Changing Labor Markets in a Globalizing Asia: Challenges for Asian Trade Unions*

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The trade union movement in Asia and the Pacific continues to face difficult challenges in navigating around the perilous seas of economic globalization.

Industry in each country keeps on changing and adjusting to the pressures of international and regional competition amidst a global economic slowdown, pushing companies to undertake varied organizational adjustments with technology often serving as a facilitating midwife. With the accession of the People's Republic of China to the World Trade Organization (WTO) and the decision of the WTO's Qatar Ministerial Conference to push through with the general liberalization agenda, competition in the region has further intensified and hastened structural changes in industry.

All these developments naturally have a direct impact on the supply, demand and utilization of labor not only because there are winners and losers in the globalization process but also because structural changes under

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global competition mean changes in the way workers are deployed, re-deployed or worse, made redundant, in each industrial undertaking. In turn, these changes in the economy and in the deployment of workers have serious ramifications, often dire, on the labor movement as these changes affect the size and composition of the workforce in each firm, the readiness of workers to join a union, the ability of union organizers to lead in the representation and bargaining processes and the overall capacity of the unions to provide a protective mantle to the working men and women on the shop floors, in the shops and in the business offices.

This paper is an attempt to summarize the developments in the Asian and the Pacific labor market and the challenges facing the trade union movement of Asia and the Pacific.

Never-ending changes in the work process

Changes in organization and work process are virtually non-stop under globalization. There are three major drivers behind this phenomenon.

First, **technology**. Changes in technology alter the demand for certain products while the varied applications of technology in the work process create changes in the size and composition of the work force. For example, in the telecom industry, the rise of the wireless and internet communication technologies has transformed the industry several times over, creating new telecom products and services such as wireless phones and text messaging services while consigning to history old telecom products and services such as telex machines and paging services.

Moreover, in the world of work, the widespread application of IT or information technology has enabled employers to rearrange work and to deploy workers in the leanest and most flexible manner possible. IT is used in endless re-engineering exercises, which often lead to downsizing of personnel. For example, IT has enabled companies to reduce layers in the organizational hierarchy, as IT allows top managers broader span of control. IT is also used in classifying jobs into simple and complex tasks. Simple tasks are given to semi-skilled casual workers, who are usually hired through labor contracting or subcontracting arrangements. Complex and technical tasks are given to core workers, whose work productivity is sustained through various human resource management/human resource development (HRM/HRD) strategies, including multi-skilling programs for multi-tasking purposes. In short, IT facilitates the division of work into core and peripheral jobs, a division which has made the flexible contracting out of jobs to outsourcing companies a profitable business by itself. With modern communication, transport and IT, principals do not have problems monitoring the quality of work in the outsourcing companies.

With greater IT application and the adoption of various technology-related adjustments in the work process, jobs in the formal sector of the economy have become less and less stable. The process of informalization of the economy has resulted in the significant increase in casual, part-time, contract, non-standard and other forms of precarious work.

Second, **structural changes in an open economy.** The general liberalization of the economy, meaning the opening up of the economy to the free flow of goods and capital through policies promoting greater integration in the world economy, often leads to what economists dub as 'structural changes' or 'shifts' in industry and the economy. Some industries emerge as winners, others as losers. However, the complaints of many workers is that even if industries turn out to be winners, they still lose – as some structural changes are undertaken at the expense of the workers, e.g., mergers and consolidations which lead to bigger corporations but a smaller regular work force (with most of the work subcontracted to contractual or casual labor).

Economic liberalization policies include privatization of government-owned corporations (e.g., banks) and services (e.g., postal and telecom services), deregulation of entire sectors of an economy (e.g., importation and distribution business), import liberalization (e.g., tariff reductions and removal of import restrictions), and general opening up of the economy to foreign participation. The IMF and the World Bank label such policies as 'structural reforms', more popularly known in some quarters as the 'Washington Consensus' for they are the universal recipes for growth recommended by Western neo-liberal economists.

For many developing economies, the concrete and practical consequence of structural reforms is a general shift of economic orientation in favor of the export sector. In the more successful economies, the export-led growth has created new jobs and new economic opportunities. China is often cited as an example. Before the Asian crisis, the Asian NICs (newly-industrialized countries) such as South Korea, Taiwan, Malaysia, Singapore and Hong Kong were also bandied around as the models. The problem is that in many developing economies with a large domestic-oriented sector, a shift in favor of export orientation usually means a decline in support and protection to local industries, which are the main sources of formal sector jobs and the base of traditional unionism. If domestic industries are unable to withstand the flood of imports arising from the greater openness of the economy, the likely consequence would be the collapse of jobs and the 'hollowing out' of the domestic economy such as what happened in Mexico in the mid-1990s, in Southeast Asia in the late 1990s, and more recently, in Argentina. And if the growth of the export sector is limited or marginal, the global integration process can even become a national catastrophe.

Structural changes in the economy means new industries or sectors may arise, e.g., IT-related industry, wireless telecom industry, etc. However, structural changes may also mean the collapse of old or existing industries, especially those which are not able to compete either in the export market or in the globalized domestic market of a given country.

Also, within industries, there are structural changes. For example, in the garment industry, a country may lose out in the low end of the industry because its labor cost has gone up vis-à-vis the cheaper-producing exporting nations. So it may decide to concentrate on the high end (focusing on quality and high-value products) and relocate their low-end processes to the cheaper labor sites. This is what the Asian NICs such as Hong Kong, Taiwan and South Korea did in the 1980s and 1990s by concentrating on global marketing and relocating low-end production processes in Indonesia, the Philippines, Vietnam, Cambodia and China.

Third, **pressures of global and regional competition.** Business has to adjust constantly to the reality of global competition – in both their domestic markets (which have been liberalized by the free traders) and the export markets (which have also been opened up by the free traders). In this globalized competition, success is measured in terms of expansion in the export market as well as in the globalized domestic market. Of course, smaller, undercapitalized and less prepared industries must do considerable upgrading and niching, to survive and grow. Otherwise, they will be eaten alive by the big global players or transnational corporations (TNCs) as what is happening in many areas of the economy. One example is the complaint of Bangkok's supermarket and department store operators over their losses due to the entry of big Western retailers such as Carrefour. The TNCs generally have an edge in certain markets given their 'global reach'. In fact, the merger mania that has swept the big corporate world, including those of Asia, is obviously due to the efforts of the TNCs to position themselves in the most strategic manner in key industries of the world under globalization.

Also, there is the reality that economies of the world are really competing against each other, not necessarily complementing or supplementing each other's growth requirements. This is the reason why there is so much uneasiness in many Asia-Pacific countries about China and its membership in the World Trade Organization (WTO). China is seen as a giant economy capable of producing a wide range of products – from the most simple household tools and appliances to the more complicated machines and industrial raw materials – at prices way below those of other Asian producers.

In the past, the most worried about China were economies producing cheap labor-intensive products; today, even Singapore, Korea and Japan have expressed increasing apprehension as China is able to steadily increase its industrial sophistication. Thus Singapore Prime Minister Goh Chok Tong warned the Singaporeans in a National Day speech in August 2001 as follows: "Our biggest challenge is ... to secure a niche for ourselves as China swamps the world with her high-quality but cheaper products" (cited in Panitchpakdi and Clifford, *China and the WTO,* 2002).

In the less developed economies of Asia, China is seen as a major threat even by cheap-labor countries. For example, the motorcycle industry of Vietnam and Indonesia cannot match the price of Chinese-made motorcycles, which can sell as low as $300-400 a unit. In labor-intensive products such as garments, toys, etc., China is seen as a runaway winner.

Of course, there are widespread complaints that China's competitiveness is due partly to the repression of labor rights in China. Without free and democratic trade unions, Chinese workers cannot effectively bargain for a fair share of their efforts. The explosive growth of wildcat strikes and spontaneous labor protest actions in China in recent years is clearly a result of the repression of basic labor rights of the Chinese workers as well as the absence of clear rules and procedures in the settlement of labor demands and disputes.

But overall, in relation to those of China, the industries of a number of Asia-Pacific countries are less competitive. Naturally, countries with more losing industries are bound to have more unemployment problems compared to those with more winning industries. To survive China, they must become more competitive. Often, this is done by repressing wage increases and labor rights, citing the fact that China's labor is relatively cheap.

Major Economic Trends Affecting Labor Absorption In Asia

In the light of the foregoing, what are the major economic developments that are shaping or likely to shape the pattern of labor absorption or labor creation in Asia and the Pacific? What are the job prospects in the region?

This is difficult to answer given the inherently unpredictable nature of the growth process under globalization as outlined above. However, some developments cannot be ignored, such as the following:

Decline of the Japanese dragon

In the 1970s and 1980s, most of the East Asian and Southeast Asian economies became the destination of Japanese foreign direct investments. With a rising yen and rising cost of labor, Japan began regionalizing its famous industrial pyramid based on industrial subcontracting, transforming the neighboring NICs as sites for medium-technology manufacturing and the less developed Southeast Asian economies as sites for labor-intensive manufacturing. This development gave substance to the economic doctrine advanced by some Japanese economists – a flock of geese flying in inverted V formation led by the mother gander, Japan.

The flying geese doctrine is best exemplified by the car industry. The production of parts and components of the car such as axle, transmission, engine, chassis, body, etc. has been distributed to different countries, with Japan concentrating mainly on R & D and global marketing of cars.

To a certain extent, the flying geese doctrine as propagated by Japan is somewhat beneficial to Asia. Japan's growth tends to pull up the second tier of geese – the NICs, which, in turn, tend to pull up the next tier of geese – the less developed Asian and the Pacific economies.

But the strength of the flying geese – Japan – is also the weakness for the members of the flock. If Japan's economy gets sick, as what has been the situation since the early 1990s, the rest of the flock are adversely affected. Today, Japan's economy is in the doldrums and there are wild speculations that the weakness of the Japanese banking industry portends of further economic decline.

The Japanese economic malaise means less demand for Japanese products made under international subcontracting arrangement. Thus, one reason for the economic and employment slowdown in Indonesia, Thailand, Malaysia and the Philippines, which have heavy Japanese investments, is due to weakening product demand from Japan. Japan is pulling Asia down.

On the other hand, the crisis in Japan means more and more Japanese are getting unemployed - now around a post-war high of 5.6 per cent and growing.

Rise of the Chinese dragon

China is the other Asian dragon. But its rise and impact are somewhat different from Japan. Unlike Japan, the Chinese dragon woke up only in the late 1970s and had to start at a very low level of development. In the 1980s, its southern provinces became the favorite site of cheap manufacturing for Hong Kong's exporters, who now have over six million workers in their various enterprises in China. Despite contrary admonitions by their political leaders, Taiwanese investors followed their Hong Kong counterparts in relocating their labor-intensive enterprises in China. Soon almost every multinational was investing in China, hoping to exploit its cheap labor, weak or compliant trade unions, huge market, stable business environment and good infrastructures. Thus, in recent years, China has been sucking in over $40 billion a year in foreign investments, second only to the United States and double what the ASEAN countries are getting (see table 1). Moreover, some of the foreign

Table 1. Foreign direct investments, 1995-2000 ($ billion)

ASEAN	$112
China	231

Source: *Newsweek, September 3, 2001.*

investments, especially those coming from Japan and Taiwan, are in high-tech manufacturing such as IT-related products and car parts.

But unlike Japan, China's amazing growth, about 9 per cent a year since the 1980s, tends to affect other Asian countries in an adverse manner.

One explanation for the Asian financial crisis was that the hardest hit countries ran huge trade deficits in the mid-1990s because of their inability to stop China's export offensive. China exports were displacing the labor-intensive exports of these economies in the global market. On the other hand, these economies were themselves being flooded with cheap Chinese products such as garments, watches, household appliances, etc. But instead of correcting the trade deficits, these economies developed economic bubbles – in the stock market, real estate and commodities – which burst in 1997.

Today, even the more developed Asian economies such as Singapore are now feeling the pinch of competition by a fully-awakened Chinese dragon, as the latter is slowly succeeding in developing depth and quality in its industrial structure. Aside from low-priced labor-intensive products such as baby dresses, China is now producing more and more low-priced medium-tech products such as electric appliances, color television, washing machines, photocopiers and various electronic products such as computer peripherals, computer keyboards, hard-disk drives and desktop personal computers. Thus, for almost all the Southeast Asian economies, China is now seen as a competitor.

China's continued growth, especially after its accession to the World Trade Organization (WTO), is considered a threat rather than an opportunity. Many economists are predicting a quantum leap in imports for China. Most of the imports needed by China will come mainly in four forms – grains, raw materials, petroleum and high-tech products. Some of these can be sourced by China from Southeast Asia, but most are likely to be sourced from the United States, Japan and Korea.

In terms of two-way trade, it appears that China's leading trading partners in Asia are Japan and South Korea. Japan is China's biggest export market, while China is becoming the favorite destination of Japan's investors. Korea has become the major source of steel and petrochemicals for China, as a result of which Korea has been running a huge trade surplus with China.

Asian economies producing raw materials and agricultural products such as Indonesia and the Philippines may also be able to sell such products to China. However, it is doubtful if these will be sufficient to correct any trade imbalances in favor of China.

In the global market, China, as an emergent manufacturing center of the world, is likely to eat into the global shares of Asian economies, both developed and developing. One major concern of some Asian economies is the garments industry. With the quota system coming to an end by 2004, China can easily get additional shares of the global market. As it is, the biggest rival of Mexico in the biggest garment market of the world, the United States, is China.

In the more sophisticated products, China is likely to increase its capacity and its share in the global markets, sometimes at the expense of the Asian exporters. One indication of this is the rising share of China in the US consumer electronics market. In 1995, China was able to garner 6.9 per cent share of this market compared to Korea's 9 per cent. In 2000, Korea's share went down to 7.8 per cent, while China's went up to 10.5 per cent (Panitchpakdi and Clifford, 2002).

The AFTA dilemma

As in Europe and North America, the members of the Association of Southeast Asian Nations (ASEAN) have their version of a free trade area – the ASEAN Free Trade Area (AFTA), which is supposed to be implemented through a mechanism called the Common Effective Preferential Tariff (CEPT). Launched on January 1, 1993, the CEPT-AFTA project calls for the gradual reduction of tariffs among the ASEAN member countries by targeting 15 major product groups. After numerous discussions, the ASEAN came to an agreement that by the year 2003 or in just over a month's time, ASEAN member countries shall reduce to between zero and five per cent the tariff on ASEAN products with at least 40 per cent "ASEAN content".

Will AFTA strengthen ASEAN as an economic bloc and will AFTA shield ASEAN from the Chinese export juggernaut?

Unfortunately, progress is very limited in the formation of ASEAN as an economic bloc as there is very limited industrial complementation among them except in car part manufacturing. But in the case of the latter, this is only because the different car parts manufacturing plants in various ASEAN countries were set up by the Japanese car makers in line with their regional division of labor. In fact, Malaysia has been making noises over the scheduled application of the 0-5 per cent tariff rates on its Proton car project.

The truth is that the ASEAN member countries are competing with each other in certain commodities and industry lines. Thus, in garments, competition is fierce among producers from Kampuchea, Indonesia, the Philippines, Thailand and Vietnam. With the 0-5 per cent tariff schedule, it is likely that the more organized and developed economies in the ASEAN such as Singapore, Malaysia and Thailand are likely to gain from the arrangement in terms of added exports, while cheap-labor countries such as Indonesia and Vietnam are likely to attract more investments in labor-intensive production.

It is doubtful if the ASEAN constitutes a major countervailing force vis-à-vis China. Japan showed the relative weakness of ASEAN when it forged a bilateral free-trade agreement with Singapore. Japan and Australia have also initiated talks with some of the ASEAN countries regarding the possibility of bilateral free-trade agreements. There are also discussions on a China-ASEAN free trade bloc.

India: the Hidden Dragon

Some commentators view India not only as China's rival in Asia but also as the new Asian dragon. Like China, India has a huge population which can support the growth of a large and diversified domestic economy. Like China, India joined the global economy in earnest only recently in the last decade. And like China, India is flooding Asia and the world with cheap products such as textiles and chemicals. India is the second fastest-growing economy in Asia, next to China.

However, even India is steeling itself against the onslaughts of cheaper Chinese products such as motorcycles.

One area where India appears to have an edge over China and the rest of Asia is on the high end of the IT industry – software engineering. India's software engineers and programmers are providing engineering solutions to the requirements of big IT players in California's Silicon Valley such as Cisco. However, in the data encoding and call center business, India's rival is the Philippines. As to the production of computer parts and peripherals, this is completely dominated by China, Malaysia and the Philippines based on subcontracting arrangements with Japan, United States and the Asian NICs.

India is using its IT savvy in modernizing some of its old industries such as steel. However, there is a great deal of unevenness – and inequalities — in the growth process just in like most countries of Asia. The growth of IT and other industries is accompanied with the collapse of existing industries, especially the big public enterprises established under the post-war mixed-economy model of India.

Recovery prospects from the Asian financial crisis and the global economic slowdown

A major determinant of labor absorption in Asia will be the rate of economic recovery for most of the Asian economies from the 1997-98 Asian economic crisis and the global economic slowdown, which started in the year 2000 and which seems to be deepening, after the September 11 2001 bombing and the crisis in Argentina.

With the notable exception of China and Vietnam, most of the East and Southeast Asian economies have been severely bruised by these events. The 1997-98 economic contagion also demonstrated how tight is the integration of these economies in a globalized and liberalized economic order.

In the 1997-98 Asian financial crisis, the most severely hit countries are Thailand, Malaysia, Korea, Indonesia and the Philippines. But in the 2000-2001 global economic slowdown, nearly all the Asian economies were affected, with Taiwan and Singapore joining Japan on the recessionary path. Korea, which registered a strong recovery in 1999-2000, is also sputtering. All of this shows the high dependence of Asia, particularly East and Southeast Asia, on the global export market, especially the market of the United States and Europe. This also shows the great dependence of the Asian economies on the IT or electronic markets.

Hence, for most of the Asian economies, individual national recovery will depend on the global economic recovery led by the United States. However, such individual national recovery will also depend on how well a country is positioned to take advantage of such global recovery – as there are other players in the world market today, China and India among them. This means they need to be able to find a niche in the global market.

But what if the global economic recovery proceeds in a slow and agonizing manner, as what seems to be happening? What if Japan's much-anticipated financial restructuring brings the United States economy deeper into the recessionary path as Japan's banks hold trillions of US bonds and T-bills?

The changing Asian labor market –Less regular workers and more irregular and 'floating' workers

Under globalization, jobs for many in the formal sector are no longer what they used to be – **stable and for life.**

This observation is true for almost all the Asia-Pacific economies.

In **Japan**, which invented the term 'lifetime employment', more and more jobs are becoming precarious and contingent. Official estimates put the ratio of non-standard employee to regular employees at 1:3 or 25 per cent of the employed (see table 2). 'Non-standard' employees are "workers under contract to a dispatching agency, who are entrusted with specific duties by the companies to which they are assigned". Accordingly, there has been liberalization in the use of dispatch workers in recent years, meaning dispatch

Table 2. Number of Employees by Employment Status, excluding Managers, in Japan*

	Total			Male			Female		
	Number	Increase since 1999	%	Number	Increase since 1999	%	Number	Increase since 1999	%
Total	4,903	(-10)	100	2,892	(-25)	100	2,011	(15)	100
Regular Employees	3,690	(-58)	74	2,553	(-41)	88.3	1,077	(-16)	53.6
Part-time employees	1,078	(54)	22	232	(25)	8	846	(29)	42.1
Agency w'kers, workers rehired after retirement and others	195	(-6)	4	106	(-10)	3.7	88	(3)	4.4
Agency workers	33			9			25		

*Source: Report on the Special Survey of the Labor Force, The Management and Coordination Agency, Feb. 2000 workers can now perform "any type of work" (JIL, 2000). The non-standard employees also cover the part-time casual worker, dubbed in Japan as 'freeter', from the English word 'free' and German 'arbeiter' for worker. Estimates put the number of freeters at around 3 million.

Apart from the decline of lifetime employment, other Japanese industrial relations practices such as seniority-based pay or *nenko* and promotion from within are also being eroded. Like other global corporations, Japanese companies are increasingly adopting flexible labor measures and hiring and retaining personnel on the basis of individual performance, not sheer loyalty or commitment to the company. There are also criticisms that the Japanese trainee system for overseas workers is really a means of hiring cheap foreign skilled labor in the guise of traineeship as the trainees are assigned to do the regular work of regular employees.

As to unemployment, this reached 5.6 per cent in 2001, the highest recorded since 1953. This unemployment rate continues to rise, given the continuing economic crisis of Japan.

In the **Asian NICs**, trends towards labor flexibilization are also emerging.

In South Korea, protective labor laws were relaxed in 1998 in order to facilitate the dismissal of workers for 'managerial reasons'. The government used the Asian financial crisis as the main excuse in liberalizing the labor laws. Companies have taken advantage of these laws by replacing the regular full-time employees with 'irregular employees', who were described by the *Korea Herald* as follows:

> "The number of irregular workers, which includes part-timers and short-term employees whose contracts run for a year or less, has rapidly grown since the currency crisis in 1997 sent the unemployment rate to a record high... As of June (2000), irregular workers made up 53 per cent of the nation's 13.3 million paid workers" (cited in Hart-Landsberg and Burkett, 2001).

What the above-cited figures indicate is that the well-publicized rapid economic recovery of South Korea from the 1997-98 Asian crisis has been attended by the rapid hiring of casuals or non-standard employees. South Korea has also allowed the recruitment of cheap overseas migrant workers for deployment in the construction industry, remaining garments factories and other labor-intensive companies. Like Japan, South Korea also has a traineeship system, which migrant NGOs criticize as a front for the hiring of cheap overseas workers.

In Taiwan, many manufacturing jobs have disappeared as a result of the relocation of labor-intensive industries to China and other Asian countries. Like Korea, Taiwan has been importing cheap migrant workers from the Philippines, Thailand and Indonesia for the labor-intensive factories remaining in this island state. In 2001, it also relaxed Taiwan's protective labor laws.

Despite the official policy of Taiwan encouraging Taiwanese firms to invest in other Asian countries such as Vietnam and to avoid mainland China, Taiwanese investments in China follow closely those of Hong Kong's. It is estimated that about $60 billion were invested in the mainland by 80,000 Taiwanese enterprises between 1990 and 2000 (Panitchpakdi and Clifford, 2002).

Singapore and Hong Kong have also been importing overseas migrant workers, to fill up shortages of local skills. They were also not as harshly affected by the Asian financial crisis as Malaysia and Korea, partly because of their policy of maintaining strong currencies backed up by large foreign exchange reserves. However, they have not escaped the impact of the recent global economic slowdown. In particular, Singapore, which has a strong tripartite consensus to maintain jobs of regular employees or to give them maximum transition assistance if their separation cannot be avoided, was rocked last year by the decision of Union Overseas Bank and Tokai Bank to dismiss redundant workers with just a day's notice. Is this the beginning of a more flexible labor market arrangement in Singapore as it braces for the China challenge?

Among the Asian NICs, Malaysia probably hosts the largest number of foreign migrant workers. It has around a million Indonesians working in various parts of its sprawling territory. Malaysia's efforts to rapidly industrialize and develop high-tech industrial parks force her to look for supplementary skilled and semi-skilled overseas such as computer programmers and construction workers. However, Malaysia's medium- and high-tech electronic products are now in peril with the ominous rise of Chinese electronic production, facilitated by investments in the mainland in these areas by Taiwan, Japan and lately, South Korea.

Among the **developing Southeast Asian economies**, Thailand, Indonesia and the Philippines were the hardest hit by the Asian financial crisis. The 2000-2001 global economic slowdown also adversely affected their labor-intensive exports and tourism services. In the case of the Philippines and Indonesia, the plunge in tourism receipts was aggravated by the political instabilities in these countries. Indonesia and the Philippines have the highest unemployment rates in Asia, while Thailand lost over two million formal sector jobs at the height of the Asian financial crisis (AMRC, 2000).

Moreover, these three Southeast Asian countries are the most threatened by the China challenge. With cheaper labor and increasing productivity, China has been eating into the labor-intensive export niches of these countries such as garments and electronic product assemblies. Cheap China products are also flooding the domestic markets of these countries, displacing in the process their less competitive domestic industries. China's WTO accession is likely to sharpen the dilemma of Thailand, Indonesia and the Philippines on how to position themselves vis-à-vis China's expanding role in the global and regional markets.

Flexible or casual labor is widespread in all the three countries. The Philippines has a relatively well-developed body of protective labor laws. But this has not prevented companies from hiring more and more casual and temporary workers, who easily outnumber the regular workers in most industries. The casuals are now known as the '5-5 workers' (a term first coined by the author) since their services or contracts are terminated after five (5) or less than six (6) months of work to avoid the provision of the law which mandates the regularization of probationary workers after six months.

In the case of Vietnam, Kampuchea and Laos, which have cheaper labor vis-à-vis China, they are facing the twin problems of how to increase their labor productivity and how to match the overall attractiveness of China as an investment destination. Moreover, these countries are still recovering from the damages inflicted by the long Indochina wars and are having difficulties in managing the transition towards a market economy. In particular, there is the challenge of how to transform state-owned enterprises (SOEs) into more efficient entities, whether under government or private hands.

Mainland China, which is touted by the media as a big winner in its accession to WTO, has equally difficult problems to sort out, especially in its labor market. While its market reforms and global export offensive have increased the incomes of around 200 million Chinese, not everyone has benefited and social inequality has consequently deepened.

As of the year 2000, it was estimated that there were 24 million unemployed (8.5 per cent of the total labor force), 70 million 'floating labor force', 42 million poor farmers and some 12 million *xiagang* workers (Leong and Frost, 2001).

By any global standard, an unemployment rate of 8.5 per cent (some authors give a 7 per cent figure) is high. With the exception of Indonesia and the Philippines, the unemployment rates in the other Asian countries range between 3 per cent of Taiwan and 6.3 per cent of South Korea (see table 3). But the absolute size of China's unemployed – 24 million – is even more stunning, as this is more than the population size of many small and medium-sized countries of the world. The ranks of the unemployed are a good breeding ground for any social unrest anywhere in the world.

And so are the floating work force, rural poor and the *xiagang* workers. Accordingly, the floating work force consist of those who have

Table 3. Foreign direct investments and unemployment rates for select Asian countries (1999)

	FDIs (US $ billion)	Unemployment (%)
South Korea	15.5	6.3
Taiwan	4.2	2.9
Hong Kong	N.A.	6.3
Singapore	3.7	3.5
Thailand	3.6	4.2
Malaysia	2.9	3.5
Indonesia	10.9	N.A.
Philippines	2.7	9.7
China	40.3	3.1 (urban areas only)
Vietnam	1.5	7.4 (urban areas only)

Source: RIM Pacific Business and Industries, I, 50, 2001.

left their area of residence, usually the rural areas, and have flocked to the cities or industrial areas in search of jobs, picking up odd and casual jobs at below standard wages or compensation. The poor farmers are those earning very little from farm plots that are increasingly narrowing in size, given the population of China and the rapid urbanization of the mainland.

But the *xiagang* phenomenon is one problem altogether. The *xiagang* workers are those made redundant as a result of the privatization or restructuring in the state-owned enterprises or SOEs. Technically, they are still entitled to certain SOE benefits but studies indicate most of the *xiagang* workers can not get any benefits, especially from the bankrupt

SOEs. Without jobs, the *xiagang* workers can technically be lumped together with the unemployed or the underemployed floating work force. Without the protection of strong and independent trade unions, the workers are subject to exploitation. Majority of the workers' riots and protest demonstrations that have rocked China in recent years are led by the *xiagang* workers.

What are the prospects for these workers with China's WTO accession?

First, the ranks of the *xiagang* workers are likely to grow as the privatization of SOEs is bound to intensify. In fact, with the entry of foreign and private domestic investors in the banking industry and other areas traditionally reserved for the public sector, some of these SOEs' might be merged with private enterprises, or decimated in the process of competition with the more agile private sector enterprises.

Second, the ranks of the rural poor and the floating population are likely to grow also. To comply with the WTO, China will reduce whatever subsidy it is extending to the grains farmers and will increasingly liberalize the importation of grains. Already, American and other foreign grain companies are poised to dump wheat, corn and other agricultural products commanding higher prices in China. According to the US-China accord, imports of wheat are going to rise from 200,000 tons to 10.6 million tons annually, while corn imports will increase from 55,000 tons to 7.9 million tons annually (Weil, 2000). Agriculture is clearly one area where the United States expects to gain in its trade with China under the WTO rules (the other area is in the high-tech products).

The WTO means the end of the long-held principle of grain self-sufficiency in China. How many will be displaced from the rural areas as a consequence of the opening up of China's agriculture? It is anybody's guess. Some say that the floating population might double. However, it cannot be denied that the floating population, a source of potential social tensions, is also a source of competitiveness for the triumphant labor-intensive industries of China. They provide a source of cheap labor and, as a reserve army of labor, they tend to weaken the bargaining power of those with regular jobs. This is further compounded by the fact that the existing trade unions in China are not ready to cope with the challenges in the new economy. The trade unions still have and must evolve into strong and free trade union organizations and develop their capacity to be able to protect and promote the interests of workers.

Of course, China can be a new market for certain agricultural products such as fruits and rice as well as mineral and other raw materials from Indochina, Thailand, Indonesia, Malaysia and the Philippines.

Deep down south, in **Australia and New Zealand**, the situation is somewhat similar to those of Japan and the Asian NICs.

In Australia, employers, backed by conservative governments at the federal and state levels, have been pushing aggressively for greater flexibility of labor laws, meaning greater flexibility in the hiring, firing and bargaining arrangements with workers. However, unions have been vigilant in opposing these insidious efforts of governments and employers to subvert labor rights. Such union vigilance and militance have encouraged the national conservative government to monitor and even spy on union activities as evidenced by the attempt of the Australian military to eavesdrop on the conversations last year between the officials of the Maritime Union of Australia and those of the International Transport Federation. In the meantime, what some Australian industries are doing is to minimize the hiring of regulars by resorting to greater casual hiring and outsourcing of services such as the contracting out of customer services to the so-called call centers.

In New Zealand, the employers' success story in rolling back workers' rights through the infamous 1991 Employment Contracts Agreement (ECA) turned out to be living proof that downward labor flexibility is in fact a formula for industrial and economic decline, as such flexibility is a disincentive to investments on industrial upgrading. Thus, there is some policy re-thinking on labor protection going on in New Zealand under a new labor government, which is phasing out some of the anti-union laws. However, the damage done by the previous right-wing government is incalculable: decline of unionism from 43.5 per cent in 1985 to 17.7 per cent in 1998.

In **South Asia**, the vigorous implementation of the privatization program in India, Bangladesh, Pakistan and Sri Lanka has caused industrial turmoils and joblessness as these countries used to have large public corporate sectors. In Pakistan and Sri Lanka, unions have to work under extremely difficult conditions because of police and even military harassment of union officials, including ransacking of union offices and headquarters.

IMF-imposed structural adjustment programs in these countries have perpetrated a dualistic type of economic development, creating pockets of growth in some industrial zones but stagnant development elsewhere. However, jobs in special economic or export processing zones such as those in Bangladesh and Sri Lanka are strictly regulated and workers are denied their fundamental rights to join trade unions and bargain collectively. In Bangalore, the supposed Silicon Valley of India, gung-ho promoters of the IT industry suddenly found that like any other industry, IT jobs are vulnerable to the cycle of market booms and busts.

Like in China, South Asian cities are attracting a large and continuing exodus of rural migrants who literally constitute the reserve army of labor.

The plight of the 'invisible' workers

Finally, Asia also has a large army of invisible workers, workers who are not amply recognized by national labor laws and given appropriate legal protection because of the nature of their hiring and the kind of work they do.

First, Asia has a large floating trans-national migrant population. Japan, the Asian NICs, Australia and the Middle East are the major destinations of overseas migrant workers coming from the Philippines, Indonesia, Thailand, China, India, Pakistan, Bangladesh, Sri Lanka and other developing economies.

Majority of the overseas migrant workers perform the '4D' jobs (dirty, dangerous, difficult and degrading jobs) or the SALEP jobs (shunned by all except by the poor) such as those performed by 'care givers' (home makers or maids), semi-skilled construction workers, night club entertainers (or 'guest relations officers'), cleaning and maintenance crew, etc. Stories of abuses of overseas migrant workers are numerous – ranging from contract substitution to sexual abuses. With the Asian crisis, the softening of the demand for foreign workers in the Middle East and the global economic slowdown, jobs held by overseas migrant workers have also become very precarious and vulnerable to wage and benefit cuts unilaterally imposed by employers. The situation is aggravated by the reality that most of the overseas migrant workers are not allowed to join unions.

There are, of course, skilled migrant workers and professionals who enjoy higher pay and better protection. Many of the skilled migrant workers and professionals are in the IT industry (e.g., programmers), engineering, construction and medical services.

Second, as one author (Balakrishnan, 2002) put it, Asia has a 'hidden assembly line' of subcontracted labor, especially in the global and regional garments and other labor-intensive industries.

It is well known that many factories in the various export processing zones (EPZs) are extensions or parts of the global commodity chains of TNCs, producing parts, assemblies and sometimes whole products for the TNCs. However, in the garments and other labor-intensive low-technology industries, the production chains of subcontracting sometimes go all the way to the rural households of some villages, involving the cheap labor of women and youths paid miserably on a per piece rate. Often, embroidery work, patching and even sewing are farmed out to smaller subcontractors by the big trading firms. Such an arrangement gives big exporters flexibility in avoiding the management of a large work force gathered under one roof and susceptible to union ideas, on one hand, and added flexibility in increasing or reducing work based on the fluctuating market demands, on the other. Of course, piece rate workers invisible to the labor inspectors of Pakistan, India, Sri Lanka, Thailand, Vietnam, Indonesia and the Philippines are usually paid a pittance.

Global competition, race to the bottom and eroding base for unionism

The changing environment for labor organizing as reflected in the above outline of the emerging trends in the labor market of Asia and the Pacific poses a major and difficult challenge to trade union organizers.

In the past, unions thrived with the growth of jobs in expanding national industries either protected by the State, through policies of industrial protection and promotion (pursued by Japan, the Asian NICs and some Asian countries), or owned and directly managed by the State such as the SOEs of China and Vietnam, the postal industry of Japan and Taiwan and the national industries in South Asia. With economic globalization and trade-investment liberalization, policies of industrial protection and State involvement in business are receding to history. They are being replaced with policies promoting foreign investments and the free flow of capital and goods.

In this new economic environment, formal sector jobs have become uncertain and flexible, with the lifetime of jobs becoming shorter and shorter. This is happening all over Asia and the Pacific.

Moreover, with the accession of China to WTO, there are strong pressures from investors for nations to become competitive by having cheap, productive and flexible labor. This pressure also applies to China, which is now experiencing the painful pangs of labor adjustment in a market economy. Although there are no formal written laws in support of these pressures, the mere threat of an investor to move on to another place, another country or another clime is enough to create nervousness on the part of government officials and weaken the bargaining power of unions and union organizers.

As a result, globalization is virtually pitting workers against workers and nations against nations in the race to get foreign investments and jobs. This, in turn, is deteriorating into a race to the bottom, subverting the traditional processes of industrial relations such as tripartite consultation and collective bargaining.

Globalization is also creating a new class of unemployed or underemployed – the formerly employed who are now unemployed, or the *xiagang* workers in the case of China. Endless re-engineering and reorganization exercises due to mergers, acquisitions, consolidations, outsourcing of work, adjustments to new technology and new markets, pressures of competition and the likes mean many workers will never reach normal retirement age and that jobs will never be secure even if a company has no intention of transferring operations in another country. In the public corporate sector or the SOEs of China, Japan, Korea, Taiwan, Vietnam, Indonesia, India, Pakistan and others, privatization is putting jobs en masse on the chopping block.

Privatization and corporate restructuring are the two main reasons for the decline of the base of unionism in Asia and worldwide. As it is, studies emanating from the International Labour Organization show that unionism is on the retreat almost everywhere. Union membership is declining. In China and Vietnam, unions have a presence in the crumbling SOEs, and yet have very little presence in the emerging private sector enterprises. Without free and strong trade unions, workers are subject to widespread exploitation and trade unions are forced to resort to collective begging. Ironically, it is in a situation of joblessness and job uncertainties that unions are most needed, and yet, it is this same situation which is subverting unionism.

Clearly, unions today must re-think some old practices, come up with a clear vision of development under economic globalization and strategize new approaches in organizing and representing the workers. And they should make their position clear on many of the issues confronting the movement. Below is a list of issues which trade unions must answer:

Some challenges for Asian trade union organizers and trade union researchers

In strategizing the trade union role in a globalizing Asia, some strategic questions must be answered by the leaders of the trade union movement and those assisting them in the research and conscientization work.

Can unions live with the present model and trajectory of globalization under WTO? What exactly are the new rules that the global unions are proposing as part of the global financial and economic architecture? Are the unions prepared to challenge the 'Washington Consensus' and the neo-liberal economic orthodoxy it represents?

Are there ways of securing job, income and union security under the new global economic order? Is employment security (understood to mean as employability of a worker because of education and skills upgrading) sufficient substitute to the traditional issue of job security or tenure? Does employment security really work? Do the so-called safety nets for workers really work? Can the campaign for the observance of core labor standards epitomized by the ILO's Decent Work advocacy program really succeed?

How can Asian unions get together and prevent capital, foreign and local, from pitting workers against workers, from raising the threat of capital flight and from rolling back hard-earned workers' rights and benefits? What are the new forms of solidarity in the era of globalization?

Can non-standard employees such as the casual and temporary workers be organized and be represented by the unions? Can the professional, technical and managerial employees be organized and be represented by the unions?

Can the unions of labor-receiving countries overcome their ambivalence over the plight and situation of the migrant workers by covering them in their organizing and representation drives?

Do the unions have alternatives for subcontracted labor and the floating workers who tend to pull down the wages and bargaining power of the regular workers?

Finally, can the old social contract based on traditional industrial relations be saved and given new meaning? Or is tripartism passé? Is collective bargaining passé? Are there new models that should be developed? What exactly is the meaning of union work in the 21st century?

These are difficult questions. They are best answered through the wisdom of collective discussion by people committed to assert their humanity in a fast-changing economic world.

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