

# Is Employment Relations Towards Deregulation and Institutional Convergence Across the Globe?

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Massive academics are at say of deregulations and institutional convergence in employment relations across the globe, be them in advanced or emerging economies. To benefit of doubt: Is it really in all countries in the world? Or are they the representative stories? Thus, the objective of this paper is to explore the recent context of industrial and labor relations in Nepal. To this end, the authors consider the recent Labor Act of 2017 as the fundamental basis for the examination of employment relations against the growing deregulations and institutional convergence in the neo-liberal contexts of post-globalization, highly competitive markets, export-oriented business, super digital technological advancement and increased labor migration abroad. The Labor Act of 2017 shows that the employment relations is around the system approach with collective bargaining, collective dispute settlement and the provision of arbitration, mediation or third-party system, to name a few. This indicates that the employment relations of deregulations and institutional convergence in the advanced and emerging economics, including Asia are some of the representative ones. In that the factors to influence such employment relations vary across the countries even though there has been increased competition, digitalization, labor migration and knowledge-intensive work around. In contrary, within the local, national context or institutional labor framework, the actors and the path dependence of overall employment relations do matter in the study of changing employment relations. Thus, the Labor Act of 2017 in Nepal is put into consideration as a case study to acknowledge the employment relations against the changing, global one. Further, the story would contribute to revitalization of industrial and labor relations and divergence of employment relations in the pool of literatures.

*Keywords:* critical juncture, deregulations, institutional convergence, Labor Act of 2017, Nepal

## Introduction

Considerably large number of literatures are in the projection of transformation of industrial relations. The transformation of industrial relations has held its beginning from the critical juncture of 1980s and 1990s.

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Initially, transformation of industrial relations has begun from the advanced economies of the West (Erickson & Kuruvilla, 1998; Jürgens, Klinzing, & Turner, 1993; Kochan, Katz, & McKersie, 2018), which has spread to recently developed countries in Asia (Kuruvilla & Erickson, 2002) and the trend is on the go in the emerging countries as well. Fundamentally, transformation of industrial relations is towards deregulations and institutional convergence to the system approach (Baccaro & Howell, 2011; Jefferys, 2019) in that Hyman (2018) is worried about the future of industrial relations in Europe. However, it is a puzzle that the Nepalese industrial relations is essentially following the traditional industrial relations system. The recent Labor Act of 2017 covers of collective bargaining, collective dispute settlement and the provision of arbitration, mediation or third-party system (Labor Act, 2017), which reflects that the Nepalese industrial relations is still maintaining traditional industrial relations from system perspective.

Massive academics are in support of deregulations and institutional convergence of industrial relations. However, very small is known about the industrial relations of Nepal from the perspective of growing deregulations and institutional convergence. The Labor Act of 2017 of Nepal clearly depicts that the Nepalese industrial relations is against the mainstream literatures of deregulations and institutional convergence of industrial relations (Tulachan & Felver, 2019). In the neo-liberal economics in the advanced, recently advanced and emerging economies, the evidences in the literatures project support to the thesis statement of deregulations and institutional convergence across the globe (Kinderman, 2019; Kalleberg & Hewison, 2013; Hewison & Kalleberg, 2013). In that the scholars have failed to make case studies of least developed countries, rather they have been portrayed in the similar directions by making representative studies in the regional terrain. This trend of academics in industrial relations has left back the most salient part of industrial relations of the least developed countries. Thus, the objective of this paper is to unveil the untold story of the Nepalese industrial relations that is against the mainstream trend of recent employment relations in the pool of mainstream literatures.

In doing so, this paper collects the latest literatures in industrial and labor relations of deregulations and institutional convergence in the advanced, recently advanced and emerging economies. In that how the deregulations and institutional convergence are made in recent years would be major part of the investigation. Also, the paper explores the increased non-standard employment of part time, seasonal, contract kind of work from the perspective of standard employment system of industrial relations and the role of the gig economy in the neo-liberal context of global economy (McDonough, 2017; Mai, 2017; Kalleberg & Hewison, 2013). To that end, massive efforts have been made in one way or the other to reduce such highly increased precarious jobs (Jaehrling, Wagner, & Weinkopf, 2016; Grimshaw, Johnson, Rubery, & Keizer, 2016). With these in the background, the odd course of the Nepalese industrial relations of permanent employment system and the provision of collective bargaining, collective dispute settlement and the provision of arbitration, mediation or third-party system would be the concentration in that it is unlikely to project towards deregulations and institutional convergence stories of the mainstream literatures of industrial and labor relations.

The paper is divided into four segments. Following introduction, the second segment concentrates on review of literatures with focal variables of deregulations and institutional convergence of industrial relations in advanced, recently advanced, and emerging economies. In this part, the paper further projects what has made such deregulations and institutional convergence in such a rapid scale. Then, it asks as why there is hardly any deregulations and institutional convergence as such compared to other countries in the world. In the third segment, the paper makes a comprehensive case study as why and what has made Nepal to reintroduce the

Labor Act of 2017 with the provision of collective bargaining, collective dispute settlement and the provision of arbitration, mediation or third-party system. Finally, the paper makes a conclusion with future research directions of case studies of the least developed economies around studies of deregulations and institutional convergence of industrial and labor relations.

### **Review of Literature**

Following 1980s and 1990s, there has been significant changes in industrial relations. Most of the traditional industrial relations are towards transformations. The transformations of industrial relations started in the advanced economies (Hyman & Ferner, 1998; Erickson & Kuruvilla, 1998; Kochan et al., 2018) because of the increased technological advancement, increased competition, global and liberal economies, increased factor markets and the trend of massive culture of production of goods and services. The drivers of such changes were similar in the recently developed economies in Asia Pacific regions, most importantly (Bamber & Leggett, 2001; Kuruvilla & Erickson, 2002). The trend has also been to East Asia and in the South Asia, eventually. The major driving forces are of economic crisis/recession of 1980s in the United States. Seemingly, the Taft-Hartley Act came up to the Wagner Act against the mounting strikes and strong trade unions. Also, the oil shock during the 1970s has further influenced to the transformation of industrial relations in the West (Kuruvilla & Erickson, 2002).

With the increased trend towards transformation of industrial relations, most of the countries have deregulated the traditional industrial relations of system approach. The provisions of collective bargaining, collective dispute settlement and the provision of arbitration, mediation or third-party system have been towards individual bargaining and no more provision of arbitration or third-party settlement in the employment relations. Matter of fact, the standard employment relations is towards highly non-standard ones, not only in advanced economies but also in emerging economies in various parts of the world. Thus, there has been increased precarious jobs with vulnerability that is under debate whether it is good for the economy and where it is leading towards in matters of employment.

### **Deregulation or Institutional Convergence? A Case Study of Nepal**

Industrial relations in Nepal began following WWII. The labor movement of 1947 paved the way towards the promotion of industrial relations. However, the labor movement could not get fully successful because of the highhandedness of the employers and of the strong support of the government (Tulachan & Felver, 2019). The government during the period was kind of Oligarchy that they did not want to open up labor-friendly environment and the institutionalization of industrial relations. Matter of fact, the workers and the trade unions had to collaborate with the political parties for the dethronement of the anarchical regime (Tulachan, 2019).

As the number of workers were getting united and the tussle was on the go, King Mahendra made a monarchial coup d'état in 1960 and banned trade unions until 1990 (Acharya & Bhattarai, 2012). With such an official ban, however, the workers and trade unions continuously worked offline and made stronger themselves. Following 1980s, the political environment was more liberal as the wave of democracy in South Asia appeared. The influence of the democratic wave did not leave Nepal alone with the Monarchial system of single political party. The most influential was of the success of the Indian Independence of 1947 in India that encouraged the Nepalese workers and trade unions that they would be able to establish the stolen labor rights and establish institutional labor frameworks for them.

Once the successful introduction of democracy was held in Nepal in 1990, the workers and trade unions grew up massively (Acharya & Bhattarai, 2012). The Labor Act of 1992 and Trade Union Act of 1992 were milestone in the establishment of labor rights in Nepal (Dahal, 2002). The labor framework was more towards the system framework of collective bargaining, collective dispute settlement and the provision of arbitration, mediation or third-party system (Labor Act, 1992). However, in practice, the labor framework was more of the workers and trade unions friendly. This is because when the trade unions were banned from 1960 to 1990, they worked with the political parties more closely for their power and survival (Tulachan, 2019). They also supported a lot in the same manner in the democratic elections to their mother political parties. Thus, they held power in that they could influence the mother political parties and of the government in times of need.

The social movement of 2006 was another critical juncture in the Nepalese politics (Bhandari, 2014). This was because the Maoists who were in the insurgency from 1996 to 2005 got into the mainstream politics (Upreti, 2008). With that, the new constitution was deployed and Nepal entered into the Republic of Nepal with seven of the states. In 2017, the new Labor Act of 2017 was introduced in Nepal, which was in the same manner of system approach. This clearly marks that the system approach is still in practice in Nepal. The Labor Act of 2017 clearly adopts of collective bargaining, collective dispute settlement and the provision of arbitration, mediation or third-party system (Labor Act, 2017). This indicates that the standard employment relations is being carried out against the increased non-standard employment relations in other parts of the world. The representative papers in South Asia reflect similar direction of deregulations and institutional convergence in industrial relations. This puzzle has pushed the authors to write this paper as it makes sense (amidst increased deregulations and institutional convergence literatures) in citing the case of Nepal in terms of maintaining traditional industrial and labor relations, substantially.

### Conclusions

The conclusion marks that Nepal is at odd course of industrial and labor relations, whereas most of the advanced and emerging countries are in the direction of deregulations and institutional convergence of employment relations. The journey is from standard employment relations to non-standard employment of contractual, seasonal, daily, and hourly work. Thus, there appears increased gig economy in most parts of the world in the context of neo-liberal economies. However, the scenario of employment relations is quite different for long in Nepal. The Labor Act of 2017 is the greatest epitome of the practice of the system approach of collective bargaining, collective dispute settlement and the provision of arbitration, mediation or third-party system. The case study of Nepal would contribute to revitalization of industrial and labor relations and of the divergence of employment relations as why Nepal is in the high road of system approach against tide of decline of industrial and labor relations in different parts of the world.

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