A memorial volume for the late Professor Keith Thurley,
dedicated to Mrs Elizabeth Thurley
WORK AND SOCIETY
Labour and Human Resources in East Asia

Edited by
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Foreword
It is heartening to see this memorial volume, which includes 18 essays (or 19, including the Epilogue) written by the friends, colleagues and students of Keith Thurley, published by Hong Kong University Press. I believe that his wife, Elizabeth, will be pleased with the publication of this important volume of collected works which commemorates her late husband.

The essays collected here shed light on various aspects of the new paradigm of management knowledge, as well as on current managerial and industrial relations issues, as set out in the cross-cultural context of dealing with human resources in different East Asian societies. Among these societies lie ample commonalities in people’s assumptions, values and practices, yet there are also noticeable important diversities and national specificities. Our understanding of the Asian characteristics touched upon in these essays has not hitherto been penetrating enough. This book is timely in the sense that it fills some gaps during a period in which the world is fascinated by the achievements of Asian economies.

Keith Thurley was highly inspiring to us in terms of appreciating cross-cultural dimensions. He saw no universal model, but rather a set of interactive cultures. He interpreted these diversities with an increasingly broad and societal management approach which was conducive to deeper understanding and mutual acceptance of the roles of all parties in a pluralistic organizational environment. He practised such an approach in his research, much of which was done in collaboration with an extensive network of British and international colleagues — notably in Japan, the Far East and Europe. This network encompassed both academics and those with key responsibilities in business enterprises.

A central tenet of Keith Thurley’s work was that any claim to knowledge in business studies was only valid when it had been tested in the field. The appreciation of corporate business strategies, he believed, depended on an understanding, both in depth and breadth, of the scope of a firm’s current and proposed operations as well as the impact of these on all stakeholders — customers, shareholders, employees and suppliers alike. He saw in the organizing
of student-based field studies a creative methodology by which they could come to grips with the practical world and abstract logic of business behaviour. He was therefore an active sponsor of well-taught and well-directed students who were trained to acquire data systematically and to apply their learning sensitively and creatively in grassroots situations.

A sizeable proportion of the essays in this volume are written by Thurley’s students, who have inherited the tradition of testing theory in the field. Other contributors are his colleagues and associates, who also share his view. In 1992, the Keith Thurley Foundation was established in a concerted and organized attempt to continue and further this approach in Rotterdam, Holland. Now in the third year since its inception, the Stichting Keith Thurley Foundation for International Student Projects has as its main purpose been providing opportunities, backed by financial support, for students to go abroad to conduct field studies complementary to their teaching programmes.

As a tribute to Professor Thurley, let us hope that both this memorial volume and the foundation will increase mutual understanding in today’s increasingly compact world, and help enrich the fund of human knowledge, which transcends international and cultural boundaries. It is a mission to which Keith devoted his entire career, and we pledge to follow in his footsteps.

Pjotr Hesseling
Rotterdam, Holland
September 1995
This book has been compiled as a memorial volume to commemorate a renowned scholar, the late Professor Keith E. Thurley, to whom we wish to pay tribute both as our great teacher and as our good friend. He passed away due to a heart attack while lecturing at an international seminar in London in January 1992. He was, at that time, the Professor of Personnel Management and Industrial Relations at the London School of Economics and Political Science, University of London.

The essays collected in this volume are written by Professor Thurley’s friends, colleagues and students. These writings were conceived within a framework of addressing, from a spectrum of perspectives, current key issues of management and human resources in the geo-cultural context of East Asia. The almost unprecedented rapidity of growth in this region has captured the world’s imagination. The region has become the practising bastion of modern Western business values and work ethos which are rooted, however, in traditional Oriental philosophies such as Confucianism. It is a part of the world whose cultural temperament and social dynamism always interested Professor Thurley, who spent much of his career studying its people and societies, and working with East Asian students.

We have not organized these essays around an identified nexus because we do not wish to feature Professor Thurley as the founder of any enshrined school of thought. Not only would this be pretentious, but it would also fail to illustrate the breadth and scope of the inspiration he provided us. Yet these essays have, in various places, assimilated many of the insights which Professor Thurley communicated in his day-to-day contact with us. Not always recorded formally in academic literature, these pertinent insights have had a profound influence on the perspectives and thinking of many of the contributors to this volume. It is our hope to echo the wisdom of this respected scholar in the writings collected here.

On various occasions Professor Thurley stimulated us to examine conventional wisdom — with implications which may add to the future
paradigm of knowledge. One remarkable example of the way in which he accomplished this is his reflection upon the role of an academic, hitherto recognized principally through his/her credentials or published works. This convention has been compounded, he observed, by the closeness with which intellectual property has come to be guarded today. He regretfully noted that knowledge has thus been reduced to a saleable commodity for private possession and disposal. Whatever its rationale in the context of modern wisdom, this parochial claim to intellectual ownership has been detrimental to the intrinsic nature of knowledge, which originally epitomized a frontier shared unselfishly. Professor Thurley’s preference was to emulate Confucius in the steadfast practice of education by associating with, speaking to, or lecturing his students and audience — rather than indulging in the profitable industry of publication, in spite of the fact that the latter is the popular route to academic self-vindication.

Professor Thurley also inspired us through his interest in women’s role in society, and his concern about the depressed status of females in places in which they remain captives of disabling traditional or religious lore. He was, however, pleased with the liberal trend now creeping across East Asia, where politicians and ordinary people are today far more articulate about human rights, antidiscrimination and gender-parity issues than they were in the past. He drew our attention to national income accountants’ failure to compute and attach a commensurate cash value to housework. If reckoned properly, the market value of housework would probably serve to eliminate the lack of respect awarded to tasks traditionally performed by women. However, Professor Thurley also warned against over-commercializing the private domain of family life, although there have already been signs of a growing salaried market for domestic work in cities like Hong Kong, which draw upon the ample manpower supply of its poorer neighbours such as the Philippines, Thailand and other newly industrialized economies (NIEs).

Professor Thurley did not lack a sense of humour. His wit was profound and refreshing. For instance, the following remarks made in casual conversation vividly reflect some important East-West contrasts which add, in a culture-relativistic context, to the understanding of the political economy of East Asia: ‘In modern China, there has been one party but more than one policy alternative because of factionalism. In the West, there has tended to be a multi-party system but one policy because of competition.’ And, ‘England is collectively pessimistic but individually optimistic; Japan is collectively optimistic but individually pessimistic.’

We wish to thank the contributors to this volume about East Asia, a location which appealed to Professor Thurley partly because of his Japanese wife. It was customary for Professor Thurley and his wife, Elizabeth, to stop in Hong Kong en route to Japan, which they visited yearly. His explanation for the detour was that Hong Kong was on their way. But the reason concealed the Thurleys’ deep and consistent affection for the city. The couple spent their
honeymoon here after their wedding in the early fifties, and their daughter, Sarah, practised physiotherapy here for a year shortly after graduating in London. Accordingly, the Thurleys’ associates in Hong Kong are numerous. This warm connection helps explain the large number of contributors to this volume who are from Hong Kong. We are particularly grateful to the Hong Kong University Press for publishing this collective work.

In the process of compiling this volume, it has been necessary for the editors to restructure some of the contributed essays by making them consistent in form for the sake of the book’s coherence. While each essay represents a high value individually, the re-tailoring exercise has enabled us to produce, by integrating nine original contributions, three condensed items. These include chapter two, ‘Enterprise, Its Management and Culture: A Comparative Reflection in a Transnational Context’; chapter eleven, ‘Industrial Harmony, Trade Union Movement and Labour Administration in Hong Kong’; and chapter sixteen, ‘The Role of the State and Labour’s Response to Industrial Development: An Asian Drama of Three New Industrial Economies’. We are indebted to the authors who contributed to these three re-configurated essays — the writing of which would have been impossible without their rich ideas and resourceful analyses which have now been abridged and transplanted from their original works. The editors are responsible for any errors and omissions which may have entered the text of the three essays after their re-casting.

There have been other sources of important support for this volume. We are grateful to Professor David Guest for writing the ‘Memorial Essay’ which is based largely on the memorial lecture he gave four years ago in London in remembrance of Professor Thurley. Professor Pjotr Hesseling, who mentored the founding of the Stichting Keith Thurley Foundation for International Student Projects, wrote the foreword of this volume. Peter Williams, a retired senior member of the Hong Kong civil service who saw through the implementation of the 1985 Sino-British Joint Declaration in those critical years after its signing in the 80s, reflects upon Hong Kong, Asia and Professor Thurley in the Epilogue, which he wrote jointly with Professor Ian Nish, one of the editors of this volume.

Our appreciation is also due to Agnes Tse for her important help in preparing the index. Last but not least, we wish to express our thanks to Henrietta Yim, secretary of the School of Business of the University of Hong Kong, and her secretarial staff, for their admirable patience and professional zeal in helping type and organize the manuscripts which make up this volume.

We wish to dedicate this memorial volume to Elizabeth Thurley, and hope it will serve as a tribute to the late Professor Thurley.

The Editors
September 1995
Memorial Essay: Professor Keith Thurley and an Intellectual Appreciation

David E. Guest

It is a great privilege to be invited to write this essay in memory of Professor Keith Thurley. It is also an immensely difficult task. There were so many strands in Keith Thurley’s busy life that I can only hope to assess his intellectual contribution by identifying some key themes, which can impart the flavour of his work. In outlining them, I acknowledge the inevitable omissions. In preparing this chapter, I also acknowledge the help given by others who knew him well.

My first contact with Thurley was probably quite typical. In 1968, I was a young postgraduate researcher at Birkbeck, working closely with the National Ports Council on the evaluation of training. The council held a workshop on The Evaluation of Supervisory Training to bring together various aspects of its work. At that time Keith Thurley had become established as the national expert on supervisory training. He had published a highly influential pamphlet criticizing the traditional approach to the training of supervisors, which was based on a set of common skills and built around standard Training Within Industry (TWI) programmes. In the workshop a number of disparate papers of varying quality were presented. In the final session, Keith Thurley provided a masterful integrative summary of the workshop. He found something positive to say about each paper; indeed he was kind enough to compliment me on my Weberian analysis. I was immensely impressed and flattered, although at the time I had no idea what he meant. Basking in the glow of his praise, I was happy to comply when he suggested that one of his most promising doctoral students might like to assist me with some of my data collection as a way of learning something about the nature of dock work. In this way I came to work with Stephen Hill, now Professor Stephen Hill of the Sociology Department
at LSE who subsequently wrote up his thesis in his well-known book *The Dock Workers*. Thurley used the workshop to stimulate thinking, to extend his contacts and converts and to gain access for his students. He continued along this path for the remainder of his academic life.

### Supervision, Bureaucracy and Change

Keith Thurley initially established his reputation through his research on supervision, and his ideas about supervision remained a major influence on much of his subsequent work. They are therefore worth elaborating.

After National Service in Japan and a short spell as Personnel Officer at Courtaulds, Thurley returned to the LSE as a researcher to work on a supervision project. He embarked on the project at a time when studies of leadership were very much in fashion and leadership style was seen as the key to effective group performance. This was reflected in the TWI schemes referred to earlier, and later in the National Examination Board in Supervisory Studies (NEBSS) syllabus. Thurley challenged conventional thinking and conventional methods of studying supervision. He emphasized the importance of observing supervisory behaviour using forms of activity sampling. This revealed a great deal of variety in the nature of supervisory work. As a result of this variety, general prescriptions were unlikely to be effective. Furthermore, the most critical element of the supervisory role was the ability to handle contingencies. Many of these contingencies were unpredictable and many arose from factors outside the supervisor’s control. Analysis of these contingencies led to the view that the supervisory role can only be understood and changed within the wider organizational and societal context. As he noted: ‘supervisor behaviour itself only reflected a compromise position between pressures from different parties in the situation, each with their own objectives . . . If supervisory behaviour is defective, then the causes may lie beyond supervision itself.’

This view emphasizes two points. One is that it is wrong to make scapegoats of supervisors — or indeed those in other complex roles. The second is that change in supervisory performance has to result from change in the larger system. It is not enough to try to change the supervisor through training. This was not an easy message to communicate, nor, at the time, was it a very popular one.

In 1964, Keith Thurley and his long-standing friend and collaborator from Sweden, Hans Wirdenius, were ready to write a book reporting their findings on supervision. It was to be based on production systems and would advocate a technocratic approach to analysis of supervisory behaviour and roles. But the problem of change remained unresolved. This required a new drawing board. Further research was conducted on the supervisory role within the larger work organization of construction companies and local government.
Much of this material was eventually brought together in their jointly authored 1973 publication, *Supervision: A Reappraisal*.

This book is ostensibly about supervision, but in reality is more concerned with strategies for change, with special reference to change in supervision. The ideas presented in this volume stayed with Thurley and remained central to much of his teaching. Arguably, they represent his major intellectual contribution.

The traditional approach to analysis of the process of change in organizations has followed Chin and Benne in identifying three general strategies. These are a power-coercive strategy, based on negotiation or imposition of power by a dominant interest group. Second is a normative re-educative strategy, which focuses on changing values and beliefs in the expectation that a change in attitude will be followed by a change in behaviour. The third approach, known as the empirical-rational strategy, uses evidence and data to present a reasoned case for a particular outcome. Keith Thurley’s more extended analysis of supervisory roles led him to the conclusion that none of these was sufficient.

Reflecting his strong roots in the LSE sociological tradition, and influenced by the ideas of Weber, Parsons and Popper, Thurley concluded that the supervisory role was not fully integrated into organizations. Supervisors were left in a somewhat ambiguous position. While their success depended on dealing with contingencies, their uncertain role led to a certain defensiveness and reluctance to innovate. There was therefore a need to bolster the role and to generate innovative action by mobilizing support from key sources of power within the bureaucratic system. The starting point for this was the perception of problems as defined by the actors in the particular setting, together with a careful analysis of the role system. These provided an initial ‘theory’ and a basis for action. This theory will inevitably fail — it will be refuted — resulting in further diagnosis and further action in a recursive cycle.

This approach represents a fourth distinct strategy of change, an action-based approach which starts from the perceptions of key actors and from role analysis. Action cyclically follows analysis. Commitment to change is generated through the involvement of actors in a concrete project. This strategy of change is complex, demanding of time, energy and people but, Thurley would argue, is essential if improvements in supervision are to take place. The approach has been tried and tested in a variety of contexts, including the London docks and construction sites. Part of the approach, and one of its outcomes, is a series of demonstration case studies, based on careful evaluation exercises.

**Building on Supervision**

Several themes apparent in the work on supervision persisted in Keith Thurley’s later work and reflected recurring interests throughout his academic life. Three of these are worth discussing briefly.
(i) **The study of roles.** Thurley was drawn to the study of complex ambiguous roles in bureaucratic contexts. This reflected in part a natural sympathy for the underdog. The role of the personnel manager was thus an obvious candidate for his interest. Thurley was the first LSE professor of Industrial Relations with special reference to Personnel Management. It was therefore natural that he should address this issue in his inaugural lecture. Essentially, what he argued was that the personnel manager, like the supervisor, did not fill a clear role and therefore spent far too much time attempting to stake out a defensible position. Meanwhile the personnel function, so critical for organizational effectiveness, was neglected, since no one else wanted full responsibility for it. The question posed by the inaugural lecture, ‘Personnel Management in the UK: An Urgent Case for Treatment?’ implied a certain sickness in the role.

More recently Thurley switched his attention to middle management. Once again, the role could be seen as increasingly ambiguous in bureaucratic organizations. Like supervisors, middle managers were squeezed harder and harder from above and below. Thurley’s work for the European Foundation, in collaboration with Riccardo Peccei at the LSE, sought ways out of this impasse through Europe-wide study and collaboration.

(ii) **The importance of management.** Keith Thurley was a pioneer within British industrial sociology in emphasizing the importance of management. Nowadays it is largely taken for granted that management is central to any sensible analysis of organizations and organizational behaviour. But at the time the dominant theme was the study of blue collar workers and the importance of class. In a way Thurley’s timing was unfortunate, since publication of his initial work on supervision coincided with the Affluent Worker studies of Goldthorpe and his colleagues, which had a huge influence on the research agenda.

An influential introduction to a special issue of the *British Journal of Industrial Relations*, written jointly with Stephen Hill, signalled the importance of management in industrial relations. The topic of the introduction was industrial sociology and industrial relations. It was one of the first pieces to draw attention to the serious neglect of the study of management. This theme was elaborated at an SSRC conference Thurley and Stephen Wood organized at Cumberland Lodge. Presentations at the conference were subsequently published as a jointly edited book *Industrial Relations and Management Strategy*. The conference and the book have helped to ensure that, since that time, management has been firmly on the research agenda.

(iii) **Project-based research.** Thurley believed strongly in learning by doing. This was particularly necessary, so he held, in international work. He was
dismissive of the conferences held by some international organizations in which a sequence of speakers, interspersed at best with brief discussions, presented their viewpoints which were usually their own national perspectives. He preferred focused contact around some sort of shared activity. By working together on a problem, he believed, barriers to understanding were revealed and barriers to progress brought out into the open and tackled. This approach, which is an extension of his action-based problem solving strategy for organizational change, was his preferred way of working in any setting. His bravest attempt to apply the approach was in a major project undertaken in collaboration with Tom Lyons of the Irish Productivity Institute designed to improve understanding between Ulster and Eire managers by finding projects for them to work on together. However, the fullest expression of the approach is to be found in his engineers project, which merits more detailed attention.

The Utilization of Engineers

During his last five years, the engineering project, which was partly funded by the LSE’s Suntory-Toyota International Centre for Economics and Related Disciplines (STICERD), was one of Keith Thurley’s major activities. The aim was to conduct a comparative study of the utilization of engineering talent. The use of human resources was an issue of abiding interest to Thurley as an educator and specialist in human resource/personnel issues. The focus on engineers provided an opportunity to study yet another problematic role, with the added bonus that the problem seemed to be a uniquely British one, the treatment of engineers being very different in Germany and Japan, the two countries in which he initially looked for comparative information.

The project is an excellent example of Thurley’s project-based comparative research. It attracted the active involvement of all those affected by the research. A sample of engineers were expected to keep diaries on their training experience and to participate in feedback sessions on the diaries’ content. Policy makers and trainers in organizations were equally involved, supplying information and participating in workshops to feed it back and attempt to understand it. All this emerged from collaboration, very much led by Thurley, with a team of international researchers drawn from his wide range of contacts, most of whom were friends as well as colleagues. The findings were disseminated and the project further developed through a series of workshops and pamphlets rather than as presentations at academic conferences and articles in journals. The commitment, at least at this stage, was more to the participants in the exercise than to the wider academic community. In a sense, the project-based research process became an end in itself.

The project was typical also in its comparative focus. As already noted, the
initial countries participating were Germany and Japan. Germany was a key example of a well-developed professional model of engineering; Japan was at the opposite extreme, emphasizing the importance of role and activity rather than professional knowledge. Soon scholars from other countries including Sweden, France and Italy, their interest in this topic stimulated by Thurley’s enthusiasm, were drawn in. A final element was the need for a co-ordinator who could provide order in the kind of ambiguity that Thurley enjoyed. In this case the role was extremely well filled by Alice Lam, who is writing up the Anglo-Japanese comparative findings.8

The project was not quite completed at the time of Thurley’s death, but by then the initial findings and the emerging pattern of the analysis were reasonably clear. For the UK the findings are radical, but, to those who knew Thurley, predictable. The project’s findings show that the Finniston diagnosis, that there is a chronic shortage of engineers in the UK reflecting a supply problem, is incorrect. The real problem is the failure to make full and proper use of the country’s engineers. This failure can be partly traced back to the class system and the limited view of the engineering role. This in turn has been reinforced by the pervasiveness of bureaucratic forms of organization which confine and compartmentalize engineers. The remedy lies in projects to increase utilization and development through shared learning. Indeed, Thurley’s proposals for change are similar to those which he advocated previously for supervisors. The Japanese system of rewarding a group rather than individuals is more likely to facilitate these proposals than is the more individualistic and competitive UK approach. In other words, there are important lessons, but they can only be learnt through comparative research.

Comparative Research: Europe

Thurley is probably best known for his comparative work. I would like to focus first on his European work and then on his work concerned with Japan and Southeast Asia.

Thurley’s ideas about Europe can be found in Towards European Management, another book which he co-authored with Hans Wirdenius.9 At heart, Thurley was very committed to Europe. His early comparative research was conducted in Sweden with Wirdenius, and the influence of his Scandinavian links has stayed with him. These have been reinforced by other North European contacts, most notably with Pjotr Hesseling, Professor of Business Management at Erasmus University, Rotterdam. Thurley was also influenced by the approach of the Tavistock Institute of Human Relations, and served for many years on its council. All these contacts encouraged a focus on complex, open systems. Such systems provided a marked contrast with what he saw as an American tendency, which gathered strength and influence in the 1980s, towards simplistic quick ‘fix’ solutions.
The prescription in *Towards European Management* (the word ‘towards’ is important) is the adoption of a North European or Scandinavian model of work organizations. This involves a pluralist perspective emphasizing the need to recognize interest groups and channel interests through mechanisms of industrial democracy. Only then can high trust be generated, which in turn can lead to empowerment, commitment and enthusiasm. A European perspective would challenge class barriers, traditional role allocations and professionalism and replace them with emphasis on utilization of human talent. Two specific features to develop would be the scope of research and development and the use of talent through co-operative learning. Consequences would include much greater opportunity for delegation within the organization and an increased status for core activities such as production management.

These ideas were tested out on a group of management students during a term of teaching at Copenhagen Business School. Of course the ideas were not static; their aim was largely to stimulate debate and if possible inspire action. There was a serious academic intent to develop a third ‘model’ to set alongside the American and Japanese ‘world views’ of management. Inevitably, *Towards European Management* also implied an urgent critique of management in the UK. Indeed at times Thurley seemed to feel a growing sense of mission to save Europe, and especially the UK, from the overwhelming influence of America and Japan.

### Comparative Research: Japan

Most people probably know Thurley best because of his associations with Japan. It is important to remember that he also worked extensively in Hong Kong where he was well known and highly respected, and that his research interests extended to various countries in Southeast Asia, including China.

Keith’s intellectual contribution to Japan and Japanese management is hard to pin down. He was not a Japanologist, though he was very knowledgeable about the country. Indeed, over many years he taught a highly successful undergraduate programme on Japanese Society for the Sociology Department at LSE. He was also at an advanced planning stage of a book on Japanese management, and had jointly edited a set of writings on comparative Japanese management. His main research either incorporated Japan as part of a comparative study or focused on the Japanese in the UK.

His major work in this field was his study of personnel management practices of Japanese companies in the UK, when they first arrived in the early 1980s. His research provided an early antidote to advocates of the wholesale adoption of Japanese management techniques. What his research team was able to show was that Japanese manufacturers tended to export the ‘hardware’ of production management, and adapted the ‘software’ of human resource
management to local conditions. Furthermore, these manufacturers took very
great care to learn about local conditions. In all policy and practice the Japanese
typically took a long term view, something reflected in particular in the care
they took with selection and training of staff.11

Thurley’s most important role with respect to Japan was that of a catalyst,
bridge builder and communicator. He was closely involved with organizations
to promote understanding of Japan. He used Japan as a mirror to reflect UK
practices. Because Japan and the UK were so obviously different, their
comparison provided a particularly useful opportunity for development of shared
learning and understanding. Thurley believed there were particular lessons for
the West in the role systems of Japanese companies and in what he termed
their ‘mass utilization of talent’.

Keith Thurley as an Educator

The preceding comments on Japan highlight Keith Thurley’s key role as an
educator. Certainly he will be remembered as a teacher, an educator and a
catalyst. He was immensely proud to work at the London School of Economics
and was deeply committed to its international and interdisciplinary focus. He
believed in utilizing talent and in the potential to unlock talent in everyone.
Sometimes this meant he attracted difficult or overdependent students. But
they always benefited from the experience of working with him.

In many ways, Keith Thurley was a brilliant social scientist, yet never a
prolific worker. Part of the explanation for his relatively modest publishing
record lies in his excitement about research and his desire to get on with the
many tantalizing projects to hand. Writing up and publishing the last one was
too much of a distraction. Furthermore, both the complex team-based research
he favoured and his unselfish willingness to help colleagues and students absorbed
considerable time and energy. Publishing was also difficult for Thurley because
when it came to serious academic writing he was cautious and careful. This is
most apparent in his work on supervision. The work had to be delayed until
Thurley was certain it satisfied him, and the piece which was eventually published
attempted to reflect the complexity of the supervisor problem. Thurley was
unwilling to oversimplify. He was pleased and irritated in equal measure when
members of his research teams were eager to rush to print. And he was always
generous, perhaps too generous, in allowing others to publish his research
under their own names.

As a teacher at LSE, Keith stimulated a concern for policy, application and
action. This was particularly apparent in the graduate course on organizational
analysis and change, which Keith Thurley, Stephen Wood and I developed,
and which we jointly taught for many years. It often took some time for
students to see what Thurley was driving at. He presented material at a level
of abstraction he found essential for mapping the complexity of organizational change, but which students without industrial experience found difficult. But from time to time, and increasingly as the course progressed, they would see shafts of light. At his best in these sessions, Keith was brilliant, both analytically and as a radical advocate of change. He followed the tradition of Nancy Seear on the Personnel Management programme, a tradition I strongly endorse. LSE graduates were not meant to feel comfortable with the status quo. They were sent out into Personnel Departments and other parts of organizations with the conceptual frameworks and the vision to change organizations and better utilize human resources. It is important that this tradition lives on at LSE.

If Keith Thurley made demands on his students, he made even more on himself. He always worked too hard, but generally he enjoyed it. I remember the first time I went to work with him in Hong Kong. We had a tight programme but there was one day off. Not knowing when I would return to Hong Kong, I suggested a day trip into China. Later he triumphantly announced he had fixed the day ‘off’ in China. We were to give lectures at the new University of Shenzhen and meet some of the senior staff. A factory visit was also arranged.

If anything, Keith Thurley’s workload increased in later years. Nevertheless, he was unfailingly kind to his many visitors who beat a path to his office door from all over the world. Like so many of his students, they were engaged by the man, by his approach to work and by his friendship. Inevitably he left much work unfinished. Some, we hope, will eventually appear in print. Meanwhile his ideas live on in his students, his friends, his colleagues and the many others he influenced. But the man himself will be sadly missed.

Notes

1. This Memorial Essay is based upon the lecture presented by the author at the London School of Economics and Political Science on the occasion of the memorial service for Professor Thurley on 23 March 1992. Professor Thurley died suddenly of a heart attack on 27 January 1992, at the age of 60.
Introduction

The Editors

The essays collected in this volume have been grouped in three sections. The first deals with different aspects of managing a business and organizing work in the East Asian setting. Beginning this section, chapter two, entitled ‘Enterprise, Its Management and Culture: A Comparative Reflection in a Transnational Context’, addresses the culture factor in the shaping of a variety of modern perspectives on managing people and work across different societies. It argues that the mainstream literature, previously dominated by Western writings derived from Euro-American experiences, has become increasingly culture-sensitive since the arrival on the scene in the late 70s and onwards of the internationally successful Japanese enterprise. It traces the way in which Western attempts to emulate the efficacious management styles and practices of Japan lead, first, to the hybrid image of a mixed ‘Japanese-American’ prescription called the ‘Theory Z’ organization and later, to the entire agenda of cultural adaptations in a new era of business internationalization, in which multinational corporations operate across various cultural and national frontiers. Illustrating with case-studies of a Swedish-Polish joint-venture and of human resource management in Japanese multinational corporations in France, it examines the question of transferability of managerial know-how and skills, as well as the twin issues of the scope and strategy for cross-cultural collaboration and ‘multi-cultural’ accommodation. The authors see in China an important arena for further testing of this culture thesis now that modernizing Chinese enterprises are anxious to adopt, against their socialist background, trendy management concepts such as that of the enterprise culture.

Chapter three, ‘Adaptation Issues in the Internationalization of Business: The Experience of Japanese Managers Overseas’, looks at the transnational
dimensions of managerial and work behaviour more specifically from the perspective of organizing, selecting and preparing appropriate human resources for enterprises and organizations. Drawing empirical references from a Hong Kong study of Japanese firms, this chapter identifies a number of key adaptation problems associated with the assignments of Japanese managers to their subsidiaries abroad, as well as the coping devices which both employees and employers have adopted in facilitating the transition. The study uncovered sufficient friction in the Japan-to-Hong Kong acclimatization processes to create scepticism about the logic of continuing, as has been almost a corporate tradition in Japan, an ethnocentric approach to the internationalization of business. The study poses a challenge which Japanese corporations may need to address in the future if they wish to make their international operations less alien to their host societies.

Such a culture focus, and the importance of tailoring top-level decision making and planning mechanisms of corporations so that they consider its effects, are lucidly discussed in chapter four, ‘Directors and Boards: The East Asian Experience’. This chapter questions the way in which joint-stock corporations — originally a Western concept — have been adapted to the predominantly Confucian and often authoritarian nations of East Asia by exploring these nations’ respective arrangements for corporate governance in their incorporated companies. The experiences of the East Asian NIEs, such as Singapore, Malaysia, Thailand, the Philippines, Indonesia, Hong Kong and China as they undergo modernization, are reviewed in comparison to the more established practices of corporate governance in the UK, Germany, Japan, etc. Acknowledging the importance of both technical rationality and cultural prudence in the design of company boards, this chapter points out the options for re-inventing the corporation in ways suited to the emerging situation in China and East Asia. This discourse may provide useful lesson for other nations now in search of workable model(s) to help improve the performance of their companies’ boards.

The question of whether corporate information strategies can be formulated in a relatively technocratic fashion, free from the constraints of any culture-bound preferences of the designers, is posed in chapter five, ‘Corporate Information Strategy: Some Key Issues in the Hong Kong Context’. This chapter examines empirically the behavioural propensities of corporate information managers in Hong Kong, in terms of their choice of either centralization or decentralization as a strategy for fashioning their companies’ installation and utilization of information systems. Analysing the research data with reference to the variables of (i) organizational objectives, (ii) economic dimensions, (iii) technological influences and (iv) organizational structure, the study reveals, rather consistently, a preference of the Hong Kong firms investigated for a centralization strategy for designing corporate information systems and activities. However, there are also growing signs of a shift towards
intermediate arrangements as a compromise. The question remains, therefore, as to the extent to which such preferences are in fact explained by an Oriental (and conservative) concern for authoritarian and structured control, as a culturally determined property which defies the global trend (noticeably, in the west) of organizational decentralization in search of the pay-off of flexibility.

The importance of rediscovering ancient teachings in instructing the practice and logic of modern management is highlighted in chapter six, ‘Three Chinese Sages and Modern Theories of Human Resource Management’. Although the setting and the text of these classic writings are Oriental, the paper attempts to transcend parochial frontiers by demonstrating that the three classic Chinese scholars Confucius, Sun Zi and Han Fei Zi are worth studying and emulating in other cultures, provided that there are suitable adaptations to the context of modern management theories and to the local environment where they are being applied. It is argued, in particular, that human resource management today can be enriched substantially by the reinterpretation of these Chinese classics, which offer cross-cultural similarities to Western theories on leadership and management in the contemporary literature.

The debate as to whether there exists a distinctively Asian approach to work values and organizations is an explicit theme of chapter seven, ‘Work Values and Organizations: A Glimpse of the Asian Syndrome’. It notes that the east-west cultural divide does not necessarily imply divergent assumptions and practices about work and relations in work places; yet it concedes that the universal theme of industrial determinism, which postulates the convergence of societies in evolving increasingly similar values and institutions as they industrialize, has been contradicted by the amazing growth of the Japanese economy since the 1970s, which suggests that the culture variable could explain the success of some national types rather than others. However, the essay is optimistic in claiming that this culture-bound argument has given rise to a more systematic inquiry into the logic of performance in East Asian enterprises. This academic curiosity is probably oriented towards the industrial agenda of, inter alia, stimulating business and economic renewal in the west, which is now in the doldrums of sustained stagflation.

The second section of this book deals with East Asian people and society. Chapter eight, the first in the section, is entitled ‘Capitalism and Civil Society in China and the Role of Hong Kong’. It discusses Hong Kong’s future under China’s rule. Giving a critical prognosis of China’s potential to develop into a modern civil society considering the influence of its political philosophy, its history of evolving science and technology, its administrative traditions and Confucian values, this essay discusses the inherent contradictions of a socialist market economy which may make it difficult for China to become a country which promotes individualism, specialization and abstraction, as well as other regulatory institutions which are part of a civil society. However, the article is very positive about the leverage provided by ‘very powerful, ultimately
Confucian, value systems’ and suggests that Hong Kong can play a key role in China’s development by virtue of both its heritage of China’s tradition and its role as a cosmopolitan social laboratory for the mainland.

Central to the people and society of Hong Kong is its work ethic, which is known for its rigour and is believed to have lead to an industrious, instrumentally oriented and adaptable labour force. Chapter nine, ‘The Hong Kong Work Ethic’, examines the topic suggested by the title using a rich variety of empirical evidence dealing with the following issues: (i) the individual’s urge to succeed, (ii) hedonism vs deferred gratification, (iii) worker diligence, (iv) submissiveness of the worker to authority, and (v) work-centredness vs marginalization. Against the post-war background of the territory’s socio-economic development, this essay raises the question of whether or not worker attitudes have remained unaltered since the Second World War. It points out visible changes in Hong Kong workers’ lifestyle and the social meaning attached to work, with notable implications of these transformations on labour-management relations in the work place.

What has influenced the performance and productivity of the Hong Kong labour force is not just the work attitudes of its people but also the quality of their education both before and after they join the full-time labour force. Chapter ten, ‘Management Education in Hong Kong: Some Issues and Strategies’, deals with the territory’s efforts in the area of human (capital) investment, that is management education. It reviews some of the classic writings on the role of these training-cum-education activities for industrialized and industrializing societies, pointing to a variety of options and issues covered in the philosophy, logic and method of organizing and delivering applied work- and business-related education. The essay, however, is concerned about the present state of diversity of this industry in Hong Kong, where programmes and courses are offered by universities as well as private consultancy or tuition firms, both locally and in collaboration with overseas institutions. Such pluralism in the provision of management education is seen as an outgrowth of, and commensurate with, Hong Kong’s ethos of marketplace competition. However, the essay notes that the management schools in the territory still need to address, as do those in other East Asian NIEs, the perennial issues of the gap between theory and practice, of matching learning and application, and of ensuring that skills taught truly suit the industry’s needs.

Beyond the frontier of education and training, a transcending theme in understanding East Asian NIEs’ people and societies has been the central imperative of industrial development, together with its repercussions for East Asian societies’ structure, superstructure, polity and industry. This is the focus of Chapter eleven, ‘The Role of the State and Labour’s Response to Industrial Development: An Asian “Drama” of Three New Industrial Economies’. The chapter begins by identifying certain common institutional and cultural factors shared by Singapore, Taiwan and South Korea in shaping their spectacular
industrializing successes since the 1970s, and argues for the strategic role of human resources in the future development of these three societies. Given the advances in their economies’ growth and their people’s affluence, the essay examines, from a comparative perspective, the interrelated agendas of labour legislation, wage control and industrial conflict as they have evolved in these three NIEs. This review subsequently leads to a paradoxical observation that the state has been conspicuously emasculated through these processes, in the currency of both economic development and political democratization which it has ironically sponsored. Such East Asian experiences, the essay suggests, add a new dimension to the classic writings of Kerr et al., Bell, Dore, Kassolow and other authors, by both concurring with and contradicting Kassolow’s conclusions about the effects of industrial development.

Chapter twelve closes the section by focusing upon Singapore’s recent effort to upgrade its people’s working life quality and increase their participation in the work place. This chapter, entitled ‘Quality of Working Life and Employee Participation in Singapore’, charts the present terrain of Singaporean companies in promoting and adopting a spectrum of activities pertaining to quality of working life (QWL) improvements and enhanced employee participation, which cover both non-financial arrangements such as suggestion schemes, quality control circles, and joint labour-management consultation, and financial provisions such as profit sharing plans, employee stock ownership plans, employee share option schemes and company stock ownership schemes. Although the efficacy and values of these QWL and participative schemes are hard to establish unequivocally, this essay is optimistic that they have helped create a more satisfied work-force as well as consolidate more democratic managerial styles in the Singaporean work place. However, it recognizes that the scope of such developments could be limited in the future, inasmuch as younger Singaporean workers will want more opportunities to share power with management, while local employers will be increasingly exposed in their relative incapability, as compared with their foreign counterparts, to organize and develop full-scale QWL programmes.

The propinquity of working life enhancement in society to the conflicting of interests between labour and management in the employment situation points to the main vein of discussions in the last section of this book, which are concerned with issues of labour and industrial relations. Three of the essays collected in this section are reflections on various aspects of the Japanese system, while two discuss the Hong Kong situation, one from the perspective of industrial harmony and the principal integrative institutions behind it, and the other presenting a longitudinal profile on past developments and future prospects of labour in Hong Kong. The last essay is about the Australian system, which, though it is theoretically outside the geographic horizon of East Asia, is highly relevant to the region’s concern about its future labour and human resource agenda. The essay offers critical insights into parallel experiences
in Australia from which East Asian societies can learn and gain as they move towards post-industrialism.

Chapter thirteen, entitled ‘The Japanese Labour Movement Under Rengo Leadership,’ is a succinct account of Rengo which puts the recently united Japanese Trade Union Confederation in a well-researched historical context. It lucidly explains why and how this new body was able to unite the once sharply fragmented Japanese labour movement and become one of the world’s largest trade union centres shortly after its formation. The essay begins with a narrative describing Japan’s labour history of union disunity dating back to the pre-war era, and follows with a portrayal of the politicized diversity in its unionism in the few decades after the war before analyzing the unifying factors and efforts which led to the inception of Rengo in the late 1980s. After surveying the philosophy, structure and leadership of the organization, this essay offers some critical thoughts on the future of Rengo, especially in terms of its prospects of being recognized as a true and equal partner in a tripartite system of industrial relations — a possibility which could be highly inspirational for other labour movements in the East Asian NIEs.

Whether Japanese practice is effectively emulated outside Japan is an issue of perennial interest for those who are sceptical as well as those who are fascinated by the new imagination Japan epitomizes. Chapter fourteen, ‘Japanese Industrial Practices and the Labour Contract’, provides some insight into this question. It identifies those salient aspects of the contractual relationship between the employer and the employed under Japanese employment practices, which include, inter alia, the non-distinctiveness of the contents of the employment contract, the importance of the principle of seniority, the norm of lifetime employment and the general liberty of the employer to transfer his/her employees at will. The essay points out the general reluctance of the courts, given the prevalence of such practices in the industry, to ascertain and establish explicitly whether a breach of contractual duties has been committed in disputes over rights pertaining to labour contracts. Instead, Japanese judges are characteristically more concerned with restoring the balance of interests and the power equilibrium between the two sides. The essay suggests that such a judicial approach and the conspicuous ambiguities of the labour contract, while appearing loose and alien to Western industrial relations practitioners and labour law scholars, are rational in the Japanese context since they exemplify the very essence of the collectivistic spirit and corporatist character of Japan’s employment system.

The Japanese tradition, in turn, is liable to breed its inconsistencies when it is forced to come to terms with newer, often more pluralistic, features of structuring industrial relations today. Some of the contradictions which have infected the development of the nation’s trade union institution, as measured against the international norm on the freedom to associate, are explored in the context of Japan’s enterprise unionism culture in chapter fifteen, ‘Legal Problems
with Multiple Labour Unions in the Japanese Company’. The chapter examines some of the salient legal issues affecting Japanese enterprises in which labour-management relations are organized around more than one house union. One pertinent concern relates to the basic obligations of the employer in such a multi-union plant situation, especially in terms of his/her duty to bargain simultaneously with the minority and majority unions so as to maintain his/her neutrality, instead of discriminating against the minority union in favour of the majority union. The legal issue is complicated by other controversies such as (i) the debated status of those legal provisions purportedly preventing employers from extending discriminatory wage increases and bonus awards in the process of personnel evaluation so as to ensure uniformity of treatment of employees belonging to different unions; (ii) the dubious rights of access of different in-house unions to the employer’s facilities, which are otherwise available to a single union within the plant, and (iii) the extension, or otherwise, of the check off, union shop, and overtime work agreements from one union to the other, etc.

The essay optimistically discusses the possibility that the Japanese Supreme Court and the Labour Relations Commission shall evolve a satisfactory benchmark of judicial interpretation of the constitution, the Labour Unions Act and the Labour Standards Act to accommodate these new issues which have surfaced along with the rise of multi-unionism in the Japanese work place.

Industrial relations in Hong Kong are also examined in this volume. The contrast between the labour and employment systems of Hong Kong and Japan clearly illustrate the diverse practices and experiences of the East Asian region, which exist in spite of common influences such as that of Oriental Confucianism. Thus chapter sixteen, ‘Industrial Harmony, Trade Union Movement and Labour Administration in Hong Kong’, provides an overview of the present Hong Kong situation by first, noting its apparently high level of industrial harmony and second, surveying the socio-economic contexts of its latest developments which suggest its fragile nature. The latter notwithstanding, the essay recognizes that a key lever for stabilizing the territory’s industrial relations has hitherto rested upon the protective and ameliorative roles performed by the labour administration. Despite its history of internal fragmentation, the labour movement has begun claiming a more equitable and representative partnership with both the government and employers, thanks to the advent of electoral activities which have grown popular in the territory during the pre-1997 political transition. The chapter extends its approval of the principle of tripartitism, which has allegedly been implicit in the approach of the official administration to all major labour policy deliberations and formulation, and advocates the continuation of such a consultative and collaborative spirit of joint participation beyond 1997, if Hong Kong is to remain a free market capitalist economy in the future.

In sketching a post-war profile of the stance of Hong Kong’s labour administration and labour legislation, chapter seventeen, ‘The Development of
Labour Relations in Hong Kong, and Some Implications for the Future, addresses fundamental issues regarding the territory’s labour development strategy, which are probably shared to varying degrees by other NIEs in the region. The first is to recognize that Hong Kong has attained its industrial relations equilibrium essentially through its adherence to a prudently regulated state of legal permissiveness in this arena. The second is the question of how far Hong Kong is prepared to go in attempting to modify this atmosphere of permissiveness for the sake of a more equitable, just and socially efficient society. This chapter expresses reservations about the value of Hong Kong’s free market system as a model for other East Asian societies, given the noticeable immaturity of its institutions in various spheres of development, an immaturity which has ironically been sanctified today, in the age of the marketplace, as a crucial source of Hong Kong’s resilience and flexibility when competing in the global economy.

The idea of transferability, across geo-cultural boundaries, of employment practices, as well as of the feasibility of industrial societies emulating each other when developing or reforming their industrial relations institutions, is explored in the final chapter of this volume, entitled ‘Recent Developments in Australian Industrial Relations: Their Relevance to the Asian Region’. The chapter gives a succinct review of the recent trends in Australia as it moves steadily from a centralized to a more decentralized system of industrial relations. In this analysis, the salient factors contributing to these changes are identified, especially in the context of their convergence with, or departure from, the latest international trends. The chapter suggests that Australian experiences of transition from compulsory arbitration (highly institutionalized and structured) to collective bargaining (decentralized and permissive) may provide an example other than the cases of Britain, North America, Europe and Japan for younger East Asian societies in their search for a workable model for their future industrial relations systems.

The essays collected in this volume cover at best a partial cross-section of contemporary East Asia. Its people, organized as human resources in the work situation for business and other activities, have coped competently, on the whole, with a variety of problems and challenges during half a century of post-war industrial development, but are destined to face more and greater difficulties as their future unfolds in this era of growth and uncertainty. A glimpse of the shifting East Asian terrain is offered in the epilogue of this book, entitled ‘Hong Kong and Asia at the Crossroads’, which has been written as a note of remembrance for Professor Keith Thurley, to whom this volume is devoted.
Section A

Management and Organization of Work
Enterprise, Its Management and Culture: 
A Comparative Reflection in a 
Transnational Context

The Editors, with Terry W. Casey, Ding Anhua, 
Eskil Ekstedt, Li Yijing, Jacques Rojot and Hans Wirdenius¹

Introduction

The impact of the culture factor upon the development of ideas about management and their practical application has been a theme of growing concern in the study of work organizations. It is the purpose of this paper to trace the history of the early formulation of theories in this field as they were first conceived, almost invariably, in the Anglo-American context of Western-style enterprises and work places. It also addresses the issue of cultural diversity in management practices, which was inspired in the late 70s and onwards by Japan’s economic success and the readiness with which that success was attributed to Japan’s culture-specific managerial styles. The case of Japan inspired a curiosity, both intellectual and pragmatic, about the transferability of managerial practices across societies — specifically, from Japan to other cultures. We therefore also look at the problem of cross-cultural transfer of organizational prescriptions and adaptation of management knowledge. It is useful to refer to some recent experiences of how the instrument of an enterprise culture, itself an American invention but one which is popular within the Japanese industry, has been adapted in China. Given China’s Confucian background, its nominally socialist national ideology, and its new zealous pursuit of capitalist marketplace reforms, such an adaptation strikes most outsiders as incongruous.
Early Benchmarks: Western Theories of Management Knowledge

In 1964, the Robbins Report in Britain led to the creation of graduate business schools in London and Manchester, as well as the inception of formalized management education in the polytechnics and colleges of technology. This heralded the beginning of management as a fully recognized discipline of academic study in its own right. However, the mainstream tradition of scientifically and empirically oriented investigation into management behaviour, including a concern about its rational prognosis and schematic application to the world of business and work, probably commenced in the Anglo-American context in the 1950s.

The importance of empirical investigatory work for understanding and ascertaining the activities of managers at work was associated, possibly, with the pioneering work of Carlson in the 50s, when he attempted to address a glaring gap in the administration literature. Dealing essentially with broad and impressionistic generalizations about limited experiences and principles, the earlier work was pervaded by personal opinions and plagued by a dearth of evidence, as in observed and classified facts. Sceptical about the relevance of formal concepts of authority and responsibility in authentically describing the manager’s job, Carlson investigated a number of subject executives by observing their managerial behaviour and recording his findings on a specifically designed questionnaire. It was a benchmarking study in the Anglo-American tradition, and an inaugural piece of managerial research work that was to set the pace for a subsequent series of studies in this tradition for a quarter of a century to follow. It was also revolutionary in having departed from the previous mainstream treatment of management thinking in this discipline, which was hitherto impressionistic rather than empirical and objective.

Meanwhile, in the United States, comparable research efforts had been initiated during the early 50s by scholars using factor analysis to examine behavioural elements which could be uncovered by the physical activities involved in managerial jobs. One of the most popular approaches to this type of analysis was that of the famous Ohio State Group of researchers on leader behaviour description scales. Their studies yielded a classification of nine principal factors relevant to the determination of managerial behaviour, including integration, communication, production emphasis, representation, fraternization, organization, evaluation, initiation and domination. The list was further classified into two sections, (i) that of consideration, involving the behavioural variables of integration, communication, representation and fraternization; and (ii) that of initiating structure, which embraced the factors of organization, domination, initiation, evaluation and production emphasis. The Ohio studies were later echoed by other research efforts during this period; yet they have remained an important landmark effort in the classification of observable aspects of managerial behaviour.
The mode fashioning systematic observation of management activity was firmly established as a research technique in the orthodoxy of business administration by the late 50s. Under this Anglo-American approach, behavioural sampling was established as a key technique in the tradition of empirical endeavours to investigate and classify the field of managerial activity. These research efforts probably reached a zenith by the mid 60s. Later, Mintzberg continued the tradition by embarking upon what is now celebrated as one of the most insightful pieces of research on managerial activity ever carried out to date. From the information he collected, he was able to construct a classic schema of ten managerial roles commonly cited in the tradition of theoretical exposition on this discipline. These managerial activities are, in summary, those of the (i) figurehead, (ii) leader, (iii) liaison personnel, (iv) monitor, (v) disseminator, (vi) spokesman, (vii) entrepreneur, (viii) disturbance handler, (ix) resource allocator, and (x) negotiator.

Qualms About Universalism and the Japanese Inspiration

The above-mentioned works which attest to a new tradition of empirical treatment of managerial behaviour in the work place, may well have followed from the early classic literature on management ideas associated with authors like Max Weber (on bureaucracy), Frederick Taylor (on scientific management) and Elton Mayo (on human relations). These authors focused essentially on the structures and processes within human organizations. However, in spite of the Western context of industrialization and bureaucratic organization underpinning the formulation of these benchmark concepts, the early management literature was relatively insensitive to cultural causation and determinism. Instead, theory at the time sought to prescribe a nearly invariable recipe of practice and conceptualization. The highly prescriptive approach of these theories, taken in a mood of universalism, lead them to be labelled as the principles of the ‘rational man’ (for bureaucracy), the ‘economic man’ (for scientific management) and the ‘social man’ (for human relations) design.

The need for elasticity in applying these conceptual models and their prescriptions to the work place, especially in order to take into consideration variations in cultural beliefs, values, norms and ideologies, was eventually recognized. This shift in paradigm was preceded by the more explicit attention given in Western literature to the environments or contexts within which organizations operated. In recognition of this diversity, an element of choice was also included in an increasing number of Western theories on the design and management of organizations. Nevertheless, the hegemony of Western perspectives in the orthodox realm of management thinking was to remain for almost three decades after the war. Especially noticeable were such post-industrial
themes as those popularized by the ‘End of Ideology’ thesis which discussed, in a partly prudent and partly illusionary manner, the notion that contemporary societies have become increasingly similar in their journeys towards pluralistic industrialism, and their progressive escape from the captivity of traditional localism and ideological idiosyncrasies. Emanating from these discussions about convergence tendencies in modern societies was an optimistic prediction that under the pragmatic demands of industrial and technological advances, nation-states differing in creed and faith found it necessary to emulate each other in their institutional arrangements when dealing with the governance of people, management of industry and administration of the economy. By and large, it was implicitly assumed that Western institutions, by virtue of Euro-America’s pioneering encounters with modern industrialism, should serve as the natural standard-bearer of ways to govern, administer and manage economic activities, both public and private.

The established philosophy of management reached a crisis, however, in the new era heralded by Japan’s economic success in the mid 1970s. This success challenged a century-long assumption that the Western approach to industry, technology, work organization and management was the most efficacious one. The Western economies’ entrapment in sustained stagnation, inflation and high unemployment, coinciding with the rise of an East Asian economy spearheaded by Japan’s spectacular inroad into the Euro-American markets, has inspired, since the beginning of the 80s, an intensifying worldwide interest in the systematic investigation of the culture variable and its implications for managerial practices and work organizations.

New Terrain: Culture and Organizations

Since the 1980s, Japanese management has won global admiration. Behind much of the enthusiasm about studying it has been a strong desire to ascertain which aspects of its practices could be transplanted and emulated outside Japan and Japanese enterprises. Ironically, in spite of Japan’s propensity to emulate the West during its post-war industrial recovery, the specificity of the values, norms and practices cultivated in Japanese enterprises, as well as the wider cultural setting of Japanese society, were readily identified as the key influences affecting (or limiting) the degree and scope of transferability of Japan’s practices.

One of the classic discussions of the Japanese imagination is William Ouchi’s Theory Z. Ouchi explicitly addresses the problem of cultural diversity, as embedded in society’s history, texture and tradition, which may prevent American and Japanese enterprises from emulating each other entirely. Acknowledging these limits, he appeals for a search of an appropriate mix of different cultural models, especially for the effective management of multinational corporations in an era of internationalization. The theme of
mutual reconciliation between cultures, rather than the wholesale predominance of any single cultural pattern, is hence exemplified by the hybrid organizational form Ouchi propagates:

Ouchi uses the term Theory Z to describe the Japanese model as adapted to the West. His terminology relates to the Theory X and Theory Y of Douglas McGregor. Theory Z builds on and goes beyond McGregor’s Theory Y, by using insights from the workings of Japanese organizations. Thus, American Z organizations have long-term employment, a large investment in the training of employees who thus develop specific company skills, and relatively slow promotion.6

With the rise of multinational corporations (MNCs), global trade and commerce, and international movement of capital and labour (namely, in the form of people investing and working overseas), the cultural perspective of interpreting human behaviour has inspired a new interest in organizational behaviour (OB) studies focused upon the issue of international adaptability of managerial and organizational practices which are initially culture-bound. Following the decline of the early universalism of Western prescriptions and practices, the terrain of management discussions has shifted. It is now focused towards first, painstakingly exploring an alternative Japanese model and its potential for non-Japanese cultures, and second, addressing a broadened agenda in investigating the way in which international firms should attune themselves to the cultural exigencies of their host societies without assuming that their own practices are superior. What emerges is a theme of flexibility in the literature. This theme is concerned with the adaptive abilities of transnational corporations anchored today in a new economic order of global competition, where the post-modern ethos of the marketplace appears to excel. What seems to have captured the imagination of academics on this frontier is the desire to uncover the factors which reduce the difficulty of exercises in cross-cultural adaptations in a cosmopolitan age of multicultural accommodation. Therefore, it is useful to make reference to several insightful works which illustrate this new trend.

Trevor and his associates, in noting the dual nature of the employment system which features Japanese firms operating in Europe (one for the home country staff, involving their full and permanent membership in the organization, and another for local staff, equivalent to temporary employment and hiring in Japan), identify the local market in the host society as crucial to explaining the organizational behaviour of these Japanese multinationals. This factor is considered crucial as it has induced these firms to adapt locally. ‘Just as German firms in Japan in the case study presented have to adapt to some aspects of the local labour market structure, custom and practice, so Japanese firms in Europe must confront the possibility of job changing . . .’7
The vision of an international company is perhaps better captured in the suggestions offered by Thurley and Wirdenius that European management is now on the threshold of a ‘long march’ towards basic and far-reaching reforms. This march is a search for European management’s renewal and adjustment to enable it to cope with a new environment in the marketplace, given the advent of the European Union and a single Europe market. Thurley and Wirdenius postulate that inculcating versatility to equip management and corporations to face the challenge of changes, as well as to keep an openness in the design of organizational and managerial strategy, and to foster an ability to adapt to local demands and exigencies, constitute the nexus of corporate vitality which is central to their thesis on the reconstruction on European management:

The pressures for liberalizing trade are clear enough and this leads to the creation of effective trans-European firms operating across borders. At this point, national and traditional company practices will be found to be inadequate and inefficient. The demand for a managerial revolution starts here. The creation of effective trans-European organizations requires new managerial systems which will receive legitimacy and support only if they are rooted in the values and behaviour of a European way of life.8

Two Case Studies

The complexity of the issue of acculturation or cross-cultural adaptation for transnational enterprises would be better understood if the frontier of empirical research were extended to include attempts to investigate the implications of a variety of cultural (or subcultural) types configured in different combinations in the work place. Two such case studies, one inquiring into the experiences of a Swedish company which participates in an East European joint venture in Poland and the other reporting on Japanese management in human resources among Japan-funded enterprises in France, illuminate issues of transplanting managerial knowledge and skills across cultures. A description of these case studies and their implications is hence in order.

(i) Case-study A: Swedish participation in a Polish engineering joint venture

This study reports on the experiences of an organizational endeavour begun in late 1991 to revitalize and reform a former socialist enterprise in Poland by incorporating the Westernized participation of a Swedish company. This Polish engineering firm produces signal equipment to supply the state-owned railway industry. In 1991 it employed a labour force of about 1500, of whom one-third were white-collar workers. The rationale for the Swedish acquisition of
a share in this Polish concern, reorganized in 1991 into a joint venture whose managerial responsibility was made Swedish as well, was to equip the parent company in Sweden with an attractive inroad into a Polish market of forty million people, which would also be used as a gateway to other parts of Eastern Europe.

The strategy of the Swedish partner was to strengthen the newly restructured joint venture, making it competitive on the international market while consolidating its established position as the principal supplier of signal equipment on the Polish market. The parochial background of this engineering works, which for almost half a century had produced specifically for the Polish railroad system, presented a basic dilemma for its new management. This was because the plant was below international standards of product quality, delivery times and production technology, and would remain so unless a plant-wide process of organizational development and innovations was engineered for its improvement.

A large number of Swedish consultants were deployed for staffing the transfer of specialized knowledge and ideas in this painstaking organizational reform process. The study presents as the major obstacle in this exercise ‘the cemented attitudes and behaviours stemming from forty-five years of communist rule’, and that some Polish people ‘talk about “Homo Sovjeticus” as a mental state particularly common among younger generations’. An even more fundamental difficulty encountered was the difference ‘between the national cultures of Sweden and Poland’. Common to Swedish and Polish colleagues was feeling of ethno-cultural alienness — the Swedish consultants found in their Polish counterparts a tendency to avoid straight ‘yes’ and ‘no’ answers, while the Polish managers were disillusioned because many of the consultants from Sweden lacked a basic knowledge of Polish culture, including customs and practices at work.

In spite of these constraints and limitations, the renewal exercise was launched, adopting Swedish practices as the basic model in the learning and transformation processes. However, early in the initial stage it was found necessary to inject the project with a measure of flexibility. For instance, adjustments of the following nature were reported by the researchers, as the ‘reformed’ enterprise staggered through its successive crises of managing and engineering changes:

It can be definitely termed a project as the endeavour is unique, complex, time and scope limited, and goal oriented. As both goal and scope have a visionary element it is hard, however, to find established methods to carry out change. A combination of renewal strategies is applied by ABB. Initially a power-based approach is used (top-down enforcement by joint-owner). It is followed and supplemented by an empirical-rational approach (analysis of possible areas of change), and rounded off by a combination of a methods-based (Time-Based Management and Customer Focus) and a joint
problem-solving approach (project groups). It is important to note here that the traditional power-based approach (existing external ‘pressure’) is ‘softened’ by arrangements to increase motivation (creating internal ‘consensus’). For example, participation in problem-solving project groups make people interested in learning and using new work procedures.10

What has compromised such an endeavour in engineering corporate-wide reconstruction and made it problematic is probably a combination of various factors, of which three in particular are worth noting. The first rests in the nature of the exercise, which requires two ethnically different cultures to meet. The second is the character of any attempt to transfer the culture, technology and practices of a home enterprise to a host institution, as well as the defensive sentiments of conservatism, antagonism and resistance that such a transfer is liable to provoke among the host managers and work-force members. The third is the search implied in any renewal project for a new vision, mission, mandate, competence, strategy and arrangement in place of the old and obsolete ones. As the researchers observe:

Renewal projects have complex, abstract and visionary goals. (Here) all members of the organization (and to some extent business partners) are involved (but) the steering is based on ideas and visions held by the CEO. Renewal projects involve a high degree of uncertainty as alternatives of action are unknown. When it comes to a renewal situation external and internal pressures have to be interpreted. They require a search process to find possible alternative areas of change. Very few actors have experiences from renewal projects, (which) primarily have mental implications, and the development process (of which) is irreversible.11

This study of cross-cultural collaboration in corporate reforms is hence significant in (i) illustrating the vulnerable, haphazard and insecure nature of this type of exercise in organizational reconstruction, as well as (ii) acknowledging the managerial illusion, or pretence, that such a process can be rationally controlled and systematically structured. A way to address these difficulties is, as suggested by Thurley, to adopt a mixed strategy, combining four ways of dealing with managed changes. These are the change strategies respectively of (i) power based, top-down enforced or management-union agreed; (ii) method based, using a formal method or programme of change (including, for instance, total quality management (TQM) and time based management (TBM); (iii) analysis based, using an analysis or investigation of the situation (that is, applying an empirical-rational approach); and (iv) problem solving group based, involving all affected members of the enterprise in search for a consensual or negotiated solution to the reform agenda.12

What emerges from this study is also a lesson about the strategic desirability of a versatile and participative approach to deal with the ambivalence about
and feeble trust in managing enterprise renewal in a cross-cultural context. What could be a key to the relative success of such an exercise rests, in addition, upon the design and choice of the initial strategy as well as the capability to furnish contingencies, especially in deciding how and when alternative strategies could and should be put in place to quicken the pace of change. A corollary to such an ability to respond promptly, the study indicates, is the involvement of all parties with a stake in the enterprise in the design of strategies ‘as they emerge essential’. Such responsiveness is even more strategic, inasmuch as there is a general lack of any established inventory of stored knowledge or relevant previous experience directly applicable to such situations.\textsuperscript{13}

In summary, this Swedish-Polish joint venture case study points to the importance of enhancing the participants’ creativity, flexibility and sensitivity in regard to another culture, as well as their readiness to learn from the latter in order to facilitate the reconstruction of enterprises of this nature, which are owned and managed jointly under the auspices of transnational co-operation and partnership.

(ii) Case study B: Japanese human resources strategy and practices in France

The second case study reported in this paper\textsuperscript{14} which investigated a cluster of five Japanese industrial enterprises operating in France during the period 1990–91 (one in the banking industry; another in the light manufacturing sector which produces zippers, fasteners, metal and plastics components; and the remaining three in the electronics industry), provides an overview of the implications of the Japanese-French cultural divide for human resource management. Japanese multinationals are known for their ethnocentric image. This study suggests a way to correct this stereotype. What the study has identified suggests interesting cues, outlined as follows, to a variety of adaptive practices adopted by these Japanese foreign enterprises in France.

The five visiting Japanese firms investigated were conspicuously versatile and adaptable. Part of the reason for this was that all of them were oriented to tap into and serve the local markets either in France or in Europe at large. There was accordingly a painstaking effort made by the management of all five of the companies to appear as good citizens in the host country. These companies hence sought to keep their growth slow and carefully monitored in order, first, not to antagonize the locals with an overtly aggressive strategy, and second, to enable themselves to better understand the local markets, mores and practices, and political and cultural specialities before committing their resources. Importance was attached to their corporate image in the local social and business communities. For this reason, all these Japanese firms were affiliated with the employers’ associations in their respective lines of business and were highly sensitive to local public opinions, especially on matters such as their image.
Most included in their corporate philosophy the goal to contribute part of their earnings to the welfare and prosperity of the host community and its local economy.

Apart from efforts to cultivate the firms’ positive image and social responsibility, these Japanese multinationals also encouraged their managers recruited from home to learn French. Locally hired managerial staff were also asked to learn English and in some cases, Japanese.

These visiting enterprises were also conspicuous for certain distinctive patterns in their human resources policies and practices, which attested to their Japanese heritage in an overseas and alien environment. First, a form of employment dualism was implicit in most of these enterprises. Where there was a clear differentiation in roles between local employees and Japanese expatriates, it was normal for day-to-day operations to be delegated or subcontracted to local (French) lieutenants, relieving the Japanese expatriates from these duties and allowing them to concentrate on higher-level decisions and activities, such as formulating and reviewing corporate strategies, coordinating with headquarters in Japan and dealing with the most important customers. In other cases, such dualism might take the form of two separate lines of responsibility, one local and the other Japanese, keeping firm’s technical leadership with the latter. Indeed, it has been common for such a strategic role to be filled either at the company’s European headquarters or in Japan. In an extreme case of localization, however, it was reported that the Japanese firm was run as a quasi-autonomous establishment by its French management at the top, which was able to enjoy a high level of independence even in such vital areas as the plant’s technical operations.

What probably revealed the subtlety of managerial control in these Japanese enterprises was their lukewarm or even hostile attitude towards local trade union organizations. The influence of unions was observed to be weak or non-existent in all the enterprises, especially those in which union membership was actively discouraged by the management. Among the five enterprises investigated, just one had a union delegate, and this was apparently largely due to the fact that union activity had hitherto been well established in the neighbourhood, so that the union delegate was able to institute himself firmly in the workplace, without having to inform the employer and obtain its consent.

This study identified several areas in which Japanese practices in the area of human resource activities were efficacious for the enterprises observed. One was the element of ‘multi-skill’ and flexibility in job assignments, especially for senior and top managerial appointments but also for production workers, sales people and clerical staff. This practice, largely viewed as beneficial because it made employees’ jobs more interesting, was on the other hand liable to reduce skill levels and thus reduce the quality of work which would have been obtainable with a higher degree of job specialization.

The second admirable feature of Japanese management in the French
industry was the high level of job security enjoyed by the work-force in each of these five enterprises. Discharges for economic reasons were almost unknown; those based on unsatisfactory performance were relatively rare and when they occurred, they were invariably preceded by long and painstaking investigation procedures and attempts to resolve difficulties. The third positive feature was the specificity of training, which was predominantly on the job training (OJT), typically conducted through personal coaching of an inexperienced individual by his experienced colleagues or supervisors working alongside him at the work-bench or on the shop floor. What probably impressed the researchers most in this study, however, was the humanistic and holistic treatment of the employee as an individual in these Japanese enterprises. This was especially noticeable in the area of selection, where the company looked not only for the professional competence of an individual but also at other qualities, such as adaptability, dynamism, the capacity to listen, open mindedness, a co-operative spirit, unselfishness, willingness to handle responsibilities and to remain with the company, interest in Japan, and an overall well-balanced personality. Rather than being rule bound and impersonal, human relations in the work place were found by the researchers to be personal, altruistic, informal and humanizing:

French managers in the companies think that the Japanese personnel policy is much closer to the individual than the French one. The policy is determined relative to the individual to which it is to be applied, not in relation to a set of impersonal and abstract factors. It may be called a form of paternalism, but in fact it is felt to be different. It aims at the humanization of work and to the better adaptation of the employee to the tasks. Management does not dictate its policy but tries to bring the employees to follow it and amends it in light of the reactions. Problems are settled immediately, as they arise, or if possible before, as soon as they are potentially comprehensible. The contact is informal, the role of representative institutions is on average rather low.

Management style is different, more of a ‘dialogue’ type of leadership. In France, managers are an elite, and generally elites do not listen very much to others, this is contrary to the Japanese practice in French companies.

The ramifications of such an individualized and humanized approach were twofold. The first concerned in-house communication. Information meetings, either informal or formal or both, were held regularly within these enterprises between management and their work-force. Extended discussions on many issues were accepted as normal; staff consultations were recognized by management to be positive and beneficial, whether they were handled informally or by way of formal procedures which could take a variety of forms ranging from yearly meetings, general meetings, company dinners, group meetings, departmental meetings, task forces and commissions, etc. The second concerned the individualized nature of the pay system, salaries and associated increments.
These Japanese enterprises, while paying wages and benefits higher than the market levels, customarily granted their staff and workers both a general company-wide adjustment (or wage hike), as well as individual pay increases and bonuses which were determined according to the person and his or her contribution (in other words, merit pay). In one company, wage and bonus payment was totally individualized, depending upon performance. In other companies wages and salaries were indexed, and were linked to such factors as merit, seniority and risks incurred in performing the job. However, it was apparent that the promotion and pay policies of these Japanese firms were not designed to induce outstanding individual performance. Rather, what was most sought after was consistent and reliable efforts. This probably explains why none of these five Japanese enterprises has yet developed any elaborate and sophisticated instruments of performance appraisal and job evaluation, which tend to emphasize individual-based pay differentials. Where these existed at all, they were invariably informal and rudimentary, following essentially the broad and generalized guidelines as given in the sectoral collective agreements.

The operation of Japanese capital in French industry, however, is not problem-free. As demonstrated in this series of case studies, cultural work habits were liable to generate problems of mutual adjustments. Hence, it has been sceptically noted that:

In Japan, the plant manager interacts very often with the personnel manager. He comes to the latter for either specific actions he suggested or to ask for information relevant to his functions. The reason is, he needs to know all that the personnel manager does and wants to think and decide jointly with the latter. In France, however, the plant manager is not expected to interfere with the work of the personnel manager. Therefore, French managers working under the Japanese system were likely to feel controlled too tightly and unable to work as they wished. Also it was felt that the French did not understand the nature and notion of the quality circles, that they were not a technical matter but a way to work.

It follows that where top management was Japanese, the firm’s practices were relatively fragmented and parochial, entailing a clear dichotomy in the division of the human resource management function whereby Japanese expatriates were managed exclusively from headquarters in Japan while local French personnel were managed locally. If a personnel manager was French, his functions were likely to remain relatively restricted, confined just to the management and control of the local staff. Although there were signs of increasing autonomy being delegated to French subsidiaries, crucial industrial decisions such as those pertaining to manufacturing, product design and quality control were still made mainly in Japan, or at least at headquarters in Europe. In any case, it appeared that Japanese capital in France was quickly adapting
and learning to cope with the French environment, especially in terms of blending French cultural traits and Japanese practices.

On the basis of this French study of Japanese multinationals, it is evident that any attempts to generalize the national character or pattern of any transnational enterprises operating overseas in a foreign culture will result in inaccuracy or, at best, over-simplification. In this case study, both the host and home cultures of the subject enterprises investigated are known for their ethnocentric tendencies. However, the study discovered a remarkable amount of mutual acceptance between the two cultures where they met. Both the Japanese managers and their French counterparts were visibly willing to learn from each other regarding human resources practices, or even the philosophy of general management. Once again, these findings lead us to the conclusion that in the modern era of internationalization of business and investment, it is imperative for management to equip itself with a liberal and open-minded mentality geared towards receptivity to and accommodation of others, in order to cope with the challenges of global business, technological innovations and new ways of organizing work and the work place.

Culture within a Culture: Enterprise Culture in China

While dealing with the theories of adaptation and adjustment of managerial practices to suit different nations’ cultural profiles and needs, it is interesting to refer to recent experiences in China, where the imported tool of enterprise culture has been propagated zealously among Chinese enterprises as a way to help advance the nation’s economic reforms.

Enterprise Culture: An Alien Import?

The notion of enterprise culture comes, by and large, from the early writings of American scholars in management and organizational studies in the late 1970s and 80s, which were subsequently popularized in application by the Japanese enterprises labelled by Mintzberg as ideologically inspired ‘missionary’ enterprises. However, the most orthodox definition of enterprise culture (otherwise known as corporate culture or organizational culture) is that suggested by Schein, who describes it as:

The pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.
This definition emphasizes how important it is for an enterprise to accumulate a history of experiences in problem solving, and to build these experiences into an inventory of key beliefs, assumptions and core values which its members will uphold and with which they will identify. It follows that the resulting internal culture, or subculture, will have implications both for integrating the enterprise’s work-force, as well as for enhancing its ability to cope with external environmental changes and challenges. As part of the corporate approach to the cultivation of such a culture, personnel selection at entry to the enterprise and subsequent intensive in-house training (including, in more extreme cases, socialization or even indoctrination) are among the common methods modern enterprises adopt to instil in their staff members such desired corporate values. In so doing, firms also endeavour to enshrine their corporate images and cultures as a way of boundary demarcating to ensure their own distinctiveness and in-house exclusivity. By recognizing explicitly the importance of the cultural factor in building and sustaining the spirit, style and mission of an organization, the theory (or theories) on organizational culture is heralded to provide a new perspective for approaching the management of work and enterprise. In addition, by drawing attention to the importance of people’s attitude and ideas (rather than focusing just upon the design and operation of tasks), management theories are no longer limited to dealing with only the ‘hard’ aspects of control, but are also involved in an increasingly subtle or ‘soft’ role of instructing managers in the ways of achieving managerial excellence through the process of behavioural intervention inherent in the in-house socialization and acculturation activities.

It may be argued that a more altruistic national culture such as that of Japan is more conducive to the formation and consolidation of a corporate or enterprise culture. In Western cultures, it is common for competition to take place at the individual level while in Japan, the competing unit is always the group. Where competition operates at the collective level, competitiveness depends, to a large extent, upon the group’s internal cohesion or the degree to which its members share the same values, aims and objectives. In addition, internal harmony of the group, as well as the loyalty of its members, are important factors contributing to its competitiveness. What helps to consolidate an enterprise’s internal power, as sustained by the group’s esprit de corps and its members’ commitment to and identification with each other, is hence the organizational or corporate culture of the enterprise.

However, Japanese firms’ successful creation of corporate culture does not necessarily imply that such an instrument or arrangement will prove universally efficacious for enterprises operating outside Japan. Indeed, a consistent question which we attempt to address in this paper is that of whether an enterprise’s or a nation’s successful managerial styles and practices are readily transferable across organizations within different cultures. As Kao, Sinha and Ng have noted:
The ‘culture’ nexus is still instructive in enabling us to develop systematic perspectives to explain and understand the pattern of plausible variations in human attitudes, responses and decisions at workplace, especially in the context of tradition and history experienced by different societies. . . . The paradox of such a zeal in trying to identify the hidden prescription of the ‘high-growth’ syndrome in East Asia at the turn of the decade into the 90s — as Western managers attempt to emulate the well-praised managerial practices and work ethos of their Eastern counterparts — is the realization that if any of these practices are owed to the ‘cultural’ factor, that by definition they are not readily emulated.17

An enterprise culture is probably a more viable entity or notion in the context of a commercialized private commodity economy, that is, a capitalist economy. Theoretically speaking, only in a free market system of private ownership and commodity exchange is it possible for an enterprise to behave as an independent unit, with independent activities and hence its own distinctive culture. Where the economy is collectively controlled and centrally planned, as it was in socialist China before modernization, it would have been less tenable for an enterprise to have created a culture of its own, distinct from other state or collective enterprises. In terms of its jurisdiction or governance, such an enterprise is not an administratively autonomous unit but is a state functionary belonging to the relevant industrial bureau in the government. However, the industrial terrain is apparently shifting today, as the Chinese economy and its enterprises now in the process of reform are moving quickly towards a free market mechanism under the auspices of market socialism.

### The Dawn of Enterprise Culture in China

In China, academic interest in enterprise culture and its application to the workplace has surfaced only recently and is still undeveloped. However, its arrival coincides with China’s latest reform activities which are geared towards modernizing its economy. Economic reforms directed towards the introduction of a market economy in China have significantly affected the nation’s culture as well as the working psychology and values of its people. Such transformations of the economy and society have created an academic curiosity about the possible perimeters, properties and implications of an enterprise culture inside China, now that such a culture could prove instrumental in facilitating the renewal of the nation’s enterprises.

The perspective on and discussions of the introduction and management of an enterprise culture inside China focus, *inter alia*, upon a strategic link between the national culture and in-plant subculture. It is argued, for instance, that assumptions which now have an important effect on behaviour in the
work place are increasingly embodied and articulated in modern industrial ethos and values, especially since such assumptions about contemporary life are reflected in the management of an enterprise and its industrial activities. This new industrial culture, enshrining a logic and commonplace expectations which pertain to the commodity economy, market and competition as they are now emerging inside China, could be recreated in miniature in an enterprise culture, if the latter were systematically fostered, propagated and engineered in Chinese enterprises.

Efforts to reform in the system of organizing a Chinese enterprise, involving both external negotiations and internal adjustments in order to modernize the system and enhance its abilities to perform are consistently being made in China. This process of reforming Chinese management and regenerating its associated body of values and assumptions within enterprises will be made easier by the re-activation of the essence of the traditional Chinese culture, which embodies a spirit of fraternalistic collectivism and commonwealth that is probably ideal for building an enterprise culture. In addition, as part of the economic reform movement now inspired by the Four Modernization campaign, most Chinese enterprises are actively searching for appropriate staff motivational strategies, and engaging in organizational restructuring in order to generate or renew their enterprise cultures in support of work-force commitment and motivation. These reform efforts will, *inter alia*, serve to (i) redefine and mitigate the role of the party in the work place; (ii) enhance the role of the enterprise manager; and (iii) most important of all, upgrade and reinforce the spirit of dedication, involvement and commitment of the grass roots members in the enterprise’s daily operations and decision making on important matters.

A major purpose of introducing enterprise culture to a Chinese enterprise is to encourage and inculcate an ethos of change by instilling in its members and managers a receptivity to innovations, reform and a continuous renewal process in the system of organizing work, which are instrumental or even critical to increasing an enterprise’s efficiency. Examples of these system reforms now taking place in China’s enterprises include, for instance, the change-over to a contract system in hiring labour and the adoption of a share ownership system in pooling and mobilizing capital resources. A supportive corporate culture would help buttress these reforms, provided that adequate attention is paid to developing contingencies to deal with the problems of psychological tension of those affected, inter-group conflicts of interest, and even ideological discord and equity disputes which these reform measures are liable to breed. Moreover, through the mass media, advertising and other means of information dissemination, it will be possible for China’s new industry to popularize the enterprise culture of successful corporations by holding it up as a model for other enterprises.

In the socio-political context of China, it is important for an enterprise’s culture, in order to play a strategic bridging role, to perform a threefold mission. The first task is to inspire and nurture in the nation’s and an enterprise’s work-
force a civilization of pragmatism which includes, *inter alia*, an awareness and capability of achieving better working and employment conditions as well as improved production quality. The second task is to inculcate a consciousness among the staff members about the organization’s system, its fabric, configuration and its scope, which should emphasize not only the basic properties of efficient management style and rational organizational structure but also the importance of democratic management and good interpersonal relationships in the plant. The third task is to foster in the members of an organization a spirit of affective commitment to their work, colleagues and the enterprise as an entity. In other words, the goal is to enshrine the enterprise’s *esprit de corps* among all those who work there. Such a spirit is probably of strategic value in stabilizing the work-force at a time when the economic imperative of central planning of the past is steadily giving way to a competitive market economy under socialism. In summary, if groomed and engineered appropriately, the adoption and propagation of an in-house culture within Chinese enterprises could be an important asset or resource contributing to the future success of managerial and organizational reforms in China.

## Conclusions

This paper has surveyed the general trends in the recent evolution of management ideas as they have shifted from relying almost entirely upon Western sources of inspiration, to calling attention to cross-cultural variations in approaching and analysing managerial issues. The culture nexus is a key factor which offers insights into and explanations of, for instance, the spectacular success of Japanese management as well as the adaptation of its managerial practices when these are transferred across national borders in an era of transnational business and a global marketplace. The two case studies described in this paper reflect the strategic importance of intercultural understanding between participants and partners of different cultural backgrounds in international collaborations, as in the instance of a Swedish-Polish joint venture or of Japanese companies operating in France. An even newer innovation in the cross-national transfer and widespread emulation of managerial practices of others is China’s endeavour to erect, in its formerly socialist work place, an enterprise culture. Here the notion of an enterprise culture has been imported from America and Japan, but it is now being looked at as a key instrument in strengthening the organization, competence and performance of Chinese enterprises in the wake of the nation’s modernization and economic reforms. China’s recent experience of introducing such a managerial device to the work place is likely to enrich the existing business internationalization literature, particularly in connection with the diffusion, emulation and adaptation of managerial practices in the transnational context.
Notes

1. For editorial reason, this paper has been rewritten by the editors who have combined, in an abridged version, the four original essays contributed by the other six authors. These are: (i) ‘Some Theoretical Reflections on Enterprise Culture’, by Li Yijing and Ding Anhua, (ii) ‘Knowledge Transfer and Mental Change: Managing the Modernization of a Polish-Swedish Engineering Company’, by Eskil Ekstedt and Hans Wirdenius, (iii) ‘Human Resource Management Practices of Japanese Companies in France: An Impression’, by Jacques Rojot, and (iv) ‘The Management of Work: A Journey Over Time or Overtime?’, by Terry W. Casey.

2. ‘Paradigm’ refers to a hegemonic ideology or belief adopted or agreed upon by a dominating community, in its attempt to acquire knowledge of certain aspect or phenomenon. As Handy notes: ‘A paradigm is a conceptual framework, a way of looking at the world, a set of assumed categories into which we pile the facts. . . . Social paradigms seem to change when a new technology coincides with a shift in values or priorities. The new paradigm then needs its articulate exponent to spell out and legitimise the new assumptions on which we can begin to build a new era of continuous change.’ Charles Handy, Understanding Organizations, Harmondsworth: Penguin, 4th edition, 1993, pp. 346–7. The so-called ‘paradigm shift’ usually occurs when the older theory can no longer meet new challenges posed by logic, experiment or observation.

3. Hence later theorisations are less monolithic and no longer prescribe just a single mode of practice in the design of work organizations. Instead, more explicit attention is given to the contexts or environments within which organizations operate. An element of ‘choice’ is recognized in an increasing number of theories on the design and management of organizations; and these theories identify factors such as ‘technology’ (the ‘Technological School’), ‘culture’ and ‘society’ (the ‘Institutional’ approach) or even a ‘catch-all’ mix of the relevant factors, including the ‘environment’ (the ‘Open System’ perspective) — as the denominating or determining variable(s) for making decisions about ‘organizational choice’.


5. This is implicit, for instance, in the pervasive theme of Clark Kerr et al.’s thesis on ‘industrialism’. Forming part of the ‘syndrome’ of industrialism which these authors portray is hence that emergent body of industrial discipline governing work and performance in the industrial enterprise, where typically ‘the work force is dedicated to hard work, a high pace of work, and a keen sense of individual responsibility for performance of assigned norms and tasks . . . industrialisation requires an ideology and an ethic which motivate individual workers’. Clark Kerr et al., Industrialism and Industrial Man, op. cit., p. 53; also pp. 301–2.

6. D.S. Pugh and D.J. Hickson, Writers on Organizations, Harmondsworth: Penguin,
10. Ibid., p. 6.
11. Ibid., pp. 8–9.
12. Ibid., pp. 9–10.
13. Ibid., pp. 11–2; also pp. 9–10.
14. This study was carried out under the financial sponsorship of the Euro-Japan Institute for Business and Labour Law of the University of Leuven and Sophia University, as well as with the support of the Japan Institute of Labour. See Jacques Rojot, ‘Human Resource Management Practices of Japanese Companies in France: An Impression’, Paris: University of Paris-Sorbonne, cyclostyled, 1992.
Introduction

A review of the literature on international business points to the vigorous efforts that have been made by numerous researchers to incorporate the functional areas of management into the overall business strategies of a firm. While the importance of marketing, production, and finance is widely recognized, human resource management remains the least studied aspect of management in international business. Only in recent years has it started gaining attention as an equally important area. In this connection, a growing number of studies on international human resource management have drawn attention to an alarmingly high failure rate of expatriate assignments, which necessarily results in great costs to organizations and individuals alike.

Some of the failures identified in these studies are attributed to the expatriate’s ineffectiveness in areas such as acquiring a new language and other communication skills, interacting with foreign nationals, gaining knowledge about the foreign country, adjusting to foreign society and its people, and coping with stress in a cross-cultural situation. Alternatively, a common explanation refers generically to the expatriate’s poor productivity when working abroad.

Expatriate failure can also be defined as ‘returning home prematurely from an assignment abroad’. For example, Britain’s Centre for International Briefing estimates that as many as one in seven Europeans sent to work abroad never completes his or her contract. The US figure is even more disturbing. Using the ‘premature return’ criterion for defining failures, a recent survey of US multinationals found that approximately 30% of their overseas assignments
were aborted in this manner. The same study also identifies seven main reasons for the failure of expatriate assignments. These reasons, in descending order of importance, are:

(i) inability of the manager’s spouse to adjust to a different physical or cultural environment
(ii) inability of the manager to adapt to a different physical or cultural environment
(iii) other family-related problems
(iv) the manager’s personality or emotional immaturity
(v) the manager’s inability to cope with the responsibilities posed by overseas work
(vi) the manager’s lack of technical competence
(vii) the manager’s lack of motivation to work overseas

When compared with their American counterparts, Japanese expatriate managers and their families appear to be more adept at working and living in foreign environments, thus resulting in a significantly lower failure rate of their expatriate assignments. While a survey conducted in the mid-1980s revealed that a quarter of large US multinational corporations had a failure rate below 10%, as many as 85% of their Japanese counterparts had a failure rate of less than 10%; in fact, no more than 14% had a failure rate of over 10%; and in no case did it reach 20%. Indeed, many scholars attribute the Japanese success in becoming a global economic power to their concerted effort to develop a corps of international managers adept at doing business in alien countries and cultures. Murray and Murray, for example, note that Japanese companies have worked out comprehensive programmes that equip their expatriate personnel well for the demanding task of working and living in unfamiliar surroundings. However, in spite of these favourable observations generally made in such literature, Japanese companies still seem to be experiencing substantial difficulties in this respect. This article will attempt to investigate what these difficulties are, and why they have evolved.

Patterns of Overseas Operations

Japanese companies have been relatively slow in extending their business activities beyond their own national boundary; they lag far behind many American and European multinational companies which have a longer history in conducting business on a global scale. For example, as recently as in 1988, only about 5% of Japanese manufacturing was done overseas — the comparable figures for the US and West Germany were 21% and 17% respectively. However, according to the Ministry of International Trade and Industry, Japan’s figure rose to nearly 6% in just three years between 1986 and 1989. In the first quarter of
1991, the ministry also reported that more than five thousand Japanese firms had already set up manufacturing subsidiaries abroad. Nomura Research Institute predicts that worldwide Japanese manufacturing investment alone will reach $150 billion by 1995.

As their economic might grows, the Japanese are encountering a love/hate reaction from their Asian neighbours as well as from some distant allies in the west. For example, according to a recent survey conducted by Fortune magazine, 63% of Americans believe that Japanese investment in the US should be discouraged. Yet the powerful yen and incessant trade friction with the United States are pressing hard Japanese companies to expand their direct overseas operations elsewhere.

It appears that the Japanese style of management of their subsidiaries abroad is characterized by a high percentage of senior management posts being filled by home-country nationals (i.e. Japanese) dispatched from headquarters in order to maintain tight control of overseas operations. This contrasts rather sharply with the British style in which a home-country national, usually an expert in overseas business, is sent to a foreign subsidiary to get things moving and to manage the entire operation with a large degree of autonomy, aided by carefully groomed local managers under him, or the American style, which usually features a professional manager, whatever his nationality, selected as the CEO, with the operations of the subsidiary tightly monitored by the head office in the home country.

The British style is largely a legacy of the British colonial tradition, while the American style draws essentially on the openness of American management philosophy. Perhaps the Japanese style is the most closed of the three systems, making it extremely difficult for local staff to join the mainstream of the management hierarchy.

Such a variation in the ethnic or culture-specific pattern of managing international business has enabled Perlmutter to develop the classic typology of classifying multinational corporations into ethnocentric (e.g. Japanese), geocentric (e.g. British), and polycentric (e.g. American) firms on the basis of their managerial attitudes.

The ethnocentric attitude, as reflected in the closed Japanese style, holds that prime positions in the overseas subsidiaries should be staffed by citizens of the home country. This is generally regarded as the most desirable way to obtain personnel with detailed knowledge of company policies, procedures, and people. The colonial British style reflects the geocentric attitude that except for the top posts, senior positions in the subsidiaries should be held by local nationals in the host country. The strategic advantage of the polycentric style is the familiarity of the host country’s nationals with its local culture and customs, implying hence the enhancement of local employees’ morale and lower outlays in staff costs. The polycentric attitude, as reflected in the open American style, inculcates the approach that nationality should not be a factor...
in the assignment of key positions in the subsidiaries and instead, competence should be the prime selection criterion.

A study conducted by Tung in the early 1980s showed that Japanese companies operating abroad employed considerably more home-country nationals at the senior and middle management levels than the American and European MNCs. However, more than half of the Japanese companies surveyed in her study cited that ‘the parent-country national was the best person for the job’. Similarly, according to a 1983 survey by the Japanese Overseas Enterprise Association, three out of four executives in the nation’s overseas subsidiaries were Japanese nationals. What is equally significant is that roughly 75% of the respondents in the survey held the opinion that the CEO of an overseas subsidiary in the future should also be Japanese. A more recent study, conducted by Kobayashi of Keio University in Tokyo, noted that the internationalization of Japanese firms is least advanced in the personnel area of promoting local staff to managerial positions, an area that still showed the widest gap between major US or European multinationals and Japanese firms doing business overseas.

An ethnocentrically oriented company such as a Japanese multinational tends to exert centralized control over manufacturing, marketing, financial, personnel, and other aspects of its foreign subsidiaries. However, some leading Japanese firms such as Matsushita, Sony, and Honda, all founded after World War II, have already adopted a more global perspective, subscribing instead to the geocentric attitude. They have realized that some operations are better centralized to take advantage of the effects of experience and economies of scale, while others should be decentralized to provide flexibility and adaptability to local conditions. Still, there is a fair indication that as far as staffing is concerned, most Japanese firms hold a rather ethnocentric attitude toward internationalization. In fact, they appear to feel convinced that to internationalize does not necessarily mean that they need to become Americanized or Europeanized. In explaining why the Japanese undertake their overseas business in the way they do, Yamaguchi of the Bank of Tokyo points out two reasons:

**The language barrier**: The Japanese language, unlike English, is not widely understood outside Japan, thus presenting a considerable disadvantage of conducting Japanese business activities overseas. Although Japanese is increasingly regarded as a useful language by those conducting business with the Japanese, the fact remains that very few local staff can communicate with the head office in Japanese. As a result, most of the important managerial posts abroad are filled by Japanese nationals.

**The employment system**: The lifetime employment system is the basic form around which one’s career is built within the organization. Since people stay
with one organization for many years, they get to know each other very well, and in many ways, this facilitates intra-company communication. Investment in developing these lifetime employees is a useful human resource strategy. New employees are therefore often sent on overseas assignments to receive extensive training in various aspects of the firm’s business. As a result, overseas posts are filled with Japanese staff.

In spite of the recognition that they still have some way to go before catching up with the truly global multinationals of the industrialized West, there is evidence that Japanese managers, as individuals or in a group, have decided not to follow the Western pattern of overseas operations but to adhere to their own traditional pattern. This echoes Japan’s industrial experience more than 25 years ago, when Japanese firms made a conscious decision to stay away from the wholesale import of Western-style management practices and, instead, adopted the modified but still indigenous practices of their own traditional style of management. This being the case, Japanese companies are sending out an ever-growing number of their own managers for assignments overseas.

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A Survey of Japanese Subsidiaries in Hong Kong

Hong Kong is at present going through drastic political and economic changes in the run-up to 1997, when its sovereignty will revert to the People’s Republic of China. Despite uncertainties surrounding the future of Hong Kong, Japanese companies continue to arrive there with more money to invest. In order to identify the problems associated with their overseas assignment, we conducted a survey of Japanese subsidiaries operating in Hong Kong, using the Directory of Japanese Companies published annually by the Hong Kong Japanese Club to select 110 firms for a sample, each having more than five Japanese staff (as listed in the directory). Fifty-seven firms completed and returned the questionnaires, representing a response rate of just over 50%. The questionnaire mailed to the firm’s management was prepared in Japanese, since it was understood that the personnel and general affairs manager in almost every Japanese enterprise in Hong Kong was himself Japanese.

Table 1 shows the average size and number of Japanese/local managers reported in the sampled firms, as grouped by industry. In this study, a manager was defined as someone holding the position of department head or above. On average, the companies engaged in manufacturing and financial services had more Japanese nationals in managerial positions, while those engaged in transport, tourism and hotel business had significantly more local managers. Among trading firms, the number of local and Japanese national managerial appointments were almost equal.

Nearly half the firms surveyed did not have any fixed duration of an overseas assignment, as would have been prescribed by the parent companies.
Table 1. Profile of sample firms

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average no. of employees</th>
<th>Average no. of managers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Japanese</td>
</tr>
<tr>
<td>A</td>
<td>256</td>
<td>11</td>
</tr>
<tr>
<td>B</td>
<td>183</td>
<td>11</td>
</tr>
<tr>
<td>C</td>
<td>79</td>
<td>9</td>
</tr>
<tr>
<td>D</td>
<td>285</td>
<td>7</td>
</tr>
</tbody>
</table>

A = Manufacturing, including construction/printing/engineering (15 firms)
B = Trading, including wholesaling/retailing (18 firms)
C = Financial services, including banks/securities (19 firms)
D = Others, i.e. transport/tourism/hotels (5 firms)

However, more than 70% of those engaged in the trading business reported a fixed duration, compared with less than 30% for the financial services firms. Notwithstanding whether the duration of an overseas assignment was fixed or not, nearly 70% of the firms surveyed indicated that the actual duration of assignments was four or five years, and only 9% of them reported having an overseas assignment of three years or less.

Reasons for the Failure of Overseas Assignments

Forty percent of the 57 firms responding stated that they had had no expatriate managers leaving the overseas post prematurely in the last three years. However, no less than 30% of the companies admitted having prematurely recalled their Japanese managers home from their overseas assignments, while managers in another 30% of the sample declined to disclose the real picture. Understandably, the largest number of early recalls were found among those companies having fixed duration for an overseas assignment. Moreover, nearly 45% of the trading firms in the sample reported a failure rate ranging from less than 10% to as high as 50%, whereas only about 15% of firms engaged in financial services reported a failure rate of between 10% and 15%. About one third of the manufacturing firms admitted having a failure rate of up to 30%. Considering that only about half the firms surveyed had fixed duration for overseas assignments and that 30% of the sampled firms remained noncommittal in their answers, the actual failure rate in the sample could be even higher than our study indicates. In short, it could be concluded that the failure rate among Japanese nationals on overseas assignments in Hong Kong is not as low as the figures reported in most earlier studies elsewhere have suggested.

The participants in the survey were asked to identify the specific reasons for the failure of these assignments. Table 2 shows, in descending order, the
Table 2. Reasons for the failure of Japanese overseas assignment

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency (%)</th>
<th>Ranking order (Americans in bracket)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family-related problems</td>
<td>72</td>
<td>1 (3)</td>
</tr>
<tr>
<td>Managers’ personality or emotional immaturity</td>
<td>46</td>
<td>2 (4)</td>
</tr>
<tr>
<td>Manager’s inability to adapt to a foreign environment</td>
<td>39</td>
<td>3 (2)</td>
</tr>
<tr>
<td>Manager’s lack of technical competence</td>
<td>37</td>
<td>4 (5)</td>
</tr>
<tr>
<td>Manager’s lack of motivation to work overseas</td>
<td>28</td>
<td>5 (6)</td>
</tr>
<tr>
<td>Spouse’s inability to adapt to a foreign environment</td>
<td>25</td>
<td>6 (1)</td>
</tr>
</tbody>
</table>

The ranking order identified in a similar survey of American expatriate managers is also given in Table 2. A comparison of the two lists of ranking order reveals a sharp contrast in the dimension labelled ‘the inability of the spouse to adapt to a foreign environment’. Whereas this is regarded as the most serious problem by Americans, it is the least serious in the case of the Japanese. It would even appear that Japanese spouses actually like living in a foreign environment, where they can have more leisure time, make new friends, and generally enjoy better living conditions.

However, our survey findings did indicate that family-related problems such as the children’s education, especially after the secondary level, were by far the most important reason for the failure. It is noteworthy that this particular problem and the manager’s inability to adapt to a foreign environment are regarded by both Japanese and American companies as two of the most serious problems contributing to the failure of expatriate assignments. In the former case, the Japanese manager’s emotional immaturity or personality traits are commonly found to be detrimental to the maintenance of congenial relationships with local employees. As far as the manager’s technical competence and motivation to work overseas are concerned, there is again little discrepancy between Japanese and Americans; in both instances, the two factors are not considered serious problems.

That Japanese managers could fail to cope with their overseas assignments in Hong Kong because of emotional or personal maladjustments is explained, at least in part, by their relatively short duration of stay (four or five years) at the overseas post. Moreover, the language barrier is also liable to present a considerable disadvantage for a Japanese staff member working overseas. Even though Japanese has recently become one of the most popular foreign languages, second only to English, among business students and practitioners in Hong Kong, Japanese managers still have great difficulty communicating with their local staff, in either Japanese or the local Chinese dialect, Cantonese. As a result, some Japanese firms, such as Japan Airline’s Hong Kong office, have adopted English as the official language.
Selection of Managers for Overseas Assignments

Who the candidates are, and how they are selected, will obviously affect the chances of success or failure of their foreign assignments. Table 3 shows, in descending order of importance, the criteria used by Japanese firms in selecting candidates for overseas assignment. The Japanese are convinced that an important prerequisite for effective management is the maturity as well as the ability of their overseas managers to communicate effectively and get along well with other people, up and down the hierarchical ladder as well as across work units. In fact, to a fair degree, the candidate’s effectiveness in personnel management, which the Japanese also believe can be cultivated through long term employment at the same organization, is taken into consideration in the selection of the candidate in Japan.

However, in this survey, the highest degree of importance is attached to a candidate’s technical competence required in the country of assignment, followed by his strong desire to work overseas. This importance attached to such factors in the selecting process may explain why the lack of technical competence or motivation will not pose too serious a problem in overseas assignments. On the other hand, the candidate’s familiarity with the country of assignment and his family’s support for his relocation are given the lowest importance. The high mean scores and low standard deviations for these two factors indicate that they are indeed regarded with a high degree of consensus as unimportant selection criteria among the companies surveyed in our study. By implication, this may help explain why family-related problems and the manager’s inability to adapt to a foreign environment have ranked high in our sample as reasons for the failure of overseas assignments. On the basis of the above evidence, there seems to exist a causal relationship between the criteria being used to select the candidates before relocation on one hand and the problems related to overseas assignments after relocation on the other.

Table 3. Selection criteria for overseas assignments

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Mean score</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical competence</td>
<td>2.107</td>
<td>1.260</td>
</tr>
<tr>
<td>Desire to work abroad</td>
<td>2.143</td>
<td>1.086</td>
</tr>
<tr>
<td>Long-time employment at home and effectiveness in personnel management</td>
<td>2.893</td>
<td>1.275</td>
</tr>
<tr>
<td>Support from family</td>
<td>3.268</td>
<td>0.999</td>
</tr>
<tr>
<td>Familiarity with the country of assignment</td>
<td>4.500</td>
<td>0.915</td>
</tr>
</tbody>
</table>

* The respondents were asked to rank five given criteria in the descending order of importance. ‘1’ is the most important and ‘5’ the least important criterion.
Training of Managers for Overseas Assignments

Once candidates are selected for overseas assignments, it is important to make sure that they will be well prepared for work and life in a foreign environment. Yet this seems to be an area which is not properly addressed by many firms doing business abroad. For example, a recent study in the US found that roughly 68% of American firms had no formal training programmes to prepare their personnel for overseas work; of the 32% which did have formal training programmes, the majority seemed to limit the training to environmental briefing that simply provided a basic understanding of the foreign country’s socio-political history, geography, state of economic development, cultural institutions, and living conditions.19

Almost all the Japanese firms surveyed in our study indicated that they sponsored intensive language training (usually English) for their Japanese staff, ranging from two months to one year in duration. However, 40% of them did not have any formal programmes beyond language training. The preparatory programmes actually offered by the remaining 60% of Japanese firms can broadly be classified into four types:

Type 1: ‘In-house’ programme, organized by the company mainly for environmental briefings about the country of assignment.

Type 2: ‘Off-site’ programme similar to the above, conducted by outside agencies or institutions in Japan.

Type 3: Study-abroad programme (off-site) at graduate schools or research institutes.

Type 4: Temporary posting (in-house) at the company’s overseas office for a short duration prior to formal assignment.

Table 4 shows the objectives of these programmes, the sites, and their major users. Basically, the main objectives of these preparatory programmes are twofold. First, they broadly aim at helping the selected candidates cope with the new work environment and personal adjustment to the situation after relocation. Environmental briefings are therefore offered to make sure that

<table>
<thead>
<tr>
<th>Type</th>
<th>Objective(s)</th>
<th>Site</th>
<th>User(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>‘Environmental awareness’</td>
<td>Japan (in-house)</td>
<td>Trading</td>
</tr>
<tr>
<td>2</td>
<td>‘Environmental awareness’</td>
<td>Japan (off-site)</td>
<td>Financial</td>
</tr>
<tr>
<td>3</td>
<td>‘Managerial/technical competence’ and ‘environmental awareness’</td>
<td>Overseas (off-site)</td>
<td>Manufacturing &amp; financial</td>
</tr>
<tr>
<td>4</td>
<td>‘Environmental awareness’ and ‘managerial/technical competence’</td>
<td>Overseas (in-house)</td>
<td>Trading</td>
</tr>
</tbody>
</table>
participants understand the cultural, historical and contemporary factors that shape the mentality of the people in a host country of assignment. Second, the programmes are also designed to help assignees maintain their managerial or technical competence after relocation. Candidates selected for overseas assignments usually have the skills required to get the job done in their own home country. However, unless they learn how to transplant the skills abroad, they may cease to be effective in the host country.

More often than not, a programme may aim to achieve both objectives stated above. For example, many Japanese manufacturing and financial firms send their staff members to attend graduate business, law and engineering schools outside Japan every year. While attending school, these Japanese employees are naturally expected to acquire knowledge and become familiar with the economic, socio-cultural, legal-political, and technological environment in these foreign places. Perhaps more importantly, they are also required to learn differences in principles and practices of management between their home country and the host country, so that they can be competent managers in their future assignment abroad and be capable of making cultural adaptations there. Alternatively, some Japanese firms, notably those engaged in the trading business, send their employees to their overseas offices as trainees for a short period of time. However, our study indicates that unlike their counterparts in manufacturing and financial firms, Japanese trading firms were more likely to attach a greater importance to the factor of environmental awareness than to that of managerial/technical competence.

Among the companies that actually prepared their employees for relocation abroad, in-house and off-site programmes were used to an almost equal extent in our survey sample of firms. However, the popularity of these programmes varied, depending on the business in which the company was engaged. Type 3 (study-abroad) was the most popular choice among the manufacturing firms, indicating a strong preference of the firm that their staff should learn, first-hand, how to effectively transplant their managerial and technical competence abroad, and familiarize themselves with the general business environment in the country of future assignment. The financial services firms also relied very heavily on this type of programme to make sure that the selected candidates would be acclimatized to the economic and financial systems in the country of assignment, although they tended to attach great importance to the off-site programme (Type 2) available in Japan as well.

In contrast, among the trading firms, Type 3 (study-abroad) programmes appeared to be the least popular choice. Instead, these firms seemed to prefer their own in-house programmes in Japan (Type 1) and temporary overseas assignments (Type 4), whose prime objective was to assist in acclimatization with foreign environments as well. This may be in part due to their common arrangement of fixed-duration overseas assignments, which was more common among firms in either the manufacturing or financial services. The nature of
Adaptation Issues in the Internationalization of Business

their business probably also implied their heavier reliance on local non-Japanese employees. It is, therefore, no surprise that trading firms, including wholesalers and retailers, required that their Japanese managers be mature and equipped with adequate human relations skills through in-house preparatory programmes both at home and abroad in order to deal effectively with local employees.

It is noted that even among the companies that offered preparatory programmes, only one out of ten invited the candidates’ families to attend. Coupled with the survey findings that little or no importance was attached to family support for relocation as a selection criterion, it is little surprise that the lack of family-oriented preparatory programmes among these firms has led to the citing of family-related problems as one of the most serious difficulties encountered after relocation, and also as a primary reason for the failure of expatriate assignments. Several studies conducted in the Western context have also shown that the manager’s problems of adjusting to the new environment, whether generated at work or within the family situation, were commonly responsible for the failure or poor performance of managers assigned abroad.20 Harvey has even singled out the inability of the manager’s family to adjust to the foreign environment as one of the most important reasons for the failure of their assignments abroad.21 It is evident from all this empirical data that Japanese companies ought to offer preparatory programmes which are focused, specifically, on the personal needs of their employees, and in particular of their families, prior to their relocation abroad.

Conclusions

In spite of persistent criticism from local employees in the host-country, who are left largely outside the mainstream of their (Japanese) employers’ management echelon, most Japanese companies appear to be convinced that their overseas operations can be best run and must continue to be managed by the Japanese themselves. And in fact, very few important managerial posts in the Japanese subsidiaries overseas are held by their local staff. In this sense, Japanese companies, even among those with extensive global operations and experiences, hold a rather ethnocentric attitude toward internationalization. Thus they may not be regarded as genuine global corporations. Having decided not to follow the Western pattern of overseas operations, they continue to dispatch their own managerial personnel overseas in order to run their quickly expanding business abroad. Yet our study indicates that they are beset by problems associated with their managerial assignment overseas.

These problems are, in fact, remarkably similar to those of their American counterparts, which generally hold the world-oriented view. Although American multinationals may have more experiences in the international business arena, they are also struggling hard to find their own optimal solutions to their
problems, both old and new. Therefore, the simple adoption of the American or the British style of overseas operations may not be the answer. Instead, it may be argued that the Japanese style, as characterized by an ethnocentric attitude toward internationalization, might not necessarily be a bad choice for the Japanese. For example, the posting of senior executives abroad serves them well in preserving the time-honoured practices of a lifetime employment system and seniority-based promotion practices, especially in a economic recession or slow down. Overseas assignments, made on a rotational basis, also serve to provide junior executives with invaluable on-the-job training in helping them to come to grips with the global aspects of the company’s business.

In the four and a half decades after the Second World War, the Japanese have diligently learned from the West the modern principles of management, and have incorporated these into their own traditional style of management practices with discretion and wit. Today, these principles are being effectively employed on Japanese turf. Having proven themselves to be among the best students of management, they will no doubt continue learning from the West. It is still too early to predict exactly what style the Japanese will eventually adopt for managing their business activities outside their own country. For the time being, at least, Japanese companies on the whole seem to show little intention or willingness to relinquish their essentially ethnocentric/domestic orientation. It may, therefore, be safe to conclude that the problems arising from such a characteristically heavy reliance on the nation’s own managerial resources in running the overseas operations of its business overseas will remain a challenge on the agenda of managerial issues in Japan for some years to come.

Notes

1. This paper is adapted and based upon an earlier article by the author, entitled ‘The Internationalization of Japanese Business: Different Approaches, Similar Problems’, which appeared in the International Executive, vol. 34, no. 1, January-February 1992.
Directors and Boards:
The East Asian Experience

R.I. Tricker

Introduction

It is surprising that one of the most significant elements of the modern organization — the board and its directors — is also one of the least discussed, researched and written about. In the organizational literature it is as though the organization peaks with the chief executive. Where is board on the typical organization chart? What impact do the directors have on the firm? How do they influence its role in work and society? These are some of the issues approached in this paper.

The corporate concept — the limited liability, joint stock company with ownership the *de jure* basis of power over the entity — has been adopted throughout East Asia as the dominant form of corporate organization for business. But the corporate concept is essentially an Anglo-American notion, rooted in the ideology of the individual, and the *de facto* reality of Western business attitudes. We consider some of the implications in the East Asian context.

First we review the historical, legal and theoretical context of the corporate concept — the field that is increasingly known as corporate governance. Then we consider the corporate governance processes in Japanese, overseas Chinese and PRC listed companies. The overseas Chinese firms include the predominant share of public companies in Hong Kong, Singapore and Taiwan, together with a significant proportion of the companies listed in Malaysia, the Philippines and Thailand. The focus is on public companies, that is those that have sought public investment through stock exchange listings. This leads to a discussion of some implications and suggestions for possible directions that corporate governance in East Asia might take in the future.
At the beginning of the 1980s the term ‘corporate governance’ was seldom used; today it is a commonplace. Around the world, issues of corporate governance are exciting the interest of academics and professionals alike; even the popular press carries commentaries on the subject. In the United States, the removal in the early 90s of dominant CEOs and chairmen followed pressure from institutional investors dissatisfied with those companies’ strategic direction. The development of relationship investing will also lead to closer links between institutional shareholders and management. In the UK, *The Cadbury Report of the Committee on the Financial Aspects of Corporate Governance* created a code of conduct for public companies on governance matters, primarily calling for stronger independent board-level checks and balances such as those provided by the separation of the roles of chairman and chief executive, more non-executive directors and their use in audit committees, with de-listing as the ultimate sanction. Around the world, accountability for allegedly excessive director remuneration has also become an issue.

Judging from the literature, there is some doubt as to the exact content and boundaries of the field of corporate governance. For some it is about the exercise of power by shareholders, for others about formal structures of the board of directors and corporate effectiveness, for yet others about the social responsibilities of corporations to a wider set of stakeholders. This paper adopts a catholic perspective, employing a conceptual framework that puts the governing body (usually but not always called the board of directors) in the centre of the model (Figure 1). Corporate governance is presented as the concepts, theories and practices relevant to boards and their directors and to the relationships between boards and shareholders, top management, regulators and auditors, and other stakeholders. Ultimately, of course, corporate governance is about the exercise of power over the modern corporation.

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**Figure 1. The relationships and boundaries of corporate governance**
Recently there have been a number of calls to fundamentally rethink the concept of the corporation. In the UK, Handy questioned why ownership was the basis of power in the corporation: ‘how and why did the concept of property ever enter the debate,’ he asks, offering the alternative of the company as a self-governing, wealth-creating community. Wedderburn, commenting that Berle and Means’s analysis of the separation of ownership from control, with power concentrated in the hands of management rather than in the hands of shareholders of large American public companies, ‘has hardly had an impact on English Companies’ Acts. Their model is still the shareholders’ democracy of the 19th century joint stock company’. In the US, Mintzberg has asked ‘who should control the corporation?’ while Monks and Minow have called for a presidential corporate governance task force to consider basic concerns about the governance of the modern corporation.

But, this paper will argue, the very concept of the corporation is rooted in Western ideology, even though the idea has spread around the world. If we are to re-invent the corporation, is that the most appropriate empirical and theoretical basis for governing the modern firm? On the basis of evidence from Asian cultures, this paper gives leave to doubt.

### The Historical and Legal Context of Corporate Governance

The joint stock company, with limited liability for its shareholding investors, was an elegantly simple and eminently successful development of the mid-19th century. It facilitated the provision of capital, encouraged business growth, secured employment, provided innovation in industry and commerce, and created wealth. The model was robust and adaptable. Indeed, its great flexibility has led to the huge proliferation, diversity and complexity of corporate types and structures today.

In the first half of the 19th century doubts were raised about the propriety, indeed the morality, of taking business risks while limiting personal financial responsibility for the debts incurred. But in England, between 1855 and 1862, that changed. Exactly why is unclear. Cottrell argues that the granting of the right to incorporate and to limit the liability of all members for the debts of the enterprise was due to confusion in the legislature at the time. He suggests that the British parliament was attempting to create a continental European structure in which the liability of non-management investors was limited, but in which owner-directors who ran a business remained personally liable. The notion of unlimited executive directors but limited investor shareholders had existed in France in the société en commandité par actions since 1807. Certainly a reading of the parliamentary debates in Hansard of the period suggests considerable confusion on the part of some speakers, although it does seem
that the concern was with giving protection to sleeping investors rather than exempting owner/managers from financial liability. Other commentators have given a more economically oriented explanation, arguing that potential investors at that time were seeking outlets for their accumulating wealth, but demanded financial protection from exposure to a company’s creditors, who could pursue any shareholder into bankruptcy and the debtor’s prison.

Whatever the reason, the effect was dramatic. Firms could now be incorporated as corporate entities, with a legal persona that enabled them to undertake many of the actions open to individuals — to contract, to sue and be sued, to employ, and to hold property, for example. In effect, the legislation had created a form of corporate individual, with a life of its own, if not in perpetuity certainly independent of the lives of the founder members. Notice, however, the inarticulated but underpinning assumption about the significance of the individual.

In England the primacy of the individual can be traced back to the thirteenth or fourteenth century, as Macfarlane noted:

> England had been inhabited . . . by a people whose social, economic and legal system was in essence different, not only from that of other peoples in Asia or Eastern Europe but also in all probability from the Celtic and Continental countries of that same period.¹⁰

> England’s early transition towards the market economy and its concomitant interest in business was founded in an ethic of individualism, not state regulation, based on the laws of property. In continental Europe ideas were rooted in different concepts about the proper relationship between the individual and the state, influenced by the Church of Rome and Roman law. As Macfarlane further commented on the American view of the individual and the state:

> When Jefferson wrote ‘we hold these truths to be sacred and undeniable: that all men are equal and independent, that from that equal creation they demand rights inherent and inalienable’, he was putting into words a view of the individual and society which had its roots in thirteenth century England or earlier.¹¹

> Today this concept of the corporation, derived from these Anglo-American ideas and rooted in Anglo-American ideology, has permeated the business world. Reflecting the outreach of the British Empire in the Victorian era and subsequently in the early 20th century, company law in Australia, Canada, Hong Kong, India, New Zealand, Singapore, South Africa and elsewhere grew from the same roots and, although in each jurisdiction laws have subsequently diverged, the essential concept remains. The development of the corporate form in the United States was, likewise, built on the ideology of corporate
individualism. In Japan, company law and regulation was influenced by the Western-allied occupying forces after the Second World War. Today, the corporate concept is being adopted in the massive privatization of public entities around the world, and newly financed businesses in the PRC are adopting the corporate form to raise capital inside and outside China.

But is the corporate concept, founded on the ideology of the primacy of the individual, the most appropriate basis for the governance of business in East Asia, where the significance of the group or the family is often seen to take precedence over the interests of the individual?

The Theoretical Context of Corporate Governance

Inherent in the concept of the company is the belief that its directors can be trusted. Underpinning Anglo/American company law is the understanding that directors will exercise a fiduciary duty of trust towards the share holding members of the company, exercising stewardship over the corporate resources on their behalf. Stewardship theory reflects these classical ideas of corporate governance. Essentially, power over the corporation is exercised through directors, who are nominated and appointed by the shareholders in a general meeting and who are accountable to them for the stewardship of the resources, subject to a report to the members from an independent auditor that their accounts show a true and fair view. Where minority interests might be exploited, regulation, disclosure and auditing are required. Stewardship theory remains the theoretical foundation of regulation and legislation.

Organization theories were relatively slow to focus on issues at the corporate governance level. In practice, few organization charts showed the board of directors; in theory, most organizational studies seemed to assume that ultimate authority lay with top executive management. However, in recent years there have been some important contributions indicating otherwise from the psychology of behavioural and leadership studies and the sociology of organizational and managerial work, including work by Mintzberg, Pfeffer and Spencer, to name a few examples.

So-called stakeholder theories emerged during the 1970s as a theoretical and normative alternative, reflecting a fear at the societal level that the large, particularly multinational, corporation had become too large and powerful to be held accountable solely through the classical stewardship mode. Nader and Green argue, emotionally:

[Giant corporations] can spend decisive amounts to determine which towns thrive and which gather cobwebs, corrupt or help overthrow foreign governments, develop technology that takes lives or saves lives. . . . [The giant corporation] is largely unaccountable to its constituencies — shareholders,
workers, consumers, local communities, taxpayers, small businesses, future generations. 

Millstein and Katsch comment more thoughtfully:

This strident and partisan concept of substantially unrestrained corporate power and discretion is, in a more moderate form, among the most important fundamental public concerns within large corporations . . . . At issue is whether the nation . . . will accept larger private corporate size, accelerate the decline of pluralism by regulating or by giving greater responsibility to government, or by requiring fundamental changes in the internal governance structure of our major corporations. 

In the UK, the Accounting Standards Steering Committee produced a discussion paper recommending that all economic entities should produce regular accountability reports to all stakeholder groups whose interests might be affected by the decisions of the entity. The political implications of such a heroic idea quickly relegated the report to the files. During the ‘growth and greed’ era of the 1980s little was heard of stakeholder theories, but in the more environmentally and socially concerned 90s the ideas are again appearing, for example in theoretical discussions of business ethics and corporate social responsibility, and in practical form with socially-aware mutual funds.

The most recent theoretical contribution to the field of corporate governance has been the agency theory, which essentially rejects both the assumption of stewardship theory, that directors can be relied on to adopt a fiduciary relationship on behalf of the investors, and the social responsibility ethic of stakeholder theory. Although derived from the work of Coase, agency theory has been a contribution of the 1980s to corporate governance thinking. Inherent in this theoretical perspective is a different view of the nature of man: essentially that he is a self-interested utility maximizer, rather than altruistic — that he cannot always be trusted to act in the best interests of others. Agency theory offers the perspective of a contract between directors and shareholders:

A contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizers there is good reason to believe the agent will not always act in the best interests of the principal.

Jensen and Meckling further argue that, as a consequence of utility maximization, the transaction costs of check and balance mechanisms, such as further disclosure, independent outside directors and audit committees of the board, should be incurred to the point at which the reduction of the loss from non-compliance equals the increase in enforcement costs.
Agency theory and related transaction-cost economics have become an important component of financial economics and the so-called new theory of the firm. Hesterly, Liebeskind and Zenger argue that the new organizational economics had ‘the potential for fuelling a revolution in organization theory’,\(^{19}\) a view held by few organization theorists who note organizational economics’ narrow theoretical scope, its tendency to focus on economic analysis at the level of the individual decision maker, irrespective of group processes and culture, and its negative moral evaluation. Donaldson,\(^{20}\) in a spirited debate with Barney,\(^{21}\) articulates these issues and doubts that a productive synthesis between traditional management theories and organizational economics is possible.\(^{22}\)

This brings us to the theoretical orientation of this paper. Each of the theoretical constructs just mentioned — stewardship theory, stakeholder theory and agency theory — is essentially ethno-centric. Although the underlying ideological paradigms remain inarticulated, the essential ideas are derived from Western thought, with its perceptions and expectations of the roles of individual, enterprise and state and of the relationships between them. But what of other cultures with different perceptions of governance power?

### The Empirical Basis of This Paper

Much of the research in corporate governance to date has been on formal board structures and procedures (for example on the proportion of independent outside directors, the use of audit committees or the duality of chairman and CEO roles, with agency theoreticians exploring their correlation with overall corporate effectiveness). Cross-cultural comparisons of corporate governance have also tended to focus on formal structures. The two-tier supervisory boards of Germany and Holland, for example, have been well described.\(^{23}\) Similarly, the governance situation in the Japanese \textit{keiretsu} networks has been compared with the governance position of American public companies.\(^{24}\)

Less work has been done on the reality of that governance process, on what governing bodies actually do, for example, on the board’s role in formulating strategy, on the relationship between the board and top management, or on directors’ attitudes towards their accountability to shareholders and other stakeholders. The studies on which this paper is based have taken a longitudinal look at governance activities in overseas Chinese-led companies in Hong Kong and Singapore (overseas Chinese is the term used to describe Chinese people who, as a result of the Chinese Diaspora over the years, are now living and working elsewhere in Asia; they are fundamental to the business life of Hong Kong, Taiwan, Singapore, and many other countries in East Asia), and, to a lesser extent to date, at \textit{keiretsu} groups in Japan. A more recent focus has been on newly listed companies in the People’s Republic of China.
The studies have involved informal discussion with groups of directors, individual directors, and their advisers. Some of the interviews were recorded on video. As a control, similar explorations have been held with public company directors in traditional Western companies in Australia. Case data from a major Hong Kong listed company’s case histories is used in this paper as an illustration.

A simple framework was devised as the basis for discussing with directors the focus and nature of board level activity (Figure 2). The assumptions underlying this schema are that directors need to have perspectives that focus inward, as it were, on the executive management of the business(es) of the company and, also, outward on the competitive and strategic-alliance environment of the firm within its socio-economic and political setting. They also need to look back at past events (particularly those of the recent past), and at the present and the future over the strategic time horizon of the business. The board faces choices on where it concentrates its effort, how it allocates time and how much of the work is delegated to the CEO and top management.

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<thead>
<tr>
<th>Outward looking</th>
<th>Providing Accountability</th>
<th>Strategy Formulation</th>
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<td></td>
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<td>Approve and work with and through the CEO</td>
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<td>Inward looking</td>
<td>Monitoring and Supervising</td>
<td>Policy Making</td>
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<td>Past and present orientated</td>
<td>Future orientated</td>
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**Figure 2. Framework for analysing board activities**

In strategy formulation the board is looking ahead in time and externally in direction at the firm in its strategic environment. Strategies then need to be translated into policies to guide executive management within the firm. The board also needs to monitor and supervise the activities of executive management, looking inward at recent past performance and current management situations. Finally, accountability involves looking outward and reflecting corporate activities and performance to the shareholders and any others with legitimate claims to accountability. The literature of strategy formulation is replete with two by two matrices. The only excuse for adding
yet another is this one’s claim to comprehensiveness: if directors look internally and externally, in the past, present and future, there is nowhere else to look.

Figure 2 can be re-drawn to provide further insight into the exploration of board level activities. The left- and right-hand side of the matrix contain essentially different, even opposing, types of activity (see Figure 3). On the right, strategy formulation and policy making are activities that contribute to the performance of the firm; they emphasize the setting of direction. But those activities on the left — supervision and accountability — are about ensuring conformance to policies and plans. This dichotomy is one of the paradoxes of corporate governance deduced by Demb and Neubauer.25

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<th>Outward looking</th>
<th>CONFORMANCE ROLES</th>
<th>PERFORMANCE ROLES</th>
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<td>Inward looking</td>
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<td>Past and present orientated</td>
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**Figure 3. The two primary functions of the board**

Much of the agency theoretical work done in recent years, as well as empirical developments in corporate regulation, have emphasized the conformance role of the board. For example, the requirements for outside directors on the board, (the Hong Kong Stock Exchange recently required a minimum of two independent non-executive directors on the boards of all listed companies), the definition of independence of outside directors, the separation of chairman and CEO, the use of auditing, nominating and remuneration committees of the board with independent directors, greater disclosure, protection of minority rights, etc., are all conformance led — focusing on the checks and balances needed over executive management and calling for appropriate accountability. Cadbury, with its UK requirements for non-executive directors, audit committees and various forms of reporting on governance practices on the ultimate threat of de-listing, completely supports the conformance perspective.26

In Australia, the Hilmer Report took a different line, arguing that the primary role of the board is ‘to ensure that corporate management is
continuously and effectively striving for above-average performance, taking account of risk; with shareholder protection as a subsidiary role. Here the primary emphasis is on the performance role, on adding value. The conformance role is subordinated.  

Where should the balance lie? Are there any insights to be drawn from cross cultural studies? The studies reported on here explore the corporate governance practices in East Asia companies to review the relevance of the framework of governance (Figures 2 and 3) and to draw comparisons with Western expectations and practices.

In Western companies, a typical pattern emerged when the framework of Figure 2 was used. Directors tended to have no difficulty in identifying the work of their board with the matrix and often reported that, in their opinion, the board should be spending more time focusing attention on strategy and the business environment (the performance role) but that, in fact, the pressure on them was to focus internally and to emphasize the monitoring and control of management (the conformance role). Special effort, such as a strategy workshop away from the boardroom, had to be made to find time for performance activities.

Experiences in the East Asian companies were strikingly different. Views varied significantly as to the nature of the board processes depending on the director questioned. What the board did was seldom perceived to be adequately described by the format of the matrix. Part of the problem of interpretation was the diverse nature of many of these companies, where considerable power had apparently been delegated to the subsidiary unit directors, but with the dominant group owner-manager still keeping a strategic hand subtly on the tiller.

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**Corporate Governance in the Japanese Keiretsu**

In the Japanese *keiretsu* the board plays a formal, even ritualistic role. Boards are large and almost entirely executive. The board of Komatsu, for example, has 26 members consisting of the chairman, the president and executive vice-president, three executive managing directors, three managing directors, 14 directors and three statutory board auditors. Canon has 26 and Toyota 55 board members. In effect the board is the top four or five layers of the management organization. Promotion to the board, as in the West, is a mark of distinction; but, unlike in the West, interpersonal competition which exists throughout the organization continues on the board for promotion to the next level. Senior managers seem often to be younger than their Western counterparts.

The commercial code calls for ‘representative directors’ to be elected by the board. Whereas, from a Western viewpoint, these might be expected to represent the interests of various stakeholders in the firm, their actual role is
to represent the company in its dealings with outside parties such as the government, banks and other companies in the industry. Typically the representative directors include the chairman, president and other top directors.

The code also calls for the appointment of individuals as full-time statutory auditors. They report to the board on any financial problems or infringements of the company code or the company articles. They can call for information from other directors, and company employees and can convene special meetings of the board. These internal board level auditors, of course, liaise with the external professional auditors.

Non-executive directors, in the Western sense, would be unusual. A few of the executive directors might have served with other companies in the keiretsu added-value network, and in that sense may be able to represent the interests of suppliers or downstream agents; others might have been appointed to the company’s ranks on retirement from the keiretsu’s bankers or even from the industry’s government regulators. But there are no independent, outside directors, no audit committees of outside directors, no remuneration committees and certainly no two-tier boards with employee representation, as there are in Germany.

The Japanese do not see the need for such intervention, as they see it, ‘from the outside’. Indeed, they have difficulty understanding how outside directors function. How could outsiders possibly know enough about the company they have spent their lives in to make a contribution, they wonder. How could they be sufficiently sensitive to the corporate culture, which has been created over the executive directors’ business lifetimes? Even worse, might they not damage the harmony of the group by failing to appreciate its subtleties?

As in the overseas Chinese case to be considered next, strategic planning in Japanese firms is much less a formal exercise than an emerging development of the long-term direction of the company. Time horizons tend to be long. The approach to strategy formulation emphasizes corporate values. Then medium-term plans are created for each business in the company, typically on a three- to five-year horizon with competitive, technological and socio-political analysis as well as financial. The process is informal, with much sharing of information. Then there is an annual performance budgeting exercise, which focuses on operational issues.

Corporate Governance in the Overseas Chinese Company

The case of Hutchison Whampoa

As an example of corporate governance in an overseas Chinese company, take the case of Hutchison Whampoa, which is known in Hong Kong as one of the major ‘hongs’, that is, a large trading house with a long history in the colony.
Its corporate culture and management practices have evolved over time and reflect both Western and overseas Chinese experiences. To preserve confidentiality the material reported here is all in the public domain.

Originally a British-owned trading company, Hutchison Whampoa was acquired by Li Ka Shing in 1979. Li is a billionaire and reputedly Hong Kong’s richest man. He is chairman of the company, Simon Murray was the group managing director until he was replaced on 1 September 1993. According to the 1992 Annual Report:

Hutchison Whampoa is a diversified corporation based in Hong Kong. Its business success is derived from five core divisions: property; container terminals; retailing; telecommunications and media; and energy, finance and investment. The Group is committed to the controlled growth of its existing businesses in Hong Kong and overseas, and to long-term investment opportunities presented by the economic growth taking place in China.

However, it is difficult to find any strategic coherence in Hutchison Whampoa, unless it be to make money from diverse businesses. Although the annual report talks of ‘five core divisions’, the annual accounts provide financial data for only four, combining retailing with telecommunications. Moreover, the core divisions are not even internally coherent. Crude oil, natural gas and the supply of electricity in Hong Kong are lumped together with finance and investment, and the retailing division includes a supermarket chain, the Hilton and Sheraton hotels in Hong Kong and Hutchison’s China trade.

The term conglomerate comes readily to mind, together with the conventional wisdom, based on the failure of such strategies in many Western companies, that strategic success comes from identifying, and sticking to, the essential core business. The Far Eastern Economic Review suggests an alternative perspective:

Instead of strategy, Li has a modus operandi that is orientated towards the short term: endless opportunism backed by a determination to narrow the odds. His empire grows amoebae like, feeding on whatever comes to hand. The only predictable direction of growth is outwards.28

The corporate organization of Hutchison Whampoa is small. The corporate office manages the group-wide financial, treasury and accounting activities, and there is a corporate executive in a staff position for various management functions. An annual corporate planning exercise, coordinated from the centre, provides the vehicle for pulling together the emergent strategies in each operating company, establishing one- and three-year targets and developing the annual budgets, which are reviewed by the managing director and his corporate staff and which form the basis for subsequent budgetary reporting and control.
However, each division seems to enjoy considerable autonomy, and many of the larger businesses have autonomy within the division. Formally, the corporate involvement in strategic direction is limited to a broad statement that the group’s businesses should be established in leadership positions in growth markets or market sectors, for sustained, profitable organic growth. Informally, the relationship between the managing director and the key executives of each of the operating companies, and between the managing director and the chairman, seem to be crucial in setting the direction of the group. For example, entire sections of the company can be traded out of the group. In July 1993 the company’s interest in Star TV was sold to The News Corporation, resulting in a HK$1500 million gain attributable to the group. In August 1993 the company was reported to be in discussions with Telstra OTC Australia and Deutsche Bundespost Telekon of Germany to sell their interest in the Hutchison Telecom British subsidiary.

This approach to strategic direction seems to give considerable autonomy to strategic units, but within the emergent overall sense of strategic direction from the dominant leader and his advisers. Analysts suggest that, at the moment, Li is in the process of repositioning the company overall to take advantages of the rapid growth in mainland China. The subtlety of such strategic influencing at the director level suggests that the model of Figure 2 is naive when applied to the governance process in such companies. Strategy formulation seems to take place at various levels of abstraction, from the very broad and emergent at the meta-level of the company overall, down to operational policies at the level of the individual business. Similarly, executive supervision is applied from the routine, budgetary-based profit performance at the level of each business, to much broader overall concerns about group-wide financial strengths and managerial competencies. The real power of corporate governance, in such circumstances, is probably better seen as an ongoing process throughout the entire network of directors and senior management; the board meeting does not act as an occasional decision-making forum. The board, as such, plays a mainly formal, confirmatory role.

Corporate Governance in the PRC Listed Company

Finally, we turn briefly to governance in the PRC. Overseas capital is available for companies incorporated in the PRC through two routes. The first involves a listing of the Chinese business on an overseas stock market. To date, Chinese companies have mainly been listed in Hong Kong, although there is one Chinese company listed on the New York Stock Exchange and one in Australia. In Hong Kong, some Chinese companies have been listed in their own right, going through the same due diligence and prospectus requirements of any other company (another nine Chinese companies are being prepared for listing
in late 1993 and early 1994). Others have listed ‘through the back door’ by acquiring a company that already has a listing and using this shell as a listed vehicle for the Chinese business. Of course, all businesses have to abide by the listing regulations of the Stock Exchange and the auditing and governance requirements of the Companies Ordinance. The second route is to issue ‘B’ shares in China, available only to foreigners, on either the Shenzhen (the special economic zone on Hong Kong’s northern border) or the Shanghai Stock Exchanges.

China is currently like a giant corporate governance laboratory. The ultimate question of where governance power will lie is unresolved. Advice on securities regulation, accounting standards and companies governance is readily given by institutions and individuals from Hong Kong and elsewhere. At the moment the few companies that have come to the market in China itself seem to be strongly influenced by their top management. There is also a strong call for control by the authorities — the People’s Bank of China, tax and regulatory bodies and state, provincial and industry officials — to avoid both unacceptable economic and social stresses such as unemployment, bankruptcy, corruption, financial pressures on the state economy and undesirable competition with state enterprises. Interestingly, the ownership of a share in a Chinese company does not carry the same governance power as is attached to such ownership in the West, which is hardly surprising given the Marxist origins of societal thinking. Power seems likely to reside with top management and officialdom. The notion of independent outside directors is not a remedy for shareholder protection, because of the lack of experienced ones. Disclosure and accountability rules seem to offer the most hopeful option, along with the notion of a shareholders committee to represent the interests of both international ‘B’ share and local ‘A’ share investors. In August 1993, the Xinhua News Agency announced that a draft securities law had been designed ‘to ensure the healthy development of the socialist market economy, protect the interests of investors and ensure fair competition.’ The model that finally evolves may well take as much from Japanese and overseas Chinese practices as from Anglo-American one.

Discussion

The basic research models (Figures 2 and 3) were readily accepted by directors of Western companies. The essential dichotomy between the performance and the conformance aspects of the board’s work was seen as appropriate and interesting. Indeed the existence of the Cadbury/Hilmer debate, in a sense, legitimized the framework. Directors appeared to have no difficulty in relating the activities of their board to the cells in Figure 2, and in discussing the conformance/performance problem. Estimates were readily given of the emphasis
on each aspect of the board’s work, often with normative comments on how
the board’s time might be better spent.

However, the Asian directors seemed to have more difficulty with the
matrix and the notion of conformance and performance roles for the board.
Their experiences of board level activities did not seem to relate easily to the
assumptions underlying the conceptual framework of the research. Other
research into the management of overseas Chinese companies has suggested
some distinguishing characteristics, which may help to interpret the evidence
on governance practices. These studies suggest that overseas Chinese firms are:
(i) family centred firms
(ii) control closely held, even with public funding
(iii) centralized decision making
(iv) paternalistic management style
(v) intuitive strategy formulation

(i) Family centred firms

The family is the traditional centre of the overseas Chinese enterprise, with the
head of the family fulfilling the owner-manager role. The boundaries between
family and business are often blurred. The significance of the family is inherent
in the Chinese view of self. Chinese people see themselves in the context of
networks of relationships.29

(ii) Control closely held, even with public funding

Typically, overseas Chinese firms are small, but many have a stock market
listing and attract funds from individual and institutional investors. Generally,
in inviting outside equity participation, the Chinese-run business offers a
minority stake to the public. Control is kept within the family through direct
investment by family members and related companies, cross holdings with
related companies, cross directorships with related companies and trading
relationships which create an element of influence and control. Although the
legal format of the public company follows Western practice, the cross-cultural
contrast is apparent in the attitudes of the Chinese owner-directors towards
their minority outside investors; they see them as ‘honorary members’ of an
outer ring of the family circle, rather than as co-owners.30

(iii) Centralized decision making

Power and prestige in the overseas Chinese firm lies with the owner-manager.
Responsibility for day-to-day affairs may be delegated, but even then they are
frequently disturbed and rearranged by the head. Unlike the more bureaucratic
Western firm, with its reliance on systems, procedures and rules to support
delegated accountability, the overseas Chinese management relies on close personal links that emphasize trust and control. That middle managers have little power or prestige is accepted, because in the Chinese culture there is a ready acceptance of the essential rightness of hierarchy.31

(iv) Paternalistic management style

A paternalistic concern for employees is expected to be repaid with loyalty, which in the past was often rooted in economic dependence. In a society whose social fabric is dependent on relationship networks, social harmony is likely to be implicit. A great deal of ritualistic behaviour takes place in the Chinese organization in an effort to maintain the social harmony which is so highly prized. By contrast, Western society is likely to emphasize tough-minded, open and frank discussion in its business dealings. Prepared to risk confrontation for the sake of clarity and to move towards an unequivocal outcome, the Western manager avoids the ambiguity and lack of directness needed in the East. His Chinese counterpart would have to employ far more subtlety in an exchange, to avoid putting anyone at risking of losing face.32

(v) Intuitive strategy formulation

The Chinese perceive business with a trader’s mind-set, seeing it as a series of ad hoc deals, a succession of contracts or ventures. Typically, they do not share the Western manager’s belief in employing a dominant strategy to build a product or service based company by satisfying customers’ demands long term. Consequently, in Chinese business there is an element of intuition and hunch, a reliance on good fortune and superstition (accompanied by a tough-minded bargaining stance), which is less apparent in the Western strategic planner who relies (at least overtly) on more analysis and quantitative planning.

In the case cited, Hutchison Whampoa, there are elements of the overseas Chinese approach to business, as outlined above, allied with more traditional Western management practices. However, the framework in model 2 proved only partly helpful in understanding the role that the directors played in corporate governance processes. The board seemed to support the real exercise of power through the relationships between the key players, particularly between the owner-manager or chairman and the managing director and his key executive colleagues. Both performance and conformance roles seemed better described as an ongoing, emergent process, rather than as a set of activities of the board which led to decisions for management to implement.

In the case of the Japanese corporate governance, the high degree of social cohesion within the Japanese firm is widely recognized. The high levels of unity throughout the organization have all been widely noted, along with non-
adversarial relationships, lifetime employment, enterprise unions, personnel policies which emphasize commitment, initiation into the corporate family, cross-functional training, and promotion based on loyalty and social compatibility as well as performance. Some of these attributes, however, may be currently at risk following recessionary pressures in Japan. Equally well known is the approach of decision making by consensus, involving a lengthy process of discussion and negotiation throughout the organization until agreement occurs.

The board, consequently tends to be a decision-ratifying body rather than a decision-initiating and decision-making forum, as in the West. Indeed meetings of the entire board tend to be ceremonial, with honourable titles used on social occasions, although that practice is in transition. More significant seem to be the informal relationships between the top echelons of the board. Also vital are meetings of the managing directors with the directors in their teams. Again the stereotypical Western framework of corporate governance used in the research (Figures 2 and 3) seemed inadequate to reflect the interpersonal and emergent nature of the Japanese corporate governance processes, both in terms of strategy and policy making, and in terms of supervising executive management and providing accountability to stakeholders. The mainland Chinese situation is too new to offer any pointers to governance practices. China will be able to use both Asian and Western corporate governance experience.

Based on this evidence, it appears that the performance/conformance dichotomy, while pertinent to the experiences of Western companies, was not a good basis for understanding governance in Asian organizations.

However, the quadrant of Figure 2 lends itself to an alternative interpretation. If the diagram is split horizontally, rather than vertically, as in Figure 4, the dichotomy is no longer between performance and conformance activities, but more on the level of abstraction at which the directors are thinking about the company.

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<thead>
<tr>
<th>Outward looking</th>
<th>Idiosyncratic strategy formulation and corporate guidance</th>
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<tbody>
<tr>
<td>Inward looking</td>
<td>Business planning and management control</td>
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<td>Past</td>
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**Figure 4. An Asian perspective of board-level thinking**

At the higher levels, Asian enterprises as a whole are perceived in the context of their overall business situation. Thinking encapsulates past experiences, current information and expectations about the foreseeable future. Strategy
formulation is idiosyncratic, emergent, and non linear; it involves providing guidance on the ongoing activities of the component businesses. The concept of strategic formulation is captured by Kenichi Ohmae in *The Mind of the Strategist*, in which he writes about Japanese top-management strategists: “They have an idiosyncratic mode of thinking in which the company, customers and competition merge in a dynamic interaction out of which a comprehensive set of objectives and plans for action eventually crystallizes”.

At the lower levels, the focus is on the group’s businesses, on shorter term plans and management control, and on keeping operational performance in line while moving in the directions indicated by guidance from above. This interpretation of the activities and attitudes of the directors seems to provide more insight into corporate governance than does the performance/conformance dichotomy in Asian cases.

### Conclusions

What conclusions might be derived from the preceding comparisons between Western and Asian governance practices? Three suggestions come to mind, each offering opportunities for further research:

(i) In the Western approach to corporate governance, it is the board, per se, that is the basis of legitimate power over the corporation. Stewardship, agency and stakeholder theories all presume that the locus of power lies with the governing body — the board of directors. Even though the board may choose to delegate powers to the CEO, top management or board committees, it remains responsible. The Asian approach to corporate governance appears to be more organic, with the relationships between the key players legitimizing power.

(ii) The contrast between Western and Asian views of board level activity and the role of directors suggests that Western paradigms on board structures, board committees and other checks and balances mechanisms cannot be readily translated to the Asian experience. It further demonstrates that stewardship and agency theories are both ethnocentric. In Asia, the agency theoretical view of man rests on a different set of contracts.

(iii) The original concept of the company was Western, rooted in the notion of shareholder democracy, the stewardship of directors and trust — the belief that directors would recognize a fiduciary duty to their company. But today’s corporate structures have outgrown that simple notion. The corporate concept is now rooted in law and the legitimacy of the corporate entity rests on regulation and litigation. The Western world has created the most expensive, most regulated and most litigious corporate regulatory regime the world has yet seen. This is not the only approach, and certainly not necessarily the best. The Asian reliance on relationships and trust in
governing the enterprise may be closer to the original concept. There is a need to rethink the underlying idea of the corporation, contingent with the reality of power that can (or could) be wielded over it, and that concept will need to be built on a pluralistic rather than an ethnocentric foundation if it is to be applicable to the corporate groups and strategic alliance networks that are now emerging as the basis of the business world of the future.

How might such thinking affect the governance of the company in the future? It might be argued that there are three forces encouraging a convergence in international corporate governance. Firstly, the emergence of global of trade: the pressures stemming, for example, from the GATT and MFN treaty rounds. Secondly, the emergence of global securities trading, with the expectations of European and United States’ institutional investors. Thirdly, the internationalization of accounting standards, through the work of the IASC and the major professional accounting and regulatory bodies.

On the other hand, there are forces for differentiation in international corporate governance. The state of economic, legal and societal development in the country concerned, the basis of political power in that state, and the ethnic and cultural conditions can all lead to divergence of corporate governance expectation and practice.

Inevitably, forces for convergence become influential as firms seek access to international capital. But, will, and should, global norms of corporate governance be set according to contemporary Anglo/British practice? Some would argue that these beliefs and standards are themselves constantly evolving, and represent the best current practices. Others would point out that the standard-setting work of international organizations such as IASCO and COSCO, with members drawn from many countries, is already having an ameliorating effect. Yet others might see the opportunity for rethinking the basis of power over the corporation, drawing on East Asian experience such as the apparent partnership of stakeholders in the Japanese keiretsu’s added-value chain with the close involvement of the financing banks, or of the governance of the strategic alliances and joint venture networks in the overseas Chinese owned/managed, yet public, corporate entities.

What seems most likely is a compromise between the global forces of convergence, which call for greater visibility and accountability, and the more local interests in differentiation, which seek the benefits of pluralism in exercising corporate power, reflecting local and ethnic attitudes towards business. On balance, we are likely to see more, not fewer, alternative approaches to the politics of power over the corporation in the future.
Notes

1. The research reported in this paper was originally presented at the Strategic Management Society’s 13th Annual International Conference held in Chicago, 12–15 September 1993 under the title, ‘Corporate Governance — the ideological imperative’.
11. Ibid.

27. Frederick G. Hilmer (chairman), Strictly Boardroom: Improving Governance to Enrich Company Performance, a report of a study facilitated by the Sydney Institute of Information, Australia, 1993.
32. See, for instance, Redding and Wong, op. cit.
Introduction

The selection of an information strategy in an organization may affect intra-organization centralization or conversely, decentralization, as discernible in terms of the organization’s structure, its decision making process, its mode of control and its locus of power distribution. The notion of centralization can be used to describe the relative concentration of authority or control, or alternatively, a physical situation in substantive terms, such as the centralization of production. Conversely, decentralization suggests a state of dispersion in authority and the power to make decisions.

As Leavitt and Whisler suggested as early as in the 1950s, information systems might be said to contribute to centralized processes of decision making within the organization, given their tendencies of:

(i) diminishing the autonomy of middle managers,
(ii) providing top management with direct access to information, leading to better decision making capabilities and hence increasing its control over the organization, and
(iii) bringing about a shift in power within the work organization as a result of computerization.

On the other hand, the move towards decentralization of the information processing structure of the organization has also become more popular today. This is because of its association with such contemporary factors as:

(i) greater effectiveness arising from the specialization in homogeneous functions and entities,
(ii) psychological reasons of personnel motivation at the branch level,
(iii) time sensitivity and support of decision making for both tactical and operational reasons, and
(iv) emergence of microtechnology which has led to significant savings in computer hardware costs.

Child has suggested in his organization study that increased formalization of rules and procedures for job behaviour are likely to favour structural decentralization of the organization by acting as agencies of administrative control at lower levels. Insofar as computer information systems allow the formalization of tasks, facilitate the monitoring of lower level decision outcomes and hence make possible the delegation of more routine decisions down the hierarchy, computerization can be said to support a certain measure of decentralization for the enterprise.²

Inasmuch as computerization may alter the character of information flow within an organization in terms of its speed, volume, content, decision-supporting characteristics and pattern of circulation, technological innovations of such a nature are liable to lead to significant shifts in the authority structure of the organization as well as in the power relationship among its members. In particular, those who control the information system and its application might affect not only the integrative aspects of such information technology but also the locus of decision making abilities, as well as the members’ interests and power structure. Hence, computer-based information systems are likely to entail a certain number of pay-offs on the paradigm of ‘power shifts’. These power shifts may be conceived as gains in a person’s relative capacity to influence or formulate decisions (if at the expense of others, in a zero-sum situation). In summary, therefore, it may be assumed that information systems and their introduction are likely to enhance the influence of those who have access to such technology, and are able to comprehend and make use of the systems. However, the general ramification arising from information systems application has been to displace to higher levels the locus of decision making within the hierarchy of the organization, with the implication of a more centralized control and power structure for the organization as a result of this upward push.

The augmenting role of information technology for both the day-to-day operations and managerial decision making in business organizations is hence recognized. It is, therefore, the aim of this paper to investigate, with the aid of empirical data, the factors influencing the choice of corporate information strategies by management, and its implications for the organization, especially in terms of its relative tendencies towards centralization or decentralization.
The Survey

For managers involved in information processing and decision making, the issue arising is to ascertain whether centralization or decentralization constitutes the preferred or more effective strategy in the design of the information systems for the organization. In order to put the issue in its perspective, a survey, using a postal questionnaire schedule, was conducted on a sample of selected companies where in-house information systems have been installed. A brief narrative on this study follows.

The survey was directed at companies in Hong Kong with in-house information systems that consisted of mainframes, and minis (but not including those firms having just non-integrated installations). Firms which were listed in the Asian Computer Yearbook 86/87 provided the sampling frame, from which a sample of 200 firms was drawn. The main instrument for collecting data from these subject firms was a postal questionnaire comprising five major sections to ascertain respectively:

(i) the socio-demographic profile of the respondents who represented the subject organizations in replying to the questionnaire,
(ii) the respondents’ views on the most suitable strategy for meeting their firms’ organizational and economic objectives,
(iii) the respondents’ opinions on the influence of technology on the information strategy of their firms,
(iv) the impact and repercussions of organizational structure on the choice of strategy, and
(v) the management’s preference for centralization versus decentralization in terms of such aspects as control, physical location and functions of the computer-based information system.

Eighty-one percent of the respondents were information systems management staff, the rest being experienced end users. Altogether, of the 200 firms approached initially, 47 companies responded, the response rate being 23.5%.

A Review of Some Major Findings

Given the design of the questionnaire instrument as outlined above, it is useful to discuss and review some of the salient findings yielded by this survey under the four main sections of (i) organizational objectives, (ii) economic dimensions, (iii) technological influences, and (iv) organizational structure. A short account of each follows.
(i) Organizational objectives

It has been suggested in some literature that the centralization or decentralization tendencies in the management of the information systems in any organization are dependent, inter alia, upon an organizational set of variables which are defined, in turn, by a specified number of systems objectives and constraints which are endemic to the organization. These include, for instance, the factors and imperatives of:

- providing for information processing capability,
- controlling capital and operational costs,
- satisfying the needs of the user departments,
- contributing to organizational integration,
- serving management’s needs for information,
- supplying a competent and reliable level of information processing service,
- allowing organizational units and subunits within the organization to optimize creativity and performance,
- supporting autonomy among the organizational units,
- enhancing the importance and influence of these units within and for the organization, and
- contributing to the end users’ job satisfaction.  

When the respondents were asked to decide whether a strategy of centralization or, conversely, of decentralization would better suit the ten objectives listed above 52% of the respondents chose centralization, vis-à-vis those organizational objectives stated above.

In ranking these objectives in terms of their relative importance, more than 61% of the respondents placed at the top of their priority list ‘serving management’s needs for information’. Amongst this group, 63% favoured centralization. Conversely, the smallest number of respondents in the sample opted for the organizational objective of ‘contributing to the end users’ job satisfaction’ as the most important one, and among them a clear majority 71% were in favour of the decentralization strategy.

Therefore, the impact of small and inexpensive minicomputers and microcomputers, in spite of their widened application, is still limited in altering managerial strategies in this sample of enterprises in Hong Kong, where centralization still appears to be the preferred mode, according to this survey. It has been the assumption of the proponents of decentralization that the user departments, under the current trend towards mini installations, can now obtain and control their own information processing capabilities without being subject to the constraints and directions of top management, or of the information systems department at the central level. It has been further argued that the economic benefits (namely, economies of scale) formerly attributed to a centralized system have gradually been eroded because of the relative inexpensiveness of minicomputers available today. However, this study raised
doubts about any postulation on the rise of decentralization, as the situation in Hong Kong seemed to contradict the optimistic assumption that the widespread use of small computers could serve diversified functions and services as tailored to the differing needs of the individual department, that such application enabled the users to establish and maintain their operational autonomy, and that a decentralized system was more apt to provide the users with hands on opportunities to achieve satisfaction while improving departmental productivity. Rather, empirical data generated by this survey indicates that these organizational objectives were placed relatively low on the respondents’ priority list.

(ii) Economic dimensions

For most organizations, the decision of whether or not to introduce a computer-based information system depends, in large measure, upon the cost-benefit weighting and analysis pertaining to such an exercise.

The most common benefits associated with the centralization/decentralization tendencies implied by the computerization process include the reduction or avoidance of costs arising from the improved utilization of assets, greater flexibility in operations, and higher speed in the performance of specific tasks. There can also be intangible benefits accruing from improved information, namely, better quality information processed and obtained. These benefits can result from factors such as the computer’s ability to augment the volume of information available, to speed up the retrieval of information, to improve the accuracy of the information and to recast old information in new ways.

During the last two decades, there has been a shift in the cost composition of computer-based information systems — from a relatively significant share spent on the hardware installation, to a less costly initial outlay. However, in spite of the general reduction in the price/performance ratios for computer hardware, such savings are always offset by the rising costs of facilities, skilled personnel, procurement and maintenance of software, not to mention other related costs such as data management, data communications and computer operations management.

In this survey, the respondents were probed with regard to the relative magnitude of centralization versus decentralization they considered to be most effective for the control of the rising costs of information processing in terms of those factors identified above.

As many as 68% of the sample of local managers opted for centralization to control the rising costs of information processing, while only 14% advocated decentralization for achieving the same goal. Among the variety of reasons cited to explain the rising information processing costs, the most salient one was the ‘increasing number of applications in operation leading to increasing demand for technical and managerial personnel’. This factor was listed by
more than 40% of the respondents as the most significant one. Generally speaking, this sample of respondents deemed it more desirable to centralize the information systems in order to rationalize the control of costs for improving the efficiency of such application.

(iii) Technological influences

What has been problematic, in the evolution of information systems, is the complex interactions between rapid technological developments and the changing requirements of organizations utilizing such systems.

New technological arrangements, such as the emergence of ‘Very-Large-Scale-Integration’, have facilitated the mass production of complex systems on small pieces of semiconductors. However, the main difficulties with minicomputers in an information system have been the division as well as the integration of independent subsystems within the global system. On the other hand, this issue has given impetus to the rise of networking technology as the source of new devices to facilitate co-operation and communication, inasmuch as such networks serve to connect multiple systems and link them together to permit an exchange of operational information by using electronic communication link devices. A ‘shared’ configuration of the machines as such serves to facilitate co-ordination, thereby first reducing data redundancy and second harmonizing the machines’ work with other contingent needs within the organization.

In this survey, a third focus of interest was hence to investigate the implications of such networking technology for management. The respondents, when asked to assess the impact of mini and microcomputers on their information strategy, provided the following profile of opinions:

a. over 60% of the respondents opined that the installation of the smaller, less expensive computers would cause their firms to adopt a relatively decentralized strategy, since information-processing facilities could be acquired at relatively low prices in small pieces by individual departments at the lower levels of the work hierarchy, relatively independent of the mainframes;

b. almost half of the respondents (49%) believed that networking would improve relations among the various units within the firm and facilitate organization-wide control and information management, so that management would still be able to cope with the control problem, despite the move towards decentralization;

c. a large percentage of the sample (93%) agreed that the compatibility of equipment in networking would only be secured by the maintenance of highly centralized control over the process of procuring hardware. Conversely, in extreme situations, decentralized information centres anxious to retain their autonomy in the organization might adopt the strategy of
‘maximum feasible incompatibility’ in the procurement process so as to render absorption by other centres difficult, and to reduce or preclude further managerial control options; and
d. more than 80% of the respondents in the sample believed that the mainframe would continue to coexist with the minicomputers, in spite of the proliferation of the latter. This opinion represents a countervailing force to the tendency towards decentralization, possibly for the reason that the user departments, albeit that they have their own systems, might wish to share data or build electronic communications links with the central mainframe as well as between each other.

In summary, it may be said that while there was noticeable interest and attention shown towards the strategy for decentralization with the advance of technologies, there still prevailed in Hong Kong a management preference for a centralized strategy in the design of corporate information systems, given a widespread belief in the desirability of imposing and conserving direct control over the access of information resources.

(iv) Organizational structure

With reference to the theme of centralization versus decentralization, the fourth issue investigated in this study was the relationship between the organizational structure and its corporate information strategy.

Over 68% of the respondents agreed that the present organizational structure of their corporations determined, to an important extent, the arrangements of their information systems. Nevertheless, it has not been tenable for this study to substantiate Whisler’s claim that an organization tends to become more decentralized as it grows. In this survey, there were more respondents (42% of the sample) disagreeing with Whisler’s thesis than those (38% of the sample) agreeing with it.

Also worth noting was the impact of information strategy on the nature and quality of decision making within the organization. About 45% of the respondents indicated that information systems affected the centralization of decision making, but the sample also expressed reservations on the existence of any direct functional relationship between the quality of the information systems and that of decision making. Instead, it was observed that decisions based upon data generated from computer information systems could also be poor even if there was, and in spite of, a direct link between the processing point and the decision itself.

In terms of power or authority distribution, there has always been the rather common assumption that the introduction of computer information systems would furnish information specialists with greater influence. However, this may not be the case. Rather, it has often been user and staff departments
whose power increases with the aid of the information systems departments. Furthermore, information system managers always complained about their marginal involvement in corporate planning and policy formulation. Possibly, such ambivalence and a self image of marginality could be explained, first by the stereotyped views of senior management on the role of information systems (that is, the latter were more of a support than a participant in strategic decision making), and secondly in terms of the problematic performance of information services in the past. (Such feebleness has given rise, for instance, to a traditional view that information systems were relatively mechanical, rigid and lacking in the resilience necessary to respond to arising exigencies.)

On the related issue of control, more than 53% of the sample disagreed with the claim that decentralization with the aid of information systems would result in the delegation and devolution by top management of their control functions. Instead, it was found in many cases that information systems served to reinforce the existing power relations within the organization, so that a previously centralized control system might not necessarily move in a decentralizing direction, in spite of the installation of an information system.

The respondents in this survey sample were also relatively lukewarm towards the suggestion that the computer-based information system would be subject to manipulation by the user departments in a political context for the pursuit of interdepartmental conflicts and competition. More than 53% of the respondents did not support the idea that in-house information systems would become instruments for intra-organizational struggles for control. In addition, over 40% of the respondents had an indifferent attitude towards the influence of company politics as a factor impinging upon decisions in information strategy. Thus, it may be reasonably suspected that organizational politics have not yet been sufficiently pervasive as to penetrate and critically affect activities of corporate information planning and processing in Hong Kong.

## Implications and Options for Corporate Information Strategies

As the preceding review of the findings of this survey reveals, the centralization strategy has been a more popular choice among business organizations in Hong Kong in the design of their information systems for the reasons identified in the study. Nevertheless, there are also indications of the growing popularity of intermediate arrangements that lie somewhere between centralization and decentralization. The rationale for choosing an intermediate arrangement is probably twofold. First, such an arrangement seems to offer a more acceptable compromise solution in mitigating an otherwise tilted tendency towards either the extreme of over-centralization or that of over-decentralization. Second, the intermediate approach can be rather effective as a stop gap for retaining some
centralized control, location and facilities, as well as some related functions where these are warranted or considered desirable, while at the same time allowing a limited measure of discretion and autonomy at the lower levels (hence, decentralization). As a strategy, it is tenable for the top management to reserve for centralized operation and decisions those activities and functions upon which the organization as a whole directly depends, while allowing the users to utilize the computing installation with substantial leeway, within the scope prescribed by a body of guidelines centrally determined but containing rules that can range, with a measure of elasticity, from strict to relaxed, depending upon circumstances. Top and departmental management’s attention and concern are both essential in order to implement intermediate arrangements successfully. For instance, its design, planning and operation all require the creation of a protocol so as to assign responsibilities and regulate appropriate activities according to arising circumstances. It may also be imperative for central management to be prepared to relinquish and devolve some of their control to the departmental level, while maintaining and encouraging the latter’s conformity with the overall goals of the organization.

Conclusions

This short paper has examined, in the Hong Kong context, the implications of some of the key factors affecting the choice of corporate information strategy for business organizations. On the basis of a local survey, the respective roles of four basic variables in determining the selection of the strategy are examined.

It appears that, on balance, the survey data suggests a general preference for centralization, as against decentralization, among the respondent firms in the sample. However, it has also been recognized that intermediate arrangements have and will become increasingly widespread in Hong Kong. For the design and formulation of these intermediate arrangements, the authors of this paper are of the opinion that it is of strategic importance to take into appropriate consideration three leading and constraining factors — the mode of control, the physical location, and the functional boundaries. These factors should be investigated and monitored carefully if the hybrid types of information-processing arrangements are to be introduced and implemented smoothly, and in order for them to contribute to the successful performance of the organization.

Notes


Three Chinese Sages and Modern Theories of Human Resource Management

Sally Stewart and Brian Stewart

Introduction

Professor Keith Thurley took a great interest in both the problems of teaching Western management theory to students of other cultures and the extent to which this theory is relevant to developing countries. The thoughts that follow are offered in his memory, in the hope that others may bring to light more of the real but hidden links between traditional indigenous teachings and modern theories on managing human resources, which was the field to which Professor Thurley made such a valuable contribution.

The Culture Clash

Despite Western liberal anxieties that highlighting cultural differences in some way constitutes a racist perspective, differences in management between East and West nevertheless remain. In some Asian territories they have been modified by economic development; in others they have been exaggerated by historical experience and ideology. Among those firmly in the latter category is the Chinese style of management.

The problem emerged in the 19th century, when it finally became clear to China that modern technology must be imported, if only for defensive purposes. For by distinguishing the use of technology (YONG) from the basic philosophy (TI) China hoped to develop economically while remaining culturally pure. In other words she wanted to eat the icing off the technological cake while rejecting the foundations which underlay the technology.
Echoes of this distinction remain to this day, with Chairman Mao’s condemnation of spiritual pollution implicit in such comments as ‘we cannot adopt Western learning as the substance — we can only use Western technology’. The open door policy has renewed fears of cultural contamination, in spite of Deng Xiaoping’s battle cry ‘use the intellectual resources of other countries’.

Nor has the issue remained within Chinese borders. Professor Wang Gungwu, in such books as *China and the Overseas Chinese*, has drawn attention to the continuing preservation of a Chinese cultural identity in peoples whose forebears left the mainland many generations ago, and he is supported in this by Limlingan and Redding among others.

The problem arising from this distinction between practice and essence can be succinctly put: the importation of modern machinery without any modification in local management methods is not likely to be cost effective. Many Chinese factories now have expensive imported instruments and production lines which often lie under-used or unused. The concept of maximum use of capital resources has yet to be given high priority, and this is acting as a formidable invisible barrier to the further expansion of the Chinese economy. How can more Chinese be persuaded to open their minds to some of the advantages of Western management techniques?

## The Relevance of the Three Sages

A new angle on this perennial issue may lie at the heart of China’s ancient literary past, namely in the works of three sages: Confucius, Han Fei Zi and Sun Zi. Although superficially their work has no connection with management, concentrating instead on philosophy, political science and military strategy, it contains much which is of great indirect relevance to the present issue.

This is less of a new thought in relation to Sun Zi’s *Bing Fa* (*The Art of War*). In recent years interest in the work has spread like wildfire; the text has been translated into over 20 languages, a veritable academic industry in China has developed around the military sage, and three international conferences have been held in China to study the philosophy, military aspects, and the applicability of his thoughts to modern society in fields such as management and even sport and medicine.

In stark contrast to Sun Zi, little attention has been paid to the potential contributions of Confucius and Han Fei Zi to the current issue. Confucius has, of course, been featured in his share of studies of cultural matters, where debate continues on the relative importance of the part played by Vulgar Confucianism in the dynamic growth of the Little Dragons (Singapore, Hong Kong, Taiwan and South Korea) in the late 20th century. But even here it is the popular relics of Confucianism rather than the original works which are...
under consideration. The main stream of comment has been on Confucius’ philosophy, not on its practical application to modern times.

Han Fei Zi has fared worst of all. It is even difficult to find translations of his oblique and diffuse works, despite the obvious relevance to all forms of organization of his Prussian drill sergeant views of handling people. Perhaps because of the seeming harshness of most of his writing, or because of the rejection of the legalist doctrine in China by the end of the Han dynasty, his work receives little attention.

The thesis of this paper is that all three of these schools of Chinese classical thought are relevant to the subject of management. There is no need to strain to find analogies across the whole field of management in marketing, sales and organization; this paper will concentrate on the human resource and human relations lessons which all three teach.

It is hoped that this approach will encourage Chinese academics to evolve a science of management studies rooted firmly in Chinese history and Chinese culture, rather than (as tends to be the case) either taking Western studies wholesale, or adopting the defeatist view that the difference between the two societies is so great that Western management doctrines are inapplicable.

### Confucius

The underlying assumption in the Analects of Confucius is that man is good by nature, in contrast not only with those who believe in original sin, but also with the Platonic concept that men need to know the good in order to be good. It is this concept of virtue that pervades Confucius’ thoughts on human resource management, encompassed in the phrase, ‘He who rules by moral force is like the pole star which stays in position while the rest of the stars surround it’. The leader must be virtuous and then his example will produce a virtuous population. But this begs the question of what constitutes virtue.

One ingredient of virtue is lack of hypocrisy: ‘a gentleman [for ‘gentleman’ read ‘manager’] does not preach . . . till he has practised what he preaches’. This advice is, of course, widely ignored by leaders of every sort, whose precepts are closer to ‘do as I say, not as I do.’ Additionally ‘a gentleman should punctually observe his promises’, in order to stabilize his working environment through consistency of approach, and a manager should also be generous, as ‘he who engages solely in self-interested actions will arouse continual discontent’. This final point, however, needs clarification. It would be closer to the truth to say that perceived selfishness causes dissent, for, if the action appears to be altruistic, then no problem arises. Confucius sums up his conception of virtue and its benefits in book 17: ‘If you are generous, you will win all. If you are grave, you will not be treated with disrespect. If you are
sincere, people will repose trust in you. If you are earnest, you will accomplish much. If you are kind, this will enable you to employ the services of others.  

This belief in the manager’s need to show affection to his juniors is a recurring theme of the Analects. But Confucius believed that benevolence is a matter of degree, as shown by the two phrases ‘if you rely on people you are on intimate terms with you will feel safe’, and ‘the gentleman should not make friends with his inferiors’. The distinction appears to be that intimacy is equated with affection, which establishes mutual trust, but that close friendship erodes authority. The command, ‘forgive minor mistakes’, also seems relevant here, for mercy, gratefulness and affection are all interlinked. (He does not, however, suggest that minor mistakes should be forgotten, nor that the wrongdoer should think that he has not erred.) This concept of benevolence may be illustrated by a passage from book 10: ‘when his stable burnt down . . . the master asked “was anybody hurt?” He did not ask about the horses’. People should be regarded as more than a mere factor of production.

However, virtue and kindness do not in themselves produce good leadership, for a leader must additionally be wise, and Confucius provides many practical examples of this. An intelligent man would take care in the selection of his juniors and ‘would not take along [in any army] one who was ready to beard a tiger or rush a river’. In other words, he would not confuse meritorious courage with foolhardy rashness. He would also ‘take the lead and let others work hard’; ‘attend strictly to business’; ‘be cautious in word and prompt indeed’; and ‘point out good and bad points’. These observations infer the necessity of discipline and delegation, and the last point appears to recognize the temptation, often due to lack of time, of solely trying and changing what is wrong rather than positively encouraging what is right.

In spite of Confucius’ optimistic belief that the led would follow the good example of the leader, for ‘if you promote the righteous and put them in charge the crooked subordinates will be submissive’, he was realistic enough to value education highly. This seems to be the implication of the sentence: ‘Rotten wood cannot be carved, nor can a wall of dried dung be whitewashed’. It would be far more sensible to stop the wood from rotting in the first place, and in the human context this could best be achieved through training. Elsewhere he is more direct, commanding, ‘promote those who are worthy, train those who are incompetent and they will encourage each other’, and in book 13 commenting that, ‘to lead people into battle who have never been trained is to throw them away’. It is interesting that this emphasis on education suggests a meritocratic order.

These, then, are the Confucian fundamentals for human resource management: courtesy, wisdom, benevolence, training and leading by virtuous example. In Confucius’ words: ‘The gentleman in everything considers righteousness to be essential. He performs it according to the rules of propriety. He brings it forth in humility. He completes it with sincerity.’ All these
factors help to gain the trust and respect of subordinates and thus their willingness to perform well, while training provides the ability to perform well; the result is an effective and efficient work-force.

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**Sun Zi**

If there is any time when the fullest use of human resources is required, it is during war, for while in business poor leadership may result in lower profits, in war it can result in death. It is largely for this reason that *The Art of War* is so relevant to the study of management.

Much of Sun Zi’s philosophy is concurrent with Confucian ideas, and this is most noticeable in his belief in the necessity of training, feeling that ’invincibility depends upon ourself’. However, there are also links in their respective treatment of benevolence, for Sun Zi believed that if you ‘look on them [your soldiers] as your own beloved sons . . . they will stand by you even unto death’. In accordance with Confucian thought he also believed that a balance must be achieved between affection and undue care, as, ’if you are indulgent and unable to make your authority felt, your soldiers must be likened to spoilt children — useless for any practical purpose.’ Sun Zi is more helpful than Confucius regarding how this balance may be met: ‘soldiers must be treated in the first instance with humanity, but must be controlled by iron discipline’. He is certainly not guilty of using words for effect here, for it was reported that he himself executed a courageous but disobedient general who carried out a successful operation. Discipline is the essence of Sun Zi.

A vital ingredient of discipline is organization, and Sun Zi’s views on this are controversial. He believes that ‘generally management of many is the same as management of few. It is a matter of organization’, and later states that, ‘to control many is the same as to control a few: this is a matter of formation and signals’. But even though the subject of whether the size of organization is irrelevant is debatable, most would concede that the broad principles remain the same whether the organization is large or small, and that good communication is always required. Sun Zi would also include market research under this broad heading of organization, for in the context of war he was a firm believer in the possibility of winning a battle before the fighting had started because of good intelligence.

Discipline must also be maintained through the personal qualities of the leader, and these qualities are many and varied. Sun Zi is clear from the start that technical expertise is not enough, for it must be coupled with moral influence. ’By moral influence I mean that which causes the people to be in harmony with their leaders so that they will accompany in life and unto death without fear or mortal peril’. This is unlikely to mean literally that the leaders adopt the morality of the led, but rather that the led should come to appreciate
that the values of the leaders are admirable. These values are ‘the general’s qualities of wisdom, sincerity, humanity, courage and strict discipline’. The negative values, which Giles translates as ‘the five besetting sins of a general ruinous to war’, are recklessness, cowardice, a quick temper, an over-delicate sense of honour and too compassionate a nature.

Unfortunately, however, not all of Sun Zi’s work is so unambiguous, and indeed there are relevant areas when he comes close to self-contradiction. One of the most difficult of all his aphorisms states: ‘It is the business of a general to be quiet and thus ensure secrecy, upright and just and thus maintain order, and be able to mystify his officers and men by false reports and appearances and thus keep them in total ignorance’. How can this final clause be reconciled with ‘the general’s quality of sincerity’? Furthermore, over-indulgence in secrecy can be counterproductive if one’s own organization is mystified without being totally confident in the wisdom and planning genius of the leadership. Part of the problem may lie with the translation (Griffith’s version omits the word ‘mystify’) and a generous interpretation would argue that the thrust is simple enough: secrecy can only be ensured if the secret is only known to a small and very discreet number, but top management must strive towards a relationship among themselves and between themselves and the rank and file so that mystification does not turn to demoralization.

Other problematic passages include the phrase: ‘he selects his men and they exploit the situation’, where initiative can easily come into conflict with discipline; ‘administering rewards in a more enlightened manner’, where the definition of enlightened is obscure, although the concept that justice must be seen to be done or morale will suffer is a universally accepted theme of management, which bears centrally on motivation; and, ‘he who relies on the situation uses his men in fighting as one rolls logs and stones’. This last phrase, however, is clarified by a later passage declaring that, ‘the potential of troops skilfully commanded in battle may be compared to that of round boulders which roll down from mountain heights’, implying that the effective leader will mould his people so as to create a momentum which will produce success.

In spite of these minor difficulties, it is easy to see the main themes of Sun Zi’s work. He places prime importance on the personal qualities of the general, and also on organization, discipline, training and consistency in reward and punishment. It would, therefore, appear that the differences between his and more modern conceptions of a good leader are matters of degree: few, however, would advocate a policy of executing disobedient staff in the way Sun Zi had the emperor’s favourite concubine killed for giggling on parade.

Han Fei Zi

Han Fei Zi is the best known of the legalist school (法家), widely condemned
for the inflexible nature of its doctrine, and he is often compared with Machiavelli as a political scientist. Because of his cynical views on human nature many of his theories clash with the ideas of Confucius or Sun Zi, and even more with those of modern democracies, as he recognizes only the absolute right of the ruler and the implications of human nature for the rule of law.

The central pillar of Han Fei Zi’s philosophy is the omnipotence of law, which in his view is required due to man’s tendency to corruption. He has no time for Confucian benevolence, noting that ‘though all parents may show love for their children, the children are not always well behaved.’ Law is necessary as ‘benevolence cannot be used to achieve order in a state . . . for people by nature grow proud on love, but they listen to authority’. He later reasserts that ‘the people will bow naturally to authority, but few of them can be moved by righteousness’.

Implicit within the use of law is the imposition of penalties for failing to comply with it, and Han Fei Zi has no doubts about punishment: it must be strong and certain. But he makes quite clear that ‘though his penalties may be severe, this is not because he is cruel’. Punishment must not be regarded as an end in itself, rather as the preventive means to the objective of the peaceful state. It is also a barrier to corruption for ‘if penalties are heavy, men do not use high position to abuse the humble’. Carrots are, however, also effective means of ensuring compliance, though he notes ‘those who dole out benefits in order to win over their subordinates I would not call benevolent.’

If Han Fei Zi was adamant about the use of punishment, he was equally adamant that only the ruler should administer it, else the deputies could encroach on the ruler’s authority. As he colourfully states: ‘the tiger is able to overpower the dog because of his claws and teeth, but if he discards his claws and teeth and lets the dog use them, then on the contrary he will be overpowered by the dog’. Delegation should, therefore, be used with great care, since ‘it is hazardous for the ruler of men to trust others, for he who trusts others will be controlled by others.’

Han Fei Zi believed rulers should not rely on the goodwill of juniors, who are after all seeking more power. He felt that ‘if the ruler uses his eyes, his subordinates will try to prettify what he sees; if he uses his ears, they will try to embellish what he hears; and if he uses his mind, they will be at him with endless speeches’. The ruler should realize that persuasion is not generally achieved by empirical debate but rather by learning ‘how to play up the aspects that the person you are talking to is proud of, and play down the aspects he is ashamed of’. This assertion that style is often more influential than technical expertise is reasserted in the comment ‘it is not difficult to know a thing; what is difficult is to know how to use what you know.’ The leader must therefore guard against succumbing to flattery, venality, glib tongues and even physical infatuations, and must ‘compare proposals and results to make certain that
words are backed up by facts’, while listening to and accepting inconvenient information.

The ruler’s main means of avoiding such dangers is through secrecy, for sycophancy can only succeed if the subordinate has an understanding of the ruler’s philosophy. ‘If the ruler reveals what he dislikes, his ministers will be careful to disguise their motives, if he shows what he likes his ministers will feign abilities they do not have.’ All the ruler has to do is stand by and uphold the law. This even extends to recruitment and promotion, as ‘a truly enlightened ruler uses the law to select men for him; he does not choose them himself.’ By extension he idiosyncratically insists on exact achievement, with overachievement being as dangerous as underachievement. Initiative is a potential threat.

Other matters relevant to human resource management are dealt with in scattered references. Education is essential, but only in the sense of training to understand the law. A broader education can be risky, for ‘as ice and coals cannot share the same container for long... so, too, motley and contradictory doctrines cannot stand side by side and produce a state of order’. In ‘the eight evils’, ‘the ten faults’ and ‘the five vermins’ he adds further dangers that should be noted, which include decadent pursuits, a lack of manners, over-indulgence in cultural entertainment, stubborn refusal to admit error and unnecessary travel, which leaves the ‘shop’ unmanned.

Although some of Han Fei Zi’s philosophy is to a great extent impractical, as delegation (and therefore trust) is needed in any organization, his views on recruitment, clear orders and personal relationships are more palatable. The main problem is that the ‘rule of law’ can be stretched too far, and an autocratic CEO who overdid Han’s system would be unlikely to establish a long lasting organization.

### Comparison of the Three Sages

Table 1 attempts to provide a general overview of the similarities and differences of opinions of the three sages regarding the fundamentals of effective personnel management.

The main problem with such a general table is that it fails to differentiate between the three sages’ differing conceptions of the categories. Confucius’ training, for example, would be largely moralistic education, while Han Fei Zi would regard it as learning the law of the land, and Sun Zi would advocate practical education conducive to survival. The same distinctions may be made for ‘confidence in ruler’: Confucianists would have confidence in moral uprightness, Han Fei Zi’s followers would require confidence that their leader was firm in punishment, and subordinates of Sun Zi would have confidence that acting on their leader’s orders would be most conducive to their own survival and that of the whole group.
Table 1. Opinions of the three sages regarding personnel management

<table>
<thead>
<tr>
<th></th>
<th>Confucius</th>
<th>Han Fei Zi</th>
<th>Sun Zi</th>
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<tr>
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<td>Training</td>
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<td>Courtesy</td>
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<td>Delegation</td>
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<td>Affection</td>
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<td>Correct Philosophy</td>
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<td>Punishment</td>
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<td>Rewards</td>
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<td>Initiative</td>
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'0' signifies little or no importance; '1' signifies moderate importance, and '2' signifies great importance.

Table 1 also fails to note an issue which is implicit within all three philosophers’ works, although it is rarely actually recorded. They would agree with the thesis of the book on leadership by Badaracco and Ellsworth, which argues that although charisma, expertise and style may all have a part to play in the make-up of an effective manager, these ingredients are not enough. The writers suggest that the most effective manager needs a philosophy, and indeed prejudices, to provide a sure foundation for reaction to ever-changing events. They advocate consistency based on integrity of purpose. Although each of our three sages has a very different view on the relative weight to be attached to the various human motivators including respect and affection for authority, reward, punishment, self respect and ambition, the ancients would all have agreed that consistency is one vital ingredient in the make up of a good leader.

The essence of their differing views lies in their ideas on human nature. Confucius was an educationalist, believing that human nature was fundamentally good, while Han Fei Zi was a legalist, feeling that human nature needed a strong stick (although carrots were also useful) and encouraging rulers to be remote, strict and ever on guard against flattery. The focus of Sun Zi was rather different. He was not interested in the fundamentals of human character, but in the application of methods which would provide results. Thus, the following vital distinction may be made: Confucius and Sun Zi valued inward compliance as much as outward compliance, whereas Han Fei Zi was only interested in public compliance. In other words, the former two cared for thoughts and actions, believing that one flows from the other, while the latter only valued actions, believing that if the penalties are great enough men will not dare to defy authority.
Modern Parallels

Confucius’ views on human nature were echoed by such men as Robert Owen (1771–1858), who believed that workers could be transformed by training and good treatment; his work is of particular interest here as he has been described as the pioneer of personnel management. There are also links with George Palmer (1809–1906) and Elton Mayo (1880–1949), both of whom saw the importance of non-economic satisfaction; with Abraham Maslow (1908–1970), whose hierarchy of needs stresses the significance of physiological, safety, social, ego and self-fulfilment factors in good management, and with Frederick Herzberg (1923–), who believes that job satisfaction gained from such factors as achievement, responsibility and recognition are more powerful motivators than the ‘hygiene factors’, which include working conditions, salary and job security. But perhaps the greatest similarity lies with Douglas McGregor’s (1906–1964) Theory Y type: an energetic and creative individual who would exercise self-direction and responsibility, if given the opportunity.

Han Fei Zi’s views generally provide fewer 20th century parallels, for absolutism has been largely replaced by egalitarianism and liberty (at least in Western democracies). However, his ideas do sit comfortably with those of Douglas McCallum (1815–78), who was determined to have clear regulations and punish delinquents. There are also links with Frederick W. Taylor whose work, *Principles of Scientific Management*, led to his being termed the father of scientific management. Although Han Fei Zi might have had little time for Taylor’s ideas on the functional specialization of managers, his central concept of standards and the establishment of regular methods is implicit in Han’s work. Furthermore the charges raised against Taylor, that he was attempting to dehumanize work by making men like mindless machines, would not have troubled Han. Finally, there are links with Douglas McGregor’s Theory X. Both held that men need to be coerced, controlled or threatened with punishment, but for contrasting reasons. McGregor believed it was because many human beings disliked work and had no ambition, while Han believed men might have too much ambition. Nevertheless the similarities of method remain.

Because of the wide range of factors Sun Zi feels are relevant to human resource management, modern parallels with his work form a disparate but influential group. In many ways the closest links are with the pioneering writer Henri Fayol (1841–1929), whose work has provided one of the most popular approaches to management thought. Fayol wholly adopts Sun Zi’s view that the administration of all organizations, large or small, requires the same process. In his book, *General and Industrial Management*, he names planning, organizing, commanding, co-ordination and control as essential to success, and Sun Zi would readily have adopted both these and all of Fayol’s 14 Principles of Management.
Sun Zi’s views are also akin to Chester Barnard’s (1886–1961). Barnard believed in the common purpose that co-operative efforts aim to produce. He further stressed the importance of communication, willingness to serve, the need for managers to realize that they are dependent on their subordinates and the acceptance theory, which argues that if the manager’s authority is not accepted, he or she will not be effective.

Finally Sun Zi may be seen to pre-empt a comparatively recent development in management thought, which suggests that ‘the effectiveness of a given management pattern is contingent upon multitudinous factors and their interrelationship in a particular situation’. Where Sun Zi stressed the role of weather and terrain, modern writers stress the role of the environment, changes in technology and other external factors.

If we categorize management writing into schools of thought, then the Confucian approach corresponds to the human relations movement and organizational behaviour theory which emphasizes the role of the human being. Han Fei Zi’s work is in line with the operational approach, which is concerned with man as a factor of production. Sun Zi cannot be so easily categorized, but incorporates the universal process approach (viewing all organizations, regardless of purpose or size, as requiring the same management process), the general systems approach (an interdisciplinary field based on the assumption that everything is systematically related), and the contingency approach (which stresses situational appropriateness rather than universal principles). It is remarkable how similar Sun Zi’s thoughts appear to these ostensibly conflicting theories.

Conclusion

The three sages throw light not only on modern management theory, but also on many major schools of 20th century thought. Those who wish to make their teaching relevant to people familiar with the work of the sages need to study them themselves. In any case, looking at the narrower field of human resource management, all three thinkers offer valuable insights from the distant past on the problems of managing human beings. The ideas expressed in these classics have stood the test of time and are still highly relevant, even though the writers were not themselves considering the world of business, but other facets of human management.

Professor Keith Thurley with his interest in Japanese culture would, we feel, have been interested in finding ways to incorporate the writings of the sages in modern management teaching and have seen the advantages of using traditional theories familiar to students from a particular culture to help them accept new ideas.
Confucius

Confucius (Kung Fu Zi) was born circa 551 BC, and lived to the age of 73, which was virtually unheard of then, as was his reputed height of over six feet. He was not, as some have imagined, a theoretician remote from the world, but graduated from a storekeeper to a magistrate and finally became prime minister of Lu (in modern Shandong), although historians are by no means agreed on this. Somewhat unusually for a sage he was also a respected military adviser and by no means an advocate of ‘peace at any price’.

At the centre of his philosophy lay the concepts of ren (the loving benevolent relation which should exist between people), and li (the correct rules for behaviour in society.) Among the latter were reciprocity, loyalty, filial piety, hard work, thrift, avoiding conspicuous consumption, and the doctrine of the mean (finding the moderate middle path). These could all occur, he believed, as humans were fundamentally good. He further advocated the need for physical activity, encouraging both archery and riding.

For over two thousand years after his death until the end of the Imperial era at the beginning of the 20th century, Confucianism was the dominant and most pervasive Chinese philosophy, and the Analects were studied and learnt by heart by every aspiring Mandarin. Their importance in the context of Chinese culture is indisputable.

Sun Zi

The ancient Chinese histories record little of Sun Zi’s personal history, but the modern consensus is that his work dates from the fifth century BC, making him a contemporary of both Confucius and Sophocles. Claims that such an individual never actually existed are most likely fanciful. Historian Szuma Chien’s works contain many anecdotes on Sun Zi’s views on discipline: one tells of him drilling a squad of the King of Wu’s favourite concubines and his execution of the leading girls when they giggled and failed to carry out his commands, while another describes the complaint of a mother that his solicitude for his soldiers led them to be loyal unto death, so she lost her children in battle.

The Art of War forms the earliest of known treatises on the subject, and has probably never been surpassed in comprehensiveness and depth of understanding. It does not conceive of war in terms of slaughter and destruction; the objective was to win without fighting. According to B.J. Liddel Hart, Sun Zi has clearer vision, more profound insight and greater eternal freshness than Clausewitz. If the influence of Clausewitz had been blended and balanced by Sun Zi’s realism and moderation at an earlier stage, then civilization might have been spared much of the damage suffered in the world wars of this century.
Han Fei Zi

Han was born around 280 BC, prince of a territory near Loyang in central China. Little is known of him, but he was reported to suffer from a bad stutter, and thus was unable to engage in eloquent discourse, and instead had to put his thoughts on paper. His writings attracted the admiration of the future First Emperor Qin, but when he went to the Qin court he was imprisoned as the Prime Minister managed to persuade the king that Han’s loyalties lay with his native kingdom. The Prime Minister then sent him poison to bring the case to a rapid conclusion. Han drank the poison and died at around age 47.

Han’s book borrows from Taoism, the first legalist Lord Shang and logicians. It is written for leaders and deals with political science, not morality, as his interest was the protection of the state, not the production of the ideal society. The two subjects may have been more closely linked than Han felt, however, for as he himself pointed out, Lord Shang (who advocated all Han’s doctrines) finished up being torn apart by chariots, and the rule of the first emperor, who burnt books and scholars and ruled without mercy, was short-lived. The failure of this draconian system spelt the end of legalism in its pure form and left the field to the Confucianists.

Notes

7. Redding, op. cit.
9. Ibid., Book 2, Section 13.
10. Ibid., Book 1, Section 5.
11. Ibid., Book 4, Section 12.
12. Ibid., Book 17, Section 6.
13. Ibid., Book 1, Section 13.
14. Ibid., Book 1, Section 8.
15. Ibid., Book 13, Section 2.
16. Ibid., Book 10, Section 17.
17. Ibid., Book 7, Section 11.
18. Ibid., Book 13, Section 1.
19. Ibid., Book 1, Section 5.
20. Ibid., Book 4, Section 14.
21. Ibid., Book 12, Section 23.
22. Ibid., Book 2, Section 19.
23. Ibid., Book 5, Section 10.
24. Ibid., Book 2, Section 20.
25. Ibid., Book 13, Section 30.
26. Ibid., Book 12, Section 5.
28. Ibid., Chapter 9, Section 25.
29. Ibid., Chapter 9, Section 43.
30. Ibid., Chapter 5, Section 1.
31. Ibid., Chapter 5, Section 2.
32. Ibid., Chapter 1, Section 4.
33. Ibid., Chapter 1, Section 7.
34. Ibid., Chapter 11, Section 36.
35. Ibid., Chapter 1, Section 7.
36. Ibid., Chapter 5, Section 22.
37. Ibid., Chapter 1, Section 13.
38. Ibid., Chapter 5, Section 24.
39. Ibid., Chapter 5, Section 25.
Work Values and Organizations: A Glimpse of the Asian Syndrome

Ng Sek-hong

Introduction

Human behaviour and activities in a work organization are significantly affected by the attitudes and assumptions its members acquire either within or outside the organization. The thesis of the ‘social action’ approach, popularized in industrial sociology a decade or two ago, has suggested the importance of understanding the individual’s orientation to work in order to appreciate his or her activities and motives in the work situation. The sources of variations in work orientation are both external and endemic to the work place itself, as Silverman summarizes:

These derive from their various historical experiences (e.g. unemployment, rural background, experiences of a paternalistic management) and from the multiple statuses which they hold at the time (e.g. husband, member or official of voluntary association, member of ethnic or religious minority). These variations arise, secondly, from the different experiences of actors within the organization which encourage or discourage certain ends and expectations and generate others. . . . The consequence of these different orientations is that the nature of involvement in the organization varies considerably among the members . . .1

It is accordingly the purpose of this paper to explore the extent to which work values may be treated as a factor contributing to patterns and diversities of behaviour in work and work organizations, as well as to investigate the genesis and implications of these values. Arguably, the notion of culture is an
important factor in explaining both the causation and variations of these values. It transcends as well as divides, integrates as well as differentiates. Paradoxically, one pervasive and universal theme of industrialism in modern societies is its scope for pluralism, or diversity. However, diversity itself has to be, in turn, understood with reference to the context of events and activities. Contexts, which generically describe the parameters in historical and spatial dimensions (hence, the specific environment), give specificity to the interpretation and meaning of human activities, experiences and reactions as they are located within the definitive framework of a culture. Often, a contextual interpretation as such helps to reconcile the glaring discrepancy between a perspective of cultural hegemony (with propensities of a culture to make unitary generalizations across its territory) and that of parochial localism (with tendencies of a culture to demarcate its boundary and differentiate itself from others considered as aliens). Such a recognition offers an important starting point for appreciating the highly complex world of work values in organizations, as they proliferate, diverge, meet, converge and integrate, due to and in spite of the cultural denominator.

Work Values: Source and Genesis

As the social action perspective suggests, an individual is likely to bring into the micro milieu of his work organization all those traits and idiosyncrasies which mirror his social experiences which occurred before he/she entered the organization and those which take place outside work.

These broader social values governing industrial and work behaviour, which can in turn impinge upon the activities of the work organization, may be seen to have transcended all industrial societies as a universal imperative that meets certain structural or functional needs of these societies as they industrialize. This is the theme which the celebrated convergence theory of social development epitomizes, and it is reminiscent of the logic of society which such classic writings as Industrialism and Industrial Man by Clark Kerr and his associates canvassed in the 60s and 70s. Even today, this anti-ideology school (in spite of its unduly optimistic and, ironically, somewhat ideological euphoria about all societies converging eventually to subscribe to a common set of institutional arrangements) still appeals widely for having postulated that all industrializing societies tend to encounter certain problems and demands as they move towards industrial pluralism. Forming part of the hallmark of industrialism portrayed in this literature is hence that emergent body of industrial discipline governing work and performance in the industrial enterprise, where, typically, ‘the work force is dedicated to hard work, a high pace of work, and a keen sense of individual responsibility for performance of assigned norms and tasks. . . . Industrialization requires an ideology and an ethic which motivate individual workers.’
That certain patterns in managerial and work attitudes are almost universally identifiable is not true of modern industrial societies alone. Pre-industrialism, as identified by authors such as Durkheim, Weber and Parsons, does not differentiate consistently between Oriental and Western societies in terms of a number of normative features such as the prevalence of the unitary perspective of management in these societies prior to the advent of modern large-scale industrial enterprises. As argued by England and Rear, the weights of tradition ‘have been used in both China and the West to appeal to an ideal in which masters and servants were in so close and harmonious relations and where an obedient and hardworking labour force was rewarded according to its diligence by a powerful but just master’. Similarly, Fox has also demonstrated that the unitary perspective was not unique to traditional Chinese business but was also once ingrained ‘in the historical texture of class, status, and power’ of Western societies, and in the commonly accepted right of the master ‘to demand unquestioning obedience from his servants’. However, management in Western societies has made conspicuous concessions and compromises regarding its ‘unitary’ tradition and adapted, instead, to the pluralistic frame. Such shifts reflect perhaps, in contrast to China, the earlier extension of the market, the arrival of the impersonal contract, the increasing size and social complexity of work organizations and the shifts in power relations within industries, all of which are products of modern industrialization.

Indeed, the East-West cultural divide does not preclude the possibility that there will be similar assumptions about work and relations in work places, and such similarities may be quite independent of the structural-functionalist dictates of pluralistic industrialism. Comparative empirical studies using a more or less similar set of imagery test statements on employee attitude towards ‘team spirit’ in industry have demonstrated a remarkable degree of consistency between Asian and non-Asian societies. The similarity in the answers of the respondents has led to such excursionary statements as the following:

Indeed, that the ‘teamwork’ perspective is not specific to the Chinese employees in Hong Kong is evidenced by the results of analogous tests conducted in other non-Asian studies. Again, the ‘football’ metaphor serves as an illustration. Here, the general support for the ‘organic’ solidaristic view of the firm has also been reported elsewhere under various benchmark studies of the working class in Western societies. In the classic research on the ‘affluent workers’ in the British car-assembly industry, the Lupton investigators found that 67 percent of all manual respondents (N=229) and 76 percent of white-collar subjects (N=54) accepted the ‘teamwork’ analogy [and] . . . that employees favour the ‘teamwork’ analogy over the ‘oppositional’ or ‘antagonistic’ view of management can therefore be congruent with both the Oriental as well as Western industrial contexts.
Therefore, it appears that certain aspects of managerial and work behaviour can be appreciated with reference to some basic social assumptions and attitudes which are applicable almost globally, regardless of whether the work place is Western or Oriental, industrial or pre-industrial. However, it has to be admitted that, in many instances, these attitudes and values converge largely because of the unifying effects of the formal wage system, whose institutional form is consolidated and made explicit under the logic of modern industrialism. The typical work place is the factory, where industrial attitudes and work values have been shaped by the contradictions more or less inherent in the paradoxical relationships attending the wage nexus. The both conflicting and collaborative relationship between the employer and the employed, the manager and the managed, is labelled as one of antagonistic co-operation. It follows that a consistent feature of these relations, and of the values from which they have emerged, is lack of constancy. The specificity and definite nature of an employment relationship under the contract instrument is an illustration of the transient nature of the mutual commitment of the parties involved. What is even more noticeable, is the variable stance that the parties to the employment relationship may adopt according to changing situations at the work place, given the distinction ‘between a “conflictual” bargaining situation on one hand and a “collaborative”, production/work situation on the other hand’. Thus, the employees’ view of their management can be highly fragmentary, and such variations from context to context of ‘job attitudes to management, or images of the relationship between management and men’ have been associated with the intrinsic nature of waged employment:

Underlying these changes in attitude can be identified two distinct contexts in which quite different priorities in what was demanded of work . . . and quite different definitions of the relationship between management and labour prevailed. On one hand there was the bargaining context where what was important was their share of the wealth generated by the enterprise expressed in terms of earnings and fringe benefits. . . . More explicit here was the idea that management and workers are on opposite sides with conflicting aims and interests. . . . On the other hand there was the work context where what was important to workers was the quality of their job content. . . . Here the implicit definition of work was activity that could be rewarding in its own right. . . . Relationships with management were more characterized by a sense of common interests.

However, the implications of the antagonistic aspect of employment relationships, embedded in conflicts of interest between capital and the wage-earner, need not be interpreted with the same assumption about their normative and industrial disharmony everywhere in the contemporary industrial world. As illustrated by contemporary labour history, Western and Asian industrial
relations experiences have evolved quite differently, both in the workplace and at higher levels, as these societies industrialized. Classic yet adversary industrial relations institutions of the West, noticeably the union-management collective bargaining practices, have not taken roots in most Asian new industrial economies (NIEs). Even in Japan, collective bargaining activities can hardly succeed in isolation, without ancillary support from the labour-management collaborative arrangements of joint consultation. The growing signs that trade unions in such Asian societies as Japan, Singapore, or even China and India can be converted into integrative institutions which increase workers’ cooperation, participation and productivity in the enterprise may point to the eventual emergence of an Asian model of industrial relations and unionism, as suggested by Keith Thurley while making reference such as the following to Schregle (a renowned labour adviser on the Asian region from the International Labour Organization, ILO):

He [Dr Schregle] also clearly feels that Asians often reject the conflictual, adversary basis of Western industrial relations argument. Asians, he comments, are frequently horrified by strikes and attached to the values of cooperation, mutual commitment and harmony. Collective bargaining, itself is seen as overlapping with consultative discussion. If this is true, then, of course, the basis of trade unions in Asian countries is indeed very different from that current in the West, certainly in the United Kingdom.¹¹

Indeed, diversities of approach, attitudes and practices are readily appreciated in the context of a cultural explanation which has provided the principal alternative to the universal theme of industrial determinism, which postulates the convergence of societies as their values and institutions, evolving towards industrialization, become increasingly similar. Human interaction, work organizations and their associated values are hence culture-bound. Although the precise nature of the details of the values-and-work interface is still inadequately understood, much has been written acknowledging and exemplifying the relativism of national or ethnic-based cultures for understanding social actions and attitudes in the workplace. The culture argument has been instructive and versatile when it has been necessary to reckon with and explain discernible patterns of variations in human attitudes, responses and decisions in work places, especially in the context of a history which has helped shape discordant experiences in different societies. The notion of culture-relativism has therefore served as a formidable alternative conscience, if not corrective, to the idea that there exists a universal or a global prescription for the management of human and work organizations.

The culture theorists do not appear to deny in any doctrinal manner the relevance of industrialization and its impact on the genesis of work attitudes and managerial assumptions in business enterprises. However, a cultural
perspective helps to address gaps and discrepancies between industrial practices and work behaviour, where these are observable among societies and their enterprises, by focusing attention upon people’s ‘patterned ways of thinking, feeling and reacting’ as learned or derived from ‘the biological, environmental, psychological, and historical components of human existence’ while being sustained and regularized, historically, in the vestiges of ‘traditional ideas and especially their attached values’. In other words, almost by definition, culture and its historical artifacts legitimize observed and sustained distinctions between societies, in spite of the homogenizing effects of industrialism. Thus the cultural explanation offers a new explanation for the notion of tradition, which seeks to rediscover in traditional values those qualities which are relevant for application towards the purpose of enhancing modern management and work performance.

Perhaps, the most illustrative contrast between work and managerial behaviour among organizations in the East versus the West is the difference between the latter’s individualism and the former’s collectivism regarding human mentality and organizational orientations. The variety of exercises in the classification of associated variables, fashioned by scholars such as Hofstede in Culture’s Consequences, are immensely appealing because they furnish a neat representation of what is believed — whether this belief is based on impressions or empirical observations — to be an important and culturally enshrined watershed between Western and Oriental approaches towards life and society, values and behaviour, work and management in organizations.

Yet, it may be untrue that such culturally denominated typologies, often too abstract and oversimplified, will suffice to describe the complex world of work and management. For instance, it is hard to conclude that an apparent act of altruism, loyalty and commitment to a collective entity is entirely free of any selfishness of the individual, just as it is hard to expect that the individual can pursue recklessly his own self goals for the purpose of his ego in isolation without himself submitting to some form of collectively determined rules or the restraint of the ‘normative consensus’ governing one’s membership in society, a state, an enterprise or a group.

Indeed, much mainstream literature around the 80s is made up of apologetic reflections of Western authors acknowledging the pathos of the Western ‘bureaucratic cage’. This apologetic attitude gained ground as the euphoria over post-industrialism in the West, earlier heralded by authors such as Bell and Toruaine, withered slowly away. Instead, people began to hope that by way of a more systematic inquiry into the logic of performance in Eastern enterprises, possible prescriptions could be found for stimulating business and economic renewal in the stagflation-plagued West. Most industrialized societies are, for instance, presently receptive to the ethos of corporate culture — an American invention adopted and popularized by Japanese enterprises. At the micro level, the firm and the work place are seen as among the most effective
agencies of socialization in society, and the idea of a corporate culture is conducive to managerial aspirations to make an in-house process of socialization manageable for organizational purposes.

**Corporate Culture and Work Values**

An authoritative definition of organizational or corporate culture has been to see it as a ‘pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration’ — that is, an embodiment of values, norms and beliefs shared by and affecting the attitudes and behaviour of members of the organization. By definition, the culture is an emblem which helps distinguish the organization, inasmuch as its contents and ingredients are influenced by the enterprises’ past history and present experiences, while its aims and objectives are shaped by the people, the work place, the technology and the system of production which make it up. Its impact upon its members’ behaviour is obviously prescriptive, homogenizing or even indoctrinating, as is that of any agencies of socialization which demand that norms and assumptions ‘be taught to new members as the correct way to perceive, think and feel in relation to those problems’ (of adaptation and integration). The apparent power of an embracing culture within an organization to affect the behaviour of its members has inspired management theorists and practitioners to harness, if not invent, an organizational culture as an instrument to manage the human enterprise.

One typical approach to managing organizational culture is that by which an organization’s culture is systematically moulded and engineered by way of ‘conscious intervention’ — often starting with top management and moving downwards. Such ideas as those concerning the corporation’s financial goals and objectives, the nature of the products and services offered, the scope of markets and clientele, the policies of human resource management, etc. are identified, made explicit, and disclosed unequivocally to managers and staff. It is always assumed that, with such a disciplined approach of systematic cultivation and indoctrination, members of the organization, from the top to the bottom of the work hierarchy, will agree on and accept the key objectives, purposes and preferred activities and styles for achieving the essential corporate goals within a normative framework of organization-wide consensus.

However, the morality and efficacy of such an approach have been questioned for being too obtrusive and interventionist a prescription, and for encroaching upon the freedom of members of the organization, especially if what is propagated under an organizational culture runs contrary to actual experiences within and outside the work context. It is hence important not to assault or usurp those core assumptions and values which are already internalized and held as natural by the work-force. Otherwise, any endeavour by management
to erect and superimpose upon the latter a synthetic configuration of a so-called organizational culture, which is as yet not in accord with its assumptions and values, is likely to elicit, at best, employees’ ritualistic conformity.

This again highlights the importance of integrating and harmonizing culture and work values at the level of the enterprise with those of society. It has often been suggested, for instance, that the success of many modern Japanese corporations in committing their workers to the organization owes much to the ability of Japanese firms to capitalize upon and re-create those traditional diffuse values and relationships which characterize Japanese society. By contrast, such a nexus in the West is noticeably absent.

### Work Organization: Culture and Work Values

The appeal of a natural match between the cultural ingredients of organization and society is illustrated not merely by Japanese enterprises but also by the experiences of other Confucian societies and their businesses. Here, Confucian ideology and philosophy seem to have provided a moral nexus for sustaining the integration of work enterprises through their hierarchies. Among East Asian societies in the post-Confucian league (including Japan, South Korea, Singapore, Hong Kong and Taiwan), a common cultural heritage has apparently given rise to similar work patterns and business values which have contributed significantly to the solidarity and success of many enterprises. Such implications of the salience of the Confucian prescription (theory C) for organizational culture and work values have been summarized lucidly by Redding:

Sophisticated Chinese organizations have flourished both in and out of China for as long as Western organizations. . . . It is that this special form of organization is peculiarly well adapted to its socio-cultural milieu and is thus not replicable elsewhere. . . . It is also peculiarly effective and a significant contribution to the list of causes of the East Asia miracle. . . . Just as the West, stimulated by the example of Japan, has been recently rediscovering the significance of organizational culture, so may there be some lessons from the Overseas Chinese about paternalism, flexibility, and networking.¹⁹

Altruistic work spirit is not discernible only among Japanese and Chinese organizations but is also embodied in Korean managerial practices and work values. Here, in the ‘company family’, each employee is expected to share in both the common benefits and common fate of the company to which he belongs. The employer is supposed to assume reciprocal responsibility for the welfare of each of his employees, as if they were his family members. As noted by Kim, a typical Korean enterprise culture is one of paternalistic solidarity under a ‘company familism’ — ‘strong organizational unity is seen among the
employees, and their work performance is likely to be well disciplined and group-task oriented.\textsuperscript{20}

In Taiwan, a conspicuous dose of Confucian ethics has been upheld in a variety of large-scale industrial corporations, and is widely recognized as a crucial basis for the normative consensus achieved by and efficacious performance accomplished by their work-force. For instance, the leading steel mill of Taiwan, the China Steel Corporation, has been described in the following terms with reference to its rigours in developing a solid organizational culture.

In its history of organizational design and development, China Steel has therefore adopted and applied with imagination a distinctive dosage of Confucian and Chinese traditional values. These have proved extremely resilient and inspiring in the shaping and growth of its corporate culture. In particular, a great deal of importance has been attached to the ingredients which summarize the essence of the Chinese traditional approach to work.\textsuperscript{21}

Moreover, because of an integrated set of Chinese values and ethical assumptions, China Steel was able to elicit the commitment of its managers and staff in their approach to work and the work organization, to ‘putting to effective practice for the corporation a tradition of (i) strict discipline on rules and regulations, (ii) thoroughness in work performance, (iii) emphasis on creditability, and (iv) inclusion of expectations’.\textsuperscript{22}

Another illustration of the melding of corporate values with the mainstream Confucian tradition of Taiwan as a Chinese society has been cited in the case of China Petroleum, as elucidated by recent empirical work conducted by Pang and Wu.\textsuperscript{23} The researchers, investigating specifically the internal communication, organizational climate and organizational commitment of the enterprise, discover that the vestiges of Confucian norms and ethics are readily mirrored within the plant in (i) an affective identification with and acceptance by its workforce of its organizational objectives, (ii) a yearning on their part to retain their tenure and attachment with the firm, and (iii) a willingness, both individual and collective, to strive for the well-being and success of the organization. These normative features are seen as important ingredients in underscoring the organizational commitment and work morale of its staff and workers.\textsuperscript{24}

It has to be added, however, that in some Asian societies, such as that of Hong Kong, certain key aspects of the work and business values of organizations are not necessarily intrinsic to the mainstream of a Confucian cultural heritage. Instead, the genesis of a local work and business ethos could have been significantly shaped by Hong Kong’s contemporary experiences as a hybrid and transient community which have resulted from repeated tides of refugees from the north, for whom shelter from social rupture and destitution, as well as sensitivity, adaptability and defensiveness are probably key concerns for
survival. Accordingly, inhabitants of this territory place a high value on the individual’s flexibility, and his or her ability to avoid being restricted by institutionalized rigidities. In this connection, references to some small-scale studies which explore the impact of computerization help elucidate the informality which enterprises in Hong Kong have sustained in managing the introduction and assimilation of advanced technology into their organizations. One such study, conducted in 1986 under the auspices of an APO (Asian Productivity Organization) sponsorship, observes:

The general quiescent orientation of the work-force to computerization and the related process of technological innovation was symptomatic, on the whole, of the relative absence of any systematic, significant shifts in job attitude and satisfaction, perception of work and work organization. . . . One of the factors revealed in this study was the amorphous nature of technological advances in a fragmentary, piecemeal fashion. Even for the large-scale modern bureaucracies in the public utilities and tertiary service sector, the management of technological change has been devolved in most cases to lower-level units such as specific divisions or departments.25

One of the subject enterprises investigated in this study was Hong Kong’s leading and largest bank, where the process of computerization has affected its work organization most conspicuously in terms of tellers’ jobs and its management and application of information. First, the bank tellers’ jobs have become more customer oriented; they now places emphasis upon ‘the individual’s sociability, demean, and hospitality in dealing with the clientele’. The changes appear to have stemmed in part from the automation of many routine duties once encompassed in the teller’s job. With numerical control now ensuring the monetary precision of deposit transactions, ‘the teller’s role increasingly concentrates upon enhancing the quality of person-to-person service to bank customers’.26 Second, the enhanced flow of data under the computer-based information system, by making possible quicker and more extensive communication among departments and locations, has contributed to both centralized control at the head office as well as devolution of lower-level decisions to branch offices, without requiring the latter to obtain approval before committing to high-value transactions. Such a corporation-wide network of communication was apparently ‘a key factor in advancing the effectiveness and capabilities of management in a banking sector growing increasingly competitive’.27

However, it is in the manufacturing sector of industrial works that the ambiguities arising from the need to accommodate the imperative for integrated programmed control inherent in automated technology, where these plants have inherited a loosely structured organization, are perhaps best exemplified. In this APO-sponsored study, a medium-sized family business specializing in
pleating work in the garment industry was portrayed as having adapted its work management, since introducing automated pleating machines in 1979, in a rather mixed or hybrid fashion. First, the decision making loci have remained centred upon the patriarchal owner-manager, in spite of the expanded scale of operation due to automation:

This span of control was modified under automated pleating when the work group was reduced in size to about six to eight workers led by a section head. This notwithstanding, the style of supervision has remained informal, traditional, and paternalistic in spite of such techno-structural changes. Decision-making — probably typical of old style, small, Chinese family businesses — was still centralized, concentrated in the hands of the patriarch-head (the managing director). The latitude of discretion left to the shop floor supervisors is limited since it is imperative for them to consult the managing director on a variety of work-related issues’.28

Yet, in the second instance, it was necessary for this firm to introduce limited adjustments to liberalize its control structure in recognition of the demands attending its growth, as well as to formalize procedures due to the dictates of new and automated technology in the work process. Thus, a hybrid mix of old and modern, of informal and rational, loose and centralized work practices and arrangements resulted, as follows:

The more specialized and complex character of automated technology, as well as the onerous might of growing firm size, made it necessary to adopt a more decentralized and consultative arrangement. For instance, the authority to hire and discharge manual workers has devolved down to the level of the production superintendent although decisions relating to the hiring or firing of white-collar office staff still rests with the managing director. Automation was also responsible for a limited measure of rationalization in the plant’s work procedures . . . and intensification of technical knowledge and skills, as well as the increased frequency of informal work briefings and meetings on the shop floor. However . . . it is probably not economical for the firm to commit to a schematic manpower programme apart from intermittent rule of thumb estimates and review of skill provisions.29

The lack of a vigorous, systematic and coherent strategy in restructuring work and its organization, despite the typical embrace of technological advances in a series of ad hoc, fragmental or even disjointed steps, is probably not uncommon to Chinese-owned industrial enterprises in Hong Kong. The experiences reported in the garment factory cited above are echoed, in large measure, by a local printing press also investigated in this APO study. Here, automation profoundly affected work organization in the press room as the printing process and technology changed from the letterpress method to offset
printing. The manning ratio for each printing press was reduced from a minimum of three machine tenders in the work group to two, and the bulk of the manpower demanded now were machine tenders or operators at the semi-skilled level. However, fundamental and wholesale restructuring of jobs and work organization in the printing shop was lacking, as technological changes, such as introducing new machines, were limited to the ‘hardware considerations of its commissioning and installation, the transfer and training of personnel to operate and service the machinery’. It appears that the concern for flexibility and adaptability also predominated and was given precedence over other considerations in this case, where:

Such hardware changes were seldom accompanied by any systematic ancillary exercises in work study, job redesign, or specification of new work procedures. Instead, the customary practice was to communicate instructions on new products, new machines or new work methods through word of mouth oral messages — or simply to leave the workmen concerned to feel their way out through osmosis.

### Conclusions

This paper attempts to trace some of the popular perspectives and arguments exemplifying the relationships between work values and organizations. At the macro level, for instance, there is the rather optimistic view that modern enterprises and industrial societies are growing increasingly similar due to technological advances, as epitomized in the emergence of similar institutional arrangements as well as a body of industrial norms and values to facilitate industrial development, let alone an affluent lifestyle of materialism and consumerism which such development has made possible. Reacting, apparently, to the hegemony of such a convergence theory among industrial societies (yet implicitly vindicating the universality of the Western model), the cultural perspective later offers an alternative explanation by pointing to the importance of the indigenous cultural tradition (especially with reference to Confucianism in Japanese and Chinese businesses) that may coalesce with the inner logic of industrialism to produce distinctly efficient alternative work organization and work value patterns — as attested to by the spectacular performance of East Asian economies in the last and present decades.

Such an enhanced interest in the notion of culture has, in addition, recently inspired many work organizations to search for vindication of, or to engineer, their own domestic organizational cultures in order to regenerate desired work assumptions, values and performance among members of their work-force. The essence of the exercise and design, as pointed out earlier, is not inconsistent with the ideas and implications of the social action approach, which draws
attention to the shaping of work attitudes and values by forces both external and internal to the firm, as well as by the interface between the two.

It follows that in order for an organizational culture to be resilient and well accepted by the staff and employees, it cannot run contrary to or be isolated from the dominant cultural assumptions of society. Again, this underscores the importance of national and ethnic cultural traditions as an exogenous influence on the formation and transmission of work values in work places. However, in discussing the weight of cultural tradition, there is always a need to guard against generalizations, which are often laden with sweeping stereotypes fed by the historical past and not necessarily accurate when applied to specific situations. One illustration of a case which generalizations could not explain is the hybrid nature of business, industrial and work values in Hong Kong. Entailed here is a resilient legacy of Confucian trust and altruistic tendencies, flavoured by a classic free market preference of its people for flexibility, adaptability and contractual individualism and impersonality. While the former are more or less part of the territory’s Chinese background, the latter are evidently symptomatic of this young Asian society’s recent role as a shelter for the insecure, transient and defensive, notably the immigrants and refugees. This Hong Kong feature, suggesting a transient culture which will remain uncrystallized because of (and in spite of) changes, may in the future help us understand work values in other new or rejuvenated economies in neighbouring societies, which are affected equally, if not more, by the international migration of labour and capital across national boundaries, a migration now clearly on the rise all over the world.

Notes


3. Kerr et al., op. cit., p. 53. Although later qualifying their initial observations by conceding that the new humanism, new cultural forms and new styles of life may corrupt and corrode such industrial norms and work values, the authors still hold their faith by claiming that ‘the performance of a work force, we have previously argued, is substantially influenced by the quality of management, and there appears to be little evidence yet for sufficient disaffection to reduce appreciably the supply of competent managers’. Ibid., pp. 301–2.


7. Ibid., p. 144.


18. Schein, ‘Coming to a New Awareness of Organizational Culture’, op. cit., p. 3.

22. Ibid., p. 591.
27. Ibid.
28. Ibid., p. 134.
29. Ibid., p. 134.
30. Ibid., p. 125.
31. Ibid.
Section B

People and Society
Capitalism and Civil Society in China, and the Role of Hong Kong

S. Gordon Redding

Introduction

Hong Kong is moving towards 1997, when it comes under the sovereignty of China during a period of unprecedented economic growth. Parts of the Pacific Asian region have been growing steadily for three decades, and the fastest growing parts of this area now are the coastal regions of China, especially the southern provinces near Hong Kong. This growth is manifest in the inward flow of overseas ethnic Chinese capital and managerial energy, and it has given rise to widespread assumptions that China is about to enter a period of prosperity and redevelopment, that it will, in journalesque, become ‘another Japan’.

This is of great significance, given the size of the country and its population. At the same time, the situation is so uncertain that it is fascinating at all levels, from that of the practical investor assessing risk to that of the theoretical analyst attempting to understand the development process in its latest manifestation. Associated with the unpredictability of China’s future are very large issues such as future political philosophy, the nature of Chinese science and technology, long-standing traditions of administrative control of the state, and the role of Confucian values. Woven throughout these is a more tangible concern connected with societal structures, namely the nature of civil society in China, and it is this issue which will be addressed here. More particularly, attention will be paid to Hong Kong’s role as a symbol, an exemplar and a laboratory for the diffusion into China of one of the key elements found in advanced societies which rely on intense degrees of economic exchange. Varying forms of capitalism have become the normal expression of this thrust to modernize. It is conceivable that, in China, another form will emerge and is now discernible in outline.
Before considering the function of civil society in China and its possible diffusion from Hong Kong, it is necessary to take brief account of the larger issues which lie in the background. This paper will therefore proceed to consider the following:

(i) Larger questions influencing China’s development
   a. political philosophy
   b. science and technology
   c. administrative traditions
   d. Confucian values

(ii) The nature of civil society and its role in modernization

(iii) Civil society in China

(iv) The role of Hong Kong

(v) Future possibilities

China: Political Philosophy

China has always been and remains a totalitarian state. In considering its political structure, however, one must acknowledge that principles underlying hierarchy may vary from society to society. As Hamilton points out, in a critique of Weber, such principles are not universal, and whereas it could be argued that Western Europe has made a transition from patriarchalism to rational-legal authority, the same progression is not necessarily applicable in other societies.1 Hamilton argues that its lack of salvationist religions, beliefs in transcendental absolutes, and ultimate meanings beyond this world causes China to espouse a theory of domination distinct to itself and resting on harmonious relationships between role sets. The cosmology is firmly in place, with heaven, earth and humans as part of a natural order. Within that order, individuals play roles requiring them to perform duties, and there are no appeals to responsibilities beyond the world of social interaction.

This elaborate role set includes that of emperor, and below him those who represent his will. It is however inappropriate to judge this structure as ‘despotic’ or ‘autocratic’ without conceding that power in China has traditionally not been characterized by the absolute will of those who hold it; rather it has been the expression of duty performed by role players in an institutionalized hierarchy.

Even so, historically the effects of such structures in practice have tended to be authoritarian and to have predictable consequences. At the end of their major study of the East Asian transformation Fairbank et al. conclude: ‘Historians have barely begun to get behind the official myths of Imperial Confucianism and appraise the autocracy and elitism by which state and society controlled the individual’.2

Given also the subconscious depths of the Chinese cosmology it is not
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surprising that the communist state replicates the prior formula and displays again the following historical patterns:

(i) the need for an emperor figure to set direction,
(ii) the use of an apparatus to implement imperial will by seizing a monopoly on the interpretation of the state ideology (i.e. the communist party taking over the role of the mandarinate),
(iii) centralized control of all key decisions and strong downwards communications,
(iv) the non-involvement of the mass of the people in policy making,
(v) the retention of control via the use of terror.

In such circumstances the question of China’s modernization remains. Put bluntly by Spence, in the aftermath of 4 June 1989:

The party that had swept to power forty years before by challenging all the existing social, political and economic norms now seemed to have no purpose but to ensure that it faced no such challenges itself. If China was to develop as a modern nation through incentive systems, enterprise zones, long-term individual contracts, and joint ventures, those taking the chances would have to be given some role in the making of political decisions.3

So far the evidence is that the grip of the Communist Party on policy making and on the military remains unyielding. But at the same time quite remarkable experiments in compromise are being fostered without excessive concern being expressed about the paradoxes they entail. The economy is becoming increasingly market driven but without many of the instruments of a market economy. The reclaiming of Hong Kong will leave two separate systems adjacent to each other. Control is being simultaneously centralized and decentralized. Political and economic ideology are in different compartments. The inherent contradictions of a ‘socialist market economy’ are being dealt with pragmatically and empirically as they are encountered.

China: Science and Technology

There is a long-standing debate in the literature as to why China’s scientific achievements historically failed to match those of Western Europe, despite an early apparent lead. At the centre of this debate lies the work of Needham, whose conclusion is that the slowing of progress in China relative to Europe was a result of the work of many factors — social, economic, technical, geographical and historical.4 Others contend that comparisons with Europe are illegitimate given the virtually miraculous nature of the scientific revolution there.5 More recently, Jones has argued that a more legitimate question is that
of why the real scientific and economic achievements of the Sung were not repeated in later centuries.\(^6\)

To criticize the growth of indigenous Chinese science is not to say that China is currently without science. What is normally meant is that scientific discovery is not pursued via a Chinese set of theorems. There is in other words no Chinese equivalent to ‘the scientific method’ which yields cause and effect models and sufficient predictability to allow for control and mastery of much of nature. This leaves China as a borrower of theories and of related scientific techniques. This in itself might not be a handicap or a form of failure, and it has arguably not been a weakness in Japan, of which the same thing can be said. Where the issue becomes significant is in the application of science to industry, and its manifestation in technical innovation. It is in this context that Jones\(^7\) makes a distinction between extensive growth and intensive growth. The former is characterized by a rise in total output and can be achieved by doing more of whatever was already being done, for instance, by making new land available for cultivation, or by supplying the standard basic demands of a growing population. The latter entails a widely distributed rise in the average per capita real income and has normally been achieved by modern forms of economic exchange which intensify the use of resources, increase productivity and efficiency, and make denser the web of economic interactions, usually by means of increasing specialization. Arguably the rapider movements in the direction of this intensive form of growth have taken place within the structures of various forms of capitalism, there being no universal formula.\(^8\)

Returning to Jones’ question as to why the intensive growth and technical innovation in the Sung were never repeated, it is clear that at least part of the explanation must be that scientific input to the economic world was either missing, deflected or handicapped. This means that inventions which might result in better use of labour, materials and capital were not arising indigenously for use in making productivity improvements. Total wealth creation was thus inhibited and so were social and political changes. An end result has been China’s arrival in the 21st century in an essentially pre-modern condition.

### China: Administrative Traditions

The traditional and continuing structure of the Chinese state rests on a governing apparatus which achieves and keeps legitimacy by monopolizing the state ideology and by retaining the right to interpret the way in which it should be applied in everyday life. This was the case for many centuries, with the mandarinate controlling via Confucianism, and has continued to be the case so far in this century with the party controlling via Marxism. Two other features have also been standard: an emperor or emperor equivalent has always been present to complete the hierarchy and to provide key directions, and the
threat of severe punishment has led to high levels of conformity inspired by fear. This latter feature, which has historically included the widespread use of torture, led to a distancing of government from the masses. The average Chinese family and its larger exponent, the village, or trade guild, was encouraged to manage its own affairs, settle its own disputes, police itself, and avoid where possible resorting to government involvement. This did not prevent sudden interference by authorities, and therefore did not encourage the rise of independent centres of real decision-making power which might challenge the state for control. Towns and cities had no independent formal governing systems of their own, and self-governing institutions such as professional organizations never emerged. 9

The permanent concern of the Chinese government was the maintenance of control. Given the immense size of China, the formula adopted was arguably the only option for retaining the integrity of the state in the pre-modern period. Its effects, however, have been those of all highly centralized complex systems, i.e. a lack of adaptability when such centralization occurs. In consequence, the centre’s conservatism and ear of losing control have served to deny the growth of widespread independent action within a still orderly structure, and have kept China from modernizing, a point to be enlarged upon shortly.

**China: Confucian Values**

The great strength of Confucianism, and the reason it has remained a legitimate and constantly reaffirmed ideology for so many centuries, is its placement of the family as the centrepiece in its design for a stable society. Arguably the most human and ‘natural’ of creeds, it shows no sign of diminishing in relevance in China, despite having been forced underground as far as public discussion is concerned. De facto beliefs about family and about the rules and structures governing social decorum contribute significantly to people’s needs for order, and are sought out. They continue to be transmitted within the family, and the security — especially protection in old age — derived from them by the individual, serves to perpetuate their transmission to each new generation.

As Confucianism is not practised institutionally, there being no priests, temples nor churches as such, it has avoided direct attack from Communists. It is too diffuse a target. It cannot be eliminated.

Since the Deng reforms of 1979, and especially following the breakup of agricultural communes in favour of family land holdings, the old family-based values have been reinforced. The official ideology is now gradually moving from communism to socialism, but the old gap between government and people means that such adjustments do not radically change what is going on at the base as regards social systems in daily use.
The end result is that economic life is reforming around family units. Family income is pooled. Family obligations are met. Family business is the natural starting point for the co-ordination of economic action. This is now manifest at all levels, from that of the small scale enterprise, such as the ‘mom and pop’ store, to regularly reported nepotism in the world of officialdom. Chinese economic life is reverting to its most natural order. It is estimated that individually owned enterprises, which were non-existent in 1980, will make up 25% of the economy by the year 2000, whereas over the same period the state sector will decline from 76% to 27%.

Civil Society and Modernization

The idea of civil society dates back to Locke’s ideas on civil government. The essence of the idea is the notion of individuals voluntarily entering society together, and subjecting themselves to the authority of that society for two main purposes: the achievement of a form of equality based on the symmetric reciprocity of strangers, and hence the escape from a cruder, hierarchical state of nature; and the achievement of social order as an antidote to uncertainty and insecurity.

The institutions of such civil society lie between the family and the state and are freely constructed from the base. It is important to note that the family itself is not a component and that the institutions in question are capable of posing, in fact are arguably designed to pose, an alternative locus of identity for the individual. This is not to say that they are incompatible with the persistence of family loyalty. Rather, they weaken its monopoly.

An example of such an institution is a profession such as medicine, accountancy or engineering. Other examples are a union or a trade association, or an environmental protection association which might put pressure on government. The function of such bodies is normally to produce order in a certain domain of social life. This is done by establishing regulations and systems of self-government. Thus, medical societies police the conduct and standards of their own members. Engineers covet membership in their associations, and conform professionally in order to be made members. Accountants govern their own conduct via auditing. Each provides stable and predictable conduct in their particular field. The end result is a standardization of behaviour which diminishes mistrust between strangers. This in turn fosters exchange between strangers. The intense growth typical of modern societies is then feasible.

This is of course one component of a more complex set of processes, and by no means the sole determinant of modernization. Its contribution is however significant because without it, the stable decentralization of decision making into the base layers of a state is not easily possible; in the absence of such
integrating structures the fabric of society would either fall apart or revert to centralized despotism.

Although each society which has modernized has done so in its own way, there are nevertheless features common to the Western and Asian societies which have done so. These are:

**Individualism**, which makes the individual the basic unit of society. The democratic vote, individually defined property rights, an independent legal system, and especially the personal acquisition of skills and qualifications through an open education system are all structures which foster individualism. As incomes go up, dependence lessens, job mobility increases and ideologies may shift in consequence.

**Specialization** springs from the division of labour and leads to a complex fragmenting of society. This will be fostered when information flows freely, and when conditions allow the separated components to recombine if necessary, as for example what the telephone book’s yellow pages do. A further requirement for specialization is the capacity to trust strangers because adequate guarantees are in place.

**Abstraction** is the means of establishing principles that foster such trust. Abstract principles are the alternative to depending on the authority of, say, a priest or an emperor. Their function is to supply the moral ideals to legitimize the authority system. Examples are the ‘self-evident truths’ behind American political philosophy, the Magna Carta, or European 18th century rationality.

The dilemma faced in considering the relevance of such forces to the modernization of China is that the experience of other societies may not be apposite when it comes to China’s requirements. Western processes of modernization may have reached the three destinations by routes which China cannot follow. In the Western case, the well springs of modernization lie in the Age of Reason, and as Gellner points out, ‘Knowingly or otherwise codifying the rules of comportment of a newly emerging civilization, one based on symmetry, order, equal treatment of claims and of evidence.’

In the case of Japan, a different route has been travelled. The richest description in English of the end product is van Wolferen’s examination of what he terms the System, saying by way of introduction that:

The Japanese are rarely allowed to forget the existence of socio-political arrangements that are infinitely stronger than any kind of might the individual could even bring to bear on them and have, at best, only a dim notion that ideally one should have recourse to democratic processes as a means of changing them . . . and I will give it the capital ‘S’ it deserves for denoting something.
neither 'state' nor 'society', that nevertheless determines how Japanese life is lived and who obeys whom.12

In discussing its effects on economic life, van Wolferen describes two important characteristics of the System. Firstly, it is not despotic and has no discernible centre, being instead a balanced set of interests in which any tendency for one set to dominate is immediately met by counter pressure from the others. It works by 'ceaseless restraint, mutual scrutiny and interference among the components'.13 Secondly, it is elusive, not just for outsiders but also for Japanese. It is hard to discern even by its members. 'It exists without most of its participants being consciously aware of it; and it has no shape or form, let alone any justification, in law'.14

The importance of this phenomenon is in its capacity to sustain a modern society by fostering structures of civil society different from those found in most Western examples. Although many elements of modern political administration were introduced during the Tokugawa period, when extensive decentralization of government took place, and although the late 19th century revolution in education created highly rational social mobility, and autonomy for individuals, it is clear that Japanese civil society took on its own distinct pattern. National professional bodies and national unions, for instance, have never developed along Western lines. Resort to law is very limited by contrast with the USA. Government influence penetrates deeper into the economic sphere, and vice versa, than in many other advanced economies. The Japanese have their own formula for modernization, and although it contains some borrowed elements, it is highly distinct when taken as a whole. It is also highly successful in its capacity to sustain intense economic growth.

The question, of course, is whether China can produce an equally viable alternative model for modernization using the material available to it. A key part of that material is Hong Kong.

Civil Society in China

Civil society of a kind conducive to intensive modern economic growth, if it exists in China, does not take a form recognizable under Western assumptions of capitalism. Hence many scholars decry its weakness.15 Others argue more cautiously that Western models are deceptive and that China contains elements of social structure which make a modern economy possible.16

The basis of the former arguments is commonly the study of Chinese merchant guilds. These would at first glance appear similar to the European guilds, which contributed to the growth of systems of economic co-ordination independent of government. But the Chinese guilds did not develop in this way, and were mainly concerned with trade protection, price control and social co-
ordination. Commerce remained essentially local, and the guilds never fostered the emergence of a significant bourgeois class. Nor did they significantly alter the structure of an essentially agrarian society governed bureaucratically.

Other aspects of what Western civil societies, in particular the neutral rule of law, independent professions, and a free press, are clearly not part of the fabric of China so far, but the question has to be raised as to their functions and whether China has functional equivalents. If such equivalents exist they are less obvious, but visibility is not necessarily a prerequisite for the ordering of a society, as anthropology constantly reaffirms, and as the Japanese case illustrates.

The essential function of institutions such as professions is to make exchange relationships expand in number and complexity, on the basis that guarantees of predictable behaviour will foster trust. If the volume of trust available in a society can be expanded, so too, other things being equal, can the volume of exchange transactions.

The experience of the overseas ethnic Chinese abroad under stable political conditions, and particularly in Taiwan, Hong Kong and Singapore over the past forty years, suggests that Chinese society, in the economic sphere, displays strong proclivities to increase its volume of internal and external transactions. Changes in those societies also suggest that certain transformation capacities are available to assist in the process of modernization. New institutions, such as large networked business groups with modern forms, are created and made legitimate. Capital formation proceeds at a fast rate. Educational infrastructures flourish. Innovation is internalized.

These change processes may be understood via the following model (Figure 1) which illustrates the role of certain core value systems in affecting this transformation. It allows the presentation of an argument that the functional equivalent of civil society in the Chinese case may well be the very powerful, ultimately Confucian, value systems which support the horizontal and vertical order, and make that order work as it does. As in the case of Japan, this form of ordering is much more nebulous than its Western counterpart, but even so is still strongly embedded in long standing and robust ideals and beliefs.

In this model, two primary fields for co-ordinating economic activity are envisaged: the vertical ordering of organizational relationships, and the horizontal establishment of inter-unit co-operation and exchange. These are seen as heavily influenced by societal norms of paternalist authority and by the social ethics which underlie the building of mutual trust between individuals (that is, ‘trustbonding’). Each in turn gives rise to a set of legitimized responses, empirically visible in business communities dominated by the Chinese family business form. Results are competitive and responsive organizations, and in turn notable levels of economic growth.

The transformation referred to is that which has occurred in Taiwan, Hong Kong and Singapore, but also that which is currently visible in China, particularly in Guangzhou, Fujian and Shanghai. An assumption is that the
Figure 1. Influence of Chinese cultural norms on societal transformation

proclivities lie deep in the fabric of the rest of China and are now finding encouragement as they tentatively emerge and begin to influence behaviour once again.

The new element is the availability of modern technology in production, communications and management, as well as the availability of examples of supplementary structures not seen in China before but common in the West. In this context, the role of Hong Kong as exemplar, conduit, interpreter, and filter, comes strongly into play. To illustrate the process the example of capital market listing, arguably the centre of capitalism, will be used.
The Role of Hong Kong

Hong Kong has two main contributions to make to the modernization of China in the area of business. The first is to provide an example of what traditional Chinese values can achieve, under encouraging conditions, with a traditional Chinese economic instrument, the family business. The second is to be a laboratory for the testing and possible adjustment of new institutions derived from the outside world.

To illustrate this latter process, let us consider the request by the Chinese government, via the State Economic Commission, for co-operation by Hong Kong in organizing new forms of capital market structure in China. This led to a large conference in Beijing in 1992, and created a platform for a form of managerial technology transfer.

Hong Kong has a sophisticated capital market, and a complex stock exchange connected with major markets worldwide. The disciplines of taking a company public, or ‘listing’, are elaborate. They are also illuminating in their requirement of back-up systems in the fabric of society before they can work effectively. Figure 2 illustrates this by breaking down the listing process into components showing which institutions need to exist to support each component. The Level 1 components are the institutions which operate directly on the listing process itself. The Level 2 components are those required to support the efficient working and availability of the former.

This design for the components of a capitalist system was presented by professionals from Hong Kong to the State Economic Commission as the way the system works. (It was not presented in this concise form, but took over three days of presentations and several hundred pages of proceedings.) The normative implications are clear.

Because China has invited Hong Kong to advise on the redesigning of its capital market system, it is likely that China will continue its pragmatic process of taking on as much as it can accommodate, and at the same time absorbing an understanding of the complex whole, even if it cannot swallow it all or all at once, and thus has to make judgement about the viability of borrowing parts of a complete system. In some cases the barriers are ones of resources, as in the constraints on the educational system’s ability to produce enough accountants. In other cases they are political, as the totalitarian tradition attempts to deal with the infiltration of free standing institutions outside the political domain.

The significance of Hong Kong in the transformation process is its experience with how such structures which are the institutions of a modern capitalist society can be made to work, and in particular the way in which it exemplifies the power of so much Chinese societal tradition adapting well to the modern context. Significant also is the 1997 transition to a situation in which the learning will not be from outside, but will take place internally within China, a factor with substantial psychological influence. Until 30 June
1997, China has to appear to be borrowing ideas from a Western colonial outpost. After that date all such flow of influence will be internal. National 'face' is then no longer at stake.

**Conclusion: Future Possibilities**

Uncertainty is endemic in Chinese politics, and transition from one regime to another is notoriously unpredictable. The development of capitalism and civil society in China must therefore always be considered in the context of the turbulent history of China during the past century.
Figure 3. The nature of China’s transformation
There is however, one major new variable in the present situation. That is the record of success of the Deng revolution of 1979. The ‘golden decade’ of the 80s, the release of the farmers from dire poverty, the reshaping of industry, the incorporation of outside technology and capital, and the gradual building of new mechanisms such as an exchangeable unified currency, stock exchanges etc., all confirm the appropriateness of the direction taken.

Socialism is now invoked instead of communism. Deng’s comment that ‘to get rich is glorious’ is taken as a totem, and so too is his blessing of the special economic zones.

If it is correct, as claimed, that the key figures for the succession are in place, then, although it remains a gamble, the direction of movement is predictable. The nature of China’s transformation, and the stage upon which Hong Kong’s influence will perform, is illustrated in Figure 3.

This figure takes as a starting point the three most significant underlying domains of cultural influence, the norms surrounding interpersonal trust, collectivist identity and hierarchical authority. The historical and political circumstances are such that the transformation of Chinese society in the late twentieth century takes place against the historical fact of late industrialization and the political fact of totalitarianism not yet relinquished, although weakening under increasing regional pulls.20

The transformation of societies as they industrialize and modernize is seen as working along two main dimensions, the reorganizing of access to capital and the reorganizing of access to skills.21 The primary societal forces affecting both are identified in Figure 3. Also identified are the institutions which are likely to be borrowed from outside and (as with similar historical borrowings into Japan) adapted and changed to fit local circumstances.

The new economic actors to emerge are seen as outcomes, and are arguably visible now in China as growing favourites. Their eventual stability will depend on their performance and in turn on the interplay of many other factors, including world trends. It is however possible to claim that as an R+D laboratory for a new model of economic society, Hong Kong will have played a significant role in this chapter of China’s history.

Notes

7. Ibid., p. 7.
13. Ibid., p. 48.
14. Ibid., p. 49.
18. See, for instance, Liu, op. cit.
The Hong Kong Work Ethic

David A. Levin and Sze Yeung

Introduction

Hong Kong people are workaholics. This, at any rate, is how they are sometimes perceived by overseas observers. A British politician, finding the work ethic in his own society wanting, believes for example that ‘If we [Britain] could import the work ethic and energy of the people in Hong Kong, that would be an enormous advantage to us’.1 The Hong Kong work ethic does not always evoke admiration, however. A newspaper article with the headline ‘Australians Fear Hong Kong Workaholics’ reports that a survey of hiring practices of 55 Australian companies found Australian bosses dislike hiring Hong Kong employees because they worked too hard and made their Australian colleagues uneasy.2

Are these popular perceptions of the Hong Kong work ethic accurate? Social scientists would lead us to believe that they are — that the work ethic thrives in Hong Kong as in other overseas Chinese communities. A specialist on cross-cultural management claims for example that dedicated effort is a pervasive norm in all overseas Chinese communities.3 A sociologist writes that Chinese society has always emphasized ‘diligence and industriousness’.4 A social anthropologist cautions however that while hard work in Chinese society may be a widely held value, ‘there are circumstances in which people consider it not worth the effort to work hard.’5 Still, it is probably fair to say that the predominant view among academic observers is that the Hong Kong Chinese share a work ethic which expresses itself behaviourally in the form of work diligence, industriousness and dedicated effort, at least under appropriate conditions.6

It is not our intention to directly challenge this conventional wisdom about the prevalence of a work ethic among Hong Kong Chinese. Our aims
are more modest: to review what academic observers have said about the Hong Kong work ethic, what sort of evidence they have used to make their case, and how consistent this evidence is. Based on this review, we hope to demonstrate that the nature of the Hong Kong work ethic is more complex than is usually supposed and that generalizations about it outrun available data. We also consider whether the Hong Kong work ethic is as static as the above accounts would suggest. There is after all a substantial body of literature from the West about the erosion of the work ethic due to the effects of post-World War 2 structural changes in economy and society. Whether the work ethic is eroding in Hong Kong is questionable, but there is no reason to suppose that it should be immune to the influence of changing economic, social and political environments.

The Concept of the Work Ethic

The intellectual ancestry of the concept of the work ethic can be traced to Weber’s work on the Protestant Ethic and the spirit of capitalism in which he discusses the ‘social ethic of capitalistic culture’. This ethic is defined as ‘an obligation which the individual is supposed to feel and does feel towards the content of his professional activity, no matter in what it consists.’ The work ethic exists where labour is performed ‘as if it were an absolute end in itself, a calling.’ As Lenski has put it, the work ethic is a ‘conviction that work is a worthwhile activity in its own right, not merely . . . the means to material comfort or wealth.’ In this respect, while ‘hard work’, ‘diligence’ and ‘industriousness’ are behavioural indicators of a work ethic, they are not synonymous with it.

Most researchers would probably agree that the concept of the work ethic refers to a subset of a broader set of work values and that this subset itself has many dimensions. There is however no single way of defining these dimensions or of measuring the work ethic. Barbash for example distinguishes three central features of the work ethic: (i) ‘Work as an end in itself which, it is expected, will be rewarded eventually with material success’; (ii) ‘pride in good quality workmanship, hard work, an instinct of workmanship, satisfaction in work’; (iii) ‘adherence to the discipline of work: punctuality, obedience, diligence, industriousness’.

Rose by contrast defines the work ethic (or at least what he calls the ‘editorial Weberianism’ version of it) as a value pattern embracing five dimensions:

(i) Individualistic striving for success; (ii) willingness to postpone immediate pleasures in order to build up a store of virtue and money (‘deferred gratification’); (iii) acceptance of a moral obligation to perform work diligently
however menial the task; (iv) dutiful compliance with the just orders of an employer, and (v) the importance of work, in life as a whole, as a source of meaning and sense of personal worth (work-centredness).11

These five dimensions of the work ethic will serve as an organizing framework for analysing what is known and thought about the Chinese work ethic in post-war Hong Kong.12 We draw primarily from the literature, dating mainly from the late 1960s, on the work attitudes and behaviour of Hong Kong employees. While this literature does not focus specifically on the work ethic, it does contain empirical evidence or interpretive discussions that are relevant to the work ethic. Four key contributions are particularly worthy of note.

The first is Mitchell’s 1967 survey of a large representative sample of Hong Kong’s urban population that was undertaken as part of his comparative study of urban populations in Southeast Asia. On the basis of his findings, Mitchell characterized the typical Hong Kong employee as ‘most likely to single out narrow monetary rewards as the major feature of work that they enjoy’.13 The second contribution came from England and Rear in the mid-1970s in their analysis of the peculiarities of Hong Kong’s industrial relations. A synthetic account drawing from various surveys, it also stressed the prevalence of an instrumental orientation to work among Hong Kong employees.14 The third contribution is the work of Turner and his collaborators. Based on their 1976 survey of a representative sample of about 900 Hong Kong employees, they challenged much of what then passed for the conventional wisdom about the Hong Kong work ethic.15 The fourth major contribution is from S.K. Lau. Based partially on a sample survey conducted in 1977, Lau identified three ‘interrelated normative themes’ that ‘exert an enormous impact on the organizational and behavioural patterns of the Hong Kong Chinese’. Two of these themes are, respectively, the emphasis on material values and a short-term time horizon.16

Mapping the Hong Kong Work Ethic

The contributions mentioned above are not the only ones, but they have to a large extent formed the framework within which debates over the nature of Hong Kong workers’ orientations to work and employment have taken place. We now analyse these and other contributions again in terms of what they tell us about each of Rose’s five dimensions of the work ethic.

Individualistic striving for success?

A popular view of Hong Kong Chinese is that they are continuously striving to get ahead materially and socially, with getting ahead usually defined as
seeking higher pay or sometimes as status mobility through achieving subcontractor or employer status in those sectors where small businesses thrive. The high founding rates of new businesses can be cited as one indicator of this striving. A recent survey confirms that Hong Kong is perceived as having a relatively open opportunity structure, thus making striving for success feasible. Given a fixed choice statement in the survey asking whether they agree that ‘an employee in Hong Kong has no way out but to remain as such for life’ or ‘an employee also has the chance to become a boss’, 83% of the respondents agreed with the latter statement.\textsuperscript{17}

Turner et al. have taken exception to this image of Hong Kong Chinese as people who strive for success. Based on findings from their 1976 survey, they concluded that the ‘Hong Kong workers in the sample did not, in general, appear to have high aspirations for themselves.’\textsuperscript{18} The relevant findings included responses to a question asking respondents what kind of work they hoped to be doing in five years’ time. Some 55% wished to keep their present job and only 13% hoped to have improved themselves by finding a more prestigious job or by going into business on their own. In response to a follow-up question asking whether respondents had considered starting a business within the next five years, ‘less than a third (31%) of the sample had seriously considered this, a surprisingly low figure considering the great number of small businesses in Hong Kong and their rapid turnover.’ And in replies to a question on attendance at vocational classes (night school), the ‘21% of the sample attending such classes seemed to be definitely on the low side.’\textsuperscript{19}

Whether the ‘striving for success’ is as widespread among Hong Kong Chinese as is normally assumed is open to debate. One attempt to reconcile these seemingly contradictory findings is in terms of what T.W.P. Wong has called ‘the paradox of optimism and pessimism’. Hong Kong people may agree at a general level that Hong Kong is an open society, that there is opportunity for improvement and that individual efforts do count. But at a more personal and immediate level, they tend to adopt a more realistic and pessimistic perspective in viewing their own limited prospects for advancement.\textsuperscript{20}

Another issue is the extent to which work and market behaviour is individualistically oriented.\textsuperscript{21} England and Rear have argued that the nature of Hong Kong’s post-war industrialization has ‘promoted individualism rather than collectivism among manufacturing workers’.\textsuperscript{22} The bases for this inference include the low level of strike activity throughout much of the post-war period, the low density of union membership, and high levels of job hopping since the late 1950s.\textsuperscript{23}

On the other hand, this view has been contested by what appears to be contradictory evidence reported by Turner et al. Attempting to assess whether employees were normatively and behaviourally predisposed towards individualism or collectivism in dealing with work place problems, they found some 95% of their sample agreed with the statement that ‘When a fellow
worker is in trouble a man should help him as much as he can' and 76% agreed with the statement that ‘A group of men can always succeed better than one man working on his own because they can help each other out.’ Some 72% agreed with the statement that ‘If I was dissatisfied with some aspect of my job I would ask my fellow workers how they felt and suggest we tackle the supervisor together.’ From these findings, Turner generalized that Hong Kong employees were ‘distinctly collectivist in their attitude to the alleviation of dissatisfaction and grievances.’ Moreover, the spread of white-collar trade unionism and protest in for example the civil service since the late 1970s suggests that collectivist strategies can be embraced enthusiastically by Hong Kong Chinese.

One possible way of reconciling these contradictory positions is to argue that Hong Kong employees lie somewhere between the two ideal-type extremes of societies characterized by high individualism and societies characterized by high collectivism. One researcher thus considers Hong Kong to fall into the ‘moderate-collectivism (moderate-individualism)’ category.

Hedonists or deferred gratificationists?

It is usually taken as axiomatic that Hong Kong employees are highly materialistic, placing salience on immediate economic goals over long-term, non-material goals. S.K. Lau claims that one of the major normative orientations of the Hong Kong Chinese is their short-term time horizon, ‘best revealed in their uncontrollable compulsion to have immediate material consumption and their intolerance of delayed gratification in the future,’ a product in part of Hong Kong’s borrowed time, borrowed place mentality. It would ‘take herculean efforts for the Hong Kong Chinese to resist to let their instinctive material desires be gratified immediately.’ This ‘general reluctance to commit resources to the uncertain long-term future is not limited to the economic realm, it is all-pervasive.’ One gets the impression that many Hong Kong workers are rampant hedonists who rush to the horse races or gamble their earnings in other ways as soon as they receive their pay checks.

But Lau’s own 1977 survey of 550 adults suggests a rather different view. To test the hypothesis that the Hong Kong Chinese were hedonists, demanding immediate satisfaction of their material needs, the following question was put to respondents: ‘If you have a sum of surplus money, would you spend it immediately, or save it up for use after several tens of years?’ The findings were that the ‘true hedonists’ (immediately spend the money) comprised only about 10% of the sample. The ‘deferred gratificationists’ (save as much as possible) by contrast accounted for about half of the sample. Slightly over a third fell somewhere in between, as shown in Table 1.

Another of Lau’s survey findings also seems to challenge views about the dominance of materialist orientations with respect to priorities in employment.
Table 1. What Hong Kong people would do with their surplus money

<table>
<thead>
<tr>
<th>Answers</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediately have it spent</td>
<td>56</td>
<td>10.2</td>
</tr>
<tr>
<td>Spend part of it and save the remainder</td>
<td>205</td>
<td>37.3</td>
</tr>
<tr>
<td>Save as much as possible</td>
<td>281</td>
<td>51.1</td>
</tr>
<tr>
<td>No answer</td>
<td>3</td>
<td>0.5</td>
</tr>
<tr>
<td>Don’t know</td>
<td>5</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>550</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: S.K. Lau, Utilitarianistic familism: an inquiry into the basis of political stability in Hong Kong, The Chinese University of Hong Kong, Social Research Centre, p. 77.

Respondents were asked the following question: ‘Would you accept a job which, except for its attractive salary, is unsatisfactory in terms of working conditions, working time, and job nature?’ If respondents were predominantly instrumentally oriented, they could be expected to answer positively. Yet the results do not confirm this expectation. Only 19.5% would accept the job, 38.9% indicated that it depends, and 39.6% reported they would not accept.

The Turner survey provides additional evidence that workers are capable of taking a long-term view. In response to a question asking respondents to choose between additional income and a list of possible improvements in social provisions and employment conditions which were relatively long-term in nature, majorities ranging between 55% and 64% chose the alternative benefit, except in the case of more paid holidays. Clear majorities preferred to have more government spending on education for their children, improved public medical services, better housing provision, a pension scheme, greater job security and a sick pay scheme to increases in income. A follow-up question asked whether workers were willing to accept a deduction from the present income in return for any of the alternative improvements. Nearly three-quarters of the sample were willing to do so.30 These response patterns led Turner et al. to conclude that workers have less of a short-term time horizon with a focus on immediate pecuniary gain than other writers had assumed.

It is possible to point to frequent job changing in search of higher pay as an indicator of the short-run, materialistic orientation of workers. Yet at least for the female factory worker, this interpretation of job mobility is questionable, as Chiang’s ethnographic study of female workers in two factories has demonstrated. While job changing was clearly an important part of their work history, when Chiang examined their reasons for changing jobs, she found that what these workers sought was a reasonable level of pay rather than a job offering the highest pay. They were ‘satisficers’ rather than ‘maximizers’. When Chiang asked the workers about their reasons for resigning from previous jobs, low wages turned out to constitute a smaller proportion of the answers given. The most frequently cited reason was the need for ‘a change of environment’,
a phrase used by workers to express a generalized feeling of dissatisfaction with the work environment as a whole. The basis for this generalized dissatisfaction appears to be the boredom and monotony associated with the alienating character of their jobs.

**Diligent workers?**

If work hours are the best single behavioural measure of work diligence, then historically Hong Kong employees have been extremely diligent. Mitchell’s 1967 survey comparing time spent at work among samples from Hong Kong, Bangkok, Malaysia, Taipei and Singapore established that Hong Kong workers were exceptionally diligent (or exploited, depending on one’s point of view). Some 52% of the Hong Kong sample (51% of the men and 57% of the women) reported working ten hours a day or more, compared for example with 36% for the Taipei sample. Some 58% reported working seven days a week, compared with 47% for the Taipei sample. The 1971 Hong Kong census, the first to produce territory-wide evidence on work hours, reported the average weekly hours of work of the population to be 56.1 although with variations by gender, industry and occupation.

Mitchell wanted to know what kept Hong Kong people at work for such long hours despite evidence that they generally disliked their work. Asking respondents what they liked most about their work, he found that some 56% of the Hong Kong sample liked the income aspect of work best, the highest among the five samples (Taipei at 34% was the lowest). Only 29% of the Hong Kong sample selected ‘something meaningful’ in the work itself as what they liked most about their work, the lowest compared with the other country samples. The clear implication is that diligence was motivated by an instrumental orientation to work rather than by any sense of moral obligation.

Ting-Chau’s survey in the 1970s of 360 factory production workers from three large factories seems to provide further support for the view that instrumentalism is a dominant motivation for diligence. Drawing on a comparative study of American and Japanese workers, she replicated a question that assumes workers do work hard and then asks respondents to choose among one of four statements concerning the reasons why they believe workers are diligent. The choices, shown in Table 2, reflect respectively a social obligation, an inner moral obligation, individual status striving, and materialistic motivation.

The choice of materialist motivation turns out to be the majority response (chosen by 51%) and clearly distinguishes the Hong Kong sample from the other two. Nevertheless, two caveats are worth noting. First, the sample was comprised of 80% female workers and some 75% were between the ages of 14 and 30. It is probable that a substantial number were working under piece rate systems of pay. If this was the case, it is not surprising that from their frame of reference diligence should be interpreted as a function of the drive to
Table 2. Motivational Sources

<table>
<thead>
<tr>
<th>Question: I believe workers are willing to work hard in their jobs because:</th>
<th>HK</th>
<th>Japan</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. they want to live up to the expectations of their family, friends and society</td>
<td>10%</td>
<td>41%</td>
<td>10%</td>
</tr>
<tr>
<td>2. they feel it is their responsibility to do whatever work is assigned to them</td>
<td>33%</td>
<td>37%</td>
<td>61%</td>
</tr>
<tr>
<td>3. the harder they work, the more likely they will be promoted to other positions of greater responsibility</td>
<td>5%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>4. the harder they work, the more money they expect to earn</td>
<td>51.4%</td>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>5. no response</td>
<td>0.6%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

N = 360 1000 1000


maximize earnings. Second, a sizable minority of the sample (33%) chose the response closest to the classic meaning of the work ethic — an inner sense of responsibility. Thus, one can interpret these findings as indicating that motivational sources of diligence are more varied than usually supposed.

Lui has recently argued on the basis of findings from the 1990 social indicators survey that ‘there are few signs of “calling” or moral purpose in our respondents’ normative orientations towards work.’ But is this generalization warranted? He reports that 75.7% (of 404 respondents) were in agreement with the statement that ‘it is the duty of every citizen to contribute to society by working’ and that 60.6% were in agreement with the statement that ‘a worker should value the work he or she does even if it is boring and/or simplistic’. These percentages would seem to suggest that a substantial number of respondents do attach some kind of moral significance to work.34

Submissive to authority or work place rebels?

England and Rear had argued that one of the salient normative and behavioural characteristics of Hong Kong workers is their high degree of tolerance for authoritarian behaviour by management. In organizational language, workers’ ‘zone of indifference’ within which orders are accepted and not consciously challenged is supposedly wide. One explanation for this tolerance of management authority emphasizes cultural values. The argument is that the adversarial conception of the employment relationship does not fit the dominant orientation of employees.35 The low levels of industrial conflict throughout most of the post-war period and low levels of union membership are usually cited as evidence in support of this assertion.
Turner et al. questioned, however, the accuracy of this image of super-obedient and co-operative workers on the basis of their survey findings. One issue is whether or not Hong Kong employees hold a predominantly co-operative image of the employment relationship. To test this, Turner et al. posed two fixed choice statements to respondents. In response to the first, 63% agreed that ‘The employer of a firm is like the head of a large family and should take care of all the needs of his workers’ and in response to the second 63% agreed that ‘A firm is like a football team because co-operation between management and men means success and is to everyone’s advantage’. On the other hand, there was also evidence for the antagonistic view, in that respondents were evenly divided on whether they thought employers in most firms would ‘put one over’ on their workers if they had a chance. Summing up these findings, Turner describes the orientation of employees to their employment relationship as one of ‘antagonistic co-operation’.

A second issue is whether employees are prepared to challenge managerial authority by protesting against unfair treatment or over workplace grievances. As it turns out, the majority were prepared to do so. Some 72% agreed with the statement that ‘If I was dissatisfied with some aspect of my job I would ask my fellow workers how they felt and suggest we tackle the supervisor together’ and 64% agreed with the statement that ‘if I were seriously dissatisfied with some aspect of my job, I would try to get some changes made’, rather than leave and find a better job. These results suggest that workers are not as submissive as other accounts would suggest.

Detailed studies of particular occupational groups suggest the complexity of orientations to managerial authority. Chiang found in her study of female factory workers that family expectations exerted considerable pressure upon women to continue working in order to contribute to the family standard of living so that participation in strikes, entailing a loss of income, would not be welcomed by the family. Yet she also found that these workers’ acceptance of their subordination to management was not without individual protest, which took a variety of forms, though usually of a localized and sporadic nature. A study in the early 1970s of a very different occupational group, craftsmen in the furniture making industry, reports that they shared a strong sense of work autonomy and would resist managerial interference in their work.

Work-centredness or marginalization?

Are Hong Kong employees work-centred, i.e. do they consider work to be important in giving meaning to their lives and in defining their personal worth? Mitchell attempted to measure work-centredness by devising what he called a ‘centrality of work’ index. This was intended to test the validity of the belief that Chinese worked harder than other ethnic groups in Southeast Asia — Thais, Malays and Indians — because of a exceptionally strong commitment
to work. His findings however did not confirm the view of a uniformly high degree of commitment to work. Only 29% of the Hong Kong Chinese scored the maximum of three by his index compared with 50% of the Bangkok Chinese. However, in response to another question asking whether ‘in general do you feel that you are doing something important while you are at work, or do you feel that you are just putting in time,’ some 70% of Hong Kong men and 60% of Hong Kong women reported feeling they are doing something important.

Data from the 1990 social indicators survey suggest a mixed picture about the importance of work for Hong Kong employees. Lui sought to assess respondents’ perception of the importance of work in their lives by asking ‘how important and significant is work in your total life?’ Some 83.8% responded that it was ‘important or most important’ although with variations by age, sex, education. However, when asked to rate which area in their lives they feel is most important, family outranks work by 59% to 29%.

A case study of one occupational group found a considerable degree of work-centredness. Ng’s study of furniture craftsmen reports that these workers shared many of the attributes common to occupational communities in Western societies. They saw themselves in terms of their occupational role, identified with other furniture craftsmen, and considered themselves to be a special type of skilled worker, different from both factory workers as well as skilled workers in modern industrial enterprises, by virtue of their skills. They took pride in the quality of their work, suggesting a high degree of ego involvement, and considered the occupational peer group as the most important source of judgment on their occupational competence and performance. Of 75 furniture craftsmen interviewed, only one indicated an intention of leaving the trade, a further indication of a high degree of occupational commitment. Those who were ambitious about getting ahead thought mainly in terms of becoming an employer or subcontractor in the furniture making trade. In these respects, the world of work has a very different meaning for the furniture makers than for female factory workers employed in unskilled jobs.

A Changing Work Ethic?

Is the Hong Kong work ethic changing? Since Hong Kong is usually described as a turbulent, fast-paced society, it seems reasonable to expect that the substantive changes in the work environment and its associated institutions in the post-war period — notably the transformation from a trading centre to an industrial colony and now towards a ‘post-industrial’ society — would be reflected in changes in the Hong Kong work ethic.

A further question is whether socio-economic changes are eroding the traditional work ethic. This question has surfaced in recent discourse within
the business community over the preservation of the traditional work ethic in the context of a continuing labour shortage. Business spokespersons argue that the continuing tight labour market promotes job-hopping which will lead eventually to a decline in the work ethic unless the policy of restricting the importation of labour is relaxed. But whether it is the labour shortage that causes a ‘decline’ in the work ethic or vice versa is debatable. One writer has argued that workers have adopted a new work strategy which emphasizes flexibility and the active search for opportunities. This growing opportunistic ‘work ethic’, especially among the younger generation, has in turn had an important impact on the labour supply.

The issue of the labour shortage aside, what does recent empirical evidence tell us about changes in the work ethic?

**Diligence.** Between 1976 and 1986, the median weekly hours of work for males fell from 51 to 48 and for females from 48 to 45. There was also a decline in the percentage of male and female employees working 55 hours and over per week. The number of males working 55 hours and over per week fell from 34.4% in 1976 to 30.8% in 1986; for females the drop was from 19.7 to 15.6%. Given this trend towards spending less time at work, one could argue that the traditional diligence of the Hong Kong worker is in decline.

**Work priorities.** A survey conducted in the early 1980s of 1000 women in manufacturing found evidence bearing on a possible generational shift in work priorities. Given hypothetical choices between a pay increase versus more holidays, a clear majority (58.4% vs. 31%) preferred more holidays. In the case of a choice between a pay increase and ‘more interesting work’ equal percentages (42.6%) opted for each. Cross-tabulations show an association with age of respondents. Slightly over 60% of those aged 15 to 17 opted for more interesting work, compared with about half of those aged 20 to 29 and less than a third of those aged 30 to 39. This suggests that younger female workers (who are better educated than previous generations) are developing a different set of work priorities from those of older female workers, although the life cycle effects cannot be ruled out as an alternative explanation.

The 1976 and 1985 surveys by Turner et al. provide further evidence of change in work priorities. In reply to a question asking respondents to select which aspect of work they considered to be the most important, 32% of the 1976 sample selected good pay while very few chose interesting or important work. In the 1985 sample, the percentage selecting good pay as the most important aspect of work fell to 20% while the proportion selecting interesting or important work had risen to 16%. These changes were interpreted to be a consequence of the growing ‘white collarization’ of Hong Kong’s working population.
Work motivation. Table 3 shows the results of a replication in the late 1980s of Ting-Chau’s earlier survey question on production workers’ perceptions of motivational sources for hard work. It indicates a substantial shift towards individual status-striving and away from monetary maximization as sources of work motivation.

<table>
<thead>
<tr>
<th>Question: I believe workers are willing to work hard in their jobs because</th>
<th>HK 1977*</th>
<th>HK 1987**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>Females</td>
<td>Males</td>
</tr>
<tr>
<td>1. they want to live up to the expectations of their family, friends and society</td>
<td>10%</td>
<td>2%</td>
</tr>
<tr>
<td>2. they feel it is their responsibility to do whatever work is assigned to them</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>3. the harder they work, the more likely they will be promoted to other positions of greater responsibility</td>
<td>5%</td>
<td>26%</td>
</tr>
<tr>
<td>4. the harder they work, the more money they expect to earn</td>
<td>51.4%</td>
<td>35%</td>
</tr>
<tr>
<td>5. no response</td>
<td>0.6%</td>
<td>-</td>
</tr>
</tbody>
</table>

N = 360 89 82

**Source: James E. Everett, Bruce Stening and Gael McDonald, ‘Hong Kong Workers’ Attitudes in Cross-Cultural Perspective’, Hong Kong Manager, April/May 1987.

The above findings appear to add up to evidence for a decline in the salience of the short-term, cash-nexus mentality of Hong Kong employees, although it remains an important element in the ethos of work. The evidence also suggests that individual status striving consciousness and the concern for the quality of work life may be rising.51

What could account for these emerging elements in the Hong Kong work ethic? Three long-term socio-economic changes may be at work: the rising level of education of the work force, the expansion of service sector employment, and growing affluence.

The expansion of education usually raises workers’ expectations of work. To the extent that educational attainment is now widely viewed as a key to social mobility and the labour market is increasingly stratified by credentials, we may anticipate that the well-educated will expect their investment in education to yield not just greater material returns but also access to higher-level and more challenging work.52

This trend is further reinforced by the expansion of service sector employment. The internal labour market situation in the large-scale service
sector enterprises — the public service is a prime example — is characterized by an extensive hierarchy of authority. This in turn reinforces individual status striving consciousness. Moreover, the work situation in service sector employment, especially the public sector, often allows employees to exercise some degree of discretion which in turn can foster greater attachment to work. A study of social mobility has found that members of the service class, regardless of whether they are inter-generationally stable or upwardly mobile, are more likely than their downwardly mobile and lower class counterparts to say that their present jobs have meaning beyond just making a living. Nevertheless, this trend should not be exaggerated. As occupational roles within the service sector become increasingly rationalized, professionals and other service workers may find their discretionary power within the organization being reduced.

Rising levels of affluence over the past decade have probably affected value orientations in several ways. One effect of rising affluence, when coupled with a better-educated younger population, is the avoidance of the ‘3Ds’ — difficult, dangerous and dirty work. Another may be a diminishing compulsion to work long hours and a preference for more leisure time to enjoy the fruits of one’s labour. Growing affluence also reduces the need to view work in purely monetary terms, lessens the dependence on a particular job, and makes it more feasible to look for non-monetary rewards from work.

Yet counter-tendencies to these effects cannot be ignored. Job deskilling and technical and organizational rationalization can undermine the ability of workers to participate in their work as recognized, morally acting persons. Commercialized hedonism and consumptionism can erode values of deferred gratification and work-centredness. Instrumentalism may well be reinforced by the political uncertainties associated with 1997. In short, these contradictory tendencies make it difficult to predict the direction of change in the Hong Kong work ethic. Change may not even be unilinear, but may follow divergent paths.

Concluding Remarks

Our review of the literature bearing on the Hong Kong work ethic, using Rose’s five dimensions as a heuristic framework, has left unanswered an obvious question: does the Hong Kong work ethic conform to the ideal-typical accounts of the Protestant work ethic as understood by Weber and Rose? To some extent it does. For the most part, it appears that Hong Kong people do share the traits of individualistic striving for success, deferred gratification and compliance with authority.

On the other hand, as many writers have claimed, what is missing in the Hong Kong work ethic is any sense of moral obligation attached to work. This at least is one implication of the theme of instrumentalism which looms so
large in accounts of the values of Hong Kong workers. Hong Kong industrial man and woman are in this view prime exemplars of the model of homo economicus.

The characterization of Hong Kong people as amoral economic animals appears to us to be something of a caricature if adopted uncritically. We have noted evidence from studies of occupational groups and from various surveys that substantial numbers do attach some moral significance to work. Moreover, we believe that there is probably a plurality of work ethics in Hong Kong that existing approaches to the study of the work ethic have failed to capture.

Why should there be a plurality of work ethics? One reason is that different social groups in Hong Kong have different ideas about the work ethic and perceive and approach the issue of the work ethic in different ways. The Hong Kong business community for example tends to adopt an economistic model of human action, perceiving the issue of the work ethic as a function of the labour market order and approaching it through the manipulation of material incentives and labour supply conditions.

Educators and intellectuals by contrast tend to adopt a normative model of human action, perceiving the issue of the work ethic as a matter of internalization of the appropriate values and attitudes concerning work and connecting attitudes toward work to the individual’s moral character. A detailed study of how work and leisure are presented in social studies textbooks used in schools would be instructive. One would expect to find that they de-emphasize work as an economic necessity and promote the idea that every kind of work (except illegal work) contributes to human growth and development and to the progress of society.57

These varied ideas about and approaches to work do not just circulate as different ‘theories’ of work. They also shape workers’ expectations towards, and experiences of, particular jobs and work in general. A fuller understanding of the Hong Kong work ethic cannot be achieved therefore without an analysis of different ideologies about work embodied in various discursive texts such as public discourse, managerial thought and practice, the labour movement’s ideology and practices, the hidden curriculum in education, and popular images of labour as embodied for example in the media if we are to discover the diversity of ideas about labour and identity, skill and self, work and social mobility and their historical transformation.

A second reason for expecting a plurality of work ethics is the variation in work values along the lines of occupation, organization and personal attributes. We cited the case of furniture workers as an example of adherence to a craft work ethic, with centrality given to work and a high value attached to work autonomy. No doubt one could also find, if one were to look carefully, a distinctive ‘entrepreneurial ethic’ among Hong Kong businessmen and a ‘career ethic’ among those working in large service sector organizations.58 Differences in the work ethic according to gender, educational level and age have also been
noted. All these sources of variation point to the hazards of generalizing about the Hong Kong work ethic or its decline. As work experiences and expectations are constituted partly in the process of working and partly in the context of economic structure, mobility opportunities, the varied social and structural divisions of labour (age, gender, manual-nonmanual) and culturally derived ideas about work, any change in these variables will impact on the formation of the work ethic.

To better grasp the nature of the Hong Kong work ethic, it may also be desirable to expand the way it is conceptualized. The work ethic is not only a set of codes of conduct about work; it is also a ‘world view’. This world view is largely a theory about why and how to work. It defines a set of hopes and fears and implies a sense of self, social honour and dignity. It also provides a cognitive map of the options and possibilities of fulfilling ambitions. The code of conduct is the prescription for achieving them. In the case of the Protestant work ethic, this-worldly economic success became defined as the indication of salvation, and it became possible to achieve it in the context of an open class structure provided one worked diligently and practised self-discipline and deferral of gratification. In this respect, the work ethic provides a pool of symbolic resources for individuals to draw upon in order to make sense of their work experiences and to construct their personal identities. This process in turn generates demands workers make from their jobs and affects their work behaviour. It could be fruitful to approach the study of the different forms of the work ethic and socialization into them in this way because it may help to answer questions about the relationship between cultural values and economic performance. It would also add a humanistic flavour to the intellectual discourse on the meaning of the Hong Kong work ethic.

Notes

1. Norman Tebbitt. Quoted in the South China Morning Post, Business Post, 16 October 1992, p. 1. It should be added that Tebbitt wanted only the Hong Kong work ethic, not the Hong Kong people.
2. South China Morning Post, 7 October 1992, p. 3.
5. Stevan Harrell, ‘Why Do the Chinese Work So Hard? Reflections on an Entrepreneurial Ethic’. Modern China, vol. 11, no. 2, 1985, pp. 203–26. Harrell’s hypothesis is that ‘Chinese will work hard when they see possible long-term benefits, in terms of improved material conditions and/or security, for a group
with which they identify’. This hypothesis is of course compatible with rational choice models of action.


12. We are not assuming that there is only one version of the work ethic. Rose’s ideal type is used here only for heuristic purposes. Given the lack of an indigenous conceptualization of the work ethic in Hong Kong, we have to borrow existing conceptual tools to organize our review of empirical materials.


14. Joe England and John Rear, Chinese Labour Under British Rule, Hong Kong, Oxford University Press, 1975, pp. 68–72. Instrumentalism was viewed as the outcome of influences external to the work situation (e.g., cultural values, the relative youth and refugee mentality of work force, and of the growing labour market shortage which enabled workers to get what they wanted through individual action) as well as the organization of work itself (e.g., technology, work organization, piece-work pricing).


16. Lau explained these dominant themes by reference to their social embeddedness in what he called ‘utilitarianistic familism’ which he considered to be the ‘dominant cultural code in the Chinese society of Hong Kong’. Lau Siu-kai, Society and Politics in Hong Kong, Hong Kong, The Chinese University Press, 1982, pp. 68–85.

17. Thomas Wong, ‘Inequality, Stratification and Mobility’, in S.K. Lau and others (eds.), Indicators of Social Development: Hong Kong 1988, Hong Kong, The Chinese
University of Hong Kong, Hong Kong Institute of Asia-Pacific Studies, 1991, p. 160.


19. Turner et al., *The Last Colony*, p. 196. The discerning reader will recognize that these findings need to be interpreted cautiously. Whether the figure of 31% who had seriously considered starting their own business is ‘surprisingly low’ raises the question, relative to what? The same applies to the 21% attending vocational classes. Without comparative data from other societies, it is difficult to know whether these figures are particularly low or for that matter high.


21. The component of individualistic striving for success was rooted originally in the self-help ethos and the image of the self-made man. It was used in contradistinction to hereditary or ascriptive obstacles to advancement. However, it has also come to be interpreted as a contrast concept with collectivism.


25. Historical evidence is also relevant here. The strike waves of the 1920s and the early post-war years indicate that Hong Kong workers are capable of acting collectively in pursuit of their interests in particular circumstances.


29. Lau was circumspect in interpreting the results. He took as a social fact that ‘the Chinese people place priority on the satisfaction of materialistic needs’ but ‘whether the satisfaction to them is to be immediate or not is still far from certain’. For working daughters, there is evidence that ‘deferred gratification’ arises from family social obligations rather than from an inner compulsion to save. Studies of working daughters find they typically turn over part of their earnings (if sometimes grudgingly) to their parents. Janet Salaff, *Working Daughters of Hong Kong*, Cambridge, Cambridge University Press, 1981; Claire Chiang, ‘Women and Work: Case Studies of Two Hong Kong Factories’.


33. The study was Arthur Whitehill and Shin-ichiro Takezawa, The Other Worker: A Comparative Study of Industrial Relations in the United States and Japan. Honolulu: East West Center Press, 1968. Given the differences in sampling frames, sample composition, and time of the survey between the Hong Kong study and the U.S.-Japan comparisons, inferences about cross-national differences are highly speculative.
36. Turner et al., The Last Colony, p. 144.
38. ‘After all, the Chinese are generally thought to be the most successful ethnic group in these multi-ethnic societies, and Hong Kong’s economic development would seem to partly depend on the local population’s value commitment to work and success. These are presumably characteristic Chinese values.’ Mitchell constructed his index of ‘work centrality’ by adding responses to 3 questions — the higher the score the greater the work centrality by his index. The questions were: (i) ‘Do you feel a person’s job should come first, even if it means he must sacrifice time from other things, or do you feel that his job should not come first if it means he must sacrifice time from other things?’ (ii) Do you feel that the best way to judge a man is by his success in his occupation, or is there a better way to judge a man?’ (iii) ‘Are determination and driving ambition the most important qualities of a real man, or are there more important qualities in a real man?’, R. Mitchell, p. 347.
39. In terms of intra-sample comparisons for Hong Kong, Mitchell also notes (but without further comment) differences according to level of income and education: ‘people with the lowest income seem to be most committed to work’. ‘The most educated in all these groups are the most likely to feel that there are things in life more important than hard work and success’. The implication seems to be that those who had ‘made it’ had a difference set of work values.
40. While this appears to be a high figure, it was lower than the 88% of Taipei men and 84% of Taipei women who felt they were doing something important. Mitchell, op. cit., p. 381.
41. Lui Tai-lok, ‘Work and Work Values’, p. 111. He notes (p. 125) those in the age group 30–54 were more likely to emphasize family and those under 30 to emphasize work; those with post-secondary education tended to emphasize work whereas those with primary and secondary education were more likely to choose family; men were more likely that women to choose work as their central area in life.
42. It should not be inferred from these findings that Hong Kong people are exceptionally family centred. A 1977 survey in the U.S. asked respondents how much they agree or disagree that the most important things that happen to them involve their job, family, or leisure. Some 50% of respondents strongly agreed the most important things that happen involved the family vs. 12.5% who agreed that it involved work. Robert P. Quinn and Graham L. Staines, The 1977 Quality of Employment Survey, Ann Arbor: Survey Research Centre, Institute for Social Research, The University of Michigan, 1979, p. 245.


45. Our discussion here is inevitably speculative given the limited empirical evidence.

46. See, for example, the articles 'Chamber Tackles the Labour Shortage With a Practical Plan for Some Contract Labour' and 'Helmut Sohmen Says Business Community Sees Shortages as Bad for Them and for Our Workers', The Bulletin, Monthly Magazine of the Hong Kong General Chamber of Commerce, November 1988, pp. 16–7 and 18–23. Another example is the statement of the Deputy Executive Director of the Hong Kong Productivity Council that 'Hong Kong is not a society that is particularly rewarding for people who have a lot of spare time' and 'it is best to encourage people to work hard, save money, acquire goods, invest and do what they like.' His proposal for achieving this objective was a laissez faire immigration policy on labour. See 'HK Needs Laissez Faire Immigration Policy', in The Bulletin, August 1990, pp. 43–5. Cynics will of course argue that businessmen evoke the problem of a decline in the work ethic as a tactic to persuade government to relax restrictions on the importation of labour. For an analysis of the labour shortage problem, see Stephen Chiu and David A. Levin, 'From a Labour-Surplus to a Labour-Scarce Economy: Challenges to Human Resource Management in Hong Kong', The International Journal of Human Resource Management, vol. 4, no. 1, Feb. 1993, pp. 159–89.

47. Lui Tai-Lok (as Cheung Ka-man), The Generation that Brings Correction Fluid to Examinations, (in Chinese), Hong Kong: Ching Man, 1990, pp. 47–9 and 50–1. Lui argues it is the disparity between the traditional work ideology which stresses commitment to a particular skill or occupation for economic security or gradual career development on the one hand, and the growing rigidity of the stratification system which makes upward mobility increasingly difficult on the other hand, that causes workers to adopt a more opportunistic work ethic.


50. H.A. Turner, Patricia Fosh and Ng Sek Hong, Between Two Societies: Hong Kong Labour in Transition, Hong Kong: Centre of Asian Studies, University of Hong Kong, 1991, p. 126.

51. These trends also suggest there may be some disparity between the business
community’s perception of the problem of the work ethic and workers’ expectations.

52. On the other hand, the overproduction of educational certificates may also lead to their devaluation. The gap between the expected and real convertibility of educational titles into occupational roles can lead to the destandardization and individualization of educational and occupational trajectories. Higher educated individuals may be increasingly compelled, in planning their education and work biographies, to consider their jobs and educational investments as a series of stepping-stones leading to desirable occupational roles. See Marlis Buchmann, *The Script of Life in Modern Society*, Chicago: The University of Chicago Press, 1989, pp. 46–8. T.L. Lui has argued in this connection that Hong Kong people are ‘able to stay aloof from their jobs and, at the same time, are conscientious in work performance because they see their engagement in different kinds of work as parts of their long-term careers’. Lui, ‘Work and Work Values’, p. 123.


54. Documentation of improvements in working conditions and the standard of living between 1976 and 1985 may be found in H.A. Turner, Patricia Fosh, and Ng Sek Hong, *Between Two Societies: Hong Kong Labour in Transition*, Hong Kong: Centre of Asian Studies, University of Hong Kong, 1991.


59. Lui found that female respondents were less likely than males to choose work as the most important area in their life. Higher educated and younger people were more likely to give centrality to work and to attend evening courses to assist their career development. Moreover, people in the age group 30–54 were more likely to conceive of their work activities in the light of moral values than the older and younger age groups. Lui, ‘Work and Work Values’, pp. 125–6. Generational differences in work values deserve special attention, for they may reflect either broad social changes or the life-cycle effect.

Introduction

A perennial debate within the world of education has been over whether or not education should be allowed to become vocation oriented. On the one hand, there is the widely acknowledged social dictum that education is meant to help individuals develop their minds, rather than being just an instrument to serve the economy and employers’ needs. On the other hand, there is the alternative view of education as more pragmatic in terms of the functions it serves for society and the economy.

The latter notion is consistent with the increasingly popular way of looking at members of the labour force as a scarce resource which has resulted in the labelling of people and their manpower and capabilities as ‘human resources’. Inasmuch as society treasures its population and is anxious to conserve and groom this manpower stock, the schools, universities and other institutions of learning have a strategic role to play in training them and ensuring that their performance will benefit society and contribute to its needs. By implication, education can hence be seen as an economic activity of investment in human capital. Education also helps place the trained and educated in job after graduation by providing them with the skills and knowledge essential for society to produce necessary goods and services.

Industrialization, Management Education and Training

It may be said that every society in today’s modern and industrialized world
is moving towards an education system intended to support industrialization, industrial production and associated activities. Given the importance of both education and management to industrial societies, management education has become increasingly critical. In part, this is due to industrial societies’ growing need for management as a resource of the economy. As reflected by Kerr et al. in their classic work *Industrialism and Industrial Man*:

Management, indeed, is a form of human capital which is indispensable for successful industrial development. . . . As industrialization reaches an advanced state, the enterprise emerges as an organization of high-talent managerial resources, with product development specialists, production engineers, and planning departments, all co-ordinated and directed by divisional and top management.

As the skills of the working force are increased . . . the need for management of higher quality becomes greater. This reinforces the general conclusion that, as societies move from earlier to later stages of industrialization, they must invest ever more heavily in the building of managerial resources, private or public or both.¹

In spite of the chronic controversies between those who feel that managerial capabilities are largely inborn as is artistic talent, and those who believe that management is a science amenable to systematic and rationalistic treatment, there appears to be a growing worldwide consensus that management is a technocratic skill similar to other professional specialities which are learned and acquired through a formal education process. Thus, in most large-scale modern corporations or even smaller enterprises today, there is a felt need for trained and educated managerial personnel in order to help organize, maintain and operate the company. Galbraith’s exposition on the technostructure is an example, if somewhat exaggerated, of this need:

In the past, leadership in business organization was identified with the entrepreneur. . . . With the rise of the modern corporation, the emergence of the organization required by modern technology and planning and the divorce of the owner of the capital from control of the enterprise, the entrepreneur no longer exists as an individual person in the mature industrial enterprise. . . . It replaces the entrepreneur, as the directing force of the enterprise, with management. This is a collective and imperfectly defined entity. . . . It extends from the most senior officials of the corporation to where it meets, at the outer perimeter, the white- and blue-collar workers. . . . [It] embraces all who bring specialized knowledge, talent or experience to group decision making.²

In the 1950s and 60s, when Hong Kong was in the early stage of industrialization, the territory made extensive use of managers, engineers and
technicians from overseas, especially from industrialized Western societies. The latter are often the ‘seed corn’ for development of indigenous managerial talent in newly industrializing economies, for they help train local managers. However, it soon became incumbent upon the territory itself to develop its own institutions of higher learning in order to train and produce managers and administrators for its industrial enterprises and corporations. Hong Kong’s ‘White Paper on the Development of Senior Secondary and Tertiary Education’ of 1978 explicitly acknowledged the importance of aligning the level of public education policy with the territory’s manpower demands. In 1979, a working group of education officials made clear that the development of public education in tertiary and technical institutions ‘should reflect the likelihood that in the 1980s the Hong Kong economic situation would be characterized by diversification of industry’. Later, a panel of OECD advisers to the government on the reforms of the educational system reiterated the need to upgrade managerial and technical education in its report of 1982. The implications of these policy goals are evident in the conspicuous subsequent expansion of management education within the tertiary institutions in the following decade.

Methodology of Management Education: Options and Issues

Because of the applied nature and real-life constraints on management knowledge, it is often considered imperative for the relevant educational process to accommodate the business world’s expectations and requirements of teachers and students rather than being limited to isolated classroom instruction. For this purpose, several overlapping methods have evolved in institutions of different orientations.

The first way of imparting knowledge about management is the ‘case method’ of teaching which, in the form of written profiles of actual events, can provide ‘vicarious experience of real-world situations with which managers can identify’. However, its weakness is its narrow focus on individual cases, which makes generalization haphazard or impossible. Moreover, its snapshot nature may sometimes detach the case in question from its larger context. In other words, a student’s interpretation of a case is inevitably subjective, hence raising the question of its accuracy. The second management-instruction method is that of tutorial and seminar. Probably viewed as an older and hence more conservative mechanism than others, such a mode is still frequently used ‘to open up discussion, encourage challenge, and both address specific problems and develop general concepts.’ The third method of teaching management skills uses action-oriented project, often favouring a problem-solving approach to management development. As a bridge between education and empirical research in work situations and education, project exercises ‘provide opportunity
for experimentation and validation, and encourage learning by more socially interactive means — perhaps more in keeping with the managerial idiom.\footnote{8} However, like case studies, project exercises are case-specific and are thus limited in leading to theoretical generalization. The fourth method of management instruction, also closely associated with the case study and project approaches, is management consultancy, which ‘can provide opportunities for teachers and researchers to tackle real-world problems in real-world situations, and to test and diffuse their ideas and techniques.’\footnote{9}

In spite of these attempts to enhance the validity, applicability and hence the efficacy of management education in institutions, the academic pursuit of management studies has remained problematic. The first problem is the essentially multi-disciplinary nature of the subject, which lacks a distinct academic identity. There is a popular impression — partly mythical and partly realistic — that the intrinsic need for management studies to appeal to the business world constrains this hybrid discipline from seeking the same degree of analytical vigour in its discourse which older and (perhaps) more orthodox disciplines (notably, economics) would be able to achieve. The other criticism often pertains to the parochial orientation of the various source or back-up disciplines which are supposedly integrated within an ideal interdisciplinary framework to instruct and sustain the management studies. The logic behind the chemistry of such a mixed approach and perspective is obvious: ‘management and management problems are far from being unidisciplinary and neatly packaged phenomena’, so that ‘management is a multi-variate activity which operates in a variety of specific institutional contexts and thus requires to be analysed in all its many relationships.’\footnote{10} The crucial question is how, or whether it is at all plausible that, such a multi-disciplinary aggregate can be converted into a truly interdisciplinary, and genuinely synthesized tradition of scientific treatment, as it has long been recognised that: ‘The different social sciences seem often to be developing separate and distinct languages, methodologies, and concepts. Moreover, in seeking to apply them in the study of management, there may also be differences in value positions which are difficult to resolve.’\footnote{11}

The second and related problem associated with management studies is the fundamental issue of addressing the gap between the world of abstract theory and that of practical application. This relatively common problem is perhaps exacerbated in the area of management studies because the knowledge of management should, almost by definition, extend from and in turn be applied to the domain of actual business experiences and problem solving. For instance, Thurley and Wirdenius have pointed out that there is a wealth of ideas on management which is as yet highly fragmented, and widely dispersed among different levels, functions and occupational specialization, and which often cannot be systematically or scientifically articulated. In a sense, formal management theory has continued to be dominated by the ideas of consultants and business school teachers, and as such is demonstrably inadequate when it
comes to tapping the actual myriad of practice-based knowledge in use. Specifically, the problems of applying formal management theories are those of (i) relevance, (ii) incomprehensible and abstract language, and (iii) unnecessary complexity of diagnosis and treatment. There are the additional problems of academic rigidity due to inherent biases towards offering essentially static answers and adhering to highly abstract and rationalistic formulations and assumptions. Thurley and Wirdenius lament that:

Education and training in management theories, because of the tendency to emphasize principles, techniques, frameworks and prescriptions, appears to encourage the planning of change by specialist groups based on such abstract knowledge. A good example is that of corporate planning teams, who may be well versed in the theoretical problems of the management of change, but who reject or are disinterested in potential alternative solutions which may be developed from the ideas of other organization members, especially those from a traditional background. This leads to suboptimal solutions being enforced on unwilling or unenthusiastic lower level staff.

It follows that management education and formal theories are likely to be better suited to application when they are simple, direct about identifying key factors and sufficiently subtle and versatile to cover varied situations across both time and space. Obviously, these dicta are in practice not easily attainable. The gap between learning and practice mirrors, to a certain extent, the dilemma of modern education today, in spite of the latter’s endeavours to forge stronger links with the world of business and work.

What Has Been Done in Hong Kong?

What has tertiary education achieved in contributing to the training of managerial resources in the realm of business in Hong Kong, given the above brief sketch of the roles, teaching methods and limitations which such activities are likely to feature in any industrialized society?

An earlier reference was made to the explicit incorporation of industry’s demands into the public policy objectives when these policy norms governing the territory’s educational development were formulated and set in the late 1970s and early 80s. During the last decade, these policies were evidently translated into a dynamic and proliferous process of expansion in business or management education among the territory’s tertiary and related institutions — notably at the universities, polytechnics and other post-secondary colleges, as well as in various specialized agencies and associations such as the Management Development Centre of the Vocational Training Council, the Hong Kong Productivity Council and the Hong Kong Management Association.
At Hong Kong’s universities (of which there have been three, namely, the University of Hong Kong, the Chinese University of Hong Kong, and the University of Science and Technology, prior to the re-constitution of two polytechnics and a post-secondary college into universities in 1994), either a faculty or a school has been created with business administration or management studies as its area of specialization for both teaching and research purposes. Their regular degree curricula, including the Bachelor of Business Administration (BBA) and Master of Business Administration (MBA) programmes, have been, for the last several years, the most highly subscribed options among the variety of degree programmes offered by these three universities. The demands of the business world for suitably trained personnel produced by higher-level education have been so salient that even the custodians of more established disciplines such as economics have had to respond to the public pulse by introducing popular, specialized and vocation-oriented degrees such as a Bachelor of Finance degree now offered at the University of Hong Kong.

The polytechnics in Hong Kong have been upgraded to degree-conferring institutions, especially in those areas of specialization in which the universities’ training for vocational purposes has not been sufficient to meet industry’s demands. This policy of upgrading the polytechnics to be training agencies for specific professions of strategic relevance to the territory’s economy and its development was in part the outgrowth of the official policy review of public education around the turn of the last decade, and partly an offshoot of the recommendations advanced in the 1979 report by the high-powered Advisory Committee on the Diversification of the Economy. Under such auspices, these universities of ‘polytechnic’ background have been vigorous in advancing and broadening their capabilities to train managers. Each equipped with a faculty in business or management studies, they offer both their full-time and part-time (evening) students with an array of undergraduate and postgraduate programmes which award either degrees or diplomas in the management field. In addition, specialized programmes tailored to specific industries or occupations, such as housing, hospital and hospitality, etc., are being made increasingly available at these new universities converted from the former polytechnics, or in the extramural departments (or equivalents, such as the School of Professional and Continuous Education of HKU) of their older counterparts.

There are, moreover, a fringe of post-secondary colleges in Hong Kong, one already upgraded to a university and a second having already been accredited as equivalent to a university in status, entitling them therefore to government subvention within the system of the University Grants Committee (UGC). These institutions, whether subvented officially as a university or private and financially independent, have also begun catering to the local need for management education. Again, the programmes organized are pluralistic, including both diplomas and degree curricula.

Distance learning has assumed increasing importance as an alternative to
plastic instruction, and management education is no exception. In fact, responding to increased local demand, more and more degree-giving courses have become available (predominately, in the form of the Master of Business Administration [MBA] degree programmes). These programmes are offered by overseas universities to Hong Kong students without residential requirements.\textsuperscript{13} Such programmes, either by way of distance instruction or run jointly with a local partner institution (for instance, the polytechnics), have added to the rich variety of management education options which have sprung up in Hong Kong during the last ten years in response to the growth in size and sophistication of its economy.

Supplementing these tertiary institutions in their provision of business-related education are, quite importantly, (i) the efforts of those quasi-official agencies such as the Hong Kong Productivity Council and the Management Development Centre of the Vocational Training Council, as well as the Hong Kong Management Association, in organizing diploma or certificate courses in management and business administration; as well as (ii) the training services extended commercially by private consultancy firms to their client enterprises, either in house, or organized as general executive programmes catering to an open market audience.

Several features may hence be identified from the above abbreviated profile of the domain of management education in Hong Kong, as it has evolved through the 70s and 80s.

\textbf{Pluralism and Its Implications}

The first feature of management education in Hong Kong is its state of pluralism, both in terms of its modes and its suppliers. Programmes available include not only those leading to academic credentials such as a certificate, a diploma or a degree, but also short-term tailor-made executive programmes which aim at enhancing, refreshing or updating the audience’s skills or capabilities in specific areas such as strategic management, corporate governance, decision making, image building, communication, stress management, etc. A recent study of management education in Hong Kong identified as many as 79 types of formal courses offered by various educational and associated institutions, not including those of a short-term nature or involving offshore arrangements.\textsuperscript{14}

Such a proliferation of the modes and programmes delivering management education in Hong Kong has given rise to its second and third features, namely, the demand of students or potential students as the primary ‘beneficiary’ and that of the employers as the secondary ‘beneficiary’.

An inspection of these course programmes reveals that a high proportion of them are aimed at students who have already entered the employment market and gained some work experience. This is in part an outgrowth of the
nature of management education, which places a premium on the balance between learning and application. More importantly, the popularity of these post-entry courses attests to a local ethos, believed to be characteristic of the Confucian tradition in the Chinese culture, of self-education, which also serves as a key to personal advancement, especially since Hong Kong is a young society open to social mobility and upward striving. In this connection, Turner et al. in their territory-wide labour study during the late 70s observed in Hong Kong ‘a competitive thirst for education (the proportion of young people in further education and training is reported to be higher than in the UK)’. It follows that the labour force in Hong Kong is, among others things, ‘sharply stratified by educational qualification’.15

Thus, young adults’ yearning for the opportunity to develop themselves have resulted in a sustained boom of adult education in Hong Kong, offered not only by educational institutions but also by societies and associations such as trade unions, especially in vocation-related subjects such as computing, language and management. Understandably, this stampede owes part of its momentum to employers’ growing demand for appropriate manpower and skills. The present and future demand for managerial personnel is considerable, according to the manpower estimates produced by the Vocational Training Council (based upon its manpower survey series) and the Education and Manpower Branch of the Government Secretariat. Using the 1989 to 91 statistics published by the Education and Manpower Branch, Kwong has estimated such a scale of likely manpower and training needs in the industry:16

(i) total forecast annual manpower requirements of managers and supervisors in the whole economy would be 16 078, comprising 4734 managers and 11 344 supervisors. The requirements would be 8875 in commerce and service sectors and 7203 in industrial sectors;
(ii) estimated training requirements would be:

<table>
<thead>
<tr>
<th></th>
<th>Average annual</th>
<th>Total in 1991-96</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>11 912</td>
<td>59 560</td>
</tr>
<tr>
<td>Supervisor</td>
<td>786</td>
<td>3 930</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12 698</strong></td>
<td><strong>63 490</strong></td>
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**Future Developments**

Given the salience of such a demand for managerial personnel, as well as an imminent need to upgrade and update them in the face of rapid technological-cum-market advances, the obvious questions are whether, first, the capacities of the existing and planned facilities at the tertiary and related institutions are
sufficient for meeting increased demand and, second, the efficacy of these training activities in addressing the actual needs of business and industry.

There have been recurrent and emphatic statements made by industry about the limiting and even damaging disadvantages which will be imposed upon Hong Kong’s ability to maintain its dynamic and growing economic machinery if the significant shortage of trained and experienced managers is allowed to persist or escalate. The urgency has perhaps recently been compounded by the creeping ‘brain drain’, which has occurred due to the emigration ‘cult’ emerging among the professional and managerial classes, as well as by the Mainland’s demand for the territory’s managerial skill and expertise to help manage the rapidly advancing industrial base along the coastal areas and in Southern China. Tertiary and training institutions seem to have responded zealously to pleas to step up the training of managers, as is evidenced by the expansion of management education, which is remarkable in terms of both student numbers and in terms of the diversity of types of instruction offered (which was documented earlier). Again, a reference to official statistics suggests the likely output of these institutions and their expected shortfall in output.\(^{17}\) So long as this type of resource remains relatively scarce on the labour market, its shortfall not only helps to keep local pay for managers high but will also work to (i) attract an increasing number of expatriate managers from overseas to explore opportunities in Hong Kong, thereby making its managerial market more international; (ii) reverse to a limited extent the emigration drain by pulling back the ‘emigrants’ from their overseas places of settlement (such as the USA, Australia and Canada), which are still trapped in the doldrums of recession and high unemployment; and (iii) induce Chinese enterprises and educational institutions to train their own managers, either with their own resources or by dispatching them for external attachment and experiences to places outside China, for example to Hong Kong.

However, a future cause of concern is the predicament that Hong Kong’s tertiary and training institutions are liable to face growing competition in both the types and quality of training they are able to supply to industry and business, as tested by the suitability and performance of the managers which they help train and groom in Hong Kong. The recent proliferation of offshore MBA programmes, for instance, vividly illustrates the intense competition among universities and management schools for students, which, in turn, feeds on the local ‘diploma disease’ of Hong Kong’s young people striving to obtain academic credentials as a route to self-improvement while education, especially management education, is rapidly commercializing as an industry of service.\(^{18}\)

### Conclusion: Employer Leverage

Any institution facing this competitive environment in the area of management
education must address an almost infinite list of issues — including topics such as curriculum design, teaching materials, teaching methods, medium of instruction, duration, scheduling and modularization of the courses, as well as ‘time off’ arrangements and sponsorship from the employers. However, the most fundamental item on the planning agenda is still the gap between theory and practice, and of matching learning and application — in other words, of ensuring that those who are trained or whose skills are enhanced by management schools really suit the needs of industry. This problem is not entirely new, but is endemic to the preparation and equipping of the economy’s manpower to fit the requirements of today’s world of rapid growth and innovations. It has been noted, for instance, that ‘this calls for an adaptable structure of work organization and technology which depends in its turn, upon the elastic provision of workers’ skills, qualifications and other competent human resources. In practical terms, the desired results of training can be accomplished by different yet commonly accepted means, modes, methods as well as duration and sequential scheduling of the (training) process’. A plausible solution to this problem is to enlist employers’ input and involvement in planning these educational activities in a wholesale manner, rather than piecemeal. Whether this strategy may imply, however, an overdose of employers’ intervention into the academic freedom of educational institutions is clearly another controversial issue which will inspire more thought and discussions, both in Hong Kong and worldwide.

Notes

4. Ibid., p. 149.
5. For references, see the relevant source documents of:
7. Ibid.
8. Ibid., p. 240.
9. Ibid.
10. Ibid.
11. Ibid.
13. Let alone, of course, a battery of degree qualifying courses which are also available with the newly started Opening Learning Institute of Hong Kong (OLI).
14. These include, 12 MBA programmes, six postgraduate programmes of other types, 22 undergraduate programmes, seven higher diploma programmes, 23 diploma programmes as well as nine of a ‘miscellaneous’ nature. See Kwong Sing-Sze, ‘Management Development in Hong Kong: A Comparative Study’, an MBA Thesis presented to the University of Hong Kong Business School, University of Hong Kong, August 1992, Annex 1, pp. 108–15.
The Role of the State and Labour’s Response to Industrial Development: An Asian ‘Drama’ of Three New Industrial Economies

Masahiro Maeda and Ng Sek-hong, with Hong Jon-chao and Lin Jenn-yeu

Introduction

This paper attempts to survey the recent labour and industrial relations terrain of three quickly developing new industrial economies in East Asia, namely those of Singapore, Taiwan and South Korea. This will help elucidate the role of human resources in these three late-developing societies and will, in turn, suggest the implications for labour in terms of their affluence and economic growth. Even more importantly, their experiences in approaching the agenda of labour legislation, wage control and industrial conflict are also shaped importantly by the official role of the state, as well as its relative efficacy, in sponsoring and fomenting the process of economic development in these Asian societies, the pace and impact of whose economic advancement has captured worldwide admiration. As this paper shall argue, contrary to the popular notion of ‘state’s incorporation’, contemporary labour history of these three places suggests that the state’s authority may be emasculated, or that it may even be reduced to a conciliatory force under the impetus of rapid economic growth, which the state itself has ironically initiated and nurtured.

The ‘Ethos’ of Economic Growth

In the last decade, a euphoria of growth ethos seems to have engulfed the three East Asian economies mentioned earlier. A cursory reference to their recent industrial successes is hence in order. Singapore’s industrialization history dates back to 1960, when the nation
launched its first phase of industrialization which lasted through 1965. The second phase, which lasted from 1967 to 1978, emphasized nurturing an export-oriented and labour-intensive industrial base. The watershed year was 1979, during which the government initiated what has been popularly described as the Second Industrial Revolution in what was essentially the third phase of Singapore’s move towards industrialization. This phase was characterized by the nation’s widespread efforts at economic restructuring, a process of economic readjustment sponsored largely by the government in order to attract foreign investment as well as to facilitate the economy’s move into the realm of high value-added, technological and capital-intensive industries such as electronics, integrated circuits, microchips, computers, robots, aircraft components, etc. The momentum of the advances into post-industrialism was slowed by the shock of the 1985 recession, which caused the government to review and redefine its growth strategy which, with the onset of the fourth phase of industrialization, was focused towards developing ‘high-yield’ tertiary service activities (yet still engendering high value-added contents) and consolidating the nation’s home industrial base. Thereafter, recovery was noticeable. Singapore was able to begin growing at a spectacular rate once again, achieving the respective rates of 11% and 9% in 1988 and 1989. Foreign investment, which amounted to as high as $82.1 billion in 1988 as compared to local investment of only $347.8 million funded by domestic enterprises, contributed significantly to this growth. 2

In South Korea, the government’s active sponsorship of industrial development under the auspices of a series of development plans has resulted in an economy which has enjoyed almost constant rapid growth since the 1960s. The nation’s gross national product (GNP) has increased at an annual average rate of about 8% during the last three decades. In support of key industries, the government has adopted such strategic policy measures as the provision of development loans, tax benefits and technological assistance, especially for research and development. Also contributing significantly to South Korea’s industrial development has been its large industrial corporations which, assisted by official sponsorship, have steered South Korea to its present economic position, which contrasts sharply with the state of its former low-level, labour-intensive, export-oriented manufacturing economy thriving largely on low wages. The effects of these industrial strategies under the state’s patronage have been the transformation of South Korea from an agrarian society into a modern industrialized economy. Migration from rural to urban areas took place on a large scale in the 60s and 70s, providing growing industry with a necessary supply of ample yet inexpensive labour. The share of the labour force engaged in non-agricultural activities (specifically, in establishments with ten or more workers) rose significantly, from 7.1% in 1960 to 27.5% in 1979 while the number of those employed in the agricultural sector fell rapidly during the same period, going from 65.9% to 35.8%. The relative growth of the export
economy and the manufacturing sector was even more evident in the 70s and 80s. The contribution of the manufacturing sector to the GNP was only 14.4% in 1962, but it increased to 30.0% in 1986, while the relative value of primary activities in the agricultural, forestry and fishery industries, at 37% of the nation’s GNP in 1962, declined to a mere 12.3% in 1986. Industrial employment in the manufacturing sector rose concomitantly, from 8% in 1963 to 27% in 1987.3

Taiwan also experienced an annual average sustained growth rate of 7.8% during the period 1981 to 1988, when its annual total export values increased 2.6 times, from US$22.6 billion to US$60.0 billion. This growth was achieved with the support of official sponsorship. Since the 70s, the creation of multitude of official agencies for this purpose has been conspicuous. Such agencies include the Executive Committee for the Development of Strategic Industries, the Group for Industrial Automation Technology Services and the Group for Rendering Services to Specific Industries. In addition, official assistance has been available to private enterprises for developing new products and enhancing productivity and output quality, creating public employment services, promoting environmental regulation, advancing the nation’s industrial safety, and providing incentives for venture-capital enterprises. Also indicative of the nation’s industrial advancement, the overall industrial and occupational structure has shown a secular shift from the secondary manufacturing to the tertiary services sector. By 1988, the service sector had become the country’s largest source of employment (employing 43.7% of the labour force), surpassing the manufacturing sector (engaging 42.6%) and agricultural industries (which employed 13.7% of the labour force).4

■ Some Key Factors

These three newly industrialized economies (NIEs) of East Asia not only feature similarly high rates of industrial growth, sustained for the most part throughout the last two decades, but also share several key factors which have helped shape the development of labour and industrial relations in each place. A brief review of these factors is needed in order to gain an understanding of the relationship among the state, labour and society in these NIEs.

First, all three NIEs are industrial societies of Asian culture(s), each having inherited the Confucian tradition as part of its value system, especially in the industrial and work arena. It has been argued that the Confucian approach towards labour-management relations, as practised for instance in these three societies, has been to prescribe, for the purpose of managerial paternalism, cooperation between the employer and the employed, their mutual commitment, their harmony, elimination of conflicts of interest and an aversion to open confrontation. It epitomizes an orientation which is distinctly different from
the adversarial model typical of Western industrial relations, as observed by Thurley: ‘Asians often reject the conflicting, adversary basis of Western industrial relations argument. Asians . . . are frequently horrified by strikes and attached to the values of co-operation, mutual commitment and harmony. Collective bargaining, itself, is seen as overlapping with consultative discussion’.5

Viewed from this perspective, the Singaporean system, which emphasizes a tripartite approach to labour relations at the national, industry or enterprise level, probably best reflects the strategic recognition of Confucian values in contemporary Asia in consolidating labour-management relations and legitimizing the state’s steering role in the labour arena.6 In Taiwan and South Korea, the Confucian ethos has similarly been cherished and inculcated as the founding spirit of organizational solidarity between labour and capital. Such classic Confucian virtues as loyalty and group identity, diligence in task initiation, sincerity and harmony between interpersonal relationships have influenced work motivation and human resources management in all of these three societies’ enterprises. These traditional values have been propagated by both the state and employers (in these economies) as a source of work place stability, trust and adaptability of the work-force and business.7

The Confucian heritage, moreover, has morally justified official intervention in the industrial relations of these Asian societies. Thus, the second key factor which has shaped the development of labour and industrial relations in these societies is the sponsoring function of a paternalistic administration, which has until now strictly regulated labour in these societies. Given their rapid industrial advances, each of these societies currently faces the problems of sustaining high growth and maintaining social stability and integration. The emerging socio-economic agendas now include, inter alia, an increasingly diversified economy and labour force, urban congestion, fragmentation of sectional interests, inflation and productivity (dis)incentives, the pluralistic yearning for autonomy and devolution of control among a better educated and less acquiescent population, and other vicissitudes inherent in industrial capital. It is hence worth exploring, in the subsequent sections, the extent to which the state in these three societies has evolved comparable strategies to meet these challenges of rapid industrialization.8

In spite of the parallels mentioned above which can be drawn among these three Asian societies, a third factor points to the diversity of their experiences as their labour relations and associated institutions evolve. This refers to the historical legacies of institutional development which seem to have varied substantially among Singapore, South Korea and Taiwan. In the three places, rather dissimilar manners of approaching industrial and labour development agendas have been adopted. These are worth a brief mention here.

In Singapore, the presently existing body of labour legislation and regulatory institutions in industrial relations is probably reminiscent of the British system. This is understandable, since Singapore received considerable assistance in
establishing its labour administration (which was originally called the Indian Immigration Agent, when Singapore was first developed as the Straits Settlement at the beginning of this century) and its system of labour legislation from the British colonial administration before Singapore achieved independence. By contrast, imprints of the Japanese influence and legal traditions are conspicuous in both Taiwan and South Korea, probably reflecting their historical links with Japan. The Labour Standards Law, which is the approximate equivalent to the Employment Act in Singapore, is in these two places to a large extent rooted in Japan’s Labour Standards Act in terms of its intent and scope. Moreover, both South Korea and Taiwan have relied heavily on the Japanese system in designing their official procedures for intervening in, and settling, industrial conflict. These are, specifically, the Labour Relations Commission Law and the labour Disputes Mediation Law in the former and in the latter, the Settlement of Labour Disputes Law.

The fourth factor, mirrored in the contemporary political history of the region, relates to the divergent contexts of the political economy in each of these three societies, which are important to understand in order to appreciate the backgrounds of their labour and industrial relations arenas. The impact of this factor is discussed briefly below.

The landmark political events in Singapore were the rise to power of the People’s Action Party (PAP), and its achievement of self-governing status in 1959 and sovereign independence in 1965, when the new nation withdrew from the Malaysian Federation. Emanating from these political developments was the eventual consolidation of an industrial and social partnership between the government (the ruling People’s Action Party, PAP) and the national labour movement (the National Trade Union Congress, NTUC). After becoming a newly independent republic whose wealth and economy depended principally upon its human resources, Singapore adopted a vigorous programme of nation building based on the political ideology of state corporation in order to foster both economic growth and internal (racial) integration.

Throughout the 50s and 60s, on the other hand, both Taiwan and South Korea were trapped in adversarial politics that featured their ideological polarization from and military opposition to China and North Korea respectively. This state of antagonism fostered in both a concern for internal security under military or quasi-military administrations, which sought to contain the freedom of an otherwise home-grown labour movement and independent workers’ power, lest these might prove destabilizing and threaten to impede the ability to withstand external hostility. However, towards the end of the 70s, industrial progress and rapid urbanization caused both Taiwan and South Korea to liberalize their formerly monolithic political control in a process also aided by their recently improved relations with China and North Korea.

Ironically, the increased political tolerance of the administration of either society has instigated, and inadvertently encouraged, the activities of the
opposition parties in both Taiwan and South Korea. The emergent domestic political strife, moreover, has gradually spilled over to the labour arena, leading to the present day ‘politicization’ of their industrial relations terrain. The watershed year was 1987, when in Taiwan martial law was abrogated and a new Ministry of Labour was set up. This ministry, called the Council of Labour Affairs, was created at the ministerial level and affiliated with the Executive Yuan. In the same year, South Korea decreed its (Presidential) Declaration on Democratization, sparking a nation-wide upsurge of social and industrial unrest.

In spite of initial differences in their politico-industrial systems, there are increasing signs suggesting that Taiwan and to a lesser extent South Korea, are converging slowly with Singapore in their attempts to erect a more permissive arrangement of industrial and social partnership between labour and the government-cum-capital. Hsu, for instance, has noted with optimism that:

>The once centralized pattern of industrial regulation and labour organization under official patronage in Taiwan, Singapore and Korea would gradually give way . . . to a more pluralistic and collective structure that devolved the prerogative of standard setting to individual industries or enterprises by way of private voluntary joint labour-management.11

However, whether such an industrial relations strategy will be effective in these Asian NIEs clearly depends upon their industrial and socio-political experiences in the 80s and 90s, which the remaining part of this paper will describe and discuss.

Institutionalization of State Intervention: Labour Law as a Regulatory Lever

As these Asian societies industrialize, it is increasingly imperative for the state to make legitimate its control over labour and its application by developing appropriate regulatory institutions embodied in a web of rules, as reflected in the legislative process of introducing a modern body of labour legislation. Apparently, what Singapore, Taiwan and South Korea have accomplished in this capacity in the last two decades is reminiscent of the ‘Industrialism and Industrial Man’ thesis of the 60s, which stated that ‘the tug of industrialization . . . is towards a greater role for the state in an eventual pluralistic rule-making system’, inasmuch as ‘governments have a significant role in determining the substantive rules of the work community or in establishing the procedures and responsibilities of those with this power’.12 For the purpose of exposition, Professor Kahn-Freund’s celebrated typology of labour law, which classifies it into restrictive, auxiliary and regulatory law, serves as a useful bench-mark for
describing the major legislative innovations which have taken place in these three Asian societies, as well as their implications for the state and society. 13

One of Singapore’s leading national goals has always been to introduce labour legislation in order to create harmony with the altruistic objective of nation building. To foster ‘a conducive and supportive work environment’, the nation’s regulatory and auxiliary labour law has been designed so as to inculcate within enterprises ‘a harmonious industrial relations climate, a safe and healthy work environment, adequate employment standards and welfare provisions for the workers, security for the old aged, as well as more and better jobs for the Singaporeans’. 14 Constituting such protective and regulatory enactment are the 1986 Employment Act, the Central Provident Fund Act of the same year, the Immigration Act, the Factories Act, the Workmen’s Compensation Act, the Children and Young Persons Act, the Regulation of Employment Act, the Employment Agencies Act, the Redundancy Payments Fund Act and the Skills Development Levy Act. In addition to its primary intent of safeguarding labour standards at work, the Employment Act has also served as a key official instrument for inculcating higher-level productivity and performance in the work-force. This the law purports to achieve essentially by enhancing workers’ industrial discipline and entitling them to increased incentives and flexibility. 15

As the principal piece of labour law in Singapore, the act was amended in the mid 80s so as to ‘give the employer greater flexibility in rostering rest days, computing overtime payments, calculating holiday entitlement and simplifying payroll administration.’ 16

This piece of legislation has been painstakingly fashioned to protect labour as well as to delimit the permissible scope of such protection so as not to stifle and impede economic growth and productivity. Thus, the Industrial Relations Act was created to complement Part IV of the Employment Act, both of which now stipulate that collective agreements in new industrial enterprises should not provide terms more favourable than those which the latter act has already provided, lest private incentives and efficiency be weakened. For the analogous reason of serving the need for flexibility of private enterprises, the Employment Act has been recently amended to encourage the augmented use of part-time employment, basically as a measure to help alleviate the pressure of labour scarcity. In order to promote part-time hiring in the private sector, the law was to give full recognition to the status of part-time employees, whose terms and conditions were to be defined legally as prorated vis-à-vis those of their full-time counterparts. 17

Restrictive and auxiliary labour law in Singapore has similarly sought to stabilize the nation’s industrial relations and shield them from strife and upheaval. Collective labour law in Singapore includes, inter alia, (i) the Trade Unions Act granting unions, in line with the British tradition, specific legal immunity from tortuous liabilities, and (ii) the Industrial Relations Act which has erected a state-sponsored system of conciliation and arbitration for settling
industrial disputes, and has laid a framework for trade union recognition procedures.\textsuperscript{18} The enactment of the Industrial Relations (Amendment) Act in 1986 has led to a period of sustained industrial peace in Singapore. As noted by Pang and Tan:

\begin{quote}
The Industrial Relations Act provides that an industrial dispute may not proceed further if the Industrial Arbitration Court has taken cognizance of it. Such a provision virtually ensures that compulsory or voluntary arbitration will be resorted to. In practice, any strike which does not have the direct or indirect sympathy of the Labour Minister is unlikely to occur.\textsuperscript{19}
\end{quote}

In the cases of Taiwan and South Korea, the state has likewise been the principal agent responsible for modernizing protective and regulatory labour law, and has also been intended to act as a lever to advance and upgrade the quality of work life for the labouring mass. Such a gradual shift towards a distinctive labour policy apparently came about in response to, and was made possible by, rapid industrial growth, the improved socio-political status of labour and the increasing enlightenment of the official administration. However, the adjustment in official policy in order to take into account labour’s interests also reflects, in part, the rise of a national elite which is more technocratic, middle class and pragmatic in orientation. The new governing echelons, now less paternalistic and ideological, seem to harbour a vague yearning for a fairer distribution of income in society and a more equitable and collaborative industrial partnership between labour and capital. Apparently, to the architects of public policy, a pro-labour approach represents a rational development strategy for accommodating or incorporating the working class in the interest of stabilizing society under the impact of rapid economic growth and subsequently eliminating the cheap labour surplus syndrome.

The central pieces of regulatory legislation in both Taiwan and South Korea are both called the Labour Standards Law. This law closely parallels the Labour Standards Act of Japan, the Employment Act of Singapore and the Employment Ordinance of Hong Kong. The Labour Standards Law in Taiwan which was promulgated in 1984 sought to streamline, improve and consolidate legal provisions on labour standards previously prescribed under the earlier Factory Law and various other statutes. Purporting in its preamble to ‘protect the rights and privileges of workers and to strengthen relationships between employers and their employees’,\textsuperscript{20} its enactment was supplemented by an ancillary inventory of welfare legislation, also introduced during the 70s and 80s, which included the Old Age Welfare Law, Handicap Welfare Law, and the Labour Insurance Law, the latter of which erected in 1958 a social security net similar to Singapore’s Central Provident Fund.\textsuperscript{21} Likewise in South Korea, the Labour Standards Law was first introduced in 1953 and last revised in 1989. Its overhaul in the 80s was inspired, apparently, by the nation’s reformist
mood from which ensued the democratization announcement of 1987. This 1987 political watershed also made possible the birth of other new enactment in the sphere of regulatory labour law, examples of which are the Minimum Wage Act (which subsequently became separated from its parent legislation, the Labour Standards Law), the National Pension Plan, the Gender-Equal Employment Act and the Employment Protection Act for the Handicapped — all of which were ushered into the nation’s statute book before the closure of the last decade.

Further reaching in implication for labour and politics in South Korea were the legal reforms of the 80s, aimed at liberalizing its hitherto restrictive labour code. In the past, these legal norms were both coercive and cumbersome. They included the Temporary Special Act Concerning Trade Unions, the Conciliation of Labour Disputes in Foreign Firms, the Special Measures Concerning National Security (promulgated in December 1971) and the 1973 Conciliation Act. In 1987, all four sets of repressive regulations were abrogated in the euphoria of democratization. Moreover, by a 1986 amendment to the labour-related law, strikes were officially sanctioned and became permissible in industry, provided that all other options, including the observance of a cooling off period, had been exhausted. This new stance was evidently less coercive than had been the position before 1986 when all strikes were deemed illegal by virtue of the punitive legal provisions on compulsory arbitration.

Much of collective labour law in South Korea pre-dating democratization in the late 80s served as a potent instrument for supporting the hegemonic control of the state. Under the various defunct provisions of the trade union laws, for instance, the administration was able to dictate any alterations in unions’ leadership and policies, if such activities were deemed by the government to be harmful to the public or national interests. Similarly, the contents of a collective agreement could be altered according to the pleasure of the administration, which was also permitted to dissolve any unions deemed prejudicial to public interests. However, these legal instruments of labour control, enabling the state to circumscribe the unions’ activities and organization as well as to restrain the latter’s ability to strike, were largely rescinded under the democratizing initiatives of the president in 1987. Specifically, the Trade Union Law was amended in December 1987 to negate the state’s extensive power to interfere with the internal administration of union combinations, and abrogate its former absolute prerogative to dissolve a union or alter a collective agreement at will. The once stringently limited freedom of association was also substantially liberalized — it is now no longer required that a newly formed union must have at least 30 workers pledge membership in order for official registration to proceed.

The immediate effects of these reforms of South Korea’s collective labour and union laws have been, inter alia, to stimulate and inspire an upsurge of industrial agitation and the proliferation of alternative unions sympathetic to
political opposition. A large number of labour organizations have joined the stampede to forge association with the radical union centre, the All National Council of Trade Unions, which contests the pro-establishment Korean Federation of Trade Unions (KFTU) and poses an incessant challenge to the latter’s once monistic leadership over the nation’s labour movement. As reported by the Korea Labour Institute, the number of strikes has escalated sharply, rising from an annual average of 171 stoppages during the period of 1981 to 1986 to an unprecedented height of 3749 in 1987. At the same time, the number of new enterprise unions also mushroomed, growing from 113 in 1987 to 171 in 1988 and 206 in 1989.

The state’s tempo in pacing these reforms in labour law has not always been even or consistent. Its move towards an enlightened labour administration was, instead, punctuated by frequent ambiguities, staggering uncertainties, and moments of conservative reaction and even occasional hostility towards the liberal demands which it had unwittingly encouraged yet found difficult to cope with and accommodate. Its ambivalence is perhaps best illustrated by the presidential veto, in a controversial decision made by the administration in 1988, of a permissive package of proposed legislative amendments earlier submitted to the National Assembly and designed to further liberalize the Trade Unions Law, the Labour Disputes Mediation Law and the Labour Standards Law.

In Taiwan, the new mood of industrial relations and the enlightened labour code has also been subject to intense political haggling. The Labour Standards Law, introduced in 1984, has been trapped in a prolonged impasse of legislative indeterminacy because of resistance from employers anxious to liquidate and remove from the Labour Standards Law those provisions viewed by private sector business as excessively burdensome and detrimental to their incentives. A comprehensive legislative review of the law in 1987 exposed, among other things, serious issues and gaps in its application and enforcement. The gravest and most contentious of all was the provision on retirement payment, to which employers objected strenuously. Their opposition was manifold, pertaining to (i) the retroactive manner of applying these statutory provisions, which would have imposed an extra burden upon the employers, and (ii) the amount of retirement benefits, stipulated at the rate of two months’ pay for every year of service, which would have levied too heavy a liability upon an average business.

The conflicting pressures emanating from the diverse interest groups which have lobbied the government either in favour of, or against, these retirement provisions, as well as the intense negotiations among these groups in attempting to influence the ways in which the Labour Standards Law would be amended, have been so intricate and fluid that they have resulted in a sustained spell of indecision on the part of the administration on the long-awaited amendment legislation. As has been lamented by a leading authority on labour law in
Taiwan, the statutory framework of its contemporary labour standards has been trapped, for the reasons outlined above, in an uncrystallized and obscure state of ‘inherent non-stability’, perhaps not unique to the sphere of labour legislation in these Asian NIES.

The Labour Market, and the State’s Response

Labour law and policies in these young Asian economies are more complex than the official desire to regulate labour-management relations and put in place decent and workable labour standards in the workplace alone suggests. The codification of law and formulation of policy in the labour arena are, almost invariably, associated with the broader national strategy which these societies are currently pursuing to foster and sustain their economies’ high growth rates. That the modern state in industrial societies has assumed an increasingly pervasive and technocratic role in the management of the macro economy and its apparatus has been suggested by Galbraith in his classic work on the new industrial state and the technostructure which characterizes the organization of its resources activities and work:

The industrial system has brought its supply of capital, and in substantial measure also its labour supply, within its control, and thus within the ambit of its planning. And it has extended its influence deeply into the State. Those policies of the State that are vital for the industrial system — regulation of aggregate demand, maintenance of the large public sector on which this regulation depends, underwriting of advanced technology and provision of an increasing volume of trained and educated manpower — are believed to be of the highest social urgency. This belief accords with the needs of the system. And the influence of the technostructure of the mature firm extends to shaping the demand for its particular product.

Again, the recent experiences of Singapore, Taiwan and South Korea help illustrate how a nation’s onerous tasks in the areas of economic reconstruction and growth management tend to both pervade and constrain its labour and employment policy. As already noted in the introduction to this paper, there has always been implicit in the growth ethos of these societies the state’s commitment to the almost overriding goals of (i) enhancing productivity and workplace efficiency, (ii) technological updating and human resource development, in order to help sustain further industrial advances, (iii) stabilizing price levels and containing inflation, (iv) attracting foreign investment without impeding the domestic export sector’s competitiveness on the global market, and (v) promoting infrastructural building as well as steering economic restructuring processes where these are deemed commensurate with advances
of the economy. The pursuance of these national goals has, in turn, legitimated the intervention with varying levels of prudence and rigour of the governments in all these industrial states into their own labour markets.

Particularly noticeable as they have grown has been the structural transformation of labour-surplus economies into labour-scarce ones in these three regions. This has been, almost invariably, a salient process of fundamental strategic significance which has caused the government and employers in each society to adopt a variety of coping strategies. The impacts of these policy measures, especially in terms of the strain they have put on manpower and other resources, have given rise to various labour market imbalances and tensions which have, in turn, significantly affected the state, labour, capital, and their interrelationships. It is hence opportune to take a brief look at some of these employment issues which Singapore, Taiwan and South Korea have encountered as their economies have grown, as well as the official responses to these issues, before we explore the ramifications of government efforts in the area of future relationships between labour and the state in these Asian NIEs.

Of the three East Asian societies, Singapore is perhaps most experienced in dealing with the need to augment its labour supply through recruiting foreign workers from outside the nation. At present, a force of 150,000 foreign workers is employed in Singapore, mostly as domestic servants but also in the construction and shipbuilding industries and in growing numbers in the service sector. Fashioned by Singapore’s accumulated experiences in this arena, there has evolved a comprehensive body of well-defined official rules and regulations to protect and discipline the hiring of foreign workers. Legal norms governing labour imported into the nation include, therefore, instruments such as (i) a standard fixed-term contract, (ii) work permit regulations, (iii) statutory provisions prescribing foreign workers’ rights to join trade union, (iv) a mandatory ceiling stating that the proportion of foreign workers in any enterprise should not exceed 40%, and (v) a levy on the recruiting employers at the rate of S$300 per guest worker a month.

In addition, Singapore has nurtured a state-sponsored infrastructure of skill training and human resource development. To serve the dualistic function of (i) addressing short-term frictional skills shortage as well as (ii) facilitating the longer-term process of economic restructuring and industry’s technological upgrading, the Skills Development Fund has been created as the principal official agency responsible for the promotion of occupational skill training, as well as remedial education of a general nature. These officially sponsored endeavours in human resource investment are currently organized under such diverse training programmes as BEST, WISE, MOST, COSEC, etc. Given the current rapidity of technological changes, many of these state-backed training resources have been committed to skill upgrading and retraining of workers whose job security has been eroded or even dislodged by either age or job obsolescence. Such a nationwide manpower training system, which also owes
its success to the active involvement of the national labour movement, the National Trade Union Congress (NTUC), appears to have played a key role in helping conserve a versatile and adaptable human resource pool, viewed in Singapore as basic to its economic well-being and growth.

The Singaporean case is notable as well for its tradition of a national wage policy closely monitored by the state which is apparently instrumental in ensuring labour market stabilization, and that it remains in harmony with the nation’s fast growth rate. The chief agency in this connection is the National Wage Council, established in 1972 as a tripartite machine for setting wage norms, largely by issuing nationwide guidelines on wage increases at periodic intervals. However, its historically stumbling approach to national wages vividly reflects the nation’s own cyclical experiences in its economic development during the last two decades. A policy of high wages was adopted during the period 1979 to 1981 to help stimulate the economy’s industrial restructuring, especially for it to move upstream from the low value-added and labour-intensive industries to the high value-added yet capital-intensive ones. But this three-year national endeavour to transform the economy into a high-technology one, using high wages as a pivotal tool, was suspended in 1982 due to the recession. The downturn prompted a reversal of the national wage policy, when a pay pause was instituted by most enterprises in the economy. However, this interval of wage (increase) restraint did not last too long, and was rescinded when the economy began to steadily recoup its loses and make way for the second industrial revolution towards the turn of the decade. Sensitive to the growth of a worldwide ethos of the marketplace culture in work and economic relations, the National Wage Council has since then embarked upon an exercise intended to encourage wage reforms so as to make industry more competitive, particularly by rendering wages more flexible and commensurate with productivity. The council has, for such purposes, propagated the notion of a variable wage component, dependent on the work-force’s performance, productivity and incentive. Its logic is apparently anchored to the theme of flexibility, explained as follows:

The flexible wage system recommended by the Council featured a wage structure comprising a Basic Wage with a modest service increment of about 2% a year, an Annual Wage Supplement (AWS) of one month’s basic wage and a Variable Bonus. . . . For payment of variable bonus, the Council recognizing that there is no single formula to suit the diverse needs of companies in Singapore, suggested two models, one based on profit sharing and the other on productivity gains. . . .

Such new links between productivity, wages and incentives are part and parcel of the revamped state package aimed at giving private industry more managerial initiative and flexibility in the labour market. By devolving labour control to the enterprise level, the government’s intent is to improve private
sector performance and efficiency, given the economy’s vulnerability to stagnation and skill shortages/bottlenecks demonstrated during the recession of the late 80s. For the same reason, the role of private and voluntary arrangements such as labour-management collective bargaining, as well as the functions of such pivotal statutory agencies as the National Wage Council, have been reviewed and substantially reinterpreted to serve the new imperatives of marketplace-dictated reforms in national wages and employment. The steps taken by the National Wage Council reveal an implicit agenda of deregulation as its previous prerogative of promulgating annual and quantitative wage norms steadily gives way to the publishing of relatively feeble qualitative wage guidelines (largely concerned with elucidating those salient factors which the Council recommended that private sector employers and unions should use to form the basis of their joint negotiation on wage adjustments at the work place level). These non-mandatory wage norms, covering such issues as the employer’s ability to pay, the industry’s productivity and profitability, inflation and cost of living indices, and prevailing market wage rates (that is, the going rates), are patently designed to maximize the industry’s economic flexibility, and especially to stimulate the development of voluntary work place collective bargaining activities in Singapore.33

An incessant labour shortage has also plagued the economy of Taiwan in the wake of its rapid growth. In response to pressure, the administration recently sanctioned the importation of foreign labour, emulating Singapore’s regulatory arrangements. For this purpose, the Labour Standards Law was amended in 1992, introducing legal safeguards for the employment conditions of guest workers, most of whom are skilled and semi-skilled, for such industries as building and construction. Their intake has been subject, as in Singapore, to such immigration-cum-employment rules as a two-year standard contract, repatriation duties incumbent upon the employer, as well as the latter’s undertaking of a bond to guarantee the good deeds of workers they import.34

Like its Singaporean counterpart, the Taiwanese government has been equally assiduous in steering the long-term development of the economy’s human resources. The Vocational Training Act was brought to the statute book in 1983, followed by the nationwide inception of the Second Three-Year Plan to Improve Vocational Industrial Education. It appears that a reliable mechanism for helping stabilize the nation’s skill market is now available, on the whole, with a state-sponsored training framework headed by the Employment and Vocational Training Authority, below which a hierarchy of specialized vocational training institutions and training centres, catering to skill-upgrading and a variety of specialized training for craftsmen and technicians, have been created at the national, provincial and municipal levels.35

Unlike in Singapore and Taiwan, in South Korea the state’s intervention into the labour market appears to be overtly politicized. Apart from the Labour Ministry itself, during the present era of rapid growth, at least three high-
powered official agencies have been created, each with the power to regulate, reform and restructure various aspects of the employment and wage markets. These agencies include the Minimum Wage Council, the National Council for Economic and Social Affairs, and the research-oriented Korea Institute of Labour which, modelled essentially upon the Japan Institute of Labour, was designed as a think-tank collating scholarly inputs into the formulation of labour policies. These institutions were born in response to the metamorphosis of the nation’s manpower economy, which serves as an almost classic illustration of how an NIE, having advanced rapidly through its highly successfully initial stage of development, transforms itself from a low-wage to a high-wage producer — thereby draining itself of a key competitive advantage in global trade.36

To regain the resilience of its young economy, whose imminent loss of its cheap labour supply has incited strong qualms among powerful employers, the state has accentuated its intervention into the wage and manpower markets, using those institutions named above as key policy instruments for stabilizing the wage economy.37 As argued by authors such as Lansbury, Guk, Lee and Shim-Han, South Korea as a prospering NIE is probably typical in that state places unequivocal priority upon national growth, therefore often recklessly implementing coercive measures at the expense of justice and distribution equity in society.38 In this connection, a national image of authoritative state labour control has consolidated since industrialization began in the 50s. Industrialization was sustained in the subsequent decade or two largely because of cheap labour and labour docility, which the ‘dictates of political strategies’ levied by a hegemonic governing elite have helped perpetuate.39 In order to preserve this labour market condition, and to prevent its continued erosion to the detriment of both national and corporate interests, a two-pronged approach to realigning the labour market under state patronage was adopted. The first prong was the planned conversion of the economy into a post-industrial one, as reminiscent of the Singaporean experience. The key strategy for achieving this purpose has been to selectively groom technology-intensive economic activities and concurrently enhance the nation’s industrial capabilities. The second prong was tantamount to a self-instituted measure of austerity, focused upon labour cost controls and stabilization, taken in order to help buttress the nation’s wage-based export competitiveness by way of instituting wage restraints and propagating productivity deals.

Politicizing in South Korea’s labour market has resulted in perennial unrest caused by the lingering sectional (or even class) tussle between employers and the employed. Latent or suppressed in the earlier decades, tension escalated towards the end of the 80s, erupting into industrial strife on an epidemic scale. At the same time, a public debate also mushroomed, centring on the arguments for and against the state’s proposal to set up a high-powered statutory body to emulate the National Wage Council of Singapore. The government’s intent was to institutionalize, through this proposed agency, its rigorous control of
the private sector’s pay market. The mainstream labour movement, the Korean Federation of Trade Unions (KFTU), changed its traditional stance as a vanguard supporter of government policies and openly resisted such a blueprint. It was a virtually unprecedented rebellious act staged by the bastion of the nation’s non-recalcitrant labouring groups. The revolt, however, was also a grim reflection of the KFTU’s reluctance to risk further alienating its grassroot support, at a time when such support was withering quickly due to the growing popularity of the opposition (union) movement stimulated by the liberal mood succeeding the 1987 democratization. In place of the initial proposal which was discarded, the alternative solution was the compromise creation, in 1990, of a loose but tripartite national forum for forging labour-management dialogue and cooperation under the state’s sponsorship. This was the National Council for Economic and Social Affairs which, in spite of its totem significance in hammering out a social accord in industry, suggests the crippling incompetence of a once authoritarian administration to enforce an austere yet pro-capital formula to regulate and restructure national wages.40

The State and Labour: A Fragile Industrial Partnership?

The Singaporean system of industrial relations has always been heralded as the standard bearer of an Asian approach to industrial partnership which features a social contract binding the state, employers and labour, notwithstanding their divergent interest orientations in an industrialized economy. This approach seems to have successfully stabilized the nation’s industrial relations, offering a collaborative tripartite model of joint regulation which promises to inspire neighbouring new economies such as Taiwan and South Korea. Although frequently criticized for being overtly authoritarian, the Singaporean government is proud of the high level of consensus between the parties at work, as well as of a body of labour legislation which generally appears to sustain the nation’s industrial harmony.41 Evidently, such a system of engineering consensus in the work place appeals to the national elite of other developing economies, both in Asia and elsewhere, for its apparent efficacy in containing industrial conflict and dissent and, by extension, supporting the ethos and activities of industrial development. Although critics of the country have argued that its institutions regulating conflicts have not been conducive to their authentic expression,42 the Singaporean situation has been immune to major industrial upheavals since the country achieved its independence.

Nonetheless, Singapore’s strategic advantages cannot mask the noticeable inconsistencies now increasingly impeding the tradition of tripartitism which the nation has consolidated at the central level. Tensions have largely been bred by the disintegrative tendencies towards diversity, individualistic preferences and competition arising from the new order which the state has propagated.
recently to sanctify private initiatives and flexible adjustments. Paradoxically, however, under the marketplace type of national strategy, the state’s effective role and its competence in steering and co-ordinating (let alone, controlling) economic activities has been curtailed significantly, given the current consistent shift of industrial relations gravity to bipartitism at lower levels. These latter developments literally imply a devolution of joint decision making to the individual work place, now that growing emphasis is to be placed on voluntary collective bargaining and wage negotiations, industrial competition, private market adjustments and the inculcation of enterprise-level initiatives. Even the nation’s inventory of labour legislation, hitherto an important source of prescribing labouring standards and industrial norms in Singapore, has to be reviewed and adjusted more frequently than before so as to accommodate these changes — for instance, to regularize the augmented practice of part-time employment in business. Such a low-conflict equilibrium in industry can be inherently fragile, since Singapore, like Hong Kong, still belongs to that league of new industrial societies characterized by what Thurley has labelled as state controlled labour administration. 43 There seems little question, however, that the state can continue to rely upon its tenacious alliance with the labour movement, the NTUC, for the latter’s ardent support in dealing with a labour agenda inflated heavily by the post-industrial syndrome of erratic growth, pluralistic affluence and non-quiescent mass expectations. In retrospect, the high-trust partnership between the ruling People’s Action Party (PAP) and the NTUC is historical, dating back to the nation’s formative years before and after independence, when a technocratic nationalistic elite began to consolidate power by relying in part upon its popular control of the nation’s labour force through the agency role of the NTUC.44

Taiwan’s situation is partly analogous. There the labour agenda has been dictated by the government’s overriding desire to consolidate its national strength and viability, which it has tried to do by employing such assiduous official measures as promoting its international image, advancing its trade relations, fostering a domestic process of economic restructuring and industrial stabilization, and upgrading the standard of living of its labour force. As in Singapore, some of the critical issues which its interventionist administration has found increasingly problematic are associated with the management of an inflation-prone high-growth economy. High on the government’s labour agenda, for instance, are questions such as those of how to stabilize the labour market in order to alleviate skill shortages and how to achieve a prudent balance between wage and productivity increases. Parallel to these questions are other challenges of a more politicized nature, namely, integrating the interests of the labouring mass with those of the nation and the state (and of capital as well) and redefining a new order of industrial partnership between these parties amidst the euphoria of the government’s recent democratic reforms. Conspicuous initiatives have already been adopted by the state to sponsor the improvement
of the labour sector and the upgrading of workers’ civil status and rights. These include restoring their freedom to strike and enhancing their right to organize and bargain collectively with employers, not to mention a concurrent legislative programme to modernize the nation’s system of labour norms and standards, for example by consolidating the statutory floor of employment benefits under the new Labour Standards Law.

However, echoing the Singaporean dilemma, many of these liberalizing measures in Taiwan have been complicated or even neutralized by the labour market imbalance which attended the country’s accelerated development. The state has been forced, for instance, to increase the protective regulation of employment on such issues as work hours, night work and holidays, while also ensuring adequate deregulation so as to conserve private sector flexibility and accommodate the varying exigencies of different industries. It is thus hardly surprising that the cornerstone Labour Standards Law has been persistently exposed to employers’ attempts to curtail its jurisdiction and limit its liberal provisions, which they suspect have gravely impeded labour and capital mobility at a time when Taiwan is on the threshold of increased industrial growth.

The politicization of such labour issues raises, quite naturally, scepticism about the prospective competence of the once authoritative yet eclipsed labour administration now in Taiwan, as well as debates as to whether it should, in future, be an actively interventionist (as it was in the past) paternalistic guardian of the working mass, or whether it should assume an effacing posture, allowing more latitude for private joint industrial arrangements, which would be loosely supervised by the government only. The latter approach seems to appeal more to society now that the governing national elite has been emasculated under the impact of the present political reforms. Foremost among the changes it has undergone is the rapid shrinking of its former monolithic power base, which is giving way to the pluralistic demands of a more affluent and educated populace, which has nurtured a ring of militant opposition movements in both the political and labour arenas.

In this context, the Taiwanese case must be portrayed differently from Singapore’s. An important factor explaining the disparity is the absence from Taiwan’s labour history of a powerful industrial partnership between the government and the national labour movement, an industrial alliance which has proved strategical in Singapore in making workable a modern corporatist industrial society. Perhaps Taiwan’s difficulties in its attempt to build a new and stable industrial relations system are also attributable in part to the national labour movement, the Chinese Federation of Labour (CFL), itself which has featured essentially as an archaic and aristocratic labour organ enmeshed within the power hierarchy of the ruling Nationalist Party. Although anxious to revitalize its activity and popularity, the CFL is today an ageing organization dominated by party veterans who cannot offer inspirational (or ideological) appeal to the labouring mass and lack the technocratic capabilities to assume
an effective industrial leadership, as has the NTUC in Singapore. Adding to its internal stagnation, the disintegration of its control of the nation’s organized labour has been hastened by the political reforms which followed the abrogation of martial law in 1987. The state, having rescinded the former total reign of the Nationalist Party, upset the status quo by (i) emasculating this feeble yet once unitary national labour movement and (ii) stimulating the formation of recalcitrant new unions outside the established organizational ambit of the CFL.45 Led by the Labour Federation of Independent Unions (CFIU) created in 1988, these rival unions are politically sympathetic to the opposition party (or parties) and, with their aptitude for industrial agitation, tend to de-stabilize and fragment the Taiwanese labour movement, threatening to split it into two rival union centres. With the experience they acquired in the 1988 labour march that they might in the future form ‘a national coalition of all labour organizations to compete with the official union system’ appears to be a distinct possibility.46

In spite of Taiwan’s success story as a late developing economy, its experience helps illustrate the dilemma and danger of accelerated industrial growth in a young nation as yet lacking commensurate development in its social institutions. Increasingly affected by a set of problems familiar to an urbanized and mature industrial state (stagflation, labour shortages, wage spirals and productivity drifts), Taiwan is urgently in need of a sophisticated body of regulatory institutions, as in the form of labour law and other ancillary systems of work place norms. By contrast, Singapore seems far better able to cope with the friction and strains of a high-growth new economy. This is in part due to its early erection of an enduring partnership between the state and the union movement. However, it is also attributable to its longer history of a stable framework of legal norms governing employment at work which have existed since its colonial days. As illustrated in this paper, such a legally sponsored body of work place rules has helped sustain in the labour force considerable work discipline and admirable ethics, which have in turn buttressed Singapore’s inventory of human resources and ensured their consistent contribution to the economy’s growth and productivity. By comparison, the Labour Standards Law, as the principal piece of codification on work place norms in Taiwan, is hardly more than a piece of novice legislation noted for its contentious provisions on various key issues. The nation’s labour agenda also looks obscure and uncertain, as public policy architects still appear undecided about the relative importance of the impending task of advancing the quality of provisions in these statutory standards for the labouring mass, and that of providing strategic support to industrial capital in order to perpetuate and hasten industrial growth.

South Korea is no less afflicted by a problematic labour agenda characterized by the perennial issues of industrial strife, insufficient manpower and labour-management dissent over wage hikes and productivity issues. Similar to the situation in Taiwan, the capacity of the state to provide effective leadership in
this process of uncertain development has been gravely handicapped and eroded by the euphoria of the reforms following the 1987 Declaration on Democratization. Ironically, these liberal political reforms were engineered by the government to meet the demands of a more affluent and less acquiescent population, whose industrial expectations have been uplifted by decades of sustained growth which the government nurtured. In spite of clear signs of enlightened labour reforms, the state has also been very cautious about ensuring that these liberalizing initiatives are contained, lest they provoke an excessive defensiveness and resistance among employers, which a pro-capitalist national elite is anxious to avoid.

At the dawn of its advances towards a new era of political enlightenment, South Korea was paradoxically enmeshed in increased labour strife in the wake of the 1987 Democratization Announcement. The following statistics indicate the dramatic escalation of industrial conflict caused by the post-1987 democratization syndrome.47

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<tr>
<td>Number of strikes</td>
<td>407</td>
<td>171</td>
<td>3749</td>
<td>1873</td>
<td>1616</td>
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Although labour unrest has visibly subsided from 1987 towards the end of the decade, when the number of strikes was reduced to a modest 322 in 1990, its height in the late 80s attests to the fragile basis of industrial relations in South Korea, which could easily lose its stability and harmony, in spite of and as a result of its economic advances. Indeed, such recalcitrant sentiments of a refractory labouring mass as those exposed by the far-reaching industrial militancy of this period (which was formerly suppressed under the previous coercive system of official labour control) were rooted in the structural and power contradictions inherent in the Korean society, as the following critique reflects:

The upsurge of industrial unrest should be understood not only in the context of the political background leading to the Democratization Announcement of 1987, but also in terms of the changing nature and composition of the labour force (with an increasing share of young and better-educated workers, who were articulate and inquisitive-minded, less acquiescent and more articulate and aggressive in seeking their rights and betterment). Moreover, also contributing to the upheavals are the grievances stemming from stagnation in income distribution which has not improved in favour of the workers, despite rapid economic development during the last two decades. There were workers’ discontent and complaints, for instance, that the level of wage increase in the spring of 1987 (at about 7%) fell behind significantly vis-à-vis the economic growth rate and productivity increase of more than 12% achieved in 1986.49
The political reforms of 1987 have, as in the case of Taiwan, unwittingly undermined the once unitary and monolithic organization of the union movement in South Korea by giving rise to the formation of a large number of young unions within the alternative embrace of a rival trade union centre, the All National Labour Council. The Labour Council itself is sympathetic to the opposition political party (parties), comprising at its core militant and young white-collar professional and technician groups. In response to its challenges, the mainstream labour movement, the Korean Federation of Trade Unions (KFTU), began after 1988 to launch a renewal programme of de-politicization which sought to steadily detach itself from its previous allied relationship with the government. Obviously, the growing political detachment of the KFTU from the establishment has weakened its former corporatist capacity as an industrial partner of both the official administration and employers. A recent illustration, as noted earlier, of the KFTU’s new strategy in steering an industrially autonomous discourse was its steadfast opposition to the government’s proposal, in 1989, of setting up a body to resemble the Singaporean National Wage Council for controlling nationwide wage movements through the promulgation of mandatory wage norms in the private economy.

Conclusion: What Can Be Learnt From the Situations of Singapore, South Korea and Taiwan?

Popularized in the literature dealing with the notion of the corporatist state in industrial societies is the idea of industrial partnership (also called the social contract, and regulated under a pact of tripartitism to consolidate the trilateral collaboration among the government, employers, and workers and their organizations). It appears that such a logic of (industrial and national) governance has been pursued with varying rigour by Singapore, Taiwan and South Korea in order to forge integration between classes and later to create the series of enlightened reforms implemented in the latter half of the 80s. Both in normative and ideological terms, such a collaborative prescription of public labour administration is consistent with the non-antagonistic ethos of the Confucian philosophy which still reigns in these Oriental societies.

The Singaporean experience seems to have yielded by far the most stable arrangement for institutional integration between the government and the labour movement. This has been accomplished within the comprehensive framework of Westernized legal norms. This stable (if not yet fully mature) web of work place rules has in turn been instrumental in facilitating labour’s commitment and motivation in the process of Singapore’s industrial development. On the other hand, a modernized system of labour administration of equal technocratic rigour, plus a constitutional and consultative regime of industrial relations practices, is still embryonic at best in both Taiwan and
South Korea. Paradoxically, while those two societies are evolving politically and institutionally towards liberal pluralism (made possible by their significant economic growth and advances in affluence of the last two decades), both have become more vulnerable to industrial anomy and organized political opposition to the state, the symptoms of which have been disruptive features such as the rising level of strikes, industrial protests and agitations, the (pluralistic) fragmentation of the labour movement, a creeping drift towards adversary work place bargaining, etc.

The relatively uncrystallized industrial relations terrain and the high-growth syndrome of galloping inflation caused by the paradox of simultaneous scarcity and affluence in either society have important implications for the state and its people. Political and labour reforms have set in motion the nearly explosive proliferation of sectional interests and demands, which the existing institutional arrangements and governing systems have been increasingly incapable of regulating, accommodating and integrating. Both South Korea and Taiwan used to ascribe a formerly docile industrial relations equilibrium largely to a quiescent and subdued labour force. But this has now been upset by such novelistic imperatives as the whims of the marketplace, the high-growth syndrome, and the impact of democratic reforms, whose overall effects have been to unfreeze dissent and amplify social expectations to an extent almost beyond the ability of the state to govern. Added to these uncertainties and imbalances is the work-force’s dissenting response which, once subdued and lukewarm, has been spurred by inflated affluence and sustained injustice experienced under the vicissitudes of industrial capital. It is plausible, as suggested optimistically by Kerr et al. in their work on pluralistic liberal industrialism of the 70s, that these industrial anomalies are just transient, and are likely to subside as the pace and direction of growth stabilizes, especially if an updated body of industrial relations institutions are eventually able to consolidate and mature. Nevertheless, a hiatus invariably occurs when the old governing elite, disillusioned by its eroding ability to harness a modern economic apparatus, opts to concede its formerly authoritarian prerogative in order to procure and consolidate a new form of industrial partnership with the governed mass. Unwittingly, these political concessions have perversely worked to further erode the governing efficacy of the state in both Taiwan and South Korea.

The comparative inquiry into the industrial relation profiles of Singapore, Taiwan and South Korea pursued in this paper has led us to question the earlier classic theories of authors such as Perlman, Kassalow, Kerr, Galbraith, Bell and Dore regarding the logic of industrialization, and its impact upon the state’s role and labour’s response. In vindication of Perlman’s theoretical system, these East Asian successes corroborate the optimistic assumption of industrial capitalists that their managerial resources and free market prescriptions are the best choice to organize and marshal the complex economic apparatus of advanced industrial societies. In fact, their opinion may have helped anchor
the *raison d’être* behind the national strategies adopted by these three societies of creating a favourable environment for business so as to erect, *inter alia*, commensurate infrastructural facilities and furnish a disciplined yet docile and non-refractory labour force. In this context, the state and its governing elite, in spite of their renowned penchant for paternalistic intervention into the economy, have characteristically restrained their coercive span of hegemonic control in order to avoid stifling and impeding private enterprise incentives. In fact, the earlier iron grip of state centralism in the 50s and 60s in these three societies has been giving way slowly to the imperatives of market decentralization, privatization and voluntarism in the once politically feeble domain of industrial relations and labour organizations. However, the prospect of an organic labour movement, as based upon the workers’ home-grown consciousness (in Perlman’s language), is still not in sight for either of these societies. At least in Taiwan and South Korea, it appears that the new unionism emerging in the wake of recent democratic reforms has been unable, thanks to its intimate alliance with the radical opposition parties, to free itself from the abstract grip of the intellectuals, nor to appeal pragmatically to the native job consciousness of the labouring mass.

Kassalow has examined the idea that the process of economic development is liable to prevail over the labour movement in new industrial nations, forcing the latter to evolve into a policy instrument ancillary to the state.53 Such a tendency is identifiable in this survey of these three Asian NIEs, where the state’s corporatist propensity to exercise dominating control over the labour movement has, however, become more tenuous and fragile under the rapid industrial transformation. For one thing, the dynamics of industrial advances seem to have fragmented the labour movement by breeding new pluralistic demands which the old established institutional order may be grossly incapable of addressing under the *status quo* arrangements. For another, even the officially sanctioned mainstream labour centre may become itself disenchanted with its traditional role of subordination to the state, and seek accordingly to dissociate its agenda and identity from that of the state bureaucracy. Responding to their internal crisis of organizational stagnation and incapacity (to capture the grassroots imagination and popular support), these vanguard labour organizations now often act defensively, openly defying the administration’s direction and asserting, instead, their independence from the state, presumably in response to the quick inroad made by their rival (alternative) movements in gaining significant popular support at the grassroots level.

Dore, in his landmark narrative in the 70s on the British-Japanese factory, enumerates the strategical advantages enjoyed by the late-developing society when it is catching up with mature, industrialized societies. These include, *inter alia*, the former’s ability to emulate, to adapt and innovate experimentally so as to improve upon what has been borrowed, as well as to exercise discretionary options to speed up such transfers in the process. About a decade
after Dore’s writing, the rapid and spectacular economic growth achieved by these East Asian societies lent undeniable evidence to the idea of strategical strength of late developers. However, success accomplished within a highly compressed time span is not without its price. The industrial pathos of rapid late development is amply reflected in the conflict-ridden industrial structure and superstructure of these *nouveau riche* young societies. The established aristocracy and old political order they represent, instead of remaining passively docile or antagonistically resistant to change, attempt to embrace the hiatus of the complex process of socio-economic transformation by orchestrating actively fundamental political reforms. Ironically, as a consequence, the entire syndrome of urban/industrial pluralism which emerges in society and industry has grown so diversified and problematic that the old establishment’s institutional apparatus can no longer remain intact and deal with it effectively.

A vicious circle of socio-political developments hence ensues. Whatever political concessions are yielded by such a weakened governing elite to its opposition groupings, these retreats only serve to instigate an upward spiral of grassroots demands for greater democratization and further power devolution to the lower levels. Indeed, it is likely that the sources of such instability are themselves endemic to this accelerated process of economic development in a modernizing society. It has been observed, for instance, that an increased absence of norms and societal disintegration is associated with the initial lack of an extensive intervening layer of middle class citizens in these advancing economies, a situation which is now being perpetuated by their national propensity to generate wealth in favour of ameliorating injustices and correcting unfairness in society. The distribution of income and wealth has remained, for instance, notoriously unbalanced in Taiwan and South Korea due to the governments’ hesitation to intervene.

The industrializing elite has been treated, principally in the essay *Industrialism and Industrial Man*, as an independent variable whose policy decisions on the nation’s development strategy help determine the subsequent course and experiences of industrialization. However, the reciprocal process of how the state and its industrializing elite have, in turn, been transformed under the imperative of economic growth has not been explored with equal rigour in this bench-mark thesis of industrial development. Thanks to the lessons taught by Taiwan and South Korea, we can postulate or at least conjecture that the state and its controlling elite are themselves subject to salient limitations and crippling emasculation due to the uneven course of the industrializing processes which they have ironically nurtured, led and steered. Given all the uncertainties of the situation, the state must walk the tightrope in order to conserve its authority and maintain its leadership so as to perform the complex task of managing economic growth while reconciling itself to the pluralistic dissensions incited by the popularized ethos of the marketplace and competitive individualism.
As argued two decades ago by Kerr et al., a state of middle-class pluralistic industrialism sanctions the pragmatic quest for individualistic advancement by the younger and better-educated aristocracy of the professional and business classes in all industrialized societies. Partly for occupational reasons, these workers have acquired a highly secularized and technocratic consciousness which emphasizes competent performance as the dictum of social assessment. This pragmatist ideology has come to legitimate the logic of the marketplace and the whim of its incentive drive upon the individual. In the Asian context, such a middle-class pragmatism has given new entrepreneurial and work incentives to the younger generations in the young societies now increasingly free of ideological rhetoric that featured in East Asia just after the Second World War. This secularized process of ideological disenchantment, given that the state in both Taiwan and South Korea has gradually moderated its doctrinal censure on communism, coalesces well with Daniel Bell’s optimism articulated in his end-of-ideology thesis. Paradoxically, such a new mood of reasoned permissiveness, while encouraging political enlightenment and economic enterprise, has severely weakened the legitimacy and authority of the government, whose authoritarian control over industry, labour and society in the 50s and 60s was authenticated by a conservative mix of Confucian values, nationalistic sentiments, (anti-communist) ideological convictions and austerity (for survival) assumptions. As demonstrated in this essay, the state has now been reduced to a feeble force with uncertain ability to respond to and deal with organized opposition. While releasing society from the former coercive grip of the government over strikes and unions and bringing to them modernized institutions of industrial regulation and conflict resolution, the state’s emasculation signals the irreversible disintegration of the once hegemonic power of the governing elite in these NIEs. The question which arises is whether the old ruling class, drawn essentially from ties of political allegiance and hereditary family links, is likely to be replaced eventually by a more open and diversified echelon of administrative technocrats. And will such an ascending technocracy of politicians, professionals and career managers be capable of reconciling and integrating the spectrum of diverse and competing interests in society, in order to consolidate and work out a new order of social accord? Clearly, a renewed coalition of lateral (instead of hierarchical, as in the past) socio-industrial partnerships in these NIEs is essential for sustaining any of their national strategies for maintaining and reinforcing economic growth in the years ahead.

In retrospect, the established literature of the 60s and 70s on industrial society and its social theme, ranging from Kerr et al. to Bell and Galbraith, contains important insights into the study of the industrialization experiences of new Asian societies, especially where these issues pertain to the state’s activities and labour’s responses in the process. Theory fails to explain, however, why these late development stories have, in spite of their bias towards Oriental culture, neither conformed with nor departed totally from the classic writings.
on industrialism of two decades ago. Unprecedented in the history of economic development, these latest Asian dramas neither fully converge with nor completely diverge from their advanced Western counterparts, upon which conventional literature about the process of industrialization has largely been based. Yet it is still worthwhile to recognize, as is implicit in what this paper has attempted to argue, areas of similarities in which these earlier theories on industrialism nevertheless apply in the Asian context. These realizations can serve as the anchoring points for a future research agenda in synthesizing classic and unorthodox lessons of late development in East Asia, when the latter’s experiences eventually unfold under the inspiration of the growth ethos, prevalent in the global marketplace of today and tomorrow.

Notes

1. This essay was written by the two principal authors, Maeda Masahiro and Ng Sek-hong, as a sequel to their comparative labour study project in East Asia conducted during the period 1986 to 1991. In the process of preparing this paper, they have consulted the works of Professor Hong Jon-cho and Professor Lin Jenn-yeu, entitled respectively ‘Work Values and Quality of Work Life in Taiwan’ and ‘Employment Practice of Elderly Workers in Taiwan’. The Maeda-Ng study was inspired in part by the pioneering academic visit to Beijing made by Professor Thurley and Ng Sek-hong in 1985.


6. Thus, some authors have pointed to the importance of the Confucian ideology in underpinning the *raison d’être* of state paternalism or state corporatism in governing Singapore’s industrial relations. See, for instance, Venkatraman Anantaraman, *Singapore Industrial Relations System*, op. cit., pp. viii–ix.


13. The first type, ‘restrictive’ labour law, is to define ‘the rules of the games’ governing what is allowed and what is forbidden in the conduct of industrial hostilities. The second, ‘auxiliary’ labour law, is to support the autonomous system of collective bargaining — by providing norms and sanctions to stimulate the bargaining process itself. The third, ‘regulatory’ labour law, is to provide a code of substantive rules to govern terms and conditions of employment — a code designed to supplement that provided by the parties under collective bargaining or other standard setting processes. See O. Kahn-Freund, ‘Industrial Relations and the Law — Retrospect and Prospect’, *British Journal of Industrial Relations*, vol. VII, no. 3, November 1969, pp. 302–3.


15. Thus the Singapore Minister of Labour, in moving the enactment on the
Employment Bill, made explicit its rationale that ‘this bill relates rewards (benefits) not to some abstract and arbitrary principle of justice, but to more tangible and more meaningful norms like efficiency, effort, productivity. . .’. See Venkatraman Anantaraman, *Singapore Industrial Relations System*, op. cit., p. 215.


21. Ibid., p. 35.


23. Ibid., p. 51.

24. Ibid., p. 39.


26. These gaps include, for instance, the needs to rationalize the Law in terms of its provisions on work hours, night work, overtime and rest-day arrangements for workers of either sex, with a built-in resilience of both allowing sufficient flexibility (of delimited variations among different industries) as well as achieving better leverage for parity treatment of the two sexes at the work place, yet not impeding the overall regulatory framework governing the protection of workers. See Masahiro Maeda and Ng Sek Hong, *A Report on An Academic Visit to Taipei on Labour Study*, op. cit., p. 8, pp. 22–3 and pp. 32–3.


30. Ibid., Appendix E, pp. 34–6.

31. Ibid., pp. 9 and 10.

35. Ibid., p. 24.
37. In addition, the parameters have been prescribed by a web of manpower legislation like the National Skill Qualification Law, the Basic Law for Vocational Training, the Vocational Training Promotion Fund Law, the Skill College Law, the Korea Vocational Training Management Agency Law and the Skill Promotion Law.
39. Lansbury, op. cit.

45. The ascending level of unionization and labour strife in Taiwan has been noticeable since the turn of the decade into the 80s, as the following statistics indicate:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of labour disputes</th>
<th>Number of unions</th>
<th>Union membership (in thousand)</th>
<th>Union density (as a % of labour force)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>700</td>
<td>1659</td>
<td>1074</td>
<td>16.2</td>
</tr>
<tr>
<td>1981</td>
<td>1060</td>
<td>1802</td>
<td>1173</td>
<td>17.3</td>
</tr>
<tr>
<td>1982</td>
<td>1303</td>
<td>1749</td>
<td>1207</td>
<td>17.3</td>
</tr>
<tr>
<td>1983</td>
<td>921</td>
<td>1938</td>
<td>1304</td>
<td>17.9</td>
</tr>
<tr>
<td>1984</td>
<td>1154</td>
<td>1924</td>
<td>1371</td>
<td>18.3</td>
</tr>
<tr>
<td>1985</td>
<td>1622</td>
<td>2103</td>
<td>1549</td>
<td>20.0</td>
</tr>
<tr>
<td>1986</td>
<td>1485</td>
<td>2266</td>
<td>1724</td>
<td>21.7</td>
</tr>
<tr>
<td>1987</td>
<td>1601</td>
<td>2471</td>
<td>1874</td>
<td>22.9</td>
</tr>
</tbody>
</table>


50. The All National Labour Council, hitherto ambiguous in legal status, has a reputed propensity to labour agitations in order to advance a highly politicised and radical programme of labour and social reforms — thereby wielding a considerable degree of appeal to the younger and ‘disadvantaged’ sections of the labour force. For a narrative, see Masahiro Maeda and Ng Sek Hong, *A Report on An Academic Visit to Seoul, Korea on Labour Study*, op. cit., pp. 18–9 and pp. 55–8.

51. The KFTU’s stance on this issue was hence indicative of the priority it now places
on workers’ wage aspirations before the wider national interests of wage stabilization. Ibid., p. 24.


53. See, for instance, Kassalow’s work for a classic exposition on this ‘agency’ role of trade unions in supporting the national endeavours of new industrial countries in economic development. In such a capacity, trade unions are expected to, inter alia, ‘restrict consumption and . . . to bring about an increase in the desired levels of production. . . ’ and to ‘play an important role in cushioning the shock of urbanisation’. See Everett M. Kassalow, ‘Unions in the New and Developing Countries’, in Everett M. Kassalow (ed.), *National Labour Movements in the Postwar World*, op. cit., pp. 243–4.
Introduction

This paper reports on and evaluates the popular programmes on Quality of Working Life (QWL) currently being implemented in enterprises and organizations in Singapore. The rationale for some of these programmes, and their nature and outcomes, are discussed in the context of Singapore’s industrial and economic developments in recent years. An attempt is also made to assess the prospects for these varied forms of QWL activities in the next decade.

What Is QWL?

Theoretically, the concept of QWL encompasses everything that is desirable about optimizing the interface between the individual and the organization. On one hand, QWL is equated with a set of organizational conditions and practices designed to enrich the employees’ working experiences. These include job enrichment, employee participation in decision making, democratic supervision, and industrial safety. On the other hand, QWL refers to employees’ perceptions that they enjoy physical, mental and emotional well-being at work, manifested in terms of safety, job security, job satisfaction, opportunity for growth and so on. The degree to which these two sets of conditions merge therefore helps sustain a satisfactory level of QWL, which in turn contributes strategically to higher morale and productivity.

Since the first QWL agreement was signed in the United States in 1973 between the United Auto Workers and General Motors, more than a fifth of
organized American workers have committed themselves to QWL programmes, reportedly with clear benefits to workers, management, and unions. Almost every aspect of work life is now identified as a QWL issue: pay, benefits, job security, alternative work schedules, job stress, participation, profit sharing, etc. Yet, after two decades of experience with QWL, unions are now beginning to feel disgruntled with these programmes which they perceive increasingly as tactics for union busting, or as management ploys to cheat workers out of more tangible rewards. Other obstacles have also appeared, such as resistance from middle management, and the lack of top management commitment to the QWL ideals when these encroached upon their managerial prerogatives.

Singapore's Position on QWL

A major challenge which Singapore faces, as it prepares to change its current status as a newly industrialized country to become a developed economy in the next decade, is how to upgrade the quality and commitment of its work-force. However, it is and will be the nation’s human resources which will determine the strength of its international competitiveness. As companies strive to restructure themselves to cope with the increasing demands of their survival and development, they risk losing their employees’ loyalty. Moreover, a shift in work values among the younger workers is also apparent. Having grown up in affluent times, Singapore’s younger workers appear to have less or even no reason to believe that their welfare depends on hard work for and unquestioning commitment to one employer alone. They demand, instead, opportunities for individual achievement, job satisfaction, and an improved quality of work life, and also yearn for increased involvement and participation in matters that affect them. Improving the quality of working life will have to become, therefore, an essential investment for companies, but just how it is to be done must be learnt.

At a conceptual level, QWL refers to an intangible state or condition of work life that employees experience. It can only be measured indirectly by way of indicators such as accident rates, sick leave usage, employee turnover, and number of grievances; and evidenced in aspects of employment such as increased productivity and loyalty, enhanced morale, participation in cost-saving suggestions, etc. An organization-wide survey which gauges the degree of openness in the company and which improves communication between the employees and management is a useful way to measure QWL. However, successful QWL depends often on the compatibility of goals as perceived by the management and those perceived by workers. It follows that the involvement of the workers in goal setting and the establishment of non-threatening but work-related goals and objectives are essential to the exercise. This notwithstanding, QWL is more likely to be high in an organization that is
structured for decentralized decision making, where line managers at the operating level have the authority and autonomy to involve their subordinates in meaningful ways.

Early this year, the Singaporean government announced the Strategic Economic Plan (SEP) which maps out the nation’s strategy for development, and the Productivity 2000 (P2000) blueprint for achieving the annual target of productivity growth of 3% to 4% in this decade. The National Productivity Board (NPB), a statutory board charged with the responsibility of implementing the P2000 recommendations, has identified in a plan called Vision 95 four major goals to be achieved within the next three years. One of these goals relates to QWL activities: ‘To increase to 4% the QCC (Quality Control Circle) participation among private sector workers, which now stands at only 1.7%, compared with 67% in the civil service.’ Noting that the QCC movement it spearheaded in 1981 had turned sluggish and lost its stamina, the NPB announced its intention ‘to re-energize the movement’ through helping selected companies in their experiments with self-management work groups, in which workers will have to set their own job goals and strategies for achieving them. Among other things, a QCC College was also to be set up to provide training for participants.2

The Vision 95 announcement appeared to signify three important features of Singapore’s QWL movement. First, the impetus was expected to come from the government, since the leadership assumed by the civil service in implementing QCCs demonstrated the government’s conviction in employee participation at the operational level. Second, given such support, QCCs were to be made a permanent feature of QWL. Third, in order to sustain the nation’s interest in the movement, a gradual democratization of the QCC concept was to be fostered through sponsoring and implementing self-managed work groups.

These QCCs and other QWL programmes will be discussed later. However, in order to understand their relevance to the national development strategies, it is useful to look at the industrial and economic contexts in which they operate.

The Nation’s Industrial and Economic Contexts

(i) Industrialization strategies

Singapore’s strategies for industrialization have been adjusted over the recent decades to reflect its changing domestic and international conditions. The first phase of industrialization roughly corresponds to the period between 1960 and 1965, during which a strategy of import substitution was pursued. An export-oriented and labour-intensive strategy marked phase two (1967 to 1968), when creating employment became a pressing need with the withdrawal of the British
garrison from Singapore. The year 1979 saw the beginning of phase three, when the economy was restructured to facilitate its transition to high value-added and high technology industry. Following the 1985 recession, a recovery package was introduced by the government in 1986, marking the start of the fourth phase. The key components in the package included the development of high value-added services and the active promotion of local enterprises. Despite differences in their orientations, the strategies in all four phases were committed to a consistent mission to cultivate a favourable investment climate, as based on an efficient infrastructure and society’s stability in its political and social relations.

(ii) Economic development

The economy’s growth rate registered 11% and 9% in 1988 and 1989 respectively, sustained and led largely by the manufacturing sector with an average of 17.8% in its annual growth. In 1992, however, Singapore experienced a downturn in all sectors except construction, attaining an overall growth in the economy of less than 6%.

Foreign investment far exceeds local investment in Singapore, and the government continues to attract investors from overseas through the Economic Development Board (EDB)’s network of 17 international offices in the US, Europe, Japan and the Asia Pacific. Tax and other incentives, as well as logistical support services, are also available to investors. The EDB’s strategy is to promote Singapore as a ‘Total Business Centre’ which can readily support the activities of multinational enterprises and their operations in their regional headquarters.

The QWL programmes have always been adjusted with a measure of elasticity in Singapore as a strategic response to its cyclical economic pressures and weaknesses. The Works Council of the 60s, for instance, was adopted to facilitate labour-management cooperation in the post-independence industrialization effort. In the aftermath of the 1973 oil crisis, the challenge to raise productivity was met by the introduction of productivity committees. As the 80s began, intense competition from other newly industrialized countries and protectionism of the advanced countries prompted Singapore to move into an enhanced effort during its ‘Second Industrial Revolution’. In this context, Quality Control Circle (QCC) and Work Excellence (WE) activities were introduced to help upgrade labour productivity, especially in high value-added industries. However, these mechanisms were largely neglected during the recession of 1985 to 86, as companies struggled in order to stay afloat. Even the government’s agenda for economic rationalization, issued by a special task force called the Economic Committee, stopped making any mention of worker participation programmes. During this period of economic austerity, such devices as the QCC quickly acquired a negative overtone, earning, for instance, the nickname of ‘Quickly Cut Costs’ among workers. This
notwithstanding, the NPB announced in 1992 a productivity improvement programme which included intensifying QCC activities, although real wage growth had consistently outstripped productivity advances during the previous three years.

(iii) **Technological and manpower development**

For the first time in decades, private-sector investment in machinery and equipment became, in 1989, the leading item of capital spending in Singapore. Most of these commitments came from the electrical and electronics, chemical processing, metal engineering and heavy engineering industries. Since then, several government assistance schemes have been made available to help local small- and medium-size enterprises upgrade their technology and streamline operations. These include, inter alia, the Small Industry Technical Assistance Scheme (SITAS), the Local Industry Upgrading Programme (LIUP), and the Small Enterprise Computerization Programme.

Continuous upgrading of technology in Singapore’s industries has generated a constant demand for skilled technicians and operators. In the 80s, training the appropriate manpower for Singapore’s high value-added manufacturing and service industries became a major concern of its national investment. ‘Pre-employment’ technical education was made widely available through the country’s extensive network of secondary and vocational educational institutions. Tertiary education is now being offered by the Nanyang Technological University, the National University of Singapore, the Singapore Polytechnic, the Ngee Ann Polytechnic, and the Temasek Polytechnic. A fourth Nanyang Polytechnic is also scheduled to open soon.

Other forms of remedial and continuing education, as well as apprenticeship programmes, are also provided by the government and various private organizations to groom a breed of employees conversant with both the general and specific skills demanded in high-technology operations in industry. The government’s Vocational and Industrial Training Board (VITB), upgraded to become the Institute of Technical Education (ITE) in April 1992, now provides specialized technical training to school leavers with at least ten years of education. The ITE also offers its assistance to private companies in the management and implementation of apprenticeship schemes.

Even school leavers without the minimum entry qualifications for the ITE courses are able to receive remedial education through subsidized courses such as BEST (Basic Education for Skills Training) in English and mathematics, up to primary six level; WISE (Worker Improvement through Secondary Education) in English and mathematics, leading to GCE ‘N’ Level; and COSEC (Core Skills for Effectiveness & Change), teaching skills in communication, personal effectiveness, problem solving, work economics, and computer literacy. In addition, continuing education in selected specialized subject areas is available
under: (i) the Information Technology (IT) programme, which imparts basic IT and computer knowledge and skills to office workers; (ii) the MOST programme (Modular Skills Training) in crafts like vehicle mechanics, dressmaking, and retailing; and (iii) TIME (Training Initiative for Mature Employees), a set of courses equivalent to MOST, only taught in Mandarin, Malay and Tamil for workers aged 40 and above, catering to these mature employees who prefer to study at their own pace. In addition, the National Productivity Board (NPB) offers a video-based home study programme on subjects such as successful selling, successful supervision, and healthy lifestyle for mature learners under the auspices of the Fast Forward scheme.

Singaporean workers have access to one or more of these continuing education programmes at a relatively low cost. Moreover, employees can be sponsored by either their employers who obtain a subsidy from the Skills Development Fund (SDF), or their unions which can apply to an Industrial Workers Education and Training Fund administered by the National Trades Union Congress (NTUC). All employers are to contribute 1% of their payroll for employees earning $750 and below per month into the SDF, and are eligible to apply to this fund to subsidize their employees’ skills training. On average, companies now spend about 2% of their annual budget on training and development, but are expected by the NPB to increase their spending on human resource investment to 4%, by 1995.

(iv) Employment

With now a present unemployment rate of about 2%, Singapore is experiencing a labour shortage which is particularly acute in the construction, ship repair, electronics, banking, hotel and retail industries. Contributing to this manpower shortage are factors such as:

a. rapid economic growth over the past four years,
b. a new employment mix arising from the shift of industries from the secondary manufacturing to the tertiary services activities,
c. changing demographic character of the population (e.g. a lower birth rate and more years in school), resulting in fewer new entrants into the workforce, and
d. stringent immigration rules now restricting the entry of foreign workers.

In Singapore, the involvement of business and labour in a tripartite consultative arrangement with the government has enabled the latter to respond promptly to the changing labour market conditions. In order to help alleviate the pressure of a tight manpower situation, the government liberalized the nation’s immigration rules in July 1989, whereby 25,000 professionals and skilled workers with at least five GCE O-level passes from Hong Kong were allowed to migrate to Singapore.
The latest official measure calculated to reduce employers’ access to the supply of foreign workers was to increase by $50 the monthly levy that employers have to pay for every foreign worker hired, which brought the levy up to between $250 and $400 for workers in the construction industry, and between $250 and $350 for workers in the marine industry by July 1992. Another group of employers heavily dependent on foreign workers are working women, who face a new levy of $330 a month for each domestic helper they hire. Various groups of employers have expressed concern that the higher cost of hiring foreign workers will substantially increase the cost of production or even force some working women to withdraw from the full-time work-force. In this context, Singapore’s economy is still subject to severe strain as a result of rising wage costs (amounting to 7.6% in 1991) and falling productivity (a mere gain of 1.5% in 1991).\(^5\)

At the same time, efforts are being made to increase the participation of older people and unemployed women in the labour force. The civil service took the lead in raising the retirement age from 55 to 60, and the private sector has been encouraged to follow suit, under the official decision to lower the levy of employers’ compulsory contributions to the Central Provident Fund (CPF) for older workers. Moreover, in order to attract more unemployed women into the work-force, the government has set up more day-care centres for children, in addition to providing financial subsidies to private creches. Since August 1990, prorated standard conditions of employment have also been extended to the part-time labour force under the Employment Act.

\section*{(v) Income and working conditions}

At present, about 1.3 million of Singapore’s 2.8 million residents (including foreign workers) are employed. Statutory benefits governed by the Employment Act include 1 rest day for every 44-hour work week, 11 paid public holidays, and a minimum of 7 days of annual leave during the first 5 years of service. Industrial workers typically earn between $500 and $1500 per month, depending on their skill levels and length of service. Moreover, employees below the age of 55 pay 22% of their wages into a Central Provident Fund (CPF) scheme while their employers contribute a further 18%. Older workers and their employers pay a smaller percentage. This compulsory scheme assures workers in Singapore of their financial security in retirement, as well as providing them with the means to purchase government-built or private property, meet hospitalization costs incurred by members or their families, and invest in approved shares and stocks.

During the past few years in Singapore, there have been about 4200 recorded industrial accidents and around 1100 occupational diseases per year.\(^6\) Strict factory inspections, mandatory medical examination of workers exposed to harmful industrial matters, training and promotion activities in occupational
safety and health, and other official measures of control have been instituted to reduce such accidents and diseases at work. Workers who are injured or afflicted with occupational diseases in the course of work are entitled to compensation payments under the Workmen’s Compensation Act of 1975 and its subsequent amendments.

Workers’ welfare and recreation are generally available from most employers, and if the workers are union members, from unions as well. Unions affiliated with the National Trade Unions Council (NTUC) and the Singapore Labour Foundation (SLF) are also well backed by these national labour centres, which fund workers’ activities, study loans and grants for members and their children, as well as provide financial assistance for victims of industrial accidents.

(vi) Labour movement

There are now altogether 75 registered employee unions affiliated with the NTUC, with a total of 215 000 members and about 1200 branch unions in individual enterprises. At the national level, the NTUC, together with the government and the Singapore National Employers Federation, SNEF, representing about 1500 corporate members, form a tripartite body that meets regularly to consult on national industrial relations issues such as annual wage increases and training.

‘Incorporation’ of the national labour movement in a social and industrial partnership with the state and business in the past three decades has led to the sustenance of a virtually strike-free industrial relations history in Singapore. That Singapore has a disciplined and co-operative work-force has served and continues to serve as a major incentive for foreign investors. However, towards the end of the 80s, the redefinition of the union as a primarily social and welfare organization eroded somewhat the degree of its grassroots support, causing it to face new challenges which stem from first, declining membership (sinking to about 17% of all eligible workers in 1989) and second, a technocratic leadership that has become more distant from the rank and file. These challenges were slightly alleviated when recession in the early 90s caused many companies to lay off workers, thus pushing them towards the unions again for protection. Membership has now increased considerably and hovers at about 22% of all eligible workers.

(vii) The structural framework of labour-management relations

A number of other key structural and institutional features of Singapore’s industrial relations system also help influence the emerging pattern of worker participation in the nation. These include, for instance:

a. Voluntary collective bargaining, the outcome of which is registered as a collective agreement with the secretariat of the Industrial Arbitration Court;
b. conciliation, as conducted by officials of the Labour Ministry if collective bargaining fails;

c. arbitration by the Industrial Arbitration Court, when conciliation fails;

and
d. alongside such a three-tier official system of regulating and stabilizing labour-management relations, a fourth mechanism, the National Wages Council, which has been established since 1972 for discussions, consultation and negotiation in order to arrive at a national consensus between employers and employees on the guidelines for annual wage increases.

These four features form the cornerstone of what may be termed the national character of Singapore’s labour-management system. Yet at the plant level, labour-management relations operate largely on the basis of voluntary arrangements. These tend to take the form of (a) a collective and representative dialogue between management and workers, (b) a formal machinery of quality improvement or productivity committees so as to foster workers’ participation in production decisions, and (c) social and recreational activities to promote and nurture a sense of belonging among staff members within the company. Moreover, a substantial body of labour and union legislation, enacted and amended over the last four decades, has also helped to consolidate a legislative framework oriented towards promoting orderly labour-management relations both at the macro level and in the work place.

QWL Activities in Singapore and Employee Participation

The NPB’s Vision 95 is probably a reflection of or a replica modelled after an analogous movement in America to promote self-managed work teams designed to maximize employees’ effectiveness, efficiency and adaptability through goal-setting exercises and continuously upgrading and improving the work process. However, the types of participative programmes found nowadays in most enterprises in Singapore appear to be first, management initiated and second, limited merely to the operational levels and to work-related problems, not to mention the fact that they invariably focus only on tangible results such as cost savings, reduction of rejects, etc. Only about half of the respondents to the 1990 Productivity Survey felt that management was able to keep them informed about important work-related matters. It may, therefore, be argued that the labour-management climate in most organizations in Singapore is not conducive to worker participation that requires equal involvement and dedicated commitment of both managerial and non-managerial employees.

While investigating the practice of employee participation among enterprises in Singapore, a recent survey found that ‘suggestion schemes’ were by far the most common channels adopted, as reported by 88.6% of the 35 companies
surveyed. Also popular were shop floor meetings such as QCCs and grievance mechanisms which were available in 82.9% of the firms studied. In addition, about 60% of the sample reported having a company newsletter and some form of labour-management consultation. Twenty-four firms (68.6%) reported having instituted a gain-sharing programme for employees. Among them, 12 firms (34.3%) had a profit-sharing system, 11 (31%) had a productivity gain-sharing system, and just 1 enterprise had a practice of stock sharing.

It is useful to briefly discuss the variety of employee participation practices in Singapore. The major mechanisms for non-financial participation include (i) suggestion schemes, (ii) quality control circles, and (iii) joint labour-management consultation. On the other hand, arrangements for financial participation take the form predominantly of (iv) profit-sharing plans and (v) employee stock ownership plans which are, in turn, differentiable into employee share option schemes and company stock ownership schemes. A brief introduction to each of these follows.

Non-Financial Participation

(i) Suggestion schemes

Most often used in conjunction with QCCs, it is believed that suggestion scheme can improve workers’ morale, loyalty and desire for more teamwork. They cost the company little time and money to implement, are easy for any and every employee to contribute to, and can yield tangible results very quickly if the ideas suggested are workable and practicable.

Suggestion schemes in Singapore are mostly modelled after their Japanese counterparts. They are highly structured and embedded in the formal organization of the company. The basic features of the schemes are:

(i) a formal committee to oversee its implementation,
(ii) definition of the scope of suggestions,
(iii) an evaluation and reward system, and
(iv) a monitoring and feedback system.

Evaluation tends to follow a point system and rewards are usually available in cash form, although prizes are also sometimes given. Typically, criteria for assessing a suggestion include factors such as originality, effects on cost saving, quality improvement, effort and feasibility. The value of the reward is commensurate with the number of points won, and each winning suggestion in any given month can be considered for an annual or half-yearly award as well. While monetary rewards and ‘commendation’ certificates are crucial in making suggestion schemes popular, it is also the practice of publicly displaying in the company the names of the recognized employees which adds to the
schemes’ appeal and helps attract ideas from the work-force.

(ii) Quality control circles

In Israel, a recent survey of 143 workers identified a positive relationship between their participation in Quality Circles (QC) and their involvement in various aspects of QWL, suggesting that these QC participants perceived such activities to be an extension and an enrichment of their jobs. In Singapore, however, QCs and their popularized variants in the civil service, known as Work Improvement Teams (WITs), are not commonly associated with such personal fulfilment. One observer noted that many programmes have fizzled out in Singapore because their participants feel compelled to join such a circle to satisfy management’s expectations for tangible efficiency results. There is, however, little identification of these participants with the circle as a vehicle for self-development or improvement of their working life. Other problems cited are the lack of commitment from both employees and management, lack of structural support in the form of time and facilities for meetings, inadequate knowledge and skill of employees to participate in QCC meetings, and the absence of a coherent Total Quality programme, which has resulted in the fragmentation and a drift of responsibilities which have severely burdened the employers themselves.

Nevertheless, the level of both employers’ and employees’ participation in these activities has increased significantly over the past decade, enhanced in part by the sizable increase in WIT activities within the civil service. Statistics published by the National Registration Centre at the NPB indicates growth as follows:

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of organizations</td>
<td>92</td>
<td>226</td>
</tr>
<tr>
<td>No. of QCCs/WITs</td>
<td>1265</td>
<td>11 626</td>
</tr>
<tr>
<td>No. of employees involved</td>
<td>9550</td>
<td>85 536</td>
</tr>
</tbody>
</table>

(Source: National Productivity Board, QCC Annual 1991, p. 37.)

NPB’s auspices by 1995, some of the problems mentioned above may be addressed. For instance, appropriate training then provided will help to popularize and make more comprehensive such technical issues as brainstorming, fishbone analysis, the Pareto chart, and other statistical techniques commonly used in the Plan-Do-Check-Action (PDCA) process of a QCC session. Participating in the meetings themselves, it follows, is an educational process of developing one’s knowledge and skills, as well as increasing one’s interaction
with fellow workers.

Judging from these Singaporean experiences, it is likely that these QCC/WIT programmes will succeed, inasmuch as:
(i) QCCs are designed to fit into the normal work activities, instead of extending beyond working hours;
(ii) appropriate incentives are made available in the form of tokens, cash bonuses and prize trips to supplement the more common methods of rewarding participation, such as salary increments or promotions; and
(iii) QCC conventions are not just ritualistic, lapsing into a mere formality whereby the QCC teams just go through the motions and management pays lip service to them.

(iii) Joint labour-management consultation

Defined in a simple language, joint consultation is a process of discussions between employees and management on matters of mutual concern such as safety and health, work organization and design, operational efficiency, productivity or quality improvement, and upgrading of skills. Joint consultation should not be confused with collective bargaining, which is concerned with the negotiation and determination of substantive matters pertaining to terms and conditions of employment. In fact, joint consultation as practised in Singapore often acts as a cushion for absorbing the tensions usually associated with bargaining, since it is always focused on establishing a genuine spirit of cooperation between management and employees. It therefore helps create an organizational climate in which employees can improve their performance capabilities and enhance their readiness for change, leading ultimately to productivity improvements.

Singapore’s first experience with joint consultation in the 1970s was rather unfavourable and bizarre. This was largely because of the adversarial industrial relations of the preceding two decades which have made management and labour suspicious and wary of each other. Lack of knowledge about the mechanics of consultation has impeded its development as well. In the 1980s, however, the NPB revived the idea of consultation, modifying it into a locally adapted model of Work Excellence Committee (WEC), with the objectives of:
(i) eliminating all possible suspicion and misconceptions between workers and management,
(ii) developing an effective two-way communication network within the organization, and
(iii) adopting a more positive human relations approach towards management.

The implementation of a WEC in a company often involves a comprehensive process of activities which vary from assessing the industrial relations and organizational climate, through clearing the ground of bad feelings
and misunderstandings, to eventually setting up the committee, training its members, monitoring and evaluating its performance.

The Singaporean model of the WEC was initially intended to parallel the QCC as its companion device. However, most people now see the WEC as a separate programme. Ideally, the WEC model can apply at the top corporate level for facilitating management-union dialogue and discussions, while the QCC works at the lower operation levels to support the implementation of any specific decisions made at the higher authority level. However, the relatively complicated nature of WEC procedures has discouraged many companies from introducing such a programme, and most prefer to start with and adhere to the simpler QCC formula. Moreover, the question of representation can dampen any initiatives to institute WEC. Whether labour is represented by appointed or elected deputies, these representatives are seldom seen as speaking vocally for the entire work-force. By the same token, any sense of involvement in the WEC agenda is normally limited to just a few employees or union officials, and their management counterparts in the committee. It is, therefore, no surprise that at its peak in the mid 80s, the WEC was found in only about 40 companies in Singapore. Since then, the number of WECs has dropped even further, although the exact count is not yet available. The NPB has also stopped promoting the WEC as a participative scheme on a national basis.

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**Financial Participation**

Financial participation for employees means giving them access to financial incentive plans that aim to stimulate their desired performance and, in turn, the overall competitiveness of the organization. Ultimately, such plans are intended to create greater harmony between individual goals and the corporate mission. In particular, employee stock ownership plans (ESOPs) have become more popular in Singapore in the last few years. First introduced in the subsidiaries of the foreign multinationals and later emulated by large public enterprises, these plans are now instilled with a new vigour and are being implemented nation-wide as an instrument for effective work motivation.\(^{12}\)

This section will examine some of the major types of financial incentives schemes which have been implemented in the Singaporean companies so as to assess, later, their impact in the context of reinforcing QWL objectives in the workplace.

**(iv) Profit sharing plan**

In essence, profit sharing plans enable employees to share in a portion of the profits earned by their firm. The bonus plan is a widely used form of incentive compensation, whereby a basic wage is given, but with an added variable
bonus which is tied to the company’s profitability at the year end.

Profit sharing plans have been widely adopted by Singaporean companies in response to the nation’s push towards variable compensation systems, which the Economic Committee Report recommended in 1986. The Committee has recommended, inter alia, the greater use of variable compensation schemes in enterprises, such as bonus payments, profit sharing schemes, productivity incentive schemes and employee share schemes to afford companies with flexibility so that they would no longer have to award their work-force with high wage payments in good years, which might become burdensome in lean years. At the end of 1991, government employees were awarded a variable bonus equivalent to two and three-quarters of their month’s salary, given Singapore’s economic growth of about 6.5% for the year. In petroleum companies whose business had been boosted by the Gulf War, however, employees’ variable bonuses were as high as six months’ salary’s equivalent.

While such schemes are understandably popular with employees, they have been criticized for their nature as an arbitrary way of distributing profits which are outside the workers’ control. Moreover, they do not have much motivational value as they do not relate strongly to employees’ direct efforts and inputs, and give them only a feeble sense of involvement in the company. In fact, as Freund and Epstein put it, profit sharing schemes merely ‘impose on the worker a form of responsibility without power. Profits crucially depend on the strategic decisions of top management, and workers’ ability to influence those decisions is minimal’. However, a profit sharing plan is still a helpful device because of its express connection with the company’s ability to pay.

(v) Employee stock ownership plans (ESOP)

In an ESOP’s simplest form, the company’s stocks go into an employee stock ownership trust which allocates stocks to employees, based on a schedule which allows adjustments according to the individual’s length of service, salary, position or a combination of these criteria. Among the various forms are the Employee Share Option Plan and the Incentive Stock Option Plan, under the latter of which employees are granted options to purchase the company’s shares in some future period based on an established ‘strike’ price, which is normally the market price of the share on the day of granting of the option. Other ESOPs require the employees to purchase the company’s shares using their own money or by way of payroll deductions. Some companies may even restrict their ESOPs to just their top echelon staff such as executives, as in Executive Share Option Schemes, while others may include all rank-and-file employees in their coverage.

It has been argued that employee ‘ownership’ increases both the financial stake of the employee in the company and also the ‘instrumental’ value and importance of work. It directs employees’ attention and interests, both individual and collective, towards the corporate goal of increased profits, rather than just
to higher wages and better working conditions. In other words, ESOPs create an organizational identity among employees, while helping to moderate the adversarial relationship between the employer and the employed.

ESOPs may also serve to support and facilitate a company’s activities and business, insofar as:

(i) These plans, if used to supplement the retirement plans, can help to keep down pension costs,
(ii) The company can use these plans as an ‘anti-takeover’ device by placing a large amount of stock in its employees’ hands, and
(iii) The ESOPs can create a market for the company’s stocks and serve as a cheap financing tool while at the same time providing compensation incentives to attract, retain and motivate employees.

However, like other plans, the ESOPs are not without their critics. According to Poole and Jenkins, ESOPs pose a great risk to employees since a declining share price can lead to a decreased rather than an appreciating asset for workers. Furthermore, a company’s share price can fluctuate beyond the workers’ control, possibly leading to either unrealistic expectations or great disappointments. It has also been argued that a change in status from that of employee to employee-shareholder may cause participants to identify more with the organization itself and thus perceive a lessened need for them to represent their interests collectively by forming and joining trade unions. Nevertheless, there is an understandable need for effective communication and consultation procedures to be instituted within an enterprise, before such advantages as improved motivation and commitment of the work-force, greater flexibility and adaptability, greater productivity and profitability are to be realized. The National Centre for Employee Ownership in America, however, has shown that companies with both elements of ESOP and participative management which allowed the workers a voice in their internal affairs were able to grow at an average rate of 8% to 11% yearly.

In Singapore, the legislative framework governing the operation of ESOPs is, in part, administered by the nation’s stock exchange (in the case of public companies) and, in part, embodied in the inventory of company laws, income tax laws and memorandum of articles of association which regulate the non-listed companies. Within the nation, the practice of two main types of ESOPs, namely, the stock option schemes and company stock ownership schemes (CoSTOCK) is identifiable. Each is described briefly in turn.

(vi) Employee share option scheme

Under this scheme, options to purchase the shares of a company at a predetermined price are granted to qualified employees. These options are granted for a number of years. During the ‘option period’, employees who
have accepted the options may choose to exercise them in total or in part when the prevailing market price is to their advantage. Employees may also choose not to exercise any option at all. Hence, gain is guaranteed for employees under this type of scheme, the chief appeal of which is to induce them to contribute to the company’s profitability when they realize its important effect on share prices. In other words, their direct interests are at stake, and depend upon the success and performance of their firms.

(vii) Company stock ownership scheme (CoSTOCK)

Unlike share option schemes which give employees a choice as to whether or not to exercise their options, CoSTOCK involves employees from the very start. Participating employees contribute at regular intervals either in cash or through salary deductions. Subscriptions to the scheme, therefore, expose employees to a measure of financial risk. Since CoSTOCK involves cash contributions from and by implication, savings by the employees, it has been less popular with companies in Singapore. American firms such as Digital Equipment Corporation and Hewlett Packard have implemented similar schemes in adapted forms, but the participation rate has apparently been lower than what their management expected.

Effects of Financial Participation Schemes

In Singapore, a survey by the Hewitt Associates has found that share ownership schemes contribute to higher levels of productivity and motivation, but not to lower levels of labour turnover.\(^{17}\) This is interesting, given that one of the common reasons advanced for introducing ESOP is its alleged ability to help retain key staff in an enterprise.

Another survey of the employment of these schemes by banks reported that at the Development Bank of Singapore (DBSBank), management felt that the ESOP fostered a closer identification between the staff and the organization. Their scheme allowed all employees who had worked for one year and above to put some portion of their payroll into the ‘unit-type trust’ that purchased the bank’s shares for its employees. At the Overseas Chinese Banking Corporation (OCBC), the ESOPs were restricted to its top management staff. The bank’s Executives’ Share Option Scheme allocated options to managers based on work performance, seniority and contribution to the organization. Evidently, it was seen as an executive perk for staff whose performance was particularly good, and for this reason the bank attracted young executives who tended to continue working there.\(^{18}\)

It appears that financial incentive schemes have generally been a positive influence on QWL in Singapore companies. In retrospect, the failure of some
companies to effectively implement the schemes can probably be explained by such factors as inadequate management support and the inability of these firms to offer a participative and consultative environment for the work-force. While financial participation is potentially a powerful QWL instrument, effectiveness can only be realized through the communication of crucial information pertaining to realistic expectations, benefits of and problems with the scheme to the employees and encouraging, in turn, their feedback and participation in its operation.

Conclusions: Prospects for QWL Programmes

To a large extent, whether QWL programmes are judged a success or not depends on how management and workers perceive and evaluate the efficacy of these arrangements in meeting their mutually convergent and congruent needs. Often, the overlap between the two sets of expectations on either side of the employment relationship, which are ‘productivity’ on one hand and ‘satisfaction’ on the other, is not apparent, so that any evaluation can at best be based on subjective impressions only.

A decade after they were first introduced on a nation-wide scale in Singapore, there are indications that participative programmes like QCCs have enabled workers to derive both job satisfaction and achieve personal growth through working in teams. Although QCCs and similar structures are invariably supervised under managerial authority rather than being autonomous, and are limited to task-based decisions at the lower operational levels, the sense of involvement they nurture has apparently helped enhance job satisfaction within the work-force, as in most instances where these structures are in place. Occasionally, ideas generated by such meetings or by suggestion schemes have also been known to improve efficiency through cutting costs, saving wastages, and reducing rejects. However, in spite of these impressions, evidence from research conducted in this area so far has still been inconclusive when it comes to establishing the unequivocal value and efficiency of these participatory schemes.19

This notwithstanding, a study commissioned by the NPB in 1985 found that Singaporean managers on the average were not overwhelmingly autocratic but that employees already enjoyed a significant degree of participation in many companies investigated. Moreover, most workers in the survey indicated a preference for working under supervisors who were consultative, but not lacking the ability to exercise authority. Nor were workers totally group-oriented in regards to decision making. The same study found that workers in participative environments were better motivated and more quality conscious, but they were not necessarily more productive.20

The official agency in Singapore charged with the task of promoting such
programmes, the NPB, is convinced that the nation should persist in its endeavours of investing in QWL programmes. It has hence earmarked QCCs for further development under its next three-year productivity plan, called Vision 95. If steered effectively, the Vision 95 movement may be able to meet some intangible yet important needs of the workers which, in the long run, may help to upgrade the quality and efficiency of the work-force as a whole.

However, the optimism associated with the prospect of QWL practice and its institution in Singapore has been increasingly challenged, from two directions. Firstly, some industrialists feel that the opportunities for profits in the nation are diminishing as competition and labour costs are now increasing quickly. When the largest private sector employers are still foreign concerns, their possible relocation from Singapore in the event of ‘an economic austerity drive’ could drastically change the nature and terrain of Singapore’s economic and industrial relations. Whether the local companies are, on the other hand, willing and able to commit their resources to developing and maintaining QWL programmes remains to be seen. Secondly, a more educated work-force and its union representatives may in the future demand empowerment in their work lives, in addition to satisfaction with work alone. The forms of QWL currently popularized and practised in Singapore may no longer suffice to meet the growing sophistication of these workers’ needs in the generation to come. While Singaporean companies have gradually returned to the practice of collective bargaining in wage determination after years of relying on the guidelines promulgated by the National Wages Council, it is still unclear whether collective bargaining, together with QWL activities, will be able to address the decreased quiescence and growing aspirations of the nation’s work-force in the future.

Notes

8. National Productivity Board, The First 10 Years of the Productivity Movement in


15. Poole and Jenkins, op. cit.

16. This piece of information is obtained from the National Centre for Employee Ownership in Oakland, California, USA.


Section C

Labour and Industrial Relations: The Cases of Japan and Hong Kong in East Asia
The Japanese Labour Movement
Under Rengo Leadership

Solomon B. Levine

Introduction

Five years have elapsed since the organized labour movement in Japan created a new national centre. This peak organization, popularly known as Rengo, brought together two long-standing rival federations and appears to have achieved a degree of lasting unity among the great majority of Japanese trade unions never before attained in their history. Today, organized labour in Japan embraces more than 12.6 million dues-paying members in more than 70,000 basic union organizations, comprising the second largest such movement among the industrially advanced and market-oriented nations of the world. Rengo has about 61% of this membership, making it almost double the size of Sohyo, its largest predecessor.

The major goal of the unified movement in Japan is to bring about a significant transformation of the country’s system of industrial relations, which is noted especially for its high degree of decentralization, and a resulting apparently problematic role for basic unions, as compared to employers and government in the area of decision making. This paper analyses the key factors that lie behind the unification and outlines Rengo’s size, structure, aims, and functions. It also focuses on the apparent impact of this new organization upon Japan’s political and socioeconomic systems, in addition to that on its labour-management industrial relations. Rengo, for example, seems to have taken a key role in national politics with the end of 38 years of Liberal Democratic Party rule and the subsequent take-over by a multiparty coalition of the government, following the general elections of 18 July 1993.
A History of Disunity

Except for a brief period in the early 1950s, organized labour in Japan has never been highly unified, in contrast to the movements in such countries as Australia, Great Britain, West Germany, Sweden, Norway, or at least since 1955, even the United States. As in other nations, trade unions first appeared in Japan toward the end of the 19th century soon after modern industrialization began in the country. However, throughout the half century leading up to the outbreak of World War II, as Japan experienced rapid industrial growth, no less than 10% of the non-agricultural labour force unionized despite minimal government and employer tolerance and no explicit formal legal status. Moreover, organized labour frequently split into rival groupings, divided over ideology and organizational strategy. The rifts were especially sharp throughout the 1920s and 1930s, following the Bolshevik Revolution in Russia, until almost all unions in Japan were dissolved with the emergence of the totalitarian militaristic government, which launched the war in China and the Pacific. The militarist regime installed a labour front in the nation in place of the defunct unions. This front was intended to support the war effort, but met with only dubious success. It remained in place until Japan’s surrender in 1945.

Led by the United States, the victorious allied powers occupied Japan from 1945 to 1952 and introduced sweeping democratic reforms in virtually all areas of Japanese political, economic, and social life. Among these was a thorough overhaul of labour-management relations which, under the new national constitution, included legal safeguards on the rights of all workers to organize unions of their own choosing, to engage in genuine collective bargaining with employers, and to carry out concerted activities such as strikes. This strong encouragement of organized labour was designed to prevent the re-emergence of undemocratic and monopolistic control of Japanese industry, believed to have contributed to the rise of totalitarianism and to have contributed to the nation’s military aggression.

The response of wage and salary earners to the reforms was their phenomenal rush to form unions. Never in the history of any democratic nation have workers organized themselves so quickly and on such a vast scale. Within three years union membership soared from zero to more than five million; by 1949 it had reached a level of above six million. Japan’s rate of unionization (or union density) rose to 55% — comparable to Australia’s and Great Britain’s and higher than what the United States and West Germany have ever achieved. That was also the peak union density ever reached, before or since, in Japan.

Mainly as the result of reversals in liberal reform policies and the adoption of economic austerity measures by the allied occupation, union growth came to a halt by 1950, and for the next two years union membership declined by
almost one million before resuming an upward course. Since that time union
density has never been able to recoup the high percentage level it experienced
during the immediate post-war years. While the number of union members
grew every year from 1952 to 1975, it was unable to keep abreast of the much
more rapid expansion of the non-agricultural labour force, at a time when the
Japanese economy entered a ‘miracle’ era of spectacular growth, averaging 10% a
year for the following 18 years. Union membership climbed steadily to more
than 12.5 million by 1975, but union density fell to 32% by the early 1960s
and then rose slightly and levelled off at about 35%, until the mid 70s. This
organization rate, while below those of the UK and Australia, was comparable
to that in the US at that time.

From 1975 to the present, union density in Japan has continued to slip
gradually, while union membership has remained stable, except for some minor
fluctuations either way. Since 1990, after the founding of Rengo, membership
has risen each year, reaching an all time peak of 12.7 million in 1993 with the
density rate at 24.2%. This trend parallels a similar but even sharper decline
in the US (now with a union density rate of about 16%). Again, unionization
has failed to keep up with the steady expansion of the waged and salaried
labour force that has taken place over the past two decades.

Throughout the entire post-war era, however, organized labour in Japan
could not escape from sharp internal divisions. In the great rush to unionize
following Japan’s surrender, the pre-war ideological splits soon reappeared, in
an even more vehemently competitive guise. The main division at the national
level was between communists and socialists, while other groups remained
neutral or non-ideological. The communist-led Sanbetsu (Congress of Industrial
Unions of Japan) was pitted against the right-socialist Sodomei (Japanese
Federation of Trade Unions — revived from the pre-war era). Sanbetsu, the
larger of the two in membership, concentrated upon forming industry-wide
unions centred around basic unions in large-scale enterprises and government
agencies; while Sodomei, apparently more pragmatic than Sanbetsu in terms of
structure, also organized craft- and occupation-based groups in the small- and
medium-size business sectors (as it had in the pre-war era). A large bloc of
unaffiliated and neutral unions, comprising one-third of the organized workers,
was established mainly in single enterprises and workshops.

From 1946 to 1950, attempts to bring Sanbetsu and Sodomei together
failed. The most notable of these attempts was a concerted movement-wide
drive to increase wages to match the then rampant inflation and to bring down
the government. This culminated in a threat of a general strike, including both
public and private sector workers, to take place on 1 February 1947. This
threat was perceived as an unacceptable challenge to the supreme authority of
the occupying powers; it quickly evaporated upon a prohibition issued by
General MacArthur headquarters on the eve of the scheduled walkout. The
strike was cancelled and never took place. As a result, by 1948 and 1949 the
newly reformed labour laws were amended, eliminating in essence any resort to a general strike, depriving public sector workers of the right to strike, and limiting them in their rights to organize and engage in collective bargaining. Both Sanbetsu and Sodomei began to crumble, especially as democratization movements appeared within their ranks. Under battering from all sides, Sanbetsu dissolved by 1949.

Encouraged by the occupation authorities to focus on industrial issues rather than political movements in 1950, most of the remnants of Sanbetsu and Sodomei and some of the independents, which had about four million members, formed Sohyo (General Council of Trade Unions of Japan) with the hope of unifying organised labour around the concepts of collective bargaining and industrial unionism. Given its affiliation with the then newly formed anti-communist International Confederation of Free Trade Unions (ICFTU), it appeared, for a moment, that the mainstream of the Japanese labour movement would now be allied with the West in the cold war that had broken out with the Soviet Union. However, as the Sohyo leadership was fond of saying in those days, this ‘chicken’ soon turned into a ‘duck’, upon the outbreak of the Korean conflict and the announcement of the impending peace treaty which ended the occupation of Japan. Sohyo’s primary focus soon became political, with its declaration of opposition to a peace treaty that would not include the Soviet Union and forbid the rearmament of Japan. It also declared itself in favour of neutrality for Japan in the cold war and opposed any Japanese involvement in the Korean hostilities.

This shift quickly ended the drive for labour unification in the 1950s and 1960s. By 1952, the right-wing unions within Sohyo, almost entirely in the private sector, disaffiliated themselves from Sohyo and joined a revived Sodomei to form Zenro (the Japanese Trade Union Congress) in 1954. It was renamed ten years later, with a membership of 2.1 million, as Domei (the Japanese Confederation of Labour). The split re-established the formal left-right rivalry that has characterized the Japanese labour movement almost from its beginning and still continues to do so, although in a very diminished form, at present. Despite the breakaway, Sohyo, eventually gaining as many as 4.5 million members, remained the largest national union centre, although its strength has been heavily concentrated in the public sector.

Later, organized labour in Japan became even more divided with the establishment in 1956 of Churitsu Roren (Federation of Independent Unions of Japan), which brought together into a loosely knit grouping a number of industrial-wide associations of enterprise unions which were ‘neutral’ between Sohyo and Zenro. Churitsu Roren came to embrace 0.6 million unionists within a period of a few years. Although relatively small, Churitsu Roren proved to be instrumental in bringing about, along with another small non-political centre called Shinsanbetsu (National Federation of Industrial Organizations), the merger movement of the 1980s.
Achieving Merger

While most elements of organized labour in Japan, as elsewhere, have always advocated unity and solidarity, virtually no practical results were achieved in that direction for almost 30 years following the Sohyo-Zenro split in the early 1950s. The sharp left-right division deepened when the Japan Socialist Party, which had itself brought the left and right factions together in 1955, again ruptured over policy and ideological issues in 1960, with the right-wing democratic socialists breaking away and remaining a separate party up to the present.

It was not until the emergence of a new generation of leaders (who were more pragmatic in outlook than were their predecessors) that serious discussion of unification of the labour unions began to take place. It had also become clear by the end of the 1960s that the economic approach of collective bargaining was more effective at achieving gains for workers than were political campaigns against the ruling conservatives. The most telling collective bargaining institution up to the present has been the shunto, or Spring Struggle, initiated by Sohyo leadership in 1955 and carried on with increasing success each year afterwards. Churitsu Roren joined the shunto movement in the late 1950s, and Domei, although opposing it at first for several years, acknowledged its effectiveness in achieving general wage gains by the 1970s. In all likelihood, the convergence around the shunto collective bargaining strategy, which promoted co-ordination among the unions on a regular basis, gave an important impetus to the unification talks. The idea was further strengthened in 1974 and 1975, following the first oil crisis, when shunto bargaining outcomes topped the serious inflation of those years and then culminated in a social accord among the government, leading employer groups, and major organized labour centres aimed at stabilizing the economy, improving efficiency and competitiveness, maintaining full employment, enhancing social security and welfare, and distributing economic losses as well as gains equally among the different sectors in society. This consensus proved efficacious again during the second oil crisis of the end of the 1970s in stabilizing labour-management relations.

It was at this point, in 1979, that Churitsu Roren and Shinsanbetsu together formed Sorengo (the National Federation of Trade Unions of Japan) as another new peak centre to bring together unions in the private sector. In 1982, Sorengo assisted in the formation of a unity preparatory organization (called Zenmin Rokyo, or Japanese Private Sector Trade Union Council), which brought the private sector unions of all four centres together and succeeded, by 1987, in launching the initial Rengo (Japanese Private Sector Trade Union Confederation, also known as the ‘old’ Rengo) which claimed 5.6 million members. This private sector union centre, while oriented formally to attract public sector unions as well, was committed to interests and philosophies so different from the former as to effectively preclude any such a merger from
happening. Indeed, it seemed likely that, in some other countries, there would be a separate peak federation catering to each sector. As a result, while Domei dissolved itself to join the ‘old’ Rengo, Sohyo, long dominated by public sector unions, continued to exist despite the willingness of most of its private sector affiliates to join the new centre.

Surprisingly by 1989, even the reluctance of Sohyo was overcome. Many in its public sector group now agreed to join, though a number of these affiliates suffered internal divisions and disaffiliation as a result. However, since the most important public sector unions, notably those organizing the national railway workers, the telecommunication workers, and the government monopoly (tobacco, salt, camphor, etc.) workers, were now increasingly involved in the private sector due to the ‘hiving-off’ and privatization of public enterprises under the austerity reform policies for lean government adopted by the ruling Liberal Democratic Party (LDP) in the mid 1980s, resistance to unification steadily weakened. In spite of lingering misgivings and continuing debate, the mainstream public sector unions such as the local government workers’ union and the teachers’ union, which were the largest of Sohyo’s affiliates, decided to throw their lot in with the private sector. These developments required a completely new organization to replace the ‘old’ Rengo. Thus, the present-day Rengo (Japanese Trade Union Confederation) was inaugurated on 21 November 1989 bringing together both the public and private groupings. Sohyo disbanded on the same day.

Two small left-wing rivals have continued in opposition to Rengo. The larger of these is Zenroren (the National Federation of Trade Unions), claiming a membership of about 1.4 million and organizing mostly unions, in both the public and private sectors, which used to make up the extreme left of Sohyo. A still smaller group is Zenrokyo (the National Trade Union Council), estimated at about 500,000 members, who are mainly remnants of the old national Railway Workers Union and other public sector unions who are still aggrieved over privatization and en masse dismissal resulting from these subsequent rationalization activities. In particular, Zenrokyo opposes Rengo for accepting too easily the privatization policies of the Liberal Democratic government.

Yet almost another four million unionized workers, about one third of the total, remain unaffiliated with any national labour centre, although the bulk of that membership is in unions which have joined an industry-wide or a regional federation. Most of these workers, however, are members of ‘independent’ unions at the enterprise, plant, or local level which have met the legal tests of legitimacy as bona fide democratic, independent, and accountable labour organizations primarily involved in bargaining collectively with employers. Rengo’s avowed aim to induce unaffiliated unions to join its ranks will be discussed further later in this chapter.
Rengo’s Size and Structure

With a total membership of 7.86 million, Rengo ranks at present as the fourth largest peak national labour centre among the industrially advanced countries of the world (after the American AFL-CIO, British TUC, and German DGB). Upon its establishment, Rengo began an immediate affiliation with the ICFTU, replacing the previous dualistic representation of Japan in this international union organization, in which Domei and part of Sohyo used to be present. A number of Rengo’s constituent organizations at the industry level are also members of their respective international trade secretariats (ITS). However, Rengo is now officially recognized as the sole spokesman for the entire Japanese work-force both nationally, in the Asian region, and in the global context. Rengo also the competent authority naming labour representatives to numerous administrative and consultative commissions and bodies, including the employee members of the tripartite delegation to the International Labour Organization (ILO).

About three-fourths — equalling approximately 60% of all private sector union members — of Rengo’s membership are in the private sector. Rengo also includes three-fourths of the unionized public servants at both the central and local government levels while almost 90% of the 700,000 unionists employed in national enterprises and public corporations owned by the national or local governments are affiliated with Rengo. While the size of private sector union membership is more than three times larger than that of the public sector, Rengo succeeds in embracing a significant proportion of each in its membership.

Rengo’s direct constituents are mostly national unions organizing either an industry or occupation, known as tansans, to which enterprise unions at the grassroots belong. Of the approximately 170 tansans in Japan, nearly one-half are affiliated with Rengo (while a few are ‘observers’ preparing to join). Sixty-three are from the private sector. Twenty-six tansan presidents and other top leaders serve on the executive council of Rengo, with authority to make decisions on behalf of the national federation during the intervals between its general conventions.

Almost all of the largest tansans in Japan are Rengo constituents. These include, among others, Jichiro (All-Japan Prefectural and Municipal Workers Union) which is the largest tansan in Japan with almost 1.06 million members; and Jidosha Soren (Confederation of Japan Automobile Workers of Japan) which is the largest private-sector tansan with a membership of about 730,000. Other Rengo-affiliated tansans, each with more than 100,000 members, include those organizing the electrical machinery workers (720,000), textile and related industry workers (615,000), life insurance employees (457,000), metal industry workers (336,000), telecommunications workers (286,000), electric power workers (247,000), metal machinery workers (218,000), steel workers (194,000),...
private railway workers (186 000), truck transport workers (135 000),
commercial workers (130 000), shipbuilding workers (127 000), food and
tobacco workers (120 000), general day labourers (115 000), chemical and
related industry workers (106 000), transport workers (104 000), and synthetic
chemical workers (102 000) — all located in the private sector. Similarly, the
largest public sector tansans are also affiliated with Rengo. The most notable
among them, in addition to Jichiro, are Nikkyoso (Japan Teachers Union)
with 440 000 members and Zentei (the Japan Postal Workers Union) with
162 000 members. Many of its other constituents organize such key industries
as construction, maritime, food manufacturing, taxis, pulp and paper, rubber,
chain stores, electric wire, express delivery, travel agencies, petroleum, banking,
gas supply, tobacco manufacturing, ceramics, printing, aviation, television and
radio broadcasting, metal mining, cement, hotels and restaurants, clothing,
coal mining, stevedoring, insurance, agricultural cooperatives, movies and
theatres, municipal transport and racing — not to mention various government
agency employees, including those engaged in special public corporations and
at US military installations. Union membership in these organizations range in
size, from those having as few as 500 members to those with more than
90 000. As will be discussed later again, one of Rengo’s aims is to merge and
consolidate many of these affiliates, especially where there are obvious overlaps
and splits in industrial or occupational membership. One means to accomplish
this is the formation of prefectural and regional federations within the Rengo
umbrella.

It should be noted that several large tansans are still outside Rengo, notably
in organizing those occupational groups such as the construction workers
(648 000 members), local government employees (260 000), teachers and other
school workers (210 000), Tokyo City employees (184 000), medical workers
(177 000), city banking employees (150 000), and national civil servants
(139 000), while many smaller ones are recognizable in at least two dozen
other industries and occupations in both the private and public sectors. Most
of these are affiliated with either Zenroren or Zenrokyo and are not only rivals
of or split off from Rengo’s constituents, but also competitors among themselves
in many instances.

Another key feature of Rengo, carried over from its predecessors, is the
joint national-level councils of broad groupings of tansans in the closely related
industries. About 30 such councils have been formed, some going back at least
three decades. The oldest and most influential is the Japan Council of
Metalworkers Unions, officially called the IMF-JC because of the affiliation of
its constituents to the International Metalworkers Federation, a Geneva-based
international trade secretariat. The IMF-JC includes under its embrace Rengo’s
autoworkers, electrical machinery workers, steel workers, and shipbuilding
workers, with a total membership of more than 2.6 million; it is by far the
largest national union joint council. It also plays a prominent role in setting
the national wage increase pattern in the annual shunto negotiations. There are still other councils which cover a variety of industry groupings: electrical products, metal machinery, energy, chemicals, transportation, construction, mass media, medical, retailing, banking, food processing, clerical work, postal and telecommunications, government-owned enterprise, and central and local government civil service. However, none is as influential as IMF-JC in taking the lead in shunto bargaining. As discussed below, Rengo apparently hopes to utilize the national council structure to achieve mergers and centralize union activities. Rengo has also created a council of unions in multinational enterprises for the purpose of monitoring the behaviour of Japan-based MNEs overseas.

At the outset, three special bodies were created within Rengo for the purpose of catering to the separate and respective political interests of the former adherents of Sohyo, Domei, and Churitsu Roren. While Rengo itself advocates the unification of all non-communist ‘progressive’ political parties, which are opposed to LDP conservatives previously controlling the government, it has continued to support the Social Democratic Party (formerly the Japan Socialist Party), the Democratic Socialist Party, and ‘neutrals’. However, during 1993 and early 1994, steps were finally taken to dissolve these special bodies, although a centre for political party liaison was established in their place.

### Rengo’s Aims and Functions

First and probably foremost among the objectives of Rengo is to consolidate and expand labour organizations in Japan. This is not an easy task, in face of the declining rate of unionization in recent years and the long-standing divisions and rivalries that have plagued the movement. Rengo’s membership has expanded by only about 100 000 since its founding in 1989. Its announced goal is to reduce the number of tansans (if that will remain the appropriate label) to about 20 similar to the West German DGB, but so far only a few minor mergers have actually taken place. The avowed aim is to arrest and reverse the declining trend in the organization rate, restoring it to a union density level of 30% by 1995. Rengo itself would grow in the process and is targeted to attain a membership size of close to 10 million, at a pace which would have outstripped its annual growth rate so far.

A formidable obstacle to the growth and consolidation of Rengo lies in the basic structure of Japanese unionism at the enterprise level. Since the beginning of the revived labour movement after the end of World War II, most unions have been formed spontaneously within single plants, workshops, offices, and enterprises, embracing in many instances both the white- and blue-collar employees in the unit organized. It now turns out that such a prevalent form of enterprise unionism has become the locus of power within the labour movement, rather than their counterparts operating at the industrial,
occupational, or any other supra-enterprise level. Today, of more than 70,000 basic unions which exist in Japan, more than 90% are of the ‘enterprise union’ type.

While enterprise unionism, which is concentrated heavily in the large-scale private firms and in the government sector, has assured organized labour in Japan a substantial power base, apparently the typical union is not willing to shift its power and resources to a tansan, industry council, or national centre. Instead, it retains most of the dues collected from the members and maintains a relatively large staff to carry out services for its own membership. The enterprise union is virtually uncommitted to engaging in organizing activity outside its own enterprise. Instead, the task of organizing the non-unionized establishments has been left largely to the national and regional labour organizations, but because of limited finance and lack of experienced organizers, the latters are likely to concentrate their efforts only on the most blatant cases. The lack of well-designed organizing strategies was not a serious problem from 1955 to 1975, since membership was growing steadily on its own without much effort needed on the part of the union. In those days, union formation was fairly spontaneous at the grassroots level and was subject to relatively little resistance from employers. Almost all large-scale firms, especially in manufacturing, became unionized. Union-shop clauses negotiated between unions and managements, which the law sanctioned, also assured these unions of expansion in membership, as the work-force in the enterprise grew during economic booms. In addition, many small- and medium-size establishments had informal worker organizations (called shimbokukai, or friendship associations) with which employers negotiated and consulted, as required under the Labour Standards Law. As they grew, a steady stream of these bodies began to seek their recognized legal status from the labour relations commissions. In fact, the stagnation of unionization after the mid 1970s resulted in a large measure from the drying up of these sources of membership growth, as well as from the unions’ preoccupation with employment security as the nation’s industry underwent restructuring and many large enterprises cut down their size. Organizing the unorganized was also put aside to give priority to achieving the unification of organized labour. It was only upon the inception of Rengo that union leadership began to give its attention to this problem of membership organization.

As in the United States, attempting to reverse the downward trend in union density is a formidable problem in Japan. While the unionization ratio has remained stagnant, with little increase in the size of the membership, deep-seated structural changes in the economy and labour market help explain much of the failure of union organization to expand rapidly during this period. This has meant, of course, the steady growth of the labour force yet with increasing proportions of the wage and salary earners becoming less prone to unionization. The bulk of the labour force increase has been concentrated in the small- and medium-size service firms, high-tech white-collar industry, and
temporary or part-time employment (mostly women). None of these groups have been organized effectively by a labour movement whose primary structure is enterprise unionism, oriented towards regular employees in the large-scale firms. Rengo will probably need to find new types of organization if it hopes to attain in its objective of advancing its membership size. To meet this challenge, Rengo has established a new liaison council for small- and medium-size firms. In all likelihood, some of the new unions will have to organize across enterprises and offer a variety of benefits beyond wage increases, reductions in work hours, and improvements in working conditions — of which are in a large part already available to non-union workers by virtue of the spillovers from shunto pattern bargaining and revisions in the labour standards and social security laws. Moreover, to shift away from the enterprise base of pursuing unionism is likely to invite increased employers’ resistance to trade union organization.11

The aim of merging and consolidating the tansans into about 20 large-scale national organizations is perhaps twofold. One objective already discussed is to facilitate the organization of the unorganized; another is to shift the locus of union power from the enterprise to the national level. Both have, however, posed formidable challenges, since the most immediate need in order to achieve success in either area is to increase and develop competent and devoted full-time staff for the unions. This would, however, require much larger contributions of funds and personnel from enterprise unions to the tansans and Rengo than they are now prepared to remit. In addition, it has been difficult to attract able individuals into a union career, given the current great demand for well-educated personnel. Realizing the urgency of acquiring more of its needed resources, Rengo is gradually raising per capita member levies on each affiliated tansan. These membership dues were initially set at a very low level, considerably below those of Sohyo and Domei, with the aim of increasing the attractiveness of joining Rengo. Equally critical is a parallel need for resources at the prefectural and local levels, where much of the grassroots organizing work would have to be done. However, Rengo’s organizations at these levels are only slowly beginning to take shape. In many instances, they have to await the dissolution and incorporation of surviving prefectural and other regional branches, which were previously so austere that the newly constituted national federation does not even have its own building. For a time, it was housed in the national headquarters of the electrical machinery workers union federation in Tokyo. However, it has recently moved to the former Sohyo building.

In fact, these issues may be less problematic than it appears for Rengo and its affiliated tansans. For instance, the leading issues of general wage adjustments, hours of work reduction, and retirement benefits have long been dealt with by way of a centralized, albeit not formalized, machinery of bargaining. The shunto types of negotiations have long served this role — especially in terms of the general annual wage increase and seasonal bonus payments in each of the major industries. Specifically, the formation of the IMF-JC has facilitated such a process
of pattern bargaining, which has emerged in most of the machinery, metalworking and related industries. Presumably, something similar will follow, as a sequel, for the councils in the more recently organized industrial groupings. On the employer side, most industries are already organized by relatively strong employer associations, some of which were established after the war for the very purpose of conducting industry-wide collective bargaining. Most of these federations belong to the employers’ national peak organization, Nikkeiren (Japan Federation of Employers’ Associations), well known for its pronouncements on behalf of employers in the shunto bargaining process. There are, at present, about 65 such federations operating at the industrial level.

It is often claimed that collective bargaining in Japan cannot be highly centralized because of the tenacious hold of enterprise unionism and the employers’ insistence upon dealing with union representatives within the enterprise only. Yet this is highly questionable. Not only has there been a long tradition of formal cross-enterprise collective bargaining in various industries such as maritime, beer brewing, private railways, some textiles works, etc., but there has also been a considerable amount of informal negotiation between the tansans and employer associations at the industry level. With the rivalry between Sohyo and Domei coming to an end, as well as the decreased competition among the national industrial unions and the strengthening of industrial union councils, it is expected that these centralized bargaining activities, including the co-ordination of strikes and other dispute actions, will become even more prominent. However, it is not likely that such a development will emasculate the enterprise unions in their hitherto important role as the agencies of the collective bargaining and joint consultation process within the enterprise, as it did in the past.

It is at this level of the enterprise that most unionized workers have effectively exercised their legal rights to engage in collective bargaining, to enjoy union recognition and to carry out concerted industrial actions such as strikes — as authorized by a tripartite labour relations commission upon examination of their qualifications according to what the law governing bona fide labour unions provides. This has meant that no labour-management agreements have validity, unless they are ratified by the qualified unions, which in most cases are enterprise unions. While this ratification process allows for further labour-management negotiations at the enterprise level, apparently little of such ratification has ever taken place regarding the principal issues covered in the shunto bargaining. However, this has still left much to be decided at the enterprise level, through processes of both joint consultation and collective bargaining. Among the most important issues decided at that level are the so-called ‘periodical’ wage and salary increases (which are essentially increments in pay given for length of service), merit pay, retirement benefits, a variety of money allowances, holidays and vacations, health and safety matters, overtime allotment, promotion, layoffs and dismissals, transfer, discipline, training, non-
money benefits (such as housing) and union membership jurisdiction. These issues can be especially complex within those large-scale enterprises with numerous branches, and yet they cannot be handled easily outside the ambit of enterprises themselves. Moreover, individual and group grievances which arise in the work place are usually dealt with and settled at the enterprise level of negotiations, rather than being processed through the device of special grievance machinery, as it has been common in the United States.

In reality, then, we can expect the enterprise union to retain most of its functions even with increasing centralization. In many cases, the enterprise union, with its unified membership, intimate knowledge of enterprise operations and finance, and rich treasury, poses a significant threat to the employer. In this connection, centralization of collective bargaining is not likely to involve any sudden or wholesale shift of gravity from the enterprise union to the national organization. Instead, the transformation, where it occurs, will only happen gradually.

Another compelling reason for a further upward drift of collective bargaining and joint consultation relates to the rapid structural changes taking place now in the Japanese economy, which have, in turn, given rise to the merger of rival union centres with Rengo. As older, less-skilled industries phase out in favour of newer and more highly skilled ones, it is not likely that Japan’s need for reallocating and retraining its human resources can be satisfactorily met solely at the enterprise level. Increasingly necessary will be the involvement of national organizations, whose inputs into the deliberations and negotiations leading to industry-wide collective agreements, as well as to national legislation and governmental administrative measures, have assumed greater prominence today. Still other examples of major social and economic issues requiring centralized solutions are those associated with the rapid ageing of the Japanese population (especially in terms of its nation-wide impact upon social security and health insurance); the provision of education and human resource training outside the enterprise; as well as the revision of minimum labour standards, particularly of work hours, equal employment opportunity, and health and safety protection; not to mention those of supplying housing to the labouring mass at affordable prices; protecting the environment; enacting equitable taxation; managing urban and inter-city transportation; employing and training foreign workers; assisting newly developing nations; building up and deploying the armed forces; and the like. Rengo leadership has spoken out loudly on all these issues. In fact, an authoritative and professional think-tank closely allied to Rengo has conducted and published a variety of studies dealing with various matters of general importance to Japanese workers, especially as regards the improvement of their living standards.

Although organized labour in Japan has continued to focus primarily on collective bargaining issues, the national labour centres have long recognized the importance of the political arena for reaching solutions to diverse social
and labour problems. For decades, Sohyo unions have given all out support to the left-wing Social Democratic Party (SDP), while Domei unions have been backing the right-wing Democratic Socialist Party (DSP). Rengo has had no less direct involvement in politics since its founding. As noted already, within Rengo itself, special units have been established for the continued mobilization of support for the socialists, democratic socialists, and the ‘neutrals’ in the arena of Japanese politics.

Yet, as mentioned earlier, one of Rengo’s proclaimed aims is to assist in merging all the non-communist ‘progressive’ political parties into a coalition or single party able to take over the reins of government. Such an embrace includes both the moderate conservatives as well as the non-socialist liberals, so long as they agree with the aims of Rengo in serving the interests of workers. In ‘rewarding friends and punishing enemies’, the approach of Rengo is highly pragmatic as it avoids the dogma of supporting only a given political party. The assumption has been, in the process of establishing a coalition or single party, that the process would begin with the merger of the left-wing Social Democratic Party (SDP) and the right-wing Democratic Socialist Party (DSP), with the hope of eventually institutionalizing a two- or even three-party system, as in the case of Britain and Germany. Indeed, several of the major constituents of Rengo, notably the auto workers, electric machinery workers, steel workers, and textile and related workers, have long leaned toward backing the idea of such an alliance in the political sphere. Even its leading public sector affiliates have announced their support for a move in this direction.

This dream came close to being realized following the general election of 18 July 1993 when for the first time in 38 years, the Liberal Democratic Party (LDP) lost control of the lower (and more powerful) house. A coalition of opposition groups, which included the SDP, DSP, Komeito (Clean Government Party), and four groups defecting from the LDP, won a majority of the seats, under the leadership of Morohiro Hosokawa, an LDP defector. Financial scandals, demands for electoral reform, and issues of economic and foreign policy were some of the salient factors behind the LDP defeat. Only the communists were left out of the anti-LDP coalition.

The change-over had in fact been building up for several years, with the Rengo leadership playing a major role in the process. Even before its founding convention, Rengo’s predecessor in the private sector was able to field, under the auspices ‘Rengo no Kai’, enough successful candidates (a total of 11 out of 12) in the upper house election of July 1989 to break the LDP’s previous absolute control of the upper chamber of the Diet. These campaigns were conducted in the single-seat districts, where the socialists and democratic socialists themselves did not have sufficient time to nominate their respective candidates. In the spring 1990 general elections for the lower house, Rengo again helped the Social Democratic Party consolidate its strength as the single largest winner of seats among the opposition parties.
However, to the disappointment of Rengo leadership, further progress toward merger of the SDP and DSP turned out to be agonizingly slow. A severe setback came in the upper house election of July 1992, when Rengo scored only one victory, in spite of the 22 candidates it fielded under the ‘Rengo no Kai’ label (in hopes of bridging the division among the parties which labour unions support). In spite of the highly promising results achieved in the 1989 and 1990 elections, the move toward political unification seemed locked in a standstill.

Then came the ‘triumph’ of July 1993, although since then the goal of achieving a stable coalition or single party has continued to be elusive. In that election, the SDP lost almost half of the seats it had held, although it remained Japan’s second largest party, after the LDP. Moreover, following Hosokawa’s resignation in the spring of 1994 over charges of financial irregularities, the SDP withdrew from the ruling coalition, leaving the new prime minister, Tsutomu Hata (also an LDP defector) as the head of a minority government. Apparently, the Rengo leadership had attempted to dissuade the SDP from withdrawing in this episode, but the latter concluded that it had been ignored in the process of deciding upon Hata as Hosokawa’s successor. Hata himself resigned on 25 June 1994, after only two months in office, when the SDP threatened to join the LDP in a vote of no confidence. Then in a surprising move, the SDP, abandoning its principles, formed a coalition government with the LDP and a small splinter party, with socialist Tomiichi Murayama as the new prime minister. Confused over such a sudden turn in politics, Rengo’s leadership has kept its distance from this hybrid government.

Throughout these events, Rengo has played a key role in behind-the-scenes negotiations and manoeuvring. Akira Yamagishi, head of the telecommunications workers and president of Rengo, was an especially influential figure. With the new coalition government, soon afterwards President Yamagishi retired from his post giving poor health as the reason, he was succeeded by deputy president Junnosuke Ashida, leader of the textile workers union. Within Rengo itself, critics accused the leadership of over indulged in political activities, to the detriment of its economic and organizing programmes and at the risk of splitting the organization. At Rengo’s 1993 convention, this criticism had led to an alteration in the structure of its top officials, with the creation of the post of deputy president.

It has become clear that Rengo and organized labour are more important to Japan’s political process than has often been assumed. However, it is still too early for Rengo to claim any tangible success in having created (political) solidarity among the unionized workers of Japan. The former Sohyo, Domei, and Churitsu Roren organizations have been extremely reluctant to give up their already established political gains — often won after hard struggles with other opposition groups as well as against the LDP itself. Just as it took a whole generation to overcome the Sohyo-Domei division, it may also require
a lengthy interval to unify the political parties supported by the organized labour movement. However, Rengo itself is a new element in the nation-wide effort to achieve unity, and has helped hasten the process. It has had at least a taste of victory. While there may be setbacks, the prospect of creating a major party with labour support still looks positive.

Prospects

In contrast to the era of Sohyo-Domei rivalry, the emergence of Rengo has heralded a reinvigoration of organized labour in Japan, although uncertainties still loom over the institution’s economic and political effectiveness. Indeed, the merger has probably also increased the unions’ collective bargaining power and stimulated more joint consultation at all levels. The government and employer groups have greeted Rengo’s economic emphasis with approval, since it means putting aside ideological challenges to the established market-oriented system and also reducing the former tensions of union rivalry within the labour movement.

However, far greater uncertainty awaits Rengo in trying to achieve its hope of internal reorganization, especially in terms of penetrating the unorganized work-force and reversing the trend of the relative decline of unionism, let alone achieving political unity among the unions. All of this will require hard work and patience as well as more resources, both financial and human, than have been available to the new centre and its tansan constituents. Rengo has still to convince many of the enterprise unions to provide increased support for its expanded centralized activities by the federation, industrial councils, and tansans. It also has to show the unorganized sector of the labour force that there are real advantages in unionizing, as against those of simply getting a free ride. There is, moreover, some concern that the absence of Sohyo-Domei competition may lead to the stagnation and relaxed rigour of unions’ organizing efforts.

The prospect of a unified political party, identified with labour, remains problematic despite the dramatic events of 1993 and 1994. The conservative LDP was well entrenched as the ruling party, riding on the crest of Japan’s economic ‘miracle’ and its steady rise in living standards vis-à-vis the European level. It was the only governing party from 1955 onward. Even when out of power, it has remained the single largest party ready to resume governing, should the ruling coalition collapse. The SDP and DSP, long in the opposition and wedded to fixed ideologies, have suffered as a result of their image as being competent only as the opposition. The merger which these parties subsequently pursued, together with the liberal elements in the LDP, was necessary to shake them from their complacency and arouse their consciousness to participate in a ruling coalition. To bring about a truly new party may require a new generation
of pragmatic leaders as well as the consolidation of the nation’s labour organizations at all levels of the hierarchy.

Rengo has been criticized for too readily accepting the status quo and becoming co-opted by the dominant political and economic actors into a ‘neo-corporatist’ system. However, organized labour in Japan can point to a number of its major accomplishments which demonstrate, to the contrary, the autonomy of the union movement. The most significant of these has been the institutionalization of collective bargaining and joint labour-management consultation on a sufficiently broad scale to benefit not only the unionized but also the unorganized workers. Out of these institutions have evolved better assurance of employment security for much of the labour force, a fairer and steadily improving share in the gains of economic growth by the wage and salary earners, significant upgrading of working conditions and labour standards, enhanced opportunities for worker participation in management decision making, and increasing equality in the treatment of different categories of employees within the enterprises. While numerous social and economic problems are still outstanding and waiting to be resolved, organized labour, if provided with appropriate legal recognition and basic rights, has demonstrated its capacity to devise pragmatic and rational solutions to some of the key issues generated in the process of industrialization. Clearly, Rengo has the potential to further strengthen this fundamental role.

Notes

1. The author is indebted to Makoto Ohtsu of Nanzan University, Nagoya, for his cooperation in preparing this chapter. An earlier version was presented to a Faculty of Business seminar at the Swinburne University of Technology, Melbourne.

2. The full name is *Nihon Rodokumiai Sorengokai*, translated into English as Japanese Trade Union Confederation.


5. The ‘reverse course’ in Allied Occupation policy began with SCAP’s prohibition of a general strike, called for 1 February 1947, just before it was to occur. In its
wake came amendments to the labour relations laws in 1948 and later, especially restricting the rights of public sector workers and limiting the use of strikes. At the same time, beginning in 1949 the SCAP-sponsored ‘Dodge Plan’ imposed strict fiscal and monetary austerity measures on Japan, prompting a sharp deflation and widespread unemployment. Another major blow to organized labour at that time was the SCAP-ordered ‘red purge’, which expelled thousands of union leaders suspected of communist or radical sympathies from their employment and leadership positions. See, Solomon B. Levine, *Industrial Relations in Post-war Japan*. Urbana: University of Illinois Press, 1958.

6. The new pragmatism seemed to emerge first in the steel industry by the late 1950s. Throughout the 1960s there were various attempts to promote joint consultation at the national level. This movement culminated by 1970 in the establishment of the Sanrokon, or industry-labour roundtable, a monthly discussion meeting of labour conditions and labour policy, sponsored by the Ministry of Labour and attended by participants drawn from leading employer, union, and government entities as well as prominent academic specialists. These meetings have continued to the present, virtually without interruption. See Koji Taira and Solomon B. Levine, ‘Japan’s Industrial Relations: A Social Compact Emerges’ in Hervey Juris, et al. (eds.), *Industrial Relations in a Decade of Economic Change*, Madison, Wisconsin: Industrial Relations Research Association, 1985, pp. 247–300.

7. Shunto (‘Spring Struggle’) is the annual wage increase drive conducted by organized labour from March to May to establish a general pattern of pay and benefit raises not only for the unionized but also most non-union sectors of the Japanese economy. Started in 1955, it has continued annually without interruption to the present. At one time as many as 10 million workers engaged in short walkouts in support of union demands, but in recent years the number of strikers has declined sharply with the institutionalisation of shunto. Union bargaining in the key industries is coordinated by the national peak labour centres and industrial-level union federations. Usually the formal negotiations are concluded within a few weeks, although informal talks and contacts go on throughout the year from the end of the preceding shunto. For a full explanation, see Akira Takanashi, et al., *Shunto Wage Offensive: Historical Overview and Prospects*, Japanese Industrial Relations Series No. 15, Tokyo: The Japan Institute of Labour, 1989.


9. In order for a union to be assured of employer recognition, it must ‘pass’ a ‘qualifications’ examination, conducted by the public, or neutral, members of a tripartite labour relations commission, according to the Trade Union Act. The examination covers such matters as democratic procedures, officer accountability, and union independence of employer and political party control. The primary activity of a qualified union must be collective bargaining with the employer(s) of its members. To obtain approval, neither can it be solely a political organization
or a mutual welfare association. Once approved, the union gains the rights of a ‘juridical’ person with the right to sue in courts and participate in the process of appointing the labour members of the tripartite labour relations commissions. There is no doctrine of ‘exclusive representation’ or ‘appropriate collective bargaining unit’ in the private sector as in the United States, but those concepts are applied in the laws for the public sector. Any two or more workers may form a union. However, a union is not permitted to have as members employees with managerial functions. See, T.A. Hanami, *Labour Law and Industrial Relations in Japan*, Devanter, The Netherlands: Kluwer, 1979, pp. 92–7. See, also, Kazuo Sugeno (translated by Leo Kantowitz), *Japanese Labour Law*, Seattle and London: University of Washington Press and University of Tokyo Press, 1992.


11. There has been a notable decline in union ‘turnover’ since the 1970s. Both the creation of new unions and dissolution of existing unions have markedly slowed down.


Japanese Industrial Practices and the Employment Contract

Joju Akita

Introduction

This paper aims to review some of the salient legal-cum-contractual aspects of the relationships between the employer and the employed under Japanese industrial practices. These features include, inter alia, the non-distinctiveness of the terms and contents of the employment contract, the importance of the principle of seniority, the norm of lifetime employment¹ and the employer’s liberty to transfer the employee at will (haiten).² Given these practices, the paper further notes a general reluctance of the legal courts, until now, to ascertain whether or not a dispute of right involves a breach of contractual duties under a contract employment. Instead, the judges are more interested in simply restoring the equilibrium or balance of interests among the parties. Such a judicial approach, it is argued, exemplifies the collectivistic or corporatist character behind Japanese employment relationships and practices. Historically, an important institutional source of the above traditions has been the rather well-established practice of dual employment in Japan’s labour market,³ a system which the paper now addresses in order to provide background for subsequent discussions.

Dual Employment System

It has been a common personnel practice in most Japanese enterprises to hire employees under one of two status categories and to place each under a different system of management. These categories are those of regular employees (sei-shain or official staff) and non-regular employees (jun-shain or quasi staff). The
former group constitutes the company’s core staff, and is normally looked after well by the employer and awarded lifetime employment security, seniority wages, promotions, company welfare benefits and job training. On the other hand, workers in the latter category are normally hired for a fixed term of one year or less, although their engagement is always renewed from term to term. Normally paid at a fixed daily or hourly rate, these workers are often unable or unwilling to enter the company-based trade union and thus are not covered by its collective bargaining activities.4

Such a dualistic personnel policy enshrining the difference between employees’ status may suggest class discrimination, as it offers privileges to one group while putting another at a disadvantage.5 However, so far neither the court nor the legislature has declared the policy illegal. Indeed, the practice has a long tradition in history, dating back to before the Second World War.6 It is still a cornerstone feature of the Japanese employment system, although most modern corporate enterprises in Japan have now adopted the practice of hiring regular employees. Features specific to the hiring of regular employees especially those pertaining to the labour contract itself, are worth examining in greater detail in this paper.

**Lifetime Employment System**

The Japanese system of lifetime employment does not necessarily imply complete job security for regular staff over their work career. In spite of its literal meaning, it has remained just an ideal for the company and its staff. Indeed, the terms lifetime employment and lifelong commitment to employment are conspicuously absent from the statute book governing employment and industrial relations in Japan (for instance, the Labour Standards Act).7 However, in view of the distinctiveness and pervasiveness of this industrial norm, it is useful to examine the common understanding of lifetime employment in more specific detail.

It is understood that the lifetime employment is normally enjoyed by regular staff and workers who are:

(i) engaged for a term of service the duration of which is not fixed,
(ii) covered by a mandatory retirement scheme,
(iii) subject to a probationary trial period when employment commences,
(iv) hired for jobs which are not specified in advance but which can be altered periodically,
(v) eligible for wage progression based upon the seniority system,
(vi) entitled to retirement allowances as determined according to length of service, and
(vii) protected from dismissal as a rule, unless there is evidence to invoke one of the dismissal causes as prescribed under the labour legislation and its work rules, or provided by virtue of a collective agreement.
It may be noted, among these qualities as listed above, that items (i), (ii) and (vii) in particular testify to the characteristics of a lifetime employment system. Together they imply that a regular employee who is not hired for a fixed term shall not be at risk of absolute discharge — quite unlike his non-regular counterpart, whose job ends almost automatically upon the completion of his fixed-term service. It has been the normative practice for the employer in Japan to refrain from discharging these workers before retirement, except where the company is threatened by extraordinary financial or managerial crises. Reciprocally, these employees can normally be expected to continue working until retirement and are subject to little or no threat of discharge unless found guilty of defaults within the purview of the stipulated dismissal clauses.

### Is Lifetime Employment a Fiction?

It appears that the regular employee is almost guaranteed a continuous tenure of employment, inasmuch as under the lifetime employment norm, the following three conditions are satisfied:

(i) the individual is hired as a regular employee,
(ii) his/her hiring is not limited by a fixed-term contract,
(iii) he/she can expect continuous employment until he/she reaches retirement age.

However, as illustrated in the above discussions, it is necessary to introduce a fourth condition (iv) in order to fully represent the meaning of lifetime employment in a more realistic context. This condition (iv), therefore, qualifies the idea of absolute permanency or security otherwise implied by the term lifetime employment, since the former acknowledges, in addition, that the individual cannot be dismissed except for reasons laid down under the dismissal clauses of the relevant Work Rules (embodied in either the relevant labour legislation or private collective agreements). It is now not uncommon for many enterprises to provide, in their collective agreements, such comprehensive dismissal clauses as those which include a generic reference to exceptional circumstances to apply when, for instance, there are unavoidable reasons for the company to dismiss an employee. The implications are, it follows, that the apparent security given by lifetime employment is compromised or even severely limited by this fourth condition.⁸

It has to be taken into account that the Japanese employers have not, in the spirit of lifetime employment, unscrupulously invoked the ‘exceptional’ clause to get rid of members of their regular work-force. Even in the event of, say, a slow down in the works’ production, employers normally do their utmost to keep their regular staff and workers on the payroll by resorting to other contingency measures such as temporarily adjusting the work-force size by laying...
off non-regular employees, transferring internal personnel to other jobs within the firm, or re-allocating, by temporary transfer or manpower dispatch, the regular staff to subsidiary or associated companies (a practice known as shūkō).9

Although the condition of lifetime employment enjoyed by regular employees in Japanese firms has not been, as a rule, incorporated into the individual employment contract, most Japanese employers have met their moral obligation to employ their regular workers until retirement, unless exceptional circumstances arise. Until now, the court has ruled that any dismissal of employees of this type without due reference to the prescribed causes will be deemed null and void. A dilemma arises, however, when the enterprises are caught in economic depression. The inclusion of ‘management’s financial difficulties’ as one of the legitimate dismissal causes usually provided in the Work Rules will enable the employers to expose workers to the peril of job loss in spite of their lifetime employment status.10

— Seniority Wage and Promotion System

Another important aspect of the Japanese employment system is the seniority-based wage system (nenko sei). Under this celebrated norm of Japanese employment practice, the individual’s pay is determined at the point of his/her entry into the firm on the basis of such personal attributes as his/her age, educational background, experience, etc. Not surprisingly, the application of such a wage system is limited to regular employees only, leaving outside its coverage non-regular workers whose wages are, instead, based upon an hourly or daily rate regardless of their job nature and length of service.

On the whole, the pay of the regular work-force is made up of the ‘basic wage’ component as well as ‘special allowances’ of several types. Moreover, almost every enterprise makes it a practice to pay its regular staff a lump sum bonus twice every year, first in summer and again towards the end of the year. In addition, it has become a prevalent employment practice today for regular staff and workers, including civil servants, to receive a retirement allowance (taishoku-kin), the calculation of which is based largely upon length of service. Evidently, such arrangements regarding the retirement allowance and benefits have helped consolidate the practice of lifetime employment.

The basic wage component (kihon-kyu) is made up of an age-linked segment and another segment associated with the job. The former is normally determined by reference to a standardized wage schedule or scale, which is a graded series of wage steps allowing for periodic revisions adjusted specifically to take into consideration the factors of age, length of service and level of educational attainment of the employees. At each tier of the educational attainment ladder, an individual can expect his/her wages to increase consistently, along with age, until he/she reaches the upper age range of 50 to 54, beyond which pay
progression may either cease or be curtailed. The system is different from the widely propagated principle of seniority pay rule, under which the individual approaches the mandatory retirement age of 60.

The enterprise assesses the job-associated wage element of the basic wage (shokuno-kyu) by evaluating the individual’s overall performance, including his/her contribution to the firm. However, this process of work assessment is inevitably subjective. Inasmuch as the standards and yardsticks adopted for evaluation are kept confidential and are not readily disclosed to the subordinates, it is not surprising for some employees to be suspicious about the process and to question the fairness of their superior’s assessment decision.

Since the Second World War, there has been a perceptible and consistent rise in almost every Japanese enterprise in the job-associated element of the basic wage, so that the former’s relative share is now about 50% of the total. This trend suggests the declining importance of the seniority wage system to the nation.

It has to be recognized that the same seniority principle has not only been eminent in determining pay, but has also been adopted among Japanese firms as a way to advance individuals by promotion. Its application seems largely confined to affecting an employee’s chances of promotion to lower and junior managerial positions, however. At higher levels of appointment, it appears that proportionately less weight is assigned to the seniority criterion, and the candidate’s job abilities and managerial skills are more important in justifying advancements. There is increasing evidence to suggest that the criterion of ‘meritocracy’ will assume growing importance in allowing an individual’s advancement to a senior position in the enterprise.

Job Flexibility

Japanese enterprises do not hire an individual for a job. Recruitment of personnel is not based upon the Western practice of carrying out job description, job specification, job classification and job evaluation exercises. Instead, a new recruit is usually assigned to a job or position after completing his/her probation period, but this often does not mean that he/she will stay in this first assignment permanently. Most of the regular staff and workers are, instead, transferred to other jobs once every several years, under the employer’s unilateral job rotation order (hai ten meirei). This elastic notion of job transfer within a Japanese enterprise represents another unique aspect of the Japanese industrial practice, which complements lifetime employment.

Many Japanese employers still believe that job rotation, if practised at regular and frequent intervals, helps widen the horizon and expand the abilities of employees, thereby upgrading the quality of the firm’s human resources and also promoting the efficiency of its business activities. However, whether job
transfer of this nature can be established unequivocally as a source of the firm’s strength, resilience and productivity is still not clear since empirical evidence to date has remained somewhat contentious.

The role of flexible job rotation is also problematic if viewed from the standpoint of a contract of employment. This is because of the indefiniteness associated with an individual’s duties if he/she is not appointed to a fixed job. Inasmuch as the employee’s duties lack clear specification in the relevant employment contract, it is technically difficult for him/her to reject a transfer or rotation order — as would otherwise be permissible on the grounds of breach of contract.13 This may place the employee in a situation in which he/she might be asked to transfer to a job which is not appropriate for his/her skill repertoire and seniority status.

Job rotation would, in addition, obstruct the operation of the basic wage system, if not for the seniority pay principle which, in a sense, safeguards an individual’s pay level and shields it from any possible curtailment due to job transfer. However, since job rotation is often associated with upgrading or promotion, it is quite normal for employees to aspire to such transfer. There are also advantages in providing an individual with a greater variety of more interesting work, because it breaks job monotony.

These positive aspects many outweigh, therefore, the apparent shortcomings of the job rotation system, which has hence met with relatively low resistance from Japanese workers, in spite of complaints about the dislocation effects occasionally voiced by those affected when they have to relocate as a result of transfers.14 In fact, an employee may be subject to disciplinary action by the employer for violating the relevant provisions in the Work Rules if he/she defies or resists a job rotation order without justifiable excuse. However, it has remained questionable, up to now, as whether one’s failure to comply with such a job rotation to transfer order constitutes a breach of contractual duties. This issue needs to be tested more conclusively in court.

#### Loyalty to Company

Another well-known feature of Japanese employment is the employer’s expectations of the faithful and loyal service of the staff and workers to the company. Such an expectation of the employee’s dedication and faithfulness sometimes extends beyond the work sphere and impinges his/her private life, which can be the subject of the employer’s intervention. It is historically rooted in Japan’s time-honoured assumption that an employer is obliged to perform a paternal role. Employees are required, in turn, to submit to his/her authority and to defer to him/her.15 It has been customary for Japanese workers to describe their employing organizations in such terms as uichi no kaisha (meaning ‘my own company’).
Non-Specific and Diffuse Obligations

An important apparent advantage of the Japanese employment system is its flexibility. First, given the lifelong career commitment of an individual to the firm, most experienced employees can handle their daily work activities without requiring detailed and specific instructions and briefing from their superiors. Second, the spirit of teamwork is always emphasized and team members cooperate closely. When necessary, it is not unusual for a group to halt its normal activities in order to assist peers who have fallen behind schedule and need help. Precisely because of their versatile backgrounds and flexible job rotation, it has been relatively easy for workers to swap jobs and offer mutual assistance in work situations. Moreover, such form of reciprocity has been treated as a natural and normal obligation by most Japanese workers, who seldom repudiate the additional work required in order to assist their colleagues. It would be considered unethical and unnatural for a Japanese worker to treat such additional work as outside the scope of normal duty.

It is not unusual, therefore, for a Japanese worker to stay at his/her place of work beyond normal work hours. The work group normally does not break for the day until the supervisor gives the appropriate instruction. The practice of voluntarily accepting overtime work without overtime pay (sabis zangyo) is hence common in the Japanese work place. The worker does it in most circumstances for fear of antagonizing the supervisor who might castigate him/her for lacking group spirit or co-operation to lessen cost.

Most corporate employers in Japan make it a moral responsibility of their regular staff and workers to act as the custodians of the company’s reputation and its honour in society. This duty is often expressed in the Work Rules, and any breach is punishable by disciplinary action, including dismissal. Even if an employee’s offence is not at all relevant to work, as in the event of a suspected act of sexual harassment committed outside the work place and work hours, the suspect is likely to face disciplinary actions initiated by his/her employing firm. This is especially true if the misdeed has been covered widely by the mass media, as in the infamous Marumarue company men’s incident. The readiness of the Japanese company to interfere with the moral conduct and private lives of its staff reflects, in part, the neurosis of Japanese employers and businesses about their public image. In part, it is also inherent in Japan’s cultural tradition, inasmuch as the public is likely to ostracize the employer due to his/her lack of moral leadership, since he/she is considered responsible for the ‘good conduct’ of members of his/her enterprise.

Many of the obligations and expectations of Japanese employment are not explicitly prescribed in the relevant Work Rules or in the individual employment contract. However, there have been recent attempts by the Japanese government and Japanese enterprises to systematically codify such arrangements as lifetime employment, a seniority-based pay system and even flexible job
transfers into express terms of employment as an integral part of the Work Rules.17

Currently, many of these expectations remain unspecified and have persisted as informal customs and practice. Most regular staff in Japanese companies never have written contract of employment. New entrants into the firm are normally shown a copy of the company’s handbook detailing the Work Rules, which more or less perform the function of a contract. However, it is not easy for one to come to grips with such subtle aspects of Japanese employment practices as lifetime employment and a seniority-based wage system. Their essence has to be appreciated and understood by individuals as they progress through their working lives in the firm. It appears that the dominant culture at work in Japan is still such that most regular employees are constrained from seeking a clearly defined contract of employment specifying all the relevant terms and conditions to be made available by the employer. Instead, these are learnt and picked up steadily through an imperceptible process of socialization inside the firm after entry.

The Spirit and Instrument of Contract

The situation described above may have given rise to an impression held by outsiders that in Japan, the parties to an employment relationship lack a strong sense of consciousness about the contract, given their preference to regulate their mutual expectations through trust and a tacit understanding based on custom and practices. Indeed, until now, the idea of a contract has not been central to Japanese daily life. Not only is it rare for the Japanese to enter into a contractual agreement among themselves as private individuals, but there is also a clear disinclination on their part to register promises in a legalistic manner as in a contractual document. 18 This would constitute alien behaviour which would meet with social disapproval (taningyogi).

In the Japanese cultural milieu, it is more appropriate for employment to be conceived in terms of a relationship than of a contract. A relationship is highly tenacious and sustainable, in contrast to a contract which is definable and hence can be broken at will. Once accepting an assignment as proper, it is generally deemed irrelevant for the Japanese worker to ask whether the obligation implied is contractual or not.19

However, it would oversimplify the situation to argue that Japanese workers have a low level of consciousness about the institution of the contract, or to suggest that such a feeble consciousness is due largely to the workers’ submission to the power of employers (in other words, that it is due to duress).20 A more edifying perspective, instead, draws attention to the nature of Japan as a collectivistic or corporatist society. This way of looking at the question suggests that it is inherent in the temperament of Japan and the Japanese people that
employment disputes and differences should be resolved by way of conciliation and mutual concession, and not be relentlessly pursued with an adversarial approach of polarized confrontation. This helps explain the collectivistic and implicit norms embodied in Japanese industrial practices, the subtleties and implications of which have just been documented above. Such a cultural trait, in addition, underscores the almost unique style of collective bargaining which Japanese enterprises carry out with their company unions and more importantly, the rather distinctive judicial approach evolved in the Japanese courts of law, where judges are more interested in restoring to a normal and amicable balance the parties’ mutual interests and relationships, than in ascertaining and establishing unequivocally whether the disputants are right or wrong.

Japanese industrial practices and their application to the work place may look alien to Western scholars and practitioners of industrial relations. However, as Japanese employment practices are now being introduced steadily by Japanese multinationals to their overseas subsidiaries, employees hired in the West and elsewhere are now increasingly coming to accept and even welcome such Japanese norms as lifetime employment, which guarantees job security. There are, of course, other areas of contradiction which may give rise to tension or even conflicts at work due to the cultural disparities between Japanese and Western societies. An illustration of such a cultural gap is the problematic application to Japanese subsidiaries in America and Europe of those flexible industrial practices which, in Japan, go beyond the highly specific prescriptions of the employment contract. As a contract-based society, any nation in the West is likely to view Japanese work assumptions with scepticism, so that it may not suffice to rely solely upon trust as an alternative to the contract instrument, if all labour and industrial disputes in places involving Japanese multinational corporations are to be settled effectively, if not prevented, in future.

## Conclusion

Now, when some of the Japanese employment practices have been introduced in many foreign Japanese corporations (so-called Japanization), employment security policy as (Japanese) lifetime employment practice appears to be welcome by local employees who have been affected and threatened by severe lay-off. On the other hand, some flexible practices which are not prescribed as terms of an employment contract have often provoked disputes between the firm and the employee. Japanese enterprises should be cautious in introducing or applying such Japanese employment practices to local employees who are used to the Western style of contract-based-society. Otherwise, such acts may bring about not only labour-management disputes but also deep rooted cultural conflict or tension between nations as well.
I dedicate this short article to the late Professor Keith Thurley, an excellent scholar with a warm understanding of the Japanese employment practices.

**Notes**

11. Dore, op. cit. Also see Hanami, op. cit.
15. Dore, op. cit.
17. Araki, op. cit. Also see Hanami, op. cit.
19. Ibid.
Legal Problems With Multiple Labour Unions in a Japanese Company

Kozo Kagawa

Introduction

This paper examines some of the salient legal problems affecting labour-management relations in Japanese enterprises which have more than a single union organizing their workforces. This pertains to the issue of multi-unionism, which describes situations in which workers in a company or plant are organized by two or more labour unions. In Japan multi-unionism has been on the rise, partly due to new unions splintering off from pre-existing ones during crises such as prolonged strikes, and partly because of the merger of two companies which leaves the respective enterprise unions intact and unchanged (especially if the original companies belonged to different national trade union bodies which are ideologically opposite).¹

It is now estimated that about 3% of the unionized plants in Japan are affected by the problems of multi-unionism in the organization of their labour force. In spite of its apparently limited scope, the multi-union syndrome has given rise to nearly half the cases on unfair labour practices in the private sector which are dealt with annually by the Labour Relations Commission. The annual volume of cases handled by the commission since 1969 is shown in Table 1, which indicates the growing share of complaints about multi-unionism being registered in firms employing more than 500 employees. The trend suggests the rising gravity of this problem among business corporations in Japan.
Main Legal Issues and Problems

It is worth identifying some of the common legal issues arising from multi-unionism in Japanese enterprises, with reference to both the existing code of labour law as well as the authoritative rulings in court on unfair labour practices.

Table 1. Number of complaints on unfair labour practices in multi-union situation of private companies

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of complaints</th>
<th>Number in multi-union situation (percentage)</th>
<th>Number per company size (employee number)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>≤ 99</td>
</tr>
<tr>
<td>1969</td>
<td>489</td>
<td>229 (45)</td>
<td>51</td>
</tr>
<tr>
<td>1970</td>
<td>513</td>
<td>236 (46)</td>
<td>54</td>
</tr>
<tr>
<td>1971</td>
<td>495</td>
<td>219 (44)</td>
<td>52</td>
</tr>
<tr>
<td>1972</td>
<td>650</td>
<td>307 (47)</td>
<td>59</td>
</tr>
<tr>
<td>1973</td>
<td>564</td>
<td>244 (43)</td>
<td>57</td>
</tr>
<tr>
<td>1974</td>
<td>625</td>
<td>263 (42)</td>
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<td>1975</td>
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<td>268 (36)</td>
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<tr>
<td>1978</td>
<td>634</td>
<td>262 (41)</td>
<td>67</td>
</tr>
<tr>
<td>1979</td>
<td>529</td>
<td>222 (42)</td>
<td>45</td>
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<tr>
<td>1980</td>
<td>474</td>
<td>193 (41)</td>
<td>45</td>
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<tr>
<td>1981</td>
<td>540</td>
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<td>1983</td>
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<tr>
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<tr>
<td>1990</td>
<td>250</td>
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<tr>
<td>1991</td>
<td>251</td>
<td>106 (42)</td>
<td>18</td>
</tr>
<tr>
<td>1992</td>
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<td>19</td>
</tr>
<tr>
<td>1993</td>
<td>317</td>
<td>110 (37)</td>
<td>18</td>
</tr>
</tbody>
</table>

which have been brought before them. Seven of these are discussed in greater
details below. They are:
(I) collective bargaining in a multi-union situation
(II) discrimination in personnel evaluation and wage increases
(III) company facilities for pluralist unions in the plant
(IV) multi-unionism and the check off agreement
(V) multi-unionism and the union shop security clause
(VI) multi-unionism and overtime work agreement
(VII) multi-unionism and extension of the effects of a collective agreement

(I) Collective Bargaining in a Multi-union Situation

Among the contentious issues canvassed in this area are the scope and nature
of the obligations of the employer in a multi-union situation to first, bargain
with the minority union and second, remain neutral rather than discriminating
among unions. This two-pronged question about collective bargaining rights
and multi-unionism is briefly reviewed in the following subsection.

(i) Refusal to bargain with a minority union

This is not legally permissible, according to Article 28 of the Japanese
Constitution, which guarantees the rights of the worker to organize, bargain
and act collectively, as well as Article 7, Section (2) of the Labour Unions Act,
which prohibits an employer from refusing to bargain collectively with a labour
union without fair and appropriate reasons. Such refusal is deemed by law to
be an act of ‘unfair labour practice’. Since Japan has not introduced legislation
parallel to the Wagner Act in America, which rectifies the principle of exclusive
representation of the elected union as the sole bargaining agent in the plant, it is the
employer’s obligation to recognize and bargain with whatever number of unions
operating in the plant. Even where a collective agreement may have included
a clause requiring the employer to bargain with a single union and not with
others, such a provision is normally held to be null and void on the grounds
that it deprives the other unions of their legitimate right to bargain collectively,
as safeguarded by the Constitution (Article 28) and the Labour Unions Act
(Article 7, Section 2).

(ii) Employer’s neutrality in a multi-union situation

In the absence of a statutory framework governing the principle of exclusive
representation of the elected union as the sole bargaining agent in the plant,
as it occurs in America, rival multiple union organizations may exist within a
Japanese enterprise, giving rise to competitive unionism. Under such
circumstances, it is legally obligatory for the employer not to discriminate against the minority union but, instead, to treat it in the same way as the majority union. In other words, the employer has to remain neutral in his relations with each rival union in the enterprise. The principle prescribing an employer’s duty to maintain his neutrality in a multi-union situation has been dubiously enforced, however, as is illustrated by the experiences reported in two cases discussed below.

The Japan Mail Order Co. case: The first case to be discussed involves the Japan Mail Order Co. and its two labour unions, one of which was a minority union with about 20 members and the other the majority union with 120 members. Generally speaking, the former union had been more militant than the majority union which was, on the whole, co-operative with management. During the Spring Offensive of 1972, the company offered both unions, in response to their earlier demands, an additional bonus of 3100 yen a month for each worker, subject to the work-force’s consent to co-operate with measures intended to improve the firm’s productivity. The majority union accepted the management’s proposal promptly, but the same motion was repudiated by the minority union on the grounds that the proposed measures would lead to job redundancy, accentuated intensity of work and the union’s subordination to the employer and his wish. As a result of this disagreement, the new bonus payment was made to members of the majority union, but not to those belonging to the minority union, the latter of which did not conclude a productivity deal with management. The disgruntled minority union filed an unfair labour practice complaint against the employer, alleging that the latter’s failure to pay its members the new bonus was a discriminatory act on the part of the employer and contradicted the employer’s obligation to remain neutral.

The Supreme Court, in its decision on 29 May 1984, ruled against the company concluding that it was within reasonable expectations that the new bonus terms which it offered might not be found acceptable by the minority union, whose pay policy differed from that of its counterpart. However, in spite of being aware of this, the employer had insisted upon a uniform set of bonus conditions. In other words, the purpose of the employer’s offer in negotiating with the minority union was, it was held, to elicit its refusal. Given such an intent, it was therefore decided by the court that the employer’s bargaining approach was discriminatory against the union and its members. Its negotiating tactics were found to be manipulative and lacking in the spirit of bargaining in good faith.

The Supreme Court’s judgment led to a series of controversies, especially among legal academics. An influential opinion has been one arguing that the onus of responsibility should rest with the minority union, which exercised its choice of not accepting an equal set of conditions offered to both unions. Determining whether or not the employer had behaved neutrally should be
clear and not problematic, considering his proposal to both unions of uniform new terms, which was, therefore, not discriminatory. If any differentiation had been made in the employer’s offer, he would have run up against the even more obvious risk of having discriminated between the two unions. If one follows this line of reasoning, it would be logical to conclude that the employer’s behaviour was not unfair.

There are, as has just been discussed, two conflicting legal interpretations of the issue. In order to legitimately and conclusively decide which one is correct, it would be necessary to determine whether the differing treatment of the two unions should be attributed to (i) the minority union’s own bargaining policy or (ii) the employer’s alleged anti-union bias. And in order to ascertain and establish the employer’s ultimate motive, it would be necessary not only to examine the employer’s action as it appeared but also to understand associated issues such as (i) the employer’s past attitude towards both unions, (ii) the circumstances which led to the employer’s action in question, (iii) the mode and mood of negotiation between the employer and the two unions, and (iv) the influence of the action, both anticipated in advance and realized afterwards, upon the state of in-plant labour relations and activities of the unions. The decision on this case should be based upon a consideration of all the factors and issues listed above.

**The Nissan Auto Co. Case:** The second case is that of the Nissan Auto Co., which introduced a night shift system under a new work plan of scheduled overtime after consulting only with its majority union, which had over 7600 members. The new arrangements, however, had earlier been opposed by the minority union which had about 150 members. For this reason, the company did not attempt to obtain the latter’s consent to the new overtime arrangements, which included night shifts. Instead, because of its agreement with the majority union, it limited its assignment of overtime work (including night shifts) to members of the majority union, thereby denying members of the minority union overtime work. The conduct of the company soon became a subject of dispute, and their action was declared to constitute unfair labour practice. In this case, the issues involved were not limited to allegations of the employer’s discrimination, but included the damages likely to be incurred by the minority union members because of curtailed earnings due to the withholding of overtime work.

The complaint was heard in the Supreme Court. In its deliberations, the court identified a number of criteria upon which a judgment was to be based. The following points were deemed important:

(i) an employer should maintain a neutral attitude towards the different unions, whose equal negotiation rights should be respected;

(ii) an employer should take into consideration the differentials in membership size and bargaining power between the majority and minority unions. It
would be natural, it follows, for an employer to adopt varying attitudes towards the two unions in negotiations, in order that these would be commensurate with the discrepancies in their bargaining strength. For such purposes, it was hence deemed legitimate for the employer to put pressure on the minority union so as to bring about uniformity in treatment between the members of the two unions over such work place arrangements as overtime work and the relevant work rules; and

(iii) an employer, if harbouring an intention to indulge in anti-union acts, could be found guilty of unfair labour practices. In order to establish such an intention, it would be necessary for the court to investigate not only the nature and contents of the employer’s proposal (in particular, the likelihood of his adherence to his proposal) but also the background and causes of the action he took during the bargaining process, as well as the anticipated impact of such an action upon labour relations inside the plant and on the behaviour of the parties involved afterwards.

With reference to these standards, the Supreme Court arrived at the judgment that the employer had not been bargaining in good faith, since there was no reasonable explanation for why he had failed to consult the minority union in advance and had subsequently excluded its members from entitlement to overtime work. Neither did the employer make any efforts to persuade the minority union to negotiate with him on the newly introduced overtime work arrangement. Instead, the evidence seemed to suggest that the employer had been manipulating, in his bargaining with the two unions, with an apparent intent to discriminate against and weaken the smaller, minority union.

A second important legal issue arising from a multi-union situation centres upon the debated application of those legal provisions which seek to prevent employers from extending, in the process of personnel evaluation, discriminatory wage and bonus increases to members of its work-force because they belong to different unions.

(II) Discrimination in Personnel Evaluation and Wage Increases

Personnel evaluation is an integral aspect of the Japanese tradition of wages and bonuses. It is based upon the individual’s merit and his or her contribution at work, which determine the size of the variable part of the annual increase in his/her wages and bonus payment. The part of the pay rise based upon meritocracy is an important incentive for performance, being determined principally by the outcomes of personnel evaluation or performance appraisal exercises. Performance appraisal, generally conducted by supervisors and yet normally kept confidential, without subsequent feedback to the subordinates,
tends to take into account such aspects of the individual’s qualities as his/her willingness to take initiative at work, job knowledge, ability to judge, creativity and innovative capabilities, leadership, attendance, ability to communicate and negotiate with others, etc.

Under the law, any discrimination against workers and staff members when determining wage and bonus increases is liable to be deemed an unfair labour practice of the employer, if these variations are found to have been introduced for reason that (i) these employees are members of a given labour union, (ii) they have attempted to organize or join a labour union, or (iii) they have performed the proper activities of a labour union as provided under Article 7 (Section 1) of the Labour Unions Act. Moreover, the same Act, in Section 3, also proscribes any discriminatory treatment in determining wages or bonus for employees in a multi-union enterprise by declaring that such an act interferes with control of the management of a labour union.

However, in order to make action on a complaint possible, a union must petition to the Labour Relations Commission against the employer for unfair labour practices in a multi-union enterprise to demonstrate that (i) the employer opposes the labour union in question, (ii) members of the union have individually received a pay rise lower than that of those belonging to other unions, and (iii) the performance of these union members is not different from those in the other unions. In all these cases, the onus of proof tends to rest upon the party lodging the complaint — that is, the union. Evidently, it is not easy for the petitioning union to advance proof of the employer’s alleged intention to oppose the union. The evidence can at best be circumstantial or historical, as it must be inferred from previous acts of the employer. The responding employer has a legal duty to nullify and discharge such a claim as well. Generally speaking, it will be up to the Commission to then decide whether or not the evidence put forth by the petitioning union is conclusive enough to sustain and uphold the claim.

It is in any case problematic for the petitioning union to collect sufficient information on individuals’ pay to verify the claim that its members are being systematically discriminated against by the employer for reason of their union membership. Over the years, the Labour Relations Commission has, in recognition of this difficulty, relaxed the stringent evidence requirements by admitting as proof the submission of information under the ‘mass observation method’. Under this method, if the union was able to demonstrate that its members as a group received lower and less favourable pay increases than did workers belonging to another union as a group, this would be sufficient to establish an employer’s guilt. Again, the employer may contest such an allegation by claiming that the differentials in pay increases are justified for other reasons. Such a contention may be tenable, for instance, if it could be established that the company’s exercise in personnel evaluation and merit pay award is conducted in a fair and reasonable manner.
Where a case of discrimination against the union has been established on the issue of personnel evaluation, it is normal for the Commission to order one of the three following remedial measures: (i) the employer is ordered to discuss and negotiate in good faith with the union, with a view to correcting the discriminatory appraisal practice, (ii) the employer is required to re-evaluate its work-force under standards which the Commission prescribes, and (iii) the employer is ordered to pay the differences in the wage bill arising from a re-evaluation which is conducted, instead, by the Commission itself. On the whole, the second option is generally preferred to the third one, which has been criticized for encroaching upon or even invading the managerial prerogative of the employer in assessing staff performance. The Labour Relations Commission enjoys considerable discretion in making the appropriate remedial order. It is normally considered inappropriate for the third option to be tarnished by any illegality.

Whether or not complaints on union discrimination of this nature constitute grounds for action by the Labour Relations Commission is also subject to a time limit, which is normally one year after the commission of the alleged act of discrimination by the employer. (Article 27, Section (2) of the Labour Unions Act). The reason for this stipulation is twofold. First, it is recognized that it would be technically difficult for the parties involved to collect and assemble evidence if the case were allowed to lapse for more than a year before it was brought to action. Second, there is the apprehension that such delayed action would inflict enduring damage on the stability of industrial relations in the enterprise. To a certain extent, the issue of a time limit is complicated by a related question on which the Supreme Court has not yet ruled. This is the debate as to whether discriminatory wage payment arising from performance appraisal is considered a continuous practice. Three interpretations have so far been offered. The first contends that it is not a continuing practice, because the personnel evaluation exercise is normally conducted just twice a year. The second theory argues that wage adjustments are basically continuous in bridging the wage level between the past and future, not to mention the additional consideration that practices such as discriminatory evaluation are often self-perpetuating and are liable to persist once they have commenced. The third approach is to establish discriminatory wage payments arising from performance appraisal as a continuous practice, yet one which is subject to a one-year limit, inasmuch as pay in Japan is normally adjusted once every year. In spite of the absence of an authoritative ruling on this question, the author is inclined to agree with the third opinion discussed above. It follows that it may be reasonable for the Labour Relations Commission to limit any remedial action it orders against employer discrimination on wage payment to a period of one year before the alleged complaint was made.
(III) Company Facilities for Pluralist Unions in the Plant

Since unions in Japan are characteristically based upon the enterprise whose employees they serve, it is almost unavoidable for the union to depend upon the employer for the provision of company facilities for its activities, including a union office, meeting room and union bulletin board. The union’s use of these employer-owned facilities raises the question of boundary, vis-à-vis the employer’s ownership and managerial right over the control of these in-plant facilities.

The Supreme Court, in a decision on 30 October 1979, ruled that labour unions are not entitled to use company facilities without the prior permission of the employer or in the absence of an agreement with the employer.11 It is argued that while such use would serve the union’s convenience, this does not mean that it has a right to such facilities. The only exception occurs in the event of special circumstances which would render the employer’s refusal to grant the union such facilities an abusive exertion of the employer’s right, which would itself constitute an unfair labour practice by virtue of Article 7, Section (3) of the Labour Unions Act. Otherwise, the use of any company facilities by the union without the employer’s permission or agreement is not a proper union activity.

However, the Supreme Court’s decision has been criticized by legal academics who argue that the union’s activities should be considered in a more objective manner with reference to all the relevant circumstances, including their purpose and the methods of attaining such a purpose, notwithstanding the employer’s consent, agreement or otherwise.12 The question of why the employer’s consent or agreement is necessary in order to make the union’s activities proper has been raised.

This argument draws an analogy to the case of industrial actions by noting that ‘proper’ industrial actions are immune from actions for criminal and civil liabilities by virtue of the provisions of the Labour Unions Act in its Articles 1 (Section 2) and 8. The propriety of industrial actions is therefore usually determined by judging all the relevant circumstances, including the purposes of the striking union and its means of accomplishing them. Like industrial actions, labour unions are also guaranteed the right to conduct their union activities under the parallel provisions of the Labour Unions Act in the same Articles 1 (Section 2) and 8. It is possible that the Supreme Court judgment has adopted a narrow perspective in prescribing the limit mentioned above to the propriety of union activities. It remains reasonable to argue that the prior approval of or agreement with the employer can be taken as one of the factors, and not a principal factor, for judging the propriety of union activities.
The Nissan Auto Co. case

In a landmark case involving the Nissan Auto Co. and its unions over the latter’s differing access to company facilities, heard by the Supreme Court in May 1987, it was revealed that the company furnished the majority union with a union office but no equivalent facility was available to the minority union because no prior agreement has been reached. On the question of whether the company’s refusal to grant such facilities to the minority union constituted an unfair labour practice under Article 7 (Section 3) of the Labour Unions Act, the Supreme Court ruled as follows:

In principle, a labour union can use the company’s facilities if there has been an agreement with the employer. However, it is by no means obligatory for the employer to provide the union with an office, although he is at liberty to lend the union these premises. However, in a multi-union situation, the employer is obliged to maintain his neutrality vis-à-vis all the unions involved. Such a neutrality obligation also applies to lending company facilities to unions for their activities. It will be an unfair labour practice if the employer consents to lend an office to one union but declines to do the same for the other union, unless he is able to justify his discriminatory treatment on reasonable grounds. In order to establish whether or not a reasonable ground exist, the court needs to look at all relevant aspects of the circumstances, including the process of office lending, the conditions for lending, as well as the process and nature of the employer’s negotiation with the other union, and the likely impact of his refusal on this union.

Apparently, the crucial test which the above guideline implies is that of whether reasonable grounds are ascertainable or not. Indeed, the Labour Relations Commission has ruled, in addition, that where an employer has no reasonable excuse for refusing to lend his company facilities, such an act would be deemed tantamount to his control or interference with the union’s organization or management, tarnished with an anti-union motive to weaken it.

The remedial measures which are normally available to the Commission to rectify this type of discriminatory practice by the employer are in general of two types. First, the Commission may order an employer to enter into negotiation or consultation with the union in question, with a view towards deciding whether he will lend his company facilities to the union. Alternatively, the Commission may simply order an employer to provide the union with facilities. The latter solution appears to represent a direct corrective to a previous state of anti-union discrimination, but in fact the order does not make explicit the important step of office lending. The ramification is, naturally, that the parties are expected to enter into negotiations subsequently in order to determine the conditions and other details of lending.
(IV) Multi-unionism and the Check Off Agreement

In Japan, the check off arrangement for union dues collection is regulated by the Labour Standards Act under its Article 24, Section 1. This provision stipulates that any wages due must be paid in cash and in full to the workers directly; non-cash payment is permissible only where it is otherwise provided either by law and regulation or under a labour-management agreement, while any deductions from wages are allowed, again, only where the law or regulation so provides or if a written agreement has been so concluded with the union representing a majority of the work-force in the plant (or in the absence of such a union, with a person duly authorized to represent a majority of the work-force). Therefore, a check off arrangement, which implies in practice a partial wage deduction by the employer in order to collect the individual’s membership dues on behalf of the union, cannot be instituted unless it is covered under a written agreement. Otherwise the employer may be guilty of unlawful deduction of wages.

It is clear from the above legal provisions that such a written agreement is tenable only where it has been reached with a union able to organize the majority of the work-force in the work place, that is, the majority union in a multi-union plant. The implication appears to be prohibitive for a minority union which may wish to conclude a check off agreement with the company. Such requirements of the law, enabling the majority union to enter into an agreement on check off yet denying the minority union a similar right, would have been deemed as discriminatory under the principle of equal treatment of multiple unions discussed earlier.

The legal answers to this dilemma can be pegged to two solutions. The first has been to argue that the protective clause of Article 24, Section (1) of the Labour Standards Act does not apply to the instance of a check off arrangement, which does not itself purport to curtail the benefits and rights of the worker. As such, the check off activity is in fact not a form of wage deduction per se, so that its regulation can be detached from the purview of the Labour Standards Act in safeguarding minimum conditions of employment. The second alternative is to contend that a minority union should also be allowed to enter into a check off agreement with the employer, in spite of the requirement for a majority representation under Article 24 of the Labour Standards Act. Since such a provision assumes that the constituency of the representative union comprises all members in the work-force and that they belong to the same union, it is logical in a multi-union situation to vest all the unions, both the majority as well as the minority ones, with equal ability to conclude a check off agreement with the company.

In Japan, however, the legal position which has been inherited from a decision in the Supreme Court has been to uphold the application of Article 24, Section (1) to the regulation of check off activities. This has left, by
implication, the second interpretation as a viable option for dealing with the check off issue in a multi-union enterprise.

(V) Multi-unionism and the Union Shop Security Clause

In Japan, a union shop is legally permissible. A union shop agreement negotiated with the union will oblige an employer to discharge an employee when he loses his union membership; this is hence an arrangement to provide for union security. The Labour Union Act, in its Article 7, Section 1, provides that an employer shall not be prevented from entering into a collective agreement with a labour union requiring, as a condition of employment, that its employees must belong to the union concerned if it is able to represent a majority of the work-force in the specified plant or work place in which these workers are employed. In other words, the law permits an employer to reach with its labour union a union security clause such as a union shop, provided that the condition that the union represents the majority of the work-force in the plant is met. Otherwise, such a union shop agreement will be deemed null and void under the law.

However, since the application of the union shop clause is problematic in a number of instances, its institution is actually limited to situations in which it does not impair the individual worker’s freedom of association, which is safeguarded under Article 28 of the Japanese constitution. First, the union shop clause should not be adopted as an instrument to force an individual to join a union. Second, its enforcement should not be allowed to interfere with the right of another union to organize workers in the same plant. The following five conditions should be met in order to qualify the application of a union shop clause in a multi-union enterprise:

(i) While the majority union in the plant can enter into a union shop agreement with the employer, such a union security clause shall not affect the freedom of workers in the plant to join and participate in a minority union. In other words, such an agreement should be limited in its scope and is not applicable to the minority union.

(ii) The union shop clause shall not be enforced upon a worker who withdraws from the majority union which has a union shop agreement with the employer in order to take up membership in a minority union in the enterprise.

(iii) The union shop clause shall not prevent a new employee from obtaining his union membership in a minority union, even after a union shop agreement has already been made between the employer and the majority union.

(iv) The union shop clause shall no longer apply if the majority union so
covered begins to lose in large number its original members due to, for example, an internal split in its internal organization. In this situation, the union concerned has not been able to maintain its majority status and is hence no longer guaranteed the protection of such a union security clause.

(v) The union shop clause shall not be applied to a worker who withdraws from a majority union to organize a new labour union within the enterprise.

(VI) Multi-unionism and Overtime Work Agreement

In Japan, the Labour Standards Act is the competent piece of labour legislation governing overtime work, which is allowed subject to (i) its provision under a written agreement which the employer has concluded with either a labour union organizing the majority in his work-force or, in its absence, those persons representing such a majority; and (ii) the registration of such an agreement with the Labour Standards Inspection Office of the Labour Ministry.

The practical implication of the above legal norm in a multi-union enterprise is that while the majority union is able to enter into such an overtime work agreement with the employer, a minority union does not enjoy a similar treatment. It is only where either of the (two) unions concerned is not able to claim a majority in its membership that it is legally permissible for the representatives of the entire work-force to be selected in consultation with all the unions concerned in order to negotiate and conclude an overtime work agreement with the management of the enterprise.

Unlike a check off union-management agreement, the coverage of an overtime work agreement is not limited to union members alone but is also applicable to non-union members of the plant. Moreover, it is mandatory by law for such an agreement on overtime to prescribe, inter alia, the specific conditions under which overtime work is assigned, the types of jobs for which overtime work is allowed, the number of workers required, and the volume of overtime work hours permitted.

The Supreme Court has recently adopted a ruling governing the creation of an overtime work agreement in a multi-union plant. The ruling is based upon the assumption that all members of a modern enterprise’s work-force are subject to a uniform set of work rules prescribed by the employer, which has the effect of a (standardized) labour contract regulating, inter alia, the employee’s duties regarding the performance of overtime work as part of his/her terms and conditions of employment. These rules governing overtime work are normally derived from the collective agreement on overtime provisions drawn up between the company and the majority union. In the absence of any arrangement to the contrary, it is permissible for such an agreement to be extended to cover workers who are members of a minority union. Otherwise, Article 36 of the
Labour Standards Act will enable the minority union in a multi-union enterprise to negotiate and conclude with the company a separate and independent collective agreement providing for overtime work arrangements for its members.

Such a ruling by the Supreme Court, which renders a minority union in a multi-union situation competent to enter a separate collective agreement with the employer to cover its members on overtime work arrangements, is consistent with the provisions of Article 16 of the Labour Union Act, which regulates union-management collective agreements. Moreover, it is widely accepted that for the workers, the terms of such a collective agreement are likely to be more favourable than the provisions of Article 92 of the Labour Standards Act governing work rules, inasmuch as the law requires that the terms as collectively agreed upon with the minority union should not be less advantageous for its members than those already provided under the overtime work agreement with the majority union.

(VII) Multi-unionism and Extension of the Effects of a Collective Agreement

In order to strengthen a labour union’s control over work conditions, especially in regulating conditions of non-union members so as to safeguard the interests of the union members covered by a collective union-management agreement, the Labour Unions Act provides, by virtue of its Article 17, the conditions under which the effects of a collective agreement may be extended outside the scope of the union’s membership. Therefore, where a collective agreement already covers at least three-fourths of the workers of a similar kind who are normally employed in the same plant or work place, its terms will be applied ipso facto to the remaining workers doing similar work in the plant.

Again, in a multi-union enterprise where the majority union organizes more than three-fourths of the company’s work-force, a problem may arise as to whether a collective agreement negotiated with the majority union should be extended to cover members of a minority union with less than one-fourth of the work-force in its membership. Legal opinions so far on this issue have been diverse and include those which support as well as those which question the applicability of Article 17 to such a situation. It appears difficult for several reasons, from a legal standpoint, to argue convincingly in support of the application of Article 17. First, its application would reduce or even deprive the minority union of its independence from the employer by enabling the latter to intervene to regulate the employment conditions of the union’s members regardless of its intent and policy. Second, such an application would deprive the minority union of its chance to negotiate for conditions better than those existing in the majority agreement with the employer. Third, a reciprocal argument is also apparent, inasmuch as the application of Article 17 would
extend a similar set of benefits to members of a minority union without requiring any effort on its part, while burdening the majority union with hard negotiations with the employer in order to arrive at the collective agreement, as well as with the responsibility of keeping peace in order to uphold the agreement and oversee its application for its duration.

**Conclusions**

Central to the issue of industrial relations in a multi-union enterprise in Japan is perhaps the employer’s obligation to remain neutral in order to avoid discriminating against or in favour of any of the unions organizing his employees in the plant. Any failure of the employer to remain neutral will constitute an unfair labour practice. Both the Supreme Court and the Labour Relations Commission have adopted important rulings on how such an obligation is to be interpreted and applied within the framework of the existing legal code which pivots around the constitution, the Labour Unions Act and the Labour Standards Act. Within such a statutory framework, it appears logical to argue that where collective agreements governing such issues as union shop, overtime work arrangements, or even pay and working conditions in general, have been concluded between the company and its majority union, these agreements and their terms should not be extended automatically to a minority union in the plant. This is because of the necessity to respect the right and autonomy of the latter union to independently negotiate and enter into a collective agreement with the employer, on the basis of its own will and resources.

**Notes**


6. The representative case on this problem is ‘Dainihato Taxi Co. v. Tokyo Labour Relations Commission’, Supreme Court (Grand Bench) Judgment, February 23, 1977, Minshu (Supreme Court Report on Civil Cases), vol. 31, 1977, p. 93. It is hence judged that the Labour Relations Commission has broad discretionary powers to issue the proper corrective orders. But this does not mean that they are not limited. The limits shall be determined by the purposes of the unfair labour practice system, which are to restore and maintain the normal order of industrial relations. In this connection, the Commission can issue appropriate orders for achieving such purposes. Otherwise, these powers become abused if the Commission’s exercise of direction could exceed such limits.


16. ‘Saiseikai Social Welfare Corporate v. Central Labour Relations Commission’, Supreme Court (second Petty Bench), December 11, 1989, Rodo Hanrei, no. 552,
February 1990, p. 10. See *International Labour Law Reports*, vol. 10, 1992, p. 360, for an outline and comments on this case written by Kozo Kagawa.


20. The Labour Unions Act provides, in its Article 16, that, ‘Any stipulation of an individual labour contract contravening the standards concerning the standards conditions of work and other treatment of workers provided for in a labour agreement shall be null and void. In this case, the invalidated part of the individual contract shall be replaced by the stipulations of the standards. The same rule shall apply to the part which is not laid down in the individual labour contract’.

21. The Labour Standards Act prescribes, in its Article 92, that:
   (i) the Rule of Employment must not infringe against any law and ordinance or labour agreement applicable to the work place; and
   (ii) the administrative officer is authorized to order changes in the Rule of Employment, if it is not in accordance with the laws and ordinances or labour agreement.

22. A collective agreement can be concluded between the employer and the labour union where there is a union composed of a majority of the workers at the work place, or with persons representing a majority of the workers when there is no such a union. Therefore, it is permissible for the labour union whose membership covers a majority of the workers in the plant to negotiate and reach a collective agreement with the employer.

Introduction

A significant feature of post-war industrial relations in Hong Kong has been its hitherto low level of strike activity. For instance, in 1991, the Labour Department of the Hong Kong government registered a total of only 169 trade disputes, including five work stoppages (due to strikes or lockouts or both) which, in each case, involved a limited number of workers and resulted in just a handful of working days lost. The annual figure of stoppage days in 1991 was only 202 for the whole territory. Indeed, over the ten-year interval between 1981 and 1990, the average annual loss of working days of the territory’s workforce has been only 5684.

Such minimal collective industrial conflict is noticeable when the above strike statistics are compared with those of other economies and societies. Does this imply that Hong Kong has experienced industrial harmony in the several decades since the Second World War? Is this characteristic one of the major themes of the territory’s industrial relations? If not, what are the other salient features of Hong Kong’s labour and labouring conditions during the last few decades, particularly with reference to the role and posture of the labour movement? And to what extent has the territory’s labour administration been instrumental in the crystallization of present industrial relations? We shall endeavour to address this series of interrelated questions in this paper.
Conflict is inherent in virtually any society featuring different sectional interest groupings, each with its own attitudes, expectations and objectives. In an industrial society, conflict between employees and employers is inevitable. However, because of the pervasive notion of the strike as the dramatic embodiment of labour management conflict in industrial life, industrial harmony is often assumed to prevail where strikes are absent, such as in the case of Hong Kong.

Some have argued, however, that the image of Hong Kong’s industrial life as harmonious does not represent the true picture in its entirety, especially if other forms of less overt conflict are taken into consideration. First, they refer to the popular argument that the labour turnover rate in Hong Kong has been characteristically high. The mobility of Hong Kong employees, albeit a source of work-force instability, has provided these employees with an oblique yet easy way to vent their anger towards their employers. In other words, a significant volume of workplace conflict and grievances have gone unnoticed when these workers simply ‘vote with their feet’, opting to leave the firm instead of confronting management with their dissatisfaction. The second argument sheds doubts on the actual magnitude of industrial conflict in Hong Kong by drawing attention to the significant and consistent number of business failures and cases of insolvency which have beset the Hong Kong economy since the 80s. These plant closures would have provoked a considerable degree of industrial unrest, were it not for the Protection of Wages on Insolvency Fund Board, created early in the last decade, which now advances wages to workers who are owed such arrears by their employers in default. This agency has probably furnished Hong Kong’s labour with an effective safety-valve pre-empting the agitated demands these workers would have made had they been deprived of their wage entitlements and denied any available avenues by which to recover them.

In addition, there is a third set of arguments which deplores the hitherto lukewarm attitude of the government and private employers in granting trade unions in Hong Kong the rights to be recognized by and to bargain collectively with management. The trade union movement has always been critical of the feebleness of union recognition and collective bargaining culture in Hong Kong, which has in turn implied weak labour-management relations in the workplace. Such a gap breeds industrial tension, misunderstandings and grievances, which are liable to explode into open disputes if persistently suppressed and neglected.

Given the above-mentioned reservations about industrial harmony in the workplace, it is useful to briefly review the territory’s industrial conflict pattern and its history of evolution in the post-war era, as these differ from official statistics. Two sets of published government statistics are of particular interest.
One is about strikes, lockouts and work stoppages, while the other reports on the number of trade disputes (collective cases) and of grievance claims (individual cases) which are registered and handled by the Labour Relations Service of the Labour Department. Each of these will be described briefly in turn.

A Post-war Profile on Strikes, Trade Disputes and Claims in Hong Kong

A post-war profile of strike activities in Hong Kong is presented in Table 1. Earlier, England and Rear classified the post-war history of industrial stoppages (up to the mid 70s) into three phases: 1946–1950, 1951–1966, and 1967–mid 70s. The first phase is marked by an unusually large number of working days lost due to stoppages, which appear to have mushroomed in the wake of the immediate post-war rehabilitation and socio-economic adjustment. The second phase was apparently a period of relative stability in Hong Kong's industrial relations, coinciding with the territory's rapid industrial take-off which occurred while there was a labour-surplus manpower economy and during the confrontational Mainland-Taiwan political impasse. Industrial stability during this era was reflected in the decline of the average number of both work stoppages and working days lost in each year of this period. The third phase shows an average increase in the yearly number of work stoppages, yet without any corresponding rise in the number of annual working days lost. The fact that the low-strike equilibrium of the past (made possible by the relatively abundant supply of semi-skilled and unskilled labour in the territory about two decades ago) had gradually subsided was probably of little surprise, given local socio-economic developments. The accelerated pace of economic growth and social advancement has meant for the territory (i) a higher level of economic affluence, (ii) a high employment and eventually a labour shortage, and (iii) as a result of the first two points, a less quiescent and more articulate labour force. Indeed, the number of work stoppages, having declined quite sharply after the 1974 recession, surged again from 1977 onwards. However, the volume of strikes/lockouts receded again after the economic downturn in 1981–82. It has remained true up to now that the number of strikes, lockouts and working days lost due to industrial unrest had been low in comparison with those in other highly industrialized societies.

However, two points impair the picture of sustained general industrial harmony in the territory during recent years. One is the noticeable propensity of the public sector to industrial discords and workers' militancy, vis-à-vis a relatively docile private sector. For instance, of the already limited number of strikes and trade disputes occurring in 1991, most took place in the civil service and the public utility sector where haggling over pay relativities constituted the most common cause. This was largely because the public sector
Table 1. Work stoppages in Hong Kong, 1946 to 1990

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<th>Working days lost</th>
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Sources: The Commissioner for Labour, *Departmental Annual Reports, 1946–90*. 
employees were able to compare their pay among themselves across their occupational grades or classes, finding differences in spite of their uniform and pre-set pay scales and structures. The other point of departure has been the growing volume of work place grievances which are officially recorded by either the Labour Department or the Labour Tribunal in the course of their pursuance. Now formally labelled as individual claims (otherwise called ‘disputes of right’ by the labour law academics), the creeping and consistent rise in the volume of these work place grievances is symptomatic of an alarming increase in the tension which affects work place human relations in Hong Kong. Turner and his associates cautioned, in their benchmark study of the mid 80s, that:

Thus, the combined evidence of the increased number of spontaneous trade disputes, of the extraordinary and continuing rise in officially-handled grievance claims, and of our own survey on grievances at work, suggests a considerable body of work place discontent which finds only a limited satisfaction in public or employer policies and a negligible expression through trade unionism.3

Table 2 gives a summary profile of the number of grievance claims registered by the Labour Department in recent years. It suggests a trend of sustained growth in work place disaffection as the territory advanced industrially over the last few decades into the realm of a more sophisticated modern or post-modern economy.

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<td>1977</td>
<td>7 226</td>
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<td>16 610</td>
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Sources: The Commissioner for Labour, Departmental Annual Reports, 1965–90.
The Politico-Economic Context: A Fragile Basis for Industrial Harmony?

Given both the growing propensity of the workplace to breed labour grievances and the appearance of a territory-wide industrial peace which seems to have persisted in the last several decades, the question of whether this low level of industrial conflict can be sustained in the years ahead must be considered, especially in light of the important shifts the territory is experiencing while undergoing its political transition in the approach to 1997, when its sovereignty is due to revert back to China. It is important to take a cursory look at the social and economic contexts of such developments in order to answer this question.

(i) The economic factor

The bulk of industrial disputes occurring in Hong Kong are generated and conducted at the level of the workplace, where human relations are to a large extent pecuniary and dependent upon the employer’s ability to maintain a satisfactory wage relationship with his employees. The employer’s ability to pay is often influenced, in turn, by the Hong Kong economy, which has enjoyed on the whole sustained and lucrative growth in the last 20 years. However, there are signs that this rapid growth will slowly give way to a period of decelerated growth due to, in part, the austerity policy which China adopts. At the same time, the territory’s inflation, which soared to a double-digit level at the beginning of this decade, has remained between 7% and 8% in recent years. If viewed together, Hong Kong and its people are liable to be beset in future by high inflation and low growth similar to that which industrially advanced economies the West have experienced in the last decade. The strain which such a phenomenon will put on the relationship between the employed and their employers is worth discussing.

To begin with, it is likely that Hong Kong employers will continue or even speed up their present process of relocating their production activities to the Mainland or other low-cost places in Asia. The scope of such business migration will eventually extend to include service industries as well, if the latter are to cope with the incessant problems of rising costs due to the persistent pressure of inflation and now, in addition, the imminent slow-down of the economy. As an alternative way of meeting inflating costs, they have sought to import increasing number of workers from outside Hong Kong. However, such responses to stagflation have, in a large measure, deprived the Hong Kong workers of the conditions favourable to the attainment of pay improvements. In particular, unions and labour groups have been visibly neurotic or even restless, inasmuch as (i) their living wages, and hence quality of livelihood, are consistently eroded by high inflation which has outstripped the pace of wage adjustments, and (ii) their job security is gravely threatened as they face the
possibilities of being replaced by imported workers and structural unemployment/underemployment due to job obsolescence caused by the territory’s economic restructuring into a tertiary and service-led entrepot economy.

These economic shifts, both structural and cyclical, have created glaring gaps in the territory’s workplace industrial relations while causing Hong Kong workers to adopt a less acquiescent attitude in order to defend their job and wage interests. In this connection, two features of the changing terrain in the workplace and the territory’s labour market are of far-reaching significance in helping reshape the labour force’s future orientation to employment and, in turn, its industrial attitude and work behaviour.

The first phenomenon centres around the growing need of the individual to develop his lifetime career with enhanced qualities of versatility and adaptability, especially in acquiring a variety of job competencies as well as investing in personal financial arrangements and a widened skill repository. These provisions and capabilities will be essential in equipping the individual with a measure of insurance against such exigencies as temporary unemployment (and underemployment), as well as with coverage of contingencies for old age and retirement. It shall hence be important for the territory’s educational system and its ancillary body of training institutions to restructure themselves in order to better serve the needs of future entrants to the job market, especially in enabling them to cope with a ‘flexi-career’ route after entry. In addition, if and when people have to move around between jobs and enterprises in response to transient opportunities, it will be less tenable for job loyalty, organizational commitment and occupational identities to take root within the territory’s enterprises, whose workforce is already known for its high job mobility.

The second phenomenon relates to a likely new horizon of workplace expectations regarding job performance and its appraisal and evaluating standards, to be mutually appreciated by the manager and the managed. This is probably due to the rise of a more articulate and less quiescent work force, whose younger, better-educated members yearn more for job autonomy, self-actualization and employers’ feedback on the quality of their performance. In this connection, it is important for future employers to be more apt and open-minded in administering and upholding standards of equity and justice in the workplace. It has been conventional wisdom in human resource management to govern the workplace in a rational manner, by adopting, for instance, appropriate instruments of job evaluation, work appraisal, incentives and payment. It is likely that these devices will be improved and applied with more scientific rigour in future. Otherwise, any sentiments of deprivation or unfair treatment among the workers are liable to feed growing workplace agitations which could explode into drastic group protests, now that solitary grievances can no longer be easily ignored or swept away as unimportant for the more inquisitive and younger generation of Hong Kong workers.
(ii) Political factors

The politics of the territory’s normative-institutional transformation in preparation of the 1997 changeover have already been well documented elsewhere. Fear of a national political divide personified by the year 1997 has spurred many in the territory to recoup pay-offs and profits as quickly as possible both in work and business. The contradictions and contests of interest between the employer and the employed are likely to be sharpened as a result of both being driven by the quest for swift monetary returns. In this context, accentuated labour-management conflicts are almost inevitable, given the present socio-political climate, which is hardly conducive to trust building in employment. Instead, relentless haggling and strained industrial relations are more likely to predominate in the work place now and in future.

Of even wider and graver implications is a steady and epidemic-like tide of politicization of social, industrial and labour activities and episodes. Following the introduction of direct election to the territory at the beginning of this decade, electoral politics have been contested more and more keenly by a spectrum of political and quasi-political groups (including trade unions and labour organizations) over a diversity of sectarian interests they purportedly represent. Illustrations of current labour issues which have become politicized, and which threaten to polarize public opinions into rivalling voices, are the recent cases of (i) labour importation and (ii) arrangements for territory-wide retirement protection and an old-age pension. It is noticeable that on both issues, a consensus of the general public has been hard to attain, in spite of prolonged and patient exercises of consultative briefing and haggling by the government, let alone the availability of such time-honoured joint forums for labour policy formulation as the tripartite Labour Advisory Board in tapping and mitigating the diversity of public opinions.

As part of this politicization process, mushrooming social movements and related militant protests and actions, most of which took place in the early 70s in the aftermath of the 1967 civil upheavals, but of which there have been a resurgence in the wake of the 1997 changeover, have encouraged less docility in today’s labouring mass. Working people have become visibly more capable of articulating sectional interests and demands through such means as public rallies and demonstrations, street-corner posters, press communiques and other forms of media coverage. While the general level of societal awareness of injustice has been greatly enhanced as a result of the grassroots participation in these movements (manifested, for instance, in chiliastic campaigns which these pressure groups organized, often with the purported intent of striving for better housing, medical services, regulation of public transport fares, etc.), the spillover effects of these high-profile methods of pursuing social campaigns have also influenced and altered the disputants’ behaviour in many trade disputes in the labour arena. For instance, disgruntled groups of public sector employees
in the ambulance and fire-fighting service staged, in the late 80s, dramatic hunger strikes when they demanded work hour improvements, while the televising of the landmark strike of Cathay Pacific Airways’ in-flight crew in early 1993 clearly had an impact on the way the dispute was handled.

These incidents notwithstanding, the important question to be asked is whether the territory’s industrial relations will be prone to radicalization, if they are consistently eclipsed by the secular tendencies in this politically neurotic community towards politicizing any collective issues, including those of labour and employment. The answer, though it must be given cautiously, is that it probably will not happen. This is because most political organizations (or parties) in Hong Kong are in general inclined towards a moderate rather than a radical platform which caters for the broad interests of the general public, and does not espouse the narrow and parochial voice of any particular class or sectional group to the exclusion of others’ interests. Given this pragmatic mood of restraint and moderation of its political programmes, it is unlikely that organized labour in Hong Kong will adopt a radical agenda, in spite of the advent of a new political order attending the introduction of popular elections and the institution of a Western-style system of political parties. There are, in addition, two other important stabilizing influences which help, in spite of the reigning atmosphere of uncertainty looming over 1997, perpetuate the status quo of labour-capital co-operation and its stability in the territory. These are the stance of the labour administration and the status and configuration of the territory’s labour movement. Each of these will be considered briefly.

**Labour Administration and the Lever of Tripartitism**

The labour administration in Hong Kong, while an integral element of the government, has historically featured a tradition of popular consultation in policy decisions, which has made it relatively distinctive vis-à-vis other official functionaries. This tradition is anchored upon the principle of tripartitism, which not only recognizes the three principal parties concerned with labour and employment matters (the government, employers, and employees and their collective organizations) but also affords each a role (always in parity status) of participating in public policy decisions deemed relevant to their interests. Such a system, which allows the interests of the different parties involved to be represented in the important process of consultation before the formulation of any policy decision, has often been attributed to the tripartite formula perhaps best illustrated by the International Labour Organization (ILO), in the authorship of international instruments of labour standards known as International Labour Conventions (ILCs) and other areas of its internal government. However, the practice of the three party principle in the territory
is also a local heritage which has been perpetuated and sustained in the veteran and tripartite institution of the Labour Advisory Board, ever since Britain introduced it to all the dependent territories throughout the Commonwealth in the 1920s. This tripartite mode, still used today, has effectively buttressed the representative basis of important legislative and administrative decisions in the labour arena. Not only does it provide the primary source of legitimacy for new labour law which the government enacts, but also it helps assure that a multilateral dialogue of negotiation and co-operation will be sustained among government officials, the employers and workers in order to build a framework of consensus. And it is often within such a joint forum that interests and opinions can be discussed, reviewed and negotiated in a peaceful, pragmatic and accommodating fashion. Such a mechanism has, therefore, served Hong Kong well in the past, especially in helping stabilize its labour relations and lessening the risk of an anomic drift towards an adversarial state of class-denominated antagonism between labour and capital, which could have otherwise polarized employers and the employed.

It will be worthwhile to briefly introduce important consultative organs associated with the jurisdiction of the labour administration to help illustrate how tripartitism has worked in Hong Kong in contributing to the consolidation of relatively stable and conflict-free labour-management relations. The first is the Labour Advisory Board and the second is the recently created Occupational Safety and Health Council, both of which are made up of a tripartite membership.

The Labour Advisory Board (LAB), created as early as in 1927 under the chairmanship of the now defunct Secretary for Chinese Affairs for advising the governor on employment policy, is the longest-standing organ instituted by the government to provide a consultative forum on the deliberation of labour matters and policy. Initially designed in the 20s following the Commonwealth-wide blueprint promulgated and circulated by the British Foreign Office, it used to include only representatives of major employers, but was restructured in 1946 to become tripartite in nature. As the principal body responsible for consultation and seeking co-operation of the key interested parties in labour matters in Hong Kong, the board now regularly advises the Commissioner for Labour on policy issues pertaining, especially, to legislative enactments and the application of international labour standards. Normally chaired by the Commissioner for Labour or his deputy, the board comprises 12 members, 6 representing the employers (5 of whom are nominated by each of the 5 major employer associations, with the remaining one being appointed by the governor) and 6 representing employees (5 of whom are elected from and by the registered employee unions themselves, although one still continues to receive his appointment from the governor directly).

Just how tripartitism works is illustrated by the consultative process that precedes the enactment of labour legislation. Where there is a need to introduce
a new item of labour legislation, the government will normally place the proposal before one of the board’s specialist tripartite committees which is concerned with the subject in question. Similar to the parent organ itself, these specialist committees are made up of members either drawn directly from the employer and employee representatives on the board, or co-opted from the concerned industries representing, once again, the interests of labour and capital. The specialist committees are often able to canvass a spectrum of views from the perspectives of different interests in their deliberations before formulating their comments for the main board, which will collate and further examine the details of the relevant legislative proposals in light of such feedback before submitting their advice and recommendations to the Labour Department. Such a circuit of committee scrutiny work in the consultative stage, fashioned within the tripartite framework of the Labour Advisory Board, helps ensure a measure of in-depth involvement and participation of representatives of the two sides of industry in the government’s deliberations over the territory’s labour and employment policies.

Another tripartite organ of growing importance to labour and industry in the territory is the Occupational Safety and Health Council (OSHC), which was created by law as a statutory body in 1988 to promote territory-wide standards and awareness of occupational safety and health. Emulating the formula of the Labour Advisory Board in structure, the council and its subsidiary body of committees are also constituted of representatives of the government, employers and employees. Funded by a levy charged against the value of employees’ compensation insurance premium, the council is now a key agency which devotes itself, through its tripartite network of inputs, efforts and performance, to advancing the level of industrial safety, instituting safeguards about health and safety at work and in the work place, and propagating safety consciousness in the working community. The work of the labour administration in the area of occupational safety and health is clearly strategic to advancing labour’s well-being and stabilizing the economy’s performance, insofar as a relatively accident-free labour force often performs better, with improved morale and increased commitment, and a higher level of reliability and productivity. In this connection, the tripartite approach has once again proved instrumental in mobilizing the participation and contribution of both labour and management, whose joint and voluntary efforts are clearly essential for lowering and controlling the territory’s propensity towards industrial accidents and mishaps.

That the tripartite principle of policy discussions and deliberations has worked well in balancing the incongruent or even opposing interests and standpoints of employers and the employed is an important factor which any future architects of the labour policy-making machinery (for instance, those to be installed after 1997) have to recognize and if possible, endeavour to conserve. Up to the present, there have been hopeful signs that the practice of an
equilibrating system of tripartitism (effective as it has been so far in integrating sectional interests at employment and consolidating a labour-management partnership) has been and will be adopted on an increasing scale for dealing with labour, employment and manpower issues. The latest example in this connection is the recent formation of a statutory board on retraining using the tripartite formula, in the wake of rising public concern and anxiety about industrial and skill obsolescence which the economy’s restructuring and technological advances have precipitated. However, it is also evident that the fundamental issue of the power differences between labour and capital, especially in terms of their organized strength as collectivities, might weaken or strengthen the relative efficacy of a tripartite machinery for determining labour policy, as well as the legitimacy of its subsequent application in the work place. Therefore we shall now turn to this element of the territory’s union combinations, both at present and in future.

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The Labour Movement: Feeble or Restless?

The territory’s labour movement has been relatively well documented in the relevant literature, whether for reason of its historical association with China’s socio-political movement since the 1920s, or its traditional and inherent nature of yielding easily to politicization and fragmentation along ideological lines, or its industrial feebleness as a job-conscious workers’ combination which has not always been efficacious in effectively countervailing the employers’ prerogative at the work place, etc.⁴

Although these properties of Hong Kong unionism have ready been examined briefly here, it is probably worthwhile to emphasize again that the local labour movement has, since its early days, been interwoven with politics, especially Chinese politics. For this reason, the government has always been cautious, albeit permissive and generally tolerant in attitude, in dealing with trade union issues. In this context, it has relied essentially upon the Trade Unions Ordinance in order to regulate union organizations, otherwise it has been refraining from tampering with the freedom of workers’ combinations and industrial associations (of employers).

However, Hong Kong trade unions have been afflicted by a multitude of solidarity and organizational problems, in spite of the interest they now inspire as labour’s representative organizations in the wake of the present euphoria over electoral politics. Foremost is the issue of proliferation of small and rivalling unions (usually but not invariably, stemming from splintering breakaways) which has led to multi-unionism at all levels of the economy, industry, occupations and even the enterprise. Such a state of union pluralism, which ironically has helped buttress the cherished freedom to associate in Hong Kong, has created a diversity of labour organizations which is not only
detrimental to the solidarity of the overall union movement but which is also
unwittingly sustaining a local culture of employers conservatism, which avoids
or even resists the extension of voluntary recognition rights to unions. For this
and other reasons (including such factors as the lay nature of union leadership,
the sparsity of their organizational resources, the predominance of the small-
firm industry as well as a relatively mobile labour force), unions in Hong Kong
have experienced nearly insurmountable obstacles in organizing newer industries
and occupations. The exception is the civil service, which has been the principal
(and perhaps only) sustaining drive behind the recent gains of the labour
movement in expanding into white-collar sector unionism in the territory.
Otherwise, the union movement has remained stubbornly divided and
industrially docile, apart from ad hoc situations such as seeking pro-labour
legislation and public policy measures from the administration and the now
elected legislature, the Legislative Council. In spite of a recent increase in
unionization of the territory’s labour force (which has just passed the 20%
level, apparently in response to the trade unions’ politicking efforts to prepare
for the 1997 changeover, as well as to the popularization of electoral politics),
Hong Kong workers’ propensity for joining unions and participating in their
activities remain limited. Instead, among most of them a stereotyped apathy
continues to prevail. To them, who retain an element of earlier generations’
refugee mentality, trade unionism is still either irrelevant or simply marginal
— serving just as an cutlet for social activities or after-work leisure-cum-
vocational classes, or for concessionary purchases of co-operative distributed
types of merchandise.

Such a dubious spirit of mass support and involvement in union
combinations probably helps explain the reluctance of Hong Kong unions to
organize of their own accord and with their own resources any radical acts of
large-scale industrial militancy, such as calling a strike to sanction employers.
The unions’ awareness of their industrially feeble organizing power, and hence
their restraint and caution over rupturing peaceful co-existence with employers,
corroborates an earlier observation in this paper about the territory’s relative
freedom from work place strife in industry in its post-war labour history. Even
where there were sporadic outbreaks of striking episodes staged by the unions,
most landmark actions collapsed (noticeably, in recent events such as those
involving the train drivers’ union of the Mass Transit Railway Corporation in
the mid 80s over its recognition, and the flight attendants’ union which
mobilized its members against Cathay Pacific Airways in response to the latter’s
corporate renewal efforts at the beginning of 1993). In balance, these industrial
dramas have instilled further doubts in the minds of both ordinary workers
and union leaders about the efficacy and future prospects of waging industrial
warfare in Hong Kong.

For this reason, it is perhaps legitimate to argue that trade unionism and
its leadership in Hong Kong have been pragmatic and accommodating, especially
given their pluralistic multi-union nature. At the end of 1992, there were 511 registered trade unions altogether, of which 409 were employees’ unions which claimed a total strength of 525,538 members, comprising 362,916 men and 162,622 women. Within the realm of organized labour today, there is a significant white-collar component as well, as is evident in a total of 177 civil service unions, most of which were vanguard white-collar organizations in the movement. The internal diversity of the labour movement can be appreciated, in addition, not only in terms of the blue-collar vs. white-collar divide but also by virtue of the number of federation-like trade union centres which have existed. At present, three such labour organizations appear most representative, numerically, in terms of the membership strength declared by their affiliates. These are the pro-China Hong Kong Federation of Trade Unions (FTU), the pro-Taiwan Hong Kong and Kowloon Trades Union Council (TUC) and the more recently established Confederation of Trade Unions (CTU), which has featured a clear affinity, as distinct from the FTU and the TUC, with new white-collar unionism. Outside the organizational ambit of these three union centres, it is also noticeable that quite a large number of unions are organizationally independent, without affiliation with any union federations. In this connection, several features concerning the present state of the labour movement and its future prospects are worth noting.

The first of these is that in the course of the territory’s democratization process, these union organizations are expected to play a more significant role in articulating the socio-industrial needs and political wishes of the workers. Before 1985, only two trade union leaders were appointed to serve on the Legislative Council. Since then, two Legislative Council seats have been assigned to the labour constituency, with registered trade unions forming its electoral franchise. This is analogous to the mode of the Labour Advisory Board election. In addition, several key personalities drawn from the leadership of the labour movement have been returned to the Legislative Council under direct election introduced in Hong Kong in 1991. Moreover, under the Basic Law to be instituted for the Hong Kong Special Administrative Region (SAR) after 1997, trade union participation is expected to continue playing a key role in the election of both the legislature and the chief executive in the SAR government.

Secondly, by virtue of its participation in the political system, the social partnership of the labour movement in Hong Kong’s society will be conserved or even enhanced, now and beyond 1997. This will probably serve as an important lever for the territory’s trade unions, especially in helping improve and strengthen the hitherto tenuous basis of their industrial strength by first, supporting electoral campaigns and sponsoring political parties and their candidates for election to public offices and second, mobilizing the rank and file trade union members in order to wield sympathetic support from the grassroots labouring mass, outside the establishment’s corridor of power. However, in order for a more authentic and collaborative form of industrial
partnership to emerge among organized labour, employers and the government, several key areas of improvements in the employment arena deserve attention, and may be envisaged as items for the future labour agenda.

**A Labour Agenda?**

It will be imperative for trade unions to streamline their internal administration in order for unions to perform better and hence be more attractive to fresh members, especially from newer industries and occupations. It would be equally desirable to promote and advance inter-union co-operation, if the frictions of multi-unionism were to be contained and the Hong Kong labour movement were to become less divided, better integrated, more solidaristic and hence more representative and effective in dealing with employers. Although there have been growing signs of the resumption of harmonious relations between left-wing and right-wing union groups (namely, the FTU and the TUC), it is still obvious that their politico-ideological differences, even where they have moderated and are more amenable to adjustment than they were before, have effectively precluded a united labour front from consolidating.

Given the characteristic aversion of the Chinese to open collective confrontations, work place industrial relations can hardly be strengthened by teaching trade unions to forcibly wrestle recognition from their private employers with threats of their industrial muscle. Instead, such an objective has to be accomplished gradually and peacefully by erecting a joint machinery of labour-management dialogue in enterprises, which can be instrumental in promoting a more collaborative relationship between the two sides. In particular, such a work place arrangement is strategic in dealing with shop floor grievances which have afflicted both the quality and stability of human relations in Hong Kong enterprises. This can either be accomplished voluntarily upon the private initiatives of establishments which have adopted more enlightened approaches to and practices in human resource management, or it can be given institutional auspices, to be vested with statutory authority, as proposed by Turner and his associates in their labour studies of the 70s and 80s. In a nutshell, the blueprint they recommend requires all firms with 100 or more employees to set up under the law a joint arrangement for employee representation, involving the latter’s formal right to consultation ‘not merely on the narrower questions of welfare, physical conditions and the like ... but also upon the broader issues of pay, fringe benefits or related matters and of work place grievance procedure’.6

These prescriptions will probably serve to enshrine a locally workable form of industrial partnership at the enterprise level without necessarily imposing upon the territory a Western-style system of adversarial collective bargaining, about which most employers are apprehensive for fear of its rigidity regarding the wage market as well as its implications of conflict. However, its prospects
as a functional alternative to collective bargaining clearly depend upon the attitudes of the government and employers which are, up to the present, still lukewarm. Even the commitment of labour unions to such a model looks more dubious and uncertain than unequivocal, given their continued faith in the so-called rights of collective bargaining (which are virtually tantamount to the rights of union recognition for the purposes of collective bargaining). Organized labour’s ambivalence is perhaps understandable in the present political context, where trade unions are anxious to vindicate their institutional status and societal image in the run-up to 1997 by securing more definitive rights in advance.

**Conclusion**

In this context of impasse and ambiguity, it is incumbent upon the official administration to assume a strategic role. In its tripartite capacity, the administration has to balance the diverse interests of labour, capital, wage earners, producers and even the consumers in its search for an acceptable formula of interest accommodation and compromise, if not for a wholesale consensus among the parties, which shall continue to enable it to deal effectively with labour and industrial relations in Hong Kong. For Hong Kong society, which is anticipating 1997, this is an intricate agenda on the labour and employment front, and it awaits further tripartite input and endeavours in order to be formulated with imagination, wit and determination.

**Notes**

1. This paper has been re-written by the editors who have combined, in an abridged version, the three original essays contributed by the other three authors. These are: (i) ‘Tripartism in Labour Administration in Hong Kong’, by the Labour Department of the Hong Kong Government, (ii) ‘Industrial Relations in Hong Kong in the 90s’, by Tam Yiu-chung, and (iii) ‘Strike Activity in Hong Kong — Industrial Conflict or Harmony?’, by Wong Yui-tim.
4. Indeed, this prospect is not just unique to Hong Kong. It is also a popular theme canvassed about the ‘future organization’ which is likely to characterise the status and nature of work in Western societies of tomorrow. See, for instance, Handy’s discussion of the ‘spliced careers’, Charles Handy, *Understanding Organisations*, Harmondsworth: Penguin, 4th edition, 1993, pp. 367–70.
5. The spirit of ‘tripartitism’ is hence a sacrosanct ‘guiding’ principle which permeates a host of international labour instruments, such as International Labour Convention
No. 144, on Tripartite Consultation (International Labour Standards), which is currently applied to Hong Kong with modification.

The Development of Labour Relations in Hong Kong and Some Implications for the Future

Ng Sek-hong

Introduction: A Tradition of Official Permissiveness

Hong Kong has always attributed its thriving economy to the free enterprise system. The government has pursued a professed policy of positive non-intervention, allowing the maximum possible amount of latitude to private voluntary arrangements in labour and employment practices so long as these are not excessively exploitative or abusive. Such a policy approach, which places primacy on the individual contract of employment, may be described as an official stance of permissiveness towards employment and labour relations. In essence, it mirrors a loose regulatory framework which is reminiscent of the earlier legal tradition of voluntarism in British labour law. 2

During the last two decades, the labour administration has become visibly more interventionist, and now has a relatively structured annual agenda of new labour legislation which aims to upgrade and maintain local safety, health and conditions of employment at levels ‘broadly equivalent to the best in our neighbouring countries, whose stage of economic development and social and cultural background are similar to our own.’ However, such a departure by the labour administration from an initial position of permissiveness is at best partial. For one thing, while the government is now quicker to intervene in the labour market, it has to be recognized that this change is largely a result of its newly assumed custodian role in the area of macro-economic management, assumed because the territory is presently being confronted with the incessant and omnibus problems of inflation and economic growth. For another thing, there remain important aspects of labour and employment into which the government is reluctant to extend its control and regulation. The resulting
fluidity in the local system of regulatory legal norms hence helps perpetuate the permissive character of Hong Kong’s industrial relations and employment practices.

**Historical Background**

Historically, Hong Kong’s labour administration has been staggering along in a low-key and passive posture, seemingly reluctant to actively intervene into labour standards in the employment market. Its status within the overall governmental machinery has been at best subsidiary, especially before the Second World War, when a labour sub-department (of lower status than a full department) was created under the jurisdiction of the Secretary for Chinese Affairs in 1927. It was not upgraded to a full-scale government department until 1947. Earlier, in the late 1930s, the territory’s first labour officer (whose office was equivalent to that of the Commissioner for Labour today) published a comprehensive review of local labour and labour conditions which seemed to contain glimpses of enlightened tendencies of a colonial administration on labour matters. The report, popularly known as the Butters Report (after its author), was surprisingly liberal and reformist in its language and insights, especially in canvassing a series of rather far-reaching recommendations aimed at reforming the local system of labour protection, trade unionism and labour market regulation. There was a proposal, for instance, to conceive a British-equivalent body of trade union law as well as an idea of instituting a statutory machinery for setting sectoral or industry-specific minimum wages in the form of trade boards. The Butters Report might almost have attained the status of a quasi policy document on Hong Kong labour and employment reforms in the subsequent decades, were it not for the outbreak of wartime hostilities. Although some of its recommendations were put into operation after the war, these were at best sporadic measures adopted in a piecemeal fashion.

When Hong Kong was on the threshold of industrial take-off in the 50s, the labour administration had apparently already retreated to a relatively self-effacing position, especially in the aftermath of the socio-political upheavals in China after the Second World War. Echoing the industrial vicissitudes of Victorian England, low pay, child labour and long work hours were then prevalent, stigmatizing Hong Kong as one of the world’s leading sweatshops. This was especially visible among the textile mills in a labour surplus economy, when Mainland refugees flooded the local manpower market with a vast pool of semi-skilled and unskilled labour. Although hesitant to actively intervene to curb the (exploitative) inhospitalities of industrializing capital, the government was yet conscientious enough to introduce to the statute book such labour related legislation as the first Trade Union Registration Ordinance of 1948, the Factories and Industrial Undertakings Ordinance of 1955 and the
Workmen’s Compensation Ordinance of 1958. Otherwise it appears that the labour administration imposed no other limits, and simply dealt with issues associated with workmen’s unions, labour disputes, cost of living, work hours of women and young persons in factories and workshops, etc. Apart from passively playing this contained and residual role of a labour protector, the government was consistently aloof and detached from private sector labour and employment issues. A labour policy at the macro level has yet to crystallize.

Labour Reforms Since the 70s

The watershed years for labour reform may have been the late 60s and early 70s. The 1966/67 civil disturbances alerted the government to society’s latent social grievances and deprivation, which were exacerbated by industrial affluence yet denied proper expression and articulation under the pre-existing arrangements of established institutions largely unable to cope with the changing socio-political context. An official mood of reformism was subsequently set in motion, not with the aim of achieving a welfare state but just to prudently ameliorate flagrant injustices and pre-empt conflicts and help enshrine ‘a framework of constraints and ground rules in the law’.4 The government’s increased tendency to intervene into private sector activities could have also been induced by other official motives. One possible reason for its increased intervention was to help eradicate the long-standing image of Hong Kong as a thriving sweatshop so as to improve its status for textiles exports and tariff negotiations, especially in the EEC sector. Politically, creating better employment conditions would also have addressed social critics overseas, notably the lobby of the British trade unionists, and in addition may have been an effort to harmonize local labour standards with the International Labour Conventions and comparable provisions in other neighbouring countries. Furthermore, there was an implicit sense of moral patronage which reflected a mildly paternalistic consciousness on the part of the governing elite of the need for social and labour reforms in the territory.

Amidst such reformist euphoria, a stream of protective and regulatory labour enactments aimed at upgrading labour’s standards and employment benefits were added to the statute book from the late 60s onwards. The inventory of labour law was hence impressive for the number of new legislative items it adopted, considering that ‘an official brief lists(ed) 171 “items of legislation of concern to the Labour Department passed since 1963”’. Initially, ‘up to 1968 an average of seven such items were adopted in each year, but from 1969 to 1977 the figure more than doubled, to fifteen’.5

However, many of these legislative initiatives were just stopgap measures, often stemming from ad hoc official responses, and affording at best marginal redress of workers’ disadvantages, vulnerabilities and insecurities at employment.
In retrospect, it appears that the effects of officially orchestrated reforms were to leave permissive labour relations substantially unaltered. The limited effect of these labour law prescriptions on the status quo of Hong Kong’s industrial relations and labour protection has led to the following observation:

Adherence to this principle explains the non-coercive nature of the conciliation and arbitration procedures, the inability of the labour tribunal to deal with disputes of interest, the limitation of the portfolio of statutory employment benefits to the relatively peripheral items of leave, holidays and job security, leaving the key issues of general wages and work hours basically unregulated.6

The Case for a Better-Regulated Framework

In recent days, the official non-interventionist stance has gradually eroded, as the government has extended, either proactively or reluctantly, its regulatory lever into the private sector’s labour and wage markets in response to the challenge of an inflationary economy. Especially noticeable among the various official measures adopted in this connection have been, for instance, (i) the administration’s appeal for voluntary wage restraint in the private sector, chiefly by moral suasion but also through the indirect measure of containing civil service pay rises within non-inflationary levels; and (ii) the government’s decision to approve the massive intake of foreign workers into the local labour market under the newly introduced import labour scheme. The ramifications of the latter are conspicuously interventionist in that it has augmented the labour supply in the private economy at given wage prices, thereby curtailing the upward movement of local wages.

It has been argued that towards the end of the last decade the administration’s labour policy became increasingly unrecognizable, as it no longer simply inspected and reflected upon the government’s legislative intentions when passing new labour legislation. Instead, in the broadened and more complex context of a modern economy, workers and their unions are now also significantly affected by official decisions in the associated areas of manpower, employment and wages, which are primarily instruments of the government’s policies on economic management and stabilization. No matter how reluctant it was to do so at the beginning, the administration has intruded more and more into the private labour market and sought to justify such intervention as a prudent way to foster economic growth and control inflation in its capacity as the guardian of a stable and prospering young urban economy. Yet such policy measures have appeared disturbing by looking fragmented and poorly coordinated, being often of a stopgap nature and lacking any long-term insights or elements of coherent planning. Here, the government’s prolonged indecision on its initial position vis-à-vis such controversial policy issues as import labour and
anti-inflation prescriptions would probably serve to illustrate the inconsistencies of a troubled administration. This indecision was echoed again in a policy reversal by the administration on its previous decision not to introduce any territory-wide compulsory arrangements on retirement security when it hastily decided, two years ago, to introduce mandatory retirement benefits for the entire work-force, apparently as a compensatory deal to appease labour’s agitation over the import labour scheme.

The onset of an industrial drama in January 1993 again exemplified the above labour policy dilemma. This time, an almost historic 17-day strike was waged by more than 3000 air hostesses against their employer, Cathay Pacific Airways. The strife provoked widespread attention from the public media to the contentious issue of whether a more regulatory legislative framework was needed to govern the local arena of collective labour relations and industrial conflict.

The scale, duration and public visibility of the dispute in part transformed the strike into a form of quasi-social protest. There were signs of its politicization when the strikers resorted to such actions as demonstrations, signature campaigns, and petitions and siege of the Government House, while political representatives from the Legislative Council and political parties started pledging their sympathy for the strikers.

Of far-reaching implication are those policy questions now arising in the public’s minds as to whether or not the existing labour law on collective industrial relations warrants major overhaul and improvement, especially in answering the audible lobby, in business as well as among labour unions, for increased legalism in the existing arrangements such that:

(i) the law should make it obligatory for employees and their unions to give the employers appropriate notice of an anticipated strike,

(ii) the government, even when the employer is a private business such as an airline, should intervene more actively with authority in a labour dispute in order to arrest an impasse of prolonged work stoppage and with a view to helping resolve the dispute, and

(iii) the persisting grey area of labour relations in Hong Kong which allows strikers the freedom to stop work (without being subject to any legal action, but also with no right to protect their job security) should be clarified in order to make the rights of both parties more explicit.

Discussions on the freedom to strike have been notoriously thorny and problematic. Therefore, a brief review of the historical ambivalence of the government and the law in this area will help illustrate the labour administration’s dilemma, given its obligation to balance diversified sectional interests, as well as to maintain social justice and industrial stability in society. Possibly, the impasse stemming from these contradictions is the price which must be paid if a permissive and workable system of industrial relations for the territory is to be sustained.
Freedom to Strike

A classic illustration of the official permissiveness in dealing with local labour and industrial relations within the territory is the ambiguity arising from the distinction between the freedom and right to strike, and the fact that only the former and not the latter has been recognized by the law. The general position appears to have been, following the repeal in 1975 by the Labour Relations Ordinance of the now defunct Illegal Strikes and Lockouts Ordinance, that the notion of an illegal strike is no longer valid, since ‘inasmuch as strikers have been freed of illegal connotations, workers in Hong Kong are no longer subject to any legal disabilities if they strike.’ However, an ambiguity remains since freedom to strike is not tantamount to ‘a positive and unequivocal “right to strike”’ as enjoyed by the workers at law. Under the latter condition, strikers are, as in continental Europe, afforded job protection by the law, which recognizes that ‘a strike only “suspends” an employee’s obligation pursuant to his labour contract to work during the period of a strike. It does not repudiate it altogether.’

A possible way to address this legal gap is for Hong Kong to emulate France and Italy, where the right of employees to strike is constitutionally guaranteed and strikers’ right to reinstatement has been established judicially. Such a legislative reform would neutralize the common law peril that ‘the individual who takes part in a strike almost certainly breaks his contract of employment and this even if he gives strike notice to the employer.’ This suggestion has emerged recently on local public forums and has been embraced by the liberal segment of the politically elected members of the Legislative Council, as in the wake of the air stewardess strike against Cathay Pacific Airways in January, 1993.

Such a proposal for enhancing strikers’ job right by incorporating the suspension doctrine in labour law may be problematic, however. First, such a measure would require a precise and workable legal definition of a strike and its scope in order to furnish strikers with the necessary statutory protection. This exercise would entail, in turn, substantial controversy over what activities would qualify (an example of an activity in question is the clouded treatment of spontaneous wildcat actions which lack a strike notice, are not sanctioned by the union and would be problematic in the local context, inasmuch as strike activities in Hong Kong are mostly of this nature).

Even thornier, however, would be the ramifications of such a legislative endeavour to the extent that it would imply, first, the prospect of re-introducing to the law the coercive notion of an illegal or unlawful strike, largely because of such a statutory attempt to make the boundary explicit, rather than leaving it ambiguous as under the present state of openness and fluidity. Second would be the expected apprehension of local employers and their associations, as such an unequivocal protection of the strikers would possibly lessen workers’ deterrent
to strike (due to the fear of jeopardizing their job security by striking) and would thus encourage ‘workers to stop work for trivial reasons’. The argument follows that any increase in the local work-force’s propensity to strike would curb the economy’s competitiveness in global business and trade, as well as decreasing its attractiveness to foreign investment, given Hong Kong’s almost strike-free record of nearly two decades in the past.11

In addition, strikes and work stoppages have become less popular among the working class today. For instance, when a strike erupts in such essential services as the public transport sector, public sympathy is likely to evaporate rapidly. If the stoppage inconveniences the community, there may be ‘public pressure to keep the strike under rein, so long as it is seen to serve merely sectional interests at the peril of exposing “to serious hardship masses of people who do not have the slightest influence on the outcome of the dispute”’.12 For instance, Britain, given her experience with the post-war strike syndrome, has nurtured a legal theory which laments that ‘the victim of many strikes is . . . “the working class itself”’,13 in view of the damages which a strike is liable to inflict upon other workers than the strikers themselves.13

The debate over the legal spectrum of the freedom and right to strike is intricate, extended and cumbersome. Understandably, the administration, in its characteristically permissive or voluntaristic mood, is likely to favour a statutory status quo which has, since 1975, accorded only vague and at best, implicit, recognition of the legal status of the strike in the statute book.

However, the labour movement and sympathetic political parties are sceptical about the law’s lukewarm stance and are hence anxious to make striking an express and legally protected right, now that the Basic Law for the Special Administrative Region of Hong Kong after 1997 has provided a constitutional guarantee of the right and freedom to strike, by virtue of its Article 27. Possibly, a compromise solution to this dilemma is for future labour law to introduce, instead of ratifying the suspension theory per se, a generic employment protection measure such as the unfair dismissal provision of the British Employment Protection (Consolidation) Act of 1978. Such a legal norm would serve to ‘discourage employers from dismissing strikers en masse then re-engaging them selectively afterwards, a practice which would amount to “unfair dismissal” on the grounds of being discriminatory’. In this connection, it would have offered a prescription ‘very close to the continental systems by which a strike merely suspends contracts of employment.’14

The Dilemma

The above discussion sketches ideas canvassed from different perspectives on a key issue which pertains to regulating strikes as well as improving their appropriate safeguards in Hong Kong. Other associated issues were identified
during the strike against Cathay Pacific, such as whether or not (i) a strike
should be preceded by appropriate balloting and notice procedures, and (ii) the
provisions for the cooling-off period under the Labour Relations Ordinance,
enacted in 1975, should be put into effect in order to enable the government
to intervene more effectively in a work stoppage, and if so, when. (In principle,
the latter lever, held on reserve in the statute book, would materially assist
disputants locked in a prolonged work stoppage to break the impasse.) All of
these issues are equally complex and each deserves detailed investigation if their
dimensions and implications are to be explored seriously. They once again
mirror the pervading dilemma of labour and industrial relations in Hong
Kong. Any official acts of intervention, whether they are legal or administrative,
are likely to further upset the industrial relations equilibrium, based on the
legal permissiveness of the Hong Kong system, which many Hong Kong people
believe serves their interests well. Looking ahead, the fundamental choice facing
the territory is how far it is prepared to go in attempting to modify the present
system for the sake of achieving a more equitable, just and (socially) efficient
society. And, concomitantly, what is the price it is willing to pay to achieve
this, especially considering that these institutional changes are likely to have
important and far-reaching effects (which will not be easily reversible) upon
salient aspects of its existent economic system, including, possibly, risks to
erode the long-cherished economic advantages of flexibility. Finding the answer
may be another dilemma the territory will face in hammering out its future
social agenda.

Postscript: Can the Hong Kong Experience Offer a Model for Emulation Elsewhere?

This chapter has briefly outlined Hong Kong’s industrial and labour experiences
as the territory has evolved from an entrepot for Sino-British trade before the
Second World War, through the transition into an export-oriented industrial
colony in the Far East in the 50s and 60s, and subsequently into a service (or
post-industrial) economy known for both its cosmopolitan nature and its
increased integration with a rapidly modernizing China. Hong Kong is now
in the league of leading new industrial economies in East Asia. The image of
Hong Kong as a capitalist city whose economy has thrived within a permissive
institutional framework has won worldwide admiration as a free-market model
seemingly worth emulating by other new industrial economies in the course of
their socio-economic development, or even by advanced industrial nations
now searching urgently an effective way to achieve economic renewal. But is
the Hong Kong lesson genuinely instructional?

As pointed out in this chapter, the chronicle of these experiences is in part
a reflection of exogenous developments of and influences to Hong Kong in its
history, to which it has (and had) to respond and adapt, often without much room for proactive initiatives of its own choice. In part, its present accomplishment is also the legacy of a basically competent colonial administration which, for the most part, limited its governing role in Hong Kong, at least until the 70s, to maintaining law and order, policing internal stability, overseeing public works, and relieving the poor. The aloofness of this governing style has captured increasing global interest and admiration for having inspired the creation of a model economy. It has been by allowing the market for private and free enterprise maximum latitude, rather than by obtrusive state intervention and social engineering, that Hong Kong seems to have excelled.

Yet the irony of Hong Kong is that its achievements are probably the result of accident, not design. One might nevertheless argue that the impression mentioned above is based on logic. For example, one might attribute the virtual lack of state planning in Hong Kong to a market or culturalist approach. Nevertheless, it remains evident that Hong Kong has grown prosperous essentially as a convenient marketplace-cum-workshop in which systematic social and economic engineering has been conspicuous for its absence.

It is hence natural to be somewhat uneasy about trying to use Hong Kong as a model of testing theories of industrial development in social experiments. Doubts arise as to the legitimacy of giving Hong Kong fashionable labels along the lines of ‘economic restructuring’ or participation in the ‘new international division of labour’. All these processes have a connotation, however implicit, of planning stemming from a national centre. But Hong Kong’s activities in the realm of economic restructuring or the new international division of labour have rather been dictated by relatively bizarre market responses and human adjustments, and not in any way by a national strategy or development policy. Moreover, Hong Kong’s economic restructuring process to date would not have crystallized in its present form if not for the modernization and economic reforms now going on inside China. Earlier, the inception of Hong Kong as an export-oriented industrial economy and its subsequent involvement in the international division of labour (for instance, its role as an offshore production base, essentially ancillary to advanced industrial economies like those of the USA and Japan in the 60s and 70s) would not have taken root were it not for the waves of regional upheavals caused by the civil war in China in the late 40s, the Korean War in the 50s, and the Vietnam War in the 60s and 70s. The volatility of the Hong Kong legend therefore raises serious doubts as to whether it can offer much as an instructive model, notably in terms of post-war development among the NIEs.

Conclusion

Even today, in spite of the fact that Hong Kong is being heralded for its
increasingly important role in the economic development process of China and East Asia, widespread uncertainty and institutional fluidity continue to exist, due to Hong Kong’s impending sovereignty transfer from Britain back to China. Some of the effects of this imminent change upon local of government and politics, business and the labour economy, as well as other walks of local life are being gradually documented in a growing volume of literature on Hong Kong in transition. It remains uncertain as to whether the political process of creating an almost entirely self-governing special administrative region under China’s sovereignty after 1997 will succeed in nurturing a Hong Kong identity, consciousness and culture — as in work, politics, the media and society at large. It is worth reiterating that, as was earlier observed in an authoritative commentary on organized labour in the territory, that its political milieu, especially that vis-à-vis China, was (and is) the overriding factor, as compared to economic and institutional variables, in influencing society, trade unions and industrial relations in Hong Kong.¹⁵

There are other factors which may cloud Hong Kong’s position on human resource and labour developments in the context of its future role in regional economic co-operation in Asia or global trade and business. One such factor is the relative openness or even immaturity of many of its institutional arrangements, in spite of its comparatively advanced transport, telecommunication and finance infrastructure. This immaturity has come about as the result of the institutional permissiveness discussed earlier in this paper. While this character is often considered a source of Hong Kong’s resilience, flexibility and competitive power, the relative feebleness of trade unionism and collective bargaining in the territory has often been attributed to underdeveloped social institutions, which in turn significantly affect human resources management and industrial relations in the territory.¹⁶ What has recently caused concern, given Hong Kong’s half-hearted pursuit of institutional advancement, is the absence until now of any legal or privately recognized code or norms regulating discriminations on the grounds of sex, race, etc. in the work place, in spite of the enactment in 1991 of a Bill of Rights Ordinance rectifying certain government duties on human rights. Nor has the legal ambit available for strikers been made unequivocally clear under the law, for reasons considered earlier. With the impending enactment of equal pay legislation following an enthusiastic attempt to extend to Hong Kong the application of the UN’s Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), previous institutional ambiguities are likely to be clarified, at least nominally, in the near future.¹⁷ In any case, it remains interesting to keep track of the viability of the territory’s celebrated institutional permissiveness, especially in answering the pivotal question of whether Hong Kong’s political transition, as well as its economic integration with China, Asia and the world, will help hasten or delay the future codification of standards and norms governing these issues in the territory.
Notes

1. This chapter is adapted from a paper presented by the author at the Conference on ‘Changing Employment Environments and the Development and Management of Human Resources: The U.S. and Hong Kong’, sponsored jointly by the Centre of Asian Studies, the University of Hong Kong and the Institute of Labour and Industrial Relations, University of Illinois, Hong Kong, held on 11 October 1993. This paper is entitled ‘The Government, the Labour Market and Labour Relations in Hong Kong: The Dilemmas of Intervention’.


8. Ibid.

9. Ibid.

10. A typical example is France, where the courts have held that strikes conducted for political reasons and sympathy strikes constitute an abuse of the constitutional right to strike and hence are unlawful. For the French system, see, for instance, M. Despax and J. Rojot, ‘France’, in R. Blanpain (ed.), International Encyclopaedia for Labour Law and Industrial Relations, Netherlands: Kluwer, 1979, pp. 209–10; also R. Birk, ‘Industrial Conflict: The Law of Strikes and Lock-outs’, in R. Blanpain (ed.), Comparative Labour Law and Industrial Relations, Netherlands: Kluwer, 1982, p. 302. Such a position was in partial parallel with the Hong Kong situation before 1975, when political strikes were illegal strikes under the now defunct Illegal Strikes and Lockouts Ordinance.

11. For instance, during the 1980s, the average number of working days lost as a result of work stoppages and strike per 1000 wage earners and salaried employees each year was 3.29. This was said to be amongst the world’s lowest levels. See Labour Department, Hong Kong Government, Labour and Employment in Hong Kong, Hong Kong, cyclostyled, 1991, para. 2.7.2, p. 16.


16. Some of these implications, identified by Professor Thurley ten years ago, are still largely relevant today. See Keith Thurley, ‘The Role of Labour Administration in Industrial Society’, in Ng Sek Hong and David A. Levin (eds.) Contemporary Issues in Hong Kong Labour Relations, Hong Kong: Centre of Asia Studies, University of Hong Kong, 1983, pp. 106–20. See especially the section dealing with ‘State organised labour control’, pp. 117–9.

Introduction

Australian industrial relations have traditionally been viewed as a variation on the Anglo-Saxon model, having little in common with those of Australia’s neighbours in the Asia Pacific region. Yet Australians are becoming increasingly aware of the significance for their future of economic and political events in Asia. A recent report by Garnaut, Australia and the Northeast Asian Ascendancy, commissioned by the Australian government, states that: ‘relations with Northeast Asia are an order of magnitude more important to economic development in Australia than are relations with any other region’.

Australian scholars of industrial relations have, however, tended to ignore the study of industrial relations in Asia. This has changed somewhat in recent years, though. Apart from the work cited above, two other developments deserve mention. First, academic industrial relations journals with explicit objectives such as ‘to encourage a comparative focus and link developments in Australia with those in the Pacific Basin’ have appeared. The journal of the Australian Human Resources Institute, for example, recently changed its name to Asia Pacific Journal of Human Resources in order to encourage an increased focus on developments within the region. Second, publications on labour market developments and structural change in ASEAN and Australia have begun to partly fill the void in comparative studies in Asian-Pacific industrial relations. Nevertheless, some Asian countries are still showing more interest in the Australian industrial relations system than vice versa.

This chapter will seek to chart some of the more significant changes in Australian industrial relations in the past decade which may be relevant to
other countries in the region. We begin with a discussion of recent developments in the newly industrialized economies of Asia and then proceed to examine changes in the Australian situation. It is not intended that Australia should be regarded as a model for other countries in Asia. However, the current debate about appropriate strategies for Australian industrial relations may be relevant to or have implications for countries within the region facing issues similar to those of Australia.

### Industrial Relations in the Newly Industrialized Economies of Asia

It has become increasingly apparent that the experiences of Western industrialized countries such as Europe and North America cannot be transferred readily to the newly industrialized economies (NIEs) of Asia. There is a growing body of research which indicates that new patterns of industrial relations are emerging in the region. In the past two decades, rapid economic growth has generated new opportunities not only in agriculture but also in the industrial and service sectors.

In most countries there has been a growing surge of new labour market entrants, and governments have played a decisive role in influencing labour market behaviour. Significant research of either an empirical or conceptual nature concerning the emerging pattern of industrial relations in these countries, however, has been very limited. Nevertheless, a recent study of manufacturing and plantation-based firms in ASEAN countries was sponsored by the ILO to determine the extent to which industrial relations processes impede, change or enhance the degree of industrial restructuring. Although the study included only 24 firms belonging to three industries, it revealed some useful findings.

First, it noted that governments in these countries have been concerned about maintaining an industrial relations climate conducive to industrialization. This has spawned a framework of laws aimed at restraining union power (especially in Singapore and Malaysia). A low degree of unionization and a weak, fragmented union movement have facilitated management’s dominant role. Employers have preferred to adjust employment rather than wages in order to cope with market fluctuations. Also, in keeping with a paternalistic approach, management has preferred to follow a policy of consultation rather than systematic anti-unionism. However, as labour-surplus conditions are progressively eliminated as a result of sustained economic growth, the following situation may emerge:

Tightening labour markets in many ASEAN economies may soon change the image of the docile ASEAN worker . . . the strength of labour in a tighter supply situation will soon be felt and used. It will take time before it has a
lasting impact on the industrial relations machinery and on collective agreements, but there (will be) no return to the armies of unemployed.\textsuperscript{8}

A comparison of the recent experiences of Taiwan and the Republic of Korea provides a useful demonstration of divergence within two important NIEs. As Guk Yueng-yi indicates, Taiwan and Korea seem on the surface to have pursued similar paths to development in both industrial and political spheres.\textsuperscript{9} In recent years, both countries have begun a process of democratization, including a bigger role for trade unions, combined with rapid economic development. If the growth rates of NIEs over the past 20 years are compared, Korea and Taiwan are at the top of the list with increases in their gross national product (GNP) of between 8.6\% and 10.3\%, and in the manufacturing industry of between 15\% and 18\%. However, each country is markedly different in its distribution of income, national equity capital formation and local technology development.

Taiwan has been pursuing a successful step-by-step ‘catching-up’ development policy, which emphasizes the stabilization of society. By contrast, Korea has emphasized growth first, then distribution. Korea, argues Guk, runs the risk of resistance by the underprivileged masses against the development policies being pursued by the government.

A similar analysis of the Korean situation is provided by Lee Jeong-taik (1988), who argues that ‘labour control’ in South Korea has reflected the dictates of political strategies rather than those of economic development strategies, even when economic success was still largely locked into meeting two conditions: cheap labour and labour docility.\textsuperscript{10} Lee compares the nature of labour protests in the 1970s with those in the 1980s and argues that the agenda has shifted from one which emphasized mainly wages and working conditions to one with an emphasis on workers’ rights as well. The protests in the 1980s, he claims, drew on a wider range of workers and were directed at the state as well as employers. This line of argument is supported by Shim-han, Young-hee, who blames labour unrest on the consequences of a government economic policy which gave priority to growth rather than distribution,\textsuperscript{11} leading to serious problems of wage inequality for workers who did not share in the fruits of greater national wealth.

Clearly, there are significant differences between the industrial relations and wage distribution policies being pursued by various NIEs. These countries face important choices in terms of future policies. The Garnaut report, for example, argues that future Korean economic performance would be ‘significantly weakened in the absence of large consistent progress on managing industrial relations in the context of free trade unions’. However, Garnaut is optimistic about future prospects on the basis that ‘the boundaries of rational disputation are being learned rapidly by all parties to the industrial relations contests. By mid 1989 there were grounds for expecting gradual dissipation of
the atmosphere of crisis over industrial relations’. A key element of the industrial relations situation in most countries in the region is the role of government, which has been regarded as too restrictive, especially in regard to unions bargaining over the distribution of economic gains. Also important to consider are laws governing the rights of workers and their unions. For these and other reasons, the experience of Australia in reforming its industrial relations system is of considerable relevance to other countries in Asia.

The Changing Patterns of Industrial Relations in Australia

Recent developments in Australian industrial relations have been seen by some observers as a transformation of a previously highly centralized and rigid system. In common with most industrialized countries, Australia has been subject to strong economic, social and political influences in recent years, which have had a marked impact on traditional structures, policies and practices. Pressures for change have focused particularly on industrial relations and significant measures have been taken to encourage greater flexibility at the enterprise level, albeit within a predominantly regulated system. Unlike many other market economies during the past decade or so, Australia has maintained a form of income policy through an agreement between the federal labour government and the trade union movement, known as the Accord. At the same time, however, the industrial relations system has become more decentralized without the degree of labour market deregulation which has characterized many other industrialized countries.

The argument advanced in this chapter is that the Australian system of industrial relations is in transition towards a less centralized approach and that, as might be expected, developments are uneven across various sectors of the economy. The system could not be described, at this stage of the transition process, as having undergone a complete transformation, although the past five years have witnessed significant changes. As in many other comparable countries, Australia has faced increasing international competition which has exposed serious structural weaknesses in the economy. A decline in the nation’s terms of trade, a growing current account deficit and chronic foreign debt have acted as catalysts for wide-ranging reforms. De-regulation of the financial markets and other areas of economic activity has drawn attention to perceived rigidities in the labour market and other aspects of the industrial relations system. Yet the labour market institutions have proved remarkably resilient, despite widespread criticisms of their operations. However, recent trends towards greater enterprise bargaining by employers and unions, reinforced by legislative support from governments of both political persuasions, may yet result in a profound transformation of the system. For the time being, though, the dominant trend has been towards a process of ‘managed decentralism’. 
The centralized character of Australian industrial relations has been achieved through a network of arbitration tribunals, which exist at the federal level and in all six states of the Commonwealth, and which have quasi-judicial status. Since 1904, when the federal tribunal (now known as the Australian Industrial Relations Commission) was established, the predominant forms of dispute settlement and wage determination have been conciliation and arbitration. More than 80% of the Australian work-force are covered by awards of arbitral tribunals which set out the terms and conditions of employment. Yet collective bargaining, of a particular Australian variety, does occur within the conciliation and arbitration system to quite a marked degree. This has caused some observers to remark that the Australian system might more accurately be described as a hybrid of arbitration and bargaining.

Another feature of Australian industrial relations is the relatively high level of unionization. The establishment of the federal arbitration system in the early years of this century encouraged the rapid growth of unions and employers’ associations. By 1921, approximately 50% of the Australian labour force were unionized and a peak of 65% was achieved in 1953. However, union density has suffered a decline in recent years and had fallen to 41% (45% of males and 35% of females) by 1990. In the private sector, unionization is now at less than 30%. The deterioration in union coverage has sparked a vigorous debate over reform of the labour movement. The current strategy being pursued by the ACTU is to create fewer but larger unions, organized along industry lines (ACTU 1987). Union organization in Australia, however, continues to be comparatively weak at the work place level, reflecting the reliance of many unions on the arbitration system to achieve their objectives. In contrast to the ACTU’s strategy of pursuing mergers of existing unions to create larger industry-wide unions, opposition parties and employer associations have advocated the formation of enterprise-based unions.

Employers were initially hostile to the establishment of the (then) Commonwealth Court of Conciliation and Arbitration in 1904 since it forced them to recognize trade unions registered under the relevant Act of Parliament. Despite their initial opposition to the system, however, employers subsequently discovered that they could use the arbitration procedures to their advantage. However, it has been argued that the employers and their associations ‘vacated centre stage to unions in determining the structure of awards and the patterns of bargaining’ during this early period, because their energies were directed mainly at opposing arbitration rather than shaping the structures which emerged from it.

The Australian situation thus became one in which the state imposed union recognition on employers but limited the role of unions to seeking improvements in ‘industrial’ matters. This has largely remained the case until the present time, so that reform of industrial relations structures has been initiated by the state rather than by bargaining partners. Under the current
federal labour government, however, the ACTU has played a dominant role in recent legislative reforms. Although various employer organizations have expressed views about the directions for change, they have lacked a single unified voice to match the ACTU and have thereby proved less influential in achieving their desired reforms.

### An Era of ‘Accord’ in Australian Industrial Relations

The past decade was a period of significant change in industrial relations and human resources policies and practices in Australia. There was considerable economic turbulence during the 1980s, with uneven progress made in attempting to reduce high levels of inflation and unemployment. Australia elected a labour government in 1983. Still in office, it is the longest serving labour government at the national level since federation in 1901. Strong economic growth from the mid to late 1980s enabled the labour market to expand, and unemployment levels were reduced. However, deteriorating economic circumstances, including severe balance of payments deficits, caused the consumer price index to rise to 8% in 1989–90. During the early 1990s the government reacted by tightening fiscal policy, thereby achieving lower levels of inflation but, in turn, creating a sharp downturn in the economy, causing real wages to decline and unemployment to rise above 11%. Both the rate of wage increases and days lost through industrial disputes continued to decline, the latter falling to its lowest level for several decades.²⁰

Economic outcomes have been strongly influenced throughout the past decade by an accord on wages and prices, signed by the Australia Labour Party (ALP) and the ACTU just before the election of labour in the federal election of March 1983. The original accord envisaged the labour government’s support for full wage indexation in return for the union movement pledging to make ‘no extra claims’ for wage increases. Although the accord has been modified a number of times since 1983 as a result of negotiations between the ACTU and the labour government, the terms of the agreement have been honoured by the unions. There has been little movement in wages beyond the national pay rates determined by the Australian Industrial Relations Commission. Following a severe economic crisis in 1985–86, which saw a dramatic fall in the exchange rate of the Australian dollar and an accompanying stimulus to inflation, the ACTU agreed to abandon its demands for full wage indexation after negotiations with the federal government. This ushered in a new era in which a ‘two tier’ wages system was introduced by the Australian Industrial Relations Commission in the National Wage Decision of March 1987.

Following a lengthy national wage case, the Commission promulgated a new set of wage determination guidelines which ended the indexation system. The new guidelines provided for wage increases in two tiers. The first tier
provided a ten dollar wage increase for all affected workers and the possibility of a further 1.5% increase in October 1987. The second tier, with an increase of up to 4%, was conditional on improvements in work practices to achieve greater efficiency and productivity. The significance of the March 1987 decision was that it promoted a productivity bargaining element which was based on unions and employers agreeing to minimize costs through the removal of inefficient and restrictive work practices. According to Niland and Spooner, an important component of the decision was the understanding that ‘such efficiency (had to) be sought at a decentralized industry and enterprise level’.21

The National Wage Case Decision of August 1988 continued the process of reform. It introduced the Structural Efficiency Principle whereby wage increases were granted only if unions and employers pursued ‘restructuring and efficiency’. The decision provided for a 3% wage increase to be paid not earlier than 1 September 1988 and a further increase of ten dollars a week to be implemented no earlier than 6 months after the receipt of the 3%. These increases were made conditional upon unions making a commitment to formal reviews and/or restructuring of their awards, taking into consideration such issues as skill-related career paths, wage relativities, flexibility and any cases where award provisions discriminated against sections of the work force. The decision reinforced the central role of the commission while also supporting moves towards the establishment of enterprise agreements between employers and unions.

In the next major National Wage Case Decision of August 1989, the commission reviewed progress under the Structural Efficiency Principle. The commission made it clear that the second instalment of the structural efficiency adjustment would only be available if it was satisfied that the principle had been properly implemented. The commission also reaffirmed that in restructuring their awards, unions and employers would be required to ‘improve the efficiency of industry and provide workers with access to more varied, fulfilling and better paid jobs’.22

In the National Wage Case Decision of October 1991, the commission further refashioned the principles governing wage policy to encourage enterprise bargaining. This was another major change in the direction of a more decentralized approach to industrial relations. The federal minister for industrial relations explained the government’s support for enterprise bargaining, despite his previous caution on this matter, as follows: ‘Encouraging and facilitating more bargaining at the work place level is a logical extension of (the) reform process. . . . Such bargaining must be done freely and jointly, however, and in ways which do not damage the public interest’.23

Although the commission had earlier expressed reservations about the ability and maturity of the parties to effectively engage in enterprise bargaining, it reluctantly agreed to such a development and issued a series of principles to be followed. In the words of the National Wage Case Decision of October 1991:
'In all the circumstances confronting us, we are prepared, on balance, to determine an enterprise bargaining principle. In deciding the best way to proceed, we have taken account of views of the parties and the need to limit the risks inherent in the approach chosen'.

Currently, Australia’s industrial relations system appears to be changing from one of the more centralized market economies to one of a dualistic character. While the majority of unions and employers remain in the more highly regulated area of arbitrated awards, an increasing minority are moving towards a more decentralized bargaining approach at the enterprise level. In keeping with its accord commitments, the federal government has ensured that all enterprise-based agreements continue to be subject to some scrutiny by the commission, although special amendments to the Industrial Relations Act in 1992 weakened the commission’s vetting role. The opposition conservative parties, however, have pledged to further reduce the role of the commission in order to develop a less regulated approach to enterprise bargaining.

### Alternative Approaches to Industrial Relations Reform in Australia

Proposals made since the mid 1980s to change Australia’s industrial relations arrangements can be divided into three competing schools of thought. The first has advocated the maintenance of the centralized system. The second has proposed radical decentralization. The third has argued for greater decentralization within a centralized framework, or ‘managed decentralism’. The argument for retaining and consolidating the existing system, albeit with certain modifications, was put forth by the Committee of Review into Australian Industrial Relations Law and Systems (known as the Hancock Report), in 1985, which was commissioned by the Labour government soon after it assumed office in 1983. At the heart of the Hancock Report was a conviction that the relatively centralized system in Australia facilitated the enforcement of incomes policies. This was seen to be an important factor in achieving the broader objective of reducing both unemployment and inflation. The Hancock Report was unconvinced that dismantling the existing system and placing greater reliance on collective bargaining would be of long term benefit to the economy, and described it as a ‘leap in the dark’. The findings of the Hancock Report were supported by the ACTU two years later in Australia Reconstructed, which advocated the retention of a centralized wage system but also argued that wage policy should be linked to taxation and social welfare policies. Furthermore, the ACTU was concerned that wage policy should take into account the necessity of achieving greater skills development, productivity and international competitiveness as a means to achieving greater wealth creation and equity. The ACTU has since shifted its position on centralized wage determination to
become a significant advocate of greater decentralization, and is seeking to
develop more effective enterprise bargaining strategies among its affiliated
unions.26

A leading advocate of more radical change to the current system towards
enterprise-based bargaining has been the Business Council of Australia (BCA).
Membership of the BCA comprises the chief executive officers of Australia’s
largest business organizations. It was established in 1983 partly as a result of
dissatisfaction with adherence by the Confederation of Australian Industry
(CAI) to the centralized approach of the arbitration system. The BCA has
argued that the key to improved competitiveness is a shift to enterprise-based
agreements which emphasize the mutuality of employee-management interests
and enhance flexibility.27 In recent years, the CAI has moved closer to the BCA
position, although it still sees a role for the Australian Industrial Relations
Commission. The view presented by the CAI is that there must be ‘greater co-
operation between management and employees (together with) a greater degree
of negotiation in the work place’.28 There has also been some academic support
for this position. In a far-reaching report on industrial relations reform for the
state government of New South Wales, Niland argued for the need to ‘lower
the centre of gravity’ in industrial relations decision making through more
enterprise bargaining.29 A number of the provisions advocated by Niland have
subsequently been adopted by the federal government, both in policies and
legislation.

Although some of the more extreme arguments for enterprise bargaining
have been criticized for seeking to reduce or eliminate the role of trade unions,30
the mainstream of reform has moved towards greater decentralization within
a centralized framework. The Australian government’s position, expressed by
the Minister for Industrial Relations (17 October 1991) is that ‘there is a place
for bargaining beyond the existing conciliation and arbitration framework for
those who are able to do so responsibly. . . . Encouraging and facilitating more
bargaining at the work place level is a logical extension of this reform process’.31
The ACTU has also advocated a form of enterprise bargaining designed to
create more interesting and financially rewarding jobs, by stimulating greater
worker involvement in all aspects of the way their industry and work place
operate, thereby driving enterprise reform and pushing up productivity levels.

One of the strongest advocates of a ‘middle way’ has been the Metal
Trades Industry Association (MTIA), which has sought to retain the advantages
of a centralized framework, provided by the Australian Industrial Relations
Commission, while providing broader scope for direct bargaining between the
parties. The MTIA, however, has cautioned its members that enterprise
agreements can be inflexible if arrangements entered into are rigid and untried.
The ‘managed decentralism’ approach of the MTIA has gained widespread
support, as reflected in the National Wage Case Decision of October 1991
when the commission endorsed movement towards a more devolved system
and issued a series of enterprise bargaining principles. This led commentators to remark that the latter months of 1991 were ‘the most dramatic in modern times (in Australia) for shifting industrial relations policy’.32

### Factors Influencing Future Stability and Change in Australian Industrial Relations

A major concern expressed by economic commentators, politicians, business executives and trade union leaders in recent years has been the decline in productivity levels and competitiveness of Australian industry compared with its trading partners. While there has been a significant slow-down in labour productivity throughout OECD countries since the 1960s, Australia’s relative position has steadily deteriorated (except for a brief period from 1973 to 1979) and stood at just over 60% of the OECD average by the end of the 1980s. Furthermore, the growth in Australia’s total factor productivity has been persistently less than the OECD European average and far below that of the best performers.33 The Australian Workplace Industrial Relations survey reported that, despite the considerable debate over productivity, half of the work places surveyed did not measure productivity in a quantifiable manner, while more than one third indicated that they did not monitor productivity at all.34 Another survey by Hilmer reported that the most common labour productivity measure used by Australian firms were productivity schedules, which rarely captured aspects of value and time.35

New technologies were regarded as very significant in the late 1970s and early 1980s, when their impact was pervasive, but the subsequent increases in productivity have not generally been as great as anticipated.36 In some cases, however, new technology has enabled organizations to overcome their competitors’ advantage based on cheaper labour. Some Australian manufacturers have been critical of the government’s plans to significantly reduce the level of tariffs during the coming decade. This has unleashed competitive pressures on many Australian companies which had long been protected by high tariff barriers. Other Australian organizations, however, are seeking to expand their production and to develop niche markets with the objective of exporting to other parts of the world. Increased competition and de-regulation had caused some Australian companies to reduce the range of their products and services to concentrate on fewer core businesses, after diversifying during the 1980s and encountering financial difficulties in the 1990s. They are now seeking to enter more specialized and differentiated markets in which they have a comparative advantage.

Although some aspects of industrial relations policies are regarded as playing a significant role in improving the levels of productivity and competitiveness, many commentators focus on other factors, such as international competition
and government regulations, as the major determinants of Australia’s future success. Yet a great deal of emphasis has been placed on micro-economic reform in recent years, and on the significant changes which have occurred at the workplace level. The latter is supported by the Australian Workplace Industrial Relations Survey which reported that 84% of workplaces experienced some form of change in the previous two years. Among the most significant changes were: reorganization of management structures, restructuring of workplaces and introduction of new technology. It would seem that the IR/HR function has generally taken the role of reacting to changes from external sources rather than initiating change from within organizations. Thus, rather than engaging in strategic approaches to HRM or industrial relations, the IR/HR function in many Australian organizations has tended to be reactive to changes in the wider environment.

Within the international literature, two alternative visions of how to understand recent changes in industrial relations policies and practices have emerged. One view has focused on the changing competitive environment and new technologies which are causing firms to experiment with a variety of new production systems and industrial relations practices. The second view has emphasized the roles of national institutional arrangements and public policies in defining new patterns of industrial relations practices in particular national contexts. These two approaches have provided useful competing explanatory hypotheses. In summary, the first hypothesis argues that competitive strategies pursued by firms in key sectors determine changes in industrial relations policies and practices; the second hypothesis assigns the dominant role in implementing changes in these areas to public policy and legal-institutional arrangements.

The Australian experience, as outlined in this paper, has shown that the degree of change in the industrial relations practices has varied considerably between different organizations and industries during the past decade. The factors driving the changes have been far from uniform and quite uneven in their impact on different organizations. For example, the reduction by the Australian government of tariff protection for manufacturing industries has meant that many firms have been forced to undertake immediate and drastic changes to their industrial relations policies. Other firms, however, which are still sheltered from competition, have seen little need to implement significant reforms.

A pilot survey of Australian organizations undertaken by Lansbury and Niland (1992) suggested that neither competitive strategies pursued by firms or industries acting to protect or enhance their positions in the marketplace, nor changes to legal-institutional arrangements created by governments, can alone explain why industrial relations policies and practices have changed in the past decade. In most cases, it has been a combination of actions at the enterprise, industry and national levels, including both government and private firms, which have led to significant changes in industrial relations practices in Australia during recent years.
Conclusion

As outlined at the beginning of this chapter, the election of the federal labour government in 1983 ushered in the era of the accord between the trade unions and the government which initially strengthened the centralized wages system. Yet changes in the international economy, which undermined Australia’s trading position, caused both the federal government and the trade union movement to reconsider their commitment to full wage indexation. Furthermore, the determination of the Business Council of Australia, representing large firms in key sectors of the economy, to pursue enterprise-based bargaining, was influential in persuading both the ACTU and the federal government, as well as other leading employer bodies, to modify their positions on the centralized approach to wage determination.

It should be noted, however, that the Australian system of industrial relations achieved an unusual combination of flexibility and decentralization in wage determination while maintaining a largely centralized framework. This was made possible by the accord, which proved to be remarkably durable despite fluctuations in the economy, as well as by the agility exhibited by the Australian Industrial Relations Commission which generally achieved an accommodation between the often conflicting demands of employers, unions and governments.

It is too early to predict whether the ‘managed decentralism’ approach, which is currently being pursued by the major unions, employer groups and federal government to industrial relations, at the national level, will result in long-term improvements in economic and social outcomes. Not all of the participants in the Australian industrial relations arena are satisfied with the rate of change or the outcomes achieved so far. The major conservative opposition political parties, and some significant employers, have indicated that they wish to implement a far more radical deregulated approach. The Australian Industrial Relations Commission has found itself at odds with all the parties at various times in recent years and reluctantly consented to enterprise bargaining in the National Wage Case Decision of October 1991, on the grounds that the parties adhered to a set of principles governing this area.

It is difficult to generalize about the dominant patterns which are emerging in industrial relations practices at the enterprise and industry level, in Australia, due to wide variations. However, work organization appears to be undergoing significant change as companies move away from formerly rigid job definitions to more flexible approaches to work design, and increasingly utilize teamwork. Similarly, skill formation is an issue of major importance in all of the organizations surveyed and has been assisted by the process of award restructuring.

Although there has been a transition from a relatively centralized system of determining wages to one which is related more closely to productivity levels, progress at both the industry and enterprise level is still uneven. Performance-related pay is confined mainly to senior management and there
is little evidence of gain sharing or similar programmes being implemented. The rise of unemployment has meant that considerable attention has been devoted to implementing redundancy schemes, especially in the early 1990s. There has been some growth in non-regular forms of work contracts, and an expansion in casual and part-time work, but these have yet to make a major impact on mainstream industrial relations practices. Finally, although the accord provided a framework for consultation between unions and the government at the national level, and a number of tripartite advisory bodies were established in the 1980s, consultation and employee involvement at the workplace level have remained sporadic. A key determinant in the degree to which change has been successfully introduced appears to have been the degree to which employers have emphasized a ‘cost minimization approach’ or a ‘productivity enhancement approach’. The latter has been a longer-term strategy which has necessitated involvement and commitment by all the parties, while the former has stressed short-term gains for management. Furthermore, despite a great deal of workplace reform, the industrial relations function still does not appear to play a major role in strategic decisions at the level of the enterprise.

In the Australian context, public policy and institutional arrangements have interacted with strategies pursued by firms seeking improved levels of productivity and competitiveness within a turbulent economic environment. The resilience of the industrial relations institutions in Australia, particularly the Australian Industrial Relations Commission, has meant that their influence had been maintained until recently, although it is currently on the wane and would be further threatened by a change of government. Moreover, the parties and the institutions have demonstrated a willingness and ability to adapt to changing economic circumstances through adopting new processes such as enterprise bargaining, and by developing new initiatives such as award restructuring, to facilitate the process of change.

It is difficult to draw firm implications from the Australian experience for other countries in the region. Nonetheless, as outlined at the beginning of this paper, it may be anticipated that many issues faced by Australian industrial relations in recent years will also be experienced by many newly industrialized countries in the Asian region, as employees seek to obtain a larger share of economic prosperity and greater freedom to exercise political and industrial rights.

Notes

1. The author’s note in memory of Professor Keith Thurley:
   ‘I was a doctoral student of Keith Thurley at the London School of Economics from 1970 to 1973. I recall with great pleasure and gratitude the encouragement, guidance and friendship which I received from Keith during this period and in the
years which followed. Keith provided not only intellectual support but showed a keen interest in and concern for the welfare of all his students. He also awakened in me an interest in the cross-cultural aspects of industrial relations, particularly in the Asian region. Keith is greatly missed by us all.’

8. Ibid., pp. 21–2.
15. A.C. Evans, ‘Managed Decentralism in Australia’s Industrial Relations’, Eleventh Sir Richard Kirby Lecture delivered at the University of Wollongong, organized by the Metal Trades Industry Association, Sydney.
Industrial Relations, no. 33, Kensington: Industrial Relations Research Centre, University of New South Wales, 1992.
Epilogue
Hong Kong and Asia at the Crossroads:
A Note of Remembrance for Keith Thurley

Ian Nish and Peter Williams

Introduction

Biography is part detective work, uncovering aspects of a life that are not generally known. This is particularly so when the subject is an academic who also plays a significant role in public life. Life tends to be compartmentalized. The academic role is clear, or relatively clear, to colleagues. The public role — or at least some dimensions of it — often is not. This was true in the case of Keith Thurley. It is the purpose of this essay to point out some aspects of what might be called Thurley’s ‘off-duty’ role in the area of the world to which this book is dedicated, East Asia.

East Asia: First Phase

We first have to touch on Thurley’s initial contact with Japan. He was serving in the British army during the Korean war. And there he started developing a network of contacts in the Tokyo area. One who knew him well in those days, Wolf Mendi, wrote: ‘He did his stint of national service, being posted to Japan in 1954 where his job as a mess sergeant in Tokyo left him plenty of time to get to know the country and its people. It was not difficult to fall in love with Japan in those days. The people were poor but warm in their hospitality.’ It was at this time that Thurley met Fusae (Elizabeth) whom he married in 1957.

These were not days when one jetted non-stop from London to Tokyo. The British traveller visited Japan by ship coming through Hong Kong and...
before 1949 sometimes through Shanghai — a journey of some five weeks. Thurley therefore experienced the port cities of Asia and so inevitably saw Japan in comparison with them. It was all part of the educative experience, and Thurley grew to respect and love Japan and Asia as a whole.

London School of Economics (LSE)

Following two years as Personnel Officer at Courtaulds in Coventry, Thurley went back to the LSE to work on a research project on supervision in 1959. He served first as research officer and later as lecturer. In his off-duty months he was already active in bringing the British and Japanese communities together, particularly as joint organizer with Michael Isherwood of the Wakatake-kai (Young Bamboo Society) which lasted for many years.

We quote here from Isherwood’s moving memorial address at All Saints Church, Sanderstead on 15 February 1992:

The Japanese community in London was growing in the late 50s and there were many young people with enthusiasm to rebuild bridges and to get to understand one another better. Keith was instrumental in bringing together a group of people with similar views to form an organization we named ‘Wakatake-kai’ — a London-based Anglo-Japanese Society aimed at people in their 20s and 30s. It was typical of Keith that he brought together an initial core of seven or eight of us who came from quite disparate backgrounds — from the universities, from city, business and banking, from publishing, the Foreign Office and the Japanese Embassy — but we all had in common a dissatisfaction with the established order and an enthusiasm to create something that was more vibrant and more in touch with the changing time.

In its time it was radical; it was a challenge; and it continued to be active and successful for many years. That experience now provides a network of connections and friendships, not only between British and Japanese, but to many other corners of the world.

These evening meetings in the LSE tended to be held around 7.30 p.m. Thurley, accustomed to the Japanese way of life, took these evening meetings in stride. Others, less ‘workaholic’ by disposition, found them hard going.

One of Thurley’s other concerns was to expand Japanese studies at the LSE. The Hayter Committee had stipulated in 1961 that research on Japan (among other societies) should be extended to cover the social sciences. It was not easy within the narrow structure of the B.Sc. (Econ.) degree to do much for the undergraduate students. In the early 1960s, ‘things Japanese’ at the School were largely confined to seminars run by Professor Ronald Dore, which attracted a small coterie of British scholars and a fair number of Japanese
academic visitors, often quite senior and distinguished, and sometimes Japanese administrators enticed to Houghton Street by Professor William Robson’s connection with the Tokyo Metropolitan government. After Professor Dore’s departure to the University of Sussex in 1969, the seminar series was continued, though more haltingly and less regularly, by others, including Thurley. In this way, Japanese issues were aired from time to time until a donation to the School in 1978 by the Suntory and Toyota companies allowed for the setting up of the International Centre for Economics and Related Disciplines, generally known as STICERD.

### Hong Kong

Keith Thurley visited Hong Kong in the 60s, primarily because of the Japan connection. Hong Kong’s proximity to Japan, its remarkable post-war development and the opportunity provided by its special structure for the observation of numerous social and economic phenomena all contributed to his interest in the territory. During the ups and downs of the 1970s Thurley continued to pay Hong Kong many visits, and watched its progress with interest from his seat in Japan. In 1977 he was invited by the University of Hong Kong to advise on its programme of industrial studies in the Faculty of Social Sciences. His hosts were struck by his personality and the depth of his knowledge of labour affairs, particularly in the field of management. At the time Hong Kong had still not fully recuperated from the economic setbacks of 1973 to 1975, but there were distinct signs of recovery.

Against this background in which Hong Kong was responding to all the demands being made upon it, it was instructive for everyone involved to exchange views with a visitor of Thurley’s standing and with his professional knowledge and experience. There was help available in identifying those areas in the social fabric which needed attention and stimulus — the training needed to meet the demands of industry and construction, or the supervision needed to ensure, for example, safety in the massive construction and civil engineering projects then being pursued and planned. Hong Kong had then just introduced the Labour Relations Ordinance — described as a ‘milestone in the annals of labour relations in Hong Kong’. Its main concerns were, and are, the improvement of labour-management relations and facilitating the settlement of trade disputes, including the provision of a 60-day cooling-off period. The government was also assessing the work and benefits of the labour tribunals which had been set up in 1973.

It was helpful and reassuring to have a sounding-board as good as Keith Thurley. He took a great interest in Hong Kong’s continuing need for training to meet the demands of industry, technology and human deployment. A very wide field of training was being provided locally and overseas. But, arising
from Thurley’s interest and knowledge, a number of Hong Kong students and employees were sent on courses at the London University, including labour officers who, over some years, attended the Personnel Management Diploma Course at the LSE. Keith Thurley’s supportive interest in Hong Kong was to continue throughout the 80s.

East Asia — Second Phase

By the time Thurley had been appointed as Professor of Industrial Relations with special reference to Personnel Management in 1980, he had accumulated a large number of academic contacts around Asia. The second phase of his contact with Asia is therefore marked by what might be described as the application of his professional expertise to that region of the world. He was still learning about Japan and was influenced in his thinking by its striking attainments; but he was also applying his thinking — and the example of Europe — to the wider Asian scene.

Thurley developed close links with the People’s Republic of China. In the company of Ng Sek-hong of the University of Hong Kong, he paid a visit to China in 1985. They first visited the Jiao-tong University in Shanghai where Thurley also had contacts at the Fudan University. This visit, described as informal but official, was apparently important in the forging of professional links between China, Britain and Hong Kong.

Ng Sek-hong, one of the editors of this volume, who accompanied Thurley on this trip, has written as follows:

We stopped over in Shanghai on the way. Enchanted by the city’s beauty, we also started to ponder some of the managerial issues which we began discussing with a man we met by chance in the cafe of the international seaman’s club next to our hotel. These included, inter alia, the better management of the port to make it less congested; restaurants to improve the service; public transport to reduce passenger stampedes at the stops; theatres so that they would cease to be squatting homes of the ushers between performances; and of management schools in universities to make the faculty and students more conversant with the theory and practice of managing their city and its enterprises. But we soon discovered that the discussions were purely theoretical since we had been exchanging our views with a Filipino seaman. He had been on land for a few weeks because his ship was stranded in the harbour waiting to be unloaded! Anyway, we were all impressed by the cheerful mood of the city on the threshold of modernization. It was a fascinating first visit to China for Professor Thurley.

In Beijing, when we started our exchange activities with the All-China Federation of Trade Unions, the preamble to our discussion was an interesting dialogue between Professor Thurley and Mr Wang, a senior official of our host organization. While attempting to guess each other’s ages, the guest and host
realized, with some embarrassment, that they had been adversaries in the Korean War. What ensued was a diplomatic message which impressed everyone present with its sincere though conservative note of hope and optimism — especially for China which was emerging from the debacle of the cultural revolution to rejoin the international community. Our host tranquilly remarked: ‘that is now history’, while Thurley added: ‘let’s all hope it will not be repeated for generations after us’. Later, when we were shown around the Great Wall, we were told by our host: ‘the door is now opened. You have climbed the Great Wall and covered one kilometre, but the Great Wall is 6000 kilometres long’.1

He also had contacts with the South China University of Technology in Guangzhou (Canton) and gave lectures at Shenzhen University in South China. Keith also had occasion to visit Sri Lanka, Singapore and Taiwan, where he developed some links with an industrial plant (Taitung). In these various ways, he cultivated academic links which were invaluable for the London School of Economics.

Although Japan remained the area of his main concern, that country’s growing economic influence in Hong Kong created an added stimulus for his interest there. The Hong Kong government invited him to assist its training division in the organization of staff training courses. At this time it was engaged, under the chairmanship of Sir Y.K. Kan, in setting up the government’s Standing Commission on Civil Service Salaries and Conditions of Service. By the end of the 70s, Hong Kong was already experiencing some of the problems besetting advanced industrialized economies. In 1980 the number of civil servants employed by the Hong Kong Civil Service had reached 129 000. Of all the unions in Hong Kong, those of the civil service were the most advanced and organized on Western lines. The Hong Kong government prudently decided to set up the Standing Commission to advise it on measures needed to regulate and standardize the structure and pay of the civil service and to recommend on other associated matters. These had been causing increasing concern to many civil servants and the administration. The United Kingdom had much experience in the field of personnel management, and in the early planning stage, in Hong Kong’s own organization. This experience was an invaluable source. Among the many leads given were those of Keith Thurley, whose views were always informative and practical.

His experience in the field of human management came to light again a little later in 1985 when he headed a team of local and LSE experts to carry out an employee attitude survey for the Mass Transit Railway. On another occasion in the 80s, Hong Kong was anxious to provide the best training for the future leaders in all three departments of the Independent Commission Against Corruption (ICAC). After wide consultation, the commission eventually sent its young officers to Wolfson College, Cambridge, on Thurley’s advice.

Thurley contacts in Japan were too numerous to list. He probably came
closest to the International Christian University near Tokyo where he taught for two years from 1964 to 1966. Another of Thurley’s university connections was with the Social Science Faculty (Shaken) of the University of Tokyo. An older and more established institution in Tokyo with which he had an affinity was the Hosei University, whose research resonated with the activities of the Department of Industrial Relations to which Thurley belonged at the LSE. As a result of this contact, a flow of distinguished professors from Hosei spent and still spend sabbatical years at the LSE. Through their interest in the University of London, they set up the Hosei group of Japanese professors on research leave in London who have met monthly, mainly at the LSE, for two decades. Keith and Elizabeth Thurley have regularly assisted in drawing up the lecture programme for their meetings.

One should not omit mention of Thurley’s connections with trade unions in Japan. He gave a lecture at the Trade Unions Council at Sapporo in 1991. His closest link was with the Denki Roren (Japanese Federation of Electrical Trades Unions). As a result, four people from Denki Roren came to the LSE in the academic year 1992–93. Thurley also had a long-standing relationship with the Japan Institute of Labour and took part in their International Labour Information project.

Joint research was one of the main purposes of Thurley’s academic contacts. He benefited from the creation in 1978 of the Suntory-Toyota International Centre for Economics and Related Disciplines at the LSE, in which he was able to set up a study group on comparative industrial relations. This was a time when Japanese industry was expanding into the United States, Britain and Germany. It was an uncharted area for study. Was it possible to discover the effects of the expansion of the Japanese economy overseas on the actual relations, behaviour and performance of local employees in these countries? Comparative studies of this kind are necessarily complicated and require a high level of expertise. Keith Thurley was well qualified due to his wide-ranging network of colleagues throughout Europe. The fruit of this study was Susumu Takamiya’s and Keith Thurley’s (eds.), volume, Japan’s Emerging Multinationals: An International Comparison of Policies and Practices (University of Tokyo Press, 1985). This book also required that its co-ordinators and researchers be extremely diplomatic because the issues involved were matters of sensitivity and competitive advantage.

Thurley himself was most involved with and most obsessed by the British aspect of the study. In this he was assisted by Wolf Reitsperger, Malcolm Trevor, Paul Worm and (more recently) Alice Lam and John Lorriman. The results of a conference on this theme at the LSE in 1980 were published as ‘The Development of Personnel Management in Japanese Enterprises in Great Britain’ with a supplement on ‘Japanese Management in Western Europe’. In more recent years the research has found narrower focus on engineers and electronic engineers in particular.
The fruits of this research are to be found in the STICERD series of pamphlets on comparative industrial relations which Thurley edited until his death. These are listed in the appendix to this essay.

We come finally to the wider contribution of Keith Thurley to the London School of Economics, to London more generally and to the United Kingdom as a whole. Thurley was fortunate in being able to make frequent visits to Japan. There he did much for the LSE, where he spent all his academic career. His objectives were: to recruit a steady flow of high quality students at the master’s level from diverse Japanese organizations, to strengthen connections with former students of the LSE in Japan through the Japanese alumnus group, and to develop a corporate network of friends. To his colleagues, his frequent visits to Japan seemed a mad rush from one engagement to another. Aside from his academic role, Thurley played a quasi-ambassadorial role in many spheres of Anglo-Japanese relations. More broadly, he developed important social links throughout the area, especially with the People’s Republic of China and Taiwan.

Outside London he was concerned with Japanese Studies at a national level. He was an active member of the Council of the British Association for Japanese Studies, and was its president at the time of the Aston Conference, 1986. In 1990 he was also appointed chairman of the Japan Foundation Endowment Committee which allocates funds for Japanese Studies in British universities. He was still the chairman at the time of his death.

Keith Thurley has rightly been described elsewhere as a gentle, kind and sensitive man. He was also efficient. He never shirked responsibility and was often overworked. He was known for being a good listener, making wise suggestions and providing encouragement, whether to students or outsiders. There is no doubt that on his numerous visits to the East all these qualities were enjoyed by his many contacts. He willingly gave of his experience and knowledge.

His influence cannot be quantified. But his contribution to the understanding of Japan was immense. In the case of Hong Kong, one need not search long among a wide range of people who have played important roles in the territory’s attempt to evolve and to sustain its position as an economic leader in the East, before some indication of his kindly contribution is identified. No better words can be found than Lao Tsu’s to describe his position:

The sage never tries to store things up;  
The more he does for others, the more he has;  
The more he gives to others, the greater his abundance.

Lao Tsu, Tao Te Ching, Chapter 81.
Note

1. Adapted for Ng Sek Hong, *A Report on the Thurley-Turner Visit to the All-China Federation of Trade Unions, 1985*, Hong Kong: cyclostyled, 1985, p. 20. This report details other activities covered in this 1985 visit by Professor Thurley to Beijing and Shanghai.
## Appendix

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