

Banuri, Tariq; Amadeo, Edward J.

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Worlds within the Third World: Labour market institutions in Asia and Latin America

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Worlds Within the Third World:
Labour Market Institutions in
Asia and Latin America

Tariq Banuri
Edward J. Amadeo

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ABSTRACT

In this paper we study the labour market institutions of three regions of the third world - Latin America, South Asia and East/Southeast Asia. These institutions are seen as central to understand the constraints imposed by historical and social factors upon policy-making in each region. Our attempt is to examine the causes of differences in policy choice and economic performance, and to argue that they are basically determined by social, political, cultural and historical factors.

RESUMO

Neste paper estudamos as instituições que caracterizam o mercado de trabalho em três regiões do Terceiro Mundo - América Latina, Sul da Ásia, e Sudeste e Este da Ásia. Estas instituições são vistas como centrais para o entendimento das restrições impostas pelos fatores históricos e sociais sobre a condução da política econômica. Procuraremos examinar as causas das diferenças na escolha de políticas e performance econômica, e argumentar que elas são essencialmente determinadas por fatores sociais, políticos, culturais e históricos.

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institutional change is also circumscribed and constrained by historical and social factors peculiar to each country or region. To invoke a concept which has recently come into vogue in the macroeconomics literature, labor market institutions introduce 'hysteresis' into the analysis of policy effectiveness.⁵ In other words, because of the existence of these institutions, the nature of current economic relationships is affected by past economic history: The effect of government policies on macroeconomic variables is determined, in part, by the history of economic variables, economic policies, and economic institutions; and the ability of governments and social groups to introduce successful institutional change is determined, in part, by the history of economic and political relationships and economic and socio-economic conflict.

The key feature of labor market institutions, as identified by economists writing about industrialized countries, is the centralization of wage-setting arrangements and of labor organization in general. Many of these writers have therefore tried to construct numerical 'indices' of centralization as a means to explaining differential economic performance.⁶ We believe, however, that given the extreme diversity of the relevant structures in the Third World, little purpose would be served by attempting to construct such a precise numerical index for this group of countries. We introduce instead a qualitative taxonomy which places countries into one of four different categories or 'models' of labor market institutions,

⁵The concept of 'hysteresis' was first employed by the physicist James Ewing to describe electromagnetic properties of ferric metals. In economics, while the idea can be traced back to Josef Schumpeter, it has been employed most extensively in recent Keynesian explanations of unemployment performance of industrialized countries. For a detailed discussion, see Cross, ed., 1988, particularly Chs. 1-3.

⁶Such indices have been constructed by several economists including Bruno and Sachs, 1985 and Calmfors and Driffil, 1987. Amongst political scientists, Crouch, 1985, Blyth, 1979, and Schmitter, 1979 are particularly notable.

stabilization performance.¹⁰ Third, institutional differences are themselves explained by underlying historical, social, cultural, and ideological factors (which are often shared by countries within the same geographical region). Lastly, as has been mentioned already, the feasible range of institutional change is limited and restrained by historical factors.

More importantly, it brings out the fact that successful macroeconomic performance is a function not of the 'tightness' or 'laxity' of the government's wage-policies, but rather of the priority placed by governments on maintaining social peace. Given that the requirements for maintaining social peace will differ from country to country – depending upon the economic, political, cultural, and historical factors mentioned earlier – successful policies will also generally differ from country to country. Proposals based on the East Asian experience, to 'liberalize' labor markets¹¹ or to introduce 'tight' wage policies¹², miss the point entirely. While it is fair to say that governments in East Asian countries place a large premium on the maintenance of social peace – and, if one is willing to overlook the moral aspects of the issue, that they have managed to accomplish this task quite efficiently – it is facile as well as erroneous to assume that social peace can be procured in all circumstances through the centralized, elitist, and statist methods popular with these governments. The special historical and political, not to mention the cultural, background which facilitated this outcome is clearly absent in Latin America, and may be in the process of disappearing from East Asia as well.

While governments can try to initiate a move towards structural and institutional changes which create the possibilities for effective policy-making, this move has to take account of the nature of political forces in society. Where there is a long history of

¹⁰Similar hump-shaped relationships have been discovered for industrialized countries. For example, see Calmfors and Driffil, 1987.

¹¹See Krueger, 1986, Balassa, 1986.

¹²See Fields, 1984.

1. A Taxonomy of Labor Market Institutions

In order to analyze and describe labor market institutions in various countries, we need information on the nature and the strength of the labor movement, which is a function of two things: 1) the existence of legal arrangements protecting the rights of workers to organize and to undertake political action in defense of their interests; and 2) the history of organization, resistance, and success, which on the one hand shapes perception of political possibilities and political expectations, and on the other hand contributes to the improvement, through learning-by-doing, of the 'technology' of organization and mass mobilization.

Information on legal arrangements is presented mainly as a background to the more pertinent discussion of historical developments, since the extent of legislative protection at any point in time provides only a rough guide to the strength of the labor movement. This is so mainly because changes in political regimes in the last two decades have led to a certain amount of convergence across countries of the legal rights of industrial workers. On the one hand, the emergence of authoritarian regimes in Latin America in the 1960s and 1970s was accompanied by a crackdown on the activities of organized labor; and on the other hand, increasing resistance against repressive state policies in South Korea has resulted in a gradual relaxation of the severest of controls. Nevertheless, clear differences along this dimension continue to exist between the different sets of countries, since even the most authoritarian regimes did not roll back most of the important institution protections; nor did the relaxation of controls translate immediately into substantive changes. Be that as it may, we look for answers to the following questions:

I. Legal Arrangements:

1. Unions and Strikes:

- a. Do workers have a right of organize unions?
- b. What is the highest level of union organization (plant, industry, region, country)? Are nation-wide unions legally allowed? Do they exist?
- c. What percentage of the labor force is organized in labor unions?
- d. Is there a closed shop system where only one union is legally permitted to organize the workers in a particular plant, industry or region?

interests of industrial workers in national-level decision-making.¹³ Using the level of centralization of worker organization as an index, Third World countries can be grouped into three categories or 'models', which are described below, along with the 'Social Corporatist' model prevalent in Social Democratic countries.

1) Decentralized Model: Strongly circumscribed and divided labor movement with diffuse influence in some areas of the country; does not play a major part in national politics, nor is able to confront employers in any significant sense. Wage bargaining is always at the enterprise level. Operation of labor laws and labor rights considerably circumscribed. Right to strike is strongly limited in practice even where it exists legally. In many cases, a national union is established by the government to supervise organized workers and to regulate union activities.

2) Pluralist Model: Organized labor in a somewhat dependent situation; labor groups wield power only through alliance with other identifiable political groups, most importantly established political parties or ethnic groups.

3) The Polarized Model: Broad-based labor movement with a long history of mobilization, organization, conflict, and success; but with internal divisions along regional, craft, skill, or industry lines. Thus, while organized labor is capable of imposing real costs on the economy in the defence of its interests, it is not strong enough to impose a cooperative solution at the national level.¹⁴

4) The Social Corporatist Model: Functional groups wield power and transact affairs in their own right and, more importantly, are organized even at the national level. In addition, the institutional and organizational resources of the state used to facilitate cooperation between labor and capital. Thus, the political strength of organized labor can be used for negotiating a 'national' compromise, increasing productivity, maintaining stability, and ensuring social peace.¹⁵

'Decentralized' and 'pluralist' countries appear to be similar because wage-negotiation in both takes place at the plant level, but the similarity is only superficial. Whereas workers in different firms in pluralist countries are connected to each other through

¹³See Rowthorn and Glyn, 1988.

¹⁴As in Latin American countries in the 1970s and 1980s, these institutions can lead to a sub-optimal stalemate, rather than to a resolution of conflicts through centralised and consensual arrangements.

¹⁵Consequently, it is possible for the state to pursue full employment and distributional goals without necessarily undermining productive and market efficiency. In the political science literature, this model is often referred to as 'corporatist.' A recent discussion of corporatist arrangements and their role in facilitating adjustment to the recent external shocks is contained in Goldthorpe (1984). A more succinct source of reference is Rowthorn and Glyn (1986).

case of Sri Lanka, where the large percentage of workers in labor unions is likely to overestimate the strength of organized labor. The largest union, the Ceylon Workers Congress (CWC), is an more of an 'ethnic' political group than a labor union. It represents the half million 'Indian Tamil' workers in Sri Lankan tea plantations,¹⁶ it has consistently projected an 'ethnic group', rather than a working class perspective in national politics, and its revered leader, Savumyamoorthy Thondaman, is himself the owner of a tea plantation and a government minister.¹⁷ As a result, the strongest labor union in Sri Lanka, the CWC, which happens to represent over one-third of all organized workers, has never made common cause with the rest of the labor movement.

The closed shop system is a more complicated indicator of the power of organized labor, since it appears in countries at both ends of the spectrum of the centralization of labor organizations: in the strong unions of 'polarised' countries, and in the relatively weak plant unions of 'decentralized' countries. Whereas in the former case this law is essentially a reflection of the strength of organized workers to protect themselves against efforts to fragment and divide them, in the latter case it is invariably an indicator of the weakness of the labor movement, since it ensures that workers do not form independent organizations to challenge pro-government 'legal' unions. In South Korea and Taiwan, for example, since the government has the discretionary power to certify legal unions, the closed shop system enables the government to register only loyal unions, and to prevent them from being challenged or replaced by independent unions.

¹⁶These workers were imported from South India into Sri Lanka (then Ceylon) as plantation labor by British colonial rulers in the nineteenth century. They have a distinct cultural identity, different not only from the majority Sinhalese population, but also from the 'Sri Lankan' Tamils who migrated to the island centuries ago. The 'Indian' Tamils have not taken an active part in the recent Tamil-Sinhalese ethnic conflict.

¹⁷Indeed, the name CWC was adopted only after independence. At its founding, with the help of Nehru and Gandhi, who visited the island for this purpose in 1939, it was called the Ceylon Indian Congress (CIC), and was conceived of as a means of propagating Indian nationalism and as a political arm of the Indian National Congress.

In Latin America, on the other hand, the right to strike was recognised in various countries as early as the 1920s and 1930s, but has increasingly been restricted in the last two decades by authoritarian governments – such as Argentina (1966-71, 1976-82), Brazil (1964-85), Chile (1964-70, 1973-present) Uruguay (1974-present) – during episodes of 'economic liberalization'. Yet, the new legal restrictions were obeyed only at the peak of the repressive phase. The Brazilian military government limited the right to strike at the time of the military coup in 1964, and as a result of the repression that followed, there were no major strikes in the 10 year period, 1968-78; but workers began carefully constructed job-action programs, which would register their dissatisfaction and pressure employers, yet remain within the letter of the law. Subsequently, in 1978, labor strikes over wage demands started again, first in Sao Paulo and spreading to other areas, and the government increasingly tolerated them despite the terms of the tough anti-strike decree laws then in force. Similarly, strikes were tolerated in Chile in the 1960s and early 1970s even though up to 80% did not fulfill the legal requirements; later, in 1973, the Pinochet government disbanded the major trade union federation (CUTC) and severely curtailed labor rights including the right to strike, yet illegal strikes continue to take place. All Venezuelan strikes in 1977 or 1978 (and all but one in 1979) were illegal, yet there were no jailings of labor leaders or participants in this period.

The underlying legal arrangements are reflected in the level of strike activity. Table 3, which gives figures on the number of man-days lost due to labor disputes, reveals quite clearly the high level of labor militancy in polarized and pluralist countries, and the very low levels in decentralized East Asian economies. While a large number of strikes does not, by itself, indicate a strong labor movement (indeed, it could reflect exactly the opposite), these data complement other indicators of the relatively greater power of organized labor in Latin America.

2. Contemporary Determinants of Labor Market Institutions

Why is labor better organized and better protected in Latin American than in Asian countries? The neoclassical answer, as we have noticed already, is that these differences emerge from the inclination of Latin American governments to intervene in potentially free functioning labor markets, to encourage labor organization for political purposes, and to enact legislation protecting the rights of industrial workers. This appears to us to be a rather one-sided portrait of historical realities, focussing, as it does, on the autonomous role of the government rather than on popular needs and concerns which make organized activity necessary; in particular, it ignores the fact that the acquiescence of governments to workers' demands as well as the emergence of pro-labor governments occurred generally as a consequence of the political strength of labor rather than the other way around.

Therefore, the interesting question pertains to the factors which contribute to the ability of workers to forge a strong and organized movement at the national level, to develop a workers' perspective on political and economic issues, and to provide a blueprint not only for a one-shot redistribution of income and wealth, but also for sustainable and healthy development for the future. Two sets of factors, different but not mutually exclusive, present themselves: 1) the longer history of mobilization in defence of economic and political rights, such as in Latin America, can contribute to the development of leadership and organizational abilities, to the emergence of a workers' political and social identity, to the legitimacy, popularity, and credibility of organized activities, and thus to a greater measure of influence in national decision-making. 2) Some economic and social institutions are relatively more congenial to the forging of a national labor movement, partly by lowering the costs of forming organizations and partly by increasing the expected benefits from this activity.

We leave the question of historical determinants until a later section. Here, we argue that three features of the society – the existence of a (political or economic) center of

constituted the major source of revenue for the rapidly expanding state, which became equally dependent on them. This twin dependence facilitated the forging of a national labor movement, since from the very start any action by organized workers in the export sector (or in the ancillary, and equally critical, transportation sectors) was elevated to a national issue, given its ability to disrupt the entire economic and political system of the country.²⁴ Not surprisingly, these organizational efforts were met with virulent public and private repression, but this provided even greater incentives for organization and resistance, with the result that ultimately the state was forced to accommodate workers' interests. Another consequence was that workers in general, but in these industries in particular, became conscious of their predicament, their power, and their responsibility.

This type of an 'economic' center was absent in the large agrarian South Asian countries when they embarked upon the path of industrialization and worker organization. The only exception was Sri Lanka, where a similar (albeit less significant) dependence on tea exports had developed by the early years of this century; here, the plantation workers did organize themselves into a powerful union, but as has been mentioned earlier, they expressed ethnic rather than a workers' perspective, and did not therefore provide a leadership for workers in other sectors. Of the East Asian countries, only two developed significant export dependence: the Philippines, where a labor movement did emerge by the turn of the century; and Malaysia, where, notwithstanding the anti-British insurgency in 1948-57, the emergence of a strong labor movement was hindered by several factors, including the politically decentralized nature of colonial rule in Malaya, the existence of ethnic differences and the prominent role of ethnic Chinese in the labor movement, and the limited legitimacy

²⁴As is noted by Bergquist, 1986, the differences in the nature and effectiveness of organized labor activity in different Latin American countries can be traced in important respects to the structure of conditions in its export industry. Thus Chilean mines and Venezuelan oilfields facilitated unionization, whereas Colombian coffee plantations and Argentinian cattle ranches delayed it.

group. Widespread social frustration will render political action more efficacious, because of the greater possibility of attracting allies from other disaffected members of the society. Given a favorable political environment, such alliances can lead to the establishment of governments which are relatively more responsive to the concerns of popular groups, and inclined towards the enactment of legislation favoring these groups.

More often than not, however, such legislation has taken the form of income protection arrangements rather than pure distributive actions, given the fears of populist governments that pure redistribution can be de-stabilizing because of its association with greater social mobilization and growing expectations. An interesting exception to this rule is provided by the success of post-World War II land redistribution policies in South Korea and Taiwan, which did not need a mobilization of the rural populace since the expropriated persons had already left. Thus, the land redistribution lowered the level of social frustration in the short run (by equalizing incomes), without bringing about an increase in social frustration in the long run by promoting mass mobilization and social aspirations.

Data on income distribution in different countries are notoriously unreliable. However, Table 6 does indicate that the level of inequality in Asian countries is of a much lower order of magnitude than in Latin American countries. The exceptions are the Philippines and Malaysia.

The control of oligarchic groups over Latin American governments up to the early 20th century had much to do with high levels of inequality prevailing there, particularly in facilitating an extremely unequal distribution of agricultural land, the main form of wealth. In Asian countries, land was not as unequally distributed even in colonial periods. An interesting research issue, which cannot unfortunately be dealt with in this paper, is why and how did most countries preserve their income distributional profiles over the last 40 years despite extremely rapid structural change and industrialization.

It seems that, except for the very unusual properties of South Korea and Bangladesh, Asian countries are much more ethnically diverse than Latin American countries, and hence possess a greater potential for non-economic conflicts²⁶ and a lesser one for organizational unity along functional lines.

The degree of cultural identification with the West is also much more pronounced in Latin American than in Asian countries, the Philippines being a striking exception once again. This is quite evident in the much more extensive adoption of the Catholic religion in these countries, as also in the language (Spanish or Portuguese in Latin America, and English in the Philippines), and the acceptance of political and social institutions from the United States. Among other things, this identification has also helped foster the notion of cultural homogeneity in these societies. In South Asia, while the ruling elite do identify with the West, the strength of indigenous culture is fairly strong even among this group, and even more so in the larger population which continues to adhere to its traditional world views despite two centuries of colonial rule.

The extremely varied historical experience of East and Southeast Asian countries does not lend itself to many confident generalizations. Nevertheless, it could be said that while the Latin American intellectual heritage involves a conflict between anarcho-syndicalism at the bottom and state-corporatism and militarism at the top;²⁷ the South Asian tradition between anarchism at the bottom and liberalism and militarism at the top;²⁸ the East Asian legacy is much more profoundly colored by state-corporatism. This is explained not by the fact that almost all these countries suffered colonization or wartime occupation by Japan,²⁹

²⁶This observation seems to be borne out by the rapid escalation of ethnic violence in these countries, acquiring a pandemic nature in the last decade.

²⁷See Bergquist, 1986, O'Donnell, 1973.

²⁸See Myrdal, 1967.

²⁹Or, in the case of Thailand, concluded wartime agreements with Japan.

resulting policies would be different if the underlying socio-political conditions were different.

This can be illustrated through a specific example of government attitudes. Pranab Bardhan (1984) has argued in a well known work that the Indian government is 'inflation sensitive' – i.e., its policies reflect a high priority on maintaining a low rate of inflation. This argument can be interpreted in terms of the priority of social peace by noting that inflation is costly in countries like India because it exacerbates the most pronounced conflict, namely the conflict between urban and rural areas. It can also be contrasted to a notion that Latin American governments are 'growth sensitive' – sensitive to growth of employment as well as to growth of consumption – because the fundamental conflict in these countries is in the urban industrialized areas, and the only way to manage this conflict is through growth in employment and growth in consumption.

These countries can also be said not to be as inflation sensitive as Asian country governments, because they have institutions which can facilitate adaptation to changes in distribution introduced by inflation (i.e., indexation, minimum wages, unions), but do not have equivalent institutions to facilitate adaptation to unemployment. Notice that in urban areas there is a dichotomous situation, whereby the worker who loses his/her job has no access to consumption, while changes in the price level will only bring about continuous changes in ability to consume. In South Asian 'pluralist' countries, on the other hand, there may be greater inflation sensitivity, since the culture enables adjustment to slow growth of employment, but not to inflation. There are no indexation or other arrangements, but the extended family arrangements may provide a slight cushion for the unemployed.

labor movement did not acquire the political strength and national identity that it did in Latin America; nor did the labor movements of this region (or any popular movements for that matter) meet with any measure of political success until the 1980s. Second, in most countries, labor organizations were effectively destroyed during internal or international conflicts – Korea, 1931-45, 1951-53, Malaysia, 1948-57, Indonesia, 1965-66 – or wartime occupation. Given the weak state of unionization at the time of independence, post-colonial states were successful in controlling the labor movement through state-corporatist institutions and laws (and, in some cases, emergency decrees), which are only now beginning to be challenged.

The historical experience of the workers movement in South Asia was very different. Here, in the first stage, there was accommodation and encouragement, rather than repression and undermining – by a colonial government which promoted the development of "rational" political institutions, and by nationalist political leaders who sought to expand their political base. Moreover, unlike their Latin American contemporaries, South Asian workers never had the ability to paralyse the entire colonial economy. As a result, worker protest and resistance was sporadic unless when mobilized by nationalist political parties. Thus, post-colonial governments inherited a large but fragmented labor movement which did not have a national voice despite a long history of mobilization and organization. As a result, unions have been treated with a kind of benign neglect at the national level, except on the rare occasions when their actions threatened the national economy – e.g., the Indian railway strike of 1974, or the epidemic of industrial strikes in Pakistan in the early 1970s.

In the following pages, we shall try to bring out these differences more concretely by examining a few historical features in more detail: 1) when does the activity of organized labor date from, and what were its determining characteristics? When did it acquire a

similar legislation emerged only in the 1960s in South Asian countries, and even later in East and Southeast Asia.

The reforms were designed to distribute equitably the fruits of production, particularly the economic rents in the export trade, and thus to ensure the cooperation of organized labor in industrialization and import substitution. Ironically, however, they came at a time when the central importance of export industries in the domestic economies of most countries (Mexico and Venezuela being the outstanding exceptions) was beginning to disappear due to changes in international market conditions. This created unanticipated problems. Since the reforms were premised in the need to increase labor's share in national income, and to "protect" their incomes from the vicissitudes of the international markets, they could hardly be used to introduce the wage flexibility demanded by international market conditions. Rather than look for a fresh compromise, most governments chose to accomplish precisely the latter goal by using their newly acquired regulatory power to curb and restrain organized labor. In this endeavor, they were opposed by political groups which were more committed to the egalitarian aspects of the reforms.

In a path breaking analysis, Guillermo O'Donnell argued that this conflict reflected an incompatibility between the logic of capitalist development -- i.e., the need to turn towards an advanced stage of import substitution, namely that of capital goods -- and the actual political environment particularly the high level of political mobilization among the working classes, leading to the emergence of 'bureaucratic-authoritarian' regimes all over Latin America.³⁴ These regimes embarked upon a more determined exploitation of the regulatory powers granted to governments under the existing labor legislation, and to replace political activity with bureaucratic control of unions and other organizations.

³⁴O'Donnell, 1973.

unions³⁷ and, until 1985, the formation of a single national federation.³⁸ Government control is exercised by a 1931 law which allows the Labor Ministry to 'intervene' in any union, i.e., to replace elected officials with appointed ones. Moreover, union funds are collected by the government, and distributed to unions according to a pre-determined formula.

These laws created the basis for a period of unprecedented growth of the Brazilian economy which ended only in 1977. However, it was not smooth-sailing all the way. During the 1950s, considerable conflict centred around the "participatory" and "bureaucratic" aspects of the reforms, reaching a climax in the militant workers' rally which preceded, and may have precipitated, the military coup of 1964, which ultimately imposed a bureaucratic solution. In the immediate aftermath, union leaders were arrested, strikes banned, and a lid placed on union activity. Later, while the extreme measures were withdrawn, government control over labor organizations was tightened.

Two consequences of the bureaucratic solution can be noted. First, wage-bargaining rights were taken away from unions by a 1966 decree which established wage-setting formula.³⁹ However, although the formula was designed to adjust nominal wages in line with inflation and productivity growth, the government consciously under-reported inflation, and brought about a sustained downward movement of real wages in general and the real minimum wage in particular.⁴⁰ During stabilization periods, the indexation level was reduced, thus lowering

³⁷The discouragement of the shop-floor unions operates, first, through the law which does not protect union activities in a firm, and second, by denying union funds to these activities.

³⁸Although the law was silent on the question of a single national union, it was interpreted as prohibiting it. However, in the 1960s, the CGT functioned practically as a national union. In 1985, the CGT was recognized as a national federation (as was the CUT).

³⁹See Erickson and Middlebrook, 1982, p. 240.

⁴⁰The minimum wage, established by the Vargas government in 1940 to retain the support of urban workers, has become an index of income distribution as well as a unit of account in inflationary periods. Its establishment pre-dated the enactment of the CLT, and was introduced in response to the pressure from an increasingly demanding urban labor force, in order to guarantee a minimum standard of living for the labor classes in an economy with a

3.2 Pluralist South Asia

The distinguishing pattern of the labor movement in South Asian countries is an absence of unity and national identity despite a long history of labor activism, and strong union presence at the local level. While there was a vigorous trade union movement in South Asia by the end of the first World War, three of its attributes distinguish it from the parallel movement in Latin America. First, it remained in an important sense, an adjunct to the political movement for independence from British colonial rule; second, much of the labor legislation was a boon from above, as it were, rather than the result of a struggle from below, a consequence of the colonial administration being an extension of that in the mother country; third, and most importantly, the movement failed to acquire a unified national character, partly because of the absence of a political or economic 'center' (see Section 3.1), and partly because of the relatively small size and the diffuse and agrarian nature of the export economy.

The result is that despite its venerable antecedents, the labor movement in South Asia relatively 'young': it is fragmented vertically as well as horizontally; it has never presented a challenge to the state; it did not begin to develop its own identity and voice until well after independence, and still represents mainly the political and ethnic divisions of the larger society; and while unions may have a great deal of power at the local level, they are relatively weak and ineffective at the local level. Most labor unions are affiliated to federations which are offshoots of political parties. There is a proliferation of unions and federations, since any seven workers can legally form an association or join a national federation (collective wage-bargaining is conducted at the enterprise level by the union which wins a biennial referendum).

The colonial state, seeing itself as an extension of the British government, imitated British laws and institutions, even though many of the laws were ignored with impunity by employers because of inadequate supervision. These included piecemeal legislation on working

there were more than 100 trade unions in India, with almost a quarter of a million paying members.

The AITUC was soon dominated by communist groups, which it is to this day, whose leaderships came mainly from the eastern provinces of Bengal and Kerala, where the labor movement has been the strongest historically.⁴⁵ After independence, the Congress government sponsored a rival federation, the Indian National Trade Union Congress (INTUC) in order to counter the hold of opposition political groups, particularly the communists, over the AITUC. Today, the INTUC is the largest labor central, followed by the AITUC. Given the legacy of opposition politics among trade unions, and the almost complete political dominance of the Congress in national politics, even this federation has drifted away from government control. Relations were strained even further when the 1974 railway strike was put down forcibly by the Indira Gandhi government with police and military assistance.

Pakistan and Bangladesh, united as one country from 1947 to 1971, had very little industry at the time of independence -- and very little industrial labor. While Bangladesh had experience of labor unrest, such as the tea plantation strike of 1920, Pakistani labor was largely unorganized. In these countries, the AITUC had been succeeded, in 1947, by regional trade union federations, the East- and West-Pakistan Trade Union Federations (EPTUF and WPTUF). These were largely ineffective in pushing for change until the period of unrest in the 1960s. Independent or militant leaders were frequently jailed in the 1950s and replaced with more congenial types. Strong unions, such as the two railway workers' unions or the Karachi port handlers unions, were closely watched.

Although Pakistan signed the ILO conventions on the rights of workers to organize (1948) and to bargain collectively (1949), there was no internal pressure for legislation, and the government was moved into action only after massive civil unrest brought down the

⁴⁵Indeed, these provinces have had communist governments since independence.

UNP. As a result, the labor movement is fragmented vertically as well as horizontally, as it is in Bangladesh, India, or Pakistan.

3.3 Decentralized East Asia

The labor market in East and Southeast Asian countries is characterized by a strong degree of state control over fragmented local organizations. Although a national unity of sorts exists in these countries, it has been imposed from above and bureaucratically administered, rather than emerging through popular mobilization and participation. The effectiveness of government control can be gauged from the quiescence and loyalty of these unions, the rarity of periods of independence and resistance – e.g., Malaysia, 1948-57, Indonesia 1960-66, South Korea, 1976-79, 87-88 – and the ease and effectiveness with which they have been suppressed.

While there is evidence of pre-World War II collective labor activity, particularly in connection with anti-colonial movements in Indonesia, Korea, Malaysia, and the Philippines, it was either weak (Indonesia, Malaysia), or was severely crushed and marginalized (Korea).⁴⁶ Furthermore, these countries did not have a sufficiently long peaceful period in which popular organizations could take roots.

Among the shared historical reasons for this outcome is the late industrialization, the absence of an economic 'center' of critical importance to the national economy (see Section 3.1), and the limited hegemonic influence of Western culture. More importantly, the labor movement in particular and local popular movements in general do not have a history of successes. Labor laws have typically been enacted in response to international pressure or for corporatist purposes, but almost never as a response to irresistible workers' demands.

⁴⁶The Korean labor unions were essentially adjuncts to the anti-colonial political movement; they had to go underground in 1931 because of suppression by the colonial administration. Later, the division of the country and the civil war destroyed popular political forces. In Indonesia, the brief civil war and the massacre of 1966 saw the destruction of leftwing trade unions.

Besides direct controls over union activity, labor laws discourage resistance in other ways as well. The procedure for settlement of disputes is extremely tedious and discouraging towards labor militancy. The tripartite Labor Committees, consisting of representatives of labor, management and the 'public interest', which were established to mediate labor disputes were also biased against labor, because members of the 'public interest' were appointed by the government. Labor-Management Councils were set up in enterprises to supplant existing unions, or to inhibit their founding in plants without unions. Union activities themselves are restricted to individual companies, and outside legal advice, even by the FKTU, is prohibited. The limited freedom for dispute and collective bargaining were also suspended during the turbulent period of the 1970s.

The weakness of the labor movement in South Korea is rooted in historical factors. Early instances of organized collective action were related to opposition to Japanese influence,⁵² which began with the opening up of diplomatic relations in 1876 and culminated in the establishment of colonial rule in 1910. Two well known anti-Japanese insurrections, the Tonghak peasant rebellion of 1894, and the Mansei rebellion of 1919 were brutally suppressed with the aid of Japanese troops.⁵³ The labor movement in this period was also closely tied to the independence movement, and had to go underground in 1931. However, this popular movement did not succeed in its objectives, and independence had to wait for the Japanese defeat in World War II.

After independence, the society was disrupted by the partition of the country and by the Korean war. Since much of the heavy industry was in the northern half of the country,

⁵²The period of direct colonial rule over Korea is relatively small and relatively recent. From 1388 to 1910, Korea was ruled by the indigenous Yi dynasty, even though the government accepted the suzerainty of successive Chinese empires until late 19th century, and considerable Japanese influence thereafter, the latter leading to the Japanese colonial occupation in 1910. In 1637, the Korean king promised allegiance to the Manchu court, which was followed by two and a half centuries of peace, broken by the initiation of Japanese influence in the 1870s. See Reeve, 1963, Ch. II.

⁵³See Reeve, 1963, pp. 16-19.

cordial relations between workers and employers. Effective and independent union activities have begun to develop only after the lifting of Martial Law in 1984.

In Thailand, which has never been colonized, the trade union movement dates back only to the 1970s, when the government decreed the right to organize for the first time. Initially, the unions were fragmented local organizations, but when they succeeded in forming a national federation, the LCT, the government managed to take it over. However, a new central, the TTUC has since gained prominence, and has become the largest federation in the country.

The Malaysian labor movement dates back to the formation in 1934, of the Malaysian General Labor Union. Unions were tolerated, even encouraged by the colonial authorities. However, they were concentrated in the urban areas (Singapore, Kuala Lumpur) and the tin mines, and consisted mainly of ethnic Chinese workers. Ethnic divisions in society between Malays, Chinese, and Indians have created obstacles in the ability of the union movement to forge a national identity. Communist influence was strong in the unions, and was responsible for maintaining organized resistance against Japanese occupation in 1942-45. After the war, when the grant of independence was delayed by the British, these groups began a guerrilla insurrection for obtaining independence, but the fact that they had a narrow popular base and were believed to be controlled by mainland Chinese leaders made their operations extremely vulnerable. The British declared a state of emergency from 1948 until the grant of independence, in 1957, and destroyed the organizational basis of the resistance. Subsequently, even though unions were revived, they never recovered their earlier strength.

In Indonesia, labor organization had begun during the Dutch colonial period, but acquired momentum only in the decade after independence. Once again, communist groups were influential, particularly among the ethnic Chinese minority. President Sukarno (1948-66) was moving towards an accommodation with these groups when the abortive coup and the massacres of 1966 effectively destroyed their organization and leadership. The Suharto government,

4. Democracy, Governance, and Hysteresis

As mentioned in the introductory section, this paper has been motivated by a curious asymmetry in the recent analyses of cross-country differences in macroeconomic performance. There is a striking contrast between the excessive attention paid to the effect of variations in labor market institutions in industrialized countries, and the almost total neglect of an even richer variety in the Third World. The bulk of this paper has been devoted to bringing out this variety, and to articulating the determinant causes which lie behind it.

In this endeavor, however, we have tried to stay away from simplistic and monocausal perspectives, which see government policy as the sole determinant of institutional development, and have emphasized instead the fundamental role of popular groups and democratic movements, and the effect which the history of earlier conflicts, successes, and failures has on current possibilities. We found, not surprisingly, that there are strong similarities between institutions of countries within the same geographical region, and that these similarities followed from similar structural conditions as well as common historical developments.

Since recent macroeconomic performance as well as labor market institutions have a clear regional pattern, we need not dwell upon the empirical association of the two variables. As a look at Table 8 will reveal, countries which, in our classification, are characterized by a 'polarized' labor market, have had serious growth and adjustment problems, while those with 'decentralized' or 'pluralist' institutions have fared much better. Several points can be noted from this table. First is the unique decline in recent GDP growth rates of countries whose labor market institutions have been described as 'polarized' (Latin America and the Philippines). The improvement of growth rates in pluralist South Asian countries, and the maintenance of earlier growth record in decentralized East Asia is also apparent. Thus, a regional explanation of the recent economic crisis appears to be more accurate than ones based on policy choices.

intervention and central planning in order to facilitate the joint pursuit of economic growth and other social welfare targets.

Both sides have looked at the (selective) experience of 'successful' East Asian economies, particularly the South Korean economy, for a vindication of their argument: the neoclassical economists look to the relatively open trade regime and the unfettered labor markets in South Korea, and the radical economists to the dirigistic nature of its economy and polity. Often, the two groups have converged in prescribing what can be called the 'Koreanization' of the Third World, although some writers have used the analysis to bring out the undesirable or non-replicable aspects of South Korean development, and thus to warn against the general trend.

There is, however, another way of looking at the issue which places priority upon 'governance', and sees the primary function of the government to be the maintenance of economic, social and political stability in a situation characterized by social differentiation and conflict. The first and obvious point in this perspective is that since the nature and intensity of conflict differs from society to society, a single solution cannot suffice for all possible times and places – the demands of economic and political stability must be dramatically different in a Latin American country with its long history of conflict, confrontation and accommodation, from an East Asian country with a more limited and recent experience of such divisiveness. Moreover, the demands for maintaining stability will change with time – South Korea in the 1980s is very different from South Korea in the 1960s.

In other words, it is simply not possible for Latin American countries to 'become like South Korea', without the payment of immeasurable social, political, and economic costs, and in all probability not even then. The demands of social cooperation in a polity composed of highly politicized and articulate groups are extremely different from those in a society where mass-scale popular mobilization does not have a long history. Rather than push Latin

In this respect, it is simply a myth that economic efficiency, rapid growth, or immunity to external shocks is achievable only through the destruction of popular organizations. Among Western countries, for example, the ones which have been the most successful in riding out the recent economic crises with the least disruption of their economies or polities, are precisely those which have the most well-organized and powerful labor groups (and other political groups as well). These countries – Austria, Finland, Norway, Sweden – are designated as 'star performers' by Bob Rowthorn and Andrew Glyn, and as 'social corporatist' by other commentators.⁵⁵ They are characterized by powerful and articulate functional groups, national-level wage-bargaining, participation by representative social groups in national economic decision-making, and extensive social welfare arrangements, all under the umbrella of a social democratic consensus, shared not only by the ruling Social Democratic parties, but also by much of the opposition.

The Indian philosopher, Ashis Nandy, once described 'the inability to imagine alternatives' as the surest defence of oppression. The above discussion was intended to suggest, not that social corporatism is the solution for Latin America, but to demonstrate, rather, that the possibilities for the future are not exhausted by the combination of economic liberalism and political authoritarianism. Indeed, the reference to the experience of social corporatism was meant to suggest that in this instance we are not even called upon to imagine alternatives. Furthermore, social corporatism, as a solution for the impasse between labor and capital is, like all other social solutions, a time-bound innovation. It will simply help to neutralize the most potent form of the conflict in today's world. The conflict will not disappear, and new solutions will have to be found tomorrow. Nor will the emergence of these institutions help to resolve all forms of conflicts -- many will have to be dealt with through the well known process of trial and error.

⁵⁵See Rowthorn and Glyn, 1987. For the discussion of social corporatism, see Calmfors and Driffil, 1987.

TABLE 1
Taxonomy of Labor Market Institutions

| <u>Model</u> | <u>Third World</u> | <u>Industrial Countries</u> |
|-----------------|--|-----------------------------|
| Decentralized | Thailand, Malaysia, SKorea, Indonesia | Japan, Switzerland |
| Pluralist | South Asia | US, Canada, Italy France |
| Polarized | Latin America, The Philippines | UK, Netherlands, Belgium |
| Concertationist | None | Scandinavia, Austria |

Source: Third World: Appendix A, Industrial Countries: Calmfors and Driffil, 1987

Table 3
Number of Mandays Lost Due to Labor Disputes
(average per year per 1000 labor force members)

| <u>Country</u> | <u>Period</u> | <u>Days Lost</u> |
|----------------------|---------------|------------------|
| <u>Polarized</u> | | |
| Argentina | 1974 | 60 |
| Chile | 1980-81 | 158 |
| Venezuela | 1980-84 | 70 |
| Philippines | 1980-84 | 61 |
| <u>Pluralist</u> | | |
| Bangladesh | 1980-84 | 28 |
| India | 1980-84 | 153 |
| Indonesia | 1980-82 | 1 |
| Pakistan | 1980-84 | 21.5 |
| Sri Lanka | 1980-84 | 80 |
| <u>Decentralized</u> | | |
| South Korea | 1980-82 | 2 |
| Malaysia | 1980-83 | 2.5 |
| Thailand | 1980-83 | 4 |
| memo: US | 1955-80 | 342* |

Source: International Labor Statistics

* US figures are average per 1000 employees

Table 5
Urbanization in Latin America and Asia

| Country | % urban (1985) | % city (1980) | | % urban (1985) | % city (1980) |
|-------------------------|-------------------|------------------|------------------------|-------------------|------------------|
| Big Four | | | East Asia | | |
| Argentina | 84 | 45 | China | 22 | 6 |
| Brazil | 73 | 15 | S.Korea | 64 | 41 |
| Chile | 83 | 44 | Taiwan | .. | .. |
| Mexico | 69 | 32 | | | |
| Andean Countries | | | South East Asia | | |
| Venezuela | 85 | 26 | Philipp | 39 | 30 |
| Colombia | 67 | 26 | Malaysia | 38 | 27 |
| Ecuador | 52 | 29 | Thailand | 18 | 69 |
| Peru | 68 | 39 | Indonesia | 25 | 23 |
| Bolivia | 44 | 44 | | | |
| Uruguay | 85 | 52 | | | |
| Paraguay | 41 | 44 | | | |
| Central America | | | South Asia | | |
| Panama | 50 | 66 | Burma | 24 | 23 |
| Nicaragua | 56 | 47 | Pakistan | 29 | 21 |
| El Salvador | 43 | 22 | Sri Lanka | 21 | 16 |
| Honduras | 39 | 33 | B'desh | 18 | 30 |
| Costa Rica | 45 | 64 | Nepal | 7 | 27 |
| Guatemala | 41 | 36 | India | 25 | 6 |

Source: World Development Report 1987.

Table 7
Ethnic, Linguistic, and Religious Heterogeneity

| <u>Country</u> | <u>Ranking</u> | <u>Index</u> |
|----------------|----------------|--------------|
| Argent | 71 | 69% |
| Boliv | 63 | 32% |
| Brazil | 109 | 93% |
| Chile | 96 | 86% |
| Colomb | 112 | 94% |
| Mexico | 72 | 70% |
| Urugua | 84 | 80% |
| Venezu | 107 | 89% |
| Bangla | 129 | 98% |
| India | 4 | 11% |
| Pakis | 40 | 36% |
| S Lanka | 57 | 53% |
| Korea | 135 | 100% |
| Indones | 16 | 14% |
| Malays | 25 | 18% |
| Philip | 21 | 26% |
| Thaila | 37 | 34% |

Source: Encyclopedia of Third World.

APPENDIX A WAGE-SETTING INSTITUTIONS

The following pages try to present in an extremely summarized form, information on labor market institutions in Latin American and Asian countries, in particular the legal situation, and to the extent possible, an impression of the workings of the law in practice. Since legislative change has been particularly rapid in recent years, it is likely that the information is not entirely up to date in all cases. While the sources of the information are quite varied, those which have been consulted most frequently include: Bergquist, 1986, Deyo, Haggard, and Koo, 1987, Erickson and Middlebrook, 1982, Galenson, 1979, Irwan, 1987, Reeve, 1963, and several issues of the Far East Economic Review, (particularly 3 April 1986, 27 August 1987, and 8 September 1988). In addition, Montek Ahluwalia, Jose Camargo, Jose-Antonio Ocampo, Sebastian Saez, and Carlos Winograd helped to vet some of the information, but are not responsible for any errors.

I. LATIN AMERICA

Argentina

History: In Argentina, as in the rest of Latin America, labor organization started in the nineteenth century in the form of mutual aid societies, which (by 1913) covered almost half the labor force of Buenos Aires, and played a significant role in the huge general strikes that shook the city in 1902 and 1909. Structural obstacles to effective labor organization in the critical export sector, the meat-packing industry, delayed organizational success despite several 'organizational' strikes, which began as early as 1894, but gained momentum after 1915. These efforts were more successful in transportation industries, where major strikes in 1917 led to the formation of powerful unions of railroad (FOF) and maritime (FOM) workers. The most prominent labor central, the Confederacion General de los Trabajadores (CGT) was founded in 1930. Enlightened labor reform proposals were made twice by concerned ministries after periods of labor mobilization and general strikes, in 1902 and 1919, but were shelved after the crisis subsided. Although piecemeal legislation was introduced during the 1920s, it was not until 1946, after a protracted period of labor unrest, that a comprehensive labor law was promulgated by the populist government of Juan Domingo Peron. The fall of the Peron government in 1955 led to another period of government repression of organized labor, to the 'anarchization' of conflict, and thus to an effective stalemate between labor and capital. Only recently, with the restoration of democratic institutions, is the possibility of a new labor-capital compromise beginning to re-emerge.

National Union: No. The largest trade union federation, the CGT, covers approximately 25% of labor force.

Closed Shop: Yes.

Right to Strike: yes. Banned in 1976. Restored.

Minimum Wage: Yes. Set by government. Covers all employees. Many changes in the law since 1976 coup d'etat.

COLAs: yes. Indexation, implicit before the Plan Austral. Targets in terms of expected inflation thereafter.

Other Legal National wage-setting: Mandatory Bonus one month's pay.

century. Organized collective action in the critical nitrate mining sector began in 1890, and increased in intensity and frequency in the first decade of the twentieth century, culminating in the massive general strike of 1907 in the nitrate zone, and the large-scale massacre of striking workers by government troops at Iquique. The first labor central, the Gran Federacion de Obreros de Chile (GFOC) was founded by railroad workers in 1909. Following more than a decade of worker protests and resistance, a comprehensive labor reform bill was introduced by the newly elected liberal alliance in 1921, and passed in 1924. Although neither side was totally happy with the reforms, strike activity declined somewhat as they began to work within the new legal framework. Labor organization received a boost in the late 1930s when the Confederacion de Trabajadores Chilenos (CTC) was founded to bring miners, transport workers, and manufacturing sector workers within one organization. Later, in 1953, the Central Unica de Trabajadores de Chile (CUTC) brought in white collar workers, and eventually agricultural workers. The military dictatorship which came to power in 1973 banned the national centrals, prohibited strikes, rolled back some elements of labor legislation, and instituted a wage freeze which reduced real wages by 40%.

National Union: No. Largest union, CUTC disbanded in 1973, but still there are 150 federations and 30 confederations nation wide. Single enterprise as well as multi-company unions.

Closed Shop: Not after 1973.

Right to Strike: Yes, with some restrictions. Banned in 1973. Subject to various requirements today, including a maximum period requirement of 60 days.

Minimum Wage: Yes. Different in different regions. Covers all employees. Revised annually. Set by tripartite commissions.

Mandatory COLAs: Yes, until 1982.

Other Legal National Wage-setting: Mandatory bonus, one months pay, until 1982. Thereafter at the government's discretion.

Workers Vote on Contract: Varies.

Basic Level of Wage Bargaining: Only single-enterprise contracts allowed by law. Treated as legal contract, and allowed to deal only with narrow issues, pay systems, cash benefits, conditions of employment. Government monitors wage bargaining, but is not formally involved, except in strategic sectors.

Colombia:

History: Colombia's major export industry, coffee, has severe structural obstacles to labor organization. As a result, social conflict on coffee estates has generally taken the form of widespread insurgency and social unrest, as in the late 1920s-early 1930s, without leading to organizational improvements. Labor organization before World War I centered around mutual aid societies among the artisans of larger cities. Formal unions were first established by workers in the railroad and river transport sectors, and by urban artisans. These three groups of workers organized a general strike in 1918 in Barrquilla, and even though the strike itself was crushed, the government moved quickly (in 1920) to regulate strike activity through legislation, and to set up, in 1923, a separate Office of Labor. After a short recess, strike activity resumed and, in 1928, massive strikes in the oil and banana industries shook the society; the ensuing 'banana massacre' of December 1928 is perhaps the most well

National Union: The umbrella-like Congreso del Trabajo (CT) covers 85% of all union organisations (mainly plant unions, federated into national, regional, or state level) with very diverse political orientations including a number of opposition-oriented unions. The largest member of the CT is the CTM which has 29 constituent members (industrial or national industrial unions, or state or regional federations).

Closed Shop: Yes.

Right to Strike: Yes. But few strikes in practice, which rarely last very long.

Minimum Wage: Yes, different for different (111) areas. Set by tripartite commission. Revised annually. Non-Compliance very high (30-80%) outside of Mexico City.

COLAs: Yes.

Other Legal National Wage-setting: Mandatory bonus, share of profits.

Workers Vote on Contract: No.

Basic Level of Wage Bargaining: Mainly plant level. Industry-wide in sugar, textiles, and petroleum. Government not directly involved.

Uruguay

National Union: No. Nationwide unions are against the law, although the illegal CNT covers 40% of labor force. Only non-political unions allowed.

Closed Shop: No.

Right to Strike: Banned in 1973.

Minimum Wage: Yes. Fairly comprehensive national wage laws, setting minimum and maximum wage limits since 1968. Set by tripartite National Commission on Productivity, Prices, and Incomes.

COLAs: Yes. See above.

Other Legal National Wage-setting: Mandatory bonus, one month pay, unemployment compensation, pensions.

Workers Vote on Contract: No.

Basic Level of Wage Bargaining: In effect, national, since plant level bargaining operates within limits set by national commission.

Venezuela

History: The center of the Venezuelan labor movement is the oil industry, which came into being in 1918, and soon became the largest oil exporter and (after the US) the second biggest oil producer in the world, a position it maintained until the arrival of middle eastern oil producers in the 1950s. Despite significant obstacles to organization in this industry, rudimentary and 'invisible' mutual aid societies soon sprang up, and were

Right to Strike: Yes, except in essential industries. Banned in 1972, 1975.

Minimum Wage: Yes, but ineffective. Currently, it stands at a level of Taka 650 (US\$22) per month, which is at, if not below, the subsistence level. Government supervision is also lax.

COLAs: No.

Other Legal National Wage-setting: Variable bonus.

Workers Vote on Contract: No. But they vote on the preferred union, who becomes the representative until the next election or recall.

Basic Level of Wage Bargaining: Enterprise. Government often plays mediational role, depending on the political affiliation of the union involved.

India

History: The trade union movement began as an adjunct to the anti-British freedom struggle. While there were strikes before World War I – the most famous one being the Bombay Textile workers' strike in 1913 – the activities were stepped up after the war with the formation of the International Labor Organization, with British India as a member, in 1919. In 1920, the first national coordination body, the All-India Trade Union Congress (AITUC), was founded by the Indian National Congress, the leading anti-colonial political force in the country. Today, the AITUC is a leftwing organization, and is no longer controlled or influenced by the Congress government; it has 3.1 million members, and is second in size only to the reformist INTUC, which was founded in 1947 at the behest of the new national government. Several other federations, most of them affiliated with national political parties, co-exist with these two. The government's role in wage-setting, however, is restricted to mediation in disputes – including prevention, investigation, and settlement, in case of the failure of bilateral negotiations – except in case of major public sector industries, such as the railway strike of 1974 which was forcibly crushed by police action. Factory laws and piecemeal labor legislation dates back almost 100 years, and have been revised and amended from time to time. The Trade Union Act 1926 granted the right to form associations to seven or more workers, not necessarily in a single enterprise. Other laws cover working hours, leave, and the working environment were introduced later; but supervision is lax, except in the relatively small unionized sector.

National Union: Several. There is no national apex body. Every political party engaged in trades union activity has its own national coordination body, although some of the major national affiliations (such as bank employees, railwaymen, telecommunications workers, and civil servants) function autonomously. Different unions (with different political affiliations) seek elections of their slates for fixed terms (except for recalls). During the term of one union, other unions continue to operate, but do not have the right to bargain with employers. Almost all organised workers are affiliated to one or the other of 7 major national federations.

Closed Shop: No. More than one union per plant is common.

Right to Strike: Yes, but protracted strikes are rare because of government discouragement and the unions' lack of financial strength.

Basic Level of Wage Bargaining: Enterprise. Government often plays mediational role, depending on the political affiliation of the union involved. Claims are often settled by the quasi-judicial body, the National Industrial Relations Commission (NIRC).

Sri Lanka

History: The Sri Lankan trade union movement has its roots in the collective action of Indian Tamils imported by British colonial rulers to work in tea plantations. As a result, the most powerful trade union to this day is the Ceylon Workers Congress (CWC) which represents plantation workers. Savumyamoorthy Thondaman, the septuagenarian leader of the CWC enjoys a unique position in Sri Lanka, as the leader of an ethnic group, government minister, as well as a trade unionist; although radical groups have challenged his dominance of the union in recent years. Other unions are generally affiliated with political parties. The current ruling part, the UNP, began building a trades-union base many years ago, and now commands the Jathika Sevaka Sangamaya (National Employees' Union), one of the most powerful in the public sector. Sri Lanka has a vast corpus of labor legislation, going back to the colonial period. The 1970s also witnessed the formation of the Employers' Federation of Ceylon, which has started entering into collective agreements with unions. Companies that do not belong to the employers' federation often follow the agreements' guidelines.

National Union: No. However, the Ceylon Workers Congress (CWC) represents about half a million members (one-third of organized workers), mainly Indian-Tamils in Sri Lankan tea plantations.

Closed Shop: No.

Right to Strike: Yes, except in essential industries. However, the government has reacted severely to strikes outside the plantation sector. As a result, most strike activity is among plantation workers (75 out of the 91 strikes in 1974).

Minimum Wage: Yes. Set by National Wage Board. Annual adjustment with COLAs.

COLAs: Yes, see above.

Other Legal National Wage-setting: No.

Workers Vote on Contract: No. Collective bargaining not allowed.

Basic Level of Wage Bargaining: Collective bargaining not allowed. Wage or other disputes settled through compulsory quasi-legal process involving arbitration, wage boards, tribunals, and labor courts.

III. EAST/SOUTHEAST ASIA

Indonesia

History: Labor movement dates back to the colonial period, when unions were active in the independence struggle through strong ties to political parties. Later, the communist party (PKI) became influential amongst labor unions, until it was decimated during the 1965 abortive coup and ensuing massacre. The Suharto government banned unions upon assuming

but were soon re-established under a more centralized and government-controlled FKTU. Although labor laws became even more restrictive after the adoption of the Yushin constitution in 1973, labor militancy picked up in the late 1970s, reaching a peak in 1980. The Chun regime (1980-87) introduced a wholesale revision of labor laws in 1980, as national and industry-wide bargaining was formally eliminated, and all intervention by third parties in collective bargaining (including that by the FKTU) forbidden. Growing labor militancy in 1987 and 1988 has already led to concessions.

National Union: 17 national federations affiliated to the officially sponsored FKTU, which covers 60% of the (1 million) organized non-agricultural workers, and 8% of the all eligible workers.

Closed Shop: Yes.

Right to Strike: None during 1961-64, and 1971-80; severely restricted thereafter.

Minimum Wage: The first comprehensive minimum-wage law introduced in 1988. However, there is a large variation of wages even within the same industry for the same occupation.

COLAs: No.

Other Legal National Wage-setting: Government participation in tripartite dispute adjustment procedures through the Office of Labor Affairs.

Workers Vote on Contract: No.

Basic Level of Wage Bargaining: Where workers are organized, wages are set through bargaining/arbitration. Where workers are not organized, employers set them.

Malaysia

History: The Malaysian labor movement dates back to the formation, in 1934, of the Malayan General Labor Union mainly by Chinese workers in British-owned plantations and mines. Influenced by political developments in China, labor unions organized widespread strikes and played a significant role in the low level anti-colonial guerilla insurgency which started in 1948 and lasted up to the grant of independence in 1957. During the insurgency all unions were banned under a state of emergency. Today, labor relations are regulated by the Trade Unions Act, 1959 (extensively amended in 1981), and the Industrial Relations Act, 1967.

National Union: Not allowed. Since organized workers are almost entirely Indians (in industry) or Chinese (in Commerce), a national union is seen as destabilising because of its implications for ethnic conflict. Two national federations, which merged in 1985, cover about three-fourths of all unionised workers. These are: the Malaysian Trade Union Congress (MTUC), with 100 affiliates and 282,000 members; and the Congress of Unions of Employees in the Public, Administrative and Civil Services (Cuepacs), with 53 affiliates representing 115,000 government workers.

Closed Shop: No.

Right to Strike: Yes.

controversial issues, and have focussed their actions mainly upon organizing workers' leisure activities and providing credit services. The Taiwanese situation is further complicated by the fact that most of the enterprises are small-scale family businesses, where the union formation is relatively difficult. On the legal side, a detailed Labor Standards Law was passed in 1984 after 10 years of deliberation in which, interestingly, the CFL did not play any prominent role. The law guarantees a minimum wage, a 48-hour work week, pension and insurance benefits, and severance pay. It is, however, still not very effective due to employers' opposition to various provisions. For example, since employers are opposed to the fact that the burden of creating a social security system has been placed upon them, progress in this direction has been rather insignificant.

National Union: Yes. All plant unions are combined into a unified county or city union, then a provincial union, and finally, at the national level, the government-controlled CFL. Also, the Taiwan Provincial Federation of Labor, which is nominally affiliated to the CFL, has often acted independently; it has more than 20 unions and a number of craft federations among its members, and has been active through the postwar period.

Closed Shop: Yes.

Right to Strike: None during 1949-88. Allowed for the first time under the Arbitration Dispute Law passed on 17 June 1988. Workers can now strike after a first round of mediation, but are still required to return to work if a second, arbitration, phase is called by the government; in the only example of legal strike so far, the second phase was called after only three hours, and the workers, who refused to return to work, were declared to be in violation of the law. As such, it is still almost impossible to have a legal strike.

Minimum Wage: Yes. Enacted in 1984. Still ineffective.

COLAs: No.

Other Legal National Wage-setting: No.

Workers Vote on Contract: No.

Basic Level of Wage Bargaining: Enterprise. Wages are set unilaterally by management. Unions generally do not participate in any bargaining over wages. The predominant object of labor unrest is a more thorough enforcement of the Labor Standards Law.

Thailand

History: Thailand's trade union movement dates only from the early 1970s. The organization of workers' associations (by any 10 employees) was first allowed under a revolutionary council decree in 1972, subsequently replaced by the somewhat more restrictive Labor Relations Act, 1975. While the former protected workers as soon as they initiated the process of registering a union, the latter provided this protection only after the union had been duly registered. As a result, employers' intimidation of those seeking to form unions is fairly common, and the level of unionization is low even though there were 433 different unions by 1985. The most influential segment of the Thai labor movement is that of the 93 unions of the state-enterprise sector, who represent more than half of all the organized workers.

National Union: More than half of the organized workers, including those in most of the state-enterprise unions and in the stronger private ones, are affiliated with two main national centres -- the Labor Congress of Thailand (LCT), with 40 unions and 50-70,000

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