

# Policy Responses to Precarious Work in Asia

**Edited by**  
Hsin-Huang Michael Hsiao  
Arne L. Kalleberg  
Kevin Hewison



Taipei, Taiwan  
July 2015

First published July 2015

by the Institute of Sociology, Academia Sinica, Taipei, Taiwan  
128, Sect. 2, Academia Rd., Nankang Dist., Taipei City 11529, Taiwan  
Phone +886-2-2652-5100 / Fax +886-2-2652-5050  
ioswww@gate.sinica.edu.tw  
<http://www.ios.sinica.edu.tw/>

© Institute of Sociology, Academia Sinica

The book is in copyright. All rights reserved. No parts of this publication may be reproduced or transmitted in any form or by any means, including information storage and retrieval systems, without prior permission in writing from the Institute of Sociology, Academia Sinica, Taipei, Taiwan.

Policy Responses to Precarious Work in Asia / edited by Hsin-Huang  
Michael Hsiao, Arne L. Kalleberg, and Kevin Hewison

276p. 15 × 23 cm

Includes References.

ISBN 978-986-04-4964-8 (paperback)

GNP 1010401091

precarious work, policies on nonstandard workers, Northeast Asia,  
Southeast Asia, South Asia

Printed in Taipei, Taiwan

## Featuring Policies on Precarious Work in Asia

*Hsin-Huang Michael Hsiao, Arne L. Kalleberg,  
and Kevin Hewison*

Precarious work has become more prevalent in Asia in recent years, as it has for the most part in the rest of the world. By “precarious work” we mean work that is insecure and uncertain and in which workers bear the most risks and receive limited social benefits and protection. The expansion of precarious work in the industrialized countries of East Asia (such as Japan, South Korea, and Taiwan) reflects a departure from the more stable and permanent work patterns that marked their transition to “modern” industrial societies. In the countries of South and Southeast Asia (such as Indonesia, the Philippines, and Sri Lanka), work in the “modern” sector has long been precarious because of the growth of the informal economy in these countries as workers have moved out of the pervasive agricultural sector. Unstable and insecure employment practices have also spread to the formal industrial and service sectors in these countries.

Precarious work has negative consequences for the nature of work, workplaces, and people’s work experiences. It is also a social, economic, and political concern in that it affects people’s ability to raise families and manage their everyday lives. The costs of precarious work, in terms of limited welfare, poor housing, and economic insecurity, are far-reaching and cut across many salient topics in the social sciences. Precarious work has an impact on workers and their families, governments, and businesses. Concerns associated with the spread of precarious work in Asia have provoked a range of responses from workers and governments. While market reforms and the growth of

precarious work have decreased the power of organized labor and workers to campaign for progressive social policies, there are signs in some Asian countries of growing worker and trade union resistance to the spread of precarious work and economic inequality.

The growth of precarious work has thus become an increasingly urgent issue, and governments in Asia (and the rest of the world) are coming under pressure to “do something” to reduce social and economic distress. Existing welfare regimes based on a model of relatively stable work are no longer adequate now that precariousness is the dominant feature of employment relations. Governments have been pressed to extend social protection to help people who do not have stable work to manage the new risk structures and to revise existing labor laws and enact new ones that may help regulate precarious work.

These responses to precarious work underscore the political nature of economic restructuring and social welfare. The character of the political response depends on the social, political, and economic context: in many European countries, for example, it is often assumed that the state will manage the social impact of precarious work, while in many East and Southeast Asian countries, the elites may want to calm social unrest generated by capitalism’s competitive transformation and maintain order in society through electoral populism or social welfare expansion.

The chapters in this book provide an overview of the rise of precarious work and the political and policy responses to it in a variety of Asian countries, both in East Asia (Japan, South Korea, Taiwan, and China), Southeast Asia (Indonesia and the ASEAN countries in general), and South Asia (Sri Lanka). Each chapter places the growth of precarious work within the social, economic, and political context of the country or countries in question and provides a wealth of information on trends in precarious work and their consequences. In this introduction, we provide a brief synopsis of each of the chapters and highlight some of the general themes that emerge.

Chapter 2, “Confronting Precarious Work in Asia: Politics and Policies,” by Arne L. Kalleberg and Kevin Hewison, continues the overview by outlining the reasons for the growth of precarious work in the countries of East, South, and Southeast Asia in recent years. It then

reviews some of the social movements and the actions taken by unions and other organizations that have put pressure on governments to adapt their social welfare policies and labor market regulations so as to provide greater social protection from the consequences of precarious work. The chapter concludes with descriptions of some of the policies that these countries have adopted in an effort to maintain “flexibility” for employers while at the same time providing individuals with “economic security,” retraining and preparing workers for good jobs, and devising laws and regulations to protect workers in non-regular employment.

## **I. Policies on Precarious Work in East Asia**

The decades immediately after World War II saw the emergence of a normative conception of work that emphasized fairly stable employment at least for workers in core industrial sectors. This “standard employment relationship” (SER) was mainly limited to male workers and provided the basis of the labor laws and social protections associated with the “developmental” state and “productivist” welfare system represented by Japan, Korea, and Taiwan. In China, the “iron rice bowl,” like the SER, guaranteed workers in state-owned and collectively owned enterprises a measure of predictability in work and welfare.

Changes in each of these countries in the last several decades—such as the rise of globalization and a recent slowdown in economic growth—led to a dismantling of the SER and China’s iron rice bowl provisions and to the rise of more precarious forms of work involving non-regular or nonstandard employment relations. These economic and political changes were exacerbated by the Asian economic crisis of the mid-1990s, which helped to accelerate the deregulation of labor markets and the decline in union power, and generally shifted power from labor to capital. In China, the rise of precarious work can be traced to the economic reforms of the mid-1980s, which led to the dismantling of the iron rice bowl and the creation of a market economy.

The four chapters in the section on East Asia describe the dynamics that led to the rise of precarious work in Japan, South Korea, Taiwan, and China and the reactions this provoked from unions and governments. The general patterns were in many ways similar in all of

these countries, though their unique historical trajectories resulted in distinct developments.

“Policy Responses to the Precarity of Non-regular Employment in Japan,” by Jun Imai, provides an overview of the rise of non-regular work in Japan and the responses to it. Today, “non-regular” workers account for about 36 percent of the total workforce in Japan. They are now more likely to be young people and or men who are excluded from the livelihood security system; this is a change from the past when non-regular workers were mainly middle-aged housewives. These women were not socially excluded as they were working to supplement the income of households in which the main breadwinner was likely to be in regular employment. Imai underlines the importance of gendered, cultural, and ideological factors, such as notions of justice and fairness, in addressing issues related to the division of labor and the rise of precarious work. For example, where it was once felt that non-regular work was not suitable for men—given the dominance of the male breadwinner-female homemaker model—this attitude has changed in recent decades.

In the early 2000s, increasing inequality and social exclusion gradually became an issue in Japan. New types of labor union movements were created that targeted non-regular workers and the media highlighted the plight of those excluded from the livelihood security system. On the policy side, efforts were made, especially in the late-2000s, to re-regulate employment relations through, for example, revision of the Part-time Work Law and the Temporary Dispatching Work Law and the creation of official study groups that tried to deal with the idea of equal treatment for workers in these categories of employment. These efforts led to the adoption of a principle of equal treatment for regular and non-regular workers. However, the equation of fairness and justice with the idea of company citizenship led to equal treatment only in cases where regular and non-regular workers did the same work; otherwise, it did no more than formalize and legitimize the differences between these two kinds of workers. Imai shows that the actions of the state, firms, and labor in dealing with concerns over non-regular work are still constrained by the idea of “company citizenship” as the hallmark of fairness and justice, and he argues that it will be

necessary to come up with an alternative logic to company citizenship in order to break down this cultural/ideological rigidity.

Kwang-Yeong Shin's chapter, "Labor Market Flexibility and Policy Issues of Non-regular Employment in South Korea," discusses the political debates and policies that led to protests and struggles by non-regular workers in South Korea. The issue of non-regular work became prominent in South Korea after the financial crisis of 1997. One result of this crisis was a transformation of labor policies and the politics of crisis management, which reduced the power of both business and labor and enabled the government—under pressure from the IMF—to enact labor market reforms, including deregulation, that would reduce labor costs at the company level and enhance labor market flexibility at the national level. The economic crisis also led to the establishment of a tripartite committee comprising representatives from the government, business, and labor to oversee labor market reforms. In the 2000s, the organized labor unions withdrew from this committee and their influence declined in comparison to that in the 1980s and 1990s. Non-regular workers, who now comprised one-third of all employees in South Korea, were excluded from decision-making processes by the state, business, and organized labor, and they responded with a series of individual and collective protests (in the form of strikes) against discrimination and the neoliberal reforms. These protests were directed toward companies, the government, and even the organized unions. While these protests had some influence on the political discourse, the government's policy responses have failed to reduce the social, economic, and political exclusion of non-regular workers.

This chapter raises the question of what kind of democracy is necessary for protecting the rights of non-regular workers. Shin shows that policies toward these workers and the labor market were much the same under both democratic governments (1998-2008) and more authoritarian, conservative governments (2008-present) in South Korea; in both cases, non-regular work has been associated with low wages and inadequate social protection. He underscores the need to take into account the quality of democracy and the inclusion of non-regular workers when creating labor market policies to address issues of precarious work.

In the chapter entitled “Assessing Reform of the Policies on Nonstandard Workers in Taiwan,” Peter Jen-Der Lue, Hsin-Huang Michael Hsiao, and Chien-Hung Lee discuss policies adopted since 2000 to address the problem of the working poor caused by an increase in nonstandard employment in Taiwan. Nonstandard employment has become more prevalent since 2000 due to intensified globalization and deindustrialization, and the increasing outflow of foreign direct investment (FDI) to China. The authors argue that policy responses to the growth of precarious work have gone through three main phases: a passive regulation phase (1994-1999) during which the emphasis was on providing unemployment insurance but little attention was paid to active labor market policies; a facilitative development phase (1999-2008) during which the expansion of nonstandard work was encouraged in order to enhance labor market flexibility; and a re-regulation phase (2008-present) when (ineffective) efforts were made to protect nonstandard workers’ rights and benefits.

In Taiwan, there is little consensus between employer organizations and labor unions, and this has hampered the enactment and implementation of laws regulating agency (“dispatched”) workers. Policy making has been piecemeal and incremental. For example, policies to enhance flexibility have been decoupled from those designed to increase security, which contrasts with the more systematic and integrated nature of European models of “flexicurity.” Legislation has focused mainly on increasing internal numerical flexibility (such as the introduction of flexible working hours, the institutionalization of part-time work, and easing of limitations on fixed-term employment) rather than on the regulation of dispatched workers. Policies have been aimed at adapting to the changing demands from employers for deregulation in order to respond to the competitive challenges of globalization. Less emphasis has been placed on security, as the Taiwanese state does not hold itself responsible for the outcomes of the market; rather, the state acts as an enabler that facilitates the capacity of all citizens to compete in the market through access to education and health insurance schemes. No specifically pro-labor welfare policy was ever launched as the labor movement was too weak.

The case of China, which is discussed in “Regulating Precarious

Labor for Economic Growth and Social Stability in China” by Feng Xu, is different from those of the other three East Asian countries. The Chinese labor market is a fairly recent creation that came into being in the mid-1980s when the government introduced labor contracts to replace the “iron rice bowl” employment system in state-owned and collectively owned enterprises. Like the SER, this system of lifetime employment and social protection was only enjoyed by the minority of residents with urban *hukou*; unlike the SER, the iron rice bowl was not a social and economic compromise between labor and capital. The Chinese government’s labor market initiatives from the mid-1980s led to a rapid rise in unprotected, flexible, and informal employment and a decline in workplace-based social provisions. Prominent in the rise of non-regular work was the growth of labor dispatch (temporary staffing) companies.

The growth of precarious work provoked protests by workers calling for higher wages and better working conditions, and these protests threatened the maintenance of harmonious labor relations, an essential feature of the Chinese government’s “harmonious society.” In response to these protests, the government introduced the Labor Contract Law (LCL) in 2007 that provided a variety of protections for labor, many of which were based on the enactment of labor contracts between employers and various categories of workers. This law had the effect of increasing the segmentation of the workforce, many members of which (such as self-employed care workers and undocumented, usually migrant, workers) did not have any protection at all. Moreover, capitalists opposed the LCL and sought to get around its key provisions by means of such practices as outsourcing. This shows that in the absence of independent unions, as is the case in China, labor laws will be poorly enforced. This underscores the need for organized labor as a countervailing force to the exploitative power of capital.

## **II. Policies on Precarious Work in Southeast and South Asia**

The remaining three chapters of this book deal with the situation in a number of countries in Southeast and South Asia, including middle-

income economies like Indonesia, the rapidly developing economy of Sri Lanka (where, until recently, a long civil war hampered sustained development), and the important ASEAN countries. The experiences of these countries are different from those of East Asia, as workers in Southeast and South Asian countries encounter precarious work when they move out of the agricultural sector into the industrial and service sectors. Industry and services in these countries are characterized by the extensive use of uncertain, unstable, and insecure employment practices. Precarious work practices are introduced to reduce costs and maximize flexibility for employers who are competing globally. In several of these countries, small groups of workers in the so-called modern or formal sector have enjoyed relative security and had access to some benefits and even collective bargaining. However, the chapters in this section show that this small formal sector is undergoing rapid informalization while the informal sector is persisting and expanding.

“Labor’s Struggle Against Increasing Labor Precarity in Southeast Asia,” by Rene E. Ofreneo, provides an overview of precarious work in the ten economically diverse countries that make up the Association of Southeast Asian Nations (ASEAN). Most of the precarious workers in these countries work in the informal economy, particularly those in the formerly socialist-oriented countries of Cambodia, Laos, Myanmar, and Vietnam, and in the more mature ASEAN market economies of Indonesia, the Philippines, and Thailand. However, precarious work has also become more prevalent in the formal sector across the region, largely as a result of the increasing globalization of the ASEAN economy and labor market. Precarious work in the formal economy is generally characterized by short-term work arrangements and the limited application of protective labor laws.

The growth of precarious work in the ASEAN countries is also a function of the small size of the union movement and its political weakness, which limits organized labor’s influence on policy, resulting in a weak system of labor protection in most of these countries. In large part due to the weakness of the unions, ASEAN governments have tended to recognize arrangements such as outsourcing as legitimate business practices. Nevertheless, unions have protested against outsourcing and have been able to secure significant policy changes or

adjustments in outsourcing rules in the Philippines, Indonesia, and Vietnam. In other countries, such as Cambodia and Thailand, resistance by labor against informalization has sometimes provoked violent repressive measures. The absence of labor laws, as well as a lack of monitoring mechanisms and dispute resolution systems to enforce those laws that are in place, is a major problem in several of these countries. The challenge for these ASEAN countries is to reverse the spread of precarious work by strategic union action as part of a united front to counter the dominance of capital in the global economy.

The chapter by Indrasari Tjandraningsih, "Precarious Work in Indonesia: State and Policy Responses," describes the growth of labor outsourcing in Indonesia after the 1997-1998 Asian economic crisis, which was accompanied by the fall of the Suharto government and the installation of a democratic regime along with increased demands for greater labor flexibility. During and immediately after the crisis, the IMF and the World Bank promoted labor market flexibility. Outsourcing was legalized in 2003 and soon became widespread, creating a new actor in industrial relations: the labor agency. These changes resulted in complicated and difficult labor relations, fragmenting the workforce by work status and reducing trade union power. This has led to a process of informalization in the formal sector, lower wages, and poorer working conditions. The government's decentralization policies resulted in local variations in labor law implementation and greater labor market flexibility; this reduced the state's role in providing protection for workers and led to the institutionalization of a dual labor market consisting of permanent workers with a relatively high degree of protection on the one hand and more precarious workers on the other.

Unions have mobilized to put pressure on the Indonesian government to offset the negative impacts of precarious work, and some measures designed to protect workers from the detrimental impacts of outsourcing have been introduced. Unions have also appealed to Parliament and the courts, resulting in a recent court ruling that the hiring of workers on short-term contracts without benefits is unconstitutional. Greater protection for outsourced workers was mandated by this controversial decision, although progress has been slow. In addition, unions have joined with community groups in calling

for the government to provide social insurance for all citizens. The expansion of social security includes employment, life, old-age, and health insurance, as well as insurance against workplace accidents, for all workers and their families, and will eventually include a retirement pension scheme. These changes are part of the government's response to union pressure and its determination to tackle some of the negative consequences of precarious work.

South Asia is represented in this volume by "Policy Responses to Precarious Work in Sri Lanka," by Siri Hettige, which offers an overview of the development of precarious work in Sri Lanka and the government's responses to it. Hettige describes how Sri Lanka began to adopt neoliberal economic policies in the mid-1970s, when state domination of the economy ended. This led to casual, migrant, and informal sector labor becoming the largest part of the labor force. Formal sector employers begin to rely more and more on outsourcing and subcontracting to avoid strict labor laws that governed the hiring and firing of workers. The growing prevalence of precarious work has also led to a greater segmentation of the labor force and an increase in income inequality. Government expenditure has also been increasingly targeted at the development of the economic infrastructure at the expense of spending on health, education, social services and protection. The diversity of employment conditions and work in Sri Lanka means that there are wide variations in social protection coverage, which extends to only about a quarter of the population.

The state has failed to introduce effective policies and legislation that would provide more favorable working conditions and social protection to workers in Sri Lanka. Since only a small portion of the labor force is employed in the formally organized sector, providing these workers with social protection would exclude most of the workforce. Casual and migrant workers would continue to live and work under precarious conditions with low and uncertain wages, poor and dangerous working conditions, and no retirement benefits. Even the few schemes introduced in the recent past in response to public pressure, such as those that provided retirement benefits for farmers, fishermen, and the self-employed, have already been abandoned or scaled back due to a lack of state funds. Moreover, the transition from precarious work to regular and

stable employment is difficult, suggesting that the negative aspects of precarious work are likely to persist.

### **III. Concluding Remarks**

The chapters in this volume illustrate some of the responses to the growth of precarious work in a number of different Asian countries. All the countries represented here have experienced an increase in precarious work in recent years which has had wide-ranging effects on both work and non-work aspects of social, political, and economic life.

In all these countries, reactions to the increasing prevalence of precarious work have ranged from union activism to various types of social movements. Government responses have also been varied, both in terms of the type and degree of change. As indicated in chapter 2, the idea of “flexicurity” is one possible way forward for Asia. But there are difficult trade-offs involved in a flexicurity strategy, some of which are already appearing in a number of Asian countries.

Taken as a whole, the chapters in this book provide an assessment of the current state of research and policy discussions pertaining to a vital aspect of the political economy of work that is likely to take on increased importance in the twenty-first century.