

# Labour relations in Taiwan: a cross-cultural perspective

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*Labour relations in Taiwan have transformed since 1987. In this study, management concepts regarding unions, compensation, grievances, safety and health are compared among local Taiwanese, American, and Japanese firms in Taiwan. Data are obtained from a questionnaire survey and follow-up interviews. Implications of the research results are also discussed.*

Labour-management relations have been on the management agenda for decades. Numerous scholars and practitioners have devoted their efforts to examining and improving the relationship. The radical labour movement played a role in causing management to become aware of employees' rights and also accelerated the passing of legislation to protect labour. However, recent global competition has compelled both labour and management to re-examine the past hostile relationship. In the USA, the decrease of union win rate for certification elections held by the National Labor Relations Board indicates that unions have lost much of their capability to unionise employees [1]. According to the US Department of Labor, union membership in the United States dropped from around 30% of the work force in 1970 to 16% in 1993 [2]. Improvements initiated by management have also challenged the traditional functions of labour unions, eg. better working conditions, profit-sharing, employee

stock ownership, quality of work life, and labour participation at board level [3]. These efforts have led union leaders to reconsider the advantages of cooperating with management. In contrast to a progression toward a more cooperative labour-management relations, the labour movement in Taiwan has been flourishing since 1987. It was activated primarily by democratisation.

Union development was slow in Taiwan until the mid eighties [4]. Upon the retreat of the Nationalist Party, the Kuomintang, to Taiwan in 1949, the government declared a state of emergency and imposed martial law. Under martial law provisions, labour movements were restricted. The only approved union centre, the Chinese Federation of Labour, was politically and socially oriented in contrast to the economic orientations of unions in North America [5]. It functioned at the national, regional and local level with various groupings of industrial and craft unions and hundreds of enterprise unions. At that time, unions were concerned primarily with the provision of member services and rarely involved themselves in collective bargaining or promoting improvements in working conditions [6]. Under these circum-

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stances, the workers' voice was rather subdued until the mid-1980s. After decades of hard work, Taiwan has been moved from rags to riches [7]. Prosperity, an increase in number of knowledge workers, and frequent international contacts have spawned the seeds of democracy. Employees are increasingly aware of their rights and have become active in expressing their opinions. Three issues heralded a period of unprecedented change in Taiwan's labour relations and encouraged union development [8]. They were the enactment of the Labor Standards Law on July 30, 1984, the lifting of martial law on July 15, 1987 and the establishment of a Cabinet-level Council of Labor Affairs on August 1, 1987. The Labor Standards Law protects labour's interests. The lifting of martial law in 1987 legalised the right to strike. The Cabinet-level Council of Labor Affairs was established to promote harmonious relations between labour and management, to protect the rights and interests of workers, to advance labour welfare, to upgrade labour ability, and to communicate labour needs to government decision makers [9]. Table 1 shows some government statistics reflecting the development of labour relations in Taiwan over the past three decades.

In an era in which human resources have become a competitive advantage [10], understanding labour-management relations and related human resource management practices may help retain qualified and committed employees for the sustained advantage of an organisation. Labour relations in the USA and Japan have been extensively discussed in the literature. These two countries are currently the two leading foreign investors in Taiwan [11]. With the acceleration of globalisation, a comparative study examining labour relations in Taiwanese companies, American companies (50% or more USA ownership) and Japanese companies (50% or more Japanese ownership) in Taiwan may provide insight from different perspectives. At the present stage, a high percentage of labour disputes in Taiwan pertains to economic and safety issues, eg. wages, bonuses, insurance, severance pay, pension and occupational safety [12] as Table 2 indicates. Based on such observations, this research is devoted to examining the following issues: do labour relations, compensation, grievances, safety and health practices vary among Taiwanese, American and Japanese firms in Taiwan? Do they vary between unionised

and non-unionised firms? Do they vary between firms with and without a grievance system? Do compensation, grievance, safety and health practices contribute to a harmonious labour-management relations? Do salary, benefits, and incentives contribute to a satisfactory compensation? Finally, what factors hamper the labour-management relations in Taiwan?

The expected contribution of this study is three fold. First, management activity in Taiwan may provide significant insight into understanding Chinese enterprises, particularly those in the Pacific region. The populations of Taiwan, Singapore, Hong Kong and Mainland China are mainly Chinese. In addition, many countries in Southeast Asia also have a significant number of ethnic Chinese. Current and forecasted continuous economic growth in this region has attracted countless multinational investors. Therefore, developments in this part of the world have become a global concern [13]. Second, this research contributes to cross-cultural literature. Previous comparative studies of labour relations have focused primarily on the evolution or characteristics of union movement in various countries [14]. Empirical studies that correlate labour relations to compensation, grievances, safety and health in an Oriental and a cross-cultural setting are rare. Third, the USA and Japan are two major economic powers that have vast investments both globally and in the Pacific region. This work may unveil some of their overseas practices and provide references for interested parties.

## Previous studies and hypotheses

For quite a long period, American and Japanese management practices have served as models for local firms [15]. Therefore, it should prove worthwhile to examine how these foreign firms manage their labour relations in Taiwan.

The antagonism between labour and management in the USA and the cooperative, harmonious labour-management relations in Japan have been widely discussed. In their overseas operations, American multinationals tend to avoid, wherever possible, the organisation of their employees into trade unions [16]. Enderwick noted that American multinational enterprises tend to make more extensive resource commitments to the personnel function [17]. They hire qualified

Table 1. Number of disputes, unions and members in Taiwan area

Year	No. of disputes	Dispute growth rate (%)	No. of unions	Union growth rate (%)	No. of members	Member growth rate (%)
1962	64	-	690	-	290,558	-
1963	20	-68.75	712	3.20	304,495	4.80
1964	7	-65.00	739	3.80	324,379	6.50
1965	15	114.30	749	1.35	334,384	3.10
1966	3	-80.00	768	2.55	354,382	6.00
1967	6	100.00	782	1.80	358,991	1.30
1968	30	400.00	787	0.60	370,391	3.20
1969	92	206.70	807	2.50	392,542	6.00
1970	92	-	865	7.30	488,093	24.30
1971	157	70.65	899	3.90	513,176	5.10
1972	217	38.20	952	5.90	560,491	9.20
1973	262	20.70	1070	12.40	674,066	20.30
1974	494	88.55	1195	11.70	714,786	6.00
1975	458	-7.30	1255	5.00	765,176	7.00
1976	371	-19.00	1371	9.20	838,408	9.60
1977	380	2.40	1461	6.60	926,306	10.50
1978	506	33.20	1543	5.60	963,987	4.10
1979	503	-0.60	1637	6.10	1,028,733	6.70
1980	626	24.50	1679	2.60	1,103,005	7.20
1981	891	42.30	1802	7.30	1,172,954	6.30
1982	1153	29.40	1749	-2.90	1,207,681	3.00
1983	921	-20.10	1938	10.80	1,304,309	8.00
1984	907	-1.50	1924	-0.70	1,370,592	5.10
1985	1443	59.10	2103	9.30	1,549,351	13.00
1986	1485	2.90	2260	7.50	1,724,493	11.30
1987	1609	8.40	2510	11.10	2,099,813	21.80
1988	1314	-18.30	3041	21.20	2,260,585	7.70
1989	1943	47.90	3315	9.00	2,419,664	7.00
1990	1860	-4.30	3524	6.30	2,756,620	13.90
1991	1810	-2.70	3654	3.70	2,941,766	6.70
1992	1803	-0.40	3657	0.10	3,058,414	4.00
1993	1878	4.20	3689	0.90	3,172,116	3.70
1994	2061	9.70	3706	0.50	3,277,833	3.30

Sources: Monthly Bulletin of Labor Statistics, Taiwan Area, ROC, December 1995

Lan, K. J., 'An analysis of union organization and performance in Taiwan', *Chengchi Labor Review*, January, 1992, pp. 1-25.

experts to enhance in-plant human relations and inculcate identification with the firm among the employees [18]. In addition, they are more likely to utilise external consultants. Outside intervention reflects the value of local knowledge as an input in successful labour management and may facilitate the achievement of labour-management accord [19].

Japanese companies are especially cautious about union organising when they move their operations abroad. They attempt to avoid labour unions as much as possible [20].

For those regions in which union organising is unavoidable, Japanese management does not forbid strikes; however, they have made radicalism a more unlikely alternative through various strategies. Studies have shown that both in Great Britain and in the USA, Japanese companies took the initiative to improve working conditions and attempted to decrease the employee's desire for collective bargaining [21]. Their initiatives included demonstrating their commitment to a harmonious relationship between blue and white collar workers; setting up an advisory

Table 2. Industrial disputes in Taiwan area

Year	No. of disputes (case)	Over labour contracts	Over wage #	Over retirement #	Over benefits #	Over insurance #	Over occupational hazards ##	Over management	Over other issues
1989	1943	710	489	234	64	88	206	67	85
1990	1860	788	418	202	29	87	192	55	89
1991	1810	836	528	210	51	111	233	58	55
1992	1803	848	557	185	55	91	224	68	72
1993	1878	852	548	207	61	121	235	73	94
1994	2061	931	643	210	55	105	295	64	48

Sources: Monthly Bulletin of Labor Statistics, Taiwan Area, ROC, December 1995

Note: 1. The classification of disputes permits two or more than two dispute issues for each case.

2. # Compensation relevant issue, ## Safety and health relevant issue.

company council to dispense information, to pool ideas, and to represent both staff and company interests; recruiting a more highly educated labour force; providing employees with on-the-job training and other incentives; assigning a team foreman to hold meetings, thereby eliminating the conventional role of the shop steward as conveyor of information.

American and Japanese firms have their own labour relations policies. In a comparative study of Taiwanese, Japanese and American firms in Taiwan, Yeh [22] reported that Japanese and American firms in Taiwan still maintain their distinctive style of influence strategies. American companies in Taiwan generally adopt similar practices to those utilised in other overseas operations. They attempt to prevent unions from organising by such measures as offering higher salaries and more benefits, treating employees fairly, and providing open communication channels. Chu [23] reported that some American companies in Taiwan are devoted to maintaining harmonious employee relations and believe that employees and management can earn each other's trust without union involvement. For those companies that are unionised, management is more receptive to collective bargaining. They often hire lawyers as consultants, deal with the union fairly, and handle labour problems promptly. Most unionised firms follow the labour movement closely; once a strike occurs, an expert from company headquarters is sent immediately to Taiwan to help solve the dispute. As for Japanese companies in Taiwan, their labour-management relations have not yet been formally and individually studied. However, there is a general impression that Japanese

companies assume responsibility for their employees and provide fairly good benefits. So far, there has been very little publicity regarding labour disputes in Japanese firms.

Local Taiwanese firms may not offer as competitive a salary or such open communication channels as American firms do and generally provide fewer benefits than Japanese firms. However, government intervention, a deep-rooted cultural tradition, various distinctive social phenomena, and human resource management practices in private enterprises described below exhibit several characteristics of labour relations in Taiwan.

The Taiwanese government has partially performed the role of a union by setting up regulations to protect workers' rights. During the 1970s, the government exerted great pressure on employers to establish or encourage the formation of unions, and also to help unions assume a number of important welfare roles in organising health and educational programmes for workers [24]. The most successful advocacy for promoting harmonious labour-management relations has proved to be the annual award granted by the Council of Labor Affairs.

In cultural terms, the Chinese authoritarian tradition reinforced by central tenets of Confucianist doctrine stresses hierarchy, cooperation, a preference for mediation over confrontation, industriousness, deference to elders, and most importantly, the subordination of the individual to the family, the group, and the state [25]; this tradition also contributes to labour peace.

In social terms, networks, a low unemployment rate, economic prosperity, work force

mobility and active learning have had an impact on labour relations. A prevalence of family enterprises, close knit hiring via personal contacts, and a situation in which many union officials (often drawn from the ranks of management) have personal or family ties with owners, extend patriarchal principles into union-management relations [26]. These networks play a major role in suppressing, mediating, and camouflaging conflicts [27]. Low unemployment rates (at an average of 1.5% for the past 10 years), economic prosperity (per capita GNP from US\$161 in 1960 to US\$12,469 in 1995), and high employee mobility in a primarily small- and medium-sized business environment have also contributed to workers' negligible interest in unions [28]. Several types of media also foster active learning on Taiwan. An influx of western management textbooks, influx literature, business professionals with advanced degrees from western institutions, information exchange in various associations, employee mobility, and the steady advance of information technology has facilitated the formation of a healthy, sound understanding of the nature of labour-management relations.

As for human resource management practices, those employers that wish to achieve a high level of performance must be willing to invest in the development of a harmonious and mutually beneficial relationship. Their efforts include improvements in working conditions, substantial worker leverage in decisions relating to work pace and scheduling, profit sharing, training and development, quality of work life, etc.

Concluding from the literature and the above observations, this author hypothesised that:

H1a: Labour-management relations are not significantly different at the 0.05 level among Taiwanese, American and Japanese firms.

In spite of the tendency of labour-management relations in local Taiwanese firms to be generally harmonious, the workforce of Taiwan have a widespread perception that they have not been receiving the economic and social benefits guaranteed both by the law and by employment policy [29]. The salaries and benefits of workers in American subsidiaries have generally been perceived as better than those provided by local Taiwanese firms. As a result, American firms are usually rated as more desirable by college graduates

than Taiwanese firms. Salaries in Japanese firms are generally not as high as those in American firms, yet their year end bonuses and their wide-ranging benefits have received much praise. Shearer [30] described that in addition to base pay, Japanese firms provide their employees with various allowances such as a work allowance, an attendance allowance, a family allowance, and a productivity allowance among others. The total package is considered to be better than that offered by most Taiwanese firms. These observations lead to the hypothesis that:

H1b: Compensation is significantly different at the 0.05 level among Taiwanese, American and Japanese firms.

As for grievances, only those companies that are well-structured are likely to have a grievance system. Once the system is set up, due process is usually honoured irrespective of the type of company. Therefore,

H1c: Success of grievance does not show a significant difference at the 0.05 level among Taiwanese, American and Japanese firms.

In Taiwan, all companies must abide by the stipulations of 'Labour Safety and Health Law'. Therefore,

H1d: Safety and health practices do not show a significant difference at the 0.05 level among Taiwanese, American and Japanese firms.

In Taiwan, in the past, unions were concerned primarily with the provision of member services and rarely involved themselves in collective bargaining or promoting the improvement of working conditions [31]. Although the situation has changed somewhat since 1987, the deep-rooted Chinese traditions of harmony and social networks still prevail. In addition, non-unionised companies are focusing efforts on improving human resource management practices in order to discourage the formation of unions. Therefore, this author hypothesised that

H2a: The labour-management relations in Taiwan are not significantly different at the 0.05 level between unionised and non-unionised firms.

In terms of compensation, there is a general consensus that union wages exceed non-union wages [32]. According to the Bureau of Labor Statistics, average earnings of union members (full-time and salaried) is \$575/week, whereas non-union workers earned \$426/week [33]. In a longitudinal analysis of the effects of trade unions, Free-

man found that unionism increased the fringe component of compensation, particularly those fringe benefits most desired by older workers, such as pensions [34]. Therefore,

H2b: Compensation is significantly different at the 0.05 level between unionised and non-unionised firms.

A grievance system provides employees with a formal channel to voice complaints without management retaliation. In unionised organisations, grievance-arbitration procedures are usually specified by the labour contract [35]. Therefore, success of grievance can somewhat be assured. In non-unionised companies in Taiwan, grievances are handled with care in order to demonstrate that management respects employee rights and to avoid union organising. Therefore,

H2c: Success of grievance is not significantly different at the 0.05 level between unionised and non-unionised firms.

According to Reilly et al. [36], union-appointed safety representatives and joint health and safety consultative committees reduce the frequency of workplace accidents and workplace injuries as compared to those establishments where management alone determines safety and health arrangements. Therefore,

H2d: Safety and health practices are significantly different at the 0.05 level between unionised and non-unionised firms.

In a society of rather high power distance as Taiwan [37], employees may be disinclined to express negative opinions openly. Establishing a grievance system and procedures offers a formal mechanism to handle employee complaints and grievances against management retaliation. Due process may range from informal methods (such as an open-door policy) to formal systems (such as grievance-arbitration procedures) [38].

As mentioned previously, in Taiwan complaints are usually expressed and resolved informally before they develop into critical issues. Utilisation of the formal system is rare. Yet, the establishment of a grievance system demonstrates management's philosophy toward its employees. It manifests that management honours the rights of employees, is open to complaints, is sincere in referring critical issues to unbiased, neutral parties when necessary. Furthermore, such a philosophy reveals the extent to which man-

agement is concerned about labour relations, how it compensates employees' efforts and how it regards employees' safety and health. Therefore, this author hypothesised that,

H3a: Labour-management relations are significantly different at the 0.05 level between companies with and without a grievance system.

H3b: Compensation is significantly different at the 0.05 level between companies with and without a grievance system.

H3c: Safety and health practices are significantly different at the 0.05 level between companies with and without a grievance system.

One way to enhance the labour-management relations is to investigate its predictors. In addition to the major causes of labour disputes—monetary issues and occupational safety—a grievance system should have a positive function in a society in which authority is reluctantly challenged in public. Therefore, this author hypothesised that,

H4: Compensation, a grievance system, and safety and health practices may significantly predict labour-management relations.

Since monetary-related issues are the number one cause of labour disputes, further investigation may provide insight for means of improvement. In Taiwan, salary, benefits, and incentives are the three main components of compensation. Therefore, this author hypothesised that,

H5: Salary, benefits, and incentives may significantly predict a successful compensation.

## Methods

The data reported here were obtained from a postal survey. The first part of the questionnaire investigated the existence of a union, the labour-management relations, the existence of a grievance system, and the degree of success of the grievance system. The second part examined salary, benefits and incentives status as 3 = higher than competitors, 2 = equal to competitors, and 1 = lower than competitors. The third part looked into safety and health practices and the degree of perceived success of safety and health practices. The fourth part consisted of demographic information. An open question was also included to probe the conditions that may hamper labour-management relations. To supplement the postal survey, a follow-up interview was conducted. Eisenhardt [39] commented that if one data source is corrob-

orated by the evidence from another data source, the finding is stronger and better grounded. Thus, five human resource managers who served in two of the three types of firms (Taiwanese, American, Japanese) for more than eight years were interviewed.

The questionnaire was distributed to the human resource managers of the top 1000 manufacturers and top 300 service companies as ranked by the China Credit Information Service in 1993. Four reasons justify the selection of this population instead of the renowned small- and medium-sized enterprises in Taiwan. First, labour relations are less of a problem in small firms than large [40]. Second, small firms may not have formal human resource management to provide comparable information for data analysis. Third, total sales of small and medium enterprises are less than 40% in Taiwan [41]. Fourth, about 15% of the selected population is 50% or more foreign-invested, among which the USA and Japan are the major countries of origin.

## Results

Data analyses results are reported in this section, including a general description of the sample profile, results of hypotheses testing, a summary of the open question comments, and the results of follow-up interviews.

### Sample profile

In total, 213 questionnaires were returned, of which 190 were completed and usable. The 190 firms consisted of 109 Taiwanese firms, 32 USA firms and 49 Japanese firms. Table 3 lists the major attributes of responding companies with a breakdown for the three types of firms. The sample features revealed that about half of the companies were established nearly two decades ago; about 72% of the responding companies were manufacturers which is quite consistent with 77% (1000/1300) of the population being manufacturers; about 53% of the companies hired less than 300 employees which reflects that 51% of the population have less than 300 employees; 37% of the companies were unionised; and 70% of the investigated companies had a grievance system. More specifically, 30% of the Taiwanese and USA firms were unionised, whereas 57% of Japanese firms were unionised. The finding is consist-

ent with previous reports [42] that the rate of union organisation in Japan is considerably higher than in the United States.

A response rate of 15% is comparatively low, but is normal in Taiwan for a direct mail survey without any special arrangement. Statistics indicated that the proportional breakdown of responding companies by type of industry and employee number parallels that of the population, which verifies the representativeness of the sample. In addition, about 20% of the respondents commented on the conditions that hamper labour-management relations and the follow-up interviews with experienced human resource managers yielded valuable information.

### Result of hypotheses testing

For hypotheses testing of H1a through H3d, multivariate analyses of variance (MANOVA) were conducted with the consideration that dependent variables might be somewhat correlated. Hypotheses H4 and H5 were tested using regression analysis. Statistics can be provided upon request.

The MANOVA test showed that labour-management relations are not significantly different among Taiwanese, American and Japanese firms. Therefore, hypothesis H1a is accepted. For compensation, when individually rated, salary, benefits and incentives were not significantly different among the three types of firms. However, the overall success of compensation showed statistical significance. Mean scores and Scheffe test indicated that personnel managers of American firms scored the highest on the perceived success of compensation, whereas those in Taiwanese firms scored the lowest. Therefore, hypothesis H1b is partially accepted. Although the results conform to the general impression that American firms offer more attractive compensation packages than local Taiwanese firms, they also reveal that there is discord between the sum (overall compensation) and the parts (individual salary, benefits, and incentives). In American firms, compensation policies are usually explicit. As a result, actual compensation is usually congruent with the expectation of employees, which enhances an overall perception of success. Data analyses also revealed that the success of grievance, safety and health practices do not vary significantly among Taiwanese, American, and Japanese

Table 3. Major attributes of responding companies by type of company

Attribute	Grouping	Twn. n =	%	USA #n =	%	Jap. n =	%	Total n =	%
Industry	Manufacturing service	75	72.12	17	53.12	41	85.42	133	72.28
		29	27.88	15	46.88	7	14.58	51	27.72
Age of company	< 5	9	8.33	2	6.25	3	6.12	14	7.40
	6-10	14	12.96	4	12.50	7	14.29	25	13.23
	11-15	16	14.81	8	25.00	6	12.24	30	15.87
	16-20	17	15.74	1	3.12	10	20.41	28	14.81
	20+	52	48.16	17	53.13	23	46.94	92	48.68
Employee number	< 100	23	21.5	11	34.38	10	20.83	44	23.53
	101-300	30	28.04	9	28.12	16	33.33	55	29.41
	301-500	15	14.02	5	15.63	13	27.08	33	17.65
	501-1000	24	22.43	5	15.63	3	6.26	32	17.11
	1001-3000	11	10.28	1	13.12	5	10.42	17	9.10
	3000+	4	3.73	1	3.12	1	2.08	6	3.21
Union	Union	32	30	9	30	28	57	69	37
	Non-union	76	70	21	70	21	43	118	63
Grievance	W/Grievance	75	71	20	71	31	66	126	70
	Without Grv.	30	29	8	29	16	34	54	30

# Number (n) excludes missing value.

firms. Therefore, hypotheses H1c and H1d are accepted.

The MANOVA test also indicated that labour-management relations are not significantly different in unionised and non-unionised companies. Therefore, hypothesis H2a is accepted. As for compensation, interestingly, only salary is significantly different between unionised and non-unionised companies. And in contrast to western studies, mean scores indicate that salary of unionised companies is less than that of non-unionised companies. Therefore, hypothesis H2b is partially accepted. A possible explanation is that in Taiwan unionised companies are mainly big companies which are likely to have a rigid salary structure. Data analysis also reveals that the success of a grievance system does not reveal a significant difference between unionised and non-unionised companies. Therefore, hypothesis H2c is accepted. Interestingly when individually rated, safety and health practices of unionised companies are better than those of non-unionised companies. Yet an overall rating of safety and health success shows no significant difference, which again reveals a discrepancy between the sum (overall success) and the parts (individual safety and health practices). Therefore, hypothesis H2d is partially accepted. It seems that overall success re-

quires more than regulated safety and health practices.

Research results show that except for salary, companies with grievance systems are superior to those without grievance systems in terms of labour-management relations, benefits, incentives, success of compensation, safety and health practices. Therefore, hypotheses H3a and H3c are accepted, and hypothesis H3b is partially accepted. A possible explanation of the exception is that salary of the top 1000 manufacturers and top 300 service firms normally falls within the market value range, therefore, no significant difference occurs.

For hypothesis H4 testing, regression analysis indicated that the perceived success of compensation and the perceived success of a grievance system significantly contribute toward harmonious labour-management relations, whereas success of safety and health seems to have little impact. Therefore, H4 is partially accepted. For hypothesis H5 testing, regression analysis showed that all salary, benefits and incentives significantly contribute to the success of compensation, while benefits and incentives play a more significant role in explaining the variance. Therefore, hypothesis H5 is accepted. However, this regression model only accounts for 37% of the variance, which indicates that



besides the three components tested other predicting factor(s) need to be examined.

### Summary of the open question

To supplement the data obtained through structured questions, an open question soliciting responses concerning conditions that may impede labour-management relations was included in the questionnaire. Approximately 20% of the respondents expressed their opinions which generated a total of 43 statements. Comments are classified into external and internal factors with a frequency count of 8 and 35, respectively. Eight 'external' statements included environmental changes after 1987 (frequency count of 4) and restrictions of Labor Standards Law (frequency count of 4). Thirty-five 'internal' statements included poor communication between labour and management (frequency count of 14), union officers are incompetent (frequency count of 7), unsatisfactory compensation (frequency count of 6), union members are ignorant of law (frequency count of 3), employees were swayed by a third party (frequency count of 2), human resource department is not duly respected (frequency count of 2), and low respect for union (frequency count of 1). The top three factors that hamper labour-management relations are poor communication, incompetent union officers, and unsatisfactory compensation.

### Results of the follow-up interviews

To further substantiate the results of the postal survey, this author personally conducted 5 follow-up interviews. All 5 interviewees had experience in unionised companies. Interviewee #1 has 12 years of human resource experience, 9 years in an American firm and 3 years in a Japanese firm. Interviewee #2 has 12 years of human resource experience, 7 years in an American firm, 2 years in a Japanese firm, and 3 years in a Taiwanese firm. Interviewee #3 has 8 years of human resource experience, 3 years in an American firm and 5 years in a Taiwanese firm. Interviewee #4 has been working for 14 years with 11 years of human resource experience, one year in an American firm, 3 years in a Japanese firm, and 10 years in a Taiwanese firm. Interviewee #5 has been working for 10 years with 8 years of human resource experience, 6 years in an American firm and 4 years in a Taiwanese firm. The

interviews were semi-structured. Research findings were verbally described to the interviewees. Inquiries were posited to determine whether they agreed or disagreed with each result, the reasons for their statements, and additional comments on each issue. The follow-up interview results are generally consistent with those of survey findings. However, three doubts were raised.

First, three interviewees were unsure about whether unionised companies offered lower salary than non-unionised companies. They said that unionised companies 'should' offer a better salary because unions can bargain for employees. However, they did not cite examples to lend support to their statements. Those agreeing with the research finding commented that normally unionised companies were larger companies with a fixed, market average salary structure, which often leaves little room for salary negotiation.

Second, two interviewees expressed doubts about the finding that benefits and incentives contributed more to the success of compensation than salary. One expressed doubt that entry level employees were concerned about salary competitiveness as well. Another said that employees were concerned about total take home, irrespective of salary, benefits, or incentives. Those who agreed with this research finding said that salary is normally fixed and varies little within the range of labour market value. It is the benefits and incentives that show wide variation among companies.

Third, regarding the conclusions of the open question, all interviewees concurred that communication and compensation were the two main factors that hamper positive labour-management relations. However, two of them commented that the third reason could be either a crisis such as a layoff, operations shut down or poor organisational environment, rather than incompetent union officers.

Two additional issues also emerged from the follow-up interviews. First, when questioned about which type of firm had the best labour-management relations, interestingly, all interviewees declared that American firms in Taiwan generally had the best labour-management relations because of better communication channels and better human resource management systems. Japanese firms ranked second best because they also have better human resource management systems and usually abide by the law more

than Taiwanese do. These comments do not support the MANOVA test result that there is no significant difference. A possible explanation is that the interviewees hold a general perception about enterprises in Taiwan, and not merely of the top 1000 manufacturers and the top 300 services companies. The results may also indicate that better-structured local Taiwanese firms have made significant efforts in improving labour-management relations as foreign-invested companies have done. One interviewee also mentioned that language barriers in foreign firms may contribute to a more harmonious employee-management relationship. This comment offers yet another perspective to observe the relations in overseas operations and may deserve further investigation. Second, two interviewees commented that Taiwanese firms often grant a large extra year-end bonus to high level management in appreciation of their year-long contribution. Normally, the money comes from the pockets of business owners; the amount is confidential and is not shown on any formal record. For such elite in Taiwanese firms, total compensation may be much higher than that of their counterparts in foreign firms.

## Discussion and conclusion

The major findings derived from data analyses, open question comments and follow-up interviews can be summarised as follows: (1) union organisation rate in Japanese firms is higher than in local Taiwanese and American firms; (2) labour-management relations do not show a significant difference among Taiwanese, American, and Japanese firms; (3) American firms score the highest on an overall success of compensation; (4) safety and health practices are better in unionised companies; (5) companies with a grievance system are better in terms of labour-management relations, benefits, incentives, and safety and health practices; (6) perceived overall success of compensation and grievance system significantly contribute to a harmonious labour-management relations; (7) factors other than salary, benefits and incentives may contribute to the success of compensation; and (8) two main factors that hamper labour-management relations are poor communication and unsatisfactory compensation.

The finding that labour-management relations does not reveal a statistical differ-

ence among the three types of firms may lend some support to the hypothesis that the local companies seem to make comparable efforts in maintaining fairly harmonious labour relations as well-structured foreign firms do. In addition, factors such as government intervention, cultural tradition, distinct social phenomena and active learning foster harmonious labour-management relations in spite of increasing labour disputes and union membership occurring mainly in Taiwanese firms. Characteristics of Confucian tenets, social networks, and patriarchal orientation may have some effects on labour relations in other Chinese societies such as China, Hong Kong and several countries in Southeast Asia. The comments of the five interviewees also cast some insight into labour relations practices of American and Japanese multinationals in Taiwan. American firms generally respect employees' rights, provide attractive levels of compensation, better human resource management, and better communication channels. Japanese firms are characterised by good human resource management, concern about employee welfare and respect for the law.

Two implications may be drawn from the research results. First, union officers need to be capable of interpreting business trends. The findings that union officers have been criticised as incompetent and that salary is lower in unionised companies requires further investigation. Cases such as strikes without honest negotiation, protests intended to preserve vested interests while neglecting the development and survival of organisations have been reported. In a competitive and changing environment, unions may have to reexamine and reposition their role in better representing the increasingly knowledgeable workers. Labour movements that threaten the survival of organisations often lack employees' full support. Union officers should also be able to analyse internal and external environments to a certain extent. For instance, whether lower salary in unionised companies reflects an industry average or is the outcome of weak and ineffective union negotiations can be studied for coping strategies. In Taiwan, the government provides plenty of free training and development opportunities for union officers. These critical persons should be encouraged to take advantage of the programmes to broaden their perspective.

Second, management needs to re-examine

its organisational infrastructure, such as management philosophy, organisational culture, communication, quality of work life among others, in fostering a harmonious relationship with labour. Surprisingly, the three major components of compensation—salary, benefits, and incentives—all together explain only 37% of the variance of compensation success. In addition, when individually rated, salary, benefits, and incentives vary little among the three types of firms. Yet, on the whole, compensation is best in American firms, second in Japanese firms, and lowest in Taiwanese firms. This implies that American firms may offer more intangibles than the other two types of firms which enhance the perception of compensation success. Information from follow-up interviews reveals that in American firms the compensation package is usually explicitly described to employees, consequently, what employees get is usually congruent with their expectation. Besides, measures such as an open door policy, open communication channels, fair performance appraisal, and efforts in improving quality of work life manifest the respect with which management regards its employees in American firms. Such daily intangibles may lead to higher employee satisfaction. In contrast, employees in some Taiwanese firms do not know how their year-end-bonuses or salary rises are calculated. In such cases, the gap between expectation and reality often breeds dissatisfaction. It also occurred that some fairly competitive compensation packages were not effectively communicated to employees. As a result, intentions were misrepresented and conflicts arose. In addition to the tangibles of salary, benefits, and incentives, organisational infrastructure which is concerned with such issues as whether management respects employees, whether employees can freely express their opinions, whether management effectively communicates management practices etc., may affect employees' perception and their overall sense of satisfaction.

Two other findings also support the suggestion to improve organisational infrastructure. One is that when individually rated, safety and health practices show significant differences, whereas the overall success of safety and health does not reveal a significant difference between unionised and non-unionised firms. Again, the perception of employees and other intangibles may play a part in this matter. Employees in unionised

firms may expect something more than regulated safety and health practices. The other issue related to infrastructure is communication effectiveness. Based on comments elicited from the open question and follow-up interviews, it has been determined that poor communication is the main factor that impedes positive labour-management relations. Therefore, management should devise effective channels of communication. Human resource departments can proactively diagnose the communication gap, design training and development opportunities for both employees and management. An organisational culture which nurtures better communications should also be established. In addition, formal and informal communication channels must be set up, such as grievance systems, feedback systems, and open door policies. Wei commented that a union would not be hostile if management would openly communicate and negotiate with the union for mutual benefits [43].

In light of increasing global competition, destructive internal conflicts significantly weaken the competitive power of an organisation. Both management and unions must examine external and internal environments, and present and future business development to properly position themselves for a sustained competitive advantage. The vision and mission developed by management should be operationalised by employees. Unions play an important role in facilitating the accomplishment of the company's goal. Therefore, joint efforts should be encouraged with input from both parties for a win-win situation.

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