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Political Economy of Human Resource Challenges and Changes in the Post-Asian Financial Crisis

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ABSTRACT

This paper pulls together some developments evolving in the Asia Pacific region. At the broadest level, the region has to heed the competition and dynamics unleashed by globalisation, new technologies in communication and information technology and integrated global markets in capital, labour and other factors. At the regional and national levels, in response to the Asian financial and economic crisis, industrial restructuring and economic reforms are being undertaken. This paper suggests that Asian economies should make virtue out of necessity and seize the opportunity to make the necessary policy changes in human resource development as well to ensure a more sustainable recovery and growth in an increasingly technology-driven global economy.

Because technology-driven globalisation, the Asian crisis and human resource policy cut across economics, social and politics, the paper adopts a political economy framework of analysis. Over and above socio-political and economic issues, some idiosyncratic cultural and traditional values and practices as found in many Asian countries present even greater challenges to industrial restructuring, economic reforms and human resource development.

INTRODUCTION

This paper considers the human resource dimension of the Asian financial crisis, taking a political economy approach. It is widely held that for long term sustainable economic growth and development, human resource development constitutes an important and enduring policy concern as witnessed in many developed and newly industrialising economies (NIEs) (Low, 1998). This is especially so with changing trends and developments in globalisation, new technologies in communication and information technology resulting in more intense competition. Rising unemployment and retrenchment arising from the Asian currency and financial crisis since July 1997 with possible disruption to social expenditure, particularly education and human resource development, provided more urgency.

East Asia and the Association of Southeast Asian Nations (ASEAN) have achieved a fair level of "miraculous" growth since the 1980s. But the Asian crisis has decimated growth in gross

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domestic product (GDP) across-the-board from Indonesia to Singapore and precipitated poverty and income inequity. This paper will pull together these aspects on globalisation and technology trends and the Asian crisis under a political economy framework to look into the implications on human resource development. A political economy approach is deemed suitable because issues go beyond pure economics, management and business. Socio-political and even idiosyncratic cultural and traditional values and practices intervene one way or the other. There is a window of opportunity for policy makers and human resource managers to latch on to the economic reforms, industrial and corporate restructuring being implemented in response to the crisis.

A broad overview of globalisation, communication and information technology and the impact on employment and employability of workers in Section 2, first, provides the background to the restructuring and reforms in many Asian economies which are discussed in Section 3. The challenges, issues and problems confronting human resource development will be highlighted in Section 4 before concluding with some policy implications and prospects in the post-Asian financial crisis landscape.

THE GLOBALISED HIGH TECHNOLOGY AND KNOWLEDGE-BASED ECONOMY

Trade liberalisation, globalisation and growing competition have distributed manufacturing activities around the world. Successful global production is the capability to generate know-how in products and processes in one part of the world and deploy it speedily in other parts to meet demand or exploit competitive advantage. The consequences of globalisation on governments, businesses and workers go beyond business and economic competition and enter the realms of sociology and politics. At the micro firm level, managers must be aware of them too to respond strategically.

Relocation strategies of multinational corporations (MNCs) in pursuit of cheaper labour and business costs fall into three patterns, namely, physical relocation of existing production capacity, new production emerging in different locations and outsourcing from different countries for partial or full assembly elsewhere (North, 1997: 11). Value chains as part of an internationalisation strategy can be in the form of a local value chain (all in one country), an autonomous multi-country value chain (parallel activities in many locations) or value chain as a multi-country network (relative competitive advantage of countries emphasised).

These three options can also be combined and strategic roles assigned to respective business units either by segmentation or by product as in television manufacturing ranging from high definition television sets made in Japan to black-and-white sets in China or the ASEAN or by segment production process as in the assembly of the Toyota car in ASEAN. In the context of international manufacturing, factories can be offshore factories (maquiladoras in Mexico), source factories (MNC electronic subsidiaries in Asia), server factories (soft drinks bottling plants), contributor factories (Singapore plant serving rest of Southeast Asia), outpost factories (Ford in Mazda in Japan) or lead factories (MNC subsidiaries with responsibility in technical activities beyond production).

Rationalisation in the context of relocation refers mainly to reducing production costs by moving activities to locations with lower costs or to developing an international supply chain or global sourcing with similar effects on production costs. Diversification on the other hand, refers to a firm's movement upwards on the value added learning curve or into a new business activity in a different industry. Implementing rationalisation or diversification involving localisation can occur through subcontracting. An original equipment manufacturer (OEM) may establish itself overseas and procure material parts and components or even finished products from local companies. Variations as in foreign OEM subsidiary or without any overseas subsidiaries established depend on local content regulations which are targeted at inducing technology transfer.

Ultimately, a triangle of manufacturing capabilities would emerge. This involves quality of working life for workers (working conditions, freedom to choose working practices and team leaders, human-centred and worker involvement); customisation to increase speed in delivery and variety;

and productivity and quality as in eliminating wastes. Of course, there are potential problems to be resolved, including possible mismatch between corporate culture and country culture which can prevent smooth manufacturing practices work in alien environments. Trade unions can help as to implement quality programmes and their reaction can range from favourable to passive which would affect success or failure (Oberschall, 1973 and Bang, 1997).

Globalisation is one of three forces identified in turbo-capitalism, the other two being privatisation and deregulation. Turbo-capitalism is defined as using the free market to generate new wealth from all resources released by the competition-powered destruction of inefficient practices, firms and entire industries which were previously state-owned, subsidised or protected by regulations or tariffs (Luttwark, 1998: 5 & 27). While secure jobs of employees are destroyed, the architects and beneficiaries of turbo-capitalism are seen to enrich themselves at both an unprecedented rate and scale. It thus requires a "helping hand" laissez-faire model of government compared to a totally market version of "grabbing hand" (Shleifer and Vishny, 1998) to maximise welfare and narrow the gap and burden of these two groups. The state should arbitrate and narrow the distinctions between personal good, common good and true good to manage a convergence (Milne, 1998). True good may be equated with moral good and obligation is the primary moral concept as in virtues of loyalty, justice and honesty.

Turbo-capitalism may or may not accelerate economic growth but it certainly accelerates the growth of finance through globalisation, privatisation and deregulation. An increasingly turbo-capitalist global economy can produce fairly rapid economic growth which need not reduce unemployment much and structural long term unemployment may increase as a result (Luttwark, 1998: 110). The financial and banking sector grows much faster than the real economy as witnessed in many developing and emerging economies. But when such expansion occurs before the financial structure, apparatus and bureaucratic machinery are in place or ready to ensure good corporate governance or when the political will to enforce rules and laws is weak or absent, instability tending to crisis is one adverse outcome. This is witnessed in the currency and financial crisis in Thailand, Indonesia, Malaysia and South Korea with the contagion effects spreading to Singapore, Hong Kong and China. Latin American economies and Russia have subsequently fallen as similar victims.

As the factory is reinvented, so are relations with suppliers reshaped, research and development (R&D) alliances forged together with sourcing and joint production of parts and components, assembly, sales, after-sales and distribution. Total quality management (TQM) or total quality control (TQC), just-in-time (MNCs), small group activities or worker involvement programmes constitute elements of manufacturing practices to organise operations to suit corporate objectives together with flexible manufacturing technologies.

All these are happening in the context of emerging knowledge-based industries and economies. Under Fordist mass production, employee knowledge is valued where there is clear expertise as in craft-based skills. On the other hand, knowledge-driven work involves more than a pair of hands as the worker must now be engaged to think and participate in the task. More than technical expertise, skills to facilitate team work and participation, flexibility and willingness to learn new jobs are the intangibles which require a radical shift in work attitudes, assumptions, strategies and goals of the human resource function. Specifically, virtual knowledge refers to the sets of understanding which emerge in the course of interactions within groups of people and is knowledge which is yet to be codified in the form of tacit or explicit understandings (Cutcher-Gershenfeld, et al., 1998: 15). Another concept borrowed from the Japanese which is relevant in knowledge-based industries is kaizen. This is broadly defined to include continuing improvement in all aspects of working life to mean continuing improvement involving everyone, managers and workers alike.

Knowledge is power has many connotations ranging from control in mass production knowledge to knowledge which enables in a knowledge-driven system. The latter is less adversarial and proprietary to either management or unions and workers as robust communication, full disclosure and open books lead to greater employee participation and competitiveness. Effective knowledge leads to a continuous revitalisation of the workplace and work relationships. The human resource management function becomes more long term and strategic as barriers to the flow of tacit and

explicit knowledge are removed to enable everyone to maximise contribution. Instead of screening or filtering, human resources management practices become a nexus for learning, innovation and creativity.

Massive global diffusion of work practices rests on a fragile foundation as cultural differences could result in some dynamic tensions as people try to grapple with new understanding and adoption of knowledge and learning (Cutcher-Gershenfeld, et al., 1998: 4). The diffusion process may be further complicated by cross cultural issues as people interact to create knowledge. Specifically, virtual knowledge-driven work practices and lean production in contrast to mass production lead to management by stress as buffers are removed together with wastages and inefficiencies. Emerging social contracts involving a set of shared understandings or reciprocal obligations and commitments from employers and employees have to evolve. Unionisation and collective agreements are affected as contingent, temporary, subcontracted workers are among the new work practices and production systems with virtual organisations.

Three types of team systems are identified (Cutcher-Gershenfeld, et al., 1998: 65). Lean production teams minimise production buffers with the team tightly linked to internal customers and suppliers. Socio-technical systems teams are linked to production with high levels of team member interdependence and sharing a common work area to complete the entire process. They are not linked to upstream suppliers or downstream customers. Offline teams are separate from and non integral to the production process, more an adjunct and enter only to solve problems on an ad hoc basis. In all cases, investment in human capital becomes a focus as well as a core business strategy. Care must also be exercised to ensure employment security to create an environment in which workers begin to take greater risks and assume more responsibility through participatory programmes, adding to stakeholderism, commitment and enhanced productivity. The range of employment security practices include informal practices associated with avoiding layoffs, formal practices embodied in contracts and reciprocal understandings as in social contracts.

Whereas some elements of knowledge-driven production began to emerge in the US only in the 1980s, lean production has been with the Japanese since the 1970s with the Toyota production system. Traditional human resource management practices to attract, retrain and motivate employees, coupled with best practices in areas of selection, training and compensation including psychological screening have to be consistent with emerging social contracts in knowledge-driven work systems. Multidirectional patterns of communication, not unidirectional as from bottom up or top down, become the focus of human resource management in a knowledge-driven work system. A primary task of effective communication is to ensure the transformation of individual and collective tacit knowledge into explicit knowledge. Both new ideas and variations of ideas are communicated through static information dissemination mediums as in bulletin boards and memos, reports and manuals as well as through offline communication. This may occur at a distance from the production line as in cyber cafeterias which encourage diverse groups to communicate as they congregate for food and relaxation.

In a borderless economy, informal practices would increase as firms downsize or relocate to remain competitive. But they also incur financial costs in hiring and firing, social costs and intellectual costs in terms of lost tacit knowledge. Assurance of employment security for the core workforce is made possible, in part, by periphery, part time workers. These are employed as an alternative to expanded overtime hours or buffers against layoffs for core workers, for tasks which other workers cannot or do not do, or as temporaries as they are being evaluated as future potential hires. They are often paid less, work on contract basis with little or no employment security and form a secondary class. On the other hand, there may be " good " use of temporary or part time workers who for one reason or another cannot commit themselves full time, such as domestic obligations or their own entrepreneurial ambitions as portfolio workers who prefer to sell their services based on projects.

A bold rethinking of work as a process not merely to generate income and sustenance, but involving a sociology of cross cultural exchanges in an integrated global labour market and a

response to technology and progress for universal advancement must evolve. There is a new world of work where reorganisation, downsizing, reengineering, consolidating, streamlining and similar concepts are affecting millions of workers across the world (Johnson, 1996). Beside globalisation, another force at work would be technology enabling telework and telecommuting (Jackson and van der Wielen, eds, 1998). Internet has enabled electronic commerce which provides more direct contact between consumers and supplier. But the disintermediation as consumers contact sellers directly and may cut off some retail and distribution services, job loss may occur (Romm and Sudweeks, eds, 1998). More flexible work arrangements with cyber business, virtual corporations and business may be the gains for both labour and management. But there may be great asymmetries between the "haves" and "have-nots" in the workforce who can or cannot embrace and adapt to information technology as easily. Getting remote workers to work together harmoniously and productively on computer-based technologies poses communication, network and management challenges. This may extend across countries, cultures and political economies which are not as homogeneous and neutral as technology.

Undoubtedly, technology and knowledge-driven globalisation has an immense impact on labour and industrial relations. Two opposing forces are at work. First, there is greater employment insecurity. The set of unique, internal understanding between employees' and employers' in terms of mutual responsibilities and commitment for continuity of work is at stake. Employment security is affected by new team-based work systems, cellular manufacturing, schemes like worker participation, employee involvement, kaizen or continuous improvement even as these improve quality of worklife as not everyone can cope as well with these trends. Second, labour relations change from adversarial to enterprise, more consensual and participative, involving even tripartism as the government enters both as a major employer and source of labour laws, rules and regulations.

The shift to knowledge-driven production involves labour relations beyond collective bargaining, contract administration and daily supervision. Value is now placed on the knowledge of employees, beyond explicit knowledge as in educational qualifications and traditional skills, emphasising behavioural and attitudinal values. Both the socio-technical systems and lean production may augur non-unionised settings as value on knowledge of workers implies a more direct partnership between workers and management, undercutting unions.

The Taylorist manager as a source of information is transformed to a mere facilitator. Multi-skilled lean production workers are more likely to solve non-contractual issues and problems under established problem-solving procedures than file complaints and grievances for them to be fixed. While tensions and conflicts do not necessarily disappear under such an industrial environment, a less costly and time-consuming process with problems resolved much closer to the source in a possibly mutually acceptable manner, may evolve. Clear merits of knowledge-driven production industrial relations systems result as complaints and concerns emerge as problems to be solved rather than grievances to be contested. Worker priorities are considered and workers are linked to business goals and objectives as efficiency and waste reduction become mutual targets. At the broader level, the new industrial relations system legitimises the importance and value of worker knowledge.

Labour-management relations takes a more structured and interdependent form of shared and common interests associated with strategic managerial decisions and become symmetrical and complementary under assumptions of common interests. Issues regarding outsourcing, new technology, quality and training become mutual concerns. Intangible elements as in knowledge, interdependencies and facilitation go beyond substantive contractual basis of traditional industrial relations. Competitive advantage to be fostered by new industrial relations revolving around quality, innovation and flexibility and expectations and relationships must change in commensurate.

There are also implications on management and leadership especially involving cross border alliances, networks and joint ventures (Child and Faulkner, 1998). A cooperative strategy and management of alliances is not new but both globalisation and increasing returns knowledge-based

industries have added complexities and changed the environment. Firms have to optimise along more than one front simultaneously rather than sequentially as they used to. They have to retain the competitive and strategic strengths they have developed and maintain competitive advantage while adapting continuously. Even large MNCs are unlikely to possess all the competencies required as their scale and internal complexity can handicap their adaptability. They thus have to seek strategic alliances and partnerships to reduce such complexities and absorb uncertainties.

Other implications of this changing environment pose responsibilities on leadership. There is need to incorporate intangible knowledge, workers, union leaders, team leaders and managers in interactions. Trust has to be built as an emotional gatekeeper to promote interdependence and mutual leadership, to empower or influence stakeholders in teams and groups. Information policy, system and management are relevant at all levels of decision making and interactions to enhance communication (Rowlands, ed, 1997). Traditional features of leadership must give way to greater appreciation of intangibles, mastering the delicate art of encouraging variation rather than standardisation, managing the dynamics of global diffusion and emerging social contracts as social and community concerns become part of business strategies. As knowledge-driven work involves so many aspects of intangibles, implicit attributes and values, notions of leadership and trust become crucial. Instead of viewing the global marketplace as destroying job security, a better approach is to aim for continuous improvement, communication, trust, collective representation and social contracts.

RESTRUCTURING AND REFORMS FOLLOWING THE ASIAN FINANCIAL CRISIS

An evaluation of industrial restructuring and economic reforms in response to the Asian crisis would enable a twining of longer term global and technology trends with immediate downsizing following corporate restructuring. Careful and visionary designs of policies in response to the crisis can be achieved simultaneously with long term sustainable growth. Asian economies cannot afford to be laggards in the new technology and knowledge-driven global economy because of its high reliance on direct foreign investment (DFI) and MNCs which are the change agents. Even DFI by small and medium-sized enterprises (SMEs) is gaining in importance (UNCTAD, 1998) which a much welcomed phenomenon as SMEs are promoted in Asia to generate local entrepreneurs and employment.

The Asian crisis has greatly altered the business, economic and socio-political landscapes. Massive industry and corporate shakeouts, middle class frustrated with asset deflation following the bursting of the bubble economy in real estate and stock market and higher poverty and greater income inequality have affected the poor and vulnerable groups. Both the level and extent of these problems affect Thailand, Indonesia, Malaysia and South Korea in varying degrees. The International Labour Organisation (ILO, 1998a) estimates an additional 10 million in job loss by the end of 1998 due to the Asian financial crisis. At risk are the youth between ages 15 and 25 years, long term unemployed, older displaced workers, the less skilled and ethnic minorities including women. Governments and regimes have been brought down in Thailand, Indonesia, Japan and South Korea. While Prime Minister Mahathir retains power in Malaysia, its middle income class and emerging Malay entrepreneurial class are radicalised as much as domestic politics has been traumatised with the sacking and arrest of Deputy Prime Minister Anwar Ibrahim.

Despite the initial excitement about the region's corporate bargains as "fire sales" wrought by weak currencies and fatally wounded companies desperate for cash take place, few deals have actually materialised as foreign investors are not as confident and convinced the companies are worthy of rescue. The biggest concern is the high level of debts of these sick companies and banks. Some aversion to foreign ownership as nationalism is strong as in Thailand and South Korea is an obstacle. There are arcane legal and regulatory stumbling blocks as lack of foreclosure and bankruptcy laws in Thailand, miscarriage of justice in applying bankruptcy laws in Indonesia or amending them in Korea. Thailand has personal guarantees and Korea has cross subsidiary

guarantees which bind the chaebols which also make corporate workouts difficult. Other non-transparent practices and accounts which are almost impossible to decipher, obstruct the work out of the true worth of companies. Politics and political commitments further compromise the corporate restructuring process as vested interests in government and even bureaucracies try to block passages of legislation crucial for the Thai reforms. The political economy of government-business relations does need drastic revision (Aoki, et al., eds, 1997).

If the crisis and resulting reforms can improve financial systems and create a sound foundation for risk and reward, improve corporate governance as in greater transparency and accountability all round, the next phase of growth will be healthier and more sustainable. Asia will emerge cleansed, leaner and more competitive. With modernisation, innovation and technology built into the restructuring and reforms, the region will be more set and prepared to take on globalisation, further liberalisation and opening of their economies. The contemporary global and integrated economy cannot be avoided or shunned and it is best that Asia rises to the occasion and accept the challenges. Capital account liberalisation with the right sequencing and prudential regulation and supervision should not be wholly discounted as leading to capital outflows, devaluation and currency speculation (Ries and Sweeney, eds, 1997 and Rana, 1998). Some capital controls may have their utility in the transition process (Haggard and Low, 1998) but the general consensus appears to be they cannot be relied upon for fine tuning macroeconomic policy and balance of payments management even if there are asymmetries between capital and trade liberalisation.

Eventually, sound regulatory and legal frameworks, good and clean governance at all levels, as in political, corporate and in non-government organisations (NGOs) will impinge on human resource development with resulting increased democratisation. Asia is not falling (Henderson, 1998) and with careful and visionary resculpturing of policies and reforms, it need not suffer the "lost decade" as in Latin America in the 1980s or a "lost generation" as feared if human capital development is derailed under crisis conditions. After two excruciating years, the currency and financial crisis is winding down to its last stage of an economic crisis. Even that is now being effectively tackled with the requisite restructuring and reforms and important economies like China and Japan are somehow holding their own in not further jeopardising the stabilisation and eventual recovery of the rest of Asia. As long as the US and Europe are still growing and not too adversely affected by the Asian crisis, a global recession may yet be averted.

CHALLENGES, ISSUES AND PROBLEMS CONFRONTING HUMAN RESOURCE DEVELOPMENT

While the Asian financial crisis has slashed growth and short term volatility and medium term corporate, banking and financial reforms are being worked out, the long term strategy of human resource development in Asia cannot be neglected. There is a huge pool of labour which needs to be harnessed to bountiful resources in the region. There is, however, some apprehension that Southeast Asia and China may emerge as rival alternative resource bases and competition for foreign investment and growth opportunities. This is based on the assumption that the traditional export-led growth model of industrialisation is still targeting the triad of the US, European Union (EU) and Japan as potential export markets following the formula of the NIEs. A modified model of self-sustaining growth and development with infusion of capital and technology from abroad will have to emerge.

As China's production capacity and labour surplus is added on to global supply amidst stagnating growth in global demand by the triad, Asia has to seriously consider raising intra-regional trade through the ASEAN Free Trade Area (AFTA) (Ranjit, 1997) or the Asia Pacific Economic Cooperation (APEC). More surplus labour will be shed by the privatisation of China's state-owned enterprises (SOEs) and slower growth post-Asian financial crisis. Greater trade diversification is being recognised by many Asian exporters and the prospect of expanded global trade with new World Trade Organisation (WTO) structures and agreements may mean the picture need not be so dismal. Thus, some internally pulled engine of growth within Southeast and Northeast Asia should

not be precluded even if it takes longer given the relatively lower per capita purchasing power of Asians.

Another positive dimension of tying up rather than isolating Southeast Asia and China as two separate rival resource bases is the issue of technology transfer. Patterns of technology transfer can range from specific transfer tasks and transfer mechanisms for specific know-how on one hand, to common know-how to be diffused and transfer mechanisms for common know-how, on the other. Technology is transferred through enterprise networks, MNC/SME or subcontracting networks or acquired by stand-alone enterprises.

Asia's demographic transition is from high fertility and high mortality to low fertility and low mortality regime. Declining mortality and fertility rates and longer life spans result in rapid ageing, creating dependency problems. Between 1995 and 2025, the proportion of the population aged 65 and older will double in Southeast Asia (ADB, 1998a: 176). Issues of savings, productivity, health, technology and others will surface. These will affect human resource development.

Given the pattern of industrial production and employment, rather low female labour force participation rates are observed in Asian economies. If a lesson can be learnt from Japan, it suffers from a tremendous wastage and underemployed female labour which is not used efficiently (Ogasawara, 1998). One reason for Japanese management's failure to invest in female human capital is the practice of institutionalised lifelong employment and to the extent that females do not stay as long in the labour market, they miss out in opportunities in human resource development offered to males who stay on (Yamada, 1998: 109-125). Also, even women who have the opportunity to study in college tend not choose business-related subjects and humanities and arts are not what employers are looking for. In a rather feudal social Japanese system, discriminatory hiring and promotion policies, with women entrepreneurs emerging only much later, are among other wasteful utilisation of female human resources.

Despite industrialisation, the industrial and employment structure remains highly skewed and biased toward the rural and agriculture sector. While this may have cushioned some of the unemployment caused by the crisis, there are limits to absorption by the rural sector. First, the returning workers from the urban areas may have lost their ties with their farming families. Second, with commercialisation and modernisation of the rural sector itself, sole-proprietor and family owned farms which can absorb surplus labour are on the decline. Moreover, the rural poor is finding difficulties making ends meet without additional burden from urban kinship.

A human resources policy which enhances labour market mobility can contribute to know-how diffusion by the flow of human resources in and around the economy. The pull of technology transfer requires enlightened local management which can be promoted by national management development institutions or supporting regional ones. Studies and internships abroad and exchanges are important ways of developing local capabilities to enhance the pull system of technology transfer. The pull of the technology recipient such as Singapore may be contrasted with the push from technology suppliers as in turnkey factories. To introduce disembodied technology to the workforce, an organisational and developmental process by the recipient involves action in educational and skills levels. Technology transfer requires new working practices and changing role of unions. Whether workers will benefit depends on their access to jobs and quality of jobs offered together with job security and job enhancement.

Of the affected Asian economies, a case in point is Thailand which despite its higher rate of economic growth and industrialisation than say, Indonesia, has a weak human capital base. It lags behind in secondary school enrolment even though primary enrolment is more satisfactory. But more than half of those who finished primary school did not proceed to secondary education partly because half of the population remains engaged in agriculture, placing a low value on education beyond the primary level. This is aggravated by difficulty in access to secondary schools. In the last five years, the situation has improved as secondary school enrolment has improved to close to 90% and plans to increase compulsory education, first from 6 to 9 years and to 12 years by 2007. The government plans to achieve almost universal lower secondary education by 2000 or so.

One issue which may have long term structural implications is the emphasis on the educational system to focus on science and technology in the curriculum and education of engineers, on-the-job training, cultivation of skilled technicians and having enlightened companies as institutions of higher learning as Asia industrialises. Interestingly, the younger generation's drift away from science and technology and growing disinterest in manufacturing industry among students majoring in fields of science or technology are observed in Japan and a number of other Asian countries including Singapore (Japan Commission on Industrial Performance, 1997: 281). In the first half of the 1980s, the demand for engineers doubled in Japan, particularly in electronic and information engineers which expanded 2.5 times in the first five years in the 1980s (Japan Commission on Industrial Performance, 1997). The disinterest in science may have been to a revision in high school curriculum in 1982 in Japan as well as the way science subjects were taught.

As observed earlier, turbo-capitalism may have spurred the financial sector more than others. As a result, growing employment in banks in Asia has occurred and this may also reflect the self-absorbed young people losing sight of time-honoured values as financial services were growing and deemed more dynamic than manufacturing. Whatever, the education system must produce leaders with a vision and cultivate human ingenuity as in promoting the university research environment.

It is also interesting that with the Asian financial crisis, there seems to be changes in ways of working from an era of abundant labour to scarce and back to abundant again. Abundant labour which was homogenous, low-cost became unsuitable as rationalisation of production processes changed to the manufacture of high-end goods at low costs. Firm competition is waged through full-fledged technological innovation and product development and value added productivity and nuances of quality become more imperative rather than just working long hours. But as unemployment is unleashed by the Asian financial crisis and income maintenance is imperative to ensure socio-political stability, policy-makers do have a difficult time balancing the dilemmas of job creation amidst management strategies of downsizing and maintaining lean and competitive operations.

Generally, companies should take advantage of current Asian financial crisis and resulting difficulties which have increased job uncertainty and reduced worker mobility to make training an incentive for workers to stay (Takeuchi, 1998). These efforts should increase productivity and improve profitability as the region recovers. As a longer term strategy, firms should take advantage of changing perceptions and expectations in the labour market to provide a comprehensive package of human resource development and skills upgrading which enhances employability and job security and social security (Freeman, et al., 1998).

Another critical issue is that most of Asia has no social safety net for its workers. Precisely because there is no social security and welfare state, unemployed labour find greater difficulties and is largely unprotected. Moreover, there is a high degree and prevalence of foreign worker movement across Southeast Asia. Retrenchment leading to repatriation of foreign workers first, will add to the unemployment and social woes.

The Asian financial crisis is also coming on the heels of democratisation as witnessed in efforts to build or rebuild labour movements as in South Korea which may lead to higher degree of politicisation. Korean workers have been looking for various assurances that if they accept wage concessions and particularly "flexibilisation" of the labour market or deregulated market measures, they would get increased unemployment insurance and other social benefits.

In other Asian countries, there are explicit and implicit political and industrial relations issues pertaining to the right to organise and strike. As political concessions are traded off for economic ones, systems of industrial relations have to change. An interesting question of whether tripartism and the way it succeeded in Singapore will emerge as a useful model for the rest of Asia. The social dimensions of the crisis must be seriously thought through to fully understand the political implications. The continuing weakness of labour may make governance easier for corporations and government but not so from the political angle of democratisation as the ultimate and desirable goal. Deunionisation will continue with changing workpractices as the shopfloor disappears as a

physical rallying point and also with growing trend of more service workers and more self-employed and own account workers.

It is recognised that it is difficult to push and pursue human resource development under fiscal austerity and adjustment to the crisis. Financial constraints mean reducing public expenditures on public services including education and training which in practice compromised access, quality and equity (Samoff, ed, 1994). But disinvestment in skills and knowledge of young people will jeopardise countries' recovery and longer term development prospects. Pressures exerted in public sector cuts, declining level and changing distribution of employment, declines in level and distribution of household income affecting social demand for education and training and private capacity to pay for it and changes in company incomes and tax outlays which affect training expenditures (Samoff, ed, 1994: 9). Policy reforms include restructure education sector as in levels and types of education, increase efficiency of resource use and mobilise new sources of income as in additional direct fees, incentives to private education and local community finance (Samoff, ed, 1994: 11).

In the final analysis, the revival of the Asian miracle is beyond economics, as socio-cultural attitudes, politics and balance of power must assert themselves to prioritise goals and policies (Garren, 1998). As poverty and inequality revisit Southeast and East Asia (Ahuja, et al., 1997), the importance of human resource development both to catalyse economic growth and level up income gaps and inequities to avert further socio-political implosions should be heeded.

CONCLUSION, POLICY IMPLICATIONS AND PROSPECTS

As Asia enters its third year of the crisis, some stabilisation and signs of recoveries may be cautiously observed. Coincidentally, most Southeast Asian economies offer projections of around 1.5% in real GDP growth, somewhat higher at 2 to even 4% in South Korea. But the general picture is much more optimistic and many political and business leaders believe the worst is over and the crisis has bottomed out. Whether pre-crisis growth rates will be returned may be a matter of when rather than if, taking a more optimistic view.

The Asian crisis may be a blessing in disguise, arresting the rapid but low quality and horizontal growth and giving Asia an opportunity to rechart its future long term growth more in synchrony with global trends. If Asia heeds technology and knowledge-driven globalisation and competition and it would have to given the presence and reliance on DFI and MNCs, it would stay the course of its industrial and corporate restructuring, economic reforms and necessary legal and regulatory changes. All practices and levels of governance, socio-political and economic management, even some Asian values and traditions may have to be revisited. The global and technological environments have all changed and so must Asia to remain latched up and integrated with the rest of the world. There is no question of isolation from the global economy even if there are real costs of globalisation and the resulting instability and volatility associated with capitalism and free markets which are still imperfect.

With a proactive and supportive government willing to invest in infrastructure including in human resources, Asia will emerge healthier, more competitive and attractive for DFI and MNCs. More attention is paid to both formal education and continuous education and training as in Singapore as the crisis has increased structural unemployment with new technologies and globalisation. At the same time, Asian countries should be building up greater reliance on intra-Asian and regional growth to complement and supplement the dependence on the triad for markets, capital, expertise and technology by having its own to the extent possible. Japan has done it and Taiwan is catching up on the technology score.

Others like Singapore and Malaysia may not have the economies of scale and size, but cooperation in ASEAN or APEC rather than head-on competition may offer a viable, sustainable route for the Asia Pacific region. The challenges are immense but the resources are available. The political commitment and a more proactive and supportive political economy must override parochial and nationalistic interests. Some regional leadership must emerge to jumpstart long term strategies as

cooperation in human resource development, environmental protection (Hirsch and Warren, eds, 1998) and quality and issues falling into the nature of international public goods and externalities.

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