize further and many Sino-foreign JVs trim their work forces to become more competitive.

The evidence of 'hard convergence' is nonetheless clearly confounded by the continuing visibility of institutional, legal and structural diversity in the region. There was hardly any evidence to support the classic convergence hypothesis, looking at the accumulating evidence from a wide range of sources. It is hard to argue that Asian HRM is fast converging to a common model and this in line with Western practice. Speaking more broadly, reform of the corporate dinosaurs took different forms in different national contexts, ranging from 'corporatisation' of China's SOEs, to revitalisation of Japan's *keiretsu*, to restructuring of its South Korean *chaebols* and so on. Even the MNCs in joint ventures reacted differently across the region, although business restructuring as a reactive strategy has been a common theme across the Asia Pacific region. The Chinese HR responses have been highly specific.

Yet there were common IR/HR themes to be found, as we set out below. These affected Chinese reforms in people management as much as changes elsewhere. Some were linked to long-term changes

but others were short-term reactions to recent economic pressures for competitive advantage. Matched against evidence in other comparisons, we can see how 'soft convergence' of IR/HR practices in the Asian context has occurred. Other data may even indicate a degree of 'soft divergence', where differentiation is maintained as between what happens in one national context as compared with another (even within the same corporation).

'Hard divergence' does not seem to be the case either. One cannot say that all examples of Asian IR/HRM are becoming more and more varied. Whilst there may be a trend in a countrywide system towards adaptation with 'national characteristics', it may possibly indicate 'soft' rather than 'hard' divergence. Turning the Kerr et al (1962) 'convergence thesis' on its head finds very few supporters. The 'societal effect' argument (Maurice et al 1980), in its turn, does not require the effect to become stronger, merely to maintain differentiation. We would argue that 'soft divergence' would cover this.

Economic, legal, political and social institutional backgrounds do, in this regard, remain influential in many countries. The institutional framework, broadly speaking, and the labour law background in particular remain distinctive in most Asia Pacific countries (see Deery and Mitchell 1993). Three models prevail: first, the British model, in Hong Kong, Malaysia and Singapore; second, the American system still influences Japan, the Philippines and South Korea; Taiwan and Thailand being less easy to fit in as they have non-Western colonial backgrounds but may have some resemblance to US practices (1993, 9-10). A persuasive illustration comes from the Greater China context. Although the PRC and Hong Kong Special Administrative Region (SAR) share many common cultural features, they have very different labour law systems, for instance. Each is in the process of evolution but they remain distinct. They may be edging to some forms of institutional convergence very slowly in the long term but the creation of the 'one country, two systems' SAR formula recognised the special nature of the Hong Kong institutional and organisational models.

We can posit here that the convergence/divergence process works rather slowly at the macro-, namely institutional, level than at the micro-, namely organisational, one. Thus we may have a refinement of our four categories. Specifically, soft convergence may occur less at the former level than the latter, for example. Nation-wide institutions do normally change more slowly than sub-sets of firms at organisational level. If there is a dualistic industrial structure and concomitant industrial and labour relations regime, we may have change where the sub-sets of firms are more flexible than elsewhere where they are less so. Where there are enterprise-based IR/HRM sub-systems, how they change will be based less on what has been set out at national level than vis à vis the firm or sector involved.

Shared cultural factors in the Asia Pacific region may indicate another dimension of convergence/divergence, namely in terms of values held. Again, in this context, these may result in

behavioural in addition to *cultural* convergence/divergence. These may not necessarily be the same thing, as a common set of cultural influences may not result in similar behavioural outcomes. As we have suggested above, there is a strong shared cultural inheritance between most Asia Pacific nations in terms of the Confucian influence (see Redding 1990). If not a determinant in all cases, it is often a constraint. This shared influence may only be a common theme if looked at in the broad; examining it in its national contexts may reveal very distinct forms of Confucianism. Its manifestation in, say, officially atheistic China may be very different from its role in, say, publicly Shintoist Japan. Again, Deery and Mitchell (1993: 15) point out that paternalism in the work environment may be 'institutionalised' in some national systems, as they suggest is the case in Japan, but may be 'personalised', in their phrase, in settings like the Malaysian.

There may also be common features in Asian IR/HRM systems, such as the prominent role of the State across nations across the region, but even here there have been different rates of change across the region. China has still its ubiquitous State-sponsored trade unions, namely those belonging to the All China Federation of Trade Unions (ACFTU), but as the state sector has attenuated, its often almost 100 percent unionisation level in most SOEs has become less characteristic, with sometimes no unions apparent in smaller joint ventures or rural firms. The average for China we estimated as 65 percent union density in urban industrial sectors, much lower elsewhere and about 15 percent if the whole workforce both urban and rural is taken into account. The trade unions in China are, however, less and less dominant, as their strengths were in the state-owned and related sectors. Now the non-state sectors are becoming the main employers of urban and rural industrial labour. There is a new Labour Law in the PRC since 1994 (see Warner 1996) but the slowdown in economic growth and reform of the state owned enterprises has led to a weakening of the workers' job security and labour market strength. The 'iron rice bowl' system is now in terminal decline.

Will the Chinese HR system in its new guise now follow the Japanese model? The Japanese one, one of the most original in the region, is now in the throes of transformation. The former 'three pillars' model (lifetime employment, seniority wages and company unions) has now come into question. Lifetime employment which was *de rigueur* for those working in large firms for many years is now being eroded, as in China; seniority is being weakened, as we have seen, as in the Chinese case; 'enterprise unionism' is still ongoing (the analogy is weaker in the PRC context), but is even tamer in the tougher economic climate of the late 1990s. The Japanese system faces many obstacles, not least the high cost of redundancies: it is estimated that the average cost to a large firm is around US\$200,000 per employee (*The Economist*, 26 June, 1999), allegedly five times the 'going-rate' in comparable European MNCs. The high costs of downsizing may slow down its pace but this is not certain.

In future years, the industrial landscape of Japan may change well beyond recognition. Many big Japanese companies with household names have already embarked on major restructuring programmes. By the end of 1998, unemployment in Japan had risen to 4.4 percent and still growing. Within six months, it had risen to 5 percent and probably double for young workers; the percentage of temporary and part-time workers rose to over 7 percent (*Japan Labour Bulletin*, August 1999). Whilst Japanese unions are not as yet in significant decline, like many of their counterparts elsewhere, they do face challenges such as having to recruit members in newer service sectors to compensate for losses in older manufacturing ones (Whittaker 1998). But this may not be able to keep pace with their loss of members, as in many other countries.

There have been many 'myths' which have grown up around the Japanese model. One important one relates to job protection, which was only relatively partial in its scope. In the post-war years, large firms clearly did evolve a distinctive system. But 'jobs for life' were never comprehensively institutionalised in the Japanese HR system (as in the Chinese state-owned industries) but job security was strong (Sano 1995); many writers believed *major* change in the corporate lifetime employment system, where it was found, was not yet likely (Selmer 1999). By the end of the 1990s, the corporate 'chickens were coming home to roost'. As the economic upturn failed to appear, serious steps were finally being taken to downsize large corporations, as we have noted, although not as trenchantly as in South Korea. Even so, unemployment rose significantly in both countries, as it also did in Hong Kong, to over 5 percent.

China embarked on downsizing its inflated state-owned industry payrolls. The jobless rate is hard to estimate in China, as the official rate of 3.5 percent in 1998 has been estimated by the trade unions there as twice as much in reality; it is likely to be even double this figure once over, say, closer to 15 percent in many urban areas, if unofficial estimates are correct. This is especially true of the North-East 'rust-belt' of China known as the *dongbei*. Professor Hu Angang, a Chinese Academy of Social Science (CASS) labour economist, has cited figures to show that between 1993 and 1997, laid off workers rose from 3 million to 15 million (with two in three from the SOEs). He estimated around 10-15 million more coming onto the dole by the end of 1999. The highest reported joblessness cited is in Liaoning Province with over 22.4 percent, followed by Hunan with 21.3 percent; at city level, Chongqing at 18 percent and Tianjin with 17 percent both had noteworthy high levels of unemployment (see Documentation section of *The China Quarterly*, no. 160, December 1999, p1106).

In the Asia Pacific region as a whole, the jobless rate was highest in Indonesia (estimated at over 20 percent in the cities and possibly double this in the countryside) but lowest in Taiwan, at just under 3 percent. Since 1998, unemployment has come down in some economies where there has been a partial economic recovery from the Asia crisis but it has been rising in other locations such as the PRC. This

latter malaise, because of the absolute numbers involved, does not augur well for the social and political scenario of the future in Asia Pacific. Unemployment and indeed other economic statistics from official sources must be viewed with caution in any event.

How to characterise the main drift of change in broad-brush terms? Once, Japanese experience was offered as a guide as to where the more industrialised parts of Asia were moving. However, much water has flowed under the conceptual bridges. What is now less likely than many previously conjectured is that the Japanese model will be *the* template for Asia Pacific IR/HRM, or for China in particular. So-called 'Japanisation' may be hard to implant outside Japan, other than superficially or at best in subsidiaries of Japanese MNCs. A recent study (Taylor 1999) questions whether Japanese plants in the PRC actually used specific practices associated with Japanisation and its accompanying production methods. One further important question here is, however, about the degree to which the HRM model itself is based on Japanese practices (and not everyone would agree with this thesis, looking in part at least to its US origins); if a great deal, then the spread of HRM might imply 'Japanisation'; if not, then its diffusion may mean something else. Japanese HRM has common characteristics with international HR practices but has also featured specific features such as the so-called lifetime employment, seniority and so on, for many of the workers involved.

Others might see HRM as essentially of Western provenance and imported along with MNC investment into the Asia Pacific region, as indeed elsewhere in emerging economies. This is another version of the 'convergence' thesis, 'soft' possibly in this domain. In this context, the expansion of Western MNCs in China may in some measure point to an eventual spread of their version of HRM there, if less slowly outside the JV or FFE sectors. But MNCs, and frequently the Asian ones, have often combined their own HR practices in their JVs in China with residual 'iron rice bowl' ones. The outcome here has been 'hybrid' HRM of different kinds, all with some 'Chinese characteristics'.

The Chinese HR system will no doubt take on more and more HRM practices (if rather loosely-defined) *grosso modo*; this will inevitably involve more flexible, individually-based employment contracts, more performance-driven rewards systems and less enterprise-subsidised welfare services. Collective contracts too are now relatively widespread, at least in larger firms both SOE and JV (see Warner and Ng 1999). As the 1994 Labour Law provisions which incorporate such principles are more widely enforced and implemented, such notions may diffuse across the HR system more widely, but it will take time. It would be unwise to exaggerate the degree to which this has taken place, already but there are more than 'straws in the wind'. As to the future, it will take some decades and much systemic change before a convincing level of collective bargaining is truly achieved.

CONCLUDING REMARKS

How then to place the future of Chinese reformed IR in its Asia Pacific regional context? We may now try to summarise the central argument of this chapter and the main points adduced to support it.

The most important feature of the Asia Pacific region is its sheer variety. The economic systems in the region range from those emerging from communist planned economies to more openly liberalised market-driven ones. The political systems differ greatly, as do the social arrangements. There is probably more cultural variation than acknowledged by many writers in the field. There is thus a fair degree of residual diversity in the Asia Pacific region. The degree of state involvement in the Chinese IR case for example still remains 'medium-to-high' and the system remains 'distinctive', if no longer that 'exceptional'.

The SOEs, it must be conceded, are no longer the dominant influence in Chinese HR. In the last two decades, as we have seen, many changes have taken place (see Figure I); for example, a wider range of ownership other than that of the state is now *de rigueur*, such as wholly Foreign-Funded Enterprises (FFE) and most notably Joint-Venture firms (JVs) where state enterprises are in alliances with foreign businesses. A vast new non-state sector of both quasi-private Town and Village Enterprises (TVEs) has also sprung up, as well as fully privately owned firms. Once SOEs set the pattern for HR in Chinese industry in the PRC; now they do not. The future labour-management model therefore will have to cope with the new non-state sectors; the larger MNC-influenced firms may help implement HRM but the spread of myriad smaller, particularly Overseas-Chinese-funded JVs and additionally domestic TVEs may lead to what we may call an 'HR-vacuum' (for details, see Chan 1995; 1998). In such small firms (and sometimes some above this size), there will continue to be either no trade union presence to speak of, or at best weak ACFTU unions. However, as far as medium- and large-sized firms are concerned, the future of Chinese HR lies in a move from the left-hand column to the right-hand one in Figure I.

On the other hand, if there is a common direction in which IR/HR systems in Asia Pacific, including the Chinese, are moving, *it is most likely to be towards adaptation to business restructuring, deregulation and liberalisation vis à vis the challenges of globalisation*. Downsizing is now a common experience in Asia Pacific economies. But not all countries are moving at the same pace and there is much variation. In this context, we have found a reasonable amount of evidence of 'soft convergence', particularly in the Chinese HR case, but in many instances it has been constrained (see Rowley 1997) by a fair measure of accompanying 'soft divergence'.

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