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Employment and Labor Policies in Transition : Labor

Overview : Transition of Industrial Relations System and Labor Policy

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I. Introduction

The year 2017 is indeed a year of transitions. Not only did an unprecedented impeachment of the President wave in a new political season, but 2017 is also the 30th anniversary of the so-called “1987 labor regime,” historically created through the great labor struggles of July, August, and September, 1987. Positioned at the juncture of various periods, 2017 also marks the 20th anniversary of the Asian financial crisis dubbed the “IMF crisis,” and the tenth anniversary of the global financial crisis. 2017

is also a period which calls for transitions in institutions and systems according to changes in the socioeconomic environment such as increases in political and economic uncertainties both home and abroad, including bipolarization, low birth rates, aging, and the issues of North Korea.

While taking into consideration the perspective of labor regime,¹⁾ this paper utilizes the framework of industrial relations system²⁾ to discuss the features of the existing system, the issues at hand leading to the need for transition, and the direction for transition. This paper views

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- 1) As a labor regime is the sum of elements such as labor relations, labor market, labor politics, and labor control, it may seem to be a wider concept compared to an industrial relations system, but because Dunlop’s theory for industrial relations system covers not only the labor market but also ideologies as an environmental factor, the two concepts are not a matter of scope. This paper focusses on collective labor relations, but as it also keeps in mind policy directions for improvements in the overall employment relations, labor market practices, and institutional frameworks, an approach from industrial relations system is deemed to be more appropriate. Concerning approaches from labor regime, refer to Hong-Geun Chang (2016) and “Crisis of Labor Regime and the New Paradigm” presented by Professor Jang-Ho Kim on March 29, 2017 at a joint symposium of the three major labor-related academic societies.
- 2) This paper is based on the theories of Dunlop (1958) which view industrial relations systems to be a sum of the environment, actors, and rules, but also incorporates the theories of Kochan, Katz, and McKersie (1986) which emphasizes the strategic choice of actors, incorporating three-tier analysis since the 1980s. Based on this perspective, this paper is also significant in that it presents an update, reflecting the recent conditions, of Seong-Jae Cho et al (2013) which analyzed Korea’s industrial relations system.

the Korean industrial relations to have clearly revealed a system failure, and therefore, is in urgent need of a transition against the backdrop of the conditions in 2017. As is well-known, the dualization of the Korean labor market is severe with the clear division of the primary labor market, consisting of large companies and public enterprises, and the secondary labor market, consisting of workers employed by SMEs, atypical workers, self-employed workers, workers employed by micro companies, the unemployed, and those who are not in education, employment, or training, each operating according to its own principles and form. During the process of becoming dualized, the representation of the actors of industrial relations was weak, the policy capacity limited, strategies outdated, and accountability insufficient. In the end, the rules of the tripartite game moved according to winner-takes-all, not able to exercise appropriate control over market forces, while being stuck in the past, unable to adapt to the changing environment. In a nutshell, not only was the dualized labor market and operational principles solely focused on efficiency without control over the market according to the principles of solidarity and equity, but some subsystems even accelerated the dualization of the labor market. As a result, not only was there a lack of equity and democratic values, the very goals of industrial relations system, but the fragmentation of labor markets led to insufficient movement and inappropriate distribution of resources, translating into a failure in achieving yet another goal, efficiency.

With the path-dependency of systems and its strong complementarities among elements, transitions are far

from easy, and therefore, actually achieving the transition of a system calls for considerable amounts of time and patience. At this point in time, reflections and discussions on the issues of existing awareness and policies blocking improvements in Korea's industrial relations system are crucial. Against this backdrop, this paper plans to present directions for government policies along with strategies for labor and management.

II. Current Status of Korea's Industrial Relations System

After the labor acquiring civic rights through the great labor struggles of 1987, Korea's industrial relations system has undergone transitions from the model of authoritarian mobilization of labor under state-led economic growth to the period of striving for fair distribution until the mid-90s under the principle of equality between the labor and management. However, following the economic crisis, the industrial relations system failed to effectively respond to attempts to concentrate solely on the values of market-centered efficiency, characterized by the exhaustive conflicts of the dualized market and the related issues such as the wide-spread use of outsourcing, self-employed workers, and atypical workers in sharp contrast with the lack of flexibility on the part of large companies.

One of the most fundamental factors for such a system failure is the weak representation of unions and the low rate of unionization. Active labor movements since 1987 boosted the unionization rate up to the 19% range, but the

3) Unlike the trends of other advanced nations in which the fall of unionization rates is coupled with a drop in the number of union members, at least the number of union members continues to increase in Korea since 1998, reaching 1.94 million at its peak in 2015. This increase comes from the steady stream of new unionization within the service industry despite the decrease in employment in the manufacturing industry which is relatively easier to unionize, along with the securing of legal status by some teacher and government employee unions, although limited in unionization rights, and the approval of multiple unions. Furthermore, there have been reports that the number of union members stands at 2.36 million when adding in some outlaw unions and unions of self-employed workers ("Size of Atypical Employment and the Current Status: Supplementary Results of the Economically Active Population Survey (March 2016) by Statistics Korea" by Yu-Sun Kim (2016), The Fourth Issue Paper of the Korea Labor and Society Institute of 2016). By the way, even as the external defining power of the market continued to grow following the economic crisis, the need to collectively represent the interests of the labor continued to be voiced, evolving into unionization. Therefore, it can be said that the demand for unions in Korea remains high, and labor movements continue to be dynamic, but the industrial relations system, the fundamental ground for the development of appropriate systems and practices, is not succeeding in leveraging such potential.

rate as of the end of 2015 remains at a mere 10.2%. The figure is low compared to international figures,³⁾ pointing to the weak representation of the interests of the labor. Moreover, the unionization rate of workplaces with 300 employees or above reaches 62.9%, whereas that of workplaces with 30 employees or under remains at a mere 0.1%, revealing a severe lack of structural equality in terms of representation of interests under the enterprise-level industrial relations system. This leads to questions concerning the representation of the labor in social dialogue coupled with the representation of the management led by conglomerates, a fundamental limit in Korea's industrial relations system.

What is the mechanism through which conflicts from interactions between such unions and employers are revealed? Although all the details cannot be covered, Figure 1 presents the structure at a glance. According to Figure 1, currently, there seems to be frequent cases of social dialogue collapsing due to industrial relations being dragged into politics excessively based on justification on the central level, the prime example of which is the Tripartite Commission. Plus, under the enterprise-level industrial relations system, unions of large companies and the public sector, who enjoy relatively higher influence, get preoccupied with their own employment security and practical economic benefits, and appropriate representation is not provided for the interests of workers employed by SMEs and atypical workers who are either directly or indirectly employed, revealing that the dualized labor market and the fragmented industrial relations structure reinforce each other. On the other hand, bargaining and consultation by region, industry, or business field on the meso-level are all insufficient. In a nutshell, the industrial relations system has a weak backbone, making it difficult to overcome instabilities in industrial relations and the dualization of the labor market.

The trend in the number of strikes and the number of lost work days can be viewed as prime examples of the

Figure 1. Features of Korea's Industrial Relations System

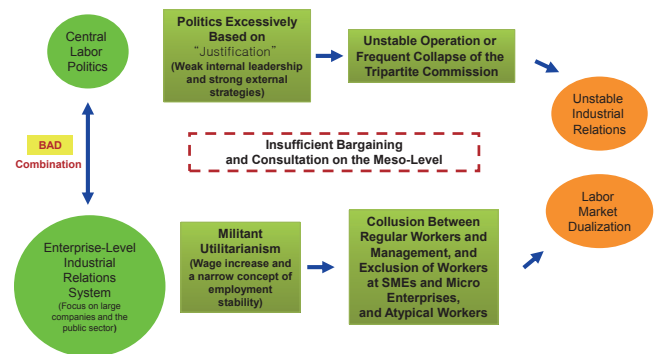
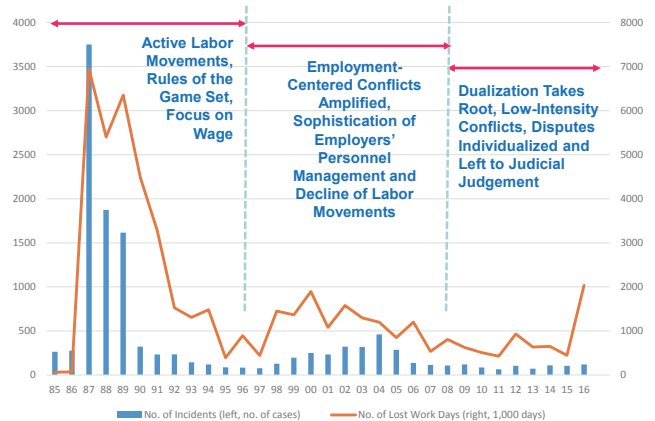


Figure 2. Industrial Relations Trend from Number of Strikes and Lost Work Days



Source : "Labor Dispute Statistics," Ministry of Employment and Labor, each year.

output of Korea's industrial relations system. As can be seen in Figure 2, more than 3,700 strikes were recorded following the 1987 great labor struggle, resulting in up to 7 million lost work days, but for the next decade or so, the labor and management caught up quickly with the rules of the game, resulting in the strike rate (number of lost work days / number of wage earners x 1000) falling below 100, on par with the OECD average. This reveals that the Korean society and the labor and management was capable of conflict management, at least in relation to wage bargaining.

However, subsequent to the economic crisis of 1997, issues between the labor and management shifted to restructuring and employment, heightening conflicts once again. As can be seen in Figure 2, the number of lost work days rises again, and in the mid-2000s, when existing conflicts are coupled with conflicts related to industrial bar-

gaining, the number of lost work days continues to remain high. Ever since the 2000s, the labor movement sticks to old methods and continues to take steps back faced with the ever-increasing power of the market, whereas employers proactively develop personnel management capabilities with the help of experts such as lawyers and labor attorneys while leveraging provisional seizures to seek indemnification for damages as well as outsourcing. Following the recent global financial crisis, labor-management cooperation or collusions related to employment has become permanent mostly at large companies and public enterprises, whereas, exclusion and conflicts mostly of SMEs and atypical workers have been aggravated, translating into the internalization of labor conflicts or formulation of labor conflicts into cases for judicial judgement despite the fall in the number of strikes and lost work days on the surface.

However, labor reforms of the Park administration in 2016 including the full-fledged application of merit-based wage systems starting from the public sector are met with serious opposition and resistance from the labor side, resulting in the number of lost work days surpassing 2 million days, the highest ever since the economic crisis of 97, and returning to the levels of the early 1990s. This is interpreted to be evidence of the dynamic aspect of Korea's labor movement, at once turning the tide on the 15-year decline of labor movements.

Meanwhile, it should be noted that collective action by self-employed workers and other long-term, complex disputes which are difficult to quantify are not included in the above diagram. Most of these cases are related to indirect employment such as in-house subcontracting, as this relation is not one of bilateral relations between workers and employers, but of trilateral relations with a very small subcontractor (merely a formality) connecting

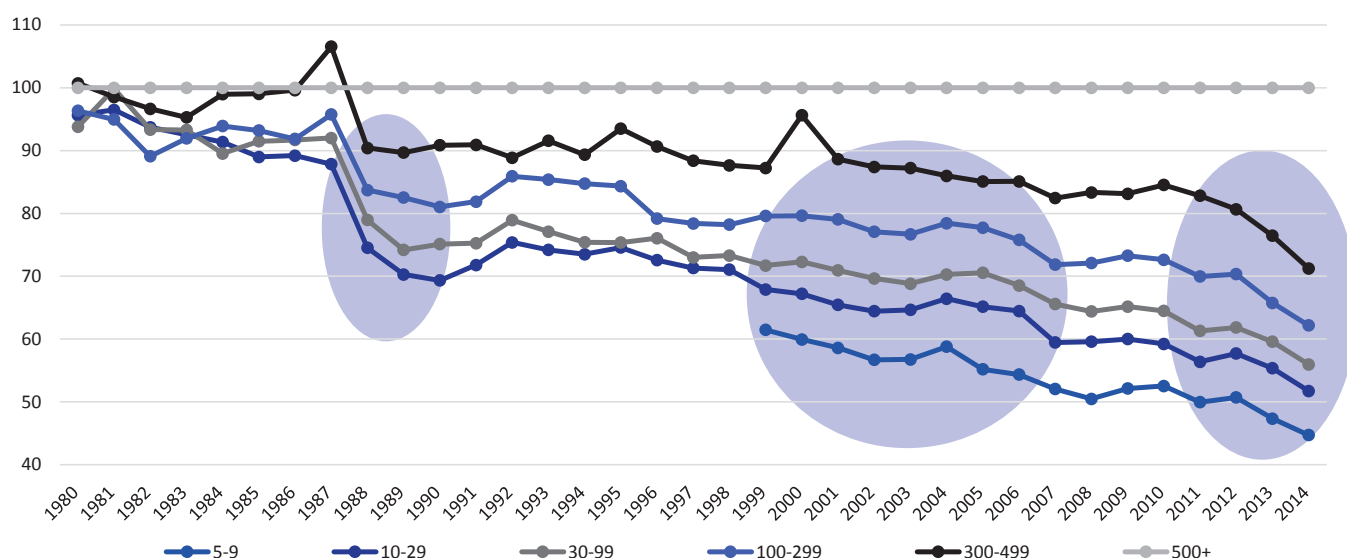
workers and employers. As in-house subcontractors lack sufficient capabilities to improve working conditions or secure employment, while original contractors deny their responsibilities, disputes related to in-house subcontracting often result in strikes, high-altitude sit-in protests, hunger strikes, and other intense forms of struggles in alliance with external forces such as civic groups. Therefore, the fatigue felt by citizens concerning the intensity of labor disputes in Korea is much higher than portrayed by official figures such as strike rates. The growing influence of the original contractor in subcontract relations in the service industry, led by the recent development in information technology, aside from the unfair contractor-subcontractor relations in the traditional manufacturing industry, also leads to the task of how to effectively reveal and regulate the responsibilities of contractors, and clearly define the employer and worker for self-employed or freelance work (Jeong-Hee Lee et al, 2015).

Among the results of industrial relations, wage gaps and distortions in wage systems are even more severe. Figure 3 presents how fast the gap between companies of various sizes within the labor market grew during the last 35 years. The gap between large companies and SMEs, which was less than 10% in the early 1980s, grew to reach approximately 50% in the mid-2010s. The large gap is the result of several inflection points, and it can be assumed that the trend of unionization which started at large companies in the late 1980s translated into the large gap between large companies and SMEs. Thanks to the trickle down of the fruits of the struggles led by the unions of large companies to the unions of SMEs⁴⁾ in the early to mid-1990s, the gap stopped growing, but with the trickle-down effect started to shrink after the economic crisis of 1997, causing the wage gap to widen once more. The frequent restructuring of businesses and employment following the economic

4) Hong-Geun Chang et al (2015: 122) describes this to be "a situation aggravated to the extent of the front unable to see the back, and the back being envious and at the same time, jealous of the front" and evaluates that "as the trickle-down theory which justified growth led by large companies has failed, the assumption of 'the trickle-down effect in the labor movement' has been denied in reality."

Figure 3. Changes in Wage Gaps By Firm Size Since the 1980s

(500 employees or above = 100)



Source : Calculated from the annual data of Basic Statistics on the Wage Structure by the Ministry of Employment and Labor.

crisis led to the wide-spread use of outsourcing in both the manufacturing and service industries, in turn leading to wage increases for the fewer number of employees remaining in large companies and public enterprises, with the wages of SME employees and atypical workers not being able to keep up.

Furthermore, workers at large companies and public enterprises record low turnover rates thanks to decent working conditions, resulting in talented workers flocking to large companies, and in turn, translating into a wider gap between large companies and SMEs in terms of education level, age, and years in service coupled with the capacity of large companies to pay higher wages, which leads to an even wider wage gap. Ever since the late 2010s, the gap has widened even further. For example, during the last 35 years, the wage gap between companies of various sizes led directly to the gap among laborers, as the profitability gap in the product market and the unfair contractor-subcontractor relations created a synergy effect with the industrial relations fragmented on the enterprise-level. Taking into con-

sideration that a majority of atypical workers in the Korean society work at SMEs, such gaps by firm size coincide with the gap between typical and atypical workers.

Such wage gaps are then linked with discriminations within the wage system according to occupation, gender, and firm size. Figure 4 presents the age-wage profile by firm size for men in manufacturing. It reveals that the so-called “seniority-based wage” only applies to workers at large companies, and the wage level at SMEs, regardless of work performed or age, remains relatively steady or only increases slightly. Furthermore, Figure 5 presents the age-wage profile of women in sales, within the service industry, and the curve enables assumptions of decrease in wages due to career breaks, the glass ceiling at large companies, and older women being integrated into low-paying jobs.⁵⁾ The seniority-based wage system or deferred wage system, which were valid during times of rapid growth, are only applicable for regular workers at some large companies and public enterprises. There is a strong tendency of enforcing long working hours with the above coincid-

5) To achieve higher social status of women, reach higher birth rates and employment rates of women, reduce the highest level of gender gap in wages among OECD member states, and treat emotional labor, there is a need to significantly increase the number of women labor activists or counselors. Sober consideration of the current underrepresentation of women in industrial relations as a reason underlying discriminations in the labor market is in need.

ing with the male bread winner model (Kiu-Sik Bae et al, 2011). Recently, with the drop in the percentage of employment covered by the primary labor market, and the deep-rooted trend of low growth coupled with aging, seniority-based wage systems merely widen gaps and hinder the achievement of equity and mobility within the labor market.

Above all, it should be noted that labor relations have not been able to effectively respond to such environmental and structural changes, nor prevent dualization, where a part of the market is absorbed into labor-management collusion while the majority continues to be excluded. Despite so, unions of large companies still seem to believe that they are serving for the benefits of the whole labor circle.

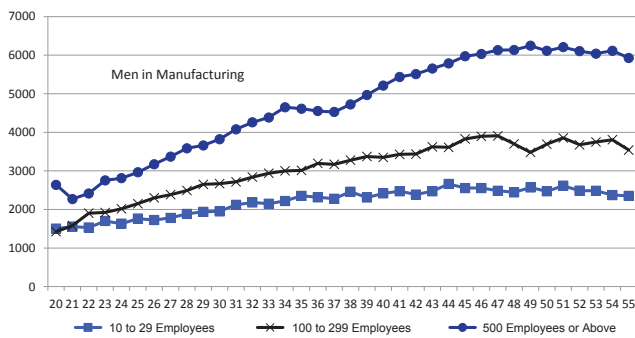
At the same time, aware of their social isolation amidst the dualization of the labor market and the weakening of labor movements overall, laborers of large companies attempted to turn the tide by shifting to industrial unions in the early-to-mid 2000s. As a result, as of the end of 2015, the percentage of union members who belong to unions beyond enterprise boundaries stands at 56.7%, which is higher than the percentage of union members at enterprise unions, but collective bargaining is still centered around large companies due to the employers' reluctance toward industry-level bargaining, leading to the criticism of being "industry-level in name only." Groups with vested influence in the tradition of enterprise-level labor relations such as the branches of large companies within industry-level unions are reluctant to centralize existing rights through an organizational shift towards industry-level unions such as bargaining rights, rights to conclude contracts, rights to strike, and rights to utilize human resources and budget. Therefore, the central leadership of industry-level unions remains weak, resulting in the reluctance of employers to engage in industry-level bargaining due to redundant negotiations with central, branch, and sub-branch organizations, and redundant

strikes.

While both enterprise-level and industry-level unions fail to develop activities in alliance with SMEs and atypical workers, organizations representing the interests of various groups such as in-house subcontract workers, self-employed workers, women, the youth, and the elderly, have achieved some success. Yet, deciding who is the actual employer still remains difficult, and employers continue to be reluctant to bargain with such groups, and furthermore, alliance with unions of regular workers is not only difficult, but sometimes even faces conflict of interests. The fact that the members of such groups do not work at the same workplace adds to the difficulty in unionization, making it even more difficult for vulnerable worker groups to collectively voice their interests (Myung-Joon Park et al, 2014, and Jeong-Hee Lee et al, recent publication). This is evidence of the less than successful guarantee of labor rights in the Korean society along with limited approval of unions for government employees and teachers, and their lack of development in bargaining capacity. Prior to discussing the expansion of self-employed workers on digital platforms such as app workers triggered by the fourth industrial revolution, and new forms of employment and labor order centered on contract relations, whether the basic traditional tasks have been completed appropriately should be reviewed. In a society in which the risk of being terminated looms when exercising the three basic labor rights stipulated by the Constitution, discussing the industrial relations 'system' might be a luxury. From this perspective, Korea's industrial relations system faces an extremely difficult situation of having to solve non-synchronous challenges simultaneously.

The last product of the industrial relations system to be discussed is unproductive conflicts in the workplace and distortions in production systems. Under the system of enterprise-level unions, there is a higher possibility of companies developing personnel management strategies aligned with the business situation through rais-

Figure 4. Age-Wage Curve by Firm Size For Blue-collar Men in Manufacturing

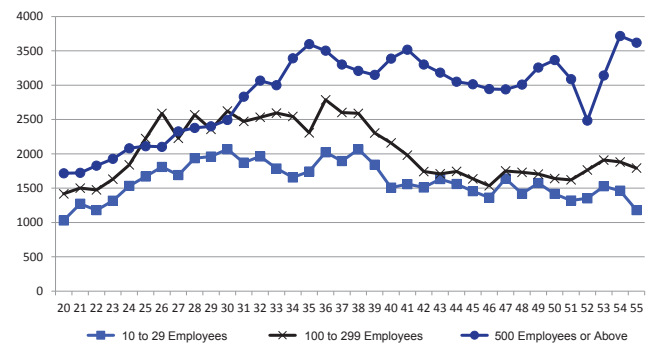


Source : 2012 Survey Report on Labor Conditions by Employment Type (Ministry of Employment and Labor) recited from Seong-Jae Cho (2014: 40).

ing the awareness of employees in this direction. Large companies in Korea have actually developed the culture of labor-management cooperation in this way, but on the other hand, enterprise-level unions become workplace-centered, creating a favorable condition for militant mobilization, resulting in workplaces becoming the space for conflicts. While the labor and management struggle to gain dominance in the workplace, with blind confidence in technology, employers have developed production methods relying on technology rather than skills through automatization excluding labor (Seong-Jae Cho and Woo-Suk Jeon, 2011). Robot density, the number of robots per 10,000 workers in the manufacturing industry, stands at 478 in Korea, far above any other country with the US at 164, and Germany and Japan, the two dominant manufacturing powerhouses, at 292 and 314, respectively.⁶⁾ This situation dampens the development of potential skills and weakens the reliance on the development of skills, and above all, people-centered workplace innovations, creating win-win labor-management relations based on participation and boosting productivity, will drift far out of reach.⁷⁾

Existing discussions concerning the fourth industrial revolution may further strengthen the tendency to be techno-centered, calling for a new workplace innovation

Figure 5. Age-Wage Curve by Firm Size For Sales Women in Service industry



Source : 2012 Survey Report on Labor Conditions by Employment Type (Ministry of Employment and Labor) recited from Seong-Jae Cho (2014: 40).

strategy to develop dialogue on people-centered production methods incorporating new technologies. Therefore, the system for representation of workers within the workplace should be discussed along with workplace innovations, and also thought should be given to how to externalize conflicts to secure workplaces as space for innovation. From this perspective, policy considerations to reconsider the framework for collective bargaining and the development of a system of labor-management councils are not simply aimed at securing the rights of workers and reducing conflicts, but will act as a bridge towards productive industrial relations.

III. Direction for Transition in the Industrial Relations System

From the contents thus far, the current industrial relations system can be defined as “fragmented industrial relations,” creating gaps and triggering wasteful conflicts. Seniority-based wage systems led by large companies continue to create gaps in wage levels, and enterprise-level industrial relations without coordination have exacerbated the dualization of the labor market. The lack of a platform

6) International Federation of Robotics, 2014.

7) According to Seong-Jae Cho (2012) and the recent analysis of the author, the workplace innovation index of Korea continues to drop with time.

to make the resistance of workers in the secondary labor market fair game left 90% of workforce in a situation with no rights or driven to long-term difficult disputes. Even within the primary labor market, the obsession of workers for employment stability, triggered by the fear of falling down to the secondary market, commonly results in fierce resistance against restructuring and the rigid operation of the workplace. In response, employers are opting for automatization and outsourcing, weakening opportunities for HR development and management through workplace innovations. The trend of focusing on micro industrial relations was further aggravated by the shortage of leadership within labor and management groups and politics focused on justification, leading to difficulties in achieving a social compromise on the central level.

Industrial relations of the future need to overcome the current situation and transition towards “industrial relations of solidarity and innovation” focused on decent jobs. Amidst the spread of outsourcing and self-employed workers, the types of employment are diversifying even further and the quality of jobs continues to fall. Therefore, the principle of solidarity and equity to overcome the severe dualization of the labor market needs to be put into action. Along with democratic participation and the externalization of conflicts, industrial relations within the workplace needs to become innovative and productive in order to lay down the foundation to win in the current low growth trend and global competition.

Figure 6 presents the elements of the current and future industrial relations system in three pillars. On the upper level, the representation and leadership of labor and management groups need to be improved, and social dialogue should be established as multi-level, multi-channel dialogue. Rather than leaving all issues up to the tripartite commission, the National Assembly should lead social dialogue and compromise as needed. Korea already has the experience of successfully achieving a labor-management compromise led by the National Assembly for innovating

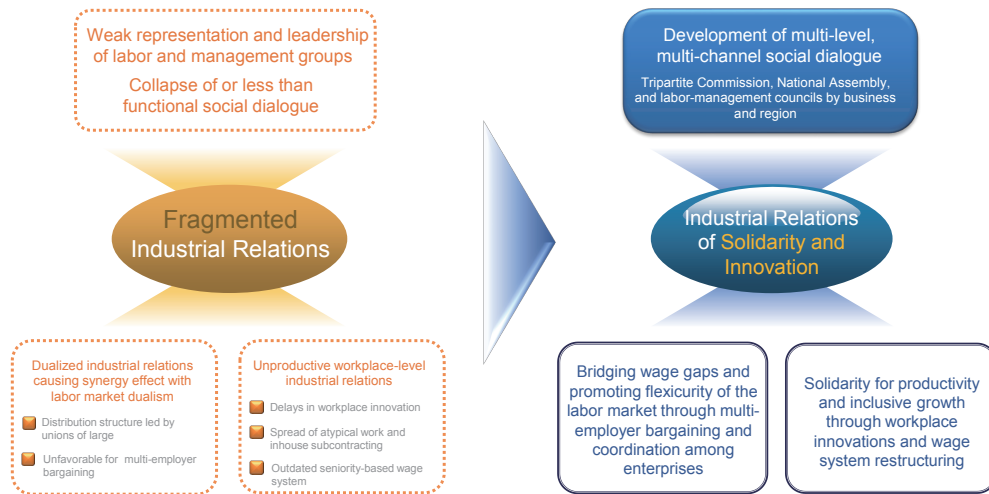
the pension scheme for government employees.

According to deep-rooted practices, enterprises remain as the bargaining unit for collective bargaining despite the efforts of a part of the labor to shift to industry-level bargaining. In other words, in terms of the organization, the percentage of union members who belong to unions beyond enterprise boundaries stands at 56.7% (as of the end of 2015), but collective bargaining is conducted in enterprise units, further aggravating the mismatch between organization and the bargaining format. Furthermore, employers have grown to become reluctant to industry-level bargaining during the last 15 years due to redundant negotiations and strikes, making it difficult to forecast the advancement of industry-level bargaining.

Unfavorable features in the legal system hindering the advancement of industry-level bargaining such as the single window for bargaining in enterprise units should be corrected, and in the meanwhile, labor-labor, management-management, and labor-management coordination must be conducted to bridge gaps such as coordinating the wage levels of large companies and SMEs even if enterprise-level bargaining continues. To achieve this, the above-mentioned social dialogue is needed not only on the central level, but also by business field and region. As can be seen in the diagram, the support and supervision of the government and National Assembly should be provided for workplace-level industrial relations, which are now unproductive, in order to achieve active workplace innovations, reorganization of wage systems to job-based systems to secure equity not only within the company but also among companies, and shift to personnel management to minimize direct and indirect employment of atypical workers.

Sober analysis and reflections should be made to discover the reasons why Korea has insufficient ratification of ILO treaties, and why labor rights for groups such as government employees and teachers are not protected on par with international standards. Recently, there have been

Figure 6. Present and Future of Industrial Relations



requests to link trade with working conditions calling for improved working conditions both home and abroad for Korean companies entering foreign markets through mediums such as the Korea-EU FTA. Taking this into consideration along with the fact that ILO will celebrate its centennial anniversary in 2019, outdated institutions and practices concerning labor, which one might see only in developing countries, should be abolished, and the path towards achieving a true global standard should be discovered. This may serve as another approach to finding solutions for domestic labor issues.

IV. Labor Policy Tasks

As can be seen in Figure 6, capacity building for both the labor and management is crucial in establishing industrial relations for the future. Representation, the ability to organize, and stronger policy capacity⁸⁾ are all required of not only the labor but also the management, and therefore, organizations such as the Korean Chamber of Commerce and the Korean Federation of Small and Medium Businesses along with the Korea Employers' Federation should actively take part in labor-related research and statements. Due to


the strong remnants of the developmental era in Korea, both the labor and management look to the government for solutions, although at times, both sides present raw criticism of the government. A priority should be given to establishing voluntary order between the labor and management in order to achieve a stable and practical operation of the industrial relation system regardless of the tendency of the government which takes power. During the transition, one example of government efforts could be a significant increase in the government support for strong capacity and policy functions of the labor and management for the next ten years.

Based on high expectations for actors in both the labor and management, this paper has designed an industrial relations framework as can be seen in Figure 7. This framework can be used to design labor policies according to the contents of each cell. As is widely-known, industrial relation is an institutional frame for the operation of the labor market. This frame may be reviewed on the macro, meso, and micro level, and each level should have its own agenda to facilitate smooth consultation and bargaining to overcome the dualization of the labor market and develop productive industrial relations which enlarges the pie through workplace innovations.

8) Refer to Myung-Joon Park et al (2013) for more information on building the policy capacity of labor unions.

Figure 7. Labor Policy Tasks by Level and Field

	Bargaining	Consultation	Agenda
Macro-level (Central Level)	X	<ul style="list-style-type: none"> ▶ Tripartite Commission (concertation instrument for consensus) ▶ Active National Assembly-level dialogue 	<ul style="list-style-type: none"> ▶ Direction of employment and labor market policies ▶ Realigning employment and labor-related laws ▶ Welfare system, minimum wage, prices, taxes, etc
Meso-level (Business/ Region Level)	<ul style="list-style-type: none"> ▶ Realigning system for multi-employer bargaining ▶ 56.7% of union members associated with unions beyond enterprise boundaries 	<ul style="list-style-type: none"> ▶ Labor-management councils by business/region 	<ul style="list-style-type: none"> ▶ Stronger extra-enterprise wage coordination ▶ Realigning employment, training, and qualification system by business/region
Micro-level (Company/ Workplace Level)	<ul style="list-style-type: none"> ▶ Stronger coordination among enterprises for enterprise-level bargaining 	<ul style="list-style-type: none"> ▶ Active labor-management councils (or employee representative system) Including all occupations and atypical workers such as inhouse subcontract workers 	<ul style="list-style-type: none"> ▶ Workplace innovation and productive industrial relations ▶ HRM in response to low birth rate (women-friendly), ageing, and servitization



Strive to solve issues of atypical workers including in-house subcontract workers

Strive for equity, and establish and spread job-based wage system

The agenda for each level will be gradually segmented into issues for specific business or region starting from national and general issues, and into issues for specific companies or workplaces. In order to turn workplaces into space for innovation, pending issues of conflict between labor and management should be externalized, if possible, to upper level units such as industry, business field, region, or country. Plus, the utilitarian approach by unions of large companies should be kept in check, and pursuing meso-level consultation and bargaining would be helpful in overcoming the dualism with SMEs workers or atypical workers. Social dialogue on the upper level should not pursue the myth of achieving a “grand compromise,” but rather promote practical and constructive dialogue to create a frame of reference for multi-employer bargaining, labor-management councils by business field or region, or direct bargaining among the National Assembly, labor, and management. This would be possible only with stronger policy capacity and leadership of labor and management groups, and social dialogue instruments should clearly be aimed at becoming “concertative body oriented to produce consensus.”

Although it has already been several years since the percentage of union members who belong to unions beyond enterprise boundaries surpassed the 50% mark, efforts are

yet to be made to change the institutional framework based on the premise of enterprise-level industrial relations. Amidst strong traditions of enterprise-level bargaining, it is uncertain to what extent bargaining by employment type, occupation, or region can proceed aside from industry-level bargaining. Institutional factors hindering extra-enterprise bargaining should be removed, but the success lies on the strategic choice and capacity of the labor and management. Even if extra-enterprise bargaining is not able to develop due to various factors, efforts to overcome the harmful consequences of a dual labor market should be strengthened by coordinating working conditions among companies through labor-management councils by business field/region. In this aspect, consistent, continuous, and flexible approach to overcome the gap among the labor, management, and government is in need.

Finally, reorganization to job-based personnel management and wage system is needed to support productive dialogue for issues, agenda, and consultation related to in-house subcontracting which runs through all cells. During the last 15 years, in-house subcontracting remained in the limelight concerning the Korean labor market and industrial relations, as the fundamental reason behind a lion's share of long-term disputes such as the in-house subcontracting by Hyundai Motor Company and the issues of

women cabin crew members of KTX. While the Korean society failed to appropriately respond to the issues of in-house subcontracting, it has become so wide-spread that regulating in-house subcontracting as unlawful temporary agency work may not be so meaningful, but even so, the principle of prioritizing direct employment should be emphasized once again and policies should call for stronger accountability of the original contractor for fields in which in-house subcontracting is inevitable. Given that labor-management collusions at large companies and public enterprises and the dualization of the labor market have had synergy effects with seniority-based wage systems, job-based wage systems are needed to develop a cross-corporate

labor market through personnel management striving for equity. To pursue changes in wage systems and achieve solidarity for wages, “public notification of wages,” somewhat like to employment notification system, should be considered with a focus on large companies and public enterprises.

Although not presented by the diagram, there are other policy tasks such as how to boost the expertise and independence of labor councils, and strengthen the administration for labor supervision. This paper hopes to contribute to more active social dialogue on the type of transitions to be achieved in labor policies.

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