

Large Firm Industrial Relations at the Crossroads

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The studies in this volume focus heavily on industrial relations in large firms in Korea. This focus is appropriate, since a significant percentage of Korea's roughly 1.5 million union members are employed in large firms. Unionism is a public sector and large firm phenomena in Korea. While less than 1% of workers in small firms (firms with less than 30 employees) were likely to be unionized, roughly 82% of employees working in large firms (> 500 employees) were likely to be unionized. Further, although large firms account for only 10.2% of the total wage and salary employees in Korea, their share of unionized employment approaches almost 50%. Thus, while overall Korean union density is small (roughly 11%), union density in large firms is much higher. There is also evidence that union members in large firms contribute heavily to union militancy. Firms employing over 300 workers account for only 0.2% of all firms in 2003, but they account for 32% of all strikes that took place in that year. Thus, when we are talking about Korean labor relations, in large part we are essentially talking about labor relations in large companies. Most of the chapters in this volume focus on large firms. The goal of this chapter is to summarize the arguments and conclusions of each of the seven chapters in this volume. In addition, I will also discuss the various themes highlighted in these chapters from the perspective of relevant comparative research. In so doing, I also hope to raise questions for further research and issues where new data might be necessary. Below, I summarize the chapters, and in the section that follows I address important themes and research questions.

1. Chapter Summaries

In the first chapter in this volume, Changwon Lee seeks to understand the rise of militant unionism and confrontational industrial relations in large companies in Korea. This is an important question given that unions are not only concentrated in large companies, but workers in the large companies are the only ones (apart from government employees) that enjoy stable employment conditions and some degree of union power. Changwon Lee first seeks to understand why it is that Korean unionism and industrial relations is enterprise based. He argues that after democratization both large employers and unions made strategic choices in favor of enterprise unionism. Employers chose enterprise unionism because they saw this as likely creating more stability than industrial unionism, while unions also strategically chose an enterprise based structure because they saw this structure as more effective for wage increases. However, he argues that enterprise based unionism did not, in Korea, produce the stable and flexible industrial relations that it has produced in Japan, another country characterized by enterprise level bargaining.

He attributes the rise of confrontation between labor and management to overly politicized strategies undertaken by both parties. Specifically, the owners of large corporations built on their long-standing relationships with government to quell union demands on a range of issues that threatened their ownership and control, while giving in to union wage demands. Unions also followed political strategies (focusing heavily on social issues and government authoritarianism), although these strategies yielded only higher wage increases. This political strategy was chosen primarily by the KCTU (Korean Confederation of Trade Unions), which was fighting for recognition as a federation, (which it received in the late 1990s only), despite representing a majority of workers in large companies. The increased democratization of the labor movement after 1987 also led to a new generation of leaders who

strengthened workplace organizations but used them for larger political purposes, rather than economic unionism. Thus, although the focus was at the political level, the methodology was at the economic level increasing wages was a key means of building member support and commitment.

Changwon Lee concludes that the financial crisis of the late 1990s has brought about a change however. Labor has been less militant, and an increasing number of disputes between labor and management have been solved through mutual agreement. Further, the increasing gap between earnings of workers in large firms and smaller firms, brought on by management restructuring efforts after the crisis, has weakened labor generally and strengthened employers. The increasing dual structure of the Korean labor market (workers in large companies enjoying functional flexibility, while workers in small companies are without protection) requires, in Changwon Lee's view, a departure from the current "bargaining" model to a model of social concertation that will encompass the interests of all workers, not just workers in large enterprises represented by unions.

Dae Il Kim, while focusing on the labor market effects of Korean unionism and the decentralized bargaining regime, puts flesh around several of Changwon Lee's conjectures. He specifically examines the effects of unions and bargaining on inequality in the labor market, and asks why collaborative labor relations do not emerge within an enterprise bargaining model, and highlights both the effects of monopolistic product markets and the political dimension of government's role in labor relations. His empirical work provides answers to several important questions. He first seeks to examine employment and inequality effects. He finds that union members are concentrated in large firms, and at the highest end of the blue-collar wage distribution. He shows considerable support for the "spillover" effect, in terms of reducing employment in the union sector and increasing inequality in the non-union (small and medium sized firms) sector. For example, a 1% increase in the union wage premium reduces union employment share by 1%. Job tenure (and wages) at small and medium sized enterprises is considerably less than the tenure (and wages) in unionized sector.

The spillover effects are exacerbated significantly by a highly concentrated industrial structure with a few monopolistic firms. A small number of large firms have monopoly power in the final goods market and monopsony power in the intermediate goods market through a dense network of subcontractors who are highly dependent on these lead firms. In fact 80% of the sales of small firms are to lead firms, while roughly 40% is to one large monopolistic downstream firm! Thus, small and medium sized firms, which are highly dependent the large firms, also act as an important economic buffer for them. One consequence of this is that the wage and profitability gap between large firms and small and medium sized ones grew in the 1990s. Thus, industry concentration and the monopolistic nature of large firms has permitted unions to be confrontational (more strikes), and win large wage increases (conversely, monopolistic market power has permitted management to "give in" to union wage demands) perpetuating the confrontational relationship.

While industry concentration and union concentration in large firms contribute to overall increases in inequality (in incomes between the union and non-union sector), an important characteristic to remember is that inequality is also evident in terms of job security....there has been a significant increase in temporary employment in both unionized and non union firms. This is partly caused by employment adjustment strategies of firms. According to Dae Il Kim, Employment adjustment, governed by vague redundancy provisions in the 1998 labor standards law, provide considerable voice for unions in negotiating retrenchment (a reason why strikes have increased in the last five years). Hence, firms try to circumvent the problem by hiring more temporary workers (who are invariably not unionized), creating a core-periphery distinction in the labor market.

Thus, there is support for Freeman and Medoff's "monopoly face" of unionism in Korea. High industry concentration ratios and the monopoly power for firms help perpetuate union militancy and rising inequality. Arguably, monopolistic firms technically have the power to withstand union militancy by being willing to face down unions by "taking a strike" (i.e. the market mechanism to create more "responsible" unionism). This has not occurred, according to Dae Il Kim, because government has selectively intervened in the

disputes at large firms. Strikes at large firms become a social and political problem for government, necessitating its intervention to limit these problems. Further, Kim suggests that the Tripartite commission, which is composed of labor and management representatives (who incidentally are from the large firms) and the ruling party, which has ties to both groups, has an interest in perpetuating the monopoly position of the firms (especially after structural adjustment which actually increased the monopoly position of several firms). This only entrenches current strategies of large employers and unions—this is the political dimension alluded to by Changwon Lee. Dae Il Kim calls for a change in the role of government. Thus, one implication of Kim's analysis is that the government must do more to break up the monopoly position of large firms which in the longer run will lead to more collaborative labor relations.

A second development that has the potential to correct the growing inequalities in the labor market is the movement to industrial unionism, a much discussed phenomenon in Korea. However, Kim points out that this has occurred in other sectors that lack competition, such as education (teachers) and nursing (both public sectors dominated). Industrial level unionism has not taken off in the private sector and the refusal of established unions to organize the growing temporary workforce (even in the large firms) is testament to the lack of support (by unions) for the industry bargaining model. This is an important question for further research—why is it that enterprise unions in large firms do not actively support the development of industry-wide bargaining. In sum, Professor Kim would expect that confrontational industrial relations, a large firm phenomenon in Korea, are likely to continue unless the parties change strategies.

Hyo-rae Cho, in his study, focuses on two important questions. Why do unions choose militant rather than collaborative strategies, and why Korean unions appear to be self-interested, focusing on instrumental servicing current union members rather than following solidaristic policies that would affect the broader working class. The latter question is particularly puzzling, given that Korean unions did have a broad social and political agenda during the fight against authoritarianism just 15 years ago. Cho terms this combination of instrumental and militant unionism “militant economism”.

In order to explain the rise of this type of unionism, Cho focuses on three explanatory variables, the politics of production, internal union politics, and the changing demographics of large firm workers. His contribution is important in that it adds a new set of explanatory variables to be considered.

By politics of production, Cho is referring to the interaction of three key variables—shopfloor power of labor unions, the strategic orientations of these unions, and the employer's policies about unionization. Strategic orientations of unions differed on the continuum of an orientation towards solidarity (building a stronger labor movement), an orientation towards re-distribution (economic gain of members) and an orientation towards labor management collaboration. This continuum interacted with employers policies (which were either exclusive (antiunion such as that followed in Hyundai), inclusive (such as that of LG), or non union (e.g. policies of Samsung and Posco). These interactions produced differing patterns of union action, based on whether they occurred under conditions of strong shopfloor power of unions or weak shopfloor power.

Thus, the interaction of these three variables produces a variety of different union actions. In general, where shop-floor power of union was strong and employers followed an exclusive union strategy, unions usually exhibited militancy for solidarity or redistribution, depending on their orientation. However in cases of a more inclusive employer strategy, strong unions either tried to develop an industry-wide bargaining model (if their leadership was solidarity oriented) or followed a union- initiated collaborative partnership model (micro-corporatism) if they were re-distribution oriented. In cases where the shop floor power of unions was weak, an exclusive management strategy resulted in solidarity oriented unions being debilitated or caved in to follow collaborative modes. Under a more inclusive employer strategy, all unions accepted a weak form of collaboration.

This framework is useful because it can be mapped onto the three distinctive periods of evolution of Korean unions after

democratization. During the early years (1989-90) most strong KTUC unions followed the strategy of militant struggles for solidarity in the face of managerial opposition. In a later period 1992-1996, as managers began to introduce new management methods, strong unions became more inwardly focused, concentrating on defense of shop-floor power of union from the offensive of the management, while weak unions typically agreed to collaborate with the management through new less militant leaders being elected by pragmatic workers. When industrial relations gradually become more institutionalized, these trends became stronger, leading to a more pragmatic orientation within large enterprise unions. Where management followed a more inclusive policy, collaborative labor-management relationships evolved (Prof. Cho calls this micro corporatism). Though the initiative of collaboration depended on shop-floor power of the union, both the strong and weak collaboration also made unions more narrowly focused, away from their more solidaristic orientation. The business re-structuring after the Asian financial crisis accelerated these developments, increasing the cleavages between workers in small and larger firms, reducing solidarity, while also weakening large firm unions, which only made them more inward-looking.

Internal union politics also played an important role here in explaining both the transition from solidarism to self interest and the rise of militancy, particularly after the Asian financial crisis. One manifestation of these politics was the division between solidarity focused leaders and more pragmatically focused leaders who concentrated on winning gains for current membership. Given bi-annual elections for union leadership positions, union leaders were increasingly forced to enact militant strategies to satisfy members' needs to maximize wage gains. Militant strategies were also followed given the existence of militant and solidarity focused shop floor activists who were against labor management collaboration on principle. These differences resulted in a gradually growing gap between union leaders who continued to have some focus on solidarity versus membership who wanted wage gains. Competition between leaders of different orientations only resulted in more militant strategies, because there was an economic payoff to militancy for members. Further, there was considerable factionalism amongst different groups of shop floor militants as well. The divisions between union executives, union delegates and shop floor militants resulted in extreme competition to win workers loyalties, which could be won only through more militant strategies.

The key question here is why is it that a majority of members were so clearly focused on instrumental wage gains. Cho finds the answer in the demographic changes in the workforce of large firms. Simply put, the blue collar workers who were in their 20s during 1987 are in their 30s in the late 1990s, married with children, and part of a growing middle class concerned with maintaining their standard of living and the job security which provided them the capacity to do so. This is evidenced by their increasing willingness to do overtime work. The increasing differences between their incomes and those of workers in small and medium size firms only highlighted the need to preserve their status. Hence the gradual increase in the instrumental focus of union members. It is this instrumental focus that has led to what Cho terms "militant economism" in large firms, when unions were strong enough. Where unions are weaker, this instrumental focus tends to result in more collaboration with management.

The transition of member preferences from solidarity to instrumentality has major implication for union leaders. In net terms, this means that leaders would find it impossible to spend effort and resources to develop industrial unions which could enhance the solidarity project. And this makes union leaders less interested in organizing the growing pool of temporary and unorganized workers (many of whom are employed in large companies). The differing orientations of members and leaders, therefore is an important variable that will profoundly affect the future of large firm unionism in Korea.

Eul-Teo Lee attempts to explain the increase and decreases in the militancy of Korean labor, using the changing human resource management practices in large companies as the key explanatory variable. Lee attempts, in his study, to develop a model that hypothesizes a causal link between human resources practices and union joining, and union militancy. Given much research on the determinants of militancy found in this volume but not controlled for in the model, in effect, what Lee does is to suggest a strong

association between HRM practices and the rise and fall in union militancy during the last two decades in Korea.

Specifically, he suggests that during the period before 1987, when there was government control over the industrial relations sphere, employers followed and a highly limited Tayloristic personnel management approach. After democratization however, workers, seeing the inequity in the HRM approaches of corporations, evidenced by the wage gap between blue and white collar employees, joined unions in large numbers and also resorted to militant strategies to win wage increases. Wage increases were the largest cause of strikes during the late 1980s and early 1990s. However, during the early 1990s and until 1996, union militancy reduced, according to Lee, as a result of a general improvement in working conditions and fringe benefits, more participative HRM in large firms, more selective hiring practices using referral systems to reduce the number of workers prone to militant action, i.e., in other words, due to a more inclusive and caring HR practices in many large companies. However, post the Asian financial crisis, there were several changes in human resource practices. Most significantly, there was an emphasis on workforce reduction, increased contingent employment, pay for performance, result based evaluations, and an increase in profit sharing arrangements (although it is not clear whether all of these practices affected blue collar workers). Professor Lee does not explicitly link these changes in human resource management to a decline or increase in union militancy (the data show a decline in militancy in the early years followed by an increase in militancy in the last few), but argues that employees were less able to express their voice, possibly resulting in strikes.

Soonwon Kwon considers the linkages between corporate governance in large firms and employment relations. Essentially, he distinguishes between American, Japanese and Korean corporate systems, in terms of three dimensions, the structure of ownership, sharing and markets. American corporate governance is characterized by the separation of ownership and management, with shareholders exerting considerable power in a highly liberalized market environment. Japanese corporations tend to be owned by other Japanese corporations, the interlocking directorates that are characteristic of the Keiretsu system. Korean corporations on the other hand are generally owned by the family and managed by them. Japanese and Korean companies operate in a coordinated market system where firms depend heavily on non-market based relationships to coordinate their endeavors, unlike the American system where firms coordinate their activities via hierarchies and competitive market arrangements. However, Korean firms relate with other firms based on authoritarian direction from the owner-managers, unlike Japanese firms that exercise some discretion in coordinating their activities. In terms of corporate sharing structures as well, the American system, there is a clear separation between management and workforce, and a general exclusion of worker participation in decision making. Japanese systems emphasize a lot more sharing between workers and managers, through various channels. Korea, on the other hand, is more like the US in this regard, and although labor management councils are mandated in Korea, they tend to become the arenas where employee grievances are discussed, rather than information being shared.

The point of Soonwon Kwon's study is to argue that models of corporate governance are (or should be) linked to employment relations features (although his model does not attempt to make predictions). He looks at several measures of corporate governance (concern for business prosperity, stakeholder value orientations, whether there are directors from amongst employees) and several measures of employment relations (internal promotion, long term employment, enterprise unionism, seniority based wages models and firm specific skill systems). Using judgment to assign values to each of these factors (on a continuum of a positive, neutral, or negative extent to which these factors are consistent with the corporate governance model), Kwon finds that there is a high degree of complementarity between corporate governance measures and labor relations characteristics in both the United States and Japan, but not in Korea.

This low complementarity in Korea is responsible for the mutual antagonism between Korean employers and workers. For example, the monopolistic structure of owner-managed large firms provide greater bargaining power to both employers and employees, resulting in confrontation, a point that also supported by Dae Il Kim's analysis. Strike rates are higher in large firms in

Korea. But the authoritarian governance structure of Korean firms does not provide a mechanism for stakeholder influence in sharing mechanisms, leaving workers with very little influence or opportunity to participate in decisions. Furthermore, the authoritarian structure leaves lower level employees (line managers) with very little ability to devise appropriate IR and HR strategies suited to their particular business environments. Finally, given the highly developed “owner-property model of corporate governance, Korean employers tend to view employees as servants who should not participate in decision making as it interferes with “property rights” of the owners.

Although one can argue with the tightness of the linkage between corporate governance models and employment relations used in Kwon’s analysis, his analysis adds a new set of independent variables to explaining confrontational employee relations in Korea, i.e., an authoritarian management style that is embedded in an “owner-manager” structure that permits little involvement of the various stakeholders of a firm with the ability to participate in organizational decisions.

Heiwon Kwon and Hyunji Kwon in their study focus on the growth of the “non-standard” workforce in Korea. By nonstandard, the authors mean the growing casual, contract, and temporary labor force in Korea. In seeking to explain the growth of nonstandard work in Korea, the authors resort to case studies of two industries, banking and automobiles. Several firms are examined in both industries. They examine why large firms have increased “nonstandard” work in recent times, union responses to these actions by large firms, and the outcomes the growth in non standard work.

In general, the authors argue that both banking and automobile industries have been under pressure since the early 1990s to reduce costs and increase flexibility. However, the relative importance of these two variables differed for both industries, and the pace at which restructuring occurred varied, showing a significant increase after the financial crisis, and that union responses to restructuring also varied across industry and across time.

Kwon and Kwon show that in the case of the automobile industry, the need for flexibility was paramount. Although employers were trying to promote flexibility since the early 1990s, these were resisted by the unions, and the process of re-structuring was quite slow. The financial crisis brought about a “critical juncture” —the conditions under which employers were able to pursue their flexibility enhancing agenda. Given the crisis, unions faced a decline in bargaining power and were less able to resist. Second, as part of the “grand tripartite compromise” in 1998, employers were formally granted the right to retrench workers, though they had to negotiate these with the union. As firms found it difficult to layoff in the face of union opposition, they began to hire contract workers (on site contracting) to obtain their flexibility goals. The unions in the auto industries, focused as they were on protecting the jobs of their existing members, agreed that the company could hire contract workers. Hence, the incidence of on site contracting increased rapidly post the financial crisis, and in one of the firms studied stood at 27.5% of production workers. Kwon and Kwon argue that the employer’s strategy of hiring contract workers was also to some degree motivated by their desire to break union power. Thus, in agreeing to let employers hire temps, the unions have clearly made a Faustian bargain.

In the banking industry, on the other hand, the cost issue was more important than the need for flexibility in driving work re-structuring decisions. Much of the restructuring efforts in banks was precipitated by the financial crisis, which hurt the banks acutely, prompting a drive to drastically reduce costs immediately—almost all of the layoffs in the industry took place between 1997-1999. Those laid off were replaced by temporary employees (partly to meet manning requirements mandated by financial supervisory commission), and partly to create a more flexible work organization. The percentage of temporary employees in the six banking companies in 2002 varied from 14% to 35%. The position of the banking unions is also curious in this regard—they represent only permanent workers, and hence don’t worry too much about the temps, although some banking unions have negotiated limits to the number of temporary workers their bank is can hire. There is relatively little effort on organizing the temporary workforce in the banks.

Whether the need for flexibility or the need to costs was more or less important in different industries, what is clear is that they

are highly inter-related. And Kwon and Kwon argue that in general terms employers have succeeded in “destroying and re-creating” internal labor markets in the two industries. The net result has been to create what Kwon and Kwon call a “multi-tiered segmentation” in the labor market, with the segmentation more varied in the auto industry. Kwon and Kwon also address the different modes of nonstandard work, but that question is less germane to the main issue of why non standard work is increasing.

Of course, the effect of these arrangements has also widened the income differentials across segments. In the auto industry, one company data suggests that contract workers earn about 61% of the earnings of regular workers with the same tenure, and only 41% of the average regular worker salary, despite doing very similar jobs. In the banking industry, temporary employees earn about 55% less than their regular counterparts, and there is also a gender story here as a majority of temporary workforce in the banking industry is female. Clearly therefore, these case studies show a fundamental departure from the “lifetime” employment model that was so prevalent in these two industries in Korea.

Soonwon Kwon and Harry Katz examine several different issues. First they look at union density and the changes over time, concluding that the decline in unionization is closely linked to the decline of the manufacturing sector, increases in the service sector, and the increases in contingent employment, particularly of women. They do however, note that unionization in large firms (the key focus of this book) remained surprisingly steady even under the Asian financial crisis, fluctuating between 30% and 40%, and these variations appear to be associated with firm business cycle issues.

As regards bargaining structure, Kwon and Katz provide a more pessimistic view of the frequently mentioned argument that bargaining structure is actually —recentralizing” at the industry level. There is some progress towards industry level bargaining, to be sure, but this has happened only in the Health and metal working sector. Moreover further progress is likely to be very slow as Korean employers are poorly organized, and are opposed to industry level bargaining. Even in the metal working industry, several big enterprise unions where decision making power is located have not yet relinquished bargaining rights to industrial union counterparts. Further, they argue that the evidence actually supports increased decentralization. One bit of evidence is the decline in unions, a second is the changes in collective bargaining outcomes (which clearly suggest much higher employer bargaining power), a third is increased diversification of corporate structure coupled with an enterprise based unions who will not join industry federations.

Kwon and Katz also argue that lower concentration ratios (i.e. an absence of agreement or a high degree of competition between union federations) increases conflict, negatively affecting union organizing as well as a business performance. Notably, union militancy significantly impacts firm business performance (based on a measure of value-added in the top 30 chaebols).

TABLE 8-1 SUMMARY CHAPTER FOCUS AND FINDINGS

Chapter	Dependant Variable	Explanatory Vars
Lee	Trajectory of Industrial Relations in Large Firms.	Overly Political strategies of both unions and employers; the Asian financial crisis; earnings gaps between regular and temporary workers;
Kim	Labor Market Effects of Large firm Unionism: Militancy, Inequality, confrontational labor relations	Concentrated industrial structure with monopolistic firms; union concentration in large firms; employment adjustment strategies of firms; tripartite commission.
Cho	Why are unions in large firms militant? Why are they instrumentally focused rather than solidarity focused?	The politics of production; internal union politics; and the changing demographics of large firm workers;
Lee	Increases and decreases in union militancy	Human resource strategies of firms.
Kwon	Antagonism between Management and Labor	Low degree of complementarity between corporate governance and HR strategies; Monopolistic structure of Korean firms; Authoritarian Managerial styles;
Kwon and Kwon	Reasons for growth of 'nonstandard' employment in large firms; Union Responses to growth of non standard employment; labor market effects of on standard employment.	Flexibility and cost reduction, where flexibility was a greater imperative in auto industry, while cost reduction more important in banking industry; instrumental focus of enterprise unions;
Kwon and Katz	Changes in Union density, Bargaining structure and union militancy	Structural change in the Korean economy. decline in manufacturing, rise in services and rise of contingent employment; Low Union concentration ratios;

My purpose above was to provide short summaries of the arguments in each of the chapters, essentially to acquaint the reader with the range of this book, and especially the variety of dependant variables that have been examined by the authors. Thus, the reader must go to the chapter for more specific detail. Table 8-1 provides a pictographic summary of the dependent and independent variables in the chapters.

In the next section, I take a thematic approach, focusing on several themes in these chapters, and make an attempt to condense or distill the lessons that we gain from these chapters on these important research questions. While I will take a "issue-by-issue" approach here, I will discuss each issue in terms of comparative (non-Korean evidence), as well as the outlining future research questions that are raised by the author's analysis.

2. Thematic Issues

2.1 Unions in Large Firms

A key theme that is implicit in most chapters is that Korean unionism is concentrated in large firms. Dae-Il Kim provides evidence that large firms are more likely to have unionized employees (in manufacturing, in 2003, 79.2% of workers in large firms were likely to be in unionized firms; large firms, while accounting for only 10% of total wage and salaried workers, accounted for 50% of union sector employment). An important question for future research is to obtain more direct and precise data on unionization by firm size, rather than inferring it the way Dae Il Kim does.

Is the concentration of unions in large firms a uniquely Korean phenomenon? My survey of the literature indicates otherwise.. Korea is similar to most countries in this respect. Evidence from the US suggests that larger plants tend to exhibit a significantly higher

incidence of unionization than small plants while larger plants are more likely to be the target of union organizing drives (Davis and Haltiwanger, NBER, 1995). Evidence from Germany and Canada suggest a pattern that is quite similar to that of Korea. In most other countries as well, unionism tends to be concentrated in large firms. In Japan, which has an industrial structure that is more similar to Korea, the union density in firms employing more than 1000 employees is 54.8%, while firms employing between 100 and 999 employees are characterized by a union density of only 16.8% (Suzuki, 2004). Thus, in this respect, Korea is certainly not unusual. What is more unusual about Korea is the nature of large firm unionism and specifically, the issue of union militancy.

TABLE 8-2 ESTABLISHMENT SIZE AND UNIONIZATION

Firm Size	Percent Union: Germany (1986)	Firm Size	Percent Union: Canada (2002)	Firm Size	Percent Union Japan, 2004
1-10 ees	5	<20 ees	7	< 99	1.3%
11-100	23	20-99	19	100-999	16.8%
101-500	42	100-499	36	>1000	54.8%
501-2000	52	> 599	46		
2000+	58				

2.2 Militancy and confrontational industrial relations

At this point in time, from a comparative perspective, Korean unions appear more militant than the unions in other OECD countries. Kim's study presents a table on comparative mandays lost due to strikes in the UK, US, Germany, Sweden, and Japan in the years 200-2002, and finds that Korea tops the list. Most interestingly, Korea also differs from its OECD counterparts, and from most countries in the world, in terms of the trend regarding the number of strikes. Whereas the number of strikes in most parts of the world shows a steady decline in the 2000-2005 period, Korea shows a marked increase (Kim's data shows that the strike frequency has been increasing steadily since 1998). Thus, understanding the causes of militancy (as expressed by strikes) is an important policy issue.

Several authors in this volume address the issue of militancy and confrontational industrial relations. Aside from policy implications, the question is important from a theoretical standpoint as well. Why is it that Korean industrial relations, which like Japan, has its center of gravity at the enterprise level, does not exhibit the level of industrial peace and collaboration that is characteristic of Japan? Despite the similarity with Japan regarding this aspect of bargaining structure, Korea tends to exhibit the confrontation that is characteristic of another country with a decentralized bargaining regime, i.e., USA. Thus, where decentralized bargaining regimes produce conflict (USA) and cooperation (Japan), we have to understand why Korean IR should evidence conflict rather than collaboration.

The authors in this volume advance a large number of explanations for Korean militancy. Changwon Lee attributes militancy to the overly political strategies undertaken by both unions and employers. Employers went to the government to solve their problems, while unions, particularly the more militant KCTU also focused on political strategies to gain recognition, although these strategies invariably resulted in higher wage increases for their members. In Changwon Lee's view, both employers and unions did not invest heavily in promoting a bilateral relationship. Dae Il Kim holds that the monopoly position of large firms permits them to essentially "reward" militancy through higher wage increases, since prices could be passed on to the consumer. While this may, at best, be a facilitating condition explaining union militancy, it supports Changwon Lee's view that employers were willing to "buy off" unions with higher wage increases rather than "take a stand" that might, in the longer term build a collaborative relationship. Kim further argues that the willingness of government to intervene (selectively) in strikes and disputes at large firms also hindered the development of a more bilateral problem solving approach.

Cho argues that militancy is a function of several variables. The first is what he terms the politics of production, unions turned to militant strategies when they were strong at the shop-floor and were faced with an opposition by the employers (this is similar to Eul-Teo Lee's point about the importance of HR strategies). The second key variable Cho refers to is internal union politics...the competition between different types of union leaders and activists, where militancy was one method of obtaining member loyalty.

It is important to highlight the temporal dimension, i.e., it is possible that the causes of militancy have changed over time. Early militancy (during 1987-1990) is well explained—a function of the new found freedom to organize and bargain, followed by the militant struggles of the KCTU for legitimacy. Militancy declined in the mid 1990s, in the face of both new managerial strategies (both Cho and Lee refer to these) that resulted in unions (notably the weaker ones) and employers in some companies pursuing collaborative strategies. However there has been an increase in union militancy since 1998, after the Asian financial crisis. It is this aspect of militancy that is relatively more difficult to explain.

A partial explanation for this late spurt in militancy is provided by Cho's variables of intra union politics and his third explanatory variable, (that of the changing demographics of union members in large companies, who as they grow older and have limited labor market mobility are far more concerned with their job security, which has been threatened by re-structuring strategies of employees) suggests that they are more willing to adopt militant strategies (especially when they have shop floor power). An alternative explanation for late militancy is advanced by Dae Il Kim, who argues that employment adjustment (governed by vague retrenchment provisions in the 1998 tripartite agreement) provide considerable voice for unions in negotiating retrenchment, which they are resisting (a reason why strikes have increased in the last five years). Thus, while Cho points to a "bottom up" push factor (internal union demographics and politics), Kim points to an institutional explanation, that the tripartite agreement provided unions with an institutional basis for militant reaction.

It is possible that both explanations work in tandem (interactively), but this is an important area that merits considerably more research. It is the scholar's task to disentangle these interactions. Several research questions are pertinent here. Does the latest spurt in union militancy represent a "last stand" by unions weakened by re-structuring after the financial crisis? Or is this militancy a function of internal union politics that Cho refers to? What is likely to happen if employers now take the offensive? During the mid 1990s Cho suggests that strong unions were militant while weak unions capitulated or collaborated. After the Asian financial crisis, even some of those strong unions have become weaker. Given the freedom of employers to retrench, and the growth in the nonstandard workforce (which many unions in large firms themselves permitted), is the recent spurt in strikes evidence of a weakened labor movement fighting with its backs to the wall? What is the logical next step for large employers who have already managed to divide labor within their firms by growing the non standard workforce? Current and future research in large firms must address these issues.

Yet another issue worth considering in any explanation of strikes is the presence and effectiveness of dispute resolution methods, and other institutions that channel conflict in different ways, rather than strikes. It is possible that under the various reforms and changes in Korean industrial relations since 1987, dispute resolution mechanisms have not been institutionalized at both firm level and third party level. Given effective alternatives, strikes may not be preferred all the time. More research needs to be done here.

2.3 Employer flexibility strategies & the rise of the nonstandard workforce

Kwon and Kwon highlight the strategies of employers in autos and banking in re-structuring and hiring temporary and contract workers. They highlight both cost pressures and the need for increased internal labor market flexibility as driving employer decisions, although Kwon and Kwon talk about the added imperative of breaking union power as well. Dae Il Kim adds a perspective here to explain the rise of temporary and contract employment as the dominant employment adjustment strategies used by employers. His

argument is that employers began to use temporary and contract workers when they encountered resistance from unions to layoffs. Basically as Dae Il Kim notes in his study, "Employment adjustment, governed by vague redundancy provisions in the 1998 labor standards law, provide considerable voice for unions in negotiating retrenchment" Since union resistance on layoffs in large firms lead to militancy, employers responded by resorting to contractual employees. Unions, as Kwon & Kwon and Cho note, wanting to protect their core membership, agreed to allow employers to hire contract labor.

In this arena as well, Korea is by no means unique. In both the United States and Japan, contingent employment has been increasing, as employers strive for numerical flexibility. Prior to 1998, large Korean firms followed de facto lifetime employment policies similar to those of large Japanese companies, though lifetime employment was never as deeply institutionalized in Korean society as it has been in Japan. In Japan as well, the decade of the 1990s saw a decline in lifetime employment and firms found flexibility by hiring part-timers and contract workers. Just as the tripartite commission agreement in 1998 formally permitted layoffs in Korea, a 2003 law permitted a contractual employment term to last three years in Japan. Kwon and Kwon note that the non standard workforce in Korea is close to 50% of total population. Data from Japan show that the nonstandard workforce in Japan increased from 18.8% in 1990 to 30% in 2004 (Economist, 8th October 2005). While many large Korean firms thus evidence a "double breasted" employment approach of a core workforce with union representation and job security along with temporary and contract labor, similar patterns are evidenced in Japan. A recent interview with Fujio Mitarai, the President of Canon (reported in the Economist) notes that Canon maintains lifetime employment terms for its "core" workers, but they account for only 30% of the company's total workforce. The balance 70% is temporary, whereas, in 1992, only 10% was temporary.

The labor market effects of such employment adjustment mechanisms are also similar in Korea and Japan. Kwon and Kwon show that a temporary worker in the banking industry earns as little as 41% of the average "core" worker's salary, while on average temporary and parttime workers in Japan earn roughly half of a fulltime workers salary (Economist, October 8 2005).

Thus the development of the core-periphery model of employment within large corporations appears consistent with evidence of the impact of globalization and increased competition throughout the world. While the core-periphery distinction is growing in almost every country, to be sure, it has grown much faster in Korea. In Western Europe, industrial relations institutions (notably strong unions) and legislation have stemmed the growth, while it is not clear what institutions are evolving in Korea that could have a similar impact. Korean unions in large firms, the one institution that could be a very important bulwark against further fragmentation of the strong internal labor markets, appear to have abdicated their responsibility by negotiating agreements permitting the growth of the nonstandard workforce.

It is important for future research to explain the faster growth of this phenomenon in Korea. On the one hand, Dae Il Kim tells us that large firms are generally monopolies, which is why they are willing to give in to wage demands of workers. On the other hand, the same large firms are aggressively forcing flexibilization in the internal labor market. If the monopoly power permits them to pass on costs to consumers as well as suppliers and subcontractors, why would they follow this seemingly contradictory strategy? One explanation in these chapters is that large firms are hedging their bets and preparing for the future by attempting to create a generally flexible internal labor market (a point made by Kwon and Kwon as well as Kim). But we need more understanding of large firm human resource strategies (not practices) here, another important area for future research. Most importantly, there is need for research on the variations in large firm HR and LR strategies and practices.

2.4 Corporate governance and ownership structure

Two authors deal with the issue of corporate governance and ownership structure and their connection with labor relations patterns and union militancy, although they address these issues very differently. Kim's argument is relatively simple, which is that

the large firms in Korea tend to have monopoly power in the product market and monopsony power in the intermediate goods market. Thus, subcontractors and suppliers, who are in highly dependent relationships with the large (lead) firms, tend to bear the brunt of downturns, so this allows lead firms to ‘give in’ to militant union demands. Kim’s policy recommendation here is to whittle down the monopoly power of large firms through government regulation. Deprived of their monopoly power, large firms may decide to develop meaningful relationships with their unions, although it does not directly follow that they will.

Soonwon Kwon argues that the low level of complementarity between corporate governance and employment relations explains the antagonistic pattern of labor relations in large firms in Korea. While Kwon apparently agrees with Kim that the monopolistic structure of large firms (and their large unions) promotes confrontation, he goes considerably further to highlight the importance of the authoritarian governance style of Korean firms. Basically, this authoritarian governance style stems from the fact that large Korean firms tend to be managed by owners rather than professional managers, compared to US, Japanese and German corporations. As a result, Korean firms tend to have low “sharing structures” where stakeholders (both shareholders and employees) have very little voice in decision making. For example, despite the legal requirement of parallel workplace organizations such as labor management councils, these are not permitted by owners to be vehicles of significant employee “voice”. Further, Kwon argues that the authoritarian owner managerial style does not permit the delegation of authority with regard to labor relations to line managers. Thus, line managers do not have the freedom to develop appropriate IR and HR strategies. And workers tend to be treated like servants rather than stakeholders.

The implication here is that barring a drastic change in corporate governance structures that separate ownership from management, there will be little opportunity for stakeholders to have their voice heard, and little opportunity for the “professionalization” of labor relations management in these large firms. Such “professionalization”, which involves the separation of ownership from management, could result in the evolution of more collaborative (and participative) managerial styles.

An important research question that is relevant here is to more tightly forge the link between corporate governance and employment relations. There are for example examples of large firms with more collaborative labor relations. Can they difference between collaborative LR strategies and confrontational LR strategies be explained by ownership structure? Case studies of such firms would be of use here in providing support to Kwon’s argument. We know from these chapters that several variables do explain the lack of collaboration between large employers and unions, so the added explanatory power of Kwon’s corporate governance variables need to be addressed. And, we need more research on why the LR strategies of large firms differ. Cho clearly argues that large firms have followed either exclusionary or inclusionary policies with regard to their unions.

A second implication of Kwon’s argument is the apparent need for training of senior management in labor relations, and perhaps also in interest-based bargaining for the future development of collaborative labor relations. It appears that the concentration of managerial authority in the hands of owners is a serious obstacle to the professionalization of the labor relations function in large Korean firms (although not all large Korean firms).

In the corporate governance realm, Korea is not unique. There have been pressures for changes in corporate governance all over Asia after the Asian financial crisis. The most notable changes have occurred in Japan. Several new laws governing financial reform have strengthened transparency and increased shareholder activism, while there has been a consolidation in several industries. Similar reforms have taken place in Korea although to a lesser extent. .again, more research on Korea may be relevant here. In Japan, the Fair Trade Commission, which regulates monopolies has become more powerful, reporting directly to the cabinet and amendments to the anti-trust laws are contemplated in 2006. The Japanese efforts have resulted in greater shareholder activism and a more transparent corporate structure—for example, the Economist reports that in 1992, 46% of all listed equities were held as cross shareholdings by related companies. By 2004, this figure had reduced to 24%. An important research question is to examine the extent of changes in

corporate governance in Korea after 1997 and to examine whether there are changes in the monopolistic position of large firms. One hypothesis suggested by Kim is that after some consolidation post the financial crisis, the large firms have seen increases in their monopoly power rather than decreases!

2.5 Union strategies

One of the most important themes arising from this volume is union strategy and how it has changed over time. Cho perhaps focuses on this issue the most, since he seeks to explain why large firm unions follow militant strategies and also why large firm unions do not adopt more solidaristic strategies that will enhance their strength. While Cho bemoans the narrow and self interested strategies adopted by unions, Kwon and Kwon highlight the unusual “faustian” bargain large company unions have made their employers—i.e., permitting the growth of a non standard workforce within the company that will only serve to undercut their strength! On the face of it, it would appear that the self interested strategy that large firm unions are following is a self- destructing strategy as well. Clearly, there is much going on here that we must seek to understand. Cho provides some clarity by focusing on the interaction of production politics, internal union politics and union member demographics that have driven unions away from a solidaristic orientation to a more self interested instrumental focus. While his analysis sheds considerable light, there are many questions here that will provide additional depth to his analysis. And there are many areas in which we would need additional information. In general, we need to get more information on a range of union related issues, such as structure, leadership, membership distribution, and the strategy formulation process in unions (to build on Cho’s analysis).

First, there is need for some research on FKTU-KCTU differences. Many authors have argued that the most militant large company unions are affiliated to the KCTU. However, the chapters in this volume do not make distinctions between the two federations. There have been for example notable differences in the FKTU and KCTU’s willingness to participate in the tripartite commission, (although of late, their positions appear to be converging). More studies on inter-union politics and differences would be illuminating.

In addition the structure of their membership might reveal something about differences in union strategy. KCTU for example also has a sizeable number of blue collar unions in small and medium sized firms and a sizeable number of white collar unions affiliated to it. These unions have been less militant, and as Lim (20002) argues, these unions have been moderate, supporting KCTU’s participation in the tripartite agreement. What is not known, however, is what proportion of KCTU membership is controlled by these unions. Lim (2002) does provide some comparative data for 1996, but much has changed since then. In 1996, public sector unions accounted for 22.6% of KCTU’s membership, while private sector manufacturing and private sector nonmanufacturing accounted for 48.1% and 27.5% respectively. The FKTU reported similar membership composition for the same year, with public sector unions accounting for 27.5%, private sector manufacturing for 49.6% and private sector non-manufacturing at 22.6%. How these have changed over the last 10 years would be highly relevant to any discussion of current and future union strategies.

A second key research question must focus more on the internal politics of unions. We need to understand the different groups within the federations and within large enterprise unions. We know from Cho’s study that there are some groups within large company unions who are solidarity focused, while others are more instrumentally focused. We also know that there are moderates and militants. What accounts for these differences? What are the characteristics of militant activists and the moderates? Why do they become so? What drives their activities? Cho specifically attributes an independent effect of union leader and activist groups on union strategy (in addition to the bottom up push of changing worker demographics). What are the determinants of the variations in thinking and strategy formulation amongst leader and activist subgroups? Why do some leaders pursue collaboration whereas others pursue confrontation within the same company? On another front, how do plant-level leaders (and activists) differ from national level

federation leaders in how they think about union organizing strategies? Thus, more detailed studies on intra-union politics and internal union strategy formulation processes are also necessary.

Similarly, there are additional research needs in union organizing strategies. In large companies, the chapters highlight the fact that unions entered into a bargain with employers to allow the hiring of non standard workers. In some cases (especially banking) Kwon and Kwon show that they set limits on the number of non standard employees to be hired. But in general, several chapters in this volume suggest that the unions have made little or no effort to organize the non standard workers. This is consistent with Cho's argument that large company unions have an instrumental rather than solidaristic focus. This is a particularly puzzling and curious "strategic" policy of Korean unions.

Labor movements all over the world are now focusing on increased organizing as they are faced with declining membership levels. See a description of the responses of Asian unions in this regard in Kuruvilla et al (2002). Japan is particularly relevant here, given the similarity of institutional conditions and post 1987 crisis responses. Like in Korea, Japanese unions have only recently stated organizing part time workers. However, in Japan, much of the organizing is done by industrial unions. And there are as Suzuki (2004) notes, many differences in the organizing strategies of different industrial unions, and particularly many differences in organizing outcomes as well. Suzuki (2004) suggests several different explanations for the variation in organizing strategies (and effectiveness) of different industrial federations. He argues first that those federations that are dominated by enterprise unions (e.g., confederation of Japanese auto workers) tend to follow a "partnership" model in organizing part time workers. Such a "partnership" model implies that the unions will seek management's consent to organize the employer's workforce. On the other hand, federations with a relatively large number of unions in the small and medium firm sectors such as textiles and clothing tend to be far more aggressive in organizing, following what Hurd and others have referred to as an "organizing" model of union organizing. Suzuki also finds that those industry federations that are strong, more centrally managed, and which receive a larger share of resources from their associated enterprise unions, tend to be far more effective at organizing and increasing union membership. But like in Korea, in most federations, authority and control over resources are concentrated at the level of enterprise unions.

One way in which current enterprise union strategy in Korea may be similar to those of enterprise unions in Japan is the fact that they do relatively little to organize part-time workers and non regular workers based in the same enterprise. Suzuki suggests that in Japan it is unrealistic to expect Japanese enterprise unions to organize non standard workers within the same enterprise. However, since industry unions are just emerging in Korea, I wonder whether some of the lessons of the Japanese experience are relevant to Korea.

A key question for research is how likely is it that the industry union model will become stronger and be more popular in Korea? Kim, in his study, suggests that industrial unionism is most developed in the public sector (e.g., education and health care) where employer aggression and union militancy is relatively low. It would appear that Korean enterprise unions in the private sector are not yet interested in supporting the growth of industry level unions in their different sectors. Although Cho explains this by the absence of a "solidaristic" focus on the part of enterprise unions, it is not clear as to whether there are other factors that impinge on their ability to develop and strengthen industry federations (for example, employer opposition).

It is clear to me that Korean unions in the private sector are really at a critical juncture. On the one hand, they are declining in number. On the other hand, the non standard workforce is growing. Yet, they do very little to organize that non standard workforce, even within the enterprise. One way to organize non standard workers and increase union density and power is via industrial unionism, but there is little support for that amongst enterprise unions. One question is whether there is variation across unions in this regard. It is important that future research look at the differences between KTUC and FKTU with regard to these issues, but ALSO at the variations amongst enterprise unions in terms of how they see the strategic future. It may be that within those variations, there is

scope for hope. If not, it would appear that Korean unions may be at a “tipping point” where their current strategic inaction may result in their precipitous decline in the future.

3. Conclusion

This volume consists of a series of chapters on large firm industrial relations in Korea. The authors of the various chapters provide many different explanations for phenomena relating to large firm industrial relations. In this concluding chapter, I have attempted to discuss these explanations and phenomena in a more comparative context, while raising questions for future research. As I suggest, there are many areas in which future research might illuminate the variety of themes such as union militancy, union strategy, growth of the non standardized workforce, and employer strategies. What is missing from this book is a focus on government strategies and how government’s approach to labor regulation could be partly responsible for some of the outcomes that we see. In this connection Song’s (1999) analysis of government policy during the Kim Young Sam regime is particular interesting. An analysis of the effects of government policy, and tripartite commission agreements might add yet to our growing list of independent variables. In sum, the chapters provide convincing explanations for important phenomena, but also raise a large number of questions for future research. There are enough questions here for several more chapters on large firm industrial relations in Korea!

It is also clear from these chapters that large firm industrial relations appear to be at yet another cross-road! Although employer strategy after the Asian financial crisis appears to be clearly focused on the destruction of the strong internal labor market model (at which they seem to be successful), the response from both unions and government is relatively unclear. These responses, if they are well considered, could yet shape the contours of Korean industrial relations and push it down a different path towards more stability.

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