

# RESEARCH PAPERS IN MANAGEMENT STUDIES



## GLOBALIZATION, LABOUR-MARKETS AND HUMAN RESOURCES IN ASIA- PACIFIC ECONOMIES: AN OVERVIEW

**Malcolm Warner**

WP 12/2001

The Judge Institute of Management Studies  
Trumpington Street  
Cambridge CB2 1AG

# **GLOBALIZATION, LABOUR-MARKETS AND HUMAN RESOURCES IN ASIA-PACIFIC ECONOMIES: AN OVERVIEW**

**Malcolm Warner**

Judge Institute of Management Studies, University of Cambridge,  
Cambridge CB2 1AG.

Email: m.warner@jims.cam.ac.uk

## ***Abstract***

This article argues that the impact of globalization on labour-markets and human resources on the Asia-Pacific economies may be recognizable but as yet relatively limited. The sheer variation of geography, population, economies, labour-markets, IR and HRM systems there, as well as of values and the like, makes it difficult to talk of 'hard convergence'. We thus emphasize the notion of 'soft convergence'. The article develops a number of empirical propositions regarding the uneven impact of globalization on economies in the region.

## ***Key words***

Asian model; Asia-Pacific Region; Convergence; Divergence; Economies; Globalization; Human Resource Management; Industrial Relations; Labour-markets; Trade Unions.

## INTRODUCTION

In this article, we hope to take a 'bird's eye view' of globalization, labour-markets and human resources in the Asia-Pacific region's economies and then to discuss the relationship between them.

'Convergence' has been a common theme in the literature on this theme for some years now, stretching from Kerr et al (1973) to Bamber et al (2000). The discussion presented here follows earlier work by the present writer which looked at 'convergence' and 'divergence' in human resource management practices in this part of the world (see Warner, 2000a). The analysis there distinguished between different types of 'convergence' and 'divergence', permutating them as between 'hard' and 'soft' versions<sup>1</sup>. It concluded that 'soft' convergence was the likeliest of the four options at hand (see Figure 1). We now go on to elaborate this a stage further.

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, it was thought, was identifiable and transplantable. It was a recipe for fast economic growth and social development. There are common features in many Asian 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 has been 'stretched thin' (Godement 1999:15). It was probably simplistic, in retrospect, to have imagined a homogenous bloc of countries, institutions and practices in a region, a point we will address in further detail later. It was the self-confidence of the times, namely the late 1980s and early 1990s, that such an idea could be promulgated. Japan was riding high as an economic success and the 'flying ducks' notion was *de rigueur*. Furthermore, the Asia-Pacific model has been presented 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 limited 'family resemblance'. By this, we mean they have some *prima facie* common characteristics but these remain of a bounded kind. The region, of course, is as a whole a large and varied one, economically, politically, and socially, so it would not be surprising if it proved difficult to shape it into one mould. We therefore concentrate on variations in the pattern of 'soft' convergence.

We will now try to generate a number of empirical proposition regarding the impact of globalization on diverse variables in the Asia-Pacific

context, using the above analytical tools (see Figure 1). When we come to doing this, we will argue that a set of external forces will impact on the region in many diverse ways, given the variety of host-environments at hand. It would be simple-minded determinism to predicate that the effects would be uniform across the uneven terrain at hand. In terms of theoretical explanations, it may be inconceivable that any model fits all cases.

**Figure 1: Convergence/Divergence: A four-fold analytical framework**

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

## **BACKGROUND**

The Asia-Pacific region comprises a wide range of countries and national systems. Geographical factors feature so strongly, with the PRC pre-eminent so clearly in terms of land-mass and population. The countries of the region range from those with very large populations like the PRC, to ‘city-States’ like Hong Kong and Singapore with a few million inhabitants<sup>2</sup>. This population variable will, amongst others, help to shape the nature of the labour market and the labour force, as will the level of economic development, amongst other factors. However, this variable is relatively invariant in the short-term.

An attempt to evaluate where Asia-Pacific economies, including that of the PRC, are going has been made by the present writer and a colleague based on ‘the Late-Development effect’ (see Ng and Warner, 1999). 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 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. Most of the regions’ economies had a rapid rate of growth over the last two decades, although it may have been uneven from year to year 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 fluctuating growth-rate for the last ten years and it was down to around 8 percent per annum for 2000, if official statistics are to be believed<sup>3</sup>. But even this level is well above the average for, say EU economies. The growth variable is highly variant even in the short-term, however.

## GLOBALIZATION

'Globalization' was the by-word of the 1990s; it was to herald the creation of both world-wide markets and trans-national enterprises. Its theoretical origins are of great interest to contemporary debate. Adam Smith's generalization that 'the division of labour depends on the extent of the market', is as valid today as it was in 1776. Marx, too, foresaw globalization as an eventual outcome of capitalism. But not all economists see globalization as a wholly deterministic phenomenon; some see it as both an endogenous as well as an exogenous factor 'determined in its pace by governments, firms and other social actors, but influencing in its turn the behaviour of these same actors' (Kogut and Gittelman, 1997:220). Economies of scale and scope do seem to depend on globalizing markets to obtain the benefits of globalization (namely, its *yang* rather than its *ying*), hence Multinational Corporations (MNCs) strive to buy and sell as far and wide as they can. The World Trade Organization (WTO) seeks to shape the 'rules of the game' to make this easier. The intention is to extend the global markets beyond goods to services and to parts of the world where they did not reach because of the 'Developmental State'. This project has its admirers (see *The Economist*-Special Survey - 'The Case for Globalization', 29 September, 2001:1-34) where the 'good old invisible hand' is invoked.

Critics may on the other hand believe globalization to be a form of 'neo-imperialism' and to be reviled. John Gray, a political theorist at the LSE, goes further and thinks that the era of globalization, based on the West's values, in particular America's assumptions, that everyone wants to live as they do, is 'a recipe for unending conflict, and it is time it was given up' (cited in *The Economist*, 30 September, 2001:14).

Globalization may be seen as one end of a dimension of economic integration, with the nation-State as the other. The latter in Asia has been pivotal in the economic growth process as epitomized in the 'Developmental State'. This raises particular problems in the Asia-Pacific

context. Neo-classical economists have argued that Asia grew because of market forces (Krueger, 1995); others attacked this view, pointing to selective government intervention (Amsden, 1989; Wade, 1990). Most of the Asian Pacific countries have arguably been 'statist' in their development strategies, with some exceptions like Hong Kong. Here, the People's Republic of China (PRC) is the most extreme case at the other end of the spectrum, with its own highly specific institutional framework 'with Chinese characteristics', at the present time. China's vast population and vast labour-force, the largest in the world (see Warner, 1995) puts human resources high on the agenda as far as WTO entry is concerned. We explore later in the article the implications for employment, unemployment, IR and HRM for that country and its neighbours.

The recent Asian financial crisis for many revealed the possibly 'dark' side of globalization (its *ying*) and exposed widespread structural and institutional problems (see Drysdale, 2000) but 'there was no single story of East Asian growth' and 'no single set of problems that contributed to the different crises' (2000:1). But there were common features, such as the lack of inadequate regulation and transparency and so on. Some national features had not been effectively changed by globalization factors and the role of governments had not been fully reformed to cope with the new 'rules of the game' involved.

Precisely how far globalizing trends had progressed by the crisis-year 1997 is moot but clearly there has been a substantial advance, say, on 1987. International trade was probably more liberalized by the former date than the latter, not only in volume but also in terms of value. Inter-regional trade was also growing within the Asia-Pacific region as in other parts of the world. Inter-dependence between Asian economies and G7 ones was advancing but not always symmetrically. Some Asian countries had major trade surpluses and/or substantial foreign exchange reserves<sup>4</sup>. Whilst China made substantial progress vis a vis WTO entry, we are nonetheless as yet not on the verge of a situation where global markets in goods and services begin to be effectively implanted in the region as a whole.

Highly industrialized Asian countries like Japan, for example, may experience the effects of globalization very differently from the least industrialized cases, such as Indonesia. Some nation-States have more open frontiers politically; here the effects of globalization will be greater, more so in the case say of South Korea vis a vis the PRC. Socially, the effects of global trends are more easily felt in, for example, urban Hong

Kong than in rural Malaysia. Keeping a nation's distinct identity may not necessarily be prejudiced by international trade, however. Japan has retained its own way of doing things since it entered world markets. Globalization directly confronts 'statism', as WTO entry or expansion is mooted. However, other forces that impelled national systems towards 'soft convergence' like ILO protocols have been around for some time<sup>5</sup>. Not all countries have signed up to international labour codes and where they have they are unevenly implemented. Even national labour legislation may not be easily enforced, say on issues like child labour (see Cahn, 2001).

If spreading industrialization and technological change make for comparable super-structures, it would follow that we would see common patterns across the region. Globalization, in a modified version of the 'convergence hypothesis' (see Kerr et al, 1973 for the original formulation), may be seen to lead to international economic competition. This formulation suggests globalization presents common problems and comparable organizational solutions for enterprises wherever they were located. De-regulation and privatisation would also follow in their train. We will argue in this article that this scenario is less than likely, given our research in the field over many years (see Maurice et al, 1980). To argue that all Asian economic 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 (see Redding, 1990). *Prima facie*, there may have been common economic, social and political problems across the region as devaluations led to bankruptcies and downsizing but it is vital to underline that 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. We would conjecture here that 'hard convergence' (see Warner, 2000a) is the least probable outcome here (see Figure 1). Hence:-

*Proposition 1: Globalization will be likely to have, in the short- and medium-term at least, a partially divergent and uneven impact on Asia-Pacific Region economies.*

## **LABOUR-MARKETS**

Labour-markets are only one of many factor-markets associated with the economic processes but they are the ones that touch human beings the most directly. If globalization occurs, it will inevitably feed into such markets and since labour is one of the major resources of Asian countries, the labour-market will be one of the first to register the effect of changes

in economic parameters. There are both long-term as well as short- and medium-term effects here. Recent work (for example Rowley and Benson, 2000) points to ‘the unevenness and contrasts in the way globalization impacts on labour and its organization’ (2000:1). Critics regard globalization as being part of a ‘zero-sum game’ where the benefits in the labour-market are not evenly distributed between the players and least so where the MNCs are concerned. Where there is labour surplus in the economy, as in large countries like China and Indonesia, the imbalance of benefits may be most vividly seen. If China has one advantage, it is that its population growth is stable compared with other countries in Asia as a whole but even so it has to run to stand still in terms of job-creation.

If some parts of the emerging economies of the Asia-Pacific region have been globalized and partially liberalized however, many of their labour-markets have remained local, at least in the short-term. The classic ‘dual labour-market’ has prevailed in many national contexts where a small percentage of the workforce was employed by MNCs, with the rest employed by local national firms [or in agriculture]. Where there has been export-led growth, there would have been a higher percentage of the labour-force ‘plugged into’ the globalized economy and international markets. The geographical distribution of labour-markets has also been uneven, with some doing better than others as economic growth has created a demand for labour there. Growth is rarely geographically evenly spread around.

The range and variety of labour-markets in the region is vast; they extend from highly structured ones like the urban Japanese or South Korean, to loosely structured examples like the rural Chinese or Indonesian ones. Some are fairly ‘developed’ ones, as in Singapore or Taiwan; others remain ‘nascent’ since their economies like that of the PRC have only recently been ‘marketized’. The less developed the labour-market, the less the impact of globalization and liberalization. Hence:-

*Proposition 2: Globalization will be likely to have, in the short- and medium-term at least, a partially liberalizing if uneven impact on Asia-Pacific labour-markets.*

## **EMPLOYMENT**

Advocates of the WTO argue that liberalized international trade will increase both employment and incomes amongst trading-partner nations, presenting neo-Ricardian arguments to justify this. If you exchange goods

and services where you have a comparative advantage, then both parties will benefit equally (more or less). The conditions of 'joining the club' are part of a package of neo-liberal measures, such as structural reform and de-regulation. The new post-Reagan/Thatcher 'paradigm' has swept much before it over the last decade. It heralds in the view of one commentator (Fukuyama, 1992) 'the end of history', with the WTO, the World Bank and the IMF behind, and the ILO somewhere in the middle of the equation.

Critics of this policy argue that the benefits are asymmetrical as we noted above. The better-off gain the benefits at the expense of the poor if there is a 'zero-sum game'. In this view, entry into WTO is unwise as the odds are stacked against the new entrants whose domestic industries may be adversely affected once tariff and non-tariff barriers come down; the reverse is seen in another variant of the argument where the organized workers in say US trade unions believe their members at home and not the new entrants' workers in Asia will suffer. With labour surpluses and low wage-costs, WTO entrants will benefit in some sectors, although there may be problems for employment in others.

Since many Asia-Pacific economies have substantial supplies of surplus low-wage labour, the net effect of freer trade on employment, in the neo-liberal view, will be greater in those cases; the converse will be true where labour is more expensive, *grosso modo*. Manufacturing in Asia has already moved from higher labour-cost nations and regions to those with lower wages. Many richer economies such as Japan, as well as 'Little Dragon' ones such as Hong Kong, South Korea and Taiwan have moved their manufacturing to the People's Republic of China or Vietnam.

However, the sheer pace of economic growth in the region over the 1990s enabled both GDP per capita and employment to grow. Jobs will go to the low wage-cost economies such those found in selected East and South Asian countries. The impact will be greater as jobs migrate, first from high wage economies in the West and Japan to those in Asia-Pacific; then, employment may also move from higher to lower wage-cost economies, even regions, within the poorer countries. Whether the low wage-cost countries experienced lower unemployment in the short-term when the Asian crisis struck is hard to prove. Several high wage-cost economies like Taiwan and Singapore weathered the storm rather better than others with cheaper labour. Indonesia fared the worst, in spite of a weak labour market. Low wages was not, therefore, the main determinant. Hence:-

*Proposition 2a: Globalization will be likely to have, in the short- and medium-term at least, a measurable if uneven impact on Asia-Pacific employment.*

## **UNEMPLOYMENT**

Sometimes systems work in reverse directions; just as employment has been geared positively to the effects of greater globalization, unemployment reveals itself as negative feedback when times are hard. The gearing of these two consequences may not be balanced and unemployment may swamp the increases in jobs that have been created in the upturn of the economies.

The impact on unemployment across the region has correspondingly been uneven, particularly when the Asian financial crisis struck. Unemployment rates varied from a higher level in those economies that have been seriously affected by the crisis to a lower one in those relatively less affected although the psychological impact may be distressing. Those economies with official unemployment rates in 1998 of under 5 percent included Japan, Malaysia, Singapore and Taiwan; those just over this level were Hong Kong, South Korea and Thailand; Indonesia was a special case (by comparison the US rate was under 5 percent, the UK over 6 percent and the Euro area over 10 percent). The PRC was an even more special case where officially the rate was 3.5 percent (but in reality was much higher and possibly estimated as over 10 percent or more); in some regions, it was even higher. By 2000, these figures across the Asia-Pacific region were more benign in some cases but the ranking remained the broadly same, as we shall see later. By early 2001, the order was similar but Hong Kong, Japan, South Korea and Taiwan (as did the US) still had jobless rates of just under 5 percent with the UK just over this but the Euro area percentage was still high at 8.5 percent (Monthly Bulletin, Reserve Bank of Australia, August 2001, S84). Many Asian countries face higher unemployment rates in 2002, as the world economy slows down. The ILO notes that of the 'Little Dragons', only South Korea had a proper unemployment insurance scheme when the crisis struck (ILO web-site, press release, 2 December, 1998) but this may not be strictly accurate for the present time.

Unemployment is, *pari passu*, growing by the day in China; the realistic total may be well over one in ten in many large cities; it may be over one in five in parts of the rust-belt in the north-east (*dongbei*). A leading figure in the Chinese Academy of Social Sciences recently described joblessness as the biggest challenge currently facing the Chinese

economic system; Professor Hu Angang, a CASS labour economist, 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 start of the new Millennium year. 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, 1999, p1106). By the years 2000 and 2001, the jobless rate was even higher as pressures of globalization and structural reform began to bite further. During 1999, 6 million State enterprise workers lost their jobs (World Bank, 2000, p4). About 2 million workers were laid-off from SOEs in the first half of 2000, with a total reaching 8 million at the end of 2000 (ibid.).

The future entry into the WTO will no doubt aggravate the problem further<sup>6</sup> (see Nolan, 2001). Hence:-

*Proposition 2b: Globalization will be likely to have, in the short- and medium-term at least, a discernable if uneven impact on Asia-Pacific unemployment.*

## **INDUSTRIAL RELATIONS**

Industrial relations systems in the region remained national and hence local, involving a triangular relationship between the State, employers and trade unions, in varying configurations. However, Western industrial relations theory only partly helps us understand such arrangements, since the role of the 'Developmental State' and the 'Late Development' impact added complexities to these systems, say compared with either the British or US models. The Japanese case has been discussed at length by authorities such as Dore (1973), Thurley (1988) and others from that date onwards. A major problem here relates to the presence of trade unions and the degree of unionization in the countries of the region. Unionization and the role of trade union varies in the region from moderately high in some nations and sectors to very low or non-existent in others. Unions have often been part and parcel of the 'Developmental State', as partners in the mobilization process; but they have not been 'free' trade unions. In some cases, an autonomous union movement has developed but even here it was in most cases collaborative with employers. Asian trade unionism in this context has often played a role of growing strategic importance as an industrial partner to employers and as a political partner to

governments in the domain of industrial relations (see Ng and Warner, 1998;1999).

However, this area may in turn become an increasingly contested ground for social action, particularly where a number of Asian countries evolve as more democratised political systems and just when their previously buoyant economies had been hit by down-turns. In places like South Korea and Hong Kong for example, the labour movement has tried to consolidate its newly experienced political influence as an 'independent' voice articulating the interests of organized labour, with varying degrees of success. In Taiwan, greater democracy has changed the nature of its industrial relations system, for instance. Such freer trade unions have become more openly active in these economies as a response to the crisis.

Union challenges to management, although devoid of large-scale worker militancy, have been a factor affecting some private-sector employers, notably large corporations both local and MNCs, to handle their personnel and human resource decisions on down-sizing, lay-offs, pay-freezes and wage/salary cuts and the like with greater care and even greater restraint. Even in the PRC, a degree of bargaining has been introduced via collective contracts (see Warner and Ng, 1999). However, many SMEs in Asia-Pacific countries do not have unions on-site to contend with and do not recognize them if they do. Human resource considerations are low in their priorities in these cases; industrial relations do not loom large in many of their business affairs. Furthermore, disclosure of information and prior consultation with either the trade union or elected worker representations where these exist (like those elected to consultative staff councils or joint consultative committees) have not been entirely uncontroversial, as illustrated by corporate announcements of austerity measures to help save labour-cost overheads, as in the case of Hong Kong during 1998 in the aftermath of the Asian financial crisis. The slow-down of economic activity was in some cases but an excuse to introduce more draconian policies in the industrial relations arena.

Whilst both the Asian workers and their union organizations appear to have deferred heavily to the public policy during the latest region-wide economic crisis, remedial policies must be considered in their context in understanding East Asian industrial relations (see Ng and Warner, 1999). *First*, we argued, a reliance on public policy involving State action appears to be consistent with the established imagery of Asian paternalistic assumptions and Confucian prescriptions. *Second*, we went on to note that what was distinct about the recent course of events

following the Asia financial crisis was that they were of such a magnitude that the State's intervention could not be ruled out<sup>7</sup>. *Third*, we argued that unions' strategies to deal with the crisis involved a preference for lobbying the government to intervene centrally, rather than deal directly with employers at the workplace level. Their bargaining power was relatively weak or in some cases non-existent. To a large extent, this was because Asian unions lacked the organized power and industrial strength to challenge the strong employers position in the workplace. *Fourth*, we noted that the extension of grass-roots democracy and electoral politics, largely witnessed since the close of the last decade (in the 1980s) within Asia-Pacific, may in part devolve a power-base to the unions which enables them to bargain more directly with the State for a 'new deal' on employment policies and labour protection (as say, in South Korea and Taiwan).

Globalization has forced deregulation and structural reform directly impinging on labour matters in several countries. It is an agenda that will be built into extension of WTO membership in Asia-Pacific as elsewhere. If anything, however greater globalization has gone along side a reduction in unionization as demand for labour has been reduced due to the economic crisis of recent years. Also, de-regulation of labour laws and structural reform has weakened the position of even 'official' organized labour in the region. China has experienced the forces of globalization via the 'Open Door' policy after 1978 (see Chiu and Frenkel, 2000) It will, for example, see further cuts in subsidies to State-owned enterprises and therefore to 'featherbedded' employment but this is likely to weaken the State-sponsored unions like the All-China Federation of Trade unions (ACFTU). Additionally, SOEs featured in several Asia Pacific countries like Indonesia, Taiwan and South Korea. The *chaebols* in South Korea were like SOEs in many ways, although not government-owned as such. Step by step, SOEs are being phased out, together with the IR model they incorporated, together with 'official' trade unions, paternal management and lifetime employment.

In China, to take a case in point, the institutional change-process initially began in a piece-meal fashion (Child, 1994). The 'new' Chinese model may in fact be seen as an 'experiment' that was first piloted in Sichuan Province in 1979 under the leadership of the then Party Secretary, Zhao Ziyang. In the early 1980s, those changes seen to be effective were then applied, with varying degrees of intensity, across the whole of the PRC. Incremental change was the order of the day, and it was not until the mid-1980s that management reforms began to take root. State-owned enterprises (SOEs) had once dominated industrial production, and their

work-units (*danwei*) embodied the so-called 'iron rice-bowl' (*tie fan wan*) which ensured 'jobs for life' and 'cradle to grave' welfare for mostly urban industrial SOE employees (see Lu and Perry, 1997). They were backed, in some cases, by almost 100 per cent of the ACFTU union membership. The system was partly derived from earlier Chinese Communist experience in the liberated zones, and Soviet practice. However, in addition, they may have had roots in Japanese precedents in Occupied Manchuria. It is clear that there was a variety of influences which shaped the evolution of the 'iron rice-bowl', but it had become fully institutionalised by the mid-1950s. Several writers (Walder, 1986; Warner, 1995; 2000a and b) have perceived the 'iron rice-bowl' relationship as 'organizational dependency', to which we will return later. The 'mind-sets' associated with this dependency became deep-rooted and, we will argue, difficult to modify or change. Even so, with the beginnings of reform, the guarantees of the 'iron rice-bowl' began to be eroded and the 'official' unions weakened.

*Proposition 3: Globalization will be likely, in the short-and medium-term at least, to have an initially critical if uneven impact on Asia-Pacific industrial relations.*

## **HUMAN RESOURCE MANAGEMENT**

The re-structuring of these young Asian economies as a result of globalization and industrialization, and even 'de-industrialisation' has had a number of consequences. These include the relocation of factories, cutback and layoffs of workers in the manufacturing sector, industrial unemployment and a subsequent re-training and labour employment agenda, etc. These shifts have implied not only a call for labour market reforms at the macro-level but also significant changes and adjustments in workplace human resource management practices. Labour-hiring flexibility, like individual (as well as collective) contracts and part-time employment, have thus been put forward as 'Western' HRM prescriptions. However, the success of East Asian economies based on the apparent results of a successful form of Asian capitalism has led to the emergence of a viable alternative to managing people at work, as for example in the Japanese HRM model (see Sano, 1995; Whittaker, 1999). A particularly Asian form of HRM emerged as an enlightened version of Confucian-inspired traditional paternalism, leading to a collaborative and non-adversarial attitude of the parties, both of the employer and the employed.<sup>8</sup> We must also note that the role of the State is evident among these Asian economies in either amplifying or constraining the way by which Asian practices have been implemented at workplace level.

Indeed, the main way in which globalization has influenced IR and HRM in East Asia has often been via Japanese practices in these areas (see Taylor, 1999). Japanese FDI has been considerable in the region, especially in countries like China, Indonesia and Vietnam, amongst others. The practices associated with the associated management of human resources has found a resonance with local values in many cases and has proved to be compatible with long-lasting, deep-rooted behavioural traditions. With the probable exception of South Korea, these East Asian economies have been able to sustain relative industrial peace and stability, with a low propensity for strikes or direct labour-management confrontation at the workplace level (see Rowley, 1997: Rowley and Benson, 2000). However, the application of Confucian-inspired practices to the contemporary workplace may have been helpful vis a vis workforce stabilisation as well as boosting motivation and performance commitment (see Selmer, 1999). Additionally, it may have helped inspire 'Western' endeavours at reforming their own workplaces and people-management back home within the newly espoused HRM framework (see for example, Guest, 1995). Most enterprises, however, particularly the SMEs, in most countries in Asia-Pacific are only weakly and indirectly affected by IR or have any systematic personnel management arrangements, let alone Western-style HRM.

In China, HRM as a academic concept was introduced by joint teaching-arrangements between Chinese and foreign universities. It also emerged in management practice in overseas-funded firms, mainly from Japan, the US and Europe (Warner, 1992). The translation of HRM into Chinese is 'renli ziyuan guanli' (with the same Chinese characters as in Japanese) which means 'labour force resources management'. But in fact, some people now use it misleadingly as a synonym for 'Personnel Management' (PM) (*renshi guanli*) and indeed treat it as such (Warner 1993; 1995; 1996; 1999)<sup>9</sup>. This form of older PM practice is still very common in SOEs and a certain conservatism continues to pervade the administration of personnel in such enterprises. Probably, it is still far from the initial concept of HRM as understood in the international academic and managerial community (Poole, 1997). Hence:-

*Proposition 4: Globalization will be likely, in the short-and medium-term at least, to have a partially weak if uneven impact on Asia-Pacific HRM.*

## DISCUSSION AND EVALUATION

We can see from the above discussion that the effects of globalization on labour cannot be viewed monolithically. It is clear that convergence of any one system with the so-called Western model has been at best partial and uneven vis a vis most labour-related variables. We have, with this in mind, disaggregated the effects on labour-markets, employment and unemployment, IR and HRM in our discussion and attempted to generate some empirical propositions. It is therefore clear that we do not see globalization in any deterministic light in this context. However, it may be the case that it is clearly a dynamic field-force of considerable strength and likely to grow in its intensity rather than diminish.

Convergence between one Asian Pacific system and another (or others) has yet to be examined. Which countries should be grouped together vis a vis the effects of globalization is however moot, taking the above analysis in mind. How this is done has a considerable bearing on how far convergence regarding global trends has been achieved. One possible way of dealing with this was attempted by Bamber et al (2000) to look initially at the level of industrialization on a number of States in the region and its effect on labour-related variables but this raises a number of problems.

The first difficulty is placing Japan together with Australia and New Zealand. Although these three cases may be more advanced in terms of industrialization, the first of these nations is culturally distinct from the latter two, closer to the neo-Confucianist camp. It is more closely related to the other countries in East Asia specifically in terms of other variables such as legal, political and social influences. In terms of labour-related variables, Australia and New Zealand are closer to the Anglo-Saxon model. Japan has a much higher GDP per capita however than the other two (World Bank estimates, see Asiaweek, 26 May 2000:81 for this and subsequent GDP figures). Jobs are scarce in Japan with almost 5 percent unemployment and rising in 2001 but scarcer in Australia with just under 7 percent out of work (see The Economist, 1 September 2001: 96). Japan, as the 'benchmark' economy in Asia-Pacific until recently, may however be considered as a 'special case', at least as far as IR and HRM is concerned.

Another difficulty is in bracketing South Korea and Taiwan together. Whilst these two are both at a possibly comparable level of their industrialization, they are different in a number of ways. Each has taken a different path to economic development. They have evolved distinct

patterns of industrial structure, South Korea has been reliant on developing giant firms, organized as the *chaebol* model, whereas Taiwan has primarily relied on SMEs. South Korea had a much lower GDP per capita than Taiwan. The former suffered grievously from the Asian financial crisis but Taiwan held its head above the water successfully. South Korea's unemployment-rate was nearly three times that of the latter's (2.8 percent at the height of the mid-nineties' Asian crisis but this had become more evenly balanced around 4 percent by early 2001). South Korea saw many of its *chaebols* close to or at the point of bankruptcy; Taiwan's SMEs flourished at the high-tech end, although the traditional industries were sluggish. Whereas the *chaebol*'s almost 'iron rice bowl' system dominated the Korean employment scene, the Taiwan's HRM was low-key and small-scale business style (see Zhu et al, 2000). On the other hand, both have seen the deregulation of their IR and HRM of late and the rise of independent trade unions. In the new crisis of 2001, both economies have seen rising joblessness.

Not included in Bamber et al's (2000) analysis are Hong Kong and Singapore. The former has a lower GDP in PPP terms than the latter; Hong Kong's unemployment is (in late 2001) now around 6 percent but Singapore's is almost half this but also now rising. In real income terms, they should perhaps be grouped with Japan; in cultural as well as economic terms..

There is another problem if China and Indonesia are put together in the same analytical box. If both of these states are big countries with large populations, they are hardly comparable in terms of industrialization. China has pursued a development model under a fully planned economy since the Chinese Communist Party consolidated its power in the 1950s. The chaos of the 'Cultural Revolution' which characterized the 1960s set back the economy many years; however, after Mao's death, Deng Xiaoping's 'Open Door' policy at the end of the 1970s then gave way to a phase of 'market socialism'. The 1990s saw a deepening of the reforms, leading to the present day projected entry into the WTO. While China's GNP per capita in Purchasing Power Parity (PPP) terms was US\$4,670 against Indonesia's US\$3,270 the former's aggregate GDP in PPP terms was massively greater than the latter's. While China attracted the lion's share of FDI in Asia-Pacific, Indonesia's economy grew over the good years of the 1980s and 1990s but was laid low by the Asian financial crisis. Rising joblessness, falling real incomes and inflation have characterized the last years of the decade. Official figures estimate unemployment at 5.5 percent in 1998 but the real figure was and is much higher as indicated earlier. China has a lower but rising rate of

unemployment (officially 3.5 percent but in reality much higher at well over ten percent) as well as rising real wages as a consequence of amongst other things, deflation.

We would agree with Bamber et al (2000:17-19) that there has been varying evidence that many of the above economies or their IR systems are 'converging' with the Western model but there is also no strong case for arguing that they are even converging with other Asia-Pacific countries' systems or with an 'Asia-Pacific model'. The impact of globalization has largely been partial, at best (see Figure 2).

Examining the rates of economic growth may help us resolve the problem of identifying globalization-related factors affecting labour in the region. It is, after all, economic growth that generates jobs as well as joblessness. As the *The Economist* puts it 'Changing global winds will blow differently through the region's individual economies' (21 October, 2000:128). The grouping suggested here are the 'big bets' economies, Japan as well as the PRC; then the 'best bets' like Hong Kong and Singapore; after, the middling ones, like Malaysia, South Korea and Taiwan; then the weakest 'bad bets', namely Indonesia, Philipines and Thailand. Globalization works via markets but there are important intervening variables, such as export-dependency, developmental state strength, intermediate institutions and so on. While it may not be possible to present neat econometric models to pin-point these links, it is clear that the outside economic environment is linked to the inside, national one by a number of gears. In quantitative terms, these may be expressed as coefficients, such say that of export-dependency but this only conveys half the story. In Asia-Pacific, the institutional 'filters' such as 'cronyism', 'transparency' and the like may count as much as corporate and government debt levels, foreign exchange reserves and so on.

***Figure 2: Summary of empirical propositions on the impact of Globalization in the Asia-Pacific.***

*Proposition 1: Globalization will be likely to have, in the short- and medium-term at least, a partially effective if uneven impact on the Asia-Pacific Region's economy.*

*Proposition 2: Globalization will be likely, in the short-and medium-term at least, to have a partially liberalizing if uneven impact on Asia-Pacific labour-markets.*

*Proposition 2a: Globalization will be likely to have, in the short- and medium-term at least, a measurable if uneven impact on Asia-Pacific employment.*

*Proposition 2b: Globalization will be likely, in the short- and medium-term at least, to have a discernable if uneven impact on Asia-Pacific unemployment.*

*Proposition 3: Globalization will be likely, in the short-and medium-term at least, to have an initially critical if uneven impact on Asia-Pacific industrial relations.*

*Proposition 4: Globalization will be likely, in the short-and medium-term at least, to have a partially weak if uneven impact on Asia-Pacific HRM.*

## **CONCLUDING REMARKS**

To sum up, it is clear from this 'bird's eye view' of globalization and labour in Asia-Pacific that any generalizations must be greatly qualified. There clearly have been benefits from opening up economies but there have also been costs, some painful in differing degrees to the ordinary worker. But we would not posit naïve optimism on the one hand or unqualified pessimism on the other, about the impact of globalization as such.

The sheer variation of geography, population, economies, labour-markets, IR and HRM systems (Deery and Mitchell, 1993; Frenkel, 1993) as well

as of values (Hofstede, 1980; 2001) make it difficult to talk of convergence in any strict sense. We have employed the concept of ‘soft convergence’ to take account of this variety. The impact of this relative degree of convergence is summarized in the empirical propositions we have arrived at in the article (see Figure 2).

Globalization, in our view, has been relative and uneven in its manifestations. In this sense we may here perhaps speak of a much more complex impact than many critics would concede. Furthermore, the events of 11 September 2001 have not made prediction any easier<sup>10</sup>

## REFERENCES

- Amsden, A. (1989) *Asia's Next Giant: South Korea and Late Industrialization*. Oxford: OUP.
- Asiaweek*, (various).
- Bamber, G., Park, F., Lee, C., Ross, P.K., and Broadbent, K. (2000) *Employment Relations in the Asia-Pacific: Changing Approaches*. London: Thomson Learning Business Press.
- Bamber, G., and Ross, P., (2000) in Bamber et al [eds.] (2000) *Employment Relations in the Asia-Pacific: Changing Approaches*. London: Thomson Learning Business Press, pp3-19.
- Chan, A. (2001) *China's Workers Under Assault: The Exploitation of Labor in a Globalizing Economy*. Armonk, NY and London: M.E. Sharpe.
- Child, J. (1994) *Management in China During the Era of Reform*, Cambridge: CUP.
- Chiu, S.W.K and Frenkel, S.J (2000) *Globalization and Industrial Relations in China*, Bangkok: ILO.
- Deery, S. J. and Mitchell, R.J. [eds.] (1993) *Labour law and Industrial Relations in Asia: Eight Country Studies*. Melbourne: Longman Cheshire.
- Documentation (1999), *China Quarterly*, no. 160, December 1999, p1106
- Dore, R. (1973) *British Factory-Japanese Factory*, London: Allen and Unwin.
- Drysdale, P. (2000) *Reform and Recovery in Asia: The Role of the State and Economic Enterprise*, London: Routledge.
- Economist, The* (various).
- Economist, The* - Special Survey- 'The Case for Globalization', 29 September, 2001:1-34
- Frenkel, S. ed. (1993) *Organized Labour in the Asia-Pacific Region*. Ithaca, NY: Cornell University ILR Press.
- Fukuyama, F. (1992) *The End of History and the Last Man*, New York: Free Press.
- Godement, F. (1999) *The Downsizing of Asia*. London : Routledge.
- Hamilton, G. (1995) 'Overseas Chinese Capitalism', in [ed.] W.Tu, *The Confucian Dimensions of Industrial East Asia*, Cambridge, Mass: Harvard University Press, pp112-125.

- Hofstede, G. (1980) *Culture's Consequences: International Differences in Work - Related Values*, Beverley Hills, CA and London: Sage.
- Hofstede, G. (2001) *Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations Across Nations*, Thousand Oaks, CA., New Delhi and London: Sage, Second Edition.
- Kerr, C., Dunlop, J.T., Harbison, F.H., Myers, C. (1973) *Industrialism and Industrial Man*, Harmondsworth, Middlesex: Penguin.
- Krueger, A. (1999) 'The East Asian experience and endogenous growth theory' in K. Ito, and A. Krueger, *Growth Theories in the Light of the East Asian Experience*, Chicago: University of Chicago Press, pp230-250. .
- Kogut, B., and Gittelman, M. (1997) 'Globalization' in [ed.] M. Warner, *Concise Encyclopedia of Business and Management*, London: Thomson, pp219-233.
- Maurice, M.; Sorge, A.; Warner, M. (1980) 'Societal differences in organizing manufacturing units: a comparison of France, West Germany and Great Britain', *Organization Studies*, 1, 1, 59-86.
- Ng, S-H., and Warner, M. (1998) *China's Trade Unions and Management*, London: Macmillan and New York: St. Martins Press.
- Ng, S-H., and Warner, M. (1999) 'Human resource management in Asia', in [eds] B. Morton and P. Joynt, *The Global HR Manager*, London: IPD.
- Nolan, P. (2001) *China and the Global Business Revolution*, Basingstoke: Palgrave.
- Poole, M (1997) 'Industrial and labour relations' in M.Warner [ed.] *IEBM Concise Encyclopedia of Business and Management*, London: International Thomson Business Press, pp264-282.
- Redding, G. (1990) *The Spirit of Chinese Capitalism*. Berlin: de Gruyter.
- Reserve Bank of Australia, *Monthly Bulletin*, August 2001, p. S84.
- Rowley, C. (1997) 'Introduction: comparisons and perspectives on HRM in the Asia-Pacific', Special Issue: Human Resource Management in the Asia-Pacific Region Questioned, *Asia-Pacific Business Review* , 3, 4, 1-18.
- Rowley, C., and Benson, J. (2000) 'Global Labour? Issue and Themes', in [eds.] C. Rowley and J. Benson, *Globalization and Labour in the Asia-Pacific Region*, London and Portland, OR: Frank Cass, pp1 -14.
- Sano, Y. (1995) *Human Resource Management in Japan*. Tokyo: Keio University Press.

- Selmer J., (1999) 'Human Resource Management in Asia' in [ed.] M. Warner, *Management in Asia-Pacific*, vol. 2 of the *Regional Encyclopedia of Business and Management* (4 vols), London: Thomson Learning, pp.110-114.
- Taylor, B. (1999) 'Japanese manufacturing style in China? Production practices in Japanese manufacturing plants'. *New Technology, Work and Employment*, 14, 2, 129-142.
- Thurley, K. (1988) 'Trade unionism in Asian countries' in [eds] Y.C.Yao, David A. Levin, S-H. Ng and E. Sinn, *Labour Movement in A Changing Society: the Experience of Hong Kong*. Hong Kong: Centre for Asian Studies, University of Hong Kong.
- Wade, R. (1990) *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, Princeton: Princeton University Press.
- Walder, A. (1986) *Communist Neo-Traditionalism: Work and Authority in Chinese Industry*. Berkeley, CA: University of California Press.
- Warner, M. (1992) *How Chinese Managers Learn*, London: Macmillan and New York: St.Martins' Press.
- Warner, M. (1993) 'Human Resource Management "with Chinese characteristics"', *International Journal of Human Resource Management*, 4, 1, 45-65.
- Warner, M. (1995) *The Management of Human Resources in Chinese Industry*, London: Macmillan and New York: St. Martins Press.
- Warner, M. (1996) 'Chinese enterprise reform, human resources and the 1994 labour law', *International Journal of Human Resource Management*, 7: 779-796.
- Warner, M. (1999) [ed.] *China's Managerial Revolution*, London and Portland, OR: Frank Cass.
- Warner, M. (2000a) "Introduction: the Asia-Pacific HRM model revisited." *International Journal of Human Resource Management*, 11, 2, 171-182
- Warner, M. [ed.](2000b) *Changing Workplace Relations in the Chinese Economy*, London: Macmillan and New York, St. Martin's Press.
- Warner, M. and Ng, S-H (1999) 'Collective contracts in Chinese enterprises: a new brand of collective bargaining under "market socialism'. *British Journal of Industrial Relations*, 37, 2, 295-314.
- Whittaker, D. H. (1998) 'Labour unions and industrial relations in Japan: crumbling pillar or forging a "third way"', *Industrial Relations Journal*, 29, 4, 280-294.
- World Bank, (2000) *Quarterly Update on China*, Washington, DC: World Bank, p. 4.

Zhu, Y., Chen, I., Warner, M. (2000) 'HRM in Taiwan: an empirical case-study', *Human Resources Journal*, 10,4, 32-44.

## Notes

<sup>1</sup> By 'soft' here, we mean the opposite of 'hard' and do not imply that 'soft' means acceptable or easy. The term is not used to indicate any value-preference.

<sup>2</sup> We are well aware that 'city-States' like Hong Kong and Singapore that have long existed as 'entrepots' cannot be considered in the same way as large nation-States, like China or Indonesia.

<sup>3</sup> The reliability of Chinese official statistics is often considered problematic.

<sup>4</sup> The crises of 1997 and more recently of 2001 have of course detrimentally affected the level of these surpluses or reserves.

<sup>5</sup> The PRC has recently signed a Memorandum of Understanding for cooperation between the ILO and the Ministry of Labour and Social Security in early May 2001.

<sup>6</sup> An final agreement enabling Chinese entry into the WTO was finalized in early September, 2001.

<sup>7</sup> Indeed, the Government of the normally 'laissez-faire' Hong Kong SAR even intervened in the stock-market when it has fallen dramatically.

<sup>8</sup> The term 'Asian' has been used here as the inverse of 'Western' but there are of course many areas of over-lap..

<sup>9</sup> There is more than a linguistic misunderstanding involved here; there is perhaps an element of 'wishful thinking'.

<sup>10</sup> The implications of terrorism in New York City and then the Afghan war will no doubt have far-reaching effects, not withstanding a deepening of the existing economic downturn, leading to profound implications for the Asia Pacific economies.