The Evolution of Human Resource Managementin in East and South-East Asia

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1．The Challenges of Human Resource Management（HRM）in the Region

1.1．The Advance of Western Concepts of HRM

Asian companies intensified their search of more advanced systems of human resource management since the 1980' s. These attempts were prompted, first of all, by their growing exposure to international competition. It is amplified by the companies' restructuring spurred by a growing number of mergers and acquisitions, management buy-outs, spin-offs, and spread of downsizing and outsourcing.

The growing demand for specialized knowledge and more systematic management requires the nurturing of high-skilled managers and other professionals, who are stimulated by attractive monetary and non-monetary incentives packages. Another factor behind the search for better HRM was the influx of foreign companies into Asia, especially in the cases of South-East Asia and China. A parallel could be made with the 1950' s massive entry of American companies into Europe. They provided the catalyst for the modernization of local companies in giving European businesses an opportunity to learn new management methods（model effect） that spread out thanks to the mobility of those who had worked in the US multinationals （transfer effect）. In Asia, too, the number of "trained" managers who had once worked for foreign companies began to increase significantly from the second half of the 1980' s（Takeuchi, 1999）. The rise in the number of those who graduated from European or American universities and business schools - both among current and prospective management personnel - is also creating a corporate climate receptive to Western, especially American standards. Asian students accounted for the majority of foreign students in American universities. After returning home, these people become candidates for managerial posts in foreign-owned companies and major domestic firms. Generally, American and European companies' Asian subsidiaries enjoy popularity with highly educated Asian students, not just with those who studied abroad but, increasingly, also graduates of the elite local universities.

Contrary to what was expected 15 years ago, the Japanese management style （and, more

specifically, HRM practices and work organization) is unlikely to ever become the template in the region. Practically in no country of East Asia the number of students wishing to enter Japanese companies exceeds the one of those hoping to find a job at an American or European firm. Japanese companies themselves are changing their practices both in Japan and, especially, at their Asian subsidiaries. The management style they adopt is close to the American one in many respects (Jie Yu and Meyer-Ohle, 2006).

In the whole region the United States have been looked upon during the last 15 years as the leader in the fields of human resource management. It is likely to continue as such despite the current problems of American economy. American companies management concepts and practices are still considered by many companies in the region as their guides or sources of inspiration in the transformation of the existing HRM systems. The US-oriented individualistic HRM dimensions such as individual fixed-term contracts, individual performance evaluation, individual career development, downsizing and retrenchment, and freedom to hire and fire have been gradually penetrating East Asian management. It explains the interest in practices such as the balanced score card, the Six Sigma method of production process, the 360 degrees evaluation and human capital-related accounting, by leading Japanese, Korean and Singaporean companies. In leading Asian companies the strategic role of HRM as opposed to the traditional administrative, welfare and industrial relations-focused roles has also become increasingly more important. It is also Observed that the percentage of Asian companies transferring human resource management responsibility from specialists to line managers has been increasing since the 80's (Debroux, 2003; Pei-Chuan Wu, 2004; Khatri, 2004).

1.2. The Shortage of Skilled Human Resources

Declining birth rates, which will lead to the reduction of the productive age population, are the region's looming demographic time-bomb, pressing it to drastically reshape its employment systems. In a large number of East Asian countries the educational infrastructure and support systems have failed to keep up with the demand for human resource. To cope with the issue is becoming more and more urgent as favorable demographic situation is unlikely to continue for a long time. Favorable demographic situation mean that a country has a relatively high proportion of the working age and relatively low proportion of the non-working age population. This low dependency ratio is boosting economic growth. Today most East Asian countries still have this 'demographic window of opportunity', but in not that distant future it will close.

In Japan it closed already at the beginning of the 90's. In South Korea, China and Thailand it will apparently happen within the next 10 years. The Philippines, Malaysia, Indonesia and Vietnam still have about 25 to 35 years left (Bloom and Canning, 2004). This is a challenge not

only for policy makers, but also for Asian companies and their established recruitment, training and retention practices. Asian companies must maintain their competitive cost advantage while attracting the best talent and offering career opportunities that match those offered elsewhere in the world. The problem is not limited to managerial personnel. It concerns all types of skilled workers, including those who are doing the jobs outsourced from industrially developed countries: lower cost locations, like India, the Philippines, Vietnam and China, are now outsourced such high value-added services as medical diagnostics, accounting, software development or architecture-related design (Bibby, 2003). Under this condition the shortage of skilled workers turns to be the major growth constraint. It is all the more true that East Asia as a whole also lacks welders, skilled machine operators, plumbers and other types of personnel with technical skills.

Thailand – a country where students traditionally preferred liberal art degrees, is putting special emphasis on training engineers and scientists, preparing a major policy shift to encourage more students to get science and engineering degrees. Malaysia is seeking to widen the range and enhance quality of education, as well as to improve vocational training. Several new universities were set up in the last 20 years in both the eastern and western parts of the country. The government is also encouraging foreign universities to establish Malaysian branches. Nevertheless, thousand of young Malaysians have to go abroad to get higher education. According to a recent company survey, about 50% of the firms covered consider inadequate worker skills to be the biggest obstacle for doing business in the country (World Development Report, 2006).

Indonesia faces the problem of a high unemployment rate for young people under 25: 6-9 times higher than the one for older people (World Development Report, 2006). The major reason is the low learning achievement. Educational institutions remain inadequate, not to mention their insufficient capacity while population growth rates remain high. The low learning achievement also has a negative effect on economic growth.

In fact, some Asian countries do provide large numbers of college graduates with engineering degrees. However, a mismatch between supply and demand is still there. In China (Lynton, 2006) and Vietnam about 80% of the new graduates in engineering don' t have basic practical skills and need a comprehensive in-house training before being assigned a job (Truong Quang and Le Chien Thang, 2004). China' s pool of young engineers considered suitable to work in a multinational corporation is about 160,000 people – no more than in the UK, although in 2005 it had about 600,000 engineering graduates, compared to just 70,000 in the United States.

The country is also short of some 750,000 professional managers (Lynton, 2006). This

situation is common for many nations in the region. For already quite a long time in the United States and a bit shorter period in Europe, people engaged in management studies are supposed to get a professional accreditation from a certified educational institution. For East Asia the concept of a manager as a professional with a special degree is still quite new, although the number of educational institutions teaching management is now visibly increasing. In North America there are some 700 schools accredited by the American Assembly of Collegiate Schools of Business, providing about 150,000 MBA per year. In Western Europe there are about 60 business schools comparable with their American counterparts, and the annual number of MBA is around 25,000. On its part, Asia has only about 20 schools of a comparable standard with about 10,000 MBA, and very few of those schools are able to compete in the international market place with leaders, like Harvard, Wharton, MIT, INSEAD or IMD.

China's most acute problem is the shortage of senior managers with leadership capabilities in such areas as marketing, sales and human resources management. Especially, for people over 40 it is difficult to become efficient senior managers because they were educated and worked in a totally different environment of a conventional communist state. Hong Kong and Singapore suffer from the scarcity of high-skilled sales and marketing personnel. Singapore made a tremendous effort in that direction but Hong Kong is in a much more difficult position to find enough people with the requisite skills for the knowledge-based economies it plans to develop.

Family-owned companies in South-East Asia have only a small strata of professional managers outside the families, and their shortage impedes the rise of efficiency and competitiveness. One of the professions, most neglected so far, was a human resource manager. With the exception of the Philippines, Singapore, Hong Kong and Malaysia, where HRM professionals play more or less visible role, established employment practices and emphasis on the internal labor market did not allow to perceive the job of a human resource manager as the one requiring certified specialized knowledge. Now these perceptions are changing, boosting the demand.

It can even be argued that Asian labor markets are indirectly influenced by the ageing of the workforce and by the labor shortage, especially high-skilled professionals, in the Western developed countries. As the shortage becomes more severe, the latter countries' s companies are looking outside their own borders to fill vacant positions. For them Asia has already become an important source of talent in the technology and healthcare related sectors. It is likely that Western companies will try to lure away Asian talents on an increasing scale. In other words, Asian companies employees can be easily poached not only by next-door competitors, but also by companies located on the other side of the world.

Leading Asian companies utilize salary benchmarking in order to stay competitive and to

maintain a level of fairness regarding the wages they pay. However, external benchmarking for a number of professions remains difficult because of the narrowness of the external labor market in countries like Japan and Korea. Very high cost of young highly qualified human resource in some fields (finance, marketing, logistics, HRM) reflects the demand-supply imbalances on the regional labor markets. A kind of labor price bubble is grouing in some markets: India, Thailand and especially China with its severe shortage of professionals in the areas mentioned. Compensation level for managers in China is higher than could be expected looking at its per capita GDP. Labor costs in Hong Kong have become the highest in the region- even higher than in Japan (Towers-Perrin, 2008).

1.3. The Need for Knowledge Workers

For the time being low labor costs remain a major competitive advantage for most East Asian countries. On the other hand, the trend towards the formation of a knowledge-based economy, driven by the ICT revolution, is gaining strength in Japan and NIEs and also starting to transform the economies of Malaysia, Thailand, China and even Vietnam, exerting a strong influence on the HRM practices (Lynn, 2009).

Formation of the knowledge-based economy boosts the demand for knowledge workers. For instance, East Asian countries are eager to speed up innovation by promoting the activities of research institutions, universities and businesses engaged in R&D. Also, servicization and upgrading of the regional economies increases the demand for expertise in such areas as finance, marketing, legal affairs. The growth of East Asian economies over four decades was propelled by the rapid growth of their industrial sectors. Recent changes in the international organization of manufacturing suggest the need to reduce reliance on the sector. Manufacturing based on R&D can provide the basis for continuing some types of manufacturing but service sectors are bound to grow as a percentage of national income. In East and South-East Asia, many services are provided relatively inefficiently and their Total Factor of Productivity is still lower than the OECD average. Following Japan, Korea, Singapore and Taiwan look to innovation, not only in manufacturing but also in services. All this stimulates domestic companies to adopt HRM practices attuned to the needs of workers with specialized skills.

2. The Emergence of a Hybrid HRM System

2.1. The difficult mix between HRM concepts and traditional practices

The situation is rather complex, though. Like their counterparts in the US, Asian companies are influenced by the new concepts of HRM that focused in the last thirty years on the

development of 'high performance working systems'. In most of the cases they end up mixing what had been coined the 'hard' and 'soft' types of human capital management. Recognizing the key role of human capital in creating competitive advantages they adopt models such as the 'Matching Model' and others, putting emphasis on a tight fit between organizational strategy, organizational structure and HRM system. Those models represent an approach towards people-management systems, insisting strongly on managerial autonomy and legitimizing managerial control over employees (Boxall, 1992) that was called for those reasons the 'hard' face of HRM (Legge, 1995). But companies are also influenced by other human resource management theories, notably by the 'Harvard Model' and other frameworks developed in the US and Europe since the mid-1990 (Hyman, 2001) that started to challenge the 'hard' side Matching Model. These models develop another approaches of HRM giving more importance to a 'soft' side of HRM putting more emphasis on the employer-employee relationship (Boxall, 1992). To be efficient HRM system must foster a 'high commitment' mindset that can be developed in combining the individualistic dimensions of the HRM paradigm such as individual performance evaluation and rewards, and empowerment, with collective dimensions such as common goal and value, teamwork, harmony, information sharing, and training and development (Guest, 1995).

The key dimensions of the 'soft' HRM paradigm are not alien to East and South-East Asian organizations. Some of the aspects of the HRM paradigm were inspired by the Japanese management practices that exerted a significant influence in the West but also in the other East and South-East Asian countries in the 1960s and 1970s. Others are engrained for a long time in the culture and value systems of Asian societies (Torrington et al., 1998). But if Asian companies have indeed always nurtured a number of collective values in their human resource management practices it is difficult to mix them as such in the HRM paradigm precisely because of their socio-cultural characteristics. The collective elements promoted by the 'new' 'high performance work systems' are based on teamwork dynamics, empowerment in flat hierarchical structures, and pro-active management of conflicts. They do not aim to reproduce the Japanese 'community of fate', linking the employees to the organization in a long-term perspective based on the internal labor market concept. High commitment and loyalty do not exclude mobility. Performance and employability are the rules of the game for the two parties. On the whole this is a corporate mindset at the opposite of a company environment where intra-group harmony is based on conflict avoidance; hierarchy can not be bypassed easily; deference to authority is the norm and humility and self-restraints are considered as virtues, all characteristics that are, by and large, often associated to traditional HRM philosophy in East and South-East Asia. They are not either based on patriarchal managment concepts assuring

protection and stability.

As a consequence, be it in Japan, Korea, South-East Asian countries and China, to find a balance between those seemingly antagonistic concepts and practices promoting both individualism and collective values is not easy. Like in the US and Europe, Asian companies confron the problem of internal consistency. The difficulty is to combine employment flexibility with employees commitment; to create reward differentials, strongly requested by the most dynamic employees and based on objective metrics, whilst keeping motivated workers from core to periphery, outstanding, average and bad performers who have always worked in a system where their position was largely secure and endeavors evaluated collectively without large reward differentials.

As a result, what is observed in many Asian companies, both in developed and developing Asia, is the development of hybrid systems mixing pragmatically the two dimensions. In Japan three pillars had been identified as the foundation of the HRM system: namely long-term job guarantee; seniority-based wage and promotion system, and in-house unions (Sano, 1995). The poor state of the Japanese economy and demographic pressures related to ageing work force had built the pressure for reform since the 1980s. A growing mismatch of traditional HRM and business needs was observed. Moreover, the attitude by younger workers towards the organization and work was changing. This led to changes where employees are provided with more flexibility in recruitment and work conditions. In this respect, to talk about a 'lost decade' in Japan is clearly a misnomer. In the 90's Japanese companies made resolute steps to cut or at least limit the number of full-time employees to adjust labor costs according to short and long term economic trends. They increased the share of various types of irregular workers, launched early retirement schemes for elderly employees and offered more job and career opportunities to women. A more individualized employment system where performance determines remuneration and promotion was also introduced with an increase in the importance of HR managers in the new recruitment, evaluation and remuneration strategies; and increasing contract employment within the norm of permanent employment system (Benson and Debroux, 2004).

The structural adjustment and company reform program has been painful and achieved with significant human cost. The trend of the reform toward a more individualized employment system has often had a reverse effect as individual workers' attempt to improve their performance at the expense of collaborative efforts, such as losing tacit information and lower productivity. Companies had also to convince employees of all categories that 'objective' rules and metrics would treat and evaluate them fairly (Debroux, 2003). The process of adjustment and experimentation of the 1990s is almost over, though. The Japanese HRM practices and

their outcome are indeed different than those that were prevalent before. The level of uncertainty in term of job stability, reward and career evolution is higher in a fast changing corporate environment. Almost no Japanese company wants to come back to the rigidities of the former system in term of hierarchy and career development. Also, they know that they cannot afford anymore to keep an evaluation and reward system that had become so ambiguous and blurred by subjective considerations that it ended up by rewarding incompetence, frustrating and discouraging the best performers. The best Japanese companies such as Toyota, Canon, Panasonic and others continue to offer a long-term job guarantee to their regular employees while using more atypical workers. But it goes with an evaluation, reward and promotion system based on individual performance where elements of age and tenure have been discarded (Debroux, 2006). In most of them there is an explicit 'fast track' system rewarding the best employees more rapidly and explicitly in monetary term and career advancement. But, at the same time, adjustments are made to continue to offer a certain level of job and income security to the many employees who may think that their jobs are threatened. In some companies it even means the reintroduction of elements of seniority for some categories of personnel during certain stages of life and career (Debroux, 2003). At the regulatory level the legal framework, such as laws that protect employees from dismissal, remains deeply entrenched and significant changes cannot be expected in the foreseeable future. This is all the more so that surveys show that the large majority of Japanese employees in all age groups desire to have a career linked to some kind of long-term job stability (Benson and Debroux, 2004).

Practices such as long-term job-guarantee and seniority pay and promotion could also be found in large Korean companies (Bae and Rowley, 2004). Loyalty was important as in Japan, although it was more focused on individual relationships rather than linked directly to the organization (Kim and Briscoe, 1997) Significant changes occurred after the financial crisis in 1997. It induced drastic changes by the government and the business community. IMF intervention created an environment where flexible labor market regulation and company-level employment relations became more easily institutionalized than before. In the chaebol professional managers without connection with the founding family can be promoted to senior managerial posts except for top position (Bae and Rowley, 2004). Also, junior high and high school graduate workers can be assigned to management posts. The South Korean pattern, therefore, again should be placed somewhere in between a typical Japanese company, where almost all managers are salaried, and a Southeast Asian family-owned conglomerate where despite recent changes the family remains dominant in top positions. At the same time, companies introduced policies on labor-cost control and autonomy to recruit and dismiss

employees. On the whole, it could be said that South Korea too is shifting from an organizational concept emphasizing equality and community towards respect for an individual, individual equity and market principles. Long-term job guarantee and seniority-based pay and promotion have been gradually replaced by a more flexible employment system putting emphasis on performance and ability. Academic credentials are still important as are in-house training and promotion. Yet, unlike in the past, today companies do not attach priority to recruiting graduates of the elite universities as much as they used to and also actively search for experienced managers and high-skilled workers in the labor market (Bae and Rowley, 2004). In this respect, today's Korean labor market can be placed somewhere in between that of the US with its developed specialized education, backing a recruitment system based on the external labor market and merit-based promotion, and of Japan, where, despite recent changes, recruitment of new graduates remains the norm and backs up the still dominant internal labor market (Debroux, 2006). As in the case of Japan, Korean companies are moving cautiously, so as not to break the fragile psychological contract existing between the two parties (Bae and Rowley, 2004).

In Southeast Asian countries the necessity to shift away from labor-intensive industries, climb up the value-added chain and boost the innovation system makes upgrading of human capital one of the most urgent tasks. They need many more skilled and knowledge workers than their educational institutions can provide for the moment and better management on the part of domestic companies to make a good use of their talent. The emphasis on harmony, respect for elders, acceptance of hierarchy and group oriented interests over individual interests traditionally had a strong influence on HRM philosophy and practices (Asma, 2001). Many organizations had adopted paternalistic HR management systems integrating those elements. Seniority was important for reward and promotion, and employers were hesitant to dismiss employees due to considerations of maintaining harmony at the level of the workplace and local community. Recruitment and selection were most often based on personal relationships.

The major change after 1998 was to introduce stricter HR measurement. In Thailand it led to an increase of lay-offs. It occurred first in the multinationals present in the region but it was followed also by national large companies and family-owned businesses. Many top executives still come from founding families and key managerial positions are usually given to relatives, but a growing number of selected and promoted salaried managers are given opportunities to join top management. For example, in the CP Group in Thailand all the heads of business divisions are salaried managers (Takeuchi, 1999). Individual factors such as skills and performance became increasingly important determining factors for rewards (Lawler and

Atmiyanandana, 2004). The case of Malaysia also exemplifies this trend. The new initiatives gradually emphasized the managerial right to recruit and dismiss, short-term contract, individual performance-oriented pay and promotion, and downsizing and retrenchment (Smith and Abdullah, 2004). However, it was observed that the system of short-term fixed contract systems adopted by multinationals but also by local family-owned businesses had the consequence that the management team became less loyal to the family owners and short-term cash gain was the major attractive factor for both managerial staff and employees (Smith and Abdullah, 2004). Therefore, as in other South-East Asian countries such as the Philippines and Indonesia, in order to keep the HRM system efficient and stable the 'soft' part of HRM has been maintained along the lines of key aspects of the region' cultural and value systems, such as managerial concern to help employees and employees compliance with new managerial measures (Smith and Abdullah, 2004). The same comments could be made on Thailand. Although there are increasing numbers of professionally trained managers working in family businesses, the traditional cultural values still dominate HRM practices (Lawler and Atmiyanandana, 2004).

In all these countries it demonstrates that although there is a large recognition of the need for changes, certain elements of the new HRM system may still not mix easily with national and organizational cultures without being adapted. As will be explained in more details later on it may not be a problem for the MBA holders and other elite salarymen whose reward and career development are boosted by the reforms. But it may be the case of the other employees who are not clearly benefiting from them or at least perceive that they do not. For example, although wage differential are larger than before in almost all Asian countries, on the whole, they remain small by Western (especially American) standards (Towers-Perrin, 2008). In Japan, the differential between average employee and top managers salaries is about 1 to 15. To go beyond would be difficult to accept for the employees. The same is also true in South-Korea, although the differential is somewhat larger than in Japan. In China, skills and motivation are becoming the major criteria for selecting recruits. Material rewards, rather than a pledge of job security and benefits in kind are used as the major work incentive (Jie Shen and Edwards, 2006). The trend towards more performance-driven reward systems with less company-subsidized welfare services is gaining strength, not only in joint-ventures and wholly-owned foreign subsidiaries but also in local companies. (Warner, 2003). They readily adopt proactive HRM practices in matters such as the rights to hire and fire, performance evaluation, managerial decisions about performance standards, pay and promotion. But, at the same time, despite the strong drive towards labor market deregulation, the pay system is still influenced by the egalitarian culture and the wage differential remains low (Fang Lee Cooke, 2004).

It also appears that some of the prescriptive aspects of the HRM paradigm are changing management mindset only slowly or not at all. In most Chinese companies HRM remains quite inward looking, with a focus on wages, welfare and promotion as found in the conventional personnel arrangements, rather than strategic concerns on long-term development of human capital that are normally associated with the HRM paradigm (Warner, 2004). The same comment could be made for the immense majority of companies in the other Asian countries. Some companies such as Taiwan Semi Conductor Manufacturing (TSCM) in Taiwan (His-An Shih, 2001), Panasonic in Japan (Khan, 2005) or Samsung Electronics in South-Korea (Umashanker, 2005), have a very sophisticated and pro-active HRM system whose roles and structures are constantly upgraded and transformed. Likewise, leading Asian firms have a flatter hierarchical structure. Most successful among them are introducing empowerment schemes (Benson and Rowley, 2004). Leading companies-for example, Samsung Electronics (Umashanker, 2005), Matsushita (now Panasonic)(Khan, 2005) and more recently Lenovo (Jie Shen and Edwards, 2006)- are said to encourage challenging discussions among managers irrespective of the hierarchical rules in order to break conformism and create the dynamics of the organizational change. However, in East Asia the room for managers' initiatives and risk-taking remains limited, as it was observed that most companies still adhere to a set of standardized rules as a norm (Benson and Rowley, 2004). So, on the whole, Asian firms are still far from what Storey (1992) called 'impatience with rule' , or the 'can do' outlook associated with the high performance model of HRM (Guest, 1995).

In term of job mobility, the situation is contrasted. The mobility of Japanese managers over 35 years old is growing, but remains comparatively low compared to Western countries (Debroux, 2006). In South Korea and Southeast Asian countries a mid-career change of a working place carries almost no negative social image (Bae and Rowley, 2004). Most of the newly recruited university graduates, especially those who have a potential to become managers, anticipate moving to another company in the future and are keen to acquire functional skills going beyond the contextual skills required by a particular firm (Aoki and Okuno, 1996). So, it might be said that the concept of employability is penetrating their mindset and makes gradually the relationship they have with their employers more contingent.

Singapore was one of the first countries to shift away from capital-intensive sectors and move towards a knowledge-driven economy. Ambitious projects are emerging or are envisioned for the next decade in India, South Korea, Taiwan and China. Leading Asian cities are creating life-science centers/hubs such as Singapore Biopolis, a science park for biomedical and other knowledge-based industries, or Hyderabad with its project of life-science to match its IT Industry. China, Korea and Taiwan are building biotechnology clusters to attract back to

their countries the expatriate scientists trained overseas. Malaysia, Taiwan and Hong Kong are impressed by a number of Chinese success stories and are eager to emulate them. Formal university-industry partnerships are still rare in Asia, although the situation is changing fast in countries such as Singapore, China, Taiwan and Japan. In China, universities and research institutes have contributed a great deal to the growth of local industry. Some of the largest high-tech companies such as Lenovo and Tongfang are spin-offs established to make and market their inventions (World Bank, 2006).

Emphasis of innovation naturally leads to a growing interest towards issues related to intellectual property. Its value goes beyond the one a company can extract by licensing its intellectual property assets, as it helps it to position itself in the market. Today East Asian countries start to establish institutions assisting companies in managing their intellectual property assets: such as IP Academy in Singapore or Society of Intellectual Capital in Indonesia. In China, too, understanding of the benefits of intellectual property rights is growing. However, for the time being it remains mostly on the defensive, and institutions involved are engaged in compiling the inventory of intellectual property assets. The transition to a pro-active strategy requires more education at the company level to provide better understanding of the rules and international standards by the personnel. Also, Chinese companies need more people knowing how to systematically create, manage and leverage intellectual property as part of the value creation process (Tan, 2006).

To summarize, the need for knowledge workers in East Asia is bound to increase dramatically in the future. Companies willing to attract knowledge workers must be able to promote values and norms emphasizing the importance of creativity, individual initiative, knowledge sharing, commitment and trust, while developing compensation and career development structures that can not only motivate those workers and retain them for quite a long time. Asian companies, especially if they confirm their eagerness to recruit Western knowledge workers as well, will have to recognize that management of knowledge workers is different from that of other workers. Apparently, they will be increasingly demanding in terms of monetary and non-monetary reward, ask for a more active role in formulating strategies and claim a wide access to information. To accommodate those requirements, East Asian companies will have to change their corporate culture.

2.2. Diversity Management

This point relates indirectly to the issue of diversity management. Workplace diversity involves recognizing the value of individual employees' differences and managing them in a productive way. In Asia, however, it is often more common to see employees being expected

to fit into a uniform corporate culture where individuality can become stifled.

Even non-discrimination policies have not yet become a standard for most Asian companies. The sorts of policies found in Western multinationals (and often mandated by law in their home countries) are not very common. In many respects, the law in most countries in Asia is incomplete in its coverage of discrimination issues. Moreover, sometimes government policies themselves place a particular ethnic group above others.

One important aspect of diversity management is the gender issue. As decreasing birth rates are expected to cause serious labor shortages, Asian countries will have to change their work organization so that it can accommodate the needs of female and elderly workers, as well as to accept more immigrant workers. True, gender discrimination still exists in some Asian countries although its most blatant examples of it (for example the de facto obligation of quitting the job for a married woman or denied access to training and career development schemes) are fading away. More and more women enter the labor market and stay there after marriage and birth giving. Female employees' share in the total number of persons employed is bound to increase in the years to come. More women are and will be promoted to managerial positions (Rowley et al., 2009).

Diversity management is not limited to the above-mentioned issues. As time goes by, more and more people in Asia are and will choose different lifestyles and working patterns, depending on their preferences, ideals, and personnality. So far, in most Asian countries those issues have not been attached great importance or approached in a positive way. For instance, such aspect of diversity as unconventional sexual orientation has been looked upon with suspicion and dismay. Mostly, East Asian countries' basic policies on the diversity-related issues were rather reactive than proactive: they limited themselves to making statements about their commitment to non-discrimination on the basis of gender, race or religion (Welford, 2006). The idea that the region's emerging multinational corporations are bound to promote, not restrain the workforce diversity to raise their global competitiveness is quite new for Asia. If one examines the profile of employees in sectors such as information technology, financial services, law, consultancy, accounting and academia, it is found that large segments of the population are under-represented in those fields (Asian Development Bank, 2006). A pro-active approach to diversity could simultaneously reinforce economic competitiveness, address existing labor shortages and open career opportunities for traditionally disadvantaged people.

3．The Building of Sustainable Labor Relations

3.1. Towards a Balanced Psychological Contract, But Not For All ?

As a result of the labor market reforms, career patterns in the region are becoming more

diversified. It cannot be denied that the values of both an employee and an employer and what they expect from one another are changing all around the region (Bae and Rowley, 2004). There is a trend towards more contingent type of relationships, more driven by the external labor market. Despite the willingness of many companies to keep employment stable for the regular employees long-term job guarantees as an implicit social contract are fading away for an increasing percentage of employees. They do not perceive Asian companies as benevolent employers any more. However, everywhere in the region they expect the latter to treat them fairly, to provide relevant compensation and promotion opportunities and to be transparent regarding evaluation criteria.

Rousseau (1995) developed a threefold typology of psychological contracts: 1) relational with high mutual (affective) commitment, high integration and identification, continuity and stability; 2) transitional with ambiguity, uncertainty, high turnover, termination and instability 3) balanced with high member commitment and integration, ongoing development, mutual support and dynamics. In the pre-crisis Asia the seniority-based relational – type HRM was dominant albeit with variations from country to country. This was pivotal for various HRM practices such as recruitment, evaluation, training, promotion, pay and termination (Bae and Rowley, 2004). The Asian model of HRM was widely seen as basically 'non-adversarial' . Open conflicts leading to actions such as strikes were constrained by culture, ideology or law (Torrington and Tan Chwee Huat, 1998). Conflict management was handled in a variety of ways in the respective national contexts, but it was largely congruent with the values common for Asian societies regardless of their political system. As mentioned earlier the respect for authority, the search for social harmony, the important role of personal relationships and social connections appear, among other similar examples, in Indonesia' s Pancasila (Five Principles) emphasizing work in harmony and conflict avoidance; in the Thai concept of Men pen rai, reflecting the desire to keep peaceful relationships; or in the National Shared Values in Singapore, reminding people of the need for mutual respect and tolerance (Torrington and Tan Chwee Huat, 1998).

Therefore, the transition from work and business culture putting more emphasis on collective endeavours (Hofstede, 2001) towards the one based on individualism is indeed a challenge. However, the new urban generations, especially the middle class, do not seem to have too many problems with a type of management culture where promotion, pay and other organizational benefits are based on individual contributions rather than group characteristics. They do not believe that they have lost their cultural identity because of accepting new working norms. On the contrary, the rise of their academic standards and the exposure to the outside world makes them more assertive. Paternalistic corporate cultures, with symbols such

as seniority, company songs and slogans, no longer appeal to talented and ambitious individuals. As explained beforehand, wage differential remain smaller then in the united states. However, respect for continuity did not prevent Asian companies from adopting, from the early 1990s, advanced HRM systems, recognizing more explicitly individual achievement, rationalization and efficiency and considering such recognition to be the manifestation of fairness for their young managers (Dessler, 2009).

At the same time multinationals operating in East Asia are now largely blurring the line between local managers and the expatriates in terms of reward and career development. The high commitment type of HRM they introduce for both categories of managers looks quite natural as they often graduate from the same US, European and increasingly Asian universities (as young Americans and Europeans are also starting to study in the best Asian education institutions as well and are often sent back to Asia by their companies after graduation) and business schools. Large differentials in compensation (beyond those considered reasonable due to a higher living cost for a foreigner) would be looked upon as discrimination. As working for a foreign company is now socially acceptable for the local elite, local companies have no other option but to offer similar packages to recruit and keep the best human resource.

These HRM practices definitely mean a transition from the relational to a balanced psychological contract. The problem, however, is that it is often limited to managers and a relatively small group of other core strategic workers. On the other hand, the gap between them and other workers is further widening (Bae and Rowley, 2003). The two-tier system, treating the working elite and the others very differently, reflects the fact that a new HRM system is seeking to achieve two apparently contradictory objectives. On the one hand, development of human resource is expected to pave the way for a kind of employees-management partnership profitable for both parties. In the long-term perspective it is considered as a key success factor. Core employees' participation in the decision-making is encouraged and they are delegated rights and responsibilities that influence the company performance (Tomer, 2001). However, at the same time companies relentlessly stick to cost-reducing practices, seeking more numerical and financial flexibility. For many employees, not benefiting from the core employee status because their contribution is not considered as strategic, or for those who perceive performance-based systems as a threat to their jobs, it is very difficult to assimilate the new work culture. Recent studies show that many of those employees have a strong feeling of being treated just as "another factor of production" (Caspersz, 2006). It happens in spite of all the attempts on the part of companies to develop a strong corporate culture that would replace the old, paternalistic one for all class of employees. Empowerment of non-managerial personnel cannot be done on an individual basis like in case

of the managerial personnel. Workers have to be dealt with as a group. Workers councils with consultative function can be utilized efficiently in some cases but in some others unionization may be a reasonable option to let employees exercise their 'voice' on matters such as wage, job security, training and career development. However, this is something that companies in Asia, locals but also multinationals, are reluctant to admit. It is true that some of them provide much higher remunerations and much more welfare than smaller local companies- even for lower level employees and for people working for their subcontractors. They develop attractive incentive-based systems bestowing material rewards in order to motivate both their blue and white-collar workers. Their strategy is to underline the importance of corporate culture and commitment, trying to avoid the formation of systems or institutions, for instance unions, that may provoke a stand-off with their employees. The opposition by multinational corporations, such as Wal-Mart, Microsoft or Nike, to the draft of a new Labor Act in China- the one they perceive as too 'pro-union', is an illustration of such an attitude (Ho, 2006).

The results so far are not always unsuccessful. Workers are pleased to see their efforts explicitly rewarded and to receive concrete gratifications for it. In many companies it has created a rather high organizational commitment. Still, doubts remain about the effectiveness of such systems in the long-term unless they cannot provide enough security and career predictability, and a minimum of participation to the decision-making process at the level of the workplace. Therefore, companies reluctant to accept unionization take the risk of reduced effort on the job and lower contributions in the form of loyalty and commitment (Gough, Holland and Teicher, 2006). Job-hopping of skilled workers is already a serious problem in Malaysia, Thailand and Indonesia. In the factories but also in the workplaces like call centers and business process outsourcing (BPO) the turnover rate is quite high. The reasons surely reflect the labor market fluctuations and other factors, but one of them is probably the lack of talent development initiatives and attractive career planning systems offered by the companies (Lynton, 2006). It creates a vicious circle because high labor mobility reduces the companies' motivation to maintain or improve in-house training and education, and may even hinder their efforts in this area. As a consequence, especially in countries where specialized education cannot cope with the rapid market and technological changes, which is the case of most developing Asian countries, increased labor mobility seems to have widened the supply-demand gap for many skilled workers categories. It eventually drives up wages, and thus, labor costs higher.

3.2. An Asia-Specific Institutional Framework

For the time being, it is hardly possible to trace human resource management pattern,

common for most countries of the region. There are no regional institutions, imposing social constraints that would have significant consequences for labor markets and employment practices, such as in the European Union. In Europe tripartite forum where interdependent social partners, public authorities, labor unions and companies, work together on the labor issues are the focal point of the labor regulation system. At the country level there are also tripartite forums in Japan, Singapore and Malaysia but it is not the case in the other countries. Moreover, in Malaysia and Singapore the influence of the state is notably stronger and the social dialogue is strongly skewed in its favor.

In East Asia, with the exception of Japan, the shift towards a more shareholder driven corporate governance is taking place even before genuine trilateral partnership could be envisioned. It forces Asian companies to look for innovative solutions in order to preserve social stability at the corporate level and, at the same time, to raise the companies' efficiency and competitiveness.

In Japan the in-house unions remain the most prevalent organizations representing the workers' interests. China and Vietnam allow the existence of only one national union, which functions strictly in accordance with the Communist Party's guidelines. The role of labor unions in most countries of the region is declining including in Japan and Korea. In Malaysia and Indonesia the state has used its legislative power and executive apparatus to prohibit or curtail the unions' activities allowing only one state-sponsored workers' representation body. For instance, Malaysia until recently banned the creation of unions in the electronic industry. In Indonesia unions were controlled by the state and were prohibited to deal with the issues related to remuneration and deployment of workers (Caspersz, 2006).

A recent survey (World Bank, 2006) shows that labor market regulations in East Asia tend to be relatively flexible. Compared with other regions and the OECD average, the region has the lowest indices for difficulty in recruiting and laying-off as well as rigidity of hours, recruiting and laying-off costs. Indeed, management practices, emphasizing flexibility, can help to attain cost advantage in the short term. However, they may meet strong resistance having negative long-term implications-among other things, also in terms of costs. Growing flexibility reflects the high job creation potential of labor-intensive service industries, as well as the convenience of part-time employment for those workers who need time to take care of their children or to indulge in another activity of their choice. The problem is that the subsequent feeling of economic and social insecurity it creates is liable to cause a backlash against further HRM system reforms. This is especially true because no East Asian country has a social safety net comparable to that of the Western European welfare states. A structural feeling of insecurity may result in recurrent industrial unrest and have a negative impact on

consumption and investment climate.

In China the downsizing of organizations and changing recruitment and retention practices are more or less contained by the State apparatus for the time being, but the worries they create are bound to grow stronger with the growing access of people to information. Indonesia is increasingly plagued by rampant industrial disputes, and so is South Korea in a number of industries (automotive, transportation, shipping). For East Asia, with the exception of Japan, growing employment and income instability may be a bigger problem than for the West as structural uncertainty in the social position of the people belonging to the middle class (and also of those who has not yet reached that level but at least succeeded in entering the formal employment sector) would have more serious consequences for them. In East Asian countries most middle class families may have high saving rates but they do not sit on assets accumulated for several generations as do many middle class families in the developed world. Thus any negative change in their job and income may have dire consequences for them and their family.

4．Concluding Comments

In general, it is safe to say that Asian companies attach more and more strategic importance to human resource management, though it is not yet clear if they will follow the prescriptive approach based on strategic integration, commitment, flexibility and quality adopted by large American companies (Legge, 1995). In management-labor relationships potential strategies are always multi-pronged. They vary from 'responsible autonomy' to 'consultations' and 'control'. At one and the same time different strategies can be applied to different groups of employees within the same company. So, there is always a mix of 'hard' and 'soft' elements in any HRM strategy. One of the big problems East Asian companies are likely to face in the long run is the formation of a dual structure of employment: skilled and thus 'empowered' workers, continuously improving their capabilities on the one hand, and, so to say, irregular workers of different types, expected to be just "cheap" and "flexible" , on the other. In general term, such polarization may cause enormous social problems. But it could also damage the corporate management and, thus, profitability. Therefore, it may become an imperative for employers to think about a psychological contract with all employees, not just their privileged groups. It is likely to pave the way for new approaches to labor relations.

Basic principles of human resource management are becoming more and more similar throughout the world. HRM becomes increasingly sophisticated and multidimensional. On the other hand, though the foundation is becoming similar, companies in East Asia are experimenting with different approaches, methods and techniques that fit to their specific

conditions and needs. Asian specificities as well as differences between East Asian countries themselves, routed in national cultures, history, law, institutions and organizational structures definitely remain important. There is nothing wrong about it per se. It is not necessarily a product of institutional and organizational inertia. To work well, HRM has to be adjusted to socio-economic, cultural and political realities in every particular nation.

Large local and foreign companies are able to modernize their HRM systems faster than the states and the societies as a whole get ready to accept the change and find solutions appropriate for all categories of workers. But, it would be wrong for companies to let the state alone to solve the issues resulting from the implementation of their policies. First of all, public authorities may be unable to solve the problems on their own. Second, it may force them for social and political reasons to implement policies that could be detrimental to economic welfare (recourse to protectionism for example in order to protect categories of population that do not fit anymore into the job strategies of companies) or that could even end up with curbing civil liberties (restriction to the right of association in order to keep labour cost low for example) as Malaysia and Indonesia did for a while in some export-oriented industries.

The issues of nurturing high skilled workers, of devising stable and efficient HRM systems for them are very complex and both public authorities and companies devote huge resources in this respect. It is the responsibility (and the long-term interest) of both parties to work together to create a HRM system that would be efficient economically and fair socially to all segments of the population.

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