

## **Linking economic globalisation and regimes of labour regulation**

*Trends in the Asia–Pacific region*

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### **Economic internationalisation and the problem of labour regulation**

The economic globalisation debate has been most vigorous with reference to the developmental experiences of East Asia and the Pacific states (Wade 1996; Wade & Veneroso 1998). This debate has paid inadequate attention to the place of labour market institutions and state regulation of labour in explaining the phenomenon of accelerated growth and sharp contractions.<sup>1</sup> By situating the state regulation of labour at the centre-stage of the economic globalisation debate, this paper throws light on the complex and various ways in which economic globalisation has affected the developmental trajectories of three states in the Asia–Pacific region over the past two decades. It examines the association between changes to regulatory regimes for labour and patterns of internationalisation in New Zealand, Malaysia and Japan quite specifically. The paper also draws on more general Asia–Pacific data collated by the ILO (1996).

The paper argues that the variable ways in which labour (re)-regulation facilitated an increase in economic openness and competitiveness affirmed the centrality of the state in the selection and maintenance of developmental strategies. This effect was observable even though the international trading environment was characterised by the hyper-mobility of capital, increasingly porous national regulatory regimes and an overt commitment to a neoliberal economic philosophy. It further argues that understanding the ways in which developmental strategies were articulated, sustained and transformed over a longer time frame can lead to a sharper understanding of how changes occurred in industrial relations regimes. By contrasting the experiences of New Zealand, Japan and Malaysia specifically, this paper highlights how a variety of agencies have affected these regime changes and how these agencies have themselves been transformed in the process.<sup>2</sup>

The Malaysian, Japanese and New Zealand economies are structurally quite different.<sup>3</sup> However, underlying these differences is a shared commitment at the global level to economic reform in support of trade liberalisation. This commitment varied in its actual policy formats and was differentially interpreted and applied during the past two decades by each of these reform-oriented states. Central to understanding the variances in policies through which this commitment was expressed was the role of domestic exigencies in shaping state capacities and remits in a period when a global agenda for reform had become increasingly apparent (Burnham 1995; Holloway 1995). Consequently, select agencies of the state became arenas for contestation over the commitment to reform in these countries in a variety of ways.

In its first section, the paper observes general trends in labour markets in these countries, eliciting their implications for modes of labour regulation. The section that follows assesses how labour regulation regime changes came to be located in developmental and technicist discourses, and shows how they were backed by powerful 'science' and legitimated by appeals to welfare gains. Then follows a discussion of some of the key outcomes of restructuring upon unions and their responses to this. The discussion draws attention to the ways in which economic reforms were legitimated and sustained, especially during periods of economic crisis. Significantly, a competition over the 'discourse of development' became an important indicator for understanding how the levers of policy change were engaged.

This provided a better view of the trajectories for reform and the possibilities for renegotiation of the terms of insertion into the global economy. The paper concludes by assessing the significance of changes in the area of labour regulation for the process of economic globalisation and for the field of industrial relations.<sup>4</sup>

### **Fragmentation and transnationalisation of labour markets**

A purchase on regime changes in labour regulation can be obtained by observing a variety of labour market outcomes over a longer time frame of two decades or so. The structuring of national and regional labour markets is relevant to understanding the place and function of labour regulation. The examination of three contrasting states shows how a variety of factors affected the structuring of labour markets both within and across states, drawing attention to the ways in which organised labour and capital relations came to be prescribed by a number of global and national agents. These had consequences for the ways in which domestic economic sectors were internationalised. Internationalisation in each of these economies depended to some extent upon a mixture of strategies aimed at dealing with the 'problem of labour'. They included: the exploitation, by reference to 'developmentalist' goals, of social-democratic settlements; indirect regulation through monetarist instruments; coercion; and the de-centring of the role of the state in productive enterprises (Prasad 1998a).<sup>5</sup>

In each of these economies, economic restructuring in response to some specific or general crisis—such as the oil shocks in the case of Japan, the termination of New Zealand's preferential market access in Britain and the first banking sector crisis in Malaysia—provided both the pretext and the opportunity for the selective transformation of regimes of labour regulation (Jomo 1990; Tsuru 1993; Kelsey 1995). The nature and severity of the economic crisis also affected the scope of the transformations and influenced the strategies deployed to achieve them. These transformations affected trade liberalisation and related changes in the law and the practice of industrial relations (either directly as was the case with the Employment Contracts Act in New Zealand or less directly through privatisation and public sector reform more generally). They were also affected by, and in turn affected, changes within regional labour markets. Regional labour market considerations included changes in the composition of migrant

labour and labour shortages in high growth sectors. In this manner transitions outside national borders became explicitly or implicitly a part of the national regulatory environments. This transnational aspect has been greatly undervalued in the labour regulation literature.<sup>6</sup>

The consequence of these transformations was the emergence of new forms (or the widening of existing forms) of segmentation in national labour markets. These included the large-scale increase in the labour force participation rates for women in Japan and Malaysia over the past two decades, as well as significant increases in migrant labour in New Zealand and Malaysia and its concentration in specific sectors; increased variance in conditions of employment in internationalised and domestically oriented productive sectors; the increased importance of multinational-controlled sectors of the national economy—especially in the case of Malaysia and New Zealand; the decline of public sector employment and unionism in both New Zealand and Japan (though much less so in the case of Japan); and the concentration of women in the internationalised sectors.<sup>7</sup> The maintenance of segmentation depended upon regulatory approaches favouring disarticulated labour markets. Moreover, these regulatory approaches were increasingly harmonised to the requirements of economic internationalisation. In this manner, economic internationalisation of the three economies came to be associated with increased fragmentation of regulatory approaches.

Segmentation in national labour markets of the three countries also became a notable feature of the regulatory debates in cross-national (GATT and the WTO) and regional (APEC and CER<sup>8</sup>) regulatory frameworks. Nationally, the fragmentation of corporatist accords was notable across the states, and the emergence of sharp differences in the regulatory environments for different economic sectors was notable in each of the countries. Such fragmentation did not always require or depend upon comprehensive transformations in the area of labour law. In this respect the experiences of Japan (characterised by a marked degree of continuity) and New Zealand (characterised by a sharp break) provide interesting contrasts. The differences between the two are particularly helpful in focusing attention on the pivotal role played by state agencies in shaping labour regulation. In spite of the very sharp national differences (such as in the structure and sectoral composition of GDP) this outcome appeared quite sharply across the three cases. The relationship warrants explanation.

The quite significant changes in national labour markets in each of these countries provide important pointers for understanding the centrality of labour regulation in a period when these economies underwent accelerated economic internationalisation. This draws our attention to the problem of explaining how regulatory changes were secured and sustained—especially given that a decline in trade union strength and increased vulnerability of labour have more generally been associated with the process of economic globalisation (Tilly 1996).

### **Developmental approaches and labour policy**

The emergence of highly competitive export-oriented sectors in these three national economies have been widely studied (World Bank 1996). In each of the cases, economic restructuring became focused upon the goal of increased economic internationalisation. But this object was differently interpreted and applied by different states, reflecting variances in the extent to which domestic and global agencies were able to shape national policies. But the variation also amplified the issue of varying state capacities, a problem to which the World Bank drew our attention in a major way in 1996 (World Bank 1996).

However, throughout the period from 1973 to the end of 1997, the overall impacts of domestic ‘change’ agents over the broad direction of economic policy appear to have been mixed. It was not clear, for example, if organised labour was able to impede or help accelerate the pace and overall direction of reforms over this longer time frame. As a result, explaining the extent to which internationalisation depended upon a fragmentation of organised labour became problematic. To understand the mixed impacts of agents such as trade unions and muted political responses by party political agencies allied to organised labour (such as the Labour Party in New Zealand and the socialist party (JSP) in Japan) one needed to examine the presentation of the discourses of reform. I argue that a central feature of the developmental and reform discourses through which reforms in the labour market of these economies has been secured has been a systematic ‘depoliticisation’ of the economic policy process.

By ‘depoliticisation’, I refer to several things: the complex ways in which the process of formulating economic policy became increasingly centralised within government; the increasingly technical rather than

political arguments to support policy reforms; the exclusion of core economic policy debates from within Cabinets; the fragmentation and phased nature of the reform processes; and other measures that had the effect of reducing the capacity of private citizens and interest groups to participate in the policy reform processes. Depoliticisation has thus involved the displacement of 'politics' from the framework of economic policy. I argue that this displacement itself has been a 'political' act, in which reform agencies within the state, in combination with regional and multilateral agencies, have played a pre-eminent role. While this process of depoliticisation has taken very different forms, it helped shield policy reforms from labour and social democratic pressure groups.

In both Japan and Malaysia, this 'depoliticisation' was further assisted by setting up the economic policy goals as the prime goals of a 'developmentalist' state.<sup>9</sup> Combined with a situation where oscillation of parties in government has largely been avoided, both these states show two unique ways in which the unsettling outcomes associated with economic globalisation have been mediated by developmentalist states. This mediation has involved as its central feature a commitment to maintaining segmented modes of labour regulation. The fragmentation of organised labour, the emergence of new forms of competition between interest groups operating in different segments of labour markets and the weakening of the direct links between labour organisations and party political organisations have all depended upon the maintenance of highly segmented labour markets. In Malaysia, the added factor of ethnic segmentation aided the reform process overall.

But this is not to imply that this depoliticisation has been the defining feature of economic restructuring in these three states. It is also important to understand the impact of and responses to specific and general economic crisis during this period. Because variations in economic crisis triggered or provided the backdrop to changes (or shifts) in state strategies for labour regulation, reforms often enjoyed a populist edge within segments of trade unions. Examination of the patterns and processes of economic reforms—and labour market reforms more specifically—from these standpoints suggests that certain explanations appear to have been seriously overvalued. This is particularly so in the case of those attributing the spectacular success of Japan and Malaysia to Asian values, social cohesion, authoritarianism in

early industrial development, smart instruments of trade policies, and advanced enterprise-based productivity measures. Reasserting the centrality of state re-regulation of labour produces a better understanding of the changing roles of the state in Japan and Malaysia in the area of labour regulation and its varied impacts upon economic growth and contraction. New Zealand provides an even sharper example of the centrality of labour market transitions to the process of economic internationalisation and the role of select agencies of the state in establishing this relationship.

But there is a historical dimension to the place of labour market changes in the overall reform projects. Specific forms of regulation of labour have clearly affected differentiated industrial outcomes. Labour regulation had positively affected the high levels of economic growth based on an expansion of competitive export sectors and stability in domestically oriented sectors. The mixed pattern of development ensured that states retained an important stake through control of vital economic sectors. Moreover, unlike their Western counterparts, Malaysia and Japan in the 1990s had not been lured by globalisation to adopt neoliberal programmes of a type similar to those in New Zealand. These differences affirm the place of 'politics' in understanding the processes of reform in contrasting settings. However, over the longer time frame these differences appear less significant. To a large extent the variations can be explained in terms of differences in the influence of distributional coalitions in the three economies during periods of reform. What was significant was the overall direction of economic reforms, the re-orientation to international markets. A longer time frame thus helped to make sense of what otherwise appeared as quite sharp national differences.

Segmentation in labour markets was also important to understanding the context in which new developmental discourses became pre-eminent. Divisions between internationalised and domestically oriented economic sectors were characteristic of the labour markets. Another aspect of these divisions was the separation between small and medium sized enterprise sectors and the larger internationally competitive enterprises. This was most significant in the case of Japan.<sup>10</sup> By re-examining organisation of production in the small and medium enterprises and domestically oriented industries, this study found strong evidence of a widening of disparities in conditions

of work and employment between these and the internationalised sectors. These differences have become even more significant during the period of accelerated growth. This was both a cause and consequence of rapid internationalisation. At the same time, the sustenance of parallel modes of regulation has been a source of industrial stability in the contemporary era as well as of real and potential contestation.

While clearly forms of labour regulation varied substantially across the sectors, the underlying continuities and linkages in states' relations with both the organised and competitive sectors and traditional (and disorganised) sectors demonstrated the 'political' function of segmented labour markets and regulatory approaches. Japanese internationalisation proceeded from a base of heavy segmentation. New Zealand's reforms promoted segmentation. Malaysia fell somewhere in between. This development reaffirmed the central role played by heavily reform-oriented states in underwriting economic development with a favourable labour regulation regime. Overall, this regime was internally fragmented. Such fragmentation aided the political aims of the reform agendas and in turn, fed off the reform programme. Contrasting levels of union organisation and effectiveness of bargaining in different economic sectors amplified this. Overall, a more wholesome picture of the notion of a regime of labour regulation was obtained by assessing the nature of segmentation and the policy approaches deployed to achieve and sustain that segmentation. Viewed in this manner, a regime of labour regulation in these case studies refers to the totality of regulatory approaches in different sectors of the economy.

The formation of these regimes of regulation depended upon state intervention. While this took the form of disintervention in labour markets, the adoption of such a policy framework constituted a political intervention by the state. Japan, for example, represented a model of state-led economic growth. A political process that gave rise to a historically distinct form of labour regulation and management underwrote this. Its much-publicised enterprise-model of industrial relations (requiring regulatory devices for that level of organisation) rested upon unique configurations of power within the state system. In contrast, Malaysia represents one of the finest examples of the second wave of state-led developmentalist industrialisation based on the accelerated integration of its economy. Malaysian political elites deployed the Japanese 'model' of regulation, which has been popularly viewed as



being the source of its spectacular growth until the mid-1990s. But this was essentially a selective application of a so-called Japanese model of labour relations, repackaged in its 'Look East Strategy'. This clearly had more to do with the ideology of elite politics and the professed aim of that elite to negotiate Malaysian integration with the global system on terms favourable to Malay corporate interests. The regulatory environment for labour thus had to facilitate this integration.

During Japanese and Malaysian industrialisation, statist strategies that enhanced the national negotiation of such developmentalist states vis-à-vis the global economic system came to be located in an economic policy discourse that emphasised export-oriented development, the nurturing of competitive advantages and the need for industrial discipline. This discourse came to be dominated by select institutions of the state and the terms that were deployed by them to explain the transformations became increasingly similar. In these respects state regulation of labour in Japan and Malaysia provided a window for viewing the domestic context of internationalisation.

Similarly, the New Zealand economy was relatively closed until the 1970s. Historically, the state played a heavily interventionist role in that country's economy and the labour relations regimes reflected this. The New Zealand crisis has its origins in the cessation, following the UK's entry into the European Union, of preferential access to the UK for primary export commodities. Coupled with the failure of large-scale Keynesian interventions, this led the New Zealand economy into a systemic crisis by the end of the 1970s. In spite of the comprehensive economic restructuring, it was unlikely that a corporatist model of labour regulation could have been sustained. The conservative National Party completed the deregulation of the factor markets following the introduction of the Employment Contracts Act (ECA) in 1998. The return of the Labour government in New Zealand in 1998 has seen a significant reversal in the regulatory environment through the new industrial relations bill. However, it must also be noted that while the regulatory environment under this bill reasserts the primacy of collective bargaining over individual bargaining, the fact remains that during the life of the ECA, both collective bargaining and trade union densities had been considerably eroded. Overall, however, the new regulatory environment remains quite focused on the overall goal of enhancing the competitiveness of all sectors of economic activity. The New Zealand case has shown

sharply the centrality of transforming the regulatory environment in support of the goals of economic internationalisation. Moreover, this example also demonstrates the relative ease with which large-scale transformations can be accomplished even in advanced liberal democracies, drawing attention to the issue of legitimation. Again, the location of the policy discourse masked in highly technical modes of discourse was central to understanding how selected state agencies promoted economic internationalisation. By assessing the discourse of policy reform, and the modes through which these discourses were popularised and legitimated, we have thus established quite patent commonalities in these three otherwise contrasting states.

### **Understanding union responses in contrasting settings**

A selection of responses by unions is demonstrated here to illustrate patterns of union response to reforms in these three countries. Economic restructuring affected trade unions in a variety of ways, having aggravated impacts in some sectors and industries. Within individual economies, economic internationalisation was highly uneven, as a consequence of which income differentials between economic sectors widened. The apparent effect of this was fragmentation of trade unions and dispersal of union responses during reform periods. Moreover, reforms also promoted higher levels of growth in some sectors, helping to sustain improvements in employment and conditions of employment (ILO 1995, 1996). In these respects the differentiated outcomes in different sectors worked to erode the basis for collective action. Legislative measures such as the ECA simply reaffirmed these outcomes.

But trade union responses were also affected by the lack of understanding of the nature and complexity of the economic reforms. It was clear that by the early 1980s trade union leaders had at best a rather loose understanding of the overall direction and the integrated nature of reform (Prasad 1998a and b).<sup>11</sup> Moreover, because reforms came on the heels of serious economic crises, union leaders were impressed by the prospects of employment generation implied by labour market reforms. This can also be said of the gradualist reform agendas in Japan (Prasad 1998a). It was also true that policy units within trade union secretariats were simply incapable of responding to policy shifts because either the language of policy debates had changed or the economic policy shifts were taken outside of the public

arena. The presentation of reforms in a piecemeal and fragmented manner also inhibited the articulation of macro-strategies and coalition building during early periods of reform. In both Japan and Malaysia, the state sought and partially received the tacit or real support of important fragments of organised labour through references to the goals of the developmental state as well (Tabb 1995). Moreover, a cadre of union leaders emerged who stood to benefit from reforms, especially public sector deregulation. This enabled the evolution of shop-floor focused trade unions. The autonomy of leadership and independence in bargaining was often deployed to win shop-floor consent for privatisation. However, this needs to be qualified as well. The public sector overall remained the crucial source of challenge to the state in each of the countries and some of the severest opposition to reforms was noted from this sector, across all cases studied. Overall, however, trade unions proved incapable of reversing the major reforms. Their failure to respond effectively to the economic reforms further hollowed broader confidence in society generally. This partly explains the emergence and proliferation over the past decade of new change agents focused on specific outcomes or labour market issues. Trade unions in these countries now compete with women's groups and a variety of non-governmental pressure groups for the attention of policy makers, further fragmenting the oppositional spaces in these capitalist societies.

### **Legitimizing regime transformations**

While all three economies have undergone quite dramatic restructuring, both the Malaysian and the Japanese economies face a period of serious reforms. Unlike the earlier reform phase of the 1970s and 1980s, the directions of present reforms remain uncertain. Some discussion about how labour market reforms have been secured in the past may thus be helpful in interpreting the directions and mechanisms through which further reforms are likely to be achieved and secured.

While the contrasts among the three cases are obvious, some common trends appear to have become significant across them over the past two decades. First, across these three states the responsibility for formulation of overall economic policy became increasingly centralised not only within the government bureaucracy, but also within the cabinet level. This both reduced the role of labour ministries generally and resulted in a gradual

incorporation of labour policy into economic policy. This expanding role of premier policy making institutions in labour policy making has been a strong characteristic of reforms in these countries. However, the expansion (gradual in the case of Japan and rapid in the case of New Zealand) was quite varied as well, providing an interesting contrast with the deregulatory thrusts of labour market policy more generally. But the centralisation of economic policy also occurred against a backdrop of increasingly centralised labour organisation—although this was a strategic response by organised labour to other challenges as well. Again, the (re)-emergence of centralised national organisations of labour is contrasted with the fragmentation of individual unions. In many ways, new configurations of national trade union organisations have enhanced labour's capacity to deal with, respond to and interpret the consequences of economic policy shifts.

The centralisation of the responsibility for economic policy into premier and highly technocratic institutional settings did not mean that economic policy changes were shielded from distributional coalitions over the longer term. In both Japan and New Zealand, organised labour has as well been able to wield effective influence as a consequence of changes in the electoral system for parliamentary elections. This is significant: the parliamentary arena has re-emerged as a location from which to launch rearguard actions on economic policy shifts. In some ways this is a consequential reclaiming of a space for oppositional action.

Also strongly apparent in all the cases was the increasing alignment of national economic policy institutional centres within international agencies (in the cases of New Zealand and Japan, the IMF, the World Bank and the OECD). The formative influence of the IMF–Wall Street–Treasury nexus in articulating the architecture of economic policy was thus notable throughout the 1980s and much of the 1990s (Wade 1996; Wade & Veneroso 1998). It has also been used occasionally to override the influence of labour ministries and labour market institutions more generally. This integration was based on the increasing flow of experts among these agencies, as well as annual reporting obligations and involvement in policy review. The net effect of the trend is difficult to ascertain but overall, it was clear that organised labour had fewer opportunities to influence policy at the regional (APEC) or international forums than had these reform-oriented states. However, this is not to argue that labour did not develop regional/

international strategies in response. In each country, trade unions strengthened and consolidated regional and international alliances and the interaction has become increasingly significant in influencing labour market policy.<sup>12</sup> Towards the end of 1998, two trends have become significant. First, the credibility and authority of the IMF–Wall Street–Treasury complex appear to have been shaken. Actions by the Malaysian state in expanding state regulation and uncertainties in the policy responses in Japan amplify this impression of a loss of unquestioning faith. Secondly, the regional responses, campaigns and lobbying by organised labour are becoming better coordinated and more effective in regional and international forums.

Over the past decade, the legitimisation of labour market changes relied upon monetarist microeconomic arguments. The ascendancy of monetarist frameworks followed economic crises across these countries, leading to a domination of the limited public discussion on labour market policies by labour economists rather than a broader involvement of social partners. This approach helped blur the impacts of labour market reforms upon labour, as is best illustrated through the indirect regulation of incomes via anti-inflationary policies in the case of New Zealand. Here, a primary instrument of regulation (in an otherwise massively deregulated environment) has been the strict adherence to an anti-inflationary policy. This was obtained through legislative means that gave autonomy to its Reserve Bank under a narrow inflationary ceiling. By protecting economic reforms in this manner, the New Zealand state has quite skilfully transformed the regulatory environment—in a manner that places an enormous burden upon organised labour. At the time of its introduction, unions and most political parties in opposition failed to see the indirect links between inflation ceilings and wage negotiation. The increasing role of this machinery and the level of protection accorded to it were significant more generally in the region. However, in the other two cases, it was clear that anti-inflationary mechanisms were still open to political influence—although the intensity of such influence has been declining. In these ways monetarism became a part of the armoury of labour re-regulation. In Malaysia, the affirmations to statist goals (such as appeals to national unity and vision 2020) further bolstered the technical arguments. By the end of 1998, there is growing evidence of broader public debate on such issues in ways that are more accessible to interest groups.

Overall, then, these three developments demonstrate how the regulatory environment for labour has been transformed as a consequence of active state policies. The effect over the past two decades of placing a large part of the responsibility for labour policy into such institutions, and then protecting them from distributional pressures, has been to align labour market policies more closely to the state-determined developmental goals. The nature of contestation and field of competition among organised labour, industry and the state has been transformed.

With the intensification of the economic crises in both Japan and Malaysia, a centralisation of economic policy, the introduction of technocratic regulatory guidelines and the shielding of regimes of regulation from popular scrutiny appear to have become open to contestation. In practice, to sustain the project of economic internationalisation new forms of regulation, likely to require new mechanisms of legitimation and control, are likely to follow. This has consequences for industrial relations theory.<sup>13</sup>

### **Re-assessing the neoliberal and developmental orthodoxies**

Over the past two decades each of these countries has attracted advice through economic reviews, institutional direct contacts with the 'IMF complex', and formal and informal links between technopols and policy makers in regional and international settings.<sup>14</sup> Moreover, New Zealand also emerged as an exporter of these new reform technopols. However, long before the onset of the 'Asian contagion', serious criticism was being advanced of the view that trade liberalisation and state disintervention in labour markets favoured competitive industrial development. The utilisation of strategic selection, favoured access to capital and state support for sunrise industries remained firmly part of the industrial development story line in both Japan and Malaysia. In New Zealand, the political enthusiasm for sustaining the reforms of the 1980s waned as well, reflected partly in new electoral agendas and changed voting patterns.

Overall, however, the trend towards state disintervention in support of competitive industrial development predominated. This trend implied a continuing commitment to labour decollectivisation, and the promotion of a decentralised industrial relations framework within the overall policy framework of industrial development. However, this theoretical orthodoxy

became open to criticism even by reform enthusiasts within important state bureaucracies. Lall and Latsch noted:

that it was apparent within the broad mainstream of economic analysis, the notion of market failure has been considerably broadened . . . This probably means that issues of policy cannot be solved theoretically but that more attention needs to be paid to micro-level processes and behavioural mechanisms. (1998: 462)

Flaws in the theoretical orthodoxy meant that the depoliticised nature of the policy framework became more open to political scrutiny. Towards the end of the 1990s, it is becoming increasingly clear that political challenges to the neoliberal reform agendas were indeed possible. Scandals involving premier policy making institutions in Japan and the fissures amongst policy elites in Malaysia have helped to open public questioning about the validity of the reform programmes. The economic crises in which these events have occurred have also helped expose conceptual flaws in the neoliberal orthodoxy, and this has also occurred in New Zealand, in slightly different ways. It is therefore likely that policy frameworks, including those that relate to labour market policies, will become less dependent upon arguments derived from neoliberal economics. They are likely to become more dependent upon political negotiation. This holds interesting prospects for organised labour, both within these national settings and more broadly.

### **Reviewing implications for the field of industrial relations**

This exploratory inquiry has several implications for our understanding of regime changes in labour regulation, with reference to the specific studies and more generally. First, modes of labour regulation have undergone significant direct and indirect changes over the past two decades. Some of these changes have been driven by factors associated with economic globalisation. The economic policies chosen by the reform-oriented states under consideration promoted accelerated economic internationalisation during this period. Economic internationalisation was obviously associated with significant changes in the arena of labour regulation. This commonality in cause and consequence was even more significant given the political and

economic diversity of the three countries. However, actual policy transformations in the area of labour regulation have depended upon a diverse matrix of state interventions—including disintervention, which itself constituted a specific form of labour market intervention. During the period under review, state capacities with respect to economic and labour market policy became increasingly porous to a variety of global pressures. But the actual policy interventions were products of political negotiation and contestation.

Secondly, transformations in the area of labour regulation have not been unilinear: they remained open to renegotiation, even to measured reversal, as in the case of New Zealand under its new Labour Government. This contestation and renegotiation is significant given the overall assertiveness of the IMF–Wall Street–Treasury policy framework, expressed through technopols operating at different levels of national, regional and international policy formulation processes.

This paper has demonstrated that industrial relations regime changes have followed economic crises in the three countries examined. During the period 1973 to the end of 1997, these regime changes have, overall, aided the further internationalisation of selected sectors of the national economies. The selection by these reform-oriented states of some labour regulation strategies ahead of others amplified the pre-eminent role of the state at the interface of the global and the national. During this era of economic globalisation, these strategies have come to be firmly located in the economic rather than the political sphere. I have argued that this repositioning has been central to understanding how the support, tacit or otherwise, or the acquiescence of organised labour has been obtained or achieved in Japan, New Zealand and Malaysia during periods of reform. By reasserting the essentially political nature of economic policy shifts, which appear in depoliticised ways over this longer time frame, we are able to understand better the underlying generative mechanisms of transitions in national regulatory regimes.

Overall, transformations in the modes of and approaches to labour regulation have remained open to contestation. While it is the case that in each country important fragments of organised labour have provided sustained opposition to neoliberal reform agendas, increasingly the party political framework opened up as the more significant focal point for



coalition building in favour of alternative modes of economic governance. Electoral reforms in New Zealand and Japan have increased the possibility for the emergence of fresh political coalitions that are capable of reviewing the terms of economic internationalisation. Similarly, the ruling elite in Malaysia has, more recently, cultivated populist responses opposing the fuller liberalisation. Examples such as these underline the potency of political contestation in reshaping the regulatory approaches to labour. It is noteworthy, therefore, that at least in the case of Malaysia, there has been a reassertion of control over centralised policy making institutions—through a displacement of the influence of reform oriented techopols. This indicates that industrial relations regimes are more likely to be re-evaluated as a consequence of political shifts than has been the case over the past two decades. It also suggests that an international global trade–friendly model of regulation is less pragmatic than the dominant policy paradigms suggest. The most recent economic crises in both Japan and Malaysia have exposed serious flaws in the technocratic claims of the dominant neoliberal paradigm. In some ways, therefore, the populist attempts in Malaysia have resulted in the reaffirmation of political control over premier policy making institutions. But this move towards the repoliticisation of economic and labour market policy—observable across these economies in different ways—ought to be treated in a tentative manner.

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## Notes

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1 The field research for the study on which this paper is based was completed in mid-1997 (Prasad 1998a and b). All the three economies particularly considered here—New Zealand, Malaysia and Japan—had experienced sharp economic downturns by late 1997. The data for the present phase of economic contraction are mainly drawn from the *Financial Times*, and other media sources in the three countries. The conclusions made about the present phase of economic crisis should be treated as hypothesis only.

2 By developing and sharpening comparative methodological approaches derived from Rueschemeyer, Stephens and Stephens (1992), I was able to reduce the variations derived from national specificities (Prasad 1998a).

3 For general accounts of the political economy of the three countries see Gomez and Jomo (1998), Kelsey (1995) and Tsuru (1993).

4 This paper uses the term 'economic globalisation' to refer to a process of accelerated internationalisation of national economies achieved through trade liberalisation and associated economic reforms. It asserts that accelerated economic internationalisation is organically associated with significant changes in the area of labour regulation. Both the structural characteristics of greater economic openness and the restructuring of labour markets are twin features of economic globalisation. The paper is also premised on the argument that economic globalisation is 'a consequence of the crisis of capital accumulation within nation states' (Burnham 1995).

5 Bonefeld, Brown and Burnham (1995) have examined the deployment of monetarist and social democratic devices in dealing with the 'problem of labour' during periods of radical economic reform, with reference to the UK experience. The framework applied to this analysis is quite relevant to understanding labour regulation transitions in reform oriented settings more generally. This approach is further developed in Prasad (1998b).

6 I have argued that changes in national immigration policies came to be more sharply shaped by internal labour market considerations. These considerations went further than merely responding to temporary demand/

supply mismatches; often they underwrote state efforts to maintain internally segmented labour markets and thus sustain specific configurations of the fragmentation of organised labour (Prasad 1998a and b).

7 For a detailed list of labour market consequences of economic restructuring see Prasad (1998a and b). For a more general orientation to labour market changes see OECD economic surveys of the three economies for the period. Tables in the World Bank and the ILO annual reports also provide helpful orientation to labour market changes in these economies.

8 Respectively, the acronyms refer to the General Agreement on Tariffs and Trade, the World Trade Organization, the Asia Pacific Economic Community and Closer Economic Relations (Australia and New Zealand).

9 See Tabb (1995) for discussions about the term 'developmentalist state'. The term is used here more loosely to refer to the high level of direction, coordination and strategic selection of medium term developmental approaches by centralised state agencies. This has been especially notable in Japan and Malaysia over the past two decades. A vital organ of the infrastructure of the developmental state was 'a regulated, nonliberalised financial system capable of delivering concessional credit to priority uses' (Wade 1996: 7). In the present economic crisis, there is considerable debate about the superiority of this approach to development as opposed to the more conventional neoliberal approach that is notable in the New Zealand economy.

10 Chalmers (1989) details industrial relations processes in the peripheral sectors where the small and medium sized enterprises are concentrated. He points to the centrality of a two-tiered industrial relations system that has been a key feature in Japan's post-war industrialisation. I argue that this segmentation has been reaffirmed during accelerated internationalisation over the past two decades.

11 Economic reforms in these three countries also span different time frames. For example, the decollectivising thrusts of labour reforms in Japan were most noticeable in the late 1950s and early 1960s. Decollectivisation was the focus of economic reforms in the 1980s in the other two countries. For some idea of trends in union size/membership see Jomo and Todd (1994) for Malaysia. Union membership trends are reported annually through the Industrial Relations Research Centre at the Victoria University in Wellington. See various issues of the *New Zealand Journal of Industrial Relations* for this.

12 For a discussion of the international and regional alliances of organised labour see Wilkinson (1995).

13 See Prasad (1998b) for a discussion of how a reconfiguration of power relations that resulted from economic reforms affected industrial relations.

14 See, for example, the theoretical orientation in annual reports of the World Bank (Oxford: OUP, 1990–1996 in particular) and the country economy surveys by the OECD (Cedex, OECD, 1990–1996) for an orientation to this. For a critical view of how the World Bank promoted an economic orthodoxy, see Wade (1996). For a more specific discussion about how the World Bank promotes policy reforms in developing societies, see Ould-Mey (1994).

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