

Industrial Democracy and Institutional Environments: A Comparison of Germany and Taiwan

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Facing economic liberalization and industrial restructuring since the mid-1980s, Taiwan's labour has been advocating the idea of industrial democracy. The German co-determination system has been admired as a model to emulate by some of Taiwan's labour activists. Although the demand for workplace democracy in Taiwan seems to be promising given recent economic pressures and political democratization, the future realization of this notion remains in doubt due to the lack of complementary institutional environments in which the German co-determination system is embedded. This article identified seven key institutional factors affecting the making of industrial democracy, which consist of cultural values and ideologies, labour power, strategies of capital, the role of the state, the legal system, participatory structures and labour education. Using a historical comparative approach, this article compares the differences in these institutional factors and explains the relative effectiveness of the realization of industrial democracy between these two societies.

Keywords: comparative industrial relations, comparative politics, democratic development, institutional analysis, labour history, labour movements

Introduction

In recent years, the notion of industrial democracy has been an increasingly discussed issue in labour relations. In Europe, this issue has been revisited at both national and cross-national levels. In other countries, like Taiwan, industrial democracy is a new demand by labour to advance its participatory rights at workplace and societal levels. Historical experiences illustrate that the effective realization of this notion varies across nations owing to different institutional environments that facilitate or impede the development of a democratic system in industrial relations. Generally speaking, the former West Germany (henceforth Germany) might represent one of the most successful examples in materializing the idea of industrial democracy in postwar labour relations. Some have argued that the German industrial relations system has contributed to its postwar economic and social performance. Compared to other OECD nations, Germany has been the only country able to boast trade surpluses every year since 1952. Its value added in manufacturing as a percentage of GDP was above the OECD average. In terms of price stability, inflation in Germany was the lowest of the major OECD nations in 1963-73 and again in 1973-9 (OECD, 1989). With respect to industrial disputes, Germany maintained a higher level of industrial peace compared to most other European countries (Bamber and Lansbury, 1993). Consequently, German postwar experiences of industrial democracy were highly admired by labour activists in some countries. In Taiwan, some labour unions have been actively advocating the notion of industrial democracy and trying to emulate the German co-determination system as a model for establishing a new labour regime in the coming century.

Unlike Germany, where the co-determination system has been well established during the past four decades, the development of industrial democracy in Taiwan is just in its embryonic stage. Since 1990, the concept of industrial democracy has increasingly received attention on the island. Some labour organizations have been trying to advance industrial democracy through legalization of workers' participation rights in enterprises. At its outset, this attempt to institutionalize industrial democracy led to hot debate among major actors in industrial relations. Capital, conservative scholars, as well as the state questioned the idea of

industrial democracy advocated by those who endorsed this idea with zeal, and opposed the immediate implantation of a German-style co-determination system. Under increasing pressure from labour, the Taiwanese government is now considering the institutionalization of workers' participation rights with a much lower degree of influence than the German co-determination system (Free Times, 1997; Commercial Times, 1997). Nevertheless, its future remains uncertain in that the power imbalance between labour and capital does not give labour enough strength to achieve this goal. Even though the legal framework has, to a lesser extent, been established, necessary complementary institutions facilitating the effective operating of industrial democracy have not yet sufficiently evolved.

All of these factors may predict difficulties for the further advancement of industrial democracy in Taiwan. Using a comparative approach, this article attempts to shed light on this perspective by comparing the postwar German experiences in developing industrial democracy and recent incidents in Taiwanese industrial relations. The next section deals with a brief description of German experiences in industrial democracy in the postwar era, with an emphasis on the legalization of co-determination. Then, the article goes on to discuss some critical events in Taiwanese industrial relations, in particular the recent struggle of Taiwanese labour for the institutionalization of industrial democracy. Finally, the article compares the differences in institutional arrangements related to the development of industrial democracy in Germany and Taiwan. Concluding remarks are made in the final section.

German Experiences in Industrial Democracy in the Postwar Era

The German postwar experiences of industrial democracy were full of conflict, experiment and compromise as well as accommodation (Thelen, 1991). Nevertheless, these experiences can be regarded as a learning process in which industrial relations parties learned to adjust their demands against one another and shape cooperative bargaining (Müller-Jentsch, 1995).

German workers' representation dates back to the 19th century, when liberal politicians and social reformers advocated workers' committees, and when some socially minded employers relinquished some of their traditional prerogatives by setting up committees designed to channel workers' collective voices. Prior to 1945, however, this system did not have the chance to develop its potential. During the late 1940s and the early 1950s, German workers' representation was reinstitutionalized with the Collective Bargaining Act of 1949, the Montan-Mitbestimmung Law of 1951 and the Works Constitution of 1952. The aim of the legislation was to counteract a politically united union movement that advocated nationalization of basic industries and full co-determination in line with their anti-capitalist Munich Programme of 1949. When the Conservative government passed the Works Constitution Act in 1952 in the Bundestag, it was strongly opposed by the labour movement. The Deutscher Gewerkschaftsbund (DGB), the national union confederation, described it as a 'black day in the development of democracy' in Germany. In particular, the unions objected to the denial of full parity of representation on the supervisory board, the tight limits on the councils' co-determination rights on economic matters, and regulations that kept the unions out of the workplace and hampered the works councils from having any influence (Thelen, 1991).

During the 1970s, under the Social Democrat-Liberal coalition government, the trade union attempted to strengthen workers' participation rights through legal endeavours. When the Social-Liberal coalition under Chancellor Willy Brandt pushed ahead with its policy of social reforms, a revised Works Constitution Act was passed in 1972. The legislation extended the powers of trade unions by allowing union officials to have access to the enterprises in general (Streeck, 1995). Although this revised act only strengthened works councils' co-determination rights on social and personnel matters, but not on financial and economic issues, the employers regarded this amendment as an erosion of managerial prerogatives and a destruction of the free enterprise system. As time has gone by, nevertheless, the industrial relations actors have gradually learned to live with works councils and have adapted to them. Unions have sought to cooperate with works councils and employers have also attempted to accept the joint determination of broad areas of managerial decision-making. The councils have also endeavoured to transcend their collective-voice function and take responsibility for productivity and economic successes (Müller-Jentsch, 1995).

As part of the union effort to improve workers' participation rights, the Act on Workers' Co-Determination (Mitbestimmungsgesetz) was passed in 1976, which improved the representation of workers on the

supervisory boards of undertakings employing more than 2000 workers. This act gives labour access to information regarding the firm's management rather than significant influence on decision-making in the way labour representatives in the steel industry can exert under the Montan-Mitbestimmung law of 1951.

Since 1980, economic turbulence and industrial restructuring have destabilized the established industrial relations. German unions have been confronted with new challenges when employers and the state took the initiative in governing labour relations. Yet, compared to other industrialized countries, the German model is relatively stable and capable of adapting to changes (Baethge and Wolf, 1995). Works councils would still remain the most important workers' representation mechanism in Germany.

Recent Developments in Taiwan's Industrial Relations

Since 1980, industrial relations in Taiwan have undergone unprecedented changes in that workers have increasingly expressed discontent about the plight of their work life and engaged in industrial actions against the extant industrial order established in the postwar era. The number of industrial disputes increased approximately threefold and the scale of the disputes nine times from 1980 to 1990 (CLA, 1992). These incidents were accompanied by the emergence of independent labour unions and labour-oriented political parties, although the strength of such labour market institutions was much less than that of their counterparts in many Western European countries. These recent developments in Taiwanese industrial relations are in part due to the relaxation of the authoritarian control of the state over the social and political arena as well as the upswing of labour consciousness (HsuÈ , 1992).

Though labour in Taiwan has challenged the extant industrial order, newly established political parties claiming to represent the interests of labour have never exercised significant influences over industrial relations at the societal level. It is even fair to say that their function as effective representatives of labour is non-existent. Furthermore, at the micro-level, effective mechanisms of dispute resolution have not been established yet since the early 1980s. Although certain participation programmes, both stipulated by laws and employer led, have existed in the workplace, there are few participatory systems which give Taiwanese labour a high degree of representation rights like those possessed by German works councils. On the one hand, the legally mandated ones have very limited rights in such decision-making areas as employee benefits or pension funding. On the other hand, lack of penalty for the violation of the laws leads to a low rate of compliance by employers (Wei, 1995). Some participatory programmes initiated by employers and management predominantly focus on production and efficiency (Lin, 1996). It is quite obvious that these participatory systems currently existing in Taiwan are unable to provide effective interest representation mechanisms for a labour movement facing many upcoming economic changes such as increased globalization of the economy, privatization and industrial restructuring (Han, 1997).

Prior to 1990, very few labour organizations and practitioners in Taiwan actively promoted the institution of industrial democracy as a new model of industrial relations and a significant mechanism of dispute resolution. Since 1992, when the Taiwan Labour Front (TLF), a socialist labour support organization, first drafted the Labour Charter advocating industrial democracy, this concept has increasingly drawn attention and stimulated debate among the industrial relations actors in Taiwan. The primary objective of the TLF was to advocate three major workers' rights, namely rights to information, consultation and co-determination which, to a great extent, have been realized in Germany. To materialize the spirit of the Labour Charter, the TLF, in collaboration with scholars and union leaders, conducted research and drafted the 'Industrial Democracy Provisions in Government-owned Enterprises' in 1994 (TLF, 1996). In view of the recent privatization trends of government-owned enterprises and the possible takeover of these privatizing enterprises by big business groups, the TLF and the labour unions in these enterprises attempted to accelerate the legalization of the rights of workers' participation in decision-making in management. Government-owned enterprises were regarded as the first priority for implementing industrial democracy because a large number of workers in these enterprises would be adversely affected by privatization. Labour activists thought that it was a great opportunity to legalize some workers' participation rights in these privatizing enterprises on at least two accounts. First, an increasing fear of interest losses caused workers in the enterprises to take concerted action to protect their rights and support the idea of industrial democracy. Second, the power of the unions was usually stronger than their counterparts in the private

sector, thereby giving the collective action more chance to succeed.

During this period of time, there were several attempts to advance industrial democracy in Taiwan but most of them were unsuccessful. In 1994, the union at the Independent Evening News, a local news-paper, proposed a workplace pact to realize the spirit of industrial democracy. Not surprisingly, the employer did not accept this proposal. In the same year, the union at Land Bank, a government-run bank, opposed the unilateral assignment of top management by the employer and insisted that the elections of vice-presidents be determined jointly by employees and management. The employer accepted the request of the union and allowed four union representatives to be on the committee of personnel evaluation. The rights won by the union have been limited to the appointment of personnel and not extended to other areas of traditional managerial decisions. In July 1995, the China Oil Company, a government-owned firm, accepted the request of the union that two union representatives be allowed to attend the committees of purchasing audit and out-sourcing to perform auditing functions.

Among the recent developments of industrial democracy in Taiwan, the most significant event is the struggle of the Telecom-munications Union against the government's attempt to privatize Taiwan's telecommunications industry. In March 1995, the union submitted to the Legislative Yuan, the national law-making body, proposed supplements to the Telecommunications Act which would have integrated the content of co-determination rights with the TLF's 'Industrial Democracy Provisions in Government-Owned Enterprises'. During the enactment of the Telecommunications Act in January 1996, the union mobilized a large-scale protest against privatization and insisted that one-third of the board members of the Chung-Hwa Telecommunications Company, the newly privatizing telecommunications firm, should be labour representatives. This demand was very controversial and led to heated debates among labour activists, government officials and academics in Taiwan. After a series of negotiations among legislators associated with different political parties, the union's demand for employee representation on the board was revised to the more moderate provision stipulating that 'one-fifth of board members should be experts' and 'a group of experts should consist of employee representatives'. But the latter stipulation regarding employee representatives, owing to the influence of the ruling party, the Kuomintang (KMT), was abandoned in the final run of the legislation (TLF, 1996). This failure to enact meaningful laws to advance industrial democracy, to a certain extent, reflected the intention of the government not to institutionalize co-determination for fear of it threatening its authority and political dominance.

Institutional Factors: A Comparative Perspective

Comparison of the German and Taiwanese experiences illustrates the differences in the advancement of industrial democracy between these two societies. To be specific, Germany was more successful in furthering industrial democracy than Taiwan. We posit that this is, to a great extent, due to differences in institutional environments, which influenced the development of industrial democracy in these two countries. Our approach to these comparisons is based upon institutional analyses that tend to present a web of interlocking institutional factors, which, as a whole, predict the effectiveness of the making of industrial democracy. Institutions consist of formal rules (e.g. political and economic regulations) and informal constraints (e.g. ideologies and norms of behaviour). The success of any type of organizational changes (e.g. privatization) is contingent on this large institutional framework in which these organizational changes are embedded (North, 1996). This principle applies to the development of industrial democracy in a society.

Choice and Interconnections of Institutional Factors

Table 1 presents institutional differences affecting the democratic developments in the arena of industrial relations between Germany and Taiwan.

In this table, we identify seven crucial institutional factors that play an important role in these developments: cultural values and ideology, power of labour, employers' strategies, the role of the state, legal institutions, participatory structure and labour education. The rationale for the choice of these seven institutional factors is that the evolution of industrial democracy in a society relies upon a necessary infrastructure for such labour market institution to take place and these seven factors are at the core of this

infrastructure. To be acceptable and sustainable, the institution of industrial democracy must eventually generate net gains for all parties involved (Knudsen, 1995). To generate such gains, the infrastructure should forge a supportive industrial relations climate for the making of industrial democracy, facilitate commitment and reciprocity of parties involved in the relations, build high levels of mutual trust and enhance their competencies in operating productive democratic institutions. Among them, cultural values and ideologies provide

TABLE I
Summary of the Comparisons of Institutional Factors in the Development of Industrial Democracy between Germany and Taiwan

	Country	
	Germany	Taiwan
Cultural values and ideology	<ul style="list-style-type: none"> ● Cooperation on equal footing ● Industrial peace and neocorporatism ● Recognition of legitimacy of partners with equal status as industrial actors (bargaining achieved among major organizations; the role of the state as mediator in that it incorporates the two parties in a compromise structure) 	<ul style="list-style-type: none"> ● Cooperation with subordination of labour ● Developmental paternalism ● Corporatism excluding labour ● Reinforces supremacy of the state and capital
Power of labour		
<i>Characteristics of labour movements</i>	<ul style="list-style-type: none"> ● Unitary ● Centralized (structure) ● Industrial/ regional-based collective bargaining (on wages) 	<ul style="list-style-type: none"> ● Fragmented ● Decentralized (structure) ● Enterprise-based (legally)
<i>Strengths of labour</i>	<ul style="list-style-type: none"> ● Strong 	<ul style="list-style-type: none"> ● Weak
Employers' strategies		
<i>Attitude</i>	<ul style="list-style-type: none"> ● Tolerant ● Acceptable ● Accustomed to ongoing consultation and negotiation 	<ul style="list-style-type: none"> ● Hostile ● Oppositional ● Managerial paternalism and authoritarianism
<i>Behaviour</i>		
Role of the state		
<i>Major roles</i>	<ul style="list-style-type: none"> ● Facilitator ● Mediator ● Coordinator 	<ul style="list-style-type: none"> ● Controller ● Suppressor ● Manipulator
<i>Position</i>	<ul style="list-style-type: none"> ● Neutral 	<ul style="list-style-type: none"> ● Favouritism
<i>Behaviour</i>	<ul style="list-style-type: none"> ● Balancing the power of labour and capital ● Sharing an institutional framework for the furthering of industrial democracy 	<ul style="list-style-type: none"> ● Weakening the strength of labour ● Restricting the evolution of an institutional environment advancing the development of industrial democracy

Legal framework*Scope*

- Wide
 - personnel matters
 - social matters
 - economic matters
- Narrow
 - personnel and limited

Level

- Both enterprise and workplace
- Workplace only

Participatory structure*Societal level*

- Tripartite consultation and negotiations
- None

Firm level

- Board representation
- None

Workplace level

- Works councils
 - pervasive
 - wide coverage (≥ 5)
 - consultation rights
 - information rights
- Labour-management committees
 - low incidence
 - narrow scope
- Pension committees
- Benefit committees
- Occupational health and safety committees

Educational system*Focus and content*

- On education for worker-directors
- No extensive education programmes for workers' representatives in the firm's labour-management commitment
- Topics include co-determination legislation, labour's policies towards economic democracy, the worker-director's particular functions and responsibilities
- Focuses on basic skills (e.g. languages, computer training, etc.), life, entertainment, etc.
- Stresses communication and information sharing with lower levels of workers

Labour influence

- Strong and wide
- Weak and narrow
- Retains control of education for worker-directors
- Cannot control labour education for industrial democracy
- Establishes an elaborate educational network to address the needs of co-determination
- Lack of qualified labour educators for industrial democracy
- Has a great number of labour educators

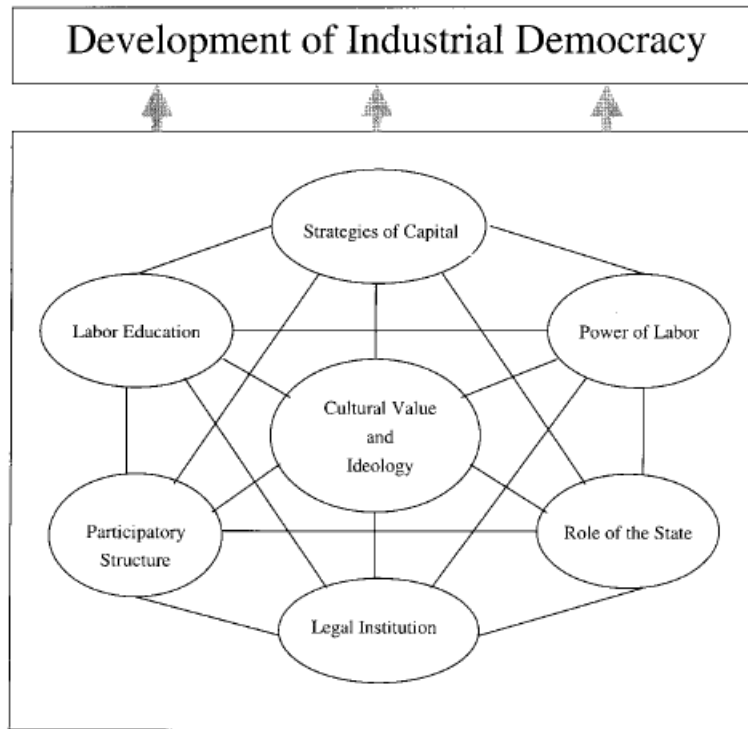
Educational system		
<i>Government support</i>	<ul style="list-style-type: none"> • Enacts legislation to provide subsidies to support training of worker-directors 	<ul style="list-style-type: none"> • Does not support the type of labour education which might arouse labour's class consciousness • Supports the type of labour education that could 'soften' workers for efficiency purposes
<i>Employers' compliance and support</i>	<ul style="list-style-type: none"> • Provides subsidies and paid educational leave to support educating worker-directors 	<ul style="list-style-type: none"> • Does not support labour education for industrial democracy • Views labour education as an interference with production and efficiency • Retains control of labour education in favour of employers • Does not provide paid educational leave to support labour education, stipulated by the government's directive, except those programmes controlled by employers

the underlying premises which create a favourable or unfavourable industrial relations climate for the development of industrial democracy. For instance, in cultures with an emphasis on equitable communication and cooperation, a high degree of industrial democracy is more likely to exist than in cultures with inequitable power relations, because the values and ideologies of the former provide the support for such an institution to evolve. These underlying premises would also affect the manner in which industrial relations parties interact and thereby lead to diverse outcomes in rule making. In societies with a tripartite tradition, the commitment to coordination and communication will be greater than in those without such a tradition. Such commitment, facilitated by the underlying premises and reciprocal interaction, can lead to high levels of mutual trust among parties. Further, the legal institution associated with industrial democracy provides guaranteed rights for workers to be legitimate partners in the relations and their interests can be safeguarded by these mandated rights. These guaranteed rights also enhance the trust of workers in capital. An effective participatory structure provides an arena for these workers' participation rights to be realized. For example, works councils give workers' representatives a chance to participate in decision-making in areas guaranteed by the legal framework. Effective labour education in industrial democracy enhances employees' and their representatives' competence in participating in decision-making, thereby making industrial democracy productive and constructive. In sum, these seven institutional factors are closely related to the making of industrial democracy and they often coexist to form a necessary infrastructure for this development, while lack of such infrastructure explains its failure.

Figure 1 illustrates the interconnections of these seven crucial institutional factors in the making of industrial democracy. Drawing on a complementarity thesis, to be effective these institutional factors have to complement and reinforce each other to advance the development of industrial democracy in a society (Milgrom and Roberts, 1992). For instance, the corporatist ideology in Germany facilitates tripartite collaboration by integrating industrial relations parties into negotiations on an equal footing. In turn, these parties are more likely to accept this concept and view each other as their legitimate negotiating partner than their Taiwanese counterparts. Under this overarching ideology, partners in German industrial relations are more willing to enhance the effectiveness of labour education for the working of industrial democracy than their Taiwanese counterparts. Effective labour education strengthens the power of labour and forces the state and employers to treat workers' representatives as competent partners because their competencies help make workers' participation productive, which in turn enhances the sustainability of labour education. To realize workers' participation, the partners have worked together to create the participatory structure and

the legal framework to protect workers' interests, which enhance the power of labour and compel the state and employers to accept labour as their legitimate partner. In sum, these seven institutional factors should complement each other to produce meaningful changes in the development of industrial democracy. It is unlikely for only one factor to produce the substantive construction of a social institution. Rather, this creation relies upon the functioning of the combination of interrelated institutional forces. In Figure 1, the arrow denotes the relationship between these factors and the development of industrial democracy.

FIGURE 1
Institutional Framework for the Development of Industrial Democracy



In the following, we compare the institutional differences in industrial relations between Germany and Taiwan in greater detail, and attempt to elaborate our discussion on the relationship between these seven institutional factors and the development of industrial democracy.

Cultural Values and Ideology

Comparative studies of industrial relations always illuminate diversities in processes and outcomes across nations, which are the result of varied strategic choices made by industrial relations parties of different nations (Locke et al., 1995). Heterogeneous cultures and ideologies substantially contribute to these choices of different rules and institutions (Poole, 1986). Cultures define the symbolic boundaries of social lives. Symbolic boundaries dramatize order, which is fundamental for the individual and necessary for the conduct of social affairs. Furthermore, symbolic boundaries create the contexts in which meaningful thought and actions can take place (Wuthnow et al., 1984). In general, the German culture highly values communication and consensus among social actors, thereby facilitating cooperation among industrial relations partners. The German people prefer participation, interdependence and reciprocity (Hampden-Turner and Trompenaars, 1993). These cultural attributes seem to favour the development of industrial democracy in Germany. By contrast, the Taiwanese culture derives from Chinese traditions, which in the existent social structure are characterized by a high degree of distance in terms of power relations, subordination and docility of the managed. These traditional values have a profound impact on the manner

industrial relations actors interact with one another. In particular, the status of labour is inferior to both the state and capital in the social structure. These underlying values impede the advancement of workers' participation in decision making at both societal and workplace levels.

Cultural analyses emphasize the ideological roots of the value system associated with a given society (McDonough, 1981). The ideology of a society refers to the underlying values and beliefs held by people, which have a profound impact on their attitudes, behaviours and actions. For instance, in the corporatist tradition, the state and capital are more likely to accept labour as a legitimate negotiation partner in industrial relations. And the trade unions are much more willing to enter into legally binding agreements or con-cordances with employers' federations enforceable by state power. However, under authoritarianism, the state and/or employers often dominate the decision-making process, and labour is not included.

Different societies possess diverse ideologies, which propose different means as to how to achieve industrial democracy and to extend political rights into economic organizations (Teulings, 1984: 243). The underlying ideology held by social actors in a given society affects the interplay of parties in industrial relations and the shaping of the processes of rule making and its outcomes (Dunlop, 1958). This factor, which also shapes the cultures of the industrial relations system and management, is usually persistent and resistant to rapid change (Kelley and Reeser, 1973; Kuttner, 1984). In Germany, there was a desire for domestic peace and cooperation after the Second World War. This desire to some extent contributed to the cultivation of the ideology and values shaping the postwar German industrial relations system. Also, Germans experienced a prosperity which was largely credited to the insistence on a concept of 'social market economy' (soziale Marktwirtschaft) during the postwar period. Under such a concept, economic processes were regulated by market forces rather than by state control. The market forces, however, can only operate to the best advantage if they are harnessed by a legal framework, which secures the compatibility of the individual economic interest with the welfare of society.

Crouch (1993) distinguishes between contestation, pluralist bargaining and bargained corporatism as qualitatively different forms of labour regulations. The German system falls within the third category, in which the workplace as a site for legitimate interest representation is recognized by labour, capital and the state (Berghahn and Karsten, 1987; Streeck, 1995). Bargained corporatism follows the logic which believes that bargaining is achieved by involvement of the major associations on both sides in industrial relations and the state plays an important role in incorporating the two parties into a compromise structure and sustaining the negotiated adjustment. Compared to labour in Taiwan, German labour holds a relatively stronger position and possesses institutional security (Wever, 1995). This strong position and secure status gained by German labour stimulate cooperative labour-management relations (Knudsen, 1995).

One of the key elements of bargained corporatism is a tripartite coordination of social and economic policies among major actors in industrial relations. In the late 1960s and 1970s tripartitism was an important feature of German industrial relations. Unions became crucial partners and their roles were recognized within a system of voluntary political exchange with the state led by the Social Democratic Party (SPD) between 1969 and 1982. An essential element of German corporatism was the concerted action which resulted from the Act on the Promotion of Stability and Growth. This tripartite cooperation was intended to achieve relative stability of prices and of income distribution, including some sort of voluntary wage restraint by unions, and steady economic growth (Jacobi et al., 1992).

Postwar industrial relations in Taiwan have been strongly influenced by the dominant ideology cultivated by the state and capital. Deyo (1989) describes this ideology as 'developmental paternalism', which is the product of political elites' economic policies, in co-laboration with employers, during the postwar era. Deyo argues that the political power and economic strategies of Taiwan's elites draw moral strength from two closely related sets of values. The first of these, centred on paternalism, invokes the moral authority of leadership that both defines and pursues national (vs sectoral) interest through bureaucracy and public pronouncement. The second asserts the efficacy of such leadership through its proven material consequences for the public wealth. Economic development is the chosen measure of national welfare and thus a crucial basis for political legitimacy. These two legitimating principles form the ideology of developmental paternalism in Taiwan, thereby justifying political exclusion and authoritarian rule as necessary for continuing high levels of growth. To accelerate economic growth, the Taiwanese government

has adopted an export-oriented industrialization strategy since the early 1960s. In order to facilitate the nation's economic development, the government exerted authoritarian rule on the island and maintained industrial peace by a repression of labour power during the era of rapid economic growth. Labour has never been in a position to effectively oppose the ruling groups, their developmental strategy or authoritarian rule in general until recently, when some independent unions have started to challenge the policies of the state and reduce its autonomy to some degree. The nature of developmental paternalism has not fundamentally changed yet. The nature of this paternalism has merely changed from 'hard' to 'soft'. This legacy has had a tremendous impact on labour-management relations in Taiwan during the past four decades.

The ideology of developmental paternalism has several implications for industrial relations, which may impede productive social dialogue and thereby hinder the development of industrial democracy. First, this ideology reinforces the predominance of the state and capital over labour on economic matters and affirms that their power cannot be openly challenged by labour. Furthermore, this ideology rejects narrow sectoral economic interests and demands compromise from labour under the premise of national development. Also, it accepts the propriety of union guidance by the state and capital (Deyo, 1989).

Knudsen (1995) argues that for industrial democracy to be institutionalized, an industrial relations system must possess three prerequisites. First, actors in industrial relations recognize each other as legitimate partners. Second, parties involved experience gains from workers' participation in decision-making. Last, the relations between the parties are characterized by a high degree of trust, in which one party can feel secure that the other party will not attempt to appropriate all the benefit stemming from a common effort. In this comparison of German and Taiwanese industrial relations, the German system is more characterized by these three features and thereby 'succeeds' in realizing the concept of industrial democracy.

Power of Labour

Strength and unity of labour are prerequisites for advancing industrial democracy in a society (Streeck, 1995). The German labour movement is characterized as highly centralized and unitary. Organized labour is centralized in the major union organization, the DGB, which consists of 16 industrial unions. The high degree of centralization of the German labour movement gives German unions the power to bargain for large numbers of workers and make national agreements binding at lower levels. At the same time, the centralization of the labour movement forces the state and capital to take seriously the demands requested by the unions. It also induces the unions to formulate their bargaining strategies with a joint consideration of broader issues such as inflation, productivity, investment and growth. This broad perspective held by German organized labour allows it to take a longer view of adjustments, which encourages labour to behave in a cooperative manner (Thelen, 1991).

One of the key mechanisms for interest representation is through participation in the parliament. In Germany, more than half the members of parliament belong to a trade union (Berghahn and Karsten, 1987). This high degree of labour representation in the parliament could channel the collective concerns of workers at the societal level and strengthen the power base of labour. To further strengthen its political position, the DGB has maintained close relations with the SPD. These close relations with the SPD have helped labour unions advance their interests in many areas, in particular workers' rights related to co-determination. In 1969, for instance, when the SPD became the majority coalition partner with the Free

Democratic Party (FDP), the revision of the Works Constitution Act of 1952 was on the government's policy agenda and was then enacted in 1972. With its political power, German labour has exerted a significant influence on economic and social policies in the postwar era through its cohesive and unitary labour movement.

At the plant level, German unions have substantive influence on workplace affairs through pervasive presence in works councils (Müller-Jentsch, 1995). During the postwar period, there existed a close relationship between German unions and works councils. Despite the initial concern about the weakening of union power by works councils, German unions succeeded in establishing close connections with a large majority of works councils in the course of the 1950s and 1960s. In particular, national unions invested considerable effort in maintaining connections with the works councils of large firms. In the early 1990s,

more than 80 percent of all works councillors were members of the unions affiliated with the DGB. Consequently, German unions have been in a strong position to influence shop-floor issues through their high degree of the dominance on works councils (Thelen, 1991).

By contrast, the influence of Taiwanese labour at both shop-floor and national levels has been much weaker than that of its German counterpart. Its weakness is in part caused by the intervention of the Taiwanese state and strategies of employers as a whole. Despite the growing trends in unionization since the late 1950s, labour has been long suppressed by the joint efforts of the state and capital to reduce its strength during the postwar period. As in Korea, the interdependence of the state and capital in Taiwan constitutes an alliance largely unfavourable to industrial democracy at both national and workplace levels (Wang, 1993). The functions of unions as effective workers' representatives were restricted and further weakened by certain legal constraints (Deyo, 1989). Under the Trade Union Act, union organizing activities are legally permitted on an establishment basis only. Cross-industry and cross-region confederation of industrial unions is still banned by the state. Furthermore, there exists an ideological cleavage concerning national identification among independent unions. This ideological cleavage has resulted in the split of labour strength and has further reduced their unity as a group with common interests. Under such circumstances, the union movement in Taiwan is fragmented and decentralized compared to the German one, thereby weakening its potential to be the social partner with the other two actors and to engage in social interactions at parity. Moreover, the power of labour in Taiwan is further weakened by the lack of a strong class consciousness among the majority of workers.

These comparisons of labour power between these two countries illustrate the point that the successful development of industrial democracy in a society depends on the strength labour possesses at the enterprise level and, more importantly, at the societal level (Lane, 1989). The influence of German labour in postwar German society has been pervasive due to the encompassing nature of centralized collective bargaining and the nearly universal presence of plant works councils. Under such circumstances, capital has to collaborate with unions on many issues related to their interests (Thelen, 1991). In addition, German labour has enjoyed a high degree of institutional security, which facilitates the development of cooperative labour-management relations rather than a confrontational one (Wever, 1995). This cooperative nature of industrial relations facilitates constructive interaction between both sides and encourages productive social dialogue. All of these factors are helpful in advancing industrial democracy. In contrast, the relative weakness and fragmentation of the Taiwanese labour movement limit the capacity of labour to improve its status as the social partner at parity with the state and capital, thereby reducing the possibility to further industrial democracy in the society.

Employers' Strategies

Employers' strategic behaviour is one of the most important factors which influence the development of industrial democracy in a country. This strategic behaviour is fundamentally affected by the core value and ideology held by people in the society (Poole, 1986). In general, German employers' acceptance of the co-determination system, in particular works councils, has increased over time, although resistance to this system existed initially when the major co-determination laws, such as the amendment of the Works Constitution Act of 1972, were enacted. The extent of coverage of co-determination laws ranges from 0.5 million in the iron, coal and steel industries to 4 million workers in large companies with 2000 or more employees. These co-determination laws grant employee representatives certain kinds of co-determination rights on the supervisory boards in particular industries (Wever, 1995).

In Germany, legally mandated works councils are unitary bodies representing all employees and are independent of both trade unions and employers. Though many small and medium-sized firms do not have works councils, approximately two-thirds of the German workforce in 1992, amounting to 9.3 million, were represented by works councils (Wever, 1995). By and large, the German works council functions as a rather effective interest representation for workers and a cooperative partner with management at the work-place level, though it entails costs for the enterprise. In a recent study, Eberwein and Tholen (1990) interviewed 111 senior managers and found that a majority of the interviewees had positive attitudes towards the activities of works councils and valued their function as a collective voice. These positive views on the part of employers, to some extent, are associated with the fact that works councils have

functioned as an effective interest representative mechanism, which has improved labour relations even during the period of economic recession and industrial restructuring (MuÈller-Jentsch, 1995). Furthermore, managers in German firms are accustomed to ongoing consultation and negotiation with labour due to the long tradition of co-determination and works councils' participation in plant-level decision-making. Such attitudes and behaviour on the part of management are influenced by the degree of acceptance on the part of labour of the notion that co-determination entails a sharing of responsibility for firm performance (Lane, 1989). These reciprocal relationships between capital and labour are favourable for the advancement of industrial democracy in Germany.

By contrast, capital in Taiwan, in general, is much more intolerant of sharing power and control with workers and unions at the workplace. This manifests itself in an extremely low incidence of workers' participation schemes in Taiwan. Though there are labour laws stipulating the establishment of workplace committees for representation purposes, workers' representative rights are usually very narrowly defined, which reduces their power to be effective workers' participation schemes. With regard to the setting up of labour-management committees mandated by the Fair Labour Standard Act (FLSA) (art. 83), only a small fraction of establishments in Taiwan has set up these committees. Table 2 gives the historical statistics and shows no significant increases in the adoption of labour-management committees from 1989 to 1998. The last column of this table presents the percentage of labour-management committees relative to the number of establishments covered by the FLSA in a given year. The low percentage of labour-management committees in Taiwan is in sharp contrast to that of German works councils.

The extremely low incidence of these committees reflects employers' attitudes towards workers' participation, in particular towards industrial democracy overall. This is in part due to the compound effects of the industrial structure of the Taiwanese economy and capital's preference for 'low-cost' strategies. The long dominance of Taiwan's economy by a large number of anti-union family-owned small and medium-sized firms has seriously undermined the influence of unions at both enterprise and national levels. A mentality of union avoidance is prevalent in Taiwan's business community. Under the paternalistic management style in general, there are no clear-cut differences between large and small firms concerning the development of industrial democracy (Han, 1998). The government's own statistics can provide empirical evidence of this argument (CLA, 1998). It was not uncommon for employers to threaten to punish, transfer or even discharge those who were actively involved in union organizing activities. And these unfair labour practices by employers were rarely justly penalized by the government agency in charge of labour affairs. Some wrongfully discharged workers spent many years in lawsuits against employers (Hsieh, 1997). Annoyed by the recent blossoming of social movements, in particular the labour movement, business leaders in Taiwan vehemently criticized this social disorder and pressed the government to restore the industrial order. They usually threatened to reduce investment in domestic markets and even relocate capital to regions with low labour costs, such as mainland China, Southeast Asian countries and so forth (Wang, 1993). Employers' hostile attitude towards organized labour has impeded the development of industrial democracy in Taiwan.

TABLE 2
Number of Establishments, Unions, Union Density, Collective Agreements and Labour-Management Committees in Taiwan Area, 1989-99

Period	Number of Establishments Under FLSA (1)	Unions (2)	Membership (in thousands) (3)	Organization Rate (4)	Collective Agreement (5)	Labour-Management Committee (6)	(6)/(1)
End of 1989	196,786	3315	2419	43%	346	835	0.42%
End of 1990	197,058	3524	2756	49%	289	806	0.41%
End of 1991	160,498	3654	2941	52%	302	851	0.53%
End of 1992	180,262	3657	3058	52%	306	914	0.51%
End of 1993	186,095	3689	3172	52%	292	932	0.50%
End of 1994	175,921	3706	3277	53%	296	970	0.55%
End of 1995	171,158	3704	3135	50%	287	980	0.57%
End of 1996	165,728	3700	3048	48%	289	994	0.60%
End of 1997	167,869	3714	2953	46%	297	1013	0.60%
End of 1998	255,144	3732	2921	45%	300	1052	0.41%
Second quarter of 1999	354,750	3766	2944	45%	298	1140	0.32%

Source: Adapted from *Monthly Bulletins of Labour Statistics, Taiwan Area, Republic of China*, for 1989-99 (CLA, Executive Yuan, Taipei).

The Role of the State

The state often plays a significant role in the forming of industrial relations systems in that it creates an institutional framework within which the other two parties interact and labour market institutions evolve across time. In particular, the state can determine the legal environment within which industrial relations operate (Bean, 1994). Generally speaking, the institutional framework in Germany has facilitated the development of industrial democracy during the postwar era. In Taiwan, these institutional factors favouring the development of industrial democracy are still underdeveloped at present.

Germany has a political system in which cooperation and coordination have played a more important role than confrontation, and the political parties have aspired to co-determination rather than total control (Theen and Wilson, 1992: 227). The SPD has played a necessary role in corporatist bargaining (Thelen, 1991). Although the intervention of the German government in postwar industrial relations has been extensive, it maintains a relatively neutral stance in industrial relations, abstaining from direct interference. Thus the German government does not show favour to any of the parties involved. Labour and capital are treated equally by the government, as representatives of their constituents in the arena of bargaining. The German government has created an intricate web of laws and policies regarding labour relations, which, in general, encourage both labour and capital to negotiate adjustments based upon the principle of bargaining autonomy (Tarifautonomie) (Wever, 1995). The Federal Constitution of 1940 granted freedom of association and the right to organize. Afterwards, several laws governing co-determination were enacted to further the development of industrial democracy. The German government also supported centralization of both collective bargaining and union organization.

By contrast, the Taiwanese government exercised authoritarian rule over the social and economic spheres in the postwar era. After its defeat in the Chinese Civil War in 1949 and the flight to Taiwan, the KMT attempted to maintain political legitimacy on the island. The KMT's strategies were to restrain strictly any types of social movements, in particular the labour movement, and at the same time to accelerate economic development domestically. Through tight control of labour the state could attract foreign investment to the island and rebuild the backward economy and society. In turn, the prosperity of the economy and the stability of the social order could further strengthen the political legitimacy of the KMT regime on the island.

From 1949 to 1987, the powers of labour were suppressed by tightly controlled mechanisms imposed by the state. On the one hand, the KMT intervened in industrial relations at the establishment level, in particular in large and government-run enterprises, by sending government agents to monitor workers and by preventing any anti-government and anti-management actions from taking place. For fear of retaliation

by the state and adverse impact on their career advancement, the majority of workers were reluctant to engage in collective action (Wang, 1993: 107-8). On the other hand, the KMT adopted martial law in the postwar period to force workers to refrain from taking collective action against the state and management. Under martial law, strike activities were made illegal and could be regarded as rebellion. Such 'treason' would be severely punished by the government. Convictions were typically conducted under the auspices of a military court, via rough and ill-considered procedures. It was not unusual for people to be convicted as traitors by merely uttering some complaint to do with politics. As a result, the horrifying experiences and pressure suffered under martial law forced workers not to engage in individual or collective action against the state. This explains why there was relatively little strike activity during the decades under martial law (Wang, 1993). Since the early 1980s, the control of the state over the social and political arenas has been increasingly challenged by democratization in Taiwan. Anti-government political parties were formed and social movements flourished during the 1980s. Despite these changes, which may provide prospects for furthering democracy at the workplace, the pace of the Taiwanese government in reforming its industrial relations system is very slow and many structural obstacles to industrial democracy still exist.

These comparisons between Germany and Taiwan illustrate that the behaviour and intentions of the state have a profound impact on the way both labour and capital interact to negotiate adjustments. The neutral and facilitative role of the German state in postwar industrial relations has stimulated an ongoing, productive social dialogue among major actors. This social dialogue has advanced the notion of industrial democracy during the postwar era. By contrast, the Taiwanese government is more repressive regarding the rights to which German labour is entitled. Many guaranteed workers' rights currently implemented in Germany are intentionally ignored and suppressed by the Taiwanese state. In turn, labour in Taiwan is generally distrustful of the state and capital, thereby impeding social dialogue and hindering the development of industrial democracy.

Legal Institutions

The German industrial relations system is characterized as legalistic in that there exist relatively comprehensive and detailed legal norms for the behaviour of the social partners of the system (Aaron and Wedderburn, 1972; Crouch, 1978; Knudsen, 1995; Müller-Jentsch and Sperling, 1978). In Germany, an intricate web of laws regulates many facets of labour relations. Major laws stipulating workers' rights to participate in decision-making were enacted in 1951, 1952, 1972 and 1976. The co-determination laws, such as the Works Constitution Act, facilitate a reciprocal relationship between workers and management by giving labour guaranteed rights to participate while obliging them to cooperate with management in 'a spirit of mutual trust' for 'the good of the employees and of the establishment' (section 2(1)). The works council's participation rights include: (1) co-determination rights on social matters, including principles of remuneration, introduction of new payment methods, fixing of job and bonus rates and performance-related pay, allocation of working hours, regulation of overtime and reduced working hours, leave arrangements and vacation plans and the introduction and use of technical devices designed to monitor worker performance (section 87); (2) co-determination rights on personnel matters, including questionnaires and testing methods and guidelines for recruitment, transfer, up- and downgrading and dismissals (sections 94 and 95); (3) veto rights on individual staff movements, such as hiring, grading, transfer and dismissal limited to specified cases (sections 99 and 102); (4) information and consultation rights over personnel planning and over changes in work processes, the working environment and jobs; full co-determination rights only exist when these changes are in obvious contradiction to the established findings of ergonomics and prove to be a special burden for the employees (sections 90 and 91); and (5) information rights on financial matters and alterations: a standing committee of the works council, the finance committee must be informed by the employer in full and in good time of the financial affairs of the establishment; the same applies in cases of planned changes which may entail substantial prejudice to staff interests.

The information and consultation rights of works councils over the introduction of new technology were extended by the 1989 Works Constitution Act amendment. This law strengthens the consultation and information rights of both works councils and affected employees. Employers now must not only inform but also consult the works council in good time, so that its suggestions and objections can be taken into account. The employer is obliged to inform affected employees about planned measures and their effects on their jobs and formally discuss with them how their skills may be adapted to the future requirements.

Employees are entitled to call in a member of the works council to the discussion. In addition, works councils have strong participation rights in the area of health and safety. By law, works councils are required to negotiate with a strong desire to reach agreement and are not allowed to wage industrial action against employers. Detailed regulation of works councils' representation rights and obligations in Germany stabilizes labour-management relations. The primary goal and function of these co-determination laws is to regulate social conflict and to harmonize social interests (Jenkins, 1973; Kissler, 1989; Macbeath, 1973). These laws have established long-term social dialogue and encouraged ongoing negotiated adjustment and accommodation between labour and capital at both the plant and the enterprise levels (Helm, 1986; Thelen, 1991; Wever, 1995).

Taiwan has a few laws stipulating rights of workers' participation in the firm's decision-making. But compared with German co-determination rights, these rights to which Taiwanese workers are entitled are relatively limited in scope and split under the jurisdictions of different workplace committees. Three of them are particularly related to workers' participation rights in issues concerning management of fringe benefits, retirement pensions and workplace health and safety. Unlike German works councils and board representation, which entail a high degree of co-determination rights, these committees in Taiwanese enterprises have no influence beyond the limited areas legally mandated. The law that gives workers mandated participation rights in broader areas is Provision 83, the FLSA of 1984, which stipulates that establishments subject to the FLSA are obliged to form a labour-management committee. Although this law renders workers legal participation rights in issues related to labour-management relationships, terms of employment, benefits and so forth, it is relatively vague in its language and in regulations concerning the areas of workers' participation rights. In addition, there is almost no penalty imposed on employers who do not comply with the law. This may explain the extremely low rate of formation of labour-management committees among the establishments covered by the FLSA. According to government statistics, in 1993, out of 186,095 establishments covered by the law, only 932 implemented a labour-management committee. The rate of implementation is 0.5 percent, which is not comparable to the dominant presence of works council in German enterprises. Thus, Taiwanese legal institutions do not provide a framework to create an arena for labour and capital to engage in ongoing cooperative interaction and dialogue on a daily and broad basis. And this framework is critical for a country to develop a productive industrial democracy (Han, 1997).

The Participatory Structure

Industrial democracy in Germany is primarily realized through its mandated system of interest representation at the board and plant levels within enterprises, along with sectional or regional union representation for collective bargaining. The most important and effective institution of interest representation is thought to be works councils, which are legally provided with several rights to participate in decision-making, as discussed earlier, while board representation only serves as a supportive and supplementary function for the works councils (Müller-Jentsch, 1995). In general, these representative schemes provide the industrial relations actors with opportunities to engage in ongoing negotiations and adjustments usually characterized by mutual accommodation and compromise. The reciprocal exchange between the industrial relations actors reinforces the productive aspects of workers' representation and strengthens its legitimacy.

German industrial democracy is realized through its participatory structure, notably the legally mandated co-determination system. This system consists of two separate but complementary participatory mechanisms, including employee representation on the board and works councils at the workplace level. Board representation gives workers access to information on the firm's strategic decisions such as new investments and restructuring. This participation right can enhance mutual trust between labour and capital. The most influential mechanism in employee representation is legally mandated works councils. Works councils are democratic in that their members are elected by all workers of the establishment. As discussed earlier, works councils are entitled to three major rights, including rights to information, consultation and co-determination. Nevertheless, there are some obligations with which works councils should comply. By law, the works council is not allowed to call strikes or take industrial action of any kind to further its goals (art. 74). The significance of this is great. Instead of being able to rely on collective action, the works council must always take the position of the third party (the conciliation committee or the labour court) into

account when using its co-determination powers. This is indeed a moderating factor, tending to prevent radical demands and grievances and to promote tactics for gaining only piecemeal concessions (Knudsen, 1995: 38). Moreover, works councils must work together with the employer in a spirit of mutual trust (art. 2) and are expected to take part in the maintenance of social stability and order in the enterprise. All members and substitute members are obliged to keep a professional secrecy in relation to trade or business secrets which the employer has expressly stated to be confidential (art. 79) (Knudsen, 1995). The works council is the most important and effective institution of the German co-determination system. Board representation in large companies has mainly a supportive and supplementary function for the works council (Bamberg et al., 1988). Three-quarters of the elected workforce representatives on supervisory boards in firms under the jurisdiction of the 1976 Co-determination Act are also works councillors (Witte, 1980).

In Taiwan, effective schemes of workers' representation have been underdeveloped. As mentioned earlier, existing legally mandated participatory schemes are constrained by the limited rights to which they are entitled. In the case of labour-management committees, the implementation rate of this participation mechanism has usually been extremely low and the employers have usually set the agenda of the committees. The more popular workers' participation takes the form of employer-led, production-oriented participation, such as the suggestion system and quality circles. Hence, the protection of workers' interests through these existing systems has not been effective (Han, 1997). In addition, the low incidence of interest representation in Taiwanese workplaces fails to stimulate constructive interactions between workers and management (Han, 1998).

The Educational System

Education for workplace democracy plays an important role in the development and realization of industrial democracy because it equips workers and their representatives with a broad range of the relevant knowledge, skills and abilities that will permit them to be effective in their roles and behaviour (Eiger, 1986). Research has shown that industrial democracy will not work if there exist large differences between labour and management in their knowledge, skills and abilities in interpreting information (Mulder, 1971).

In Germany, the labour movement has established an elaborate educational system to meet the needs arising out of the highly detailed co-determination laws enacted in the 1950s and 1970s. These laws and agreements between labour and capital made provision for massive government and employer subsidies and paid educational leave to support the labour education associated with industrial democracy. A large number of works councillors and union shop stewards in Germany received initial and continuing training concerning co-determination. Furthermore, the Act on Workers' Co-Determination of 1976 increased the number of worker-directors substantially. It was estimated that in the spring of 1978 more than 3000 worker representatives were elected to seats on 600 German supervisory boards as a result of the 1976 law. Consequently, German unions gave high priority to educating worker-directors and insisted that unions should retain control over the training effort. Indeed, they resisted the management attempt to control the training of worker-directors and were successful in maintaining control. The content of worker-directors' education consists of communication, relevant legislation, industrial democracy and so on. In addition, these worker-directors acquired skills and knowledge and enhanced their abilities through their experiences on the board (Eiger, 1986). These educational programmes and experiences further enhance the effectiveness of co-determination as a productive mechanism.

One of the striking aspects of German labour education is the effort of its labour movement to spread knowledge associated with industrial democracy broadly among the workforce. In Germany, the scope of labour education concerning industrial democracy is wide. With respect to grassroots education, a great number of rank-and-file workers have participated in union education. In addition, a variety of educational programmes related to industrial democracy has existed for reaching young people (Eiger, 1986). The function of these educational programmes is to increase the public's awareness of industrial democracy and create a favourable environment for cultivating this idea.

In contrast, Taiwan's labour education, in general, has not been effective due to many institutional constraints. First and foremost, because of its weakness, the Taiwanese labour movement has not been able to establish effective educational programmes to educate workers and their representatives on subjects

related to union affairs and industrial democracy, like its German counterpart has done. Although some labour support organizations such as the TLF have been actively promoting workers' education in industrial democracy since the early 1990s, these efforts have not been extended to a broad coverage at the workplace. And it will take time for these educational efforts to have any substantial impact on future Taiwanese industrial relations. Moreover, the Taiwanese labour movement is confronted with a shortage of qualified labour educators who are familiar with the idea and operation of industrial democracy in most Western European countries, thereby reducing its ability to affect more workers.

Second, many employers in Taiwan, in general, view labour education as a cost and as an interference with production and efficiency. They are very reluctant to grant subsidies and/or paid educational leave to workers to attend labour education courses. In particular, they do not support educational programmes that might arouse workers' class consciousness (TLF, 1991). Consequently, topics such as industrial democracy are discouraged and even opposed by employers. Management often controls the content of labour educational programmes.

Third, like employers, the Taiwanese government does not support labour education related to industrial democracy either. The government attempts to prevent the notion of German codetermination from diffusing to a large number of the population by sponsoring workshops and conferences on topics of its own.

Finally, labour education related to workers' rights has been underemphasized in the current Taiwanese system. Most labour educational programmes focus merely on basic skills (e.g. languages, typing, etc.) and life education (i.e. human relations). And topics related to union affairs, in general, have not been welcome by either employers or employees, although they are the major elements of labour education in many industrialized countries. One reason for this difference is associated with the respective effectiveness of the unions as labour representatives. In Taiwan, the function of unions as representatives of labour's interests has been less effective than their German counterparts. As a result, workers have seen no gain from participating in labour education associated with union affairs. As to the topic of industrial democracy, it has merely attracted attention from those who have been adversely affected by industrial restructuring and privatization. The majority of workers are, more or less, indifferent to this issue.

Conclusions

From the comparisons of the different experiences in the development of industrial democracy between Germany and Taiwan, this article indicates that the successful development of industrial democracy within a society depends upon various complementary institutional factors. In Germany, bargained corporatism has shaped the values of social partners and influenced their attitudes as well as behaviours in industrial relations. More cooperative relationships have been established among actors at both workplace and national levels. Unitary and centralized union movements give labour the strength to influence decision-making. Under the principle of 'social market economy', capital and the state are more willing to recognize the interests of labour and to integrate them into decision-making processes at both workplace and national levels. German co-determination laws further safeguard the interests of labour from management's arbitrary decisions. Employee representation on the board and that on works councils are mechanisms to realize those participation rights guaranteed by co-determination laws. The labour education system for industrial democracy helps worker-directors or works councillors enhance their abilities to be effective workers' representatives and engage in responsible action when dealing with the employers. All of these factors help facilitate ongoing dialogue and adjustments between parties, making co-determination more productive and responsible. And all these factors complement one another to form an integrated institutional environment for the making of industrial democracy within a society.

By contrast, such a favourable institutional infrastructure has not yet evolved in Taiwan. The dominant ideology in the political and economic arenas can still be characterized as 'developmental paternalism', although political democracy has been advanced through democratic movements since the early 1980s. Under such ideology, economic growth is one of the primary national goals for which all parties in industrial relations must strive. Further, this ideology reinforces the predominance of the state and capital over labour on economic matters, and rejects narrow sectoral economic interests. Taiwan's labour is

required to advance economic development. Due to tight labour control exerted by the state and capital, Taiwan's labour, by and large, lacks sufficient strength to challenge the existent power structure at the societal and enterprise levels. Labour unrest has flourished since the late 1980s due to the restructuring of Taiwan's economy. Many employers have relocated their facilities abroad and have laid off employees without giving reasonable compensation and advance notification to those workers involved. Further, the state has not strongly enforced labour laws protecting the interests of workers. Taiwan's labour possesses very limited legal participatory rights at the workplace level, not to mention the interest representation at the higher levels. We argue that the lack of such favourable institutional factors impedes the furthering of industrial democracy in Taiwan.

The economy has become increasingly globalized and international competition has been intensified. Almost every country has been confronted with fast changing economic environments that have created pressure for industrial relations actors to respond accordingly. Although German industrial relations remain resilient and relatively stable, it seems that changes do take place as demands for decentralization of industrial relations become stronger than before. These changes in German industrial relations and labour markets have been misinterpreted by opponents in Taiwan as major reasons against the concept of industrial democracy. Additionally, there is a general tendency towards a conservative political climate due to the setback of opposition parties during the congressional elections in late 1998 and the domestic as well as Asian economic crises of recent years. Under such circumstances, it is doubtful that Taiwan's labour can successfully emulate and implement the German co-determination system in the short run without taking into account these new changes. Ideally, industrial relations parties in Taiwan could learn from the German postwar experience and make efforts to facilitate productive social dialogue, which is beneficial to construct a new form of industrial democracy.

However, the transplantation of the German model is not easy due to the institutional inertia existing in Taiwanese society. It needs to have the coexistence of the key institutional factors discussed in the article to facilitate the development of industrial democracy. This comparative study can provide helpful insights and guidelines for institutional planning and implementation. But substantial changes perhaps take longer to come about.

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