

**Enterprise unions:  
From backward to vanguard unionism?**

**Theory and evidence from industrialized and  
industrializing countries: USA, Japan, South Korea,  
Mexico, India, and Malaysia.**

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## 1. INTRODUCTION

### 1.1. The contemporary relevance of enterprise unionism

Within a development perspective, the importance of unionism and enterprise-level bargaining has recently been recognized by the leading international development organization, the World Bank (WB). Rejecting repressive labour policies of the past, the WB states:

"Denial of workers' rights is not necessary to achieve growth of incomes. It is possible to identify the conditions and policies under which trade unions can advance rather than impede development. Unions are likely to have positive effects on efficiency and equity, and their potential negative effects are likely to be minimized, when they operate in an environment in which product markets are competitive, collective bargaining occurs at the enterprise or the plant level, and labour laws protect the right of individual workers to join the union of their choosing, or none at all." (WB 1995 p. 85).

Although this statement is a landmark by an organization which advocated liberal 'supply side' economics during the 1980s it does not take the argument to its logical conclusion, advising workers to joint unions constituted at the enterprise level, i.e. enterprise unions. The WB report does not differentiate between various types of union organizations, presuming that it does not matter at all. The WB's shift to an institutional economic perspective on development is rather embryonic though.

The reluctance to deal with the issue may be part of a more general ambiguity against non-Western institutional solutions to problems of economic and social development. Thus, the 'development state' approach by Japanese politicians, bureaucrats and economists has not been adopted by the WB in spite of the tremendous economic and industrial achievements gained by East Asian 'development states' (WB 1993; Moore 1993; Wade 1994).

An important part of the Japanese labour market, enterprise unions have never been recognized as effective labour organizations in the West. The negative judgement, made by Galenson & Odaka (1976) twenty years ago, is still the mainstream valuation in the West:

"...because of economic and political weakness, the Japanese labour movement has been unable to secure for its members a level of social welfare or a degree of industrial democracy consistent with the national level of development.

It is our view (...) that movement toward a Western labour market model is optimal for the future social stability of Japan. (...)

If there is to be a fundamental change in the Japanese system, the first requisite is the transformation of the labour movement from its enterprise base to a national structure" (Galenson & Odaka 1976 pp. 669-670).

At the same time Galenson & Odaka (1976) generalized the argument in favour of an evolutionary, convergence perspective on enterprise unionism:

"Enterprise unions often exist in less developed countries, representing a more primitive type of union structure, a transitional stage between loose, preunion associations within the single factory and multiemployer unions proper. Vulnerable to employer pressure, the single-enterprise unions eventually band together not only for mutually aid and protection, but also to regulate wage competition within the industry or craft" (Galenson & Odaka 1976 p. 630-631).

Twenty years later, the argument for Western-oriented convergence withers, countered by substantial evidence on the continued divergency of industrial relation systems (Poole 1986; Freeman 1989) or the 'reverse convergency' towards Japanese features of successful productive and work organizations, coined in terms like 'lean production' and 'Japanization' (Womack et al 1990; Elgar & Smith 1994; Morris & Wilkinson 1995).

The need for reconsidering enterprise unionism (Shirai & Shimada 1978; Deutschmann 1984; Wad 1988; Jacoby & Verma 1992) is today reinforced by the global trend towards decentralization of decision-making within bigger transnational and national corporations (Gutcher-Gershenfeld & Verma 1994; Clark 1995). While the actual decentralization of collective bargaining may vary from country to country (with exceptions of increased centralization; Locke & Thelen 1995), the enterprise and plant level gain increasing significance in strategic economic and human resource management thinking.

Contrary to the overall and persistently negative stance against enterprise unions in the West, leading politicians from East Asian market economies have been advocating 'in-house unions', at least since the 1980s. In several East Asian industrializing economies (South Korea, Taiwan, Singapore, Malaysia, Thailand) enterprise unions are dominant or important labour organizations (Frenkel 1993 p.311), and the political prioritization of high-tech sectors further "encourages the growth of company paternalism and enterprise unionism as work force stabilization and enterprise loyalty assume increasing importance", according to Frenkel (1993 p.14). The perception of enterprise unionism varies anyway among these countries, with Malaysia promoting 'in-house unions' and Thailand prohibiting them in the public sector.

Acknowledging the two facts, first, that the "Next Frontier for

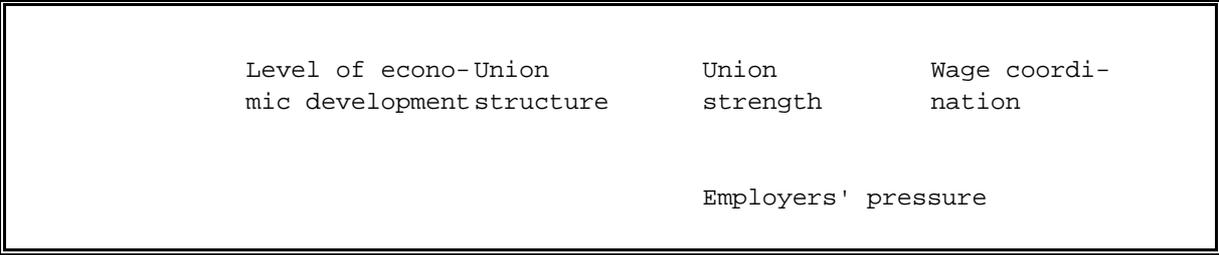
Trade Unions" (MacShane 1992) might be located in the rapid industrializing region of Asia-Pacific, and, second, that collective bargaining at the enterprise level is becoming increasingly appropriate in modern industry, it is urgent to critically reflect on the Western stereotype of enterprise unionism. The provocative question is whether the 'backwardness' of enterprise unionism is turning into advantages reaped by East Asian actors adopting an organizational framework which might be more appropriate for the contemporary and future requirements of global competitiveness and social prosperity? The 'advantages of backwardness' (Gerschenkron's old dictum) might recur in the field of labour market institutions.

**1.2. Purpose, problem area and method of the argument**

The paper aims to analyse theory and evidence on enterprise unionism in order to 'get the argument right' about this type of labour organization perceived as alien, notoriously weak and 'yellow' by Western actors of industrial relations (trade unions, employers associations and state labour agencies) (note 1).

Galenson & Odaka's negative judgement is based on a simple theory of unionism and the advancement of labour interests:

Figure 1: Galenson & Odaka's model of union development



Reconsidering the argument of Galenson & Odaka three revisions are required:

- \* a broader contextual divergency of economic development as they primarily stick to the experiences of the USA and Japan;
- \* a more elaborated analysis of enterprise union structure and strength;
- \* a more differentiated assessment of the intentional and unintentional consequences (effect and impact) of enterprise unionism.

Besides reviewing new theory and evidence about USA and Japan, we need to address the experiences with enterprise unions in developing countries questioning whether enterprise unions are that weak as they state? Acknowledging the divergent cultural environments and paths of development of Southern countries

during the last twenty years, it is of utmost interest to study enterprise unions during rapid economic growth and industrialization, i.e. selecting cases of the Newly Industrializing Countries (NICs).

The structure-and-strength nexus is a complex relationship. One aspect is the position of the particular union types within the overall trade union movement. Enterprise unions might form a minority or a majority of unions in terms of number of organizations as well as membership. Enterprise unions never dominated the industrial relation scene in the USA as they did and still do in Japan. The same disparity must be taken into the analysis of enterprise unions in development countries.

Acknowledging labour organizations as actors which purposely influence their own performance and context, we need an understanding of the cognition of labour development and the specification of the 'union development effect'. Without particularizing the content of labour development, we may formulate a simple typology of outcomes, serving as a first yardstick of 'labour development'. This classification must acknowledge the dialectics of labour development, i.e. that labour and capital are the counterparts of production, generating a dynamic relationship of cooperation and conflict during production and distribution. Moreover, it is understood as a potential 'plus-sum' game, not necessary a 'zero-sum' or a 'minus-sum' struggle. Both parties may win, loose or keep status quo relative to their former achievements, depending on the outcome and distribution of the production process.

The number of outcomes will increase if we acknowledge that the outcomes can be defined at several levels: the enterprise (micro) level, the industry (mezo) level and societal (macro) level; and in a time perspective: the short and the long term.

Addressing unionism and labour market flexibility in a development context (Malaysia 1988) Standing (1991, 1992) argues that the perspective of 'dynamic efficiency' of unionism should have highest priority at the agenda of labour market policies for industrializing countries, not the consideration for low wage competitiveness or reduction of labour cost per se.

'Dynamic efficiency' is understood as the process whereby unions pressure "enterprises to pay efficiency wages rather than 'market clearing' wages" and induces "management to raise productivity by technological innovations and cost-saving practices rather than reliance on low paid labour" (Standing 1992 p.327). The term therefore describes the win-win course of labour-capital relationship. Standing also delimits 'dynamic efficiency' to the enterprise level in the short term perspective (2 years).

Following Standing, the 'dynamic efficiency' approach is the contrast to the supply side perspective on unionism implying

that "unions raise costs, impose rigidity and are a threat to management, so deterring foreign investment", justifying "anti-union legislation and their blatant suppression in many low-income countries, and most of all to justify denial of union recognition in firms operating in export processing zones". This understanding delineates the 'labour loses-capital wins' process, at least in the short run at the enterprise level.

In sum, Standing outlines a positive and a negative scenario for labour, where the positive scenario is based on concomitant business prosperity: the pie is growing and both parties benefit. In fact, Standing's categorization is a simplified typology of our more elaborated typology (table 1 below).

Table 1: Outcomes of capital-labour interdependent practices

LABOUR	CAPITAL			
		WIN	SAME	LOSE
	WIN	1. Dynamic efficiency	2.	3. Labour effectiveness
	SAME	4.	5.	6.
	LOSE	7. Business effectiveness	8.	9. Dynamic inefficiency

The debate on industrial reorganization and employment generation in the industrial West concerns, among other things, the core problem of gaining flexibility to counteract the increased competition from especially the East Asian economies.

At the micro level, flexibility can be improved along four lines (Locke & Thelen 1995 p 341; Locke et.al. 1995 p.142): Work reorganization; new compensation schemes; human resource development; internal and external labour mobility.

The requirements for increased flexibility are met by various strategies. Kochan & Weinstein (1994) outline two main strategies used by US employers: 'the low road' and the 'high road': The 'low road' entails competitiveness gained by labour cost reductions (using lower waged and -skilled labour, lowering the existing wage levels, labour intensification, anti-union policies, relocation to 'green fields' etc. The 'high road'

entails achieving competitiveness in high-value-added product markets by way of upgrading the skills of the workforce (human resource development), rationalizing and reorganizing production and work systems, upgrading quality and innovating products of high value and differentiation.

Taking an institutionalist approach to economic development at the macro level in industrialized and industrializing countries, Boyer (1994) emphasizes short-term and long-term dynamic efficiency delineating four national trajectories for adjustment to flexibility (1994 p.59):

- \* decentralized defensive strategies (USA, Canada, UK), where flexibility is gained by lay offs and employment adjustment, wage dispersion, plant closure and regional mobility.

- \* decentralized offensive strategies (Japan), where adjustment is achieved by internal job mobility, retraining and multi-skilled (polyvalency), bonus wage, product innovation

- \* Social-Democrat (centralized) offensive strategies (Sweden, Austria, partly Germany), generating flexibility by training inside and outside the enterprise, subsidized job creation, average wage variability, dynamic innovation.

- \* Hybrid strategies (Italy, France, Belgium), with flexibility requirements met mainly by rationalization, retrenchment, weak emphasis on retraining, wage rigidity and subsidized unemployment benefits.

The same features might be generated in developing countries adding that the political context in many countries has been authoritarian rather than parliamentary democratic. Centralized offensive strategies have been implemented by state intervention in South Korea and Singapore. Hybrid strategies have been introduced in India (somewhere with unemployment programmes securing employment at minimum wages). Decentralized defensive strategies have been used in Malaysia while later on aiming at combined offensive strategies.

We can now proceed with the question of development content specification. Focusing at capitalist market economies, we may safely outline the following features as important development criteria, admitting that their actual prioritization by the actors depends on the historical juncture and cultural understanding:

Table 2: Culture based and class related criteria for development

LABOUR	CAPITAL
<ul style="list-style-type: none"> <li>* Employment</li> <li>* Wages and total earnings</li> <li>* Working conditions</li> </ul>	<ul style="list-style-type: none"> <li>* Growth</li> <li>* Profitability</li> <li>* Productivity</li> </ul>

* Equality	* Differentiation
* Skill development and education	* High-value products
* Empowerment	* Competitiveness

Applying these indicators of 'labour-capital development' we can now specify four important development options in a union perspective:

\* **negative labour development**, following absolute stagnation or reduction in wages, working conditions and other services;

\* **stable labour development**, securing the same subsistence level in real terms;

\* **labour effectiveness**, based on the generation of short-term 'dynamic efficiency' through productivity and real wage increases;

\* **labour development**, based on long-term 'high value efficiency', productivity and quality enhancements, higher earning levels, employment generation and security, and human resource development.

Finally, the old, negative judgement by Galenson & Odaka can be questioned, contrasting it with the following questions:

1) Are enterprise unions weak and labour ineffective compared with nation-based unions in highly developed, industrial contexts?

1a) Have enterprise unions never evolved into nation-wide coverage in Western industrial societies due to their labour ineffectiveness and dynamic inefficiency?

1b) Have Japanese enterprise unions achieved nation-wide dominance because they generated 'dynamic efficiency' and hence became acceptable to both employees and managers?

2) In contexts of economic development and industrialization, are enterprise unions necessary weak unions, subordinated the power of management and forced into establishing or affiliating national unions during the process of development?

2a) Are enterprise unions necessarily 'backward' relative to national based unions in authoritarian, state regulated developing societies?

2b) Are enterprise unions per se facilitating increased productivity and overall company profitability (business effectiveness) and unable to further labour effectiveness or dynamic efficiency in contexts of industrialization and 'development statism'?

3) Is it possible to delineate the dynamics of enterprise unionism generating divergent union effects in different contexts and junctures and to formulate a more contextualized theory of enterprise unionism in an era of globalization?

As the present paper is based on secondary material, we have to confine our analysis to issues dealt with by other researchers. Thereby, we are unable to perform a systematic structured and consistent analysis of enterprise unions, operating in different contexts, historical junctures and cultural frameworks. But we shall attempt to apply the 'contextual comparative' method, outlined by Loche & Thelen (1995).

Loche & Thelen aim at transcending the conventional comparative analytical method which cannot cope with situations where similar institutions generate different responses to the same external pressures and diverse institutions similar responses. Addressing industrial relations issues Loche & Thelen proposed the concept of 'union identity', i.e. the cognition and valuation by the union of the very foundation of the union and its prospects in a certain context and juncture. The 'union identity' determines union priorities in key issues and its policy and practice towards key actors in the industrial relation system.

The actual selection of countries for case study is directed by the actual existence of enterprise unions and relevant studies hereof. The USA appears to be very illustrative as its legacy of enterprise unions seems to form the mainstream notion of enterprise unionism in the West (2). Japan is evident as the exception to the rule that industrial countries have nation-wide trade unions (industry-, craft or job-based). Being more widespread in developing countries, but less researched, the selected studies on enterprise unions concern South Korea, having large majority of enterprise unions, and Mexico, India and Malaysia, where enterprise unions form the minority at the national level while dominating within certain industries and sectors.

In sum, the country case studies covers the following contexts:

Tabel 3: The stratified sample of country-cases

	Minority position of enterprise unions	Majority position of enterprise unions
Advanced industrial country	USA	Japan
Industrializing country	Mexico, India, Malaysia	South Korea

The paper delimits itself in two ways. First, it concentrates on particular labour organizations within specific and changing societies. It does not intend to enter the discussion of the transferability of Japanese industrial relations to disparate contexts. This problem area deserves a separate paper to address the huge publication on 'Japanization' (for recent publications on the issue, see Elgar & Smith 1994; special issue of Journal of Management Studies 1995).

Second, it withstands the temptation to analyze the political aspects and impact of enterprise unionism, not because it is insignificant or irrelevant, but because it would take a new paper, too.

### **1.3. Structure of paper**

Addressing the first main question section 2 analyse the failure of enterprise unionism in Western industrial settings by looking into the contemporary performance of US enterprise unions. The surprising finding, that US enterprise unions probably perform very well, raises the puzzling question why enterprise unionism have failed to expand during the long rise and decline of US national unions. The explanation is sought, partly by reviewing the legacy of company unionism rooted in US welfare capitalism at the dawn of the twentieth (American) century, and partly by analysing the overall decline of US unionism since the middle of the 1950s. Within the modified New Deal regime contemporary enterprise unionism faces a three front struggle which cannot be won although the global economic trend and search for productivity and flexibility enhancements seem to favour enterprise based unionism instead of national unions.

The uniqueness of the Japanese industrial relation system is dealt with (section 3) by focusing at the changing understanding of Japanese unionism and development, the evolution of the national system of enterprise unions, and its strength and weaknesses compared to other industrial nations. While the dominant understanding of the Japanese industrial relation system today is that it has been conducive for the development of a productive system which is now reaching the point of becoming a model for imitation or generalization (yet expelling the component of enterprise unions; see e.g. Womack et.al. 1990), the tricky question is why Japanese unions have declined anyway? Is it because they cannot deliver the benefits expected by the members, indicating that Galenson & Odaka's assessment is valid though?

Addressing the second main question of enterprise unions in contexts of industrialization and 'development statism', section 4 analyses studies of enterprise unions in Mexico, India, Malaysia and South Korea. The evidence points to the fact that, in contexts of strong political intervention in the economy and

the industrial relations system, enterprise unions may turn into independent, democratic and militant unions performing very well in terms of labour effects. When forced upon the industrial labour force and restricted to recruiting members among blue collar workers (South Korea) many enterprise unions evolve into radical political oriented unions in junctures of social upheavals. When they evolve by breaking away from the dominant state corporatist unions (Mexico) or from politicized unions (India) they may form the backbone of a new independent and militant unionism giving priority to 'rice and curry' issues instead of political concessions. And they succeed - at least for a while. Enterprise unions act contrary to the expected behaviour though. Is this explainable by taking the socio-cultural base and union government into considerations?

Using material from an ILO study of the Malaysian labour market (Standing 1991, 1992) section 4 explores the performance of enterprise unions vis-a-vis national unions in contexts of development. The Malaysian government has supported enterprise ('in-house') unionism since 1982 as part of a mere general policy of industrialization and development. Surveying the Malaysian economy in 1988 when it was regaining its momentum after two years of economic recession (1985-86), the study concludes to the advantage of the industrial unions both in terms of company and labour benefits ('dynamic efficiency'). Critically reviewing Standing's material another controversial conclusion is reached: Employees should choose enterprise unions when they look for the best overall package of employee benefits (earnings, wage equality, employments security, training), while industrial unions should be preferred by managers because industrial unions facilitates the achievement of higher productivity performance without getting extraordinary labour costs (as they do in companies with enterprise unions). The Malaysian case raises a paradox which might be understood by way of looking at various features of labour market flexibility.

Section 5 finalizes the paper by presenting the contextualized conclusions on enterprise unionism and labour/business development in divergent contexts of industrialization and union structures. The experiences indicate that enterprise unions can be backward, vanguard or normal unions in the perspectives of labour as well as capital. However, the precise dynamics generating these outcomes are still hidden in the complexities of the historical, economic, political, social and cultural contexts where they have been formed and practised. New areas like industrial reorganization and business strategies must be incorporated by the analysis in order to establish empirically based valuations of the strength and weaknesses of enterprise unions around the world. This work is ongoing with a multiple case-study of enterprise unions and structural change in Malaysia (Wad 1994).

## **2. ENTERPRISE UNIONS IN THE US-CONTEXT**

Section 2 outlines, first, the labour effectiveness of enterprise unions in a multi-plant US company, and second, the legacy of US company unionism from three periods of US unionism: the rise and failure of US welfare capitalism before the 1930s; the breakthrough of national unionism during the New Deal era; the decline of national and enterprise unionism since the 1950s. Explaining the failure of US enterprise unions the twin character of US national and enterprise unions is emphasized together with the obstacles presented by the modified New Deal framework and the power and identity of US national unions.

### **2.1. The union complexity of a multi-plant US company**

During the decades of US economic stagnation (1970s-80s) and the business search of increased competitiveness, 'Employee Involvement Programs' (EIPs) were vigorously promoted especially among larger companies in the non-unionized sector. EIPs include quality circles, teamwork, career development, employment security and complaint systems. The EIP-model is basically based on a rejection of the collective bargaining model and forms an alternative ('participatory') model for firms pursuing a strategy for productivity and quality improvements in cooperation with the employees and without union interference.

Recognizing that the lack of an independent voice within companies posed a serious problem to the sustainability of the EIPs, researcher looked for alternatives to combine EIPs with independent employee representation. While many sought alternatives across the oceans - the European 'works councils', or the Japanese enterprise unions, Jacoby & Verma (1992) went for domestic alternatives. They chose the ignored US enterprise unions, or 'independent local unions' (ILUs), as they prefer to call them, to emphasize their single employer and unaffiliated character. Their argument for a reconsideration of enterprise unionism is based on a company case study of TRW Inc. This company run 84 plants around 1980, including non-unionized shops, plants with enterprise unions, and workplaces with locals of affiliated national unions ('union locals').

The TRW Inc. was founded in 1901 in Cleveland, Ohio (Thompson Products) and merged with Ramo-Wooldridge in 1958 (TRW Inc.). Until the 1930s Thompson Products was a rather small company without modern personnel management, but this situation changed with a new leadership taking over in 1933. During the 1940s and 1950s the management became a leading advocator of independent local unionism as part of a larger employee welfare and representation policy. Around 1960, the company changed personnel policy again and became a well-known practitioner of the new anti-union policy. While enterprise unions were established at nearly all plants before 1960 (only two were organized by national unions), no enterprise unions were set up at any of the 66 factories built or acquired during the following two decades. 60% of the new plants of the 1960s were

open shops, and this increased to 95% for the new plants of the 1970s.

The last dramatic shift in TRW's policy toward unionism is explained by Jacoby & Verma in the following way:

"First, there was always the danger that an ILU would affiliate with a national union or become as adversarial as an affiliated local (...). Second, collective bargaining and contract administration are time-consuming procedures that limit management's ability to prompt and unquestioned decisions. Employers were willing to shoulder these burdens when national unions imposed a threat, but by the early 1960s that threat had begun to fade, and, at the same time, a new nonunion workplace model became available, one that combined some of the voice features of company unionism with EIPs and other programs for group flexibility and participation (...). Finally, there was the possibility that TRW could cut its labour costs by using nonunion labour if, as some alleged, it paid wage premiums to workers represented by ILUs..." (Jacoby & Verma 1992 p.145-46).

This explanation says that employers prefer un-unionized to unionized plants, and if necessary, enterprise unions to national unions despite the fact that enterprise unions secure higher wages. Jacoby & Verma's conclusion, thereby, presents a paradox indicating on the one hand that enterprise unions are more labour effective than national unions, and on the other hand that employers still prefer the strong ones to the weak ones!

The wage effect of ILUs were confirmed by Jacoby & Verma's study. In sum, it found that:

- \* the ILU-plants had the highest level of average wages and total benefits in both 1979 and 1983 compared to the non-unionized subsidiaries and to the plants with union locals. The differences narrowed partly during the period 1979-83 in terms of wages while they widened in terms of benefits.

- \* the ILU compensation premium did not stem from preexisting geographic or skill differentials.

- \* the differences in work practices were larger between old and new plants than between ILU plants and affiliated union plants. This indicates, according to Jacoby & Verma, that higher ILU payments were not related to higher productivity.

- \* employee involvement programmes (EIPs) were established in open shops and ILU-plants to the same extend; in plants with union locals several EIP-practices (Quality of Work Life committees, sensing sessions and periodic employee-management meetings) were not introduced.

From these results Jacoby & Verma argue that although ILUs allow employers to reduce expenses to conflict resolution and contract administration, ILUs secure higher overall payroll cost. Moreover, the new non-union model was still cheaper than the ILU-model while it provided the same favourable climate to EIPs-initiatives compared with the ILU-plants. Finally, plant age rather than union status was the main impediment to TRW's transition to more flexible production methods. It was easier for the firm to adopt the EIPs in a "greenfield" setting than in an existing plant" (Jacoby & Verma 1992 p.153).

From the management's point of view it seems very rational to prefer non-union plants with EIPs instead of enterprise unionized plants. Only one important question is not considered in depth: the dynamic efficiency of enterprise unions. Jacoby & Verma were unable to provide reliable data on the relation between the productivity of TRW's plants and their union structure.

What is less understandable is, first of all, that US enterprise unions secured higher wages than national unions with their supposed greater strength, and second, that American workers did not flock around enterprise unions, considering that US workers and unions are considered to be economistic in their outlook?

The explanation of the ILU-wage premium advocated by national unionists holds that corporations use the 'golden handcuffs' technique ('bribe') to prevent ILUs affiliating to national unions. But this argument presumes two things: First, that the plants with ILUs and the plants with national union locals have the same productivity. Second, that the ILUs are per se weaker than national unions: the better compensation cannot be caused by the strength of the ILU, therefore it must be a 'bribe' conceded by the employer due to the threat (strength) of the national unions.

The conclusions of Jacoby & Verma are a bit flimsy, here. First, they concede that the ILU plants and national union plants differed in terms of work organisation and practices, yet they disregard the union effect in favour of the plant age effect. Second, they concede that the extra compensation paid by managements both between nonunion plants and enterprise unionized plants, and between ILU and national union plants, can partly be understood as a 'bribe', due to the fact that the likelihood is far greater for an ILU to affiliate to a national union than for a non-unionized workforce to do so. But they do also argue that the differentials between ILUs and union locals has at least partly to be explained by bargaining power differentials:

\* ILUs have not abandoned the strike, and they did strike on several occasions.

- \* ILUs can threaten to strike.
- \* ILUs can influence management's perception of the ILU's likelihood to affiliate.
- \* ILUs are more decentralized and democratic unions, which lay the ground for more effective bargaining.

The contradictory explanation of the ILU compensation premium relative to the affiliated union plant indicates that the basic assumption of the 'weak ILU' relative to the 'strong national union' has to be questioned. And furthermore the premise that employers per se prefer ILUs to affiliated unions. Why should they if enterprise unions are strong, militant and gains better compensations for their members? They will probably only do that if they can secure much higher productivity levels.

Jacoby & Verma's study does not present much evidence on the reluctance of American workers to join enterprise unions relative to national unions or to stay away from unions. We have to dig into the history of American enterprise unionism to find an answer to the changing perceptions of enterprise unions and the overall rise and fall of this type of unionism.

## **2.2. Company unions and welfare capitalism**

The US notion of enterprise unions as 'company unions', i.e. management initiated enterprise level unionization, goes back to the nineteenth century and rose to prominence with the discourse of American 'welfare capitalism'.

Welfare capitalism evolved into a variety of management provided services: company housing, education, recreation, medical care, pension schemes, profit sharing, company controlled enterprise unions and more widely 'employee representation plans' or 'work councils' (Brandes 1976 p.120; Freeman & Medoff 1984 p. 108). Big business with John D. Rockefeller headed the campaign for company unions in the golden age of American capitalism in the 1920s, arguing in favour of company unionism with their utopian philosophy of the company as a world of harmony, emphasizing the common interest of management and workers at the company level.

In the end of the nineteenth and early twentieth century welfare capitalism presented a humanistic and enlightened alternative to the prevalent 'big stick' policy of employers. 'Big stick' employers obtained weapons and hired guards to quell strikes and purge unionists. If necessary, troops were called in. Strike violence was suppressed by the army around 500 times between 1875 and 1910, culminating nearly into civil warfare in the coal mines of West Virginia in 1919 (Brandes 1976 p.2-3).

The positive aspect of US welfare capitalism is, therefore, that the employers realized that they were part of the problem and hence part of the solution. Industrial strife was generated as much by businessmen's antagonism to unions as unions actions

against companies (Brandes 1976 p. 6).

The main motivation for company unionism and welfare capitalism was the increasing violence in industrial relations and the drives for unionization (Burawoy 1979 p 233; Brandes 1976 p. 32, 145; Bernstein 1960 p.157). For example, John D. Rockefeller initiated one of the first welfare schemes after the Ludlow Massacre of 1914 which took place in relation to the attempt by the United Mine Workers to organise the Colorado Fuel & Iron Company of which Rockefeller was a board member. After World War I union agitation and strikes increased and so did the establishment of company unions: 490 firms got company unions during the turbulent period of 1919-1924 (Bernstein op.cit.).

The drive in company unionism stagnated in the second half of the 1920s. Only 73 enterprises got company unions during the calm years of 1924-1928.

This trend seems to fit the explanatory factor of the rise of company unionism, too. When the militancy and threat of national unionization fade away, so do employers' interest in company unionism. Besides, several unions had sought assistance from criminal groups against the tough measures taken by anti-union employers, and some fell victim to gansters (Jensen & Strømgren 1988).

Some researchers have argued that US 'welfare capitalism' might have developed if the economic crisis of the 1930s had not occurred. Brandes (1976) provides a critique of this hypothesis arguing that welfare capitalism was already stagnating in the second half of the 1920s due to the overall modernization process of USA and the experiences gained. He list several factors causing the impasse: the spread of cheaper automobiles making workers more independent of company towns and housing schemes; general prosperity during the 1920s; development in production technology; increasing size of enterprises with loss of direct contact between management and employees; counterproductive experiences by employers realising that company unions were taken over by craft or industrial unions, that employee representation generated increasing demands instead of lowering them, and that employees lost interest in the schemes.

Additional 'agency' factors conditioned the decline. In the early twentieth century a third approach (relative to 'big stick' and 'welfare capitalism' strategies) was invented by Frederick W. Taylor. 'Taylorism' (or 'scientific management') denoted a tremendous differentiation in work processes, specialization of jobs, employment of unskilled or semiskilled workers in technologically sophisticated productions, and centralization of management control over the production process. Despite the fact that Taylorists and 'welfare

capitalists' had a common and positive perception of factory production, adherents of Taylorism were very critical of 'welfare capitalism' in the early days. Taylor simply called 'welfare capitalism' 'a joke'. Later on both sides moderated their attitudes, and co-existed (Brandes 1976 p. 26).

Galenson & Odaka explain the failure of company unionism and welfare capitalism with the lack of legitimacy among workers on the one hand and the alternative New Deal regime on the other hand:

"Welfare capitalism in the United States did not originate in any particular social tradition; it was a conscious and, in some cases at least, sincere attempt by business leaders to find a solution to a vexing problem. Its span of existence was brief, and it never had more than a toehold among workers. The social revolution of the 1930s eliminated it as a meaningful force in American life" (Galenson & Odaka 1976 p. 641).

This conclusion neglects the decisive roles played by big business on the one hand and workers' militancy and drives for national unionization at the other hand. The story of US enterprise unionism must proceed to put US enterprise unions in the right perspective.

### **2.3. The New Deal regime and independent local unions**

An alternative to 'big stick', 'welfare capitalism' (and 'Taylorism'), 'tripartism' provided the formula for handling "a continuing tug of war between big labour and big business with government seeking to prevent either side from gaining predominance" (Brandes 1976 p.6).

This approach succeeded during the economic crisis of the 1930s with the instalment of the Roosevelt administration and the implementation of the New Deal policy. Tripartism, supplemented with welfare state policies ousted and outlawed welfare capitalism on the one hand and 'big stick' policy on the other hand. Moreover, it provided a framework for the development of Taylorism, transforming scientific management into line production, and a new societal production system, known as Fordism, composed of mass production, mass consumption, collective bargaining between big business and big labour, and state provided social services.

The New Deal regime created ample political space for national unions to overtake 'company unions' or for company union members to turn them into independent local unions. According to Jacoby & Verma (1992), many company unions were in fact reconstituted as ILUs, because the Wagner Act forbade employers to control, influence or financially support labour organizations. The National Labour Relations Board (NLRB) monitored and intervened in these cases of 'unfair labour practices', requiring their

reestablishment and prohibiting their participation in union election ballots, while using less severe means against 'sweetheart' situations between employers and locals of affiliated unions (Jacoby & Verma 1992 p.139).

The political support of the Roosevelt administration to industrial unions accomplished the formation and expansion of industrial unions of unskilled workers in mass production industries. In the automobile industry, for example, several enterprise unions amalgamated into the United Automobile Workers of America (UAW) within three years in the 1930s (Galenson & Odaka 1976 o. 631). And industrial unions federated into the CIO, which, in terms of membership, surpassed AFL, the federation of craft unions.

Shostak (1962 p.3-4) holds that company unions counted 2 million members in 1935 and only 400000 (belonging to 1400 unions) in 1961. The fall took place in a short period of time after the Wagner Act was upheld by the courts in 1937, and the NLRB and the national unions subsequently scrutinized and pushed most company unions into locals or turned them down (Shostak 1962 pp.3-4).

During the 1940s the discrimination against enterprise unions gave rise to criticism from Congress and the courts. The NLRB thereafter treated enterprise unions more leniently. After the 1947 Taft-Hartley Act, the NLRB accepted that ILUs competed with affiliated unions. In this more permissive context, enterprise unions increased in numbers until 1960.

Shostak (1962) outlines a bleak future for independent local unionism, arguing that the very character of the single-firm independent union is a source of its jeopardy:

"At a time when dealings between labour and management are everywhere characterized by consolidation - with contracts negotiated between a single giant union and a combination of its many employers, with mergers of unions themselves into still larger organizations - the independence of the single-firm union makes it something of an anachronism. Its emphasis on leadership from its ranks handicaps it in dealing with the increasing professionalism of management in industry. Its focus on the plant and the employer to the exclusion of interest in public affairs and the labour movement in general means that it is overlooked by politicians and labour specialists. Its conservatism robs it of the possibility of rallying support for exciting issues." (Shostak 1962 p. 128-129).

Anyway, Shostak is also fascinated by the enterprise union as it represents "an ideal of Jeffersonian democracy": it allows the rank-and-file to voice their views; it permits flexibility and ingenuity towards arising problems without external

interference; it rejects the traditional hostility between employer and employees in order to achieve common goals (1962 p.129). But the situation (around 1960) is poor: "weak independents are pitiful and strong independents are hardpressed" (by national unions for incorporation) (1962 p.130).

In fact, independent enterprise unionism rose during the 1950s, peaked around 1960, lost its organizational momentum during the 1960s and declined during the 1970s and 1980s. In 1983, ILUs mastered 3 % of total US union membership, i.e. approximate 500000 members in 1500 ILUs (Jacoby & Verma 1992 p. 139-140). In absolute numbers the level is slightly above the 1960-level. In relative terms enterprise unions hold about the same share of total union membership: 2.4% in 1961 and 2.5% in 1982/83, and a declining union density relative to total labour force (from 0.55% in 1961 to 0.45% in 1982/83) and non-agricultural labour force (from 0.73% in 1961 to 0.52% in 1982/83 (calculations based on Bernstein's figures 1987 p. 10-11 table 1; Bernstein presents figures for the years 1960, 1962, 1982 for total union membership, labour force and nonagricultural labour force).

The figures indicate that enterprise unions stabilized their position among American unions, but both enterprise unions and national unions declined relative to the expansion of the labour force. The fate of enterprise unionism seems to be linked to the overall weakening position of US labour unions.

How and why did this decline take place? Did it signal the development of a new formula substituting the New Deal industrial relation system with a system, based on non-unionized enterprise with employee participation?

#### **2.4. Declining US unionism**

In general, US trade unionism reached an impasse in the middle of the 1950s. In 1954, it peaked with 35% union density and then, union membership declined below 16% of the total labour force and 12% of the private sector labour force in 1994 (Kochan & Weinstein 1994 p.484).

Analysing this significant decline of US-unionism from the middle of the 1950s to the 1980s, Goldfield (1987) argues that the decline was neither a negative response from employees to unionism, nor a manifestation of a docile working class in USA.

Instead, Goldfield emphasizes three broad detrimental aspects of the changing class relations to organized labour in the USA (Goldfield 1987 p. 231):

- \* offensive of U.S. business against new union organising;
- \* increasingly pro-employer public policies;
- \* lack of membership and general resource

mobilization by labour unions to counterbalance the decrease of union power.

The enduring offensive of US business have taken two roads, following Kochan & Weinstein (1994): 1) the low wage and anti-union strategy, and 2) the introduction of workplace innovations in order to upgrade productivity, product quality and competitiveness in high value added-product markets (Kochan & Weinstein 1994 p. 486-87). These roads are also called the 'low road' and the 'high road'.

The question is why the unions should become a prime target of US employers irrespective of the road chosen?

Blanchflower & Freeman (1992) emphasize the unique union wage effect in the US. They argue convincingly that, compared with other countries, US unions have a much larger impact on wages - delivering a union wage premium around 20-25% relative to non-union settings.

However, the US union wage differential might be offset by similar productivity differentials, producing appropriate profitability levels for US business.

Blanchflower & Freeman conclude, based on the extensive evidence from the USA, that the productivity offset is modest or dubious (1992 p.70). More specifically the relationship between unionism and productivity/technology takes the following features (1992 p.69):

- \* productivity growth is probably slightly lower in unionized settings than in un-unionized ones;
- \* new technologies are adopted as rapidly in unionized as in non-unionized enterprises;
- \* spending on research, development and investment are lower in unionized than in non-unionized enterprises.

Research on unionism and profitability is limited. For the USA it is nevertheless rather conclusive: US unionism is correlated with markedly lower profitability (Blanchflower & Freeman 1992 p.69). Blanchflower & Freeman argue that "In the United States, the profits effect results from the large effect of unionism on wages, which exceeds the positive effect of unions on productivity." (1992 p.69)

Blanchflower & Freeman are sure that the union-wage-effect-cum-no-union-productivity-offset causes the employers to anti-union tactics producing the overall decline in union density (and not the other way around). In consequence, the climate of industrial relations deteriorate, which again creates impediments to productivity improvements. For, as Blanchflower & Freeman argue "it is the *state of labour relations rather than unionism and collective bargaining per se that determines productivity*" (1992

p.68). Thereby, the whole culture of US industrial relations impedes the productivity options offered by the unions.

The lack of political influence (Bernstein's second factor) stems from the fact that the US union movement never succeeded with the establishment of a working class party, nor did they manage to secure support from the Democratic party to its important policies. The cardinal issue - organizing the US-South - was neglected as the union leaders subordinated union demands in favour of the New Deal coalition between Northern and Southern regions of the USA.

The dubious role played by the national unions in organizing new plants and areas is enforced by the lack of overall social upheavals. Goldfield points out that upsurge in unionization seems to take place in a context of general social mobilization. The bureaucratization and de-democratization of US unions after the heights of the 1930s, accompanied with the purge of radical activists and unionists, reduced the potential for rank-and-file mobilization. Democratic grass root influence only survived in a few cases, e.g. the 'Teamsters for a Democratic Union'.

Applying this explanatory framework to the decline of enterprise unions, it becomes obvious that enterprise unions faced a struggle on three frontiers:

- \* Generating higher earnings than national unions, and being ineffective against (declining) national unionism, enterprise unions become targets of the employers' anti-union offensive, not temporary allies as in the days of welfare capitalism.

- \* Being an alternative type of unionism, national unions tried to take over or prevent enterprise unions from expanding, especially in a period of union setback.

- \* Lacking political muscles enterprise unions have no influence on state and federal labour policies and cannot open up new space for independent local union mobilization.

Although the New Deal regime was modified, it was changed in detrimental ways to enterprise unions and unionism in general. Moreover, enterprise unions became victimized as the employers did not any longer see them as different from national unions. They became part and parcel of the same overall changes of the US society. Both types of unionism face the same challenge: How to stop and turn around the decline of US unions in terms of union power and leadership at local, regional and national levels?

## **2.5. The power and identity of US unions**

Kochan & Weinstein contend that, within a historical perspective, systemic changes in the US industrial relations system are to be a very difficult process, adding that systemic

changes incorporating trade unions are necessary to sustain innovations, and concluding that the attitude of the management is decisive:

"The importance of systemic change in producing economically viable and durable alternatives to the New Deal industrial relations system helps to explain the increasing evidence that these systems are more likely to endure in a unionized environment (Levine and Tyson 1990; Kochan and Osterman 1994). It is in these settings that parties have broadened the scope of issues addressed by production teams and have integrated production issues with human resource policies of the firm. Work practice changes such as the introduction of team systems and the involvement of workers in shop-floor problem-solving groups lead to improvements in productivity and product quality only if they are accompanied by parallel changes within management." (Kochan & Weinstein 1994 p. 497).

The key question affecting US business seems to be the unique high union wage effect without compensating productivity gains. Therefore, the cardinal problem is why and how US unions achieve this extraordinary wage effect even in junctures of declining union density?

Locke & Thelen (1995) locate the power and identity of American unionism at the enterprise level of work organization where the unions master extensive job control systems.

The job control muscles of US unionism were developed during the New Deal regime (and emanated partly from the transformation of local unions into union locals). However, during the mass production Fordist era the system functioned well for the management (providing key managerial prerogatives) as well as for the union (generating employment and rising earnings):

"Job control practices gave unions a central role within the company, permitting them to "service" their membership and monitor labour relations in an otherwise "low trust" shop floor environment. It was also congruent with other key features of American industrial relations system (detailed wage rules, collective bargaining, and the supremacy of national unions)" (Locke & Thelen 1995 p. 357).

During the present era of flexible specialization and globalization, the system is under pressure. Management is seeking increased productivity, product quality and flexibility. Providing that they have already wide discretionary powers regarding external labour flexibility (hiring, retrenchment), they seek increased internal flexibility (especially over work reorganization and job mobility). This clashes with the unions' identity and their strongholds in job control at the shop floor level. It generates serious industrial conflicts, which again motivate employers to adopt anti-union policies like Employees

Involvement Programmes, relocation of plants, anti-union tactics towards union recognition procedures etc..

The transition from one industrial relation system to another embraces among other things that the unions redefine their roles and outlook and shift to new powerful positions. Locke & Thelen envisage the end of American business unionism and the rise of a stronger political or societal involvement with European unionism as the model(s). Other researchers look for workplace participation schemes. Few foresee or propose a revival of enterprise unionism (Jacoby & Verma being an exception).

Considering its historical record we may conclude that it is not a paradox that enterprise unionism is excluded from the agenda of the main actors of the US industrial relations system. Considering its contemporary labour effectiveness, it is a paradox that employees do not consider enterprise unionism as an appropriate alternative, especially not in an era of globalization, decentralization and the drive for enterprise flexibility. The American employee is increasingly lost (for the labour movement) between business' strategy for union-free workplaces and national unions' drive for union locals against local unionism.

However, the US story cannot tell us about enterprise unionism in divergent contexts, for example a nation-wide system of enterprise unions (like the Japanese industrial relations system) or settings with a new movement of militant, independent and democratic enterprise unions opposing dominant corporative national unions (in Mexico and India during the 1970s and in Korea during the end of the 1980s). We proceed with these issues.

### **3. ENTERPRISE UNIONISM IN JAPAN**

In this section we analyze the nation-wide system of enterprise unions in Japan. Various approaches to the Japanese industrial relation system are examined, followed by an assessment of the effects of Japanese enterprise unionism. A short description of the history of the Japanese union movement is outlined in order to better understand the contemporary union structure, strategy and impact. Finally, the overall decline of Japanese unions is explained by the relationship between union identity and power on the one hand and the corporative (company) consciousness of both unions and employers aiming towards the competitive development and expansion of the company combined with secure (core) employment and steady rise in real earnings.

#### **3.1. Theoretical conceptions to Japanese unionism**

The perception and understanding of Japanese enterprise unionism have changed several times during the postwar era, depending on the perspectives and criteria applied. Hence, several theoretical frameworks are available.

Kampmann (1986) proposed a triple classification of research approaches to the Japanese labour market and labour movement: 1) the classic cultural approach (Abegglen 1958), 2) the functionalist approach (Taira 1970, Taishiro Shirai & Haruo Shimada 1977, Cole 1971, Dore 1974) and 3) Marxist approaches (Shigeyoshi Tokunaga 1983, Muto Ichiyo 1981-84, Steven 1983, Halliday 1975).

The evidence from the history and evolution of the Japanese labour movement disqualifies the cultural explanation as the sole explanatory framework. The particular nation-wide system of enterprise unions in Japan did not evolve directly out of Japanese culture. It was generated through conflict and cooperation within the larger political-economic and socio-cultural context (see section 3.3.).

The functional framework delivers contradicting assessments and explanations of the system of enterprise unions. Galenson & Odaka (1976) rejected enterprise unionism as a transitional and weak form of labour organization (see section 1). Taira (1977) argues that enterprise unions are the adequate type of unionism in advanced industry due to the rise of internal labour markets. Shirai (1983 pp.140-141), adopting the theory of internal market and enterprise unionism, presents a mixed evaluation (see table 1 below).

Explaining the rise of enterprise unions with the rise of internal labour markets in larger corporations, Shirai (1983 pp.124-128) admits that additional factors operate. Otherwise, US corporations would generate enterprise unions, too. The key contributing factors are, first, the late development of Japanese labour unions, succeeding the establishment of big corporations with internal labour markets; and second, the

cultural inclination of Japanese employees to develop 'enterprise consciousness". In sum, Shirai concludes that "within the socioeconomic and cultural context of Japanese industrial

Table 4: Virtues and faults of Japanese enterprise unions

VIRTUES	FAULTS
<ul style="list-style-type: none"> <li>* rapidly increased unionization 1946-49</li> <li>* more favourable and enlarged scope and subject matter of collective bargaining</li> <li>* organizing white collar employees</li> <li>* sound and stable union finances</li> <li>* good communication between union leaders and rank and file</li> <li>* access to management in day-to-day problem-solving</li> <li>* a single united union within the enterprise as norm</li> <li>* positive attitude to flexible adjustment to industrial reorganization</li> <li>* contributed to the establishment of effective in-plant/enterprise problem-solving institutions</li> </ul>	<ul style="list-style-type: none"> <li>* dispersion of union resources at the decentralized level</li> <li>* impede the unity of the labour movement</li> <li>* unwilling to unionize unorganized or unemployed workers</li> <li>* are not taking responsibility for retired workers</li> <li>* suffer from administrative and financial inefficiencies</li> <li>* are susceptible to employer interference</li> <li>* relative weak in collective bargaining towards employers (private as well as public)</li> </ul>

Source: Shirai 1983

society, the enterprise union seems to employed workers to be the most acceptable and effective form of union organization". Moreover, he does not see any transforming forces of this pattern in the foreseeable future, partly because of normal union conservatism, partly because of the trend in industrial development:

"the growing importance of industrial relations problems at the plant and enterprise levels will continue to demand an effective union organization and activity at those levels." (1983 p.142).

Taking a broader societal perspective and adopting a Marxist oriented class struggle approach, Kawanishi (1992) describes the changing theoretical landscapes of Japanese enterprise unionism by a four stage model:

The first stage of comprehension (1945-55) is dominated by

Westernization (modernization and democratization), providing a negative assessment of Japanese industrial relations (life-long employment, seniority wages, enterprise unions) as relics of Japanese feudalism.

The second stage (1955-65) provides a more complex assessment, stressing the positive and negative aspects of the unique institutions of the Japanese labour market and Japanese management.

The third stage (1965-75) presents a break through for widespread acknowledgement of the positive impact of Japan's industrial relations on economic growth.

The fourth stage (1975-85) turns the successful model of Japanese industrial relations into an international model to be applied piecemeal or in total by industrial and developing countries.

The theoretical vacuum after 1985 is caused by the fact that the Japanese version of Kawanishi's book was written between 1977-84 and the English version was not updated!

Kawanishi's study adds to the complexity of the 'enterprise union' phenomenon: He focuses at the 'multiple enterprise union', understood as enterprises with two or three types of enterprise unions at the same enterprise! Kawanishi differentiates between 1) enterprise unions incorporating all employees of the firm, 2) enterprise unions sharing employees with another enterprise union, and 3) the new type of union, i.e. minority leftist enterprise unions. The rationale for Kawanishi's study is that these union schisms have been overlooked in earlier research (Kawanishi 1992 chap. 3).

Kawanishi evaluates the Japanese unions by the 'true principles of the labour movement' (yet without relating it to Western Marxist industrial relation theory e.g. Hyman 1976). Kawanishi gives the dominant Japanese enterprise unions a bad record in terms of their effect on the fulfilment of the class interests of their members, i.e. wages, employment, hours of work and personnel practices (1992 p. 40-61). This conclusion is based on three qualitative case studies with negative assessments while rejecting a fourth positive study based on a questionnaire survey.

While the Marxist approach counterbalanced the view of submissive, company oriented and singular enterprise unions (Shirai 1983), the Marxists have not dominated the understanding of Japanese industrial relations since 1985. The various approaches have more or less existed side by side during the post-War period. Yet, the functionalist and the Marxist approaches do share the same overall development perspective (industrialization and material consumption), and partly also

the criticism of Japanese enterprise unions (with divergent opinions among the functionalists).

In general, Japanese unionism is increasingly recognized as contributing to the rapid economic development and industrialization in Japan. Japanese enterprise unionism is perceived as business effective. Their labour effectiveness and overall dynamic and development efficiency are disputed. Do these assessments hold for a closer examination?

### **3.2. The effectiveness of Japanese unions**

Japanese labour organizations can be judged on their labour effectiveness, business effectiveness and the overall dynamic efficiency. Here, labour effectiveness is assessed in terms of the improvement of employment security, wages, social benefits, overall earnings, and working conditions (e.g. reduced working hours). Business effectiveness is estimated in terms of productivity and profitability.

#### *Labour effectiveness*

One of the distinguished features of the Japanese labour market has been its low level of unemployment. The unemployment rate is around 2% for adult male employees (25+ years) in 1989/90 and 1% for adult female employees, compared with the respective figures in USA 4% and 4%, and in Germany 10% and 14% (in Italy, it is surprisingly low, too, 3% and 3%, but here the youth unemployment figures are very high, 26% and 38% compared to Japan's 5% and 4%)(ILO World Labour Report 1992 table V pp. 98-99).

Acknowledging the wage improvements of Japanese workers since the Pacific War Kawanishi questions the impact of enterprise unions on wage increases, arguing that the wage improvements were caused by the overall economic growth and, during the 1970s, the labour shortages (1992 p.42).

Comparing the changing patterns of unionization in OECD countries Blanchflower & Freeman hold that the Japanese union wage differential is more similar to the differentials found in Europe and Australia than to the US differential, and they conclude: "U.S. unionism produces greater union-nonunion wage differentials than unionism in other advanced countries" (1992 p. 65).

Surprisingly, Blanchflower & Freeman do not explain the US anomaly (but use it to explain the anti-union strategy of US business). Referring to Japanese scholars (Nakamura et al. 1988; Osawa 1989) they indicate an explanation of the Japanese normalcy:

"In Japan union wage effects are small except for women, presumably because the Shunto Offensive sets wage

patterns for the entire country, and union effects on bonuses and severance pay do not come close to producing a differential of U.S. magnitude" (1992 p.65)

This argument contradicts the view that Japanese unions are weak and therefore do not influence wages. On the contrary, they set the pace of wage improvements, but the non-unionized companies and employees follow due to the flexibility of the Japanese labour market. Moreover, high union density is also related to low wage differentials in Europe. Non-union employees outside USA seem to enjoy a strong free-rider premium due to labour market flexibility and medium to strong unions.

Although there seems to be low union wage differentials Japanese enterprise unions can still affect an overall rise in wages due to their nation-wide coverage and the diffusion of wages rises from the unionized to the non-unionized sector. What we can document is that improvements in earnings (compensation per hour) in the manufacturing sector are comparable with US and Canadian increases from 1980-1993 (index respectively 157, 152, 159 with 1980=100) but below European rates (Denmark 171; Germany 178; France 180; UK 236; Italy 266). Taking the period 1960-80, the Japanese increases average the European level (1980=100, Japan started at index 6; Denmark 8; Germany 14; France 8; UK 7; Italy 4) (Monthly Labour Review June 1995, table 48 p.116; no figures for USA).

Similar levels of compensation may finally reflect different composition of the earnings, e.g. lower wage levels and higher benefits (the social wage). While the Japanese industrial relation system has the reputation of 'company welfarism' (high social wages) the evidence points to the fact that the social wage of Japanese production workers (non-wage cost of hourly compensation costs) in manufacturing was lower than in other industrialized countries: 13% in Japan in 1990, compared to 15% in UK, 20% in USA, 21% in Germany, 30% in France, and 32% in Italy (ILO World Labour Report 1992 table VI p.100-101).

#### *Business effectiveness and dynamic efficiency*

In terms of unit labour cost, Japanese manufacturing is very competitive compared to US manufacturing - if it is measured on a national currency basis: Using an index with 1982=100, Japan scored 100 in 1993 with USA at 116 (Japan started at index 25 in 1960). Measuring in US dollars, Japan rose to 224 in 1993 with USA still at 116 (Monthly Labour Review June 1995 table 48 p.116). The revaluation of the Japanese Yen relative to US dollars explains the contradictory trends.

Research on Japanese unions' effect on productivity is scarce. Muramatsu's study of Japan (1984) found a positive union effect, but it is inconclusive (Blanchflower & Freeman 1992 p. 68) because it did not control for firm size which influences productivity levels rather much.

Finally, in terms of profitability Japanese enterprise unionism should contribute positively on the premises, that their wage effect is small to nil, and they have a positive leverage on productivity. The evidence on union productivity effect is still lacking although there are indications that unions facilitate increasing productivity, among other things, by accepting and participating in flexible labour systems at the enterprise level (Deutschmann 1987).

Summing up, Japanese enterprise unions seem to possess dynamic efficiency with a bias to business effectiveness.

How the Japanese union movement took up this position, known as 'welfare corporatism', is a matter of historical development, union strength and union identity.

### **3.3. A socio-political history of Japanese unionism**

To delineate the broad trends of Japanese unionism the ideology of the key labour centres (main federations of enterprise unions) are used as indicators, although the power base of the Japanese union movement is the enterprise union. We acknowledge by the way that Japanese unions and their members are more political-ideological conscious than their US ditto, indicated by the loose federations with party affiliations to the centre and left of Japanese politics, at least until recently.

The birth of the Japanese trade union movement goes far back to the Meiji-period (1868-1912) and it's 'industrial revolution from above'. Craft unionism, modelled after the American Federation of Labour (AFL), was initiated by craftsmen with US experiences, but it failed: the craft workers were a minority, the unions were heavily suppressed by the state (around 1900 and again in 1911), and the large textile industry employed young, unmarried women who were controlled the way Japanese parents treated their daughters (close to indentured labour or slave labour).

Following World War I, mass mobilization did not bypass Japan and 'Rice Riots' were started by female long shore workers. After 1923, political repression reduced union activity, especially among craftsmen and socialist workers. During the inter-World War period the particular Japanese labour market institutions evolved, too: The life-long employment system based on the recruitment and enterprise training of young school leavers, the Nenko wage system based on seniority, education and employment status, and finally, the enterprise union, established primarily at the bigger plants within a scene of overall low union density (5-7%). In 1938, the military regime decided to eliminate all unions substituting them with organizations of the Patriotic Front (Sampo).

Sampo framed the corporate labour organization down to the plant level during World War II, and these enterprise based organizations provided the platform for explosive and radical unionization after the collapse of the military regime in 1945. With the tacit understanding of the US occupation forces which was staffed with New Deal reformers in the early post war years, a plant based union movement arose in the chaotic situation of food shortages, rising unemployment etc.. The unions demanded employment security, increased wages and social benefits, workers participation etc. The new enterprise unions were largely affiliated to the Communist-dominated confederation (Sanbetsu) and not to the pre-war dominant one (Sodomei).

With the upcoming Cold War the US administration in Japan shifted from union sympathy to union hostility, banning a 1947 general strike and supporting a counter-attack by Japanese employers and authorities. The Socialist Party joined the alliance, and the CP-controlled union movement was smashed during the 'red purge' in 1950. A replacement (Sohyo) was formed in the early 1950s under the control of the Socialist Party.

In a short time, Sohyo became radicalized, cancelled the proposed affiliation to the ICFTU and launched annual strike waves (the Spring Offensives, Shunto). The left wing policy of Sohyo and the Socialist Party generated new splits, with the establishment of the moderate Democratic Socialist Party and a new confederation (Zenro, 1954).

Japanese big business initiated a campaign against radical independent enterprise unions. The Nissan union was defeated in 1953 and a company controlled union was formed with the assistance of white collar workers and blue collar supervisors. The new Nissan union became an integral part of the personnel department. After Nissan the assault continued throughout the private sector by e.g. setting up 'second' unions during Spring offensives in key companies. In 1964, the new right-wing unions merged with Zenro unions into a new confederation (Domei, which had its strongholds in heavy industries like steel, shipyards, and car production.

The militant Sohyo-oriented union movement was also gradually undermined through productivity and rationalization measures (the 'gorika' drive'; Ichiyo 1981-84): 1) reorganizing the labour process whereby the shop floor work groups disintegrated, 2) introducing job-related wage incentives, thereby imposing competition between workers, 3) increased use of out-contracting, and hence creating tensions between permanent, temporary and outside workers, and 4) integrating rank-and-file into the drive of the whole enterprise towards productivity and quality improvements by means of Quality Control Circles (QCCs), Zero Defect Circles (ZDCs), Cost Minimum Drives etc.

During the economic recession in the 1970s and the early 1980s,

the Spring offensives were suspended and Domei and Sohyo-affiliated private sector unions merged into the National Private Sector Union Council (Zenmin Rokyo) in 1982. Thereby, Sohyo lost its power base in the private sector. Moreover, its strongholds in the public sector were attacked by the government by way of decentralization and privatization of public services (e.g. the railways).

Finally, a new confederation for the whole private sector was established in 1987 (the Japanese Private Sector Trade Union Federation, Rengo). Two years later, it absorbed Sohyo, whereby a new national centre of private and public sector unions came into reality. Rengo counted 78 industrial federations and 7,7 million members, equal to 65% of all organized union members, 17 % of all employees and 9 % of the voters (Tsujinaka 1992 p. 200). Still, the new Rengo has no formal authority over the enterprise unions forming it's membership basis. Status quo is that enterprise unionism prevails. And yet, the more united Japanese trade union movement increasingly influence Japanese politics and society through its "osmotic networks" (Tsujinaka 1992). It's long-standing president participated in political work, at first supporting the SDPJ and DSP, the non-LDP coalition governments, ending up initiating a new centrist - conservative party (Williamson 1994 p.63-64).

Summing up, it is suggested here that the ideological changes of the Japanese enterprise union movement evolved through the following periods, characterized by the dominant confederations and their mutual competition:

1945-1950: Sanbetsu (political radicalism)  
1950-1962: Sohyo (militant economism)  
1962-1982: Sohyo/Domei (militant economism/company corporatism)  
1982-1989: Domei-Zenmin Rokyo (company corporatism)  
1989- : Rengo (company corporatism and social reformism)

The overall trend is towards enterprise based corporatism supplemented with social reformism at the political level. The decisive basis of unionism is the enterprise, and the company world provides enough issues and problems to split workers and unions along political ideologies and attitudes towards management. The Japanese enterprise union movement is not a monolithic unit, but a very diversified phenomenon. This said, Japanese enterprise unions seem to be dominated by the core labour force and white collar employees, excluding by and large temporary workers and contract workers together with employees in medium and small enterprises.

#### **3.4. Organizational development and militancy**

Japanese enterprise unions have, from the early 1960s, consolidated their dominant position in the Japanese union movement, holding a share of 90% of all union members (table 5).

Table 5: Union membership in Japan 1930-1988 distributed along union types

	1930	1947	1964	1975	1988
Total union members in mio. (= 100%)	0.354	6.268	9.652	12.473	12.157
Enterprise union members (%)	36	82	91	91	91
Industrial union members (%)	46	6	5	5	4
Craft union members (%)	7	10	1	1	3
Other union members (%)	10	2	3	2	1

Source: Weinstein 1993 table 1 (also for notes on data)

By international standards, Japanese workers are (1990) unionized at a medium level, above USA and France, equal to Holland and below Germany (BRD), UK and the Nordic countries (Williamson 1994 p. 310). Like US-unions, Japanese union density has also witnessed a long overall decline: from the peak in 1950 (46.2% of private and public employees) down to 32.2% in 1960, up to 35.4 in 1970, down to 30.5 in 1982 and then falling steadily to 24.2% in 1993 (Tsuru & Rebitzer 1995 p.463; Shirai presents an organization ratio of 55.8% in 1949).

During the years of economic fluctuation and recession (1970-86/87) Japanese unions lost 7 percent points, the second largest loss among OECD countries, only surpassed by US unions with 14 percent points. The UK-unions consolidated the overall level (-1). Several national union movements performed well : Germany (BRD, +6), Belgium (+10), and some even very well: Sweden (+17) and Denmark (+29) (Blanchflower & Freeman 1992 p.59).

The decline of Japanese union density does not directly parallel the decline of US-unionism. It fell 14 percent points during 1950-60, and 6 percent points 1982-93, but rose anyway 3 percent points 1960-70. It's not a long steady decline from the 1950s like the US unions. Yet, a national enterprise based union system does not seem to prevent a negative trend in membership relative to the employee workforce.

Japanese employees have a reputation of docility, low propensity to striking and other forms of industrial actions. Therborn (1984 p.16), relying on historical data from Shalev (1983), contends that the Japanese labour market is more militant than in the USA, West Germany and Scandinavian countries during the period from 1946-77 (measured as 'relative involvement', i.e. workers on strike per thousand of the non-agricultural labour force). From 1978-82 US employees (like Danish employees) surpass the Japanese employees, anyway.

Comparing patterns of strikes and disputes in Japan and USA, Ohtake & Tracy (1994) present contradictory figures. They find that the Japanese labour market has on average a much lower strike activity than the US during the period 1970-90. Working days lost per employees due to strikes and lockouts were half the US-level in 1972 and declined much faster in Japan than in USA later on, reaching the near-bottom in 1979 and the bottom in 1988 (1994 p.349-50). In the manufacturing sector, strike/lockouts amounted, in Japan, to 4 per 1000 workers in 1989 down to 3 in 1992, compared, in USA, to 143 in 1989 and 87 in 1992 (ILO World Labour Report 1995 table VII p.118-119).

Emphasizing that in the USA strikes only amount to 18% of all contract disputes, Ohtake & Tracy (1994) argue that strike/lockout activities do not catch the overall level and trends in disputes. Adding the hold-out, a normal practice during collective bargaining, to strikes the rate of disputes in contract negotiation increases up to 58% in the USA (1994 p.350). In Japan, hold-outs during the Shunto are also common, involving refusal of overtime and holiday work. Using a measure, which is based on the number of bargaining units and counts dispute incidence including hold-outs in USA and Japan (here indicated by settlements of negotiations after 21 April), Japanese unions have a higher incidence of disputes, on average, than US bargaining units: 70% relative to 59%. The dispute rate was higher in Japan than USA during the 1970s while the reverse pattern was seen during the 1980s (1994 p.351). Yet, dispute duration and strike duration are lower in Japan than in USA.

In sum, industrial relations disputes are common in Japan, but they seldom turning into strikes. Analysing the causes of the US and Japanese patterns, Ohtake & Tracy find that strike activity in the USA and Japan diverges in the way that protracted negotiations are related to macro uncertainty in Japan rather than industry uncertainty in USA. They conclude that the Japanese Joint Consultation System reduces the obstacles to reaching a settlement, compared to the asymmetric information bargaining framework in USA. Peaceful bargaining outcomes are also facilitated by the long-term employment system and the profit sharing system in Japan (1994 p.368).

### **3.5. Identity and power of Japanese enterprise unionism**

The decline of Japanese union density is addressed by Tsuru & Rebitzer (1995) who reject two of the main causes by which Goldfield explained the decline of US union density:

\* The Japanese employers have not initiated an offensive against unionization as the US employers have.

\* The Japanese industrial relation laws have not narrowed the space open for unionization, making unionization

much easier in Japan than in USA.

The main explanation, according to Tsuru & Rebitzer, is that the enterprise unions have not been able to mobilize new membership. Why? The authors give the following reasons:

"First, Japanese unions have difficulty organizing new firms, and this difficulty cannot be attributed to the expansion of employment into previously non-union industries or occupations. Second, the direct effect of unions on wages and benefits in Japan is currently very small. Third, the absence of a union wage differential is likely to limit severely the attractiveness of unions to the non-union work-force. Non-union Japanese workers (particularly males) are interested in unions to the extent that they improve wages and working conditions. Fourth, Japanese unions do dramatically improve the ability of employees to 'voice' dissatisfaction on workplace issues. These voice effects may be very important in maintaining the high level of employee participation on which the Japanese system of production relies. However, analysis of exit propensities and job satisfaction indicators suggests that the additional employee 'voice' associated with unionization may not be highly valued by Japanese employees." (Tsuru & Rebitzer 1995 p.482).

In sum, Tsuru & Rebitzer argue that the decline of Japanese union density is caused by lack of interest among non-union members to establish unions at new enterprises, and that the disincentive relates to the negligible impact of Japanese unionism on wage conditions, not to anti-union measures by employers and the authorities.

This finding fits with Bernsteins opinion that dramatic shifts in unionization is part of a larger social upheaval, thereby changing the balance of class forces. This happened during the first decade after the Japanese defeat during the Pacific War 1945. And it underline the weakness of enterprise unions concerning the unionization of new enterprises. Structural shifts in the economy will impact much more on Japanese union density than on US unionization.

The questions of union identity and power remain. Do Japanese unions follow another agenda where employment security, for example, ranks above wage improvements? Do the Japanese unions have the power to effectuate their objectives?

Analysing the relationship between economic restructuring and enterprise unionism in Japan since 1975, Deutschmann (1987 p. 467) contends that the Japanese unions demand several conditions to be observed during reorganization of production (introduction of new technology, work reorganization etc):

1. Maintaining the level of employment
2. Improvement of quality of work

3. Adequate training and reform of the training system
4. Improvement of safety and hygiene standards
5. Consultation of unions in advance
6. Fair distribution of the results of increased productivity
7. Special support for elder workers
8. Shortening of working hours
9. Protection of the privacy of records kept on workers

Deutschmann explains the high adaptability of unionized Japanese workplaces with the informal cooperation and consultations between the leaders of the unions, the upper management and the rank-and-file. The shop floor union leaders are indeed often the same people (lower management) who are in charge of the direct implementation. The unions secure steady employment, stable real wages and improved qualifications (for the union members i.e. the core permanent employees). The union identity is not violated as it can secure the main objectives without resorting to militant means. Actually, militancy declined in Japan in the same period where the industries were increasingly reorganized (after 1975). This trajectory is opposite to the US outcome especially during the 1980s where US militancy rose.

Although recognizing that Japanese unions accomplished that the level of regular employment rose during restructuration, Deutschmann concludes that the Japanese unions are very weak. They did not achieve several important goals, and especially not a reduction of working hours.

Deutschmann made his assessment in 1987 and was still right in 1990: Japanese employees worked 2143 hours compared with 1769 in UK, 1904 in USA, 1648 in Germany, 1755 in France and 1776 in Italy (ILO World Labour Report 1992 table VI p.100-101; Williamson 1994 p. 307 cites slightly different figures and adds that the Japanese workers worked 1958 hours a year in 1992). South Korean wage earners worked slightly less than their Japanese colleagues (2050, yet not for the year 1990). However, since 1990 Japanese workers have worked less hours per week in the manufacturing sector than their American colleagues (ILO World Labour Report 1995).

However, the cardinal interest - and labour effect, too - of Japanese enterprise unions seem to be employment security and employment expansion for the core (permanent) employees. How is this to be understood?

The question of union employment effect is addressed by Weinstein (1992) arguing that oligopolistic Japanese firms and employees with enterprise unions are able to bargain collective agreements which are beneficial for both parties and simultaneously stimulate employment generation (and thereby

employment security).

Weinstein contends that the conventional approach in labour economics is to treat unions and firms as contradicting parties:

The parameters defined by the production function and product demand functions determine the total revenues available, and the two parties must somehow come to an agreement over how these are to be divided" (Weinstein 1992 p.54).

This assumption seems to be appropriate for the understanding of the US labour market, indicated by the fact that "unionized industries in the United States have higher wages, higher capital to labour ratios, and lower profits than similar non-unionized industries" (Weinstein 1992 p. 54).

Now, in the case of the Japanese labour market, Weinstein rejects the mainstream assumption. Comparing the Japanese and the US union structures and labour markets and applying the 'efficient bargaining framework' of McDonald & Solow, Weinstein argues:

"that unless industrial unions place a high premium on employment, they have an incentive to reduce industry employment and output in order to generate monopoly rents that can be distributed to workers. Enterprise unions, however, cannot obtain monopoly rents by virtue of the fact that they can only sign contracts covering only the employees of one firm in the industry. This implies that enterprise unions will try to extract rents by conducting precisely the opposite behaviour: expanding the output of the firm in order to generate contractions in output by competing firms. Contracts covering only one firm in an industry will place more emphasis on maintaining high employment levels as a means to transforming labour from a marginal cost into a fixed cost. Since firms with lower marginal costs are likely to produce more in equilibrium, enterprise unions are likely to increase firm production" (Weinstein 1992 p.56).

Moreover, Weinstein reaches the conclusion that Japanese collective agreements will be more stable than the US collective contracts as neither the management nor the enterprise unions in Japan have incentives to break it:

"Because enterprise unions in effect provide a commitment mechanism for firms to produce more, it can be shown that there will always exist an enterprise union contract that will raise the profitability of both the firm and the union. In general, this is not true for the industrial union. In that case, a firm can always be made better off by breaking a contract that is efficient for the union and the industry as a whole..." (Weinstein 1992 p.56-57).

In sum, Weinstein concludes that the 'united front' of management and unions in large Japanese companies does not spring from the weakness of the Japanese trade union movement, but from traditional optimizing behaviour. On the contrary, the Japanese trade union movement is weak because the union membership perceive the growth of their firm as more important for their welfare than the overall success of the trade unions.

Finally, Weinstein argues that with the increasing internationalization of the US market and the decreasing power of US industrial unions, they will imitate Japanese enterprise unions more and more, not because enterprise unions are superior in traditional wage bargaining terms, but because the competitive situation of the US industry comes close to that of the Japanese industry. The US unions will increasingly give priority to job security and the union-management will start using job security strategically in the competition for market shares.

Weinstein's argument is fascinating because it attacks holy cows, is based on controversial assumptions and outlines unexpected consequences. Being unable to assess the mathematically formulated theory, we are content with the criticism that the assumed production/employment scenario neglects the element of uncertainty and risk in market economies presuming that the rising output creates its own demand.

In sum, Japanese enterprise unions do make a difference in terms of employment security, which is again essential for the members due to the dominance of the internal labour market in the Japanese unionized sector (larger firms). The employees are socialized and trained by the company into company specific skills. The wages are dependent to a large degree on experiences gained in the company and by the performance of the company (bonuses). External labour flexibility (retrenchment out of the business group) is the worst case of flexible adjustment to changing business conditions in the perspective of Japanese enterprise unions. The identity and power base of these unions are the company (group), and this company perspective is matched by the employers taking pride in company and employment expansion. Acknowledging the contributions and importance of the (core) workforce Japanese employers have pursued the 'high road' and done it successfully - in cooperation with the unions.

In consequence, as Japanese big business prospered and employment was secured and expanded, union density declined while enterprise unionism remained the dominant type of Japanese unionism.

#### **4. ENTERPRISE UNIONS IN CONTEXTS OF ECONOMIC DEVELOPMENT**

Section 4 starts outlining the politicization of labour unions during economic development. However, independent, militant and economistic enterprise unions became active in several developing countries in the 1970s. We will look into studies of enterprise unionism in Mexico, India, Malaysia and South Korea (hereafter Korea). Independent enterprise unions are minority labour organizations in Mexico, India and Malaysia. In Malaysia, the government supports the expansion of enterprise unions at the expense of industrial union. In Korea, enterprise unions were forced upon the labour force in 1980, at first controlled by the government-directed national trade union centre, but later on split into two centre, one of them being independent, democratic and illegal in its search for national unionism. Labour unions are forbidden to take part in political activity in Malaysia and Korea, while they are politically involved in Mexico and India.

##### **4.1. Political unionism and beyond**

Until the market oriented structural adjustments and transformations took place during the 1980s with commercialization and privatization of public sector activities in combination with liberalization and deregulation, the economy of developing countries was understood as political economy, featuring extensive state interventions and regulations or outright public ownership of productive assets and plan economy.

Due to this context of politicized economies and political economic thinking, combined with the assumed weakness of plant based, fragmented or low density unionism, much theory on labour unionism focused on the political dimension of unionism (Bates 1970). It was widely believed that Third World trade unions were much more politicized in their outlook and practice, either trying to influence party politics and governments to enhance the lot of workers ('political unionism') or being politicized by the state and subordinated as corporate bodies ('state corporatism'). Unions were not able to function in the 'normal' Western sense, either as economic agents bargaining over wages and working conditions, leaving politics aside (like US 'business unionism'). Or acting as bargaining and conflict resolving organizations within an industrial relation system, while acknowledging a division of labour between various parts of the labour movement: labour unions, labour parties and eventually worker cooperatives and general labour education. This picture of political or state corporate unionism was challenged by the rise of new and militant forms of unionism subscribing to economism rather than politicism in capital-labour relations of economic development during the 1970s. The new unions, labelled 'independent unionism', turned up to be independent enterprise unions. Why this outburst of enterprise unions? Was it effective? Did it change the course of the union

movement from national unions towards enterprise unions - instead of vice versa as hypothesized by Galenson & Odaka?

Let us take a closer look at unionism in Mexico, India, Malaysia and Korea.

#### **4.2. Independent unions in Mexico**

The Mexican union movement evolved with the industrialization during the 1930s and 1940s. This transformation of an agricultural country was led by the state under the control of the single party in power, PRI. The home market was protected by the state (import substitution industrialization, ISI), and PRI developed a corporate system of control and incorporation of key social classes and organizations, including the Mexican trade unions. During the Cárdenas presidency (1934-40), the CTM was formed (1936) and had ever since been the dominant labour union centre, allied with PRI.

However, the PRI-CTM regime did never achieve complete control over the Mexican workers and labour unions:

Insurgent movements have always been a feature of Mexican unionism. In the 1970s, however, they took on a new form. Previous union reform movements had generally been attempts by factional groups, or rank-and-file movements, to wrest control of the union from the incumbents. Now these were joined by a way of breakaway movements. The general pattern was for individual factories to secede from the official union and set up their own 'independent' union, independent in the sense that it was not affiliated with the official party or with the official union structure." (Roxborough 1984 p. 32).

The independent unions mushroomed during the Echeverria presidency (1970-76) with the tacit support of the president, who aimed to reform the bureaucratic-authoritarian institutions of the Mexican society. In the end of the 1970s independent unions counted more than 100 unions within textiles, metal, automobile, rubber and food processing industries (Roxborough 1984 p.33). Most joined the newly formed federations for independent unions (UOI).

Emphasizing the lack of research on oppositional labour organizations and their impact on the politics of Mexico, Roxborough undertook a study of the automobile industry and its unions (3). Making 9 case studies of automotive manufacturing plants around Mexico City during the second half of the 1970s, Roxborough (1984) analyzed the hypothesized connection between independent unionism and wage improvements mediated by union militancy. He concluded anyway that his explanatory factor - PRI-union independence - did not fully explain the differences found neither in wage increases during 1973-80 nor in union militancy and other matters (see table 6 below).

Roxborough found an alternative and more consistent pattern between three core elements: union democracy (the explanatory factor), militancy (the mediating factor), and wage increases (the dependent factor). Other factors were influenced by and mediated the impact of union governance: union bureaucracy, employment security, conflict over work processes, and union control over work processes. The core factor was union

Table 6: Roxborough's summary table (1984 p.156)

democracy/oligarchy, not union independence/affiliation.

Roxborough went a step further by explaining the formation of union democracy, too. Union democracy was established by a process of breakaway or gaining relative autonomy from the PRI controlled federations (CTM, CROC, COR). Originally unionized by CTM the automobile workers succeeded in transforming affiliation into independence by way of rank-and-file mobilization during the start up periods of the industrial enterprises. Moreover, the breakaway was conditioned by the strength and weakness of the regional structures of the federations in the particular industrial areas of auto plant locations (the Toluca area was tightly controlled by CTM). Two democratic unions were affiliated to corporate national unions (CTM and CROC) though while four non-democratic unions were fully or partly operating in Toluca. Finally, 'independent unions' affiliated to the labour centre of independent unions (UOI), securing a network of mutual support.

Roxborough coined his argument by a simple model of the dynamics of industrial militancy:

Figure 2: The dynamics of industrial militancy (1984 p.161)

Roxborough finalized his book after the outbreak of the Mexican debt crisis. His view on the future of Mexican independent unionism and the Mexican corporate political system is conditioned by this economic crisis and political initiatives taken by the government. Roxborough acknowledges that the rise of independent unionism became possible by PRI's more critical stance against the dominant PRI-union federation (CTM) during the presidency of Echeverria 1970-76. Since then PRI has not been sympathetic to independent unionism under President Portillo 1976-82, President la Madrid 1982-88 and President Salinas (1988-94). However, Roxborough did not foresee the fall of 'independent unionism':

"Although in the short run the economic crisis will undoubtedly hit hard at the independent unions, rank-and-file militancy is unlikely to disappear. In a diffuse and unorganized manner, such grass-roots insurgency will continue to weaken organized labour's ability to prop up the system." (Roxborough 1984 p. 179).

With hindsight we can ascertain that the new unionism did not succeed in strengthening themselves, expanding into and outside the manufacturing sector and finally reshuffling the dominant trade union structure (Zapata 1989). It did not even maintained its stronghold within the automobile industry (Carrillo 1995). Why?

Roxborough's study is dominated by the union-state relationship. The union-employer relationship is deliberately downplayed or excluded from the analysis. Roxborough argued that neither did the management strategy seem to be important (e.g. the same company embraced both types of unionism in two different plants), nor did enterprise unions easily fell victims to management control. However, he did forecast that the upcoming relocation or expansion of automobile production in northern Mexico could start a new wave of union militancy and democratization among the autoworkers because the 'official unions' (affiliated to CTM, COR or CROC) were weak in these

areas (Roxborough 1984 p.157).

Carrillo's study of the Mexican automobile industry (1995) rectifies the two missing links in Roxborough's study: the impact of management strategies and practices on the one hand, and the development of auto unions during the 1980s on the other hand. Carrillo focuses at the reorganization of Ford-Mexico, and he demonstrates that the changing production strategies of transnational companies in crisis-ridden Mexico had a tremendous impact on industrial relations.

Carrillo delineates the double and concomitant shifts taken place during the 1980s: From import-substitution to export oriented industrial policies of the Mexican state, and from the 'Fordist-Taylorist' home market production strategy towards the flexible world market production strategy among Ford-Mexico and other TNC auto producers. Simultaneously, the auto-companies closed down plants in the union strongholds of Central Mexico while expanding or building new plants in the northern non-unionized areas of the Maquiladora or in areas of weak unions.

Carrillo traces the overall transformation of the Mexican auto industry in the restructuring of three plants of Ford-Mexico. Ford went towards the American-style flexible production system (AFP), composed of Total Quality Control (TQC), Just-In-Time (JIT) methods, and the 'Californian' system of labour relations (non or weak unions, cheap migrant and first generation labour, individualized control and incentive systems) (Carrillo 1995 p.88).

At Ford-Mexico's old factory in Central Mexico (Ford-Cuautitlán), described by Roxborough as having a democratic, militant plant union, the union fought the introduction of flexible production methods. It did so rather successfully until 1987. The union had large leverage on the work process and the occupational structure, similar to the pattern of US unions' workplace control, and its identity was rooted in the workplace power. The transition to flexible production antagonized this power base and caused negative attitudes and resistance. The management overcame this resistance in 1987, when it took advantage of a strike over pay to closing down the factory, retrenching 3200 workers and only rehiring half the workforce at the time of reopening the plant. New labour contracts were introduced, reducing the differentiation in occupational categories and wage scales and changing the promotion criteria. Moreover, several tasks were privatized (canteen, cleaning, transport). All in all, management succeeded to gaining increased control over the work process, wages and the internal labour market. However, Ford did not broke the neck of the union and its militancy, nor did it manage to fully implement the flexible production system (leaving out team production, job rotation and upgrading of skill levels).

Carrillo concludes his case study of the old Ford-Mexico plant by noting that:

"Cuautitlán shows us that the major obstacle to implanting the AFP in an established plant is the construction of the social conditions which would allow its development, and in particular labour flexibility and a cooperative union." (1995 p.96).

Ford-Mexico did achieve the preconditions of a collaborative workforce and union at its new factory, Ford-Hermosillo, built in Northern Mexico near the US border. Here, the AFP was introduced too. Before opening the plant a new collective agreement was signed between the Ford-management and the dominant PRI-federation, CTM, which tried to improve its position in the auto industry by applying a new pro-business union policy. The union was counterbalanced in three ways: the employees at the plant elected their own union leaders; the management controlled retrenchments, recruitment and training; and the work process was decentralized into autonomous work teams bypassing union influence.

Finally, at the factory in the Maquiladora export processing zone (Ford-Favesa) Ford-Mexico faced no union resistance at all. No unions had been established and management had already achieved much labour flexibility among a low skilled labour force. For Carrillo, the case of Ford-Favesa documented that the AFP can be introduced in a low-skilled, labour-intensive plant with high labour turnover rates, with partial adoption of flexible production methods and yet generating increased productivity and efficiency.

One of Carrillo's overall conclusions concerns the relationship between industrial relations features and adoption of flexible production systems:

"The established plant at Cuautitlán required a deep restructuring of its labour relations system and a reversal of many of the gains made by the union since early 1970s. This provided a permanent source of conflict in the plant. The construction of a labour relations system which does not allow for any interference in management's use of flexibility seems to be the biggest problem facing plants on established sites. A union which is active however, and makes demands on management is not an absolute obstacle to JIT/TQC, as the Hermosillo case shows. The union sought to influence the way the AFP operated, but it did not oppose JIT/TQC with flexible working. On the contrary, the union believed that the system was better for workers and pressured for it to be applied more systematically and operated in a less Fordist manner."

Carrillo's company case study from Mexico does indicate that labour can partly benefit from the shift to more advanced,

flexible production methods in the auto industry, when it choose to accept technological change and influence its implementation. While union power over the work process is reduced rank-and-file team groups may increase their autonomy of management (and the union). In the whole auto-industry the unions' power declined with the overall transformation of a home market-oriented, Fordist production system located in Central Mexico, towards an export-oriented flexible production system, relocated into Northern Mexico.

#### **4.3. Internal unions in India**

The Bombay area had been a manufacturing centre for industry business in West India for decades (Bhattacharjee 1987; Helms & Danielsen 1988). During the 1960s the Bombay manufacturing sector changed from the older industries dominated by the cotton textile industry to newer mass production and processing industries of chemicals, petro-chemicals, pharmaceutical, electrical and electronics products. The old industries had been established during the era of 'national capitalism' while the new corporations were more diversified, less family controlled and more often controlled by foreign companies. Besides, the workforce of the new industries were typical younger, better educated and skilled, second generation workers, grown up in Bombay.

Bombay unionism evolved with this changing framework of industrialization. The 1950s are known for 'responsible unionism', dominated by the state-and-Congress party-sponsored union, Rashtriya Mill Mazdoor Sabha (RMMS). Delimiting the communist unions rising power, RMMS got the exclusive right to collective bargaining within the textile industry. During the 1960s, strikes, lockouts and 'labour-labour' conflicts increased between rivalling party-related unions (Congress, Communists, Socialists). Left wing oriented unions mobilized within the new industries and turned more and more to enterprise level negotiations, weakening state interventions in the wage settling processes. During the 1970s this enterprise-based movement combined with militancy at the plant level withdrew from political and corporate unions and sought inspiration and counselling from the regionally communal based party, Shiv Sena, and from external labour advisors, the most famous being Dr. Datta Samant, a former Congress politician. While Shiv Sena attacked the Communist, Datta Samant criticized Shiv Sena- and all other party-affiliated unions and called for industrial militancy. The rise of independent enterprise unions in Greater Bombay was strongly influenced by the ideology of Datta Samant ('samantism').

Studying the new wave of Bombay unionism during the 1970s and early 80s, Bhattacharjee (1987) acknowledged the merits of Roxborough's research in Mexico. He situated his research within the same tradition while enlarging Roxborough's design by using

quantitative methods (a survey of 119 plant level collective agreements covering the period 1978-84, analyzed by means of statistical tests) and extending the industry coverage (from one industry to of several industries).

Bhattacharjee defined independent enterprise unions as internal unions, controlled by the workers of the plant, contrasting them with external unions, directed by party-related industry based unions. His theory of internal/external unionism holds that

"the independent internal unions are more militant, and hence, more effective in securing higher pay and fringe benefits than the externally-affiliated unions." (Bhattacharjee 1987 p.252).

This relationship between union structure, militancy and wage/work conditions is mediated by the factor of leadership. Independent union leaders are workers themselves while external union leaders are appointed by high ranking officials of federations with political connections, thereby becoming political outsiders to the workplace rank-and-file. Bhattacharjee explains the wage effect in terms of bargaining and militancy:

"Worker negotiators from the internal independent unions, being more aware of shop floor issues and grievances, are probably more likely to engage in more militant bargaining simply because they have everything to gain by doing so, unlike the typical leader of the affiliated union whose salary is determined and administered by forces outside the enterprise." (Bhattacharjee 1987 p.253).

Moreover, internal unionists are more exposed to membership pressure and accountable to the rank-and-file.

The evidence from the Bombay study supports the theory, indicating a 15 per cent higher monthly wage pay on average among the internal union plant contracts than the externally negotiated plant contracts. The internal unions also showed better results in terms of annual bonus and other payments.

Bhattacharjee controlled the results for additional factors like industry and local labour market effects, bargaining structure, and year of negotiating. Again, the independent unions performed better than the external unions.

Finally, Bhattacharjee rejected the hypothesis that the better results were part of a deal whereby the management achieved higher autonomy, flexibility and productivity. On the contrary, he argued that management looked upon external unionists as being more responsible, that both type of unions seem to be equally forced to sign productivity clauses, and that internal unions broadened the scope of negotiations into issues

concerning workloads, hiring of temporary workers, deployment of employees, promotions, worker participation, maternity leave etc. Bhattacharjee, therefore, concluded that:

"The rise of the new independent plant-level unions since the mid-1970s in the Western Indian region has significantly curtailed managerial autonomy and flexibility" (1987 p. 261).

Enterprise unions, embedded in the politicized context of West India, evolved into independent, democratic, militant and very effective in terms of bargaining wages and working conditions.

At least for a period of time! With hindsight, the militancy backfired. 'Samantism' spread to the older industries and fuelled the long Samant-lead Bombay cotton textile strike 1982-83. However, the strike was lost: many cotton mills were closed, moved, or rationalized, and many strikers returned to their jobs - or to their villages.

Moreover, the new unionism started by rejecting conventional political unionism. But what happened? Datta Samant formed a labour party, won a seat in the Federal Parliament from a working class constituency in Bombay, and unified the new unionism behind his political bandwagon. The political circle closed again.

In retrospective, 'Samantism' lost out to a more successful political-religious movement, Shiv Sena. In the mid-90s, Shiv Sena allied with the bigger Hindu party, BJP, and finally seized political power in Bombay renaming the metropolis into 'Mombay' following its Hindu ideology.

During the 1980s various initiatives were taken to restructure and upgrade the Indian manufacturing sector. It finally broke through in the 1990s, partly forced into operation by external indebtedness and structural adjustment programmes. However, no studies of the response of enterprise unions to the drives for industrial reorganization are known to this author.

#### **4.4. The case of Malaysian unionism**

Malaysia went through various phases of development and industrial policy. The etno-cultural riots in 1969 is one milestone in Malaysia, after gaining political independence in 1957. They marked the transition to a pro-Bumiputera (Malays and indigenous people), state-led development policy, aiming at restructuring the economy away from etno-economic divisions between the Bumiputera majority and the Chinese and Indian minorities. They also marked a shift from import substitution policies in the 1960s towards export-oriented industrial policies in the 1970s, adding that the government favoured resource based industrialization in the early 1980s and shifted

towards liberal export oriented industrialization during the second half of the 1980s (Jomo & Edwards 1993; Standing 1993). In reality, export manufacturing became the leading source of growth only in the 1980s (Lim 1992). Overall, the Malaysian economy destabilized from 1979-84, went into a severe economic recession 1985-86 and regained its growth momentum from 1987 onwards after the government, among other things, liberalized foreign direct investment and huge amounts of FDIs poured into Malaysia (Demery & Demery 1992).

In 1982 the Mahathir-government announced its 'Look East' policy adopting Japan and South Korea as development models and turning the back against the British. While the 'Look East' policy was downplayed from the middle of the 1980s, one of its ingredients persisted: the promotion of enterprise unionism.

In the Malaysian manufacturing sector enterprise unions already existed in newly established industries dominated by a few companies (e.g. steel), but they only counted a minority of union members. Industrial unions prevailed in manufacturing, while enterprise unions, delimited to departments and agencies, were the majority in the public sector. Enterprise unions numbered 48% of all unions in 1984 and went up to 57% in 1988, while they counted 26% of all private sector unions in 1984 rising to 48% in 1988 (Ministry of Labour Malaysia 1983/84; 1987/88) (4). In terms of membership, the share of enterprise unions amounted to 26% of all union members in 1984 up to 32% in 1988; within the private sector, enterprise unions had only 7% of all union members in 1984 rising to 19% in 1988)(Ministry of Labour Malaysia op.cit.). All in all, enterprise unions gained ground in Malaysia during 1984-88 and especially within the private sector.

In 1988, ILO undertook a large survey of enterprises in the manufacturing sector of Peninsular Malaysia (the Malaysian Labour Flexibility Survey (MLFS), Standing 1991, 1992a, 1993). The survey provided a very large, differentiated and interesting material on several topics, including the impact of union/no-union and industrial/enterprise unions during a period of economic recovery (1987-88) and touches upon the situation during economic recession (1985-86). The survey undertook structured questioning and direct interviewing with senior representatives of management in more than 2500 manufacturing companies in Peninsular Malaysia, achieving a response around 80% (Standing 1993 p.74).

Summing up the result by comparing non-unionized versus unionized firms, the survey indicates the following: non-unionized companies have lower average earnings than unionized companies; higher wage differentials both in terms of skilled/unskilled and male/female ratios; lower probability of training new employees; less inclination to job rotation, work reorganization, technological change, and retrenchment, and

higher propensity to subcontract work. Finally, non-unionized companies showed lower productivity than unionized companies.

Non-unionized companies lay in between firms with industrial unions and firms with enterprise unions in relation to product range extension in 1986-88; retrenchment firms doing rehiring, and rehiring at lower pay; and finally the ratio of labour cost relative to total production cost.

The non-unionized workplace, then, seems to conceal some surprising facts, which are disappointing from the management point of view (the lower productivity level), and positive from the perspective of the production workers (higher employment security). Yet, non-unionized workers do not seem to enjoy an overall positive package of benefits relative to unionized workers, as the level of wages and earnings are significant lower, wage differentials higher, training is missing, rehiring at lower pay abounds etc.

Contrasting firms with industrial versus enterprise unions, the overall trend indicates similarity as well as diversity. The two types of workplaces are close in terms of: average earnings; wage differentials based on skills; job rotation in largest companies; work reorganization; and technology change.

The contrast is remarkable to the advantage of industrial unionized companies in terms of: higher wage levels; higher coverage of non-wage benefits for temporary workers; higher product range extension; higher rehiring by retrenchment firms and at lower pay; lower labour cost; and especially higher productivity.

The enterprise unions are more successful in terms of: lower wage differentials between males/females (skilled as well as unskilled); training of new employees; job rotation (smaller firms); lower retrenchment; and rehiring workers at the same pay.

Standing uses the survey to test two set of theories or approaches to unionism and development (see section 1.2). The first set concerns unionism versus non-unionism: The supply side perspective, and the dynamic efficiency perspective. Standing concludes that the survey supports the 'dynamic efficiency' theory of industrial unionism.

The second set addresses the comparison between company unions and industrial unions, paralleling the Japanese approach to industrial relations and its critics: flexible unionism with dynamic efficiency versus agents of management or merely mediators, lacking experience, an independent power base and, hence, bargaining capacity (business effectiveness). Standing sides with the critics, interpreting the survey as supporting the criticism of company unions.

However, Standing's survey contains contradictory findings which can be reinterpreted. Two qualifications appear:

- \* it does only partly support the theory of union dynamic efficiency, limiting the efficiency to firms with industrial unions, and surprisingly not, to firms with enterprise unions (rejecting the Japanese model)!

- \* the survey does support the hypothesis that unionized companies provides better wages and earning and less inequality than non-unionized workers. But the best total package of employee benefits is secured in firms with enterprise unions and not in companies with industrial unions (a reverse Japanese model)!

These paradoxes are only understandable if we bypass Standing's conclusion and elaborate our analysis of the material and the premises of the survey: First, if higher productivity and lower labour costs are interdependent with higher retrenchment and rehiring at lower levels, then the dynamic efficiency seems to be, or could be, achieved by external flexibility (i.e. retrenchment and rehiring at lower pay). Moreover, the survey measures short term dynamic efficiency (2 years perspectives around 1988), not long term. By securing its workforce and even upgrading its skills and internal flexibility, firms with enterprise unions might pay the price in the short term, but gain in the long term when the demand pick up. Companies with enterprise unions might secure their workforce and, therefore, show better productivity and lower labour costs ahead (in the first half of the 1990s relative to the 1988 MLFS).

Second, the differential impact of enterprise unions versus industrial unions might be interpreted as a matter of union bargaining strength and a correspondence between the strategies of management and the enterprise unions aiming at developing the productivity of the company to the mutual advantage of the counterparts. Standing's survey does not tell us anything about union strength, -government, or -militancy on the one hand, or about management policies and strategies on the other hand. Moreover, his analysis is based on the dubious premise that enterprise unions are 'company unions', i.e. dependent and weak unions. He outright adopts the US-biased term 'company union' instead of the more neutral 'enterprise union'. He explicitly talks about 'industrial (independent) unions' (1992a p.332), or industrial unions being 'more independent' than company unions 'favoured by management' (1992a p. 333). Thereby, he assumes that management prefers enterprise unions and that enterprise unions are more submissive to management - without substantiating these hypotheses (in a study of the Philippine labour market, using the same survey method applied in the MLFS, Standing outright pools non-unionized firms and companies with enterprise unions (equalizing no union with enterprise union), setting them apart from firms with industry unions; 1992b p. 288

and table 9 p. 292).

In sum, Standing is unable to interpret his own material because he assumes enterprise unions to be weak and dependent. The alternative interpretation of the 1988 MLFS is that it supports the hypothesis: that industrial unions facilitate dynamic efficiency in the short term by means of external efficiency, while enterprise unions do allow internal labour flexibility without foreclosing dynamic efficiency in the long run, accomplishing a package of employee benefits in the short and probably also in the long run.

Malaysian unions have been forbidden to partake in and support political parties since the 'emergency', i.e. the confrontation between the British colonial power and the communist-led unions and left-radical movement in 1948. The labour centres (MTUC and MLO) are allowed to join tripartite councils and function as 'societies' (voicing the cause of labour) without having any collective bargaining power. The activities of the Malaysian unions have been delimited to the sphere of economics and their aims have focused at increased compensations and improved working conditions. In such settings of labour exclusion from party-political activity and corporate involvement, industrial unions shows (short term) 'dynamic efficiency' and enterprise unions generates labour effectiveness. Union wage effects turn out to be as great as the US union wage effects, 20-25%!

This similarity between US and Malaysian industrial unionism might be related to the rather similar conditions for union recognition (secret ballots with majority criterium for recognition monitored by public authorities) and collective bargaining (often a national union versus a single employer). However, US unions have much more workplace power and much more space for collective actions. In Malaysia, strikes are in reality nearly impossible without the consent of the authorities (which is seldom provided), but there is room for industrial disputes evolving into mediation and arbitration.

#### **4.5. Enterprise unions in South Korea**

Just as the Malaysian union structure, industrial unions dominated the Korean industrial relation scene during the 1960s and 1970s - with the all important difference that the national Korean unions were closely controlled and/or coopted by the military dictatorship and management.

Enterprise unionism became the dominant legal form of labour unionism by 1980. Union locals of industrial (national) unions, controlled by the state, were transformed into local unions by way of prohibiting federations from assisting enterprise unions in collective bargaining (Kim 1993 p. 137). Thereby, the authorities tried to create a decentralized, company-collaborating, politically fragmented and weak trade union

movement.

It did work that way for a while. The union density fell from a peak about 25% in 1977 to 15% in mid 1987 (Kim 1993 p. 142 table 5.2). But in 1987, political and social upheavals changed the politics of South Korea. The military dictatorship was forced to open up for multi-party elections and freeing the industrial relations system for external control. In a few years time, Korean enterprise unions launched a massive strike wave in favour of political reforms and economic concessions. New independent enterprise unions evolved and went for more radical and national forms of unionism. The old government-allied and lately revitalized labour centre (FKTU) got a rival national union centre (NATU) with members among independent (democratic) enterprise unions. Union density rose from 15.5% in 1986 to 23.4% in 1989, and then declining again to 18.5% in 1992 (Jeong 1995 p. 257 table 3). From 1986 to 1989 unionized establishments increased from 5% to 20% of all Korean establishments, with larger establishments (above 500 employees) reaching a level of about 80% (Wilkinson 1994 p. 110 table 3.17). The human rights attitude to union activity was reversed by 1989 when the government again started suppressing independent union activity and strikes (Jeong 1995 p.256; Kim 1993 p.159).

The effectiveness of Korean unionism is difficult to assess. There seems to be a parallel between wage increases and labour mobilization. Overall real wages in all industries rose nearly 7% on average 1982-87, went up to near 8% in 1988 and jumped to 14,5% in 1989, the peak year of labour mobilization (in terms of membership expansion and strikes). The following two years, real wage increases fell to 10% in 1990 and down to 6% in 1991 (Wilkinson 1994 p.110 table 3.18). Weekly working hours decreased in Korean manufacturing from near 55 to 51 in 1989 and 45 in 1991 (Wilkinson 1994 p. 112 table 3.20). From 1986 to 1990, nominal wages rose 100%, labour productivity 20% and unit labour costs 68% (Wilkinson 1994 p. 91 table 91). However, by 1990 Korean hourly compensation costs of manufacturing production workers are still 26% of comparable US workers, the same level as Singaporean workers, a little higher than Hong Kong workers, a bit lower than Taiwanese workers, and much lower than Japanese workers (who earn 86% of the US worker) (Wilkinson 1994 p. 90 table 3.10).

The union wage effect has been estimated by official wages survey in 1987 and 1988 (random sampling of 60.000 employees; Kim 1993 p.154-56). For male non-production employees the gross wage differential (wages uncontrolled for skills, firm size etc) rose from 5½% in 1987 to 20% in 1988, and from 12% to 30% for male production workers. Net wage differentials (other factors controlled) for male non-production and production employees were below 3% (plus and minus) in both 1987 and 1988 (the same for female workers). The union wage effect varies also by industry, region, education and length of service. Finally,

unions have significant impact on wage inequality (Kim 1993 p.156-57).

Without direct measurements of union productivity effects, we may cautiously conclude that the rise of the militant and democratic union movement in 1987 and the overall revitalization of Korean unions caused rapid gains in real wages and working conditions. The Korean companies suffered with reduced labour cost efficiency, yet without being ousted by competitors in Singapore, Taiwan and Hong Kong. The Korean unions almost caught up the backlog.

Based on 6 case studies of Korean machine tool making firms 1992-93, Jeong (1995) identified three characteristics of Korean enterprise unions. First, the coverage of these unions has been moulded by the size of the firms, which again reflects the size of the work force, the corporate culture of larger firms and the product market position of these firms. Moreover, the dependency on national unions varies with the development of industrial relations.

Second, the destabilization of Korean industrial relations after 1986 influences the structure and functions of enterprise unions.

Third, Korean enterprise unions are distinct from Japanese enterprise unions. Federations of Japanese unions now deal with political issues more often than Korean unions. Moreover, Korean enterprise unions are based on blue collar workers and concentrate their bargaining capacity on improving wage and working conditions. Japanese unions are based on core productive, administrative and lower managerial employees and function as mediators between top management and rank-and-file, harmonizing the goals of the workers with the goals of the company. Finally, Korean unions are in flux towards more industry-wide and nation-wide coordination and cooperation. The Korean system of industrial relations have not yet found a stable order based on a compromise between labour, capital and the state. This has been achieved in Japan through a long evolutionary process, Jeong argues.

What Jeong seems to overlook is that the historical development of Korean and Japanese enterprise unionism are more similar by its very constitution. Both Korean and Japanese enterprise unionism is born out of labour repressive, corporate nationalism, legally enforced by state power. Japanese enterprise unions evolved from the semi-fascist corporate structure outlawed by the US New Deal reformers (see section 3.3.); Korean democratic unions rose out of semi-fascist corporate structures, too. The Japanese unions were taken over by moderate unionists with the support of management, state and US-occupation forces (the purge of radical elements), and they have kept and even enlarged their control of the union movement despite the existence of radical enterprise unions at the same

establishments. The Korean democratic unions do still face state oppression due to illegality of federal union interventionism and the offensive of business against militant unionism. The outcome of the ongoing struggle in South Korea is not yet determined, but it is worth remembering, on the one hand, that Korean unions never reached the same density level as Japanese unions, and, on the other hand, that Korean unions are rooted strongly among production workers and less influenced by administrative and managerial staff as the Japanese unions. This might be decisive in the long run, generating either a more industry or nation-wide union structure, or a more politically oriented union movement, based on democratic enterprise unionism.

Another important feature of the Korean enterprise union system is its articulation with Korean industrial and development policy. South Korea is a new but already classic example of successful export oriented industrialization, based on a cheap, disciplined and hard working labour force, and large scale imports of foreign technology and capital under a 'development statist' regime directing big, family owned corporations into new export markets. The mobilization of labour power and capital for domestic investment is now part of the past and less competitive in the future. Korea faces increased global competition, both in product markets based on low cost production, and in high technology and capital product markets. Korea must increasingly enter the innovative stage of economic development (Porter 1990; Chowdhury & Islam 1993). This requires that the Korean 'chaboels' decentralize their management structures and change their personnel management. Finally, the intermingling of state-business affairs in Korea is now under attack by the new government under former dissident, president Kim Young Sam, pressuring companies to rely more on their own resources than on state support and protection.

Finally, there may arise new cleavages between union members and union leaders on the one hand, and new consensus among management and the work force on the other hand, due to political and economic changes of the environment of the enterprise. A telling example is provided by Jeong:

"In the machinery firm B in the case study, top managers attempted to weaken the organizational base of the militant union by stressing the economically hard times faced by corporate management since 1990. Leaders in union B, despite their own sympathy with independent and political unionism, faced serious requests from their rank-and-file to accept the management's offer to guarantee job stability in return for disaffiliation from NATU. Encouraged by the new political environment, this managerial pressure was successful in forcing the union to disaffiliate from NATU in the Spring of 1993." (Jeong 1995 p.265).

#### **4.6. Enterprise unions and economic development**

Contrasting his own study of Malaysian unions with Bhattacharjee's study of Bombay unions, Standing thought that the divergent results might be caused by the divergent socio-political context of unionism: the Indian unions tried to liberate themselves from party-political and governmental influence while the Malaysian unions were forced to concentrate on economic issues and claims.

Reviewing the research of both Bhattacharjee and Standing, Edgren (1990) acknowledged the diametrically opposed findings. Edgren resolved their contradicting hypotheses by arguing that what really matters is the strength of union members, not the organizational structure in terms of enterprise-based or nationwide craft, industry or general unions:

"Unions which base their power on active participation of members will be effective regardless of their organisational form, while those which are based on the support of company management or political parties (not to mention the labour contracting union bosses of Bihar coalfields) will be siding with their patrons when conflicts of interest occur, and hence are likely to be less effective in the long run in protecting their members' interest." (Edgren 1990 p.645-646).

Edgren did not include Roxborough's study, restricting himself to enterprises in Asia, but his equation between membership participation and bargaining strength corresponds very much with Roxborough's combination of union democracy and militancy. However, they do also slightly differ: bargaining strength is neither identical with participation because members may be mobilized in a populist way (without internal democracy) furthering the ends of the (charismatic) leader (which might include wage rises and work improvements). Nor is bargaining strength identical with strike militancy, as empowered bargainers may achieve their goals without resorting to strikes. Furthermore, union democracy does not necessarily lead to militancy as members are not per se militant. It depends very much on their perception of their position vis-a-vis other workers, the norms and values of the worker collective and the attitudes of management and public authorities. Employees may become increasingly angry about decreasing real wages, higher workloads etc., and they may act if they perceive the situation as very unjust, but refraining from taking industrial action if they perceive the outlook as bleak because the company and/or the whole economy is in very bad conditions.

Recognizing the corresponding arguments of Edgren and Roxborough, it is thrilling to realize that Roxborough's interpretation of his Mexican multiple-case study is dubious. Using the 'qualitative comparative method' developed by Ragin (Ragin 1987, 1994), we can demonstrate that the dependent factor

(wage increases 1975-80) cannot be unambiguously determined, i.e. the same combination of explanatory factors equals both high and low wage increases (see table 7a and 7b in the appendices)! If we exclude unclearly defined dimensions and dimensions with data missing we can establish an explanation of union militancy (the appendices, table 7c), which says that union officials combined with work process control generate militancy, or that militancy is created by union autonomy combined with union officials. Union docility is conditioned by union affiliation to government related federations combined with no work control, or by no union autonomy combined with no union officials. In sum, our analytical problems are partly due to lack of information on key dimensions and the limited number of union cases. But the model for union wage effects does also seem to have a frame which is too narrow to accomplish a more comprehensive understanding, especially if we take into consideration what happened during the 1980s.

The theory and evidence on enterprise unionism and economic development present a complexity which cannot be disclosed without further studies incorporating other factors. First, the union-state relationship dominates the thinking of Roxborough (and partly Bhattacharjee) and the elder union-and-development research tradition to the point where the union-employer relationship is marginalized or totally excluded from the analysis. By example, Roxborough argues that management strategy seems to be unimportant as the same company witnesses two different types of unionism (official and independent) in two different plants of the same company. No one of the 'independent unionism' school argues that enterprise unions easily fell victim to management control. In contrast, Carrillo demonstrates the tremendous impact caused by the changing policies of transnational companies and the Mexican state during the 1980s. And Jeong shows how management is able to influence rank-and-file by underlining the hostile environment of the business.

Authors like Roxborough and Bhattacharjee give prominence to union militancy as means for wage and work improvements. They see militancy as a precondition for the improvement of wages and work conditions. Anyway, Roxborough does recognize one anomaly where a non-militant union generates higher wages than other non-militant unions. He relates this deviant performance to the paternalist management of the company. Bhattacharjee, too, mentions that the militancy of 'samantism' spread to other industries and fuelled the long (and lost) Bombay cotton textile strike. Hence, militancy does not always deliver. Carrillo describes how one militant Mexican auto workers union is defeated by the Ford-management, yet without getting rid of industrial actions. The workers lost most of their gains from the past 1970s, but the management did not win the union cooperation and did not succeed by transforming the plant into a high productive factory. In fact, the struggles produced a

'lose-lose' situation.

Nevertheless, in periods of socio-political upheavals, militancy may pay off, both in terms of increased union membership and in terms of real wage increases.

The relationship between enterprise unionism and labour politics varies quite a lot in the different contexts considered. The independent Mexican unionism turned the back to the political establishment and went for economic gains and increased union and industrial democracy. They did not manage to change the course of Mexican labour during the economic crisis and structural changes. Nor did the Bombay new unionism under the leadership of Datta Samant. Samantism was not a winning formula for the Bombay textile strike, nor for successful local politics. Hindu nationalism took over as the alternative in the 1990s. Malaysian unions are prohibited from participating in party politics and forced to concentrating on economic and workplace conditions. The most exciting prospect of a politically oriented strong labour movement is the rise of democratic unions in Korea since 1987.

Finally, we have not been able to compare enterprise unions and industrial unions in a systematic way both at the enterprise, industry and national level. Roxborough did only study enterprise unions affiliated to either economic or political-corporate labour centres. Bhattacharjee did differentiate between internal independent plant unions and internal 'employees' unions' (as opposed to external unions), but both performed equally well and much better than the external unions. These unions were nevertheless also related to the charismatic leadership of Datta Samant. Jeong's study was restricted to enterprise unions or non-unionized establishments. Standing's survey is the most elaborate both in terms of sample size and scope of analysis. The most surprising finding, critically reconsidering the material, is that enterprise unions seem to deliver a better deal for the employees (in terms of total benefits) while industrial unions generate 'dynamic efficiency', i.e. a win-win situation for management and employees. Our reinterpretation proposes that this paradoxical finding might be due to the short time perspective of the survey (plus minus two years), making enterprises with industry unions more adaptable to economic fluctuations by way of external labour flexibility, while enterprises with enterprise unions keep their workforce and pay the price in the short term, but not necessarily in the long term.

In sum, enterprise unions develop and perform in a variety of ways during contexts of economic development, industrialization and industrial reorganization, economic recession and crisis, political transformation and cultural complexity. The evidence falsifies stereotypes of enterprise unions, either as backward, 'yellow' unions without labour effectiveness or as vanguard, militant and democratic unions with labour effectiveness. Yet

independent enterprise unions do seem to be able to deliver considerable labour benefits in certain junctures while the information collected do not lent support for their business effectiveness or 'dynamic efficiency'. This conclusion questions the Western conception of enterprise unionism and economic development, disclosing the Galenson & Odaka theory as a myth.

## **5. ENTERPRISE UNIONS: BACKWARD, VANGUARD AND NORMAL UNIONISM**

The preceding analysis of enterprise unions in disparate environments of industrial and industrializing structures and processes indicates the following contextualized conclusions:

The various studies of US enterprise unions substantiate the view that enterprise unions were at first promoted by big business to counter rising militant and national unionism. When the unionization drive and/or the strike frequency slowed down, business support withered, enforced by employers' negative experiences with enterprise unions! The triple pressure from management, national unions and the New Deal administration crumbled the local unions. Many turned into 'union locals', probably contributing to the foundation of strong union locals within US national unionism. With the business offensive against all types of labour unions during the 1970s and 1980s, enterprise unions declined in line with national unions. The decline might be explained by the unique US union wage effect (relative to other OECD countries) combined with the strong union power at the workplace (job control)(evidence is inconclusive on US union productivity effect but conclusive in a negative direction about profitability effects).

Being a minority of US unions, enterprise unions have nevertheless the capacity to deliver comparable labour benefits. US enterprise unions might gain strength and sometimes even their legitimacy by presenting an alternative to national unionism and no-unionism. In that sense they are free riders. On the other hand, they are squeezed by management's preference for no-unions, national unions priority for union locals instead of local unions, and labour laws curbing employees from establishing independent local unions. Their strength seems to be more democratic union government and closer contact with rank-and-file members. No research in USA has hitherto disclosed the enterprise union effect on productivity and profitability, and hence their 'dynamic efficiency'.

Research on the Japanese national system of enterprise unions, a context free of 'free rider' options, substantiates that enterprise unions, based on the core workforce of production, lower management and administration, facilitate business productivity and national economic growth (the evidence on profitability is not conclusive, anyway). Japanese unions, like other Western unions except US unions, do not show any significant union wage effect. Real wages and earnings have improved but probably not as fast as productivity. Worse, union density declined during the 1950s after a tremendous social and union upheaval, and again since 1975. While the US decline can be explained by the combination of anti-union policies, the Japanese union decline seems to stem from the lack of employee interest, the restructuring of the economy and the inability of enterprise unions to assist employees unionizing new companies.

In sum: The particular Japanese 'welfare corporatism' or 'business corporatism' has evolved due to concerted action of management, core employees and public authorities. The decisive factor might be the employment security generated by enterprise unions for core employees combined with the steady increase in compensation and skills. The vocational training provided by Japanese employers at the enterprise level (generating enterprise skills, not craft or general skills) socializes them into the company world and makes employees dependent on the internal labour market of the company. The declining militancy since the global recession from 1975 indicates a long term strategy of Japanese unions, acknowledging the primacy of permanent employment. The suspension of industrial actions in the 1980s has probably backfired by decreasing the visibility of union strength and initiatives, reducing employees motivation to become union members or even establish their own union in new plants.

The rise of independent and militant enterprise unions in several developing countries during the 1970s presents a complementary scenario of enterprise unionism under conditions of politically regulated industrialization. Roxborough's study of Mexican auto plants analyses the breakaway and democratization of plant unions from corporate national union structures, underlining the important differences which arise between plant unions in a single industry, based on increased plant level autonomy, union democracy, employment security, work process control, union capacity and militancy. During the 1970s, the new democratic enterprise unions secured higher wage rises through militant practices than comparative non-democratic plant unions. However, the wave of independent unionism did not survive the economic recession and structural adjustment policies during the 1980s. Carrillo's analysis demonstrates how the auto unions became victimized by the combined efforts of the Mexican state's pro-business policy and the (transnational) auto companies' strategic shift from home market production to world market export. From an industry with strong, independent enterprise unions located in and around the capital (Mexico City), automobile companies relocated to the US-border areas, and/or introduced flexible production methods, turning the plants into non-unionized or weak union enterprises. The gains of the 1970s were more or less lost, but not necessarily reaped by the employers in the old union strongholds due to ongoing industrial strife.

The experiences of the new Indian militant economic unionism is disclosed by the study of Bhattacharjee. It indicates that militant unionism, based on worker mobilization, may produce increased wages and improved work conditions in the short term. At the Bombay scene, militancy got out of hand during the textile strike and lockout in 1982-83. It accelerated into industrial warfare and ended in defeat. The independent unions

even became re-politicized, returning to the situation which formed the very counterpoint of the new union activists during the phase of establishing militant independent enterprise unions. It showed moreover that the new unionism did not provide a secure platform for successful political opposition in Bombay. It was delivered by Hindu nationalism triumphing in the 1990s.

Looking into the structure and performance of Malaysian unions, facing government support for enterprise unionism since 1982 and beyond, Standing's study again supports the viewpoint that unions do matter very much in terms of workers' benefits, material and non-material. The union wage effect, identified only in USA, is also present in Malaysia (it cannot be estimated in the Mexico and India studies). Moreover, while Malaysian industrial and enterprise unions deliver comparable benefits in many ways relative to non-unionized companies, their achievements differ in significant ways. Reconsidering Standing's argument that industrial unions secured 'dynamic efficiency', the material indicates that industrial unionism deliver leaner benefits for the workers and more profitable gains for the employers. Employee benefits are more encompassing for the workers in enterprise unionized firms but the companies show less productivity and higher labour cost than firms with industrial unions. Standing surveys efficiency in a short term perspective. The efficiency results of companies with industrial union may simply be generated by their greater external labour flexibility (retrenchment, rehiring at lower pay). The disadvantages effectuated by enterprise unions may be offset in the long term, due to the prioritization of internal labour flexibility, human resource upgrading and the increased capability of the workforce.

Finally, the course of South Korean enterprise unionism indicates the failure of the political top-down project to create collaborative, company oriented enterprise unions by legislation in 1980. Korean unions participated in the popular movement around 1987 which toppled the military dictatorship and opened the path to viable democratic politics in the 1990s. A new movement of democratic enterprise unions arose in the juncture of democratization and militancy 1987-89. The backlash from 1990 forced the radical union movement into retreat, but still at a higher level of mobilization than before 1987. The prospect of an industry-based or national coordinated union movement is favourable, depending on the development in employers' policies, labour legislation and the everyday struggle at the workplaces between corporative, cooperative and confrontational approaches to labour development. Based on blue collar workers in big industries, and faced with authoritarian employers and state agencies, Korean unions might very well take the paths of the old European or American national unions.

The reconsideration of theories and evidence concerning enterprise unions in various societal contexts brings about controversial findings which ought to be incorporated in the

general analysis of unionism in advanced industrial settings as well as in developing economies. Enterprise unions are not necessary 'backward' in a worker perspective, or 'vanguard' in a management perspective, being management's lap dogs, securing low labour costs, productivity improvements and overall 'lean production'. They might as well turn out to be strong and militant unions with democratic union government, delivering employee benefits on a broad scale, at least in the short term.

What makes enterprise unions 'backward', 'vanguard' or simply 'normal' labour organizations are still open for research and debates. Their immanent weakness and docility have been disproved. They do not in the long run structure the contradictions of the workplace into cooperation at the premises of the management, as intended by US 'welfare capitalists' or foreseen by the Japanese model. They may deliver employment security, but not necessary fair deals compared with productivity increases (Japan). They may become radicalized, militant, democratic and labour effective, but unable to secure long term industrial democracy and labour development (Mexico, India, South Korea).

The most interesting puzzle is the findings based on a reinterpretation of Standing's Malaysia Labour Flexibility Survey. Here, enterprise unions effectuated lower productivity, higher labour cost and relative better employee benefits compared with industrial unions. This finding contradicts the mainstream conception of enterprise unions, based on Japanese experiences, but not necessarily the findings from USA, Mexico, India and South Korea. We lack information on the labour and business effectiveness and overall 'dynamic efficiency' of enterprise unions to draw more firm conclusions regarding their consequences in terms of labour and economic development.

The second most interesting puzzle is the structure, identity and dynamic (coverage, socio-cultural base, strengths, strategy) of enterprise unions. They may be initiated by employees in big enterprises in the early industrializing phases, or instigated and nursed by employers to resist national unionism, or formed by militant workers breaking away from state-corporatist structures and establishing militant and grass-root based unions. The long term course and outcomes (trajectory) is probably framed by three aspects: state labour policies and legislation; the business approach to workforce flexibility, training and unionization; and the socio-cultural basis of the union membership. Adding the overall societal juncture of social movements and upheavals. Hitherto development-oriented research approached enterprise unions (and labour unions in general) from a political or corporatist state/party/union perspective, neglecting the important employer-union relations of cooperation and conflict. Concomitantly, national systems of industrial relations have prevailed, ignoring the enterprise system of workplace relations.

Furthering the understanding of enterprise union effectiveness and dynamic efficiency in this triple (or quadruple) perspective, we have to elaborate the theoretical framework and continue the empirical research.

The theoretical work may use Roxborough's model as the pivot, although it must be elaborated with historical sociology (Bernstein), comparative labour politics (Frenkel), comparative workplace analysis (Bélanger et.al. 1994) and integrative frameworks for industrial relations theory and human resource theory (Due et. al. 1992; Scheuer 1994; Clark 1995). Besides, Roxborough's model is weak in terms of the new industrial reorganization theory (Carrillo 1995; Humphrey 1995), and it lacks completely the decisive impact of management's strategies and personnel policies within larger business systems (Whitley 1992). Finally, it should integrate the recognition of socio-cultural diversity (Poole 1986; Salskov-Iversen 1993) with the notion of organizational culture and -identity. Thereby the model would encompass what seems to be very important if not decisive factors in enterprise relations systems of employers, employees and enterprise-level labour organization, operating in more and more deregulated and open, globalized economic environments (a preliminary framework is delineated in figure 3 in the appendix).

The empirical work is ongoing with a multiple-case study of enterprise unions in the manufacturing sector of Malaysia (Wad 1994).

**Notes:**

(1) The label 'yellow' is an invective used by dominant trade unions about unaffiliated and minor unions; a more neutral definition emphasizes that 'yellow' unions aim unsuccessfully to unionize significant groups of employees within the jurisdiction of established union; a more appropriate and up-to-date typology ought to differentiate between 'alternative unions' and 'niche unions' where the first category parallels the notion of 'yellow unions' while the second category do recognize the dominant labour centre (Scheuer 1990).

(2) The modern debate on white collar unions articulated the same fundamental question raised in relation to 'company unions': what makes a labour organization into a genuine trade union? and not only into a personnel association or a 'yellow union'? (Scheuer 1996, personal communication).

(3) John Humphrey, Institute of Development Studies, University of Sussex, UK, made me aware of the relevance of Roxborough's very interesting and important study in relation to the problem area of enterprise unionism.

(4) The figures referring to 1984 may in fact refer to either 1983 or 1985: the Registrar of the Trade Unions did not register the 1984 figures in the annual reports on specific unions, but the RTU might have calculated the aggregate numbers. The figures in Arudsothy & Littler 1993 table 4.6. differ slightly probably based on a misreading of the columns of percentages.