1. Industrial relations in emerging economies*

Susan Hayter

1.1 INTRODUCTION

Industrial relations is as relevant in emerging economies as it is in developed economies. The five emerging economies that are the subject of this volume – Brazil, China, India, South Africa and Turkey – together comprise 41 per cent of the world’s population and 42 per cent of the world’s labour force. Three of these countries – Brazil, China and India – are also among the world’s largest economies. Each country liberalized its product markets in the hope of accelerating the country’s growth and development. In some, this was accompanied by democratic transition, with organized labour playing a key role in the process of political change. High degrees of informality and late or limited industrial development produced patterns of industrial relations that differ from those in advanced economies.

These developments raise important questions about the institutionalization of industrial relations in emerging economies and its contribution to development. Is it meaningful to talk of an ‘industrial relations system’ in emerging economies? Can we trace the institutional trajectory of industrial relations over the course of a country’s industrial development, and do the studies in this volume suggest that these trajectories converge? What about outcomes? Does the institutionalization of industrial relations in emerging economies contribute to inclusive development? This volume aims to shed light on these questions by examining industrial relations across very diverse national systems.

We have chosen to call this volume Industrial Relations in Emerging Economies because it focuses on the institutionalization of employment relations. This volume provides information about the institutions that are the traditional subject of industrial relations: trade unions, employers’ organizations and collective bargaining. It also reveals the paucity of a traditional industrial relations perspective in a developing-country context where work in the informal economy is as significant, if not more
significant in terms of the numbers of workers, than formal employment. In fact, as we show, the evolution of these institutions is closely intertwined with ‘labour relations’ involving all who work, including those in low-quality employment and own account workers in the informal economy.

This chapter begins with a brief overview of the theoretical perspectives that inform the study of industrial relations (section 1.2). It then examines empirical literature on industrial relations in developing economies (section 1.3). Section 1.4 considers the insights that emerge from the comparative analysis of the country studies in this volume. Comparative analysis of the very different institutional settings of the countries examined in this volume, provides important insights about the similar external factors shaping national industrial relations systems and, perhaps more importantly, the internal factors that constrain the contribution of these institutions to inclusive development. Industrial relations has always had an interdisciplinary orientation, employing methods of economics, sociology, political science and law; so too do the contributors to this volume. The chapter concludes that in examining industrial relations in emerging economies, it is necessary to expand the analysis and focus on the broader concept of labour relations.

1.2 THEORETICAL PERSPECTIVES ON THE INSTITUTIONALIZATION OF INDUSTRIAL RELATIONS

Theoretical perspectives of industrial relations have their origins in the response to the ‘labour problem’ that emerged in industrializing countries in the late nineteenth and early twentieth centuries. Faced with child labour, low wages, long working hours and hazardous working conditions, early trade unions used the ‘method’ of collective bargaining to improve working conditions (Webb and Webb, 1897). The gradual and incremental structuring of production relations through processes such as collective bargaining was seen as a means of ‘re-balancing the institutions of capitalism in order to bring about more stability, efficiency, justice and human values to the employment relationship’ (Kaufman, 2010, p. 76).

Industrial relations developed as a study of this structuring of production relations and institutionalization of employment relations. For Dunlop (1958 [1993]), as he explains in his influential book Industrial Relations Systems, this includes the ‘actors’, ‘contexts’ and ‘web of rules’ created to govern work. Flanders (1965) understood industrial relations as the ‘analysis of job regulation’ and the ways in which the relations between employers and employees were managed within the substantive
rules of industrial relations. Industrial relations is thus concerned with both job regulation and with the broader context in which the employment relationship is determined. For Flanders, the development of an industrial relations system was not systematic but emerged in a piecemeal and haphazard manner.

Fox (1974) identified three ‘frames of reference’ in industrial relations that held very different assumptions about the nature of work, employment relations and conflict, resulting in different theoretical and explanatory approaches: unitarism, pluralism and Marxism (also known as the radical approach). The unitarist perspective assumes that there is no difference in interests between an employer and employee. All actors and organizations share the same goals. Industrial relations is thus characterized by the ordering of common interests, the outcome of which is harmonious employment relations. This view is typical of human resource management according to which it is possible for employment policies and practices to align the interests of employees and employers (Lewin, 2001).

A pluralistic approach accepts conflict as an innate characteristic of employment relations and seeks pragmatic means to contain it (see, e.g., Fox, 1966; Clegg, 1979). According to this perspective, workers and employers with different interests require processes that help identify both common ground and potential trade-offs. Collective bargaining is seen as a principal means for keeping conflict within tolerable bounds. The incremental structuring of employment relations occurs as the result of an ongoing compromise between employers and employees, and their representative organizations. Employment relations is embedded in a stable system within which the interests of employers and workers can be reconciled. This institutionalization of employment relations also constitutes part of the broader corporatist social contract and is seen as the ‘ideal’ form for managing industrial conflict in the course of a country’s economic development. From this perspective, a rise in unofficial ‘wildcat’ strike action or social disorder is simply an indicator of an institutional lag.

A radical perspective of industrial relations sees conflict as an inherent characteristic of employment relations, and inevitable given the nature of capitalist development. The focus is on the nature of the capitalist society and the fundamental division between capital and labour. Employment relations under capitalism involves the control and deployment of labour in order to generate profit so that firms can continue to accumulate capital. The field of industrial relations is concerned with the ‘study of the process of control over work relations’ (Hyman, 1975, p. 12). Trade unions balance the inherent imbalance of power in the workplace, and provide a form of opposition against capitalist production processes (Hyman, 2001). Rather than focusing on the processes that reconcile different interests,
employment relations should be understood as a process of ‘structured antagonism’ between capital and labour (Edwards, 1986).

From this perspective, industrial relations may result in stability and the containment of conflict, but its value is also to be found in the processes of contestation, resistance and instability that the institutionalization of employment relations inevitably produces. This reveals fundamental contradictions, such as rising inequality, that in turn threaten the long-run viability of capitalist development. As a critique of the pluralist tradition, the radical perspective also points to a fundamental paradox which renders the institutionalization of employment relations inherently unstable and incomplete: the role of trade unions as actors on the one hand, and as architects of the industrial relations system on the other. By participating in the institutionalization of employment relations, unions are incorporated into the system, dependent on its formal procedures and integrated into structures of managerial control (Hyman, 1989). The institutional security they derive from the system may displace the need to continuously organize – and represent – the shop floor (Purcell, 1993). Growing dissatisfaction at the workplace and a lacuna in formal institutions for representation and collective action may result in the emergence of other forms of collective representation, the search for new sources of power and ongoing contestation in work relations (Hyman, 2015).

Considerable attention has been given to patterns of institutional development in the comparative industrial relations literature. Early theories of convergence argued that as countries move through distinct stages of development, a ‘logic of industrialization’ prevailed, production relations were structured along similar lines and employment relations started to resemble a common model (‘pluralistic industrialism’) (Kerr et al., 1964). Crouch’s (1993 [2003]) seminal account of the historic development of European industrial relations institutions shows that after industrialization, the pattern tends to be one of institutional continuity within countries, and diversity across countries. He uses a common theoretical framework to explain these divergent yet nationally distinct patterns. Recent comparative studies of developed economies also find evidence of divergence in national patterns of employment relations (e.g., Katz and Darbishire, 2000; Bamber et al., 2010).

There has been some theorizing about continuity and discontinuity in the development of industrial relations institutions. Erickson and Kuruvilla (1998) in their evolutionary description of change in industrial relations, make a distinction between discontinuous change, and more incremental and adaptive change. Much of the literature emphasizes the role that economic restructuring plays in fundamentally transforming industrial relations. Since industrial relations institutions are socially constructed,
they reflect the balance of class power at the time of their construction. There can be long periods of continuity as long as the economic interests of workers and employers are balanced which in turn rests on stable patterns of economic growth. When that economic pattern changes, interests and power resources change and industrial relations systems experience some instability until a new compromise is reached.\(^1\) Howell (2005) argues that insufficient attention has been given in pluralist accounts of industrial relations to the role of the state in institutionalizing industrial relations. Broad shifts in the patterns of economic growth may trigger reforms to industrial relations systems:

State actors play a central role in the construction of industrial relations institutions by virtue of a set of unique public capacities, of which I emphasize the following: enforcing and systematizing institutional change; narrating an authoritative interpretation of industrial relations crisis; solving the collective action problems of employers and unions; and anticipating and crafting alliances among private industrial actors, though it is important not to forget the state’s overt coercive power. (p. 37)

The field of comparative political economy, particularly the institutionalist analysis within it that focuses on state traditions, has been very influential. Hall and Soskice’s (2001) variety of capitalisms framework addresses the relationship between different institutions (including industrial relations institutions) in advanced capitalist economies and distinguishes between two types: a coordinated market economy (CME) and a liberal market economy (LME). Complementary institutions develop in different sub-spheres of the political economy at the national level (for example, financial systems and industrial relations systems). These undergird the strategic choices made by economic actors. Interactions between this set of institutions reinforce a certain path-dependence. This analytical framework is used to explain why globalization had different effects on industrial relations systems. For example, trade unions were weakened by business initiatives and labour market deregulation in LMEs, but remained strong in CMEs where different coalitions ensured their survival and their continued role in wage coordination. Other scholars in this tradition have emphasized ‘critical junctures’ in the development of (industrial relations) institutions, during which new configurations can emerge between different institutions, which in turn forges a new institutional trajectory (Thelen, 2009).

For the purposes of this volume, it is also interesting to consider the perspective of development economists. Freeman (2009), in considering the effects of labour market institutions (including unions and collective bargaining) on efficiency and equity, argues that where the share of
formal sector employment is small, then these institutions will only affect aggregate outcomes if they have very large effects on the formal economy, there are sizeable spillovers to the informal economy, or they are located in sectors that are particularly important for economic development (for example, traded goods).

Literature on the role of the development state in economic transformation in Asia highlights the role that governments play in promoting cooperative labour–management relations, in addition to building economic infrastructure through education, training and research, and creating comparative advantage (Öniş, 1991). The importance of participatory institutions and cooperative employment relations in transforming work relations and processes was also emphasized by Stiglitz (2000) in his keynote address to the Industrial Relations Research Association (Boston, January 2000). In his view, development strategies needed to pay greater attention to the role of organized labour in the transformation of industrial relations, including through the creation of high-trust and high-involvement systems at the workplace.

1.3 THE INSTITUTIONALIZATION OF INDUSTRIAL RELATIONS AND DEVELOPMENT

What insights can we draw from the empirical literature on industrial relations in emerging economies? Unlike the rich comparative literature that exists on developed economies, the study of the institutionalization of industrial relations in emerging economies is a less-developed subject of enquiry. Comparative studies on the role of trade unions in development from the 1950s and 1960s focused on the question of whether the growth of independent trade unions and collective bargaining contributed to, or impaired, development.

One view held that effective unions would secure a wage that was higher than the marginal product of labour and thus divert the scarce resources available for investment into consumption (Mehta, 1957). Moreover, the labour-intensive production on which these economies relied to generate economic growth would be frustrated if hours of work were too short and wages above internationally competitive levels. Unions would also make it difficult to fire unproductive workers. According to this view, collective bargaining was only appropriate after a sufficient level of industrialization had been achieved.

Galenson (1959, 1962), in comparative studies on the role of labour in developing countries, came to a very different view. Independent trade unions did not impair the investment function, instead they played an
important role in securing a committed workforce (through improvements in working conditions and job security). The positive engagement of workers in production and change would offset any consumptionist pressure:

Independent trade unionism and satisfactory economic development are by no means antithetical. On the contrary, we believe that independent unions can make a major contribution to development by giving the individual worker a sense of personal dignity and a means of redressing his grievances. It is quite understandable for government leaders who are concentrating on the achievement of economic goals in the face of what must sometimes appear to be impossible odds to be impatient with intractable, ‘irresponsible’ representatives of workers. There is an ever-present temptation to silence them and to substitute paternalism for bargaining and conflict. But the price may be very high indeed: the loss to the nation of the creative energies of free men who feel themselves masters of their own fates rather than cogs in a vast, impersonal machine. (Galenson, 1962, p. 10)

Despite such views, concerns over the effects of unions on wages and labour costs continued to inform development strategies and structure the relationship between the state and organized labour. State actors tended to prioritize economic policies over labour policies and restrict the growth of independent unions. The interests of labour were viewed as subordinate to the interests of the state (Galenson, 1992).

A number of comparative studies in Asia, including on China and India, focused on the impact of a country’s industrialization strategy, and of global economic integration, on national systems of industrial relations in the 1980s and 1990s. For example, Kuruvilla (1996) shows that policies of import substitution relied heavily on the maintenance of peace and stability by the state. A low-cost, export-oriented strategy tended to be associated with cost containment and union suppression. As countries shifted to higher value-added exports, their policy orientation toward labour changed and greater emphasis was placed on skills development and achieving flexibility. This was often accompanied by an increase in foreign direct investment and the growing importance of multinational enterprises (as new actors in industrial relations). Other studies in the region also highlighted the manner in which states intervened in industrial relations as they navigated the path of industrialization. They emphasize the role of external constraints in the transformation of national systems of industrial relations (see, e.g., Kuruvilla and Erickson, 1997, 2002; Frenkel and Harrod, 1995). Bhattacherjee (2001), in examining the evolution of industrial relations in India, considered it necessary for comparative studies to extend analysis beyond the effects of development strategies and international economic integration, to examine a broader
range of socio-economic and cultural factors, as well as patterns of historical development.

Indeed, while it is important to understand the external factors that shape industrial relations, it is equally important to examine the historic process by which industrial relations have been institutionalized and the manner in which these shape future institutional trajectories. The experience of colonialism and the struggle for independence has had a profound influence on the manner in which industrial relations systems evolved in affected countries (Kuruvilla and Mundell, 1999; Koçer and Hayter, 2011). For example, in South Africa the newly independent state reproduced the system of control and exclusion that had developed under the colonial powers. The industrialization strategy in the twentieth century was closely related to the system of racial repression that ensured the availability of a cheap and disciplined labour force (Webster, 1978; Hayter and Pons-Vignon, Chapter 3 in this volume). Even where workers were guaranteed certain rights and protections by post-colonial states, the majority of workers tended to be unemployed or to work in the informal economy and thus excluded from these protections (Webster and Bhowmik, 2014).

In Latin America, where organized labour had been a part of the struggle for independence, it was integrated into the post-colonial state in a form of state corporatism. When protests over conditions of work challenged the stability of these post-colonial political regimes, governments sought to extend labour rights and institutionalize labour conflict. Where these labour reforms coincided with the transition from an autocratic to a democratic state – such was the case in Brazil and Argentina – this led to the strengthening of collective rights (Cook, 1998). Organized labour enjoyed a generally favourable political context. The different strategies that were used by states to incorporate labour led to very different trajectories of political change and produced distinct constitutional legacies (Collier and Collier, 1991).

With economic restructuring in the 1980s and 1990s, the system of state corporatism came under increased pressure. The liberalization of markets posed new demands for labour market flexibility, which in turn eroded employment security at the core (of labour markets). The economic reforms generated higher levels of unemployment and inequality and the context for organized labour became increasingly unfavourable. Unions were often portrayed as ‘privileged special-interest groups’ and ‘market-distorting institutions’ that pushed up wages at the cost of all those excluded from the labour market and surviving at the periphery. This legitimized policies to remove and reduce union power (rather than expand labour protection to those excluded). In countries such as Chile and Peru,
where unions were already weak, labour market reforms gave significant power to employers over individual workers and unions. In Brazil and Argentina, where labour was stronger, labour reforms affected individual employment relations but not collective industrial relations. Moreover, the recognition by the governments of Brazil and Argentina of the legitimacy of labour’s collective interests led to the design of labour laws and policies that addressed labour market issues in a more integrated manner. In countries such as Chile, flexibility-driven reforms led to changes that were piecemeal and met with resistance from unions. They also exacerbated inequality (Cook, 2007).

Three factors determined the capacity of collective industrial relations institutions to withstand future attempts to weaken the power of labour: the initial incorporation of labour in the society; the position of labour during dictatorships and the subsequent transition to democracy; and the nature of reforms to labour legislation. Institutional legacies determined the capacity to respond to the effects of economic liberalization on the labour market. Cook (2007) has argued that of these institutions, a legacy of state corporatism and the protection of collective rights provided organized labour with the best institutional setting for its survival:

Brazil and Argentina demonstrate the importance of strong unions in defending collective rights and protections. But more important, perhaps these cases suggest that the organizational resources and collective rights established in national labour law can provide a beachhead from which labour unions could weather political and economic storms. (Cook, 2007, p. 104)

Studies from the 2000s of industrial relations in emerging economies also point to the effect of the democratic incorporation of organized business and labour interests on the coherence between economic and social policies. Tripartite social dialogue between the state, peak employers’ organizations and trade unions proved instrumental in some countries in focusing attention on the social costs of market-oriented reforms and resulted in measures to mitigate these. These included: agreement to moderate the pace of liberalization; packages to facilitate adjustment through training and support to industries; and reinforcement of social protection (Fraile, 2010). There are concerns that in some instances, the political inclusion of organized labour in policy-making was premised on co-option rather than concertation, and closed a channel for dissent. In these cases it served the interests of labour leaders, some of who subsequently moved into government and failed to address the interests of the broader working class (Aléman, 2010).

One of the issues that is not sufficiently addressed in the literature on
Industrial relations in emerging economies is the effect of internal constraints – including prevailing labour market conditions – on the direction of institutional change. Labour markets in these countries continue to be characterized by high levels of unemployment, underemployment and informal employment. The lack of broader social transformation, together with job and income insecurity, function as primary constraints on the institutionalization of work and employment relations, and the subsequent contribution of these institutions to development (for the example of the Philippines, see Erickson et al., 2003 and Hutchinson, 2016). These conditions lead to a questioning of the role that industrial relations plays in development. The narrative is often one in which privileged ‘insiders’ enjoy rights and protections at the expense of ‘outsiders’. This argument is then used to justify reforms that deregulate protections for collective industrial relations, rather than to support the development of more inclusive labour relations institutions.

Another issue that deserves more attention is the fact that contestation over the ‘labour problem’ is not necessarily institutionalized. For example, a number of significant strikes and protests by unions have occurred outside of the formal industrial relations system. These include strikes in the construction industry in Brazil between 2011 and 2013; the strikes in the automobile sector in India in 2011 and 2012; the strikes of farmworkers in South Africa in 2012 and 2013, and mineworkers in 2014; the strikes of autoworkers in Turkey in 2015; and in China, starting with the 19-day strike at Honda and subsequently in other factories in Guangdong (Chan and Hui, 2012; Nowark, 2015; Campos and Dobrusin, 2016; and relevant chapters in this volume). Demands are similar: a better quality of life and fairer distribution of income. Many were sparked by the increase in insecurity that workers experience as a result of a rise in the use of contract labour.

Similarly, while there are notable accounts of unions organizing informal workers (for example, see Agarwala, 2013 for India) and lobbying for the extension of labour protection (for example, in Brazil, to domestic workers), we have also seen the emergence of new actors. Some authors consider this to be the result of the growing inadequacies of traditional industrial relations institutions to address the interests of the working class in these countries (Cook, 2011; Cook and Wood, 2011; Ness, 2016). Examples include self-employed workers organizing and engaging in solidarity-based collective action to improve the conditions in which they work (Routh, 2016; Webster and Bhowmik, 2014).
1.4 INDUSTRIAL RELATIONS IN EMERGING ECONOMIES

Despite their significance in the global economy, there are few studies of industrial relations in emerging economies (Barry and Wilkinson, 2011). This volume contributes to that literature and examines the evolution of industrial relations in these countries, the degree to which institutional trajectories have been shaped by economic and political transition, and the role these industrial relations institutions play in forging patterns of inclusive development. For the purposes of this volume we consider inclusive development to mean patterns of economic growth that contribute to reductions in working poverty and inequality.

This volume includes country chapters from very different regions: Southern Asia (India), East Asia (China), Africa (South Africa), Latin America (Brazil) and Europe/Western Asia (Turkey). Manufacturing output has been steadily increasing and, until recently, many of these countries were experiencing moderate to rapid economic growth. Yet the extent to which this resulted in structural transformation and sustainable reductions of poverty remains an open question. As the figures in Table 1.1 show, the proportion of those in informal employment remains significant in many of these countries. Income inequality is high, and there has been a rise in insecure forms of employment, whether ‘labour brokering’ in South Africa, ‘dispatched labour’ in China or ‘outsourced’ labour in Brazil.

Each of these countries experienced significant economic restructuring in the 1980s and 1990s as they integrated into the global economy. In some, the liberalization of the economy was accompanied by political transition (a return to democracy in Brazil, 1985; democratic transition in

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (000)</th>
<th>GDP (PPP) per capita – constant 2011 $</th>
<th>Inequality (Gini)</th>
<th>GDP growth (%)</th>
<th>Trade (% GDP)</th>
<th>Labour force participation (rate)</th>
<th>Informal employment (% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>207653</td>
<td>14023</td>
<td>51.48</td>
<td>-3.6</td>
<td>24.6</td>
<td>62.0</td>
<td>43.0</td>
</tr>
<tr>
<td>China</td>
<td>1378665</td>
<td>14339</td>
<td>42.16</td>
<td>6.7</td>
<td>37.1</td>
<td>70.9</td>
<td>51.9</td>
</tr>
<tr>
<td>India</td>
<td>1324171</td>
<td>6092</td>
<td>35.15</td>
<td>7.1</td>
<td>39.8</td>
<td>53.9</td>
<td>90.6</td>
</tr>
<tr>
<td>South Africa</td>
<td>55908</td>
<td>12260</td>
<td>63.40</td>
<td>0.3</td>
<td>60.4</td>
<td>54.7</td>
<td>34.0</td>
</tr>
<tr>
<td>Turkey</td>
<td>79512</td>
<td>23756</td>
<td>40.04</td>
<td>3.2</td>
<td>46.8</td>
<td>52.0</td>
<td>31.7</td>
</tr>
</tbody>
</table>

Source: World Bank (WDI), UNDP (HDI) and ILO (informal employment).
Industrial relations in emerging economies

South Africa, 1994); in others, political change was more modest (India, Turkey). With the exception of China, all are now political democracies. All these countries are fairly integrated into the global economy (see Table 1.1).

What is perhaps notable for the purposes of this volume, are the differences in industrial relations systems and the relationship of the state to organized business and labour interests (see Table 1.2). Not all countries have ratified the ILO Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98). Corporatism is a mechanism used by governments to integrate the associations and organizations of different interest groups, such as trade unions and employers’ organizations (Schmitter, 1974). South Africa can be described as corporatist, in the government’s use of national institutional processes to integrate employers’ and workers’ collective interests into policy-making, particularly in respect of labour market policy. Brazil is described as state corporatist, given the central role the state has played in the regulation of the affairs of both unions and employers’ organizations and the integration of their interests. China can be described as a model of state corporatist unitarism, in that the state maintains indirect control over the official trade union, business associations and employers’ organizations, aligning their interests in order to ensure harmonious industrial relations (Unger and Chan, 2015).

These corporatist models can be counterpoised with pluralist ones involving a multiplicity of interest groups, free market competition and conflict. In Turkey, the collective rights of workers and collective disputes are constrained by the state, subordinate to economic policies, and can thus be described as a form of state pluralism. In India, industrial relations evolved from a post-independence system of state pluralism, where the interests and rights of workers were constrained by state-led industrialization, to a system of industrial pluralism, where these interests are now constrained by the exercise of managerial power at the workplace, as well as conditions in the large unorganized informal economy (Bhattacherjee, 2001).

These differences raise important questions. Are there common patterns and experiences of the institutionalization of industrial relations across these countries? Can we trace the institutional trajectory of industrial relations over the course of a country’s industrial development, and do the countries examined in this volume suggest that these trajectories converge?
<table>
<thead>
<tr>
<th>Country</th>
<th>Industrial relations</th>
<th>Tripartite social dialogue</th>
<th>Trade union density (%)</th>
<th>Trade union structure</th>
<th>Collective bargaining coverage (%)</th>
<th>Structure of collective bargaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>State corporatist</td>
<td>Council for Economic and Social Development (CDES) National Labour Forum (FNT)</td>
<td>17.7</td>
<td>Single union (unicidade syndical) craft unionism</td>
<td>65.7</td>
<td>Territorial by occupation</td>
</tr>
<tr>
<td>China</td>
<td>State corporatist unitarism</td>
<td>National Tripartite Consultative Committee (NTCC)</td>
<td>42.6</td>
<td>State-sponsored monopoly union</td>
<td>40.6*</td>
<td>Enterprise level and some by sector or territory</td>
</tr>
<tr>
<td>India</td>
<td>Industrial pluralism</td>
<td>Indian Labour Conference (ILC) Standing Labour Committee (SLC) Industrial committees</td>
<td>12.8</td>
<td>Multiple union structures (craft, industry, general etc.)</td>
<td>6.0</td>
<td>Enterprise level (private sector), centralized (public sector)</td>
</tr>
<tr>
<td>South Africa</td>
<td>Corporatism</td>
<td>National Economic Development and Labour Council (NEDLAC)</td>
<td>28.2</td>
<td>Largely industrial unionism</td>
<td>30.0</td>
<td>Sectoral bargaining councils, multi-employer bargaining and enterprise level</td>
</tr>
<tr>
<td>Turkey</td>
<td>State pluralism</td>
<td>Economic and Social Council (ESC)</td>
<td>8.2</td>
<td>Industrial unionism</td>
<td>5.9</td>
<td>Enterprise level</td>
</tr>
</tbody>
</table>

Note: * For China this is an indicator of coverage of ‘collective negotiation agreements’ and not CBAs.

Source: Author and ILOSTAT.
1.4.1 Institutional Continuity and Discontinuity

Each of the authors in this volume place the existing industrial relations institutions in historic context. They examine the different process by which employment relations became institutionalized. They provide evidence of periods of institutional restructuring, followed by periods of institutional stability: of continuity and discontinuity. Discontinuity is often explained by periods of political or economic transition. To use the analogy developed by Erickson and Kuruvilla (1998), the transition to a democratic regime was often associated with discontinuous change. Economic transition and integration into the global economy tended to result in incremental change and the adaption of industrial relations institutions rather than their dramatic transformation.

Comparative analysis shows that rather than economic liberalisation being an exogenous factor – driving systemic change through increases in foreign direct investment (FDI), a rise in manufacturing exports and the intensification of competition – it amplified certain endogenous forces. Growing economic insecurity and inequality within the labour market places as much pressure on institutionalized industrial relations (from the periphery, so to speak) as the functional requirements (for example, flexibility, competitive labour costs) of a particular development strategy.

Berg and Schneider (Chapter 4 in this volume) show that there has been little change in the main features of Brazil’s industrial relations system since these were first instituted in the 1930s during the Vargas era. The government of the time, which adopted an ambitious industrialization agenda supported by a state corporatist system of industrial relations, relied heavily on the legislative branch to regulate labour markets and labour disputes to ensure labour peace. The structure in which a single union represents union members of a given occupational category and territory (unicidade sindical), supported by a union tax that finances unions, remained stable for decades. A transition to democratic rule in 1946 and the passage of a new Constitution enhanced labour rights but retained the state corporatist system and union structure. After a period of military dictatorship and state intervention in union activities, the return to democracy and adoption of a new Constitution in 1988 left these pillars of the industrial relations system intact.

In South Africa, the transition to democratic rule in 1994 marked a shift from a form of state pluralism premised on exclusion, to a corporatist system premised on inclusion. Nevertheless, it retained the institutional features of collective bargaining at the industry level first established in law in 1924 (Hayter and Pons-Vignon, Chapter 3 in this volume).
and Sen (Chapter 2 in this volume) also show significant continuity in legal and institutional frameworks from the British colonial system in India. Economic shocks in the 1980s and the different union strategies (some of which were politically affiliated, others independent) resulted in the emergence of a variety of industrial relations systems at the state level.

Lee (Chapter 5 in this volume) provides a brief description of the fundamental transition in China from a centrally planned to a market economy, and from an agricultural to increasingly industrial society. This was also marked by discontinuous change in institutions of employment relations, from lifelong employment in state-owned enterprises to an individual contract system. There has been remarkable continuity in two institutions. First, China's adoption of economic reforms from the early 1980s saw the revival of the workers' congress system first instituted in the 1920s (Hong, 1984). Second, the All China Federation of Trade Unions (ACFTU) maintains its monopoly representation, despite the transition to a socialist market economy. Since the 2000s, Lee identifies a process of top-down 'cloning' of labour market institutions on the one hand, yet divergent patterns of industrial relations across different regions on the other.

1.4.2 Political Transition

In some of the countries studied, the transition to democratic rule provided unions with a new source of institutional power. In Brazil and South Africa, the political inclusion and incorporation of organized labour gave unions a degree of political influence and was accompanied by the strengthening of labour rights. There were also significant attempts by the state to foster tripartite policy dialogue (in South Africa after 1994, and in Brazil after 2002) in order to respond to labour market challenges and possible reforms.

Organized labour in Brazil played an important role in protests calling for an end to the dictatorship. When democratic rule was re-established in 1985, it was followed by the enactment of a new Constitution (1988) that ended interference by the state in the associational governance of unions and recognized the right to strike. At the same time, it maintained the structure of union organization and union finance (with some modifications). This provided labour with important organization resources. The new government in 2002, headed by a former trade unionist, Luiz Inácio ‘Lula’ da Silva, sought to reach consensus on changes to collective labour law. The emphasis on tripartism and policy concertation marked a departure in practice from previous governments. Among the most important were the Councils for Economic and Social
Industrial relations in emerging economies

Development (CDES), a multipartite structure for discussions on labour social security and tax reforms, and the National Labour Forum (FNT) on labour law reform. Considerable time was spent on potential labour law reforms. Debates on a bill proved difficult; organized employer interests blocked proposals to regulate subcontracting and reduce working hours. Nevertheless a law was finally adopted in 2008 that recognized the role of central unions in tripartite dialogue and provided modalities for their financing through the union tax. The Lula Government also advanced social policy in a number of other areas, including increases in the minimum wage and the expansion of social protection. More recently, there has been a reversal in government support and proposals to reform the core pillars of the labour code (the CLT) (Berg and Schneider, Chapter 4 in this volume).

In South Africa, the independent unions had been key actors in the fight for democracy. A ‘tripartite alliance’ was established between the largest union confederation, COSATU; the ruling party, the African National Congress (ANC); and the South African Communist Party. When the new democratically elected ANC government came into power in 1994, it had already been engaging union confederations and organized business in designing a new corporatist system of industrial relations. This led to the establishment of the National Economic and Development, Labour and Social Council (NEDLAC). The mid- to late 1990s saw significant changes to labour market policies and regulations that extended both individual and collective workers’ rights to all workers. New bargaining institutions were established in the public sector. In 2013, there was tripartite dialogue in NEDLAC on labour law amendments to ensure the protection of workers working for ‘labour brokers’. In 2016, tripartite social dialogue over low wages, wage inequality and violent and protracted labour disputes led to an agreement in February 2017 to a new national minimum wage, a Code of Good Practice on Collective Bargaining, Industrial Action and Picketing, and amendments to be introduced to the Labour Relations Act. Nevertheless, as Hayter and Pons-Vignon (Chapter 3 in this volume) point out, significant tensions within the labour movement over the terms of the ‘tripartite alliance’ with the ruling political party have undermined the unity of organized labour. Employers’ organizations are also challenged by the diversity of enterprises and difficulty articulating common interests.

In India, the transition to democracy took place with independence in 1947. Rani and Sen (Chapter 2 in this volume) provide an account of a government that intended to pave the way for a ‘labour-inclusive development state’. Given the state’s reliance on domestic capital, it tended to support the interests of employers and intervened in industrial relations in order to maintain industrial peace.
Turkey’s transition to multi-party democracy was interrupted by military coups d’état in 1960, 1971 and 1980. Nevertheless, the adoption of a new Constitution in 1961, after the 1960 coup d’état, expanded workers’ rights and ushered in organizational and collective bargaining rights. Industrial relations became increasingly institutionalized and income inequality declined in the two decades that followed. However, the 1980 coup d’etat and suspension of the Constitution dealt a severe blow to the nascent industrial relations system. Under the new Constitution enacted in 1982, union freedoms and collective rights were restricted. This legislation remained in force for almost 30 years without any major changes, until the 2010 amendments to the Constitution. In 2012, new labour laws made it easier to establish unions and be recognized for collective bargaining, but also easier for the government to curb industrial action. While the government established a tripartite Economic and Social Council (ESC) in 1995 after discussions regarding potential accession to the European Union, this has not played a key role in shaping labour policy and a number of strikes have been banned by the government on the grounds that they were prejudicial to national security (Çelik, Chapter 6 in this volume).5

1.4.3 Economic Liberalization and Industrial Relations Institutions

The liberalization of the economy had a significant impact on industrial relations institutions in all countries studied. There was increased pressure for flexibility at the workplace (numerical, functional and wage flexibility). Whereas political change had a transformative effect on industrial relations systems (perhaps with the exception of Brazil), the change arising from the integration into global markets can be described as incremental. The direction of that change depended to some degree on the organizational strength and power resources available to organized labour. Close alliances with the government provided an important source of institutional power. In some instances, such as South Africa and Brazil, organized labour was able to influence the direction of change and industrial relations institutions played a role in ‘regulating flexibility’. In India and Turkey, organized labour was not able to draw on organizational strength or institutional power. The result was the further weakening of labour as market pressures undermined bargaining power.

In Brazil, liberalization during the 1990s led to a significant decline in employment in sectors that were traditionally highly unionized, including manufacturing and banking. Unions shifted their focus from wage increases to job security. The increasing trend toward outsourcing and subcontracting weakened the bargaining power of labour. Labour
Reforms introduced in the 1990s focused on achieving greater flexibility in employment (for example, easing hiring of temporary workers) and working conditions (for example, banked hours and other flexible working time schemes). However, efforts to change the corporatist system of industrial relations, and to remove the union tax and *unicidade*, were unsuccessful and unions retained their core organizational resources. The government also introduced an Executive Order in 2004 concerning Profits and Results (PLR) that provided an incentive to increase productivity in the form of a collectively negotiated bi-annual non-taxable bonus payment to workers. The adoption of banked hours was also subject to collective negotiations. This enhanced the role of bipartite negotiations in a traditionally corporatist system, but did little to change its basic tenets. As Berg and Schneider (Chapter 4 in this volume) show, it opened a space for unions to enter into dialogue on technology, qualifications and other topics, thus expanding the scope of the bargaining agenda. The measure became an important feature of industrial relations in Brazil. Unions were able to represent labour interests in the face of demands for the intensification of work and increases in productivity. It is still too early to tell what the outcomes of the proposed reforms to the labour code will be. At the time of writing, unions are in defensive mode and fighting to hold on to the gains of the earlier period, as well as to maintain their institutional space in labour relations (Berg and Schneider, Chapter 4 in this volume).

In South Africa, the post-apartheid vision for labour market policy was one of balancing economic and social policies through policy concertation in NEDLAC and achieving ‘regulated flexibility’ in labour markets through ‘voice’. The agenda for labour law reform sought to reinforce the role of industry-level bargaining councils and introduce statutory workplace forums to encourage workplace cooperation and ‘world-class manufacturing’. As Hayter and Pons-Vignon (Chapter 3 in this volume) show, unions have played a key role in stemming the rise in insecure forms of employment (‘labour broking’) both through tripartite social dialogue on labour law reforms on temporary employment, and through collective agreements that regulate non-standard forms of employment in different ways. However, while collective bargaining plays an important role in balancing flexibility and insecurity in some industries and enterprises, this is limited in the face of high structural unemployment and labour market insecurity. As is discussed below, this is placing considerable pressure on institutionalized industrial relations, despite the relative strength of organized labour. At a policy level, there has been considerable tripartite dialogue on labour market policy, including the new Labour Relations Act of 1995 (and subsequent amendments), the signing of a number of social pacts (for example, on skills and youth employment), and most recently on...
the introduction of a national minimum wage. By contrast, there has been a dearth of concertation over macroeconomic policy.

In India, shortly after coming to power in 1984, the government of Rajiv Gandhi began to liberalize the economy. These initial steps were intensified under the International Monetary Fund (IMF) Stabilization and Structural Adjustment Programme in 1991. Restructuring in the private sector led to an increase in managerial demands for functional flexibility and a shift to productivity-linked bargaining. As a result, the industrial relations system has been progressively decentralized to the enterprise level. There has been a change in the union structure marked by the proliferation of enterprise unions (due in part to the opposition of party-affiliated unions to decentralization) and a decline in the bargaining power of unions. This is accompanied by an increase in inter-state and inter-city variations in industrial relations (Rani and Sen, Chapter 2 in this volume).

The liberalization of Turkey’s economy from 1980s onwards, and large-scale privatization, coincided with the military coup, limiting of labour rights and weakening of industrial relations institutions. Organized labour has not been able to achieve a balance in the face of powerful business interests (Çelik, Chapter 6 in this volume).

China underwent the most dramatic economic transition in the 1980s, from a centrally planned to a market economy. Lee (Chapter 5 in this volume) argues that the formal industrial relations institutions were not prepared to address the challenges of new market-based employment relations. During the 1990s there were almost no enterprise unions in most enterprises in the burgeoning non-state sector. Those that did exist tended to be management appointees. A bifurcation occurred between ‘institutions’ and ‘voice’, and workplace relations were increasingly characterized by flexibility and insecurity. Rising protests led to attempts to stabilize and build ‘harmonious labour relations’. Concerted efforts were made to expand coverage by collective contracts. While the author identifies both hybrid forms of representation and ‘institutional thickening’ that have improved the working conditions and terms of employment for those covered, the overall picture remains one of a bifurcated system.

1.4.4 Industrial Relations and Inclusive Development

The question that remains is the degree to which industrial relations institutions contributed to inclusive development. One important issue that emerges from this comparative study, with important implications for inclusive growth and development, is the complementarity between labour market institutions and policies in the country. In Brazil and China, this
complementarity contributed to the formalization of employment and a reversal of income inequality in the 2000s. Brazil included organized labour and business in discussions on reforms to the labour code as well as increases in the national minimum wage, thus reinforcing complementarities between labour market institutions. As Berg and Schneider (Chapter 4 in this volume) show, the reinvigoration of the minimum wage policy and the PLR had a favourable influence on collective bargaining, which in turn delivered real wage increases and compressed the wage distribution. The state corporatist system allowed for a high degree of coordination. A union campaign that led to an increase in the minimum wage, and the extension of workers’ rights to domestic workers, also played an important role in reducing income inequality. Unions and their collective action did not act as a brake on development. On the contrary, labour market developments were characterized by a growth in formal employment, a decline in unemployment, a decrease in the numbers of informal workers and a reduction in poverty in the 2000s. With the transition to a new government and worsening economic context, the pendulum has once again swung in the other direction, shrinking labour’s space in national debates and weakening their position at the bargaining table.

In South Africa, complementarities between particular industrial relations institutions (NEDLAC and bargaining councils) appear to be addressing rising insecurity in the employment relationship. Collective bargaining is compressing wage structures and reducing wage inequality among those covered. However high unemployment and rising inequality has limited the potential contribution of these institutions to inclusive development. Nevertheless, organized labour, organized employers and the state continue to play a key role in shaping labour market policies, including the regulation of temporary employment and approval by Cabinet of a National Minimum Wage Bill in November 2017, aimed at addressing poverty and inequality.

In Turkey, industrial relations institutions deliver gains for the workers covered, but make little contribution to a more inclusive development path. In India, the role of industrial relations institutions is marginal, in part due to the limited organizational resources of unions and their capacity to represent the unorganized sector or informal economy. As Rani and Sen (Chapter 2 in this volume) show, other measures such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which provides 100 days of employment per year to those willing to work, have raised the incomes of households in rural areas. New workers’ organizations are also being formed in the informal economy.

A paradox that emerges is that while organized labour gained institutional and organizational power in Brazil and South Africa, and was able to influence broader economic and social policies, this has not necessarily
been accompanied by institutional deepening in respect of employment relations at the workplace. The continued bifurcation in China between ‘institutions’ and ‘voice’, and absence (India and Turkey) or hollowing out (South Africa) of collective representation at the workplace has resulted in an observable increase in spontaneous non-procedural protests, disputes and work stoppages. In China, Lee (Chapter 5 in this volume) points to the widely reported Honda strike in 2010 and the spate of wildcat strikes since. In India, women workers from garment factories in Bengaluru in 2016, protesting over changes to provident funds, were not members of a trade union. Hayter and Pons-Vignon (Chapter 3 in this volume) show similar examples of strikes that took place in mining and agriculture in South Africa. Despite the institutionalization of industrial relations and highly regarded dispute resolution processes and institutions, in 2016, 59 per cent of strikes were unprotected. The authors argue that the lack of broader economic and social transformation and high dependency ratios weigh heavily on the bargaining agenda and are placing pressure on the industrial relations system.

As Figure 1.1 shows, industrial relations institutions covering those in formal ‘employment relations’, and those in non-standard forms of

![Diagram of labour relations in emerging economies]

Figure 1.1 Labour relations in emerging economies
employment do not exist in an enclave. Pressure from the surrounding ‘labour relations’ context can lead to discontinuous change. Rather than ‘insiders’ at the core protecting their members against ‘outsiders’, these ‘insiders’, where they have the organizational resources to do so, do act in solidarity to improve the conditions of the so-called ‘outsiders’. In Brazil and South Africa, unions have engaged in solidarity action, lobbying for changes in social policy to improve the lives of workers on the periphery. At the same time, conditions in the wider labour market place pressure on formal processes of collective bargaining and ultimately erode the institutionalization of industrial relations at the core. Those covered by formal industrial relations institutions and processes continually face the prospect that the labour protections they enjoy will be deregulated.

In India and Turkey, the organizational resources of unions are very limited. As Rani and Sen (Chapter 2 in this volume) show, not only have unions in India been turning their attention to organizing the informal economy and forging coalitions with other actors, but new workers’ organizations have emerged representing home-based workers, street vendors, beedi workers, waste-pickers and construction workers. These representational gaps and organizational challenges limit the contribution of industrial relations institutions to stability and inclusive development. In order to understand the contribution of the organized interests of workers and employers to development, it is thus necessary to broaden our concepts and analysis and to examine ‘labour relations’ involving all those who work, including those in low-quality jobs in the informal economy, own-account workers and those engaging in unpaid family work.

1.5 CONCLUSION

The contributions to this collection show patterns of continuity and change in industrial relations. Despite significant changes in policies, many features of industrial relations in the countries examined tend to be path-dependent: their development determined by the original legal framework and institutions. Democratic transition was often accompanied by the inclusion of labour in the polity. In some countries, processes of inclusion and incorporation enhanced the influence of organized labour in economic and social policy with favourable outcomes. In others, this was either confined to a very narrow agenda or remained inconsequential. The liberalization of economies put industrial relations systems under significant pressure. The degree to which they have been able to contribute to inclusive development depended on their capacity
to influence labour and social policy (for example, the minimum wage) as well as on the complementarity between labour market institutions and policies. It also depended on the capacity to enhance the quality of employment relations at the workplace, a process which has been far more limited in the countries studied.

As the various chapters in this volume show, unemployment, informal employment and income insecurity pose internal constraints on the capacity of industrial relations institutions to balance the interests of capital and labour. This has important implications for efforts to forge an inclusive development path. One is that conflict may not be institutionalized, and thus while delivering short-run ‘wins’, does not deliver sustainable improvements in the conditions of labour or harness the commitment of the labour force. Another is a deepening representational gap. This is characterized on the one hand by resource-constrained unions that do not have the capacity to organize or represent those in the informal economy or the growing numbers of insecure contract workers; and on the other hand, the emergence of new actors. Without a concerted effort to expand labour protection through institutions of labour relations that can cover all who work, industrial relations at the core will continue to be eroded, constraining in its ability to contribute to inclusive development.

This reveals the paucity of a traditional industrial relations perspective in a developing-country context where work in low-quality jobs in the informal economy is as, if not more, significant than work in formal employment. As the contributions to this volume show, the evolution of industrial relations institutions is closely intertwined with that of labour relations involving all those who work. It is thus necessary to expand our analysis and focus on the broader concept of labour relations and the actors, processes and alliances that address the ‘labour problem’, balance work relations and improve the conditions of all who work.

NOTES

* The author thanks Janine Berg and Uma Rani for their comments, contributions and suggestions and those of the two anonymous reviewers.
1. These power resources may be associational (for example, membership), structural (for example, having organized sectors important for the economy) or institutional (for example, alliances with and political resources derived from the state).
2. The term ‘emerging economies’ is used rather than ‘emerging markets’. These countries are categorized by intermediate levels of income and experienced significant economic transformation as they integrated into the global economy. See Vercueil (2012).
3. For a review of the debates on ‘labour freedom versus growth’ literature of the 1950s and 60s, see Levin (1964).
Industrial relations in emerging economies

4. South Africa gained partial independence when the Union of South Africa was formed on 31 May 1910, and the Republic of South Africa was declared on 31 May 1961 under minority rule during apartheid.

5. The European Parliament voted to suspend accession negotiations with Turkey in November 2016.

REFERENCES
Erickson, C.L., Kuruvilla, S., Ofreneo, R.E. and Ortiz, M.A. 2003. ‘From core to periphery? Recent developments in employment relations in the
Industrial relations in emerging economies

Freeman, R. 2009. ‘Labor regulations, unions, and social protection in developing countries: Market distortions or efficient institutions?’, National Bureau of Economic Research (No. 14789).


