

Industrial relations and inclusive development in emerging and transition countries

Industrial relations institutions, including collective bargaining, continue to play an important role in determining wages and working conditions in many countries. Their contribution to reducing earnings inequality and voluntary turnover and enhancing the likelihood of firm specific training is well established. In respect of other outcomes (e.g. productivity growth) the literature suggests that these effects depend on complementarities between different labour market institutions within a particular political and economic context. The most equitable, inclusive and productive arrangements appear to be the result of a favourable interaction between institutions, such as minimum wages and collective bargaining, and other social and economic policies.

Much of the literature on comparative industrial relations has focused on industrialized countries. This collection focuses on a group of emerging and transition countries. It examines the evolution of industrial relations institutions in Brazil, China, India, South Africa and Slovakia. While there is considerable diversity between countries in respect of these collective labour relations institutions and their contribution to labour market governance, there are also interesting commonalities.

All of the countries in this collection experienced significant transition during the last two decades. Two countries underwent transition from a former planned economy to a market economy. They also experienced rapid liberalization in the mid- to late 1990s. In some, this was accompanied by political transition (Brazil, South Africa, Slovakia) in others political change was more modest (India). With the exception of China, all are now political democracies. In some countries, processes of inclusion and incorporation enhanced the influence of organized labour in economic and social policy with favourable outcomes. In others this was either confined to labour market policy or remained inconsequential.

All countries in this collection face similar challenges, including the fragmentation of labour markets by contractual status, rising informality and widening income disparities. Two countries in particular (Brazil and South Africa) have among the highest levels of income inequality for developing countries. Most countries introduced significant changes to labour market policies and regulations. There have also been significant attempts by the state and social actors to build or revitalize industrial relations institutions and foster tripartite policy dialogue in order to respond to labour market challenges. These included the establishment of institutions for tripartite policy dialogues such as NEDLAC in South Africa, the Council for Economic and Social Accord in Slovakia, and the Economic and Social Development Council in Brazil, as well as the promotion of collective bargaining and introduction of a minimum wage. In some countries, these were accompanied by important innovations in the area of social policy (e.g. *Programa Bolsa Família* in Brazil).

The political inclusion and incorporation of labour meant that unions in some countries gained political influence and institutional power (as the result of close ties between peak unions and political parties in power). There are clearly differences among the countries studied in the extent to which peak trade unions' source of institutional power is (in)dependent from the state (e.g. China) and tensions in respect of the fine line between corporatism and co-optation. In Brazil, the democratic transition ended direct interference by the state in the associational governance of peak unions, while maintaining 'corporatist' arrangements in terms of representation and union finance (with some modifications). In South Africa, the independent unions were key agents of the political transition and played a central role in crafting a corporatist system of industrial relations. However, a lack of concertation over macroeconomic policy has led to significant inconsistency between

macroeconomic and labour market policy. Tensions within the labour movement over the terms of the alliance with the ruling political party threaten the unity of organized labour.

The structure and influence of collective bargaining differs from one country to another. In spite of ups and downs, collective bargaining in Slovakia displays relatively high degree of coordination conducive to equity and stability in the labour market. In Brazil, collective bargaining take places mostly at an occupational and district level, complemented by company agreements in some sectors. New regulations for participation in profits and results (PLR) and the reinvigorated minimum wage policy have had a favourable influence on bargaining outcomes which delivered real wage increases and compressed the wage distribution. A high degree of coordination between wage policy and social policy resulted in significant reductions in income inequality. Concerted efforts are being made in China to expand coverage by collective contracts as the country faces pressure to rebalance the economy and the legitimacy of the regime is challenged. Our comparative study suggests that when effective, collective bargaining can contribute to improved compliance, enhance employment security and better distributional outcomes.

A paradox that emerges from this study is that while unions may have gained institutional and even organizational power this has not necessarily been accompanied by an equal degree of institutional deepening in workplace labour relations. The continued absence in some countries or hollowing out in others of collective representation at the workplace challenges the legitimacy and stability of industrial relations with observable increases in spontaneous protests and work stoppages. This has led to efforts to transform workplace labour relations (e.g. China), new unions emerging (e.g. South Africa) and new forms of workers' organization (e.g. India). There are also challenges on in the part of employers' organizations, particularly in respect of the diversity of size and interests and difficulty articulating common interests. These organizational and representational challenges limit the contribution of industrial relations institutions to stability, legitimacy and inclusive development.

A related issue and one which has important implications for inclusive growth and development is whether labour market policies are aligned with the broader macro-economic policy agenda of the country. There is some indication that this alignment in Brazil and China, reinforced by complementarities between particular labour market institutions, has contributed to the formalization of employment and a reversal of income inequality. In India, the role of industrial relations institutions is more limited despite attempts to include all workers and increasing informalization has been a growth inhibiting factor. In South Africa, complementarities between particular industrial relations institutions appear to be addressing some of the challenges concerning the employment relationship. However, the misalignment over time with macro-economic policy in a context of high unemployment and inequality has limited the contribution of these institutions to inclusive development.

The contributions to this collection show patterns of continuity and change. What is interesting is that despite significant changes in policies and in the economic and political context, many features of industrial relations in the countries examined tend to be path dependent - their development determined by patterns created by the original legal framework and institutions. The liberalization of economies has placed industrial relations systems under significant pressure. The degree to which they have been able to forge inclusive development paths has depended on the interaction between different labour market institutions (e.g. minimum wage and collective bargaining) as well as on the complementarity between these industrial relations institutions and the broader macro-economic policy agenda.

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Abstracts

Industrial Relations and Inclusive Growth in Brazil in the 2000s

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Despite having one of the highest rates of income inequality in the world, Brazil, during the 2000s, achieved impressive reductions in inequality as a result of job, wage and income gains that benefitted lower-income workers. This article analyses the advances made in inclusive growth in Brazil in the 2000s and the contribution of its industrial relations system to these gains. Brazil's industrial relations system has long been criticized by both workers and employers for its many state-corporatist features. Yet the institutional space that this system grants, including the policy of extension, the financing of unions, and the numerous tripartite bodies and fora that exist, have been important for ensuring unions' viability in a period of global union decline in membership. Moreover, under the favourable political and economic environment of the 2000s, unions were able to use their position to deliver important gains for workers, directly through collective bargaining negotiations, but also indirectly, through their influence in national policy setting, particularly with respect to the minimum wage. Brazil offers a unique case study of how a relatively static industrial relations system responds to shifts in political and economic context, providing insight into the importance of the context, but also on how systems adapt.

Industrial Relations and inclusive development in South Africa: A dream deferred?

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The election of the first democratic government in South Africa in 1994 marked the end of apartheid and decades of racial exclusion and oppression during which the country had been isolated from the global economy. Organized labour had been a key ally in the struggle for liberation in South Africa. The democratisation of the society was accompanied by a new vision for an inclusive labour policy which in turn led to the creation of a range of innovative labour market institutions, including in the area of industrial relations. At the same time the country committed to reform its tariff system and rapidly reduce import duties. The previously sheltered economy faced the full force of international competition as it integrated into the global economy. South Africa now has one of the highest rates of income inequality in the world accompanied by high rates of unemployment.

This paper focuses on the effect of the political and economic transition on industrial relations institutions, and the role these have played in shaping South Africa's post-democratic development path. It examines the evolution of industrial relations institutions identifying patterns of change and of remarkable continuity. One significant change has been the inclusion of public sector employees into mainstream industrial relations institutions. At the same time, there is remarkable continuity in the structure of collective bargaining at the industry level. Unemployment, the increasing precarity of employment and growing inequality is placing strains on the system as evidenced by the dramatic increase in strikes and violence associated with them. The central questions addressed by this paper are whether industrial relations institutions are - or have the potential to - contribute to an inclusive development path, or whether the pressure of the broader social and economic context is merely reinforcing a trajectory of confrontation and exclusion.

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Economic growth and role of institutions in India

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Over the past two decades India has experienced an impressive annual growth rate of 5.5 to 6.0 per cent, despite high levels increasing inequality. However, the quality of employment has not improved and the proportion of low-paid workers has increased over the past decade. The period also observed an increase in informalisation of industrial labour in India associated with greater use of subcontracting and contractual and temporary workers. At the same time, collective bargaining in India has remained very limited in its scope and restricted to the formal sector. Though there have been some attempts to reach out to workers in the informal sector, these have been very limited. This paper makes an attempt to understand the role of institutions in improving productivity, wages and incomes for the workers. Apart from providing a brief picture of the labour regulation and industrial relations in the period soon after independence, it also examines its development thereafter and the extent to which the benefits of growth have percolated to a larger proportion of the workforce, including those in the informal economy. It also looks at some of the collective bargaining clauses that have been applied to address the issues of the workers in the informal sector. Finally, as the statutory labour regulation is increasingly unable to keep up with the constantly changing labour market, the paper makes a plea for reforming the system, so that informal workers could be covered and growth made more inclusive.

Voice, institutions and inclusive growth in China

Changhee Lee, ILO

After 30 years of the employment and industrial relations transformation which replaced the lifelong employment regime of the SOEs with deregulated employment regime with high degree of informality, China seems to have entered into the 2nd wave of the transformation. In broader policy context of rebalancing the economy, China has taken initiatives for re-regulating work. Evidences suggest that the new initiative has reversed the trend of informalization and also arrested the widening wage gaps.

A key pillar of the new initiatives is expansion and retooling of industrial relations institutions, which resulted in quantitative expansion of union membership and collective bargaining coverage, and higher institutional density of labour relations at the workplace. Until recently, however, the institution building was more a result of top-down transplantation of 'forms' rather than outcome of voluntary process at the workplace. 'Institutions' were disconnected from 'voice'. Recent surge of collective actions by new generation of working class challenges the official system, to which official industrial relations actors responded by gradual but controlled reform of workplace labour relations. There are evidences of representational transformation of workplace labour relations, though it is too early to generalize. Will this bring 'voice' into 'institutions', which would allow more inclusive

growth trajectory of the 2nd largest economy? This paper trace evolution of industrial relations and labour market institutions in China, and examine evidences of their economic and labour market impacts.

Industrial Relations and Inclusive Development: The Case of Slovakia
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In the postsocialist Central and Eastern Europe (CEE), labour market institutions (LMIs) developed hand-in-hand with liberalization and employment flexibilization policies. In some countries, including Slovakia, commitment to wage bargaining coordination persists despite liberalization processes. This paper analyzes how selected LMIs contributed to Slovakia's inclusive development after the regime change in 1989 and the EU accession in 2004. In particular, in-depth qualitative analysis at national and sector levels and a binomial probabilistic model using company-level data help to examine the LMI's effects on economic efficiency, income equality and institutional fairness (Freeman and Medoff 1979).

We argue that inclusive development through wage growth is currently limited to large companies with trade union presence. Second, while some LMIs operate towards decreasing inequality, others operate in the opposite direction. This mixed effect is manifested through the rise of a dual labour market of standard and precarious employees. Trade union strategies exacerbate the growing divide of employees' access to key LMIs including legal protection and collective bargaining. Finally, we argue that societal trust in particular labour market actors, including trade unions, has been improving and helps facilitate the survival of complementarities between national, sectoral and company-level wage setting institutions.