

Some pages of this thesis may have been removed for copyright restrictions.

If you have discovered material in AURA which is unlawful e.g. breaches copyright, (either yours or that of a third party) or any other law, including but not limited to those relating to patent, trademark, confidentiality, data protection, obscenity, defamation, libel, then please read our [Takedown Policy](#) and [contact the service](#) immediately

TRADE UNIONS AND PRODUCTIVITY

The impact of union presence on
labour productivity in Korean
manufacturing

BY

CHAN YOUNG HUR

Doctor of Philosophy

THE UNIVERSITY OF ASTON IN BIRMINGHAM

June 1991

This copy of the thesis has been supplied on condition that anyone who consults it is understood to recognise that its copyright rests with author and that no quotation from the thesis and no information from it may be published without the author's prior, written consent.

THE UNIVERSITY OF ASTON IN BIRMINGHAM

TRADE UNIONS AND PRODUCTIVITY

The impact of union presence on
labour productivity in Korean
manufacturing

CHAN YOUNG HUR

Doctor of Philosophy

1991

This thesis examines the theoretical and empirical relationship between trade unions and productivity in the Korean auto and cement manufacturing industries, during the 1980s. It challenges the tenets of the existing debate by stressing the contingent nature of this relationship. In particular this thesis pinpoints inadequacies of econometric analysis as the only method of judging this association between union presence and productivity, because this ignores national and historical industrial relations contexts. Moreover, the polarity between positive and negative views of trade union influences on productivity is seen as needlessly limited, failing as it does to consider the full context of labour-management dynamics within the employment relationship. Empirically, this thesis focuses on the unionism and productivity during two contrasting political periods: the first a time of constraint on union action and the second a period of relative freedom. It examines these periods using a full range of quantitative and qualitative analysis. Of particular significance is the inclusion of attitude surveys of the relationship between the presence of unions and productivity conducted amongst workers, managers and trade union officials. The broad conclusion of the thesis is a rejection of the validity of continuing to examine the relationship between trade unions and productivity without locating this within national and historical industrial relations contexts.

KEY WORDS: TRADE UNION; PRODUCTIVITY; INDUSTRIAL RELATIONS;
MANAGEMENT; GOVERNMENT.

Dedicated with sincere appreciation
to my parents,
and to Jong Mee : partner and comrade

ACKNOWLEDGEMENTS

I should like to express my sincere gratitude to Doctor Chris Smith, my supervisor, for all his valuable guidance and helpful discussions throughout the preparation of this thesis.

I am also indebted to my parents and my wife who spared no sacrifice in giving me constant support and encouragement which substantially boosted my morale and self-confidence. Special thanks also to Sung Kwan and Sung Won, who are my children, for their invisible support.

Special thanks to Kim Ki Heung, Lee Jung Ouk, Kang Byung Tae, Park Jung Chan, Kim Kwang Suk, Ahn Ki Man, Kim Young Juun, Kang Jin Hee and Park Sang Hoon, Who provided me endless help in carrying out the empirical research; and Dr. Paul Marginson and Professor Jang In Sik, for his excellent guidance in my statistical analysis.

I wish to thank to Steve Conway and my other colleagues at the Aston Business School, for their useful advise in the writing of this thesis. Finally, I am especially indebted to all the workers, trade union representatives and managers, who expressed their frank opinions in my surveys. Needless to say none of the above are responsible for the content of this thesis.

CONTENTS

Lists of Tables	v
Abbreviations	xi
CHAPTER 1 INTRODUCTION	1
CHAPTER 2 THE NEGATIVE VIEW OF TRADE UNIONISM	
1 Introduction	13
2 Reasons Why Unions Lead Lower Labour Productivity	16
2.1 Trade Union Intervention in Managerial Decision-Making	16
2.2 Industrial Action	20
2.3 Other Sources of Negative Effects of Unionism on Productivity	24
3 Econometric Evidence	25
4 Critical Evaluation of The Negative View of Trade Unionism	30
5 Conclusion	39
CHAPTER 3 THE POSITIVE VIEW OF TRADE UNIONISM	
1 Introduction	47
2 Reasons Why Unions Lead Higher Labour Productivity	52
2.1 Turnover Rate	53
2.2 Morale and Motivation	57
2.3 Channel of Communication	61
2.4 Shock Effect	64
2.5 Seniority Rule	70
3 Econometric Evidence	72
4 Criticisms on The Positive View of Trade Unionism	80
5 Conclusion	83

CHAPTER 4 4 EXTERNAL ENVIRONMENT OF KOREAN INDUSTRIAL RELATIONS

1	Introduction	92
2	Historical Environment	93
2.1	Colonial Period	94
2.2	American Military Government Period	99
3	Political Environment	102
3.1	Economic Policy	103
3.2	Labour Policy	107
4	Economic Environment	112
5	Socio-cultural Environment	119
6	Conclusion	123

CHAPTER 5 TRADE UNIONS, MANAGEMENT AND THE GOVERNMENT

1	Introduction	129
2	Trade Unions	130
2.1	Union Structure and The FKTU	130
2.2	Trade Union Movement	136
2.3	Union Activities in Individual Enterprises	145
2.4	Characteristics of Korean Trade Unions	149
3	Management	154
3.1	The Characteristics of Industrial Establishments And Employer's Organisations	155
3.2	Management Strategies And Practice for Industrial Relations	159
3.3	Characteristics of Management	168
4	The Government	170
4.1	The Labour Committees	171
4.2	Labour-Management Councils	173
4.3	The Factory Saemaul Movement	175
5	Conclusion	178

CHAPTER 6 TRADE UNIONS AND PRODUCTIVITY IN KOREAN
MANUFACTURING

1	Introduction	184
2	Statistical Model	186
3	Sample Industries	195
3.1	The Auto Industry	195
3.2	The Cement Industry	198
4	Empirical Results	200
5	Conclusion	202

CHAPTER 7 THE SOURCES OF UNION INFLUENCE ON LABOUR
PRODUCTIVITY IN KOREAN MANUFACTURING

1	Introduction	207
2	The Sources of Union Influence on Labour Productivity	213
2.1	Worker Morale and Motivation	214
2.2	Channel of Communication	226
2.3	Turnover Rate	236
2.4	Seniority Rule	242
2.5	Shock Effect	247
2.6	Climate of Industrial Relations	252
2.7	Workplace Democracy	257
2.8	Productivity Elevation Activity	261
2.9	Work Rule Intervention	263
2.10	Industrial Action	265
2.11	Absenteeism	270
2.12	Investment	272
3	Explanations on The Varied Impact of Unions on Productivity	277
4	Relationship Between Trade Unions and Productivity in Korean Manufacturing	284
5	Conclusion	292

CHAPTER 8 CONCLUSION

301

APPENDIX I : THE WORKER OPINION SURVEY (TYPE I)	313
APPENDIX II : THE WORKER OPINION SURVEY (TYPE II)	324
APPENDIX III : THE MANAGEMENT OPINION SURVEY	334
APPENDIX IX : THE TRADE UNION LEADER OPINION SURVEY	336
BIBLIOGRAPHY	338

TABLES

2.1	Productivity Restraints Identified by 61 Respondents to Plant Survey	19
2.2	Unions And Productivity	27
2.3	Work stoppages in The United States, 1953-79	34
3.1	The Relationship Between Unions And Output	51
3.2	Estimates of The Effects of Unionism And A Twenty Per cent Wage Increase on The Probability of Quitting	55
3.3	Estimates of The Effect of Unionism And A Twenty Per cent Wage Increase on Tenure of Workers	56
3.4	Estimates of The Impact of Unionism on The Composition of Fringes, Holding Total Compensation Fixed	62
3.5	ILO Productivity Mission Results	65
3.6	Adjustments to Changes in The Labour Contract in The Six Before-After Plants	68
3.7	Unions And Productivity	74
4.1	Nominal Capital of Manufacturing Companies in The End of 1940	95
4.2	The Real Wage Index of Labour During The War Time Period	97
4.3	Working Hours of Factory Workers in 1933	97
4.4	Unemployment Rate	114
4.5	Growth Rate of GNP	115
4.6	Workers' Education	116
4.7	Distribution of Work Force According to Size of Firm	117
4.8	Waged Workers	118
5.1	The Federation of Korean Trade Unions (1989)	134

5.2	Aggregated Union Membership And Density in Korea: Selected Years, 1961-1989	137
5.3	The Trend of Industrial Disputes	140
5.4	Details of Union Dues Expenditure	147
5.5	The Length of Korean Union Leaders' in Office	150
5.6	A View of Union Operation	151
5.7	Examples of Management Support to The Unions	152
5.8	The Current Position of Accumulated Funds for Industrial Disputes in Individual Unions	153
5.9	The Value-added of The 50 Largest Business Groups And GNP in Each Industry	156
5.10	The Relationship Between Employee And Employer	160
5.11	The Necessity of Trade Unions	161
5.12	Views Concerning The Intervention of Government Power in Industrial Disputes	161
5.13	The Present Situation of Relief Applications for Unfair Labour Practice	163
5.14	Managements' Efforts for The Creation of A Harmonious Workplace Environment	164
5.15	Welfare Facilities in Korean Enterprises	166
5.16	Executive Officers in Korean Enterprises	169
5.17	The Trends of Industrial Disputes Resolution by Mediation Types	172
5.18	Settlements by The Labour-Management Council	174
6.1	The Wholesale Price Indexes for The Auto And Cement Industry	191
6.2	The Wholesale Price Indexes for The Country	192
6.3	The Capacity of Car Production in Korea	196
6.4	Production And Selling Levels for Motor Vehicles	197
6.5	The Trends of Cement And Clinker Production in Korea	199

6.6	Regression Results in The Auto And Cement Industries	201
7.1	Details of The Sample in The Employee Opinion Survey	208
7.2	Sex Distribution	209
7.3	Age Distribution	210
7.4	Tenure Distribution	210
7.5	Contents of Qualitative Surveys	212
7.6	Responses to Question: " How would you rate your current pay level compared to your work load?"	215
7.7	Wages Rate Increases	216
7.8	Responses to Question: "How would you rate working hours in comparison to your pay?"	217
7.9	Responses to Question: "How satisfactory do you consider the length of your holiday in your company to be?"	217
7.10	Responses to Question: "How do you consider the working environment of your company?"	218
7.11	Responses to Question: "To what extent are you satisfied with the welfare facilities in your company?"	219
7.12	Responses to Question: "How seriously are employees complaints and suggestions taken by management in your company?"	220
7.13	Responses to Question: "What kinds of channels do you have in order to collect workers' suggestions and grievances in your company?"	222
7.14	Responses to Question: "What kind of attitude do you have towards undertaking your job?"	223
7.15	Relationship between Material Rewards and Grievance Procedures, and Motivation	224
7.16	Responses to Question: "How do you rate the role of the trade union in enhancing the friendship among workers in your company?"	225
7.17	Responses to Question: "Do you have any ideas for improving productivity?"	228

7.18	Responses to Question: "How often have you been provided with the opportunity to express any complaints or suggestions about your company?"	229
7.19	Responses to Question: "Have you suggested your ideas for improving productivity to your management or senior?"	230
7.20	The communication channels utilised by management for their announcements	231
7.21	Responses to Question: "How well do you know your company's financial and management conditions?"	232
7.22	Responses to Question: "Do you have an opportunity to be informed about the business performance and future development plans of the company?"	233
7.23	The Rate of financial Information Exposure to Workers and Their Cooperativeness with Management	234
7.24	The Rate of Managerial Information Exposure to Workers and their Cooperativeness with Management	235
7.25	Responses to Question: "If you have changed or intended to quit your job, what factor most influenced your decision?"	238
7.26	Responses to Question: "What will you do, if you have a reason to quit your current company?"	240
7.27	The Turnover Rate of Production Workers in The Sample Companies	241
7.28	Responses to Question: "What do you consider promotion in your firm depends mostly on?"	243
7.29	Responses to Question: "Do you worry about the possibility that your promotion is interrupted by peers, juniors, or seniors?"	244
7.30	Responses to Question: "Do you keep your efficient ways of doing your job to yourself because you are worried about the possibility that your promotion prospects, and/or your wage increase will be interrupted by peers, juniors or seniors?"	245
7.31	The distribution of respondents who choose categories; "Quite a lot" and "A great deal" in question 24, and in question 25	246
7.32	The efforts of management to increase productivity	248

7.33	Changes in management policies by unionisation	249
7.34	Responses to Question: "How often are you provided with the opportunity for education or discussing ways of improving productivity in your company?"	250
7.35	Responses to Question: "What do you think is the most important factor in order to improve labour productivity in your company?"	251
7.36	Responses to Question: "Which one are you likely to believe most, your employer's announcement of business performance or your trade union's?"	253
7.37	Responses to Question: "How do you consider the mood of industrial relations in your company?"	255
7.38	Responses to Question: "If your company makes higher profits, do you think that your pay and working conditions will be improved as a result?"	256
7.39	Responses to Question: "Which would you choose as first course of action in order to improve your wage level?"	257
7.40	Responses to Question: "When you have a difference of opinion with your senior in carrying out a given job, how do you manage the situation?"	259
7.41	The Relationship Between "Workplace Democracy" And Worker's Responsibility on Their Jobs	261
7.42	The Methods of Achieving the Purpose of the S.TU 90 Movement	262
7.43	Responses to Question: "Have you had any experience of management policies being interrupted by trade unions over the last ten years?"	264
7.44	Management Performance in The Periods Before and After Industrial Disputes	266
7.45	Official strikes in the auto industry from 1980 to 1989	268
7.46	The State of Industrial Disputes in The Auto Industry	269
7.47	The rate of absenteeism	271
7.48	The Trend of Investment in Physical Plant and Equipment in the Korean Manufacturing Industry	273

7.49	The Trend of Investment in R&D in the Korean Manufacturing Industry	274
7.50	Sources of Union Influence on Productivity Mentioned by Management and Union Leaders	275
7.51	Sources of Union Influence on Labour Productivity in Korean Industry	277
7.52	Responses to Question: "If you claim an increase in your wage, which one of the following items is such an increase for?"	283
7.53	Hours Worked Per Week	286
7.54	Rates of Industrial Accidents in Manufacturing Industry	287

ABBREVIATIONS

AACL	Aid Association of Chosen Labour
AKLC	All-Korean Labour Council
BL	British Leyland
CKEO	Council of Korea Employers' Organisation
CWU	Chemistry Workers Union
FCL	Federation of Chosen Labour
EKL	Federation of Korean Labour
EKTU	Federation of Korean Trade Unions
FMS	Factory Saemaul Movement
MIWU	Metal Industry Workers Union
NFTU	National Federation of Trade Unions

CHAPTER 1 INTRODUCTION

The innate unbalanced bargaining power between employees and employers in industrial society gave birth to labour organisations, to improve wages and working conditions collectively. As trade unions have become one of the major components of modern societies with the growth of the labouring class, employers have sought to resist those worker aspirations that are liable to increase labour costs. Many businessmen, scholars and politicians have been involved in examining, questioning and influencing the function of such unions and their social effects. Unfortunately, far from the debate over exact influence of trade union's on productivity being settled, it has become increasingly controversial.

Like other issues, the impact of trade unions on productivity is still a keenly debated subject, and attracts much public interest, because of the importance of productivity to our economic well being and to the survival of individual organisations. Productivity is the measure of how well an operations system functions. It can be defined as:

the relationship between the output of goods and services (O) and the inputs of resources (I), human and nonhuman, used in the production process: The relationship is usually expressed in ratio form O/I . [1]

That is, productivity is the ratio of output to input. In this study, productivity refers to labour productivity, that is output per unit of labour. Econometric techniques are adopted to estimate a stochastic parametric production function, typically

Cobb-Douglas, and to calculate the elasticity of unionisation on output per unit of labour.

There are two main positions regarding the impact of trade unions on productivity; what I shall call the negative and positive views of trade unionism.[2] The former view argues that the presence of unions is associated with lower productivity. In contrast, the latter view claims that there are beneficial affects of trade unionism on improving productivity.

Metcalf(1988, 1990) summarised the following four reasons why unions may decrease labour productivity.[3] Firstly, unions may induce restrictive work practices and limit managerial decision making flexibility through collective bargaining. Secondly, industrial action by unions may have an adverse impact by causing uncertainty about output levels, impairing the credibility of a company, constraining capacity and consuming management time. Thirdly, unions may decrease the will of businessmen to invest in capital equipment and research and development by lowering the rate of return on investment, which may be caused by disputes, for example, by union regulations over manning levels. Finally, union presence may lead to adverse industrial relations by eroding both trust and cooperation between workers and management.

The positive view has been most congenitly put forward by a Harvard group of labour economists. Freeman and Medoff(1979, 1984) have claimed the following five favourable affects of trade unionism upon productivity.[4] Firstly, unions may lower

worker turnover rates, and thus increase the efficiency of organised establishments by lowering the costs of turnover in the form of hiring and training expenses. Secondly, trade unions may enhance worker morale and motivation at work by obtaining greater material rewards, ensuring that workers grievances are heard and fairly addressed, and by protecting workers against arbitrary decisions. Thirdly, unions may increase productivity through collective bargaining that opens communication channels between workers and management. Such channels enable management to obtain information concerning workers preferences toward compensation and personnel policies, and provides a means for workers to volunteer ideas. Fourthly, the higher wages or costs which are induced by unions "shock" management to be less lethargic. Finally, unions may pressure management to adopt 'seniority rules', which would weakens the feeling of rivalry among workers, and increases the amount of informal training and assistance between employees in the areas of promotion, transfers, benefits and vacation.

While the above two views of unionism claim contradictory effects of unionisation on productivity, they tend to agree with the fact that the relationship between union presence and productivity cannot be generalised for all empirical cases, rather it may vary, from negative to positive, according to the specific industrial relations settings, which would lead to different sources of union influence on productivity.[5] In reality, while not all of the asserted sources of influence expressed by both views exist in all empirical case, unionism

may influence productivity through both negative and positive factors together. Also, it may be possible that new sources, which have not been discussed by the two views, may be revealed by future research. More importantly, the approved sources may not have the expected impact on productivity. For instance, the argument, that the presence of unions may hamper the nature of industrial relations and the will of businessmen to invest, may not be true in some cases, since it is highly dependent on the 'character' of union officials and management and their relationships.

However, while many empirical studies have been conducted in this field, they overlook the following three areas. Firstly, they put little effort into demonstrating the sources of union influence on productivity, preferring rather to focus on statistical estimations. Since econometric evidence can only provide causal and linear relationships between trade unions and productivity, it cannot empirically show the actual sources of union influence on productivity. And thus, the researchers using this method alone are unable to explain how the relationship is constructed.

Secondly, despite a number of case studies revealing several sources of union influences on productivity, much of these still suffer a lack of empirical support. It is important to mention that since the relationship between unionism and productivity is an empirical matter, all asserted sources should be proved by empirical evidence. In fact, many sources of union impact on productivity can only be justified by examining

workers' opinions, but most of studies in both views do not use opinion surveys. For instance, without some assessment of workers' opinions it is impossible to determine whether the climate of industrial relations, in terms of trust and cooperation between workers and management, is improved or worsened by unionism. Only workers know whether their morale and motivation is increased or decreased by unionisation, it is not something that can be determined externally. The real impact of the 'seniority rule' on weakening the feeling of rivalry among workers, and on increasing the amount of informal training and assistance between workers, again is largely dependent on workers' will. Finally, whether workers rely on unions over such matter as quitting, can best be confirmed by workers' opinions. Therefore, a certain kind of worker opinion or attitude survey is vital to draw out sources of union influence on productivity. But despite of the importance of this, only one study, by Toner(1985), has assessed worker's opinions to examine 'Harvard School' assertions.[6] His survey covered 248 production workers in the electronics industry in Ireland (four companies were unionised and three were not). And he concluded that workers in the non-union companies studied enjoyed more 'voice', better conditions, and higher morale than their counterparts in non-unionised firms.[7] However, this study simply compared workers' opinions between unionised and non-unionised workers in different business organisations, and therefore, the empirical results could be influenced by the inherent mood of industrial relations in each company. There is a strong possibility that

workers who suffer relatively poor industrial relations, tend to organise or join unions to improve their bargaining power. In turn, workers, who are satisfied with their overall working conditions, may not feel the necessity of joining a trade union. Moreover, employers may provide with better working conditions in order to keep trade unions out.[8] Piore and Sabel(1984) found out similar findings that:

When the UAW tried to organise one of these Southern plants, in Louisiana, by pointing out the difference in wages paid for the same work in the North and the South, the company responded by raising wages in its Southern plants to Northern levels. But though GM was willing to meet the wages demanded by the UAW, it nonetheless continued to resist unionization of the Southern plants,[9]

As a consequence of this, non-unionised companies may have better industrial relations than their counterparts. Thus, it is required that comparative analysis should be carried out in each company with the union status(before/after).

Finally, few case studies have examined the reasons why the sources of union impact on productivity occur. For instance, while many researchers claims that productivity may decrease by the occurrence of industrial action, they never consider the question of whether the whole responsibility for strike action should rest with union alone. And yet, this is critical for drawing out an objective conclusion concerning the impact of unionism on productivity.

With these problems in mind, this study will: (1) estimate the union impact on productivity in numerical terms; (2) demonstrate empirical sources of union influence on

productivity; (3) illustrate the reasons why the impact of unions on productivity is varied over sample industries, periods and nations; and (4) determine the nature of relationship between unions and productivity within the Korean case.

The substance of this study is drawn from fieldwork conducted in the South Korean (henceforth Korean) auto and cement industry from September 1989 to April in 1990. The Korean manufacturing companies were selected (5 in the auto and 6 in the cement industry) because they underwent a major transformation in industrial relations through one political event in 1987, the 6.29 Declaration which removed most of the restrictions on trade union activities. Korean unions can now carry out true collective bargaining and can use industrial action more easily. So the Korean case would be suitable not only for estimating the relationship between unions and productivity by comparing the union status, but also for revealing the ways of union influences on productivity through the opinion surveys intended for workers, management and union leaders who can provide a comparison data with their relatively fresh remember.

In order to estimate the relationship between trade unions and productivity, in numerical terms, a Cobb-Douglas production function, which calculates the elasticity of unionisation on output per unit of labour, is used.[10] The union impact on productivity is divided into two, so called, U1 and U2, along with the corresponding union status and political events. U1 refers to the impact of unions during the period prior to the

declaration (from 1980 to 1986 for the auto industry and from 1983 to 1986 for the cement industry). U2 includes union effects in the period following the declaration, where the trade unions had far greater freedom for union activity-from 1987 to 1989 in the both industries. The difference between U1 and U2, in terms of their significances and magnitude, can be used to illustrate the fundamental power of the government in industrial relations, especially, in developing countries.

For the demonstration of the varying union impact on productivity between industries, the auto and cement industries were selected. Whilst both industries are some of the leading industries in the current Korean economy, they have had quite different industrial relations settings, and thereby, showed dissimilar nature of industrial relations. For instance, while the auto industry experienced severe industrial action in the period after the declaration, the cement unions never called strikes. Thus, we may be able to see how the specific industrial relations settings influence on the relationship between unions and productivity through the comparison of the two industries.

To reveal the sources of trade union influence on productivity, three opinion surveys were conducted. For the employer opinion survey, open-ended questionnaires were used in ten companies. Also ten trade union officials in each union were interviewed. Two thousand three hundred close-ended questionnaires were distributed to the workers in nine companies and half of them were collected and utilised in this study.

Finally, for determining the actual relationship between unions and productivity, this study examines, particularly, the question whether unions should take the whole blame for the poor industrial relations and industrial disputes, which are the major negative sources of union influence on productivity in the auto industry in the period after the declaration.

This study shares some of the limitations with others in the field, which are important to note. Firstly, because of the lack of individual company information, this study, like other empirical works, cannot adjust for the quality of management and workers in the econometric analysis. Secondly, since the nature of Korean industrial relations have been changed fundamentally by the 6.29 Declaration in 1987, they may not have stabilised as yet. Therefore, there is a possibility that the empirical results include some transient phenomenon.

The structure of the thesis is that chapters 2 and 3 introduce the two main views on the relationship between unions and productivity, that is negative and positive positions. While the sources of union influence on productivity, which are claimed by the both views, are presented, primary attention is drawn to the examination of how firmly the sources are supported by empirical evidence. It is particularly important, since the relationship is entirely open to empirical questioning. Also the theoretical background to each view is discussed as a way of examining their empirical validity.

Chapter 4 is concerned with the environment in which the

Korean unions have operated during the last four decades. The historical environment shows the origins of some of the typical management practices and union behaviour in Korea. The political environment illustrates how the close relationship between management and the government has been established, as well as how seriously the Korean union activities have been oppressed by the Labour Law and the state. Economic factor discloses the relationship between the economic conditions and the trend of labour movement in Korea. The socio-cultural context examines the impact of Confucianism on modern Korean society, and its consequences for producing distinctive management and workers' behaviour in industrial relations. This study, therefore, shows the influences of the environmental factors on Korean industrial relations, and implies the possibility that the impact of unionism on productivity would be different between nations.

Chapter 5, draws out the current features of Korean industrial relations by discussing the characteristics of three main participants in industrial relations; unions, management and the government. For unions, the nature of the labour movement, union structures and functions, and the characteristics of Korean unions are presented. Also the nature of Korean management is discussed, especially, the nature of industrial establishments, employer's organisation and management strategies and the practice for industrial relations. Finally, for the government, three mechanisms that were developed by the state to control labour movement tightly, are discussed.

Chapter 6, establishes an empirical model, which is based on

the Cobb-Douglas production function, for statistical analysis, and estimates the union impact on productivity in the Korean case into two, U1 and U2. The two sample industries, auto and cement, are described in detail. The brief industrial history, product market situation, date of unionisation, union density and applied rules in joining for unions are mentioned in order to help for understanding of the empirical results.

Chapter 7, reveals sources of union influence on productivity in the Korean case through the opinion surveys and the related practical data and information. The reasons why Korean union impact is so diverse, are related to the specific industrial relations settings. This study puts forward the argument that the responsibility of poor industrial relations and industrial strikes should not be placed on the union side alone, and provides much evidence to support the argument.

The final chapter summarises the findings of the Korean study, and suggests proper ways of dealing with this topic. The importance of qualitative analysis, which can explain the econometric evidence, and the necessity of opinion surveys intended for workers, managers and union leaders, are particularly pointed out.

Notes And References

- [1] Kendrick, John W.(1977), "Understanding Productivity: An Introduction to The Dynamics of Productivity Change", Baltimore: Johns Hopkins, p.1.
- [2] The two views have been called the 'neoclassical or monopoly' view (negative view) and the collective-voice or Harvard view (positive view). But in this study, they will be referred to as the negative and positive view in order to match between their names and content of argument.
- [3] Metcalf, david(1988), "Industrial Relations and Productivity: The Impact of Union Presence on Labour Productivity in British Manufacturing Industry", Mimeo, LSE Industrial Relations Department, April, pp.2-4. And, Metcalf, D.(1990), "Union Presence and Labour Productivity in British Manufacturing Industry. A Reply to Nolan and Marginson", British Journal of Industrial Relations, Vol.28, No.2, July, p.250.
- [4] Freeman, Richard B. and James L. Medoff(1979), "The Two Faces of Unionism", Public Interests, Fall, pp.69-93. And, Freeman, R.B. and J.L. Medoff(1984), "What Do Unions Do?", New York: Basic Books.
- [5] Refer to Metcalf(1990), op.cit, and Freeman and Medoff(1984), op.cit..
- [6] Toner, Bill(1985), "The Unionisation and Productivity Debate: An Employee Opinion Survey in Ireland", British Journal of Industrial Relations, Vol.23, No.2, pp.179-202.
- [7] idid., p.200.
- [8] Purcell, John and Keith Sisson(1983), "Strategies and Practice in the Management of Industrial Relations", in Bain, George Sayers(eds.), Industrial Relations in Britain, pp.95-120.
- [9] Piore, Michael J. and Charles F. Sabel(1984), The Second Industrial Divide, Basic Books: New York, p.243.
- [10] The Cobb-Douglas production function is one form of econometric technique used to estimate the stochastic parametric production function. Chapter 6 describes it in detail.

CHAPTER 2. THE NEGATIVE VIEW OF TRADE UNIONISM

1. Introduction

According to the traditional neo-classical view, although unions improve the welfare of their members by enhancing their pecuniary and non-pecuniary conditions of employment, on balance, their effects on the economy as well as on productivity, are largely negative. This strong assumption appears to exist among many politicians, managers, journalists and even within the wider society. This chapter, thus, will discuss this negative view of unionism, including the empirical studies into trade unions and productivity, and then introduce the criticisms of this view in order to evaluate its relationship to the real economy.

The Webbs(1920) defined trade unions as:

...a continuous association of wage earners for the purpose of maintaining or improving the conditions of their working lives.[1]

The major objective of trade unions, therefore, is to improve their members' wages and working conditions rather than their countries' or companies' economic prosperity.

The negative view of trade unionism criticises, however, not the aims of unions but their methods of achieving their objectives. Thus we need to determine how unions achieve their objectives and in what ways they influence the allocation of resources in the economy.

Trade unions are essentially a vehicle for the collective representation of the views of wage earners. These may be represented through formal and informal means, and it may involve discussion, consultation and negotiation. At their strongest trade unions go beyond representation to joint participation with the employer in making rules with respect to the terms and conditions of work; the process we normally term 'collective bargaining'. Clearly, the conditions of employment resulting from this process will be expected to be superior to those that would exist if each individual worker bargained with the employer.

The main method by which unions are able to exert this influence on employment conditions is through a measure of control over the supply or utilisation of labour in the firm. By structuring or demarcating the type of labour to be used for certain tasks, for example, unions are able to establish particular kinds of work patterns, customs and practice, or the use of certain tools and materials as its special domain. Another important example may be the 'closed shop' which means that direct competition from non-union labour is ruled out, and the restriction on competition enhances the ability of the union to gain improvements in wages and other conditions. To improve their members' wage levels, unions generally try to impose a certain level of wages directly.

Trade unions may exercise control over the supply of effort, by determining the number of workers employed on specified pieces of capital equipment, influencing the particular combinations of jobs or the volume of output per period of time.

While from the worker's or union member's viewpoint, such devices are to minimise the exploitation of labour, from the employer or management viewpoint, they increase costs of production and constitute a barrier to the discretion of management in the utilisation of labour.

These forms of control are augmented by sanctions which unions can impose on employers. The ultimate sanction is the strike, which involves a complete withdrawal of labour, but many lesser and often equally effective forms exist in the shape of working to rule, overtime bans and go-slows. According to the negative view of trade unionism, industrial action is one of the most harmful influences on the productivity of labour. The relative costs imposed on labour productivity by these controls and industrial actions will be examined in more detail in section two.

By way of summary of this negative view of the influence of trade unions on productivity, Metcalf's arguments can be examined.[2] He has pointed out the following four reasons, based on the British case, why union presence may lower labour productivity.[3]

First, unions may be associated with restrictive work practices. Second, industrial action may have an adverse impact. Third, union firms may invest less than non-union firms. Fourth, if unions are associated with an adversarial style of industrial relations, the consequent low trust and lack of co-operation between the parties may lower labour productivity.[4]

Metcalf, however, admitted that there are channels by which unions can enhance labour productivity and claimed that the

impact of unions on productivity is an empirical matter.[5]

In the next part of this chapter, the major theoretical and empirical reasons why unionism may lead to lower labour productivity are introduced. The econometric evidence which supports the negative union impact, is presented in section three. Finally, the negative view is critically examined by discussing the problems of its theoretical foundation, as well as its experimental analysis.

2. Reasons Why Unions Lead To Lower Labour Productivity

2.1 Trade Union Intervention in Managerial Decision- Making

Through collective bargaining, trade unions can participate in the managerial decision making processes. Union participation, however, can be seen as both a sign of intervention and a possible source of co-operation. An intervention, because unions induce restrictive work practices and limit managerial flexibility, hence they supposedly lead to organisational inefficiencies. Co-operation, because management can hear workers' opinions and ideas which may enhance the quality of management decisions. The negative view of unionism takes the former position and claims that a limitation of

management's flexibility in decision making will lead to impaired labour productivity.

Examples of negative practices on productivity, which have appeared prominently in many discussions of unionism, include: limits on the load handled by workers, job demarcations, requirements that work be done twice or that unnecessary work be done, opposition to incentive systems and piece-rates, enforcement of loose production standards or limits on work pace, and interference with technological changes sought by management.[6]

There are a number of studies assessing the importance of work to rule interventions on labour productivity. Katz, Kochan, and Keefe(1987) argued, in their analysis of fifty three American automobile manufacturing plants, that:

... plant performance ... can be improved by changes in workrules that increase the pace of work and allow greater managerial discretion in assigning work.[7]

However, this would be an unreasonable argument, since they did not discuss how hard a worker should work.

Leijnse(1980) argued that shopfloor negotiation restricts the range of policy alternatives that management possesses, whether through formal negotiation or informal permission to manipulate the system.[8] Trade unions can thus get employers "to do some things that would not otherwise be done".[9] This could mean that employers are forced to choose not the first-best option but the second-best.

Bemmels(1987) claimed, with an analysis of data from 46 American manufacturing plants for 1982, that altered effectiveness of managerial practices, mainly the opposition of unions to incentive systems, accounted for 20-25 per cent of the negative union impact.[10] However, there is a possibility that bias exists in this empirical finding, since the analysed data, in this study, was formulated with reference only to management's allegations through questionnaires.

McKersie and Klein(1983) identified three major productivity restraints in their analysis of sixty-one plant-level questionnaires from a plant survey and a review of extensive information from other sources concerning the industrial relations components of the productivity problem; resistance to change in US, reduced worker motivation and inhibiting work rules.[11] Among these three restraints, two of them which are strongly related to the issue of union influence on managerial decision making are examined(see Table 2.1).

Table 2.1 Productivity Restraints Identified by 61 Respondents to Plant Survey

Productivity Restraint	Number of Times Identified As a Restraint
Restraint to Change	
--worker/supervisor resistance to change	43
--first-line supervisory resistance	2
--adopting to change	1
--uncertainty of change	1
Work Rules	
--subcontracting	21
--crew size	19
--seniority	30
--contractual restraints/work rules	11

Source: McKersie, Robert b. and Janice A. Klein(1983), "productivity: The Industrial Relations Connection", National Productivity Review, Vol.3, No.1, Table 1.

McKersie and Klein argued that the most important productivity restraint is resistance to change, and estimated, that the negative impact on labour productivity over a period of several years could be as great as 40 or 50 percent. As we see in Table 2.1, the major types of work rule intervention are related to the agreements on subcontracting, crew size, seniority rule and work rules. According to McKersie and Klein, the work-rule problem may have a negative impact on labour productivity in the range of 15 to 25 percent.

Finally, the case of "The Pacific Coast Longshore Industry" could provide empirical evidence in support of the negative view of unionism. According to Hartman(1969), the major sources of productivity improvement in Pacific Coast Longshoring (which was 20 per cent from 1960 to 1963 and 32 per cent from 1960 to 1964) were the elimination of restrictive work rules and practices; the

abandonment of redundant manning on bulk and similar highly mechanised cargo-handling operations; and the elimination of multiple handling, sling-load requirements, break-bulk manning reduction and relaxation of informal work restrictions.[12] This case shows that unions may impose unfavourable work rules and practices on management, and thus reduce labour productivity.

So far, several empirical findings demonstrating the negative impact of trade unionism on productivity, have been considered. With these studies, it could be concluded that as long as trade unions induce unfavourable workrules or render managerial decision-making inflexible, especially in the allocation of overtime, layoffs and job transfer, their participation in the decision making process could be viewed as a burden rather than an assistance in improving productivity. Therefore, the very nature of trade unions may have a negative impact on productivity from the narrow point of view. However, while how hard an employee should work as well as workers' and management's rights in assigning work, are not defined in detail, the extent of unfavourable union effects through this channel, cannot be estimated decisively. In the next section, industrial action is presented.

2.2 Industrial Action

A strike can be defined as " a temporary stoppage of work by a group of employees in order to express grievances or enforce a

demand".[13] On the basis of this definition, trade unions as representatives of employees may lead strikes whenever their members have grievances, and/or when they are having to confront unreasonable demands from employers. Consequently, trade unions are thought of by those who hold a negative view of unionism to reduce output because industrial action eats into production time. The 'logical' conclusion is, therefore, if strikes were eliminated or if trade unions were not present, then output would increase.

Before discussing how strikes can negatively affect productivity, we need to consider the question, of whether the whole responsibility for strike action should rest with unions alone? Presumably, neo-classical economists would answer this question affirmatively. This may be partly true, since strikes are generally called by unions, though of course, ordinary workers lead them in some cases.[14] However, for a strike to occur there has also to be an employer. In other words, it appears within a relationship between two parties. Some researchers have revealed cases of employers causing strikes.[15] Firstly, we are going to assess the relationship between strikes and productivity as discussed by those who hold a negative view. In the later part of this chapter, the counter arguments will be discussed.

Work stoppages can directly affect productivity in several ways. In a plant that continues operation during a strike, a reduction in output per employee hour, even per production worker hour, is likely because of technical and social strains affecting

the remaining work force, and perhaps because of production bottle-necks brought on by material imbalance of line. Such bottle-necks are especially likely when only part of a plant or firm is affected, say, by some limited 'wildcat' action, a not unheard-of event in some manufacturing industries.[16] Immediately before or after a strike, productivity can be adversely affected by capacity-straining attempts to amass inventories. Uncertainty about output levels can reduce the effectiveness of resources devoted to marketing and distribution. Finally, if through a strike the work force succeeds in forestalling or limiting certain management initiatives, or in instituting certain restrictive work rules, the subsequent productivity growth of the plant can fall below what it otherwise would have been.[17]

A few studies, that have tried to quantify the contribution of stoppages to relative productivity performance. Pratten(1976), for example, found in his inter-country comparison of productivity, on the basis of the UK and overseas operations of the same international companies, that some 13 percent of the difference of productivity between Britain and West Germany (there was no differences between Britain and France and only 10 percent of the difference between North America and Britain) was due to stoppages and restrictive practices.[18] But, he admitted, the effects of strikes and restrictive practices on national differentials was small. Nichols(1986) has criticised Pratten's findings for the fact that this study rested entirely on management opinions, and did not determine whether such

differences existed with respect to either managers or workers.[19] Moreover, Pratten's conclusions did not sufficiently take account of different environmental factors, such as, political, economic and socio-cultural forces, between sampled countries, which are vital factors in cross-national comparative analysis.

Flatherty(1987), in a study of U.S manufacturing 1961-81, estimated that a quarterly increase of ten strikes yields a decline of more than 25 percent in the rate of growth of production worker productivity.[20] He concluded that there was two-way causality between strikes and productivity change: on the one hand, strikes during the term of a contract- and the more extensive practices of shop floor confrontation that they reflect- result in slowed productivity growth, and on the other hand, a speed-up in productivity change can provoke heightened militancy on the floor and increase strike activity.[21]

In summary, several studies support the negative view, that industrial action will lead to decreased labour productivity. However, the question of whether the responsibility for strikes should lie with the union only, still remains to be answered, and will be discussed in the fourth section of this chapter.

2.3 Other Sources of Negative Effects of Unionism on Productivity

Other ways in which trade unions can negatively affect productivity have been pointed out, especially in relation to the following factors; the presence of unions may reduce the willingness of management to invest, and secondly, lead to an adversarial style of labour-management relations. Metcalf(1988) has argued that:

unionised firms may invest less in capital equipment and research and development than non-union firms or the returns from such expenditure may be lower causing, in turn, less future investment.[22]

If unions keep the invested capital idle, and promote a low rate of return on the investment, then shareholders and management may tend to invest less than they would if the equipment was being efficiently used.

Metcalf(1988) has also presented another reason why there is a negative impact of trade unions on productivity, namely, that:

union presence may result in an adversary style of industrial relations, lowering both trust and co-operation. If both parties strive for their own selfish ends they may both end up worse off -in terms of labour productivity and real earnings-than if they co-operated.[23]

However, the above reasons do not demonstrate a straightforward adverse impact of unions on labour productivity, rather they suggest that they may have these possible effects. The arguments, indeed, require empirical confirmation.

So far, union intervention in managerial decision-making,

industrial action, the impairing of the will of businessmen to invest and an adversarial style of industrial relations, have been pin-pointed as reasons for a negative union impact on labour productivity. In the following section, empirical studies, which supported the argument that union presence is associated with lower labour productivity, will be presented and discussed critically.

3. Econometric Evidence

There is little empirical evidence which to support the negative view of trade unionism. Most of these studies were carried out in the British industrial field. In contrast, the positive view of unionism has been supported mainly by Americans. This is partly because the negative view may be fitted more closely to the British context rather than the U.S. one. Machin(1988) firmly argued that:

it is not entirely surprising that the U.S. results indicating that unions raise productivity in general are not mirrored using British data. This is especially true given the traditional adversarial relationship between British unions and management compared to the U.S. situation where cooperative industrial relations and business unionism are more the order of the day.[24]

One should bear in mind that the responsibility for the adversarial style of industrial relations in Britain, should be shared among both management and trade unions, since the climate

of industrial relations is formulated by both parties.

As we see in Table 2.2, Pencavel's(1977) production function analysis of the union impact in British coalmining, 1900-13, has the distinct advantage that its results are uncontaminated by relative price effects, since, during Pencavel's sample period, unionised labour enjoyed no wage differential over non-unionised labour.[25] He investigated whether the output level of unionised coalfields was higher than that of non-unionised ones over the four regions and over time, between 1900-1913. The upshot of Pencavel's test procedure is that coal output was reduced by between 2.3 and 3.1 percent by an increase in the fraction of unionisation from 0.66(in 1900) to 0.80(in 1913). Translated into output terms, almost 9 million more tons of coal would have been produced in 1913 had the fraction of miners unionised remained at its 1900 level. Extrapolating beyond the range of his sample observations, Pencavel estimated that a totally non-unionised coalfield would produce some 22 percent more output than a completely unionised coalfield.[26] However, while he argued that the unions brought about less industrious work practices, working days lost through industrial disputes and restrictive work rules, he never justified why workers should work as hard as management wanted, why the whole blame for industrial disputes should lie entirely with the unions, and why workers' wishes should be excluded in assigning work. Moreover, no empirical evidence, supporting his argument, was presented in this study.

Table 2.2 Unions And Productivity

Study	Sample	Estimated Union Impact on Productivity
Pencavel (1977)	Coalmining	-2.3 - -3.1% *
Wilson (1987)	Engineering Firms	-20 - +4%
Machin (1987)	Engineering Firms	-30 - +10%

Note: * = Union impacts by an increase in the fraction unionised from 0.66 to 0.80.

Sources: (1) Pencavel, John H. (1977), "The distributional and Efficiency Effects of Trade Unions in Britain", British Journal of Industrial Relations, Vol.15, No.2, PP137-156. (2) Wilson, Nicholas (1987), "Unionisation, Wages and Productivity: some British Evidence", Occasional Paper, No.8703, University of Bradford, March. (3) Machin, S.J. (1987), "Union Productivity Effects in British Engineering", Mimeo, University of Warwick, december.

Wilson (1987) examined the impact of unionisation on labour productivity in 52 British engineering firms, between 1978-1982. [27] He found that the effect of unions on labour productivity depended on the union density: (1) in the companies where workers were unionised in the range 0-50 percent, the union effect was negative and significant (-20 %); (2) in the firms where the range of union density was 50-80 percent, the impact of unions was positive and significant (+4 %); (3) in the plants where the union density was in excess of 80 per cent, unionisation led to a negative impact on productivity and significant (-16 %). [28] He interpreted the negative impact of unions in the third category, by proposing that in cases where over 80 per cent of workers were organised, unions became strong,

in terms of the strength of union bargaining power, and this may lead to an adversarial style of industrial relations, lowering trust and cooperation.[29] Surprisingly, he never provided practical evidence which could confirm the fact that the effect of unions was a deterioration in industrial relations through lowering trust and cooperation. For this, he would be required to estimate the climate of industrial relations, in terms of trust and cooperation, in both non-unionised and unionised companies, and compare the difference between them.[30] This study, also suffered from a limitation in its econometric analysis, since he did not attempt to adjust the value added by the appropriate industrial price indexes, and to minimise the influence of a heterogeneous product on output.[31]

Machin(1987) analysed the union effect in relation to size of firm, using the same data set as Wilson.[32] The worst example of negative union impact on productivity in his findings, was that of a firm with over one thousand employees, along with the existence of a closed shop; here labour productivity is put at 30 percent below that of a similar firm without a closed shop. By contrast, the union presence in firms with less than one thousand employees increased labour productivity by 10 percent. He concluded as follows:

... positive union productivity effects are only likely to occur among relatively small firms. Whether this is due to increased x-inefficiency in large unionised firms or due to the increased control over the working of production process held by unions in large firms unfortunately cannot be untangled from the empirical results.[33]

While this study showed only statistical evidence of the variety

of the union effect on productivity, across a relatively homogeneous group of firms, it ignored one important factor, the investigation of union functions which may explain the econometrical results.

While none of the above studies revealed any channels of union impact on productivity through the nature of empirical evidence, the later two case studies confirmed that the union effect varied, from negative to positive, along with the level of union density, the presence of a closed shop and financial incentives, and the size of a company. While, it has been already accepted that the relationship between trade unions and productivity is not constant, rather dependent on the specific industrial relations settings, this simple statistical correlation between trade unions and productivity alone, would not be helpful either for formulating the relationship, or for providing ways of improving labour productivity through focus on industrial relations. Thus, what is needed is a more sophisticated analysis which can provide not only statistical results but also specific union functions, that may influence productivity. Further, as long as this topic is highly dependent on empirical supports, every argument in each study, should be proved through practical evidence.

4. Critical Evaluation of The Negative View of Trade Unionism

Many researchers seem, at least partly, to agree with the negative view that unions may hinder productivity, if they set restrictive work rules, call industrial strikes, discourage the willingness of the employers to invest, and/or have a detrimental effect on the nature of industrial relations. However, not many of them support the view that the magnitude of the inefficiency and x-inefficiency, which are induced by the first two factors, while the remaining factors are entirely open to empirical questioning. Moreover, the theoretical foundations of the negative view, based as it is on neo-classical economic theory, has been strongly challenged by many writers.

While setting restrictive work rules may reduce labour efficiency, not all the work rules that are introduced by unions should be treated as restrictive. It is widely accepted that workers and unions have the right to refuse or alter management orders which may cause either physical or mental damage to them. Furthermore, the assumption that management should be allowed to work their employees as hard as they can is not very persuasive. Union induced work rules, therefore, have to be examined fully before they are treated as restrictive.

Further, the power of unions to intervene in managerial decision-making, remains limited. In reality, union participation in the regulation of working conditions is

basically defensive, as it occurs within an environment determined by policies that employers have already set up, in terms of the scale of production, employed technology, manpower levels, safety and welfare.[34] Similarly, Freeman and Medoff(1982) emphasised that the flexibility of operations in modern industry, where production lines are machine run, will not be important, and thus the restrictive rules have only modest effects on productivity.[35]

The next criticism on the negative view of unionism is concerned with the causes of industrial action. As has been mentioned earlier, the question of whether the whole responsibility of strike action should rest with the unions alone, is very dubious. The employment relationship is two sided, it is, therefore, hard to believe that unions are always unreasonable, putting forward unfavourable restrictive work rules and resisting any kind of management proposals without sound reasons, while management try to do their best to take care of not only the company but their workers. The following examples may clarify this argument.

The case of the Ford strike in 1969 shows to management the fact that man is not a machine. Beynon(1973) revealed Ford's workers' feelings for their jobs [36]: "I cannot get satisfaction", "It is the most boring job in the world", "If you work at Ford's, on the line, you let your mind go blank and look forward to pay day and the weekend". According to the statements, workers, indeed, feel no moral involvement with the

firm or any identification with the job. Actually one of the major causes of strikes came from the management side, because they neglected their workers' humanity.

British Leyland (BL) had one of the worst strike histories in the U.K. during the 1970's. At that time, many researchers, politicians, journalists, and the wider society suggested that the unions' industrial action, had pushed the company into deeper trouble. Edwards(1983) who was the Chairman of BL, however, expressed a different opinion in his book of 'Back From The Brink'. [37] He asserted that:

the real blame lay with management, for they failed in their duty to manage. 'Management' is not an automatic right, it has to be earned. [38]

He also pointed out several management mistakes such as: serious design defects; over-manning of huge proportions; an inadequate management structure; and severe excess production capacity. In this case, if someone says that employees should stay in their work places and just wait until the company makes a profit, it does not seem to be a convincing argument. [39]

Smith, Child and Rowlinson(1990), in Reshaping Work: The Cadbury Experience, indicated how the recruitment of a new personnel manager caused a number of long strikes in the Bournville factory in the 1970's. [40] The traditional style of industrial relations management at Bournville was "democratic agreement" through slow persuasion and very mild coercion, and, in fact, industrial relations were quite stable. [41] However, as a new manager tried to launch new personnel policies hastily by

ignoring the culture of the factory, the nature of industrial relations became unstable, and eventually strikes occurred.[42] The fact that his successor implemented such policies successfully without the haste, and with more caution, would firmly support the argument that the responsibility for strikes in the Cadbury factory should lie more with management than with unions or workers.

From the above analysis it could be sensibly suggested that empirical studies have to determine whether industrial strikes occur with respect to the actors of either managers or unions and workers, before we can formulate the relationship between unions and productivity. This argument will be discussed again in the context of the Korean experience in chapter 7.

While several examples of the effects of industrial action on labour productivity have been mentioned in the former part of this chapter, some other studies claimed a modest effect of strikes on productivity.[43] Data from the Bureau of Labour Statistics(1977) consistently indicated that strikes are not a major problem in the U.S. economy.[44] Other data showed almost the same figures, in that the percentage of work time lost due to work stoppage is rarely greater than 0.5 percent on an annual basis in the United States(see Table 2.3).[45]

Table 2.3 Work Stoppages in The United States, 1953-79

Year	Number of strikes	Estimated percentage of Working Time Lost
1953	5091	0.22
1955	4320	0.22
1957	3673	0.12
1959	3708	0.50
1961	3367	0.11
1963	3362	0.11
1965	3963	0.15
1967	4595	0.25
1969	5700	0.24
1971	5138	0.26
1973	5353	0.14
1975	5031	0.16
1977	5600	0.17
1979	4800	0.15

Source: Ehrenberg, Ronald G. and Robert S. Smith(1988), Modern Labor Economics, Third Edition, Scott, Foresman and Company, London , Table 12.6.

The Table 2.3 shows that the estimated percentage of working time lost due to strikes over the 27-year period from 1953 to 1979 averaged 0.2 percent. Therefore, as far as the U.S case is concerned, industrial action does not cause as large a loss in output as negative viewers expected.

The argument that strikes have no discernible effect on industry output, is also supported by Neumann and Reder(1984) through analysing the relationship between strike activity and output in three digit SIC manufacturing industries over the period 1955-77.[46] They categorised three types of relationships: (1) no relationship (38 industries) ;(2) positive and just significant (6 industries); and (3) negative and significant(19 industries). They, however, firmly conclude that

the effect of strike activity on aggregate industry output is small.[47]

Knight(1989) revealed, in his study of 52 production industries in 1968, that the effect of strike activity on labour productivity is neutral by a very small amount(-0.61 per cent on average).[48] Moreover, he also pointed out the favourable impact of strikes as follow;

strikes appear, in part, to have played a therapeutic role as a vent for frustration, or as a mechanism for resolving otherwise unresolvable conflicts in the majority of manufacturing industries in the sample.[49]

Therefore, it can be concluded that costs of industrial strikes may not be sufficiently great to support the view that strike activity by unions is a major cause of lowering labour productivity.

Finally, discouraging employers to invest and hampering the nature of industrial relations, which are claimed by the negative view as the unfavourable sources of union impact on productivity, have been criticised by Nolan and Marginson(1988).[50] They argued that the presence of unions may stimulate employers to invest in new and more effective production systems by closing off certain routes to profitability, such as, sweating and low wages.[51] The last factor of negative union effect, hampering the climate of industrial relations, was also rejected, as follows:

...conflict over work effort and output are common both unionised and non-unionised settings and that conflict can be the source of dynamic economic gains.[52]

It should be mentioned again that the above two factors, particularly, are entirely empirical matters. That is, not all trade unions may discourage employers to invest, and/or deteriorate the nature of industrial relations. This is especially so in the Korean experience, where the unions enhanced the industrial relations climate, and there was no direct relationship between the presence of unions and the level of investment.[53]

In order to reveal the weakness of the negative view of unionism, we need to consider the theoretical validity of the neo-classical economic theory of the labour market. Neo-classical thinking is based on certain unrealistic assumptions well summarised by Marsden(1986):

- (1) the adoption of methodological individualism;
- (2) the assumption of the logical priority of perfect competition;
- (3) the assumption that the labour market contains larger numbers of jobs in different firms requiring similar skills and aptitudes which can be provided by local labour markets;
- (4) the treatment of the firm as a sort of transmission mechanism between markets; and
- (5) the assumption that technology is the key determinant of the factor combinations between which firms may choose.[54]

Unfortunately, neo-classical theory does not fit the reality of employment relations and management behaviour in the real world economy. Firstly, the model assumes that labour market processes are the result of the interactions of individual workers and employers. The soundness of this principle, however, could be seriously questioned by the presence of labour market organisations. Institutionalists view the labour market process

as follows;

the market approach to wage determination is clearly wrong because labour markets do not typically resemble auction markets and must rather be seen as 'institutionalised' markets, in which wages are 'administered' either unilaterally by firms, or bilateral by firms and unions in a collective bargaining process.[55]

The second assumption of the logical priority of perfect competition tends to be more widely questioned by many economists. Clearly, the perfectly competitive labour market which contains perfect and costless information, perfect competition in all other markets, and instantaneous and costless adjustments does not exist in the actual labour market. The reality of decision making means it is not possible to be entirely rational because it is impossible to create all the alternative scenarios. In fact, decision makers cannot have complete information as well as perfect knowledge for decision making. Hence, he or she must select from the perceived alternatives. Moreover, emotional or behavioural consequences may lead the decision makers to compromise or adopt a non-optimal solution. Decision makers cannot have complete information for problem solving or decision making, because, they usually do not have enough time, resources and/ or knowledge to obtain perfect information. In addition, decision makers typically have to take decisions in the absence of certainty about future events. Thus, they cannot analyse a one-to-one relationship between alternative courses of action and outcomes. On the basis of the above arguments, therefore, the second assumption has great difficulty in being defended.

Thirdly, the neo-classical school assumes that the labour market contains large numbers of jobs in different firms requiring similar skills and aptitudes which can be provided by local labour markets. In the modern economic society, there is a common trend for jobs to become more specialised in terms of required technology and knowledge. Moreover, occupational and internal labour markets rather than local ones have become increasingly dominant.[56] Since these markets, by comparison with the competitive labour markets of economic theory, offer quite different transaction arrangements, the third assumption could be treated as an unrealistic one.

The fourth postulate is that firms act as a transmission mechanisms between markets. As many studies show, employers frequently bear much of the cost of training, and thus they try to make their own internal labour markets.[57] Consequently, we can argue that firms prefer to be actors with detention mechanisms rather than a transmission between markets.

The final assumption that 'technology' is the key determination of the factor combinations between which firms may choose, could be true in some industries but not all. Firms, however, often take account of the availability of finance, government policy towards unemployment, and even trade union actions in introducing new technology.[58]

The expected relationship between trade unions and productivity which is formulated on the base of neo-classical economic theory, therefore, would not be true.

So far, we have examined several empirical studies in order to show how significant the adverse effect of trade union is on outputs. As we have seen, most examples seem to fail to support the negative view of trade unionism. Moreover, the view, also, is criticised in connection with its ambiguous and unreliable theoretical foundation.

5. Conclusion

The negative view of trade unionism claims that trade unions are not purely economic institutions, since they have several methods of achieving their objectives which cannot be embraced within the context of a purely economic perspective. Thus it is difficult to explain or rationalise aspects of their behaviour.[58] This view points out the following reasons to support the negative relationship between unions and productivity. Firstly, employee participation in the managerial decision making could cause output losses and/or decreased labour productivity. Unions may induce restrictive work practices and limit managerial decision making flexibility through collective bargaining. Secondly, industrial action may have an unfavourable impact on productivity by causing uncertainty about output levels which may reduce effectiveness in the areas of marketing and inventory management, and by leading to capacity-straining attempts to amass inventories and consuming management time.

Finally, the presence of unions may decrease the willingness of businessmen to invest, and lead to an adversary nature of industrial relations.

However, unfavourable influences on productivity through the first two factors should be adjusted downwards, because not all work rules which are induced by unions, can be treated as restrictive ones, and since industrial disputes occur within the context of the relationship between workers and management, it should be determined whether the responsibility for strikes lie with either management or workers. On top of these, the other sources of negative union effect on productivity, like, discouraging employers to invest and hampering the nature of industrial relations, are entirely open to empirical questioning. In other words, they may not exist in every case. Moreover, trade unions may actually encourage the willingness of businessmen to invest and improve the climate of industrial relations. Further, the empirical studies which indicated a negative union impact on productivity hardly explored 'reasons' why unions decreased productivity, while the statistical estimations varied from negative to positive. Sullivan(1984) takes the same view that;

...the negative view is rarely shown to be based on explicit theoretical foundations and there is little or no attempt made to test for their validity by appeal to the evidence.[60]

In summary, while this chapter criticised the negative view of trade unionism in relation to its weak empirical evidence and its ambiguous and unrealistic theoretical foundations, it does

not deny the possibility that unions may decrease labour productivity, because the relationship between trade unions and productivity is an empirical matter. In the following chapter, the other end of the spectrum, the so called "positive view" of unionism, which emphasises the benefits of unions, will be discussed in detail.

REFERENCES AND NOTES

- [1] Webb S. and B(1920), Industrial Democracy, Long Green and Company, p.1.
- [2] Metcalf, David(1990), "Union Presence and Labour Productivity in British Manufacturing Industry. A Reply to Nolan and Marginson", British Journal of Industrial Relations, Vol.28, No.2, July, pp. 249-266.
- [3] *ibid.*, p.250.
- [4] *ibid.*, P.250.
- [5] *ibid.*, p.250.
- [6] Addition, Jhon T.(1982), "Are Unions Good for Productivity?", Journal of Labour Research, Vol.3, No.2, pp.125-138. Addition, J.T.(1983), "The Evolving Debate on Unions and Productivity", Journal of Industrial Relations, Vol.25, No.3, pp.286-300. Cain, Glen G.(1975), "The Economics of Labor: An Assessment of Recent Research-The Challenge of Dual and Radical Theories of the Labor Market to Orthodox Theory", American Economic Review, Vol.65, No.2, May, pp.16-22. Gordon, David M.(1981), "Capital-labour Conflict and the Productivity Slowdown", American Economic Review Papers and Proceedings, Vol.71, No.2, pp.30-35. Guzzo, R.A. and J.S. Bondy(1983), A Guide to Worker Productivity Experiments in the United States, 1976-1981, New York: Pergamon Press. Katzell, R.A., Bienstock, and P.H. Faerstein(1977), A Guide to Worker Productivity Experiments in the United States, 1971-1975, Scarsdale, New York: Work in American Institute, New York University Press. Hirsch, Barry T. and Albert N. Link(1984), "Unions, Productivity, and Productivity Growth", Journal of Labor Research, Vol.5, No.1, Winter, pp.29-37. Johnson, George E.(1975), "Economic Analysis of Trade Unionism", American Economic Review, Vol.65, No.2, May, pp.23-28. Killingsworth, Charles C.(1962), "The Mordernaization of West Cost Longshore Work Rules", Industrial and Labor Relations Review, Vol.15, April, pp.295-306. And, Locke, E.A. et.al.(1980), "The Relative Effectiveness of Four Methods of Motivating Employee Performance", in Duncan, K.D. et.al.(1980), Changes in Working Life, London: John Wiley&Sons, pp.363-388.
- [7] Katz, Harry C., Thomas A. Kochan, and Jeffrey H. Keefe(1987), "Industrial Relations and Productivity in The U.S. Automobile Industry", Brookings Papers on Economic Activity, Part 3, p.708.
- [8] Leijnse. F.(1980), "Workplace Bargaining and Trade Union Power", Industrial Relations Journal, Vol. 11, No.2, pp.58-69.
- [9] *ibid.*, p.69.
- [10] Bemmels, Brian(1987), "How Unions Affect Productivity in

Manufacturing Plants", Industrial and Labor Relations Review, Vol.40, No.2, January, p.244.

[11] McKersie, Robert B. and Janice A. Klein(1983), "Productivity: The Industrial Relations Connection", National Productivity Review, Vol.3, No.1, pp.26-35.

[12] Hartman, Paul T.(1969), Collective Bargaining and Productivity, University of California Press, Berkeley and Los Angeles, pp. 128-162.

[13] Hyman, Richard(1984), Strikes, Third Edition, Fontana Paperbacks, p.17.

[14] In Korea, workers have called industrial strikes independently in several cases during the period prior to the declaration. For example, the Daewoo Motor company experienced strikes that were led by ordinary workers in 1985.

[15] The empirical evidence are presented and discussed in the later part of this chapter.

[16] Hunter, L.C. and C. Mulvey(1981), Economics of Wages & Labour, Second Edition, London; Macmillan Press.

[17] Caves, R.(1980), "Productivity Differences Among Industries", in Caves, R. and Krause L., Britain's Economic Performance, Washington D.C.: Brookings Institution.

[18] Pratten, C.F.(1976), "Labour Productivity Differentials Within Industrial Companies", Occasional Paper, No.50, Cambridge: Cambridge University Press, Table 9.1.

[19] Nichols, Theo(1986), The British Worker Question, London: Routledge & Kegan Paul, pp.55-63.

[20] Flatherty, Sean(1987), "Strike Activity, Worker Militancy, and Productivity Change in Manufacturing, 1961-1981", Industrial and Labor Relations Review, Vol.40, No.1, July, pp.585-600.

[21] *ibid.*, pp.598-599.

[22] Metcalf, D.(1988), "Industrial Relations and Productivity: The Impact of Union Presence on Labour Productivity in British Manufacturing Industry", Mimeo, LSE Industrial Relations Department, April, p.3.

[23] *ibid.*, p.4.

[24] Machin, S.J.(1987), "Union Productivity Effects in British Engineering", Mimeo, University of Warwick, December. p.19.

[25] Pencavel, John H.(1977), "The Distributional and Efficiency Effects of Trade Unions in Britain", British Journal of Industrial Relations, Vol.15, No.2, pp. 137-156.

[26] *ibid.*, p145.

[27] Wilson, Nicholas(1987), Unionisation, Wages and Productivity: Some British Evidence, Occasional Paper, No.8703, University of Bradford, March.

[28] *ibid.*, p.9.

[29] Wilson, N.(1989), Unionisation, Wages and Productivity: Some British Evidence, Occasional Paper No.8901, Management Centre, University of Bradford, January, pp.22-25.

[30] In chapter 7, section 2.6 shows how the climate of industrial relations can be estimated and analysed.

[31] Nolan, Peter. and Paul Marginson(1988), "Skating on Thin Ice?: David Metcalf on Trade Unions and Productivity", Warwick Papers in Industrial Relations, No.22, University of Warwick, pp.7-8.

[32] Machin, S.J.(1987), *op.cit.*, pp.1-18.

[33] Machin, S.J.(1987), *op.cit.*, p.18.

[34] Burkitt, B.(1981), "Excessive Trade Union Power: Existing Reality or Contemporary Myth?", Industrial Relations Journal, Vol.12, No.3, pp.65-71.

[35] Freeman, R.B. and J.L. Medoff(1982), "Substitution Between Production Labor and Other Factors in Unionised and Nonunionised Manufacturing", Review of Economics and Statistics, Vol.64, No.2, May, pp.220-233. However, labour process writers would dispute the extent which production technology is no longer effected by workers' intervention. In fact, the debate on flexibility in Britain in the 1980's was precisely about attempting to get the greater management control over worker in order to use new technology. See, Pollert, Anna(1987), "The 'Flexible Firm': A Model in Search of Reality (or A Policy in Search of A Practice)", Warwick Paper in Industrial Relations, No.19, University of Warwick.

[36] Beynon, Huw(1973), Working For Ford, Wakefield: EP Publishers, pp. 109-128.

[37] Edwards, Michael(1983), Back From The Brink, London: Collins.

[38] Edwards, M.(1983), *ibid.* pp. 281-282.

[39] Edwards, M.(1983), *ibid.* p.292.

[40] Smith, C., J. Child, and M. Rowlinson(1990), Reshaping Work: The Cadbury Experience, Cambridge: Cambridge University Press.

- [41] *ibid.*, p.177.
- [42] *ibid.*, pp.177-186.
- [43] Bernstein, Irving and Hugh G. Lovell(1953), "Are Coal Strikes National Emergencies?", Industrial And Labor Relations Review, Vol.6, No.5, pp.352-367. Christenson, C.L.(1955), "The Impact of Labor Disputes Upon Coal Consumption", American Economic Review, Vol.45, No.1, March, pp.79-117. And, Cullen, Donald E.(1953), "The Taft-Hartley Act in National Emergency Disputes", Industrial and Labor Relations Review, Vol.7, No.1, October, pp.15-30.
- [44] Ehrenberg, Ronald G. and Robert S. Smith(1988), Modern Labor Economics: Theory and Public Policy, Third Edition, London: Scott, Foresman and Company, pp.450-470.
- [45] *ibid.*, p.467.
- [46] Neumann, George R. and Melvin W. Reder(1984), "Output and Strike Activity In U.S. Manufacturing: How Large Are The Losses?", Industrial and Labor Relations Review, Vol.37, No.2, January, pp.197-211.
- [47] Neumann, G.R. and M.W. Reder(1984), *ibid*, p. 210.
- [48] Knight, K.G.(1989), "Labour Productivity and Strike Activity in British Production Industries: Some Quantitative Evidence", British Journal of Industrial Relations, Vol.27, No.3, p.368.
- [49] *ibid.*, p.370.
- [50] Nolan, P. and P. Marginson(1988), *op.cit.*.
- [51] *ibid.*, p.12.
- [52] *ibid.*, p.13.
- [53] Refer to chapter 7, section 2.6, and 2.14.
- [54] Marsden, David(1986), The End Of Economic Man, Wheatsheaf Books LTD., pp.20-24.
- [55] Addison, J.T. and J. Burton(1978), "Wage Adjustment Process: A Synthetic Treatment", British Journal of Industrial Relations, Vol.16, No.2, p.209.
- [56] Marsden, D.(1986), *op.cit.*, p.162.
- [57] Marsden, D.(1986), *op.cit.*, p.163.
- [58] Becker, G.S.(1962), "Investment in Human Capital: A Theoretical Analysis", Journal of Political Economy, supplement, Vol.70, October, pp.9-44.

[59] Allen, Frank(1980), "Bosses Say Unions Do More Bad Than Good", Wall Street Journal, 11th, December, Section2, p.29., Ball, John M., and N.K. Skeoch(1981), "Inter-plant Comparisons of Productivity and Earnings", Government Economic Service Working Paper, London: Department of Employment, No.38, May., Brookshire, Michael L.(1986), "Productivity and Collective Bargaining", Survey of Business, Vol.21, No.4, pp.29-32., Dillion, P., and I. Gang(1987), "Earnings Effects of Labour Organisations in 1890", Industrial and Labor Relations Review, Vol.40, No.4., Gordon, David M.(1981), "Capital-labour Conflict and the Productivity Slowdown", American Economic Review Papers and Proceedings, Vol.71, No.2, pp.30-35., Hendricks, Wallace(1975), "Labor Market Structure and Union Wage Levels", Economic Inquiry, Vol.13, No.3, pp.401-416., Mansfield, Edwin(1980), "Basic Research and Productivity Increase in Manufacturing", American Economic Review, Vol.70, No.5, pp.863-873., Reid, Joseph D., JR.(1982), "Labour Unions in the American Economy: An Analytical Survey", Journal of Labor Research, Vol.3, No.3, pp.277-294., Ball, John M., and N.K. Skeoch(1981), "Inter-plant Comparisons of Productivity and Earnings", Government Economic Service Working Paper, London: Department of Employment, No.38, May., Dillion, P., and I. Gang(1987), "Earnings Effects of Labour Organisations in 1890", Industrial and Labor Relations Review, Vol.40, No.4., Hendricks, Wallace(1975), "Labor Market Structure and Union Wage Levels", Economic Inquiry, Vol.13, No.3, pp.401-416., Killingsworth, Charles C.(1962), "The Mordernization of West Cost Longshore Work Rules", Industrial and Labor Relations Revoew, Vol.15, April, pp.295-306., Mansfield, Edwin(1980), "Basic Research and Productivity Increase in Manufacturing", American Economic Review, Vol.70, No.5, pp.863-873., Reid, Joseph D., JR.(1982), "Labour Unions in the American Economy: An Analytical Survey", Journal of Labor Research, Vol.3, No.3, pp.277-294.

[60] Sullivan, Terry(1984), " Trade Unions and Productivity : Theory and Evidence", International Journal of Manpower, Vol.3, No.2, April, p.31.

CHAPTER 3 THE POSITIVE VIEW OF TRADE UNIONISM

1. Introduction

The dominant view amongst economists suggests that trade unions have 'negative' influence on productivity. In contrast, the alternative perspective, proposed more recently by labour economists, puts forward some very positive effects of trade unions on productivity. In this chapter, the positive view of unionism is discussed.

The positive view of trade unionism is based theoretically, on the following three basic ideas: (1) Labour markets do not typically behave like auction markets (the 'imperfection' theory of the labour market). ; (2) Societies have two basic mechanisms, 'exit' and 'voice', for dealing with divergence between desired social conditions and actual conditions; and (3) People and organisations normally work neither as hard nor as effectively as they could (so called 'x-inefficiency').

The first idea suggests that neo-classical economic theory does not fit well when applied to the real world. While the positive view of unionism does not provide us with a general theory of wage determination processes, it is based on the new micro-economic theory rather than on the neo-classical one. Thus, the positive view recognises the following propositions:

- (1) Labour market participants do not have

perfect information of the entire array of wages and prices in the economy. So market participants typically take market decisions in an environment of imperfect information, because information production is a costly activity. ; (2) Firms can 'administer' wages. In other words, each firm has a degree of 'dynamic' monopoly power arising from the imperfect information of its employees regarding the alternative wage set; (3) Labour market mobility is a costly and uncertain process, and works neither instantaneously nor perfectly to bring wages in comparable employments into line. Thus, market participants must themselves bear the costs of price-revision and resource mobility involved in market adjustment processes.[1]

The second idea is based on the 'exit-voice' mechanism. Neo-classical economic theory postulates that dissatisfied customers or members switch products and leave less-desirable jobs at any time and in any situation. This mechanism produces a 'Pareto-optimum' situation, and thus the exit-entry market mechanism is viewed as the only efficient adjustment mechanism. However, Hirschman(1970) in his exit-voice model of the social system, revealed that markets have two alternative routes for dealing with divergence between desired social conditions and actual conditions [2]: (1) Some customers stop buying the firm's products or some members leave the less-desirable organisation - this is the "exit" option; (2) The firm's customers or the organisation's members express their dissatisfaction directly to management or to some other authority to which the management is subordinate or through general protest addressed to anyone who cares to listen - this is the "voice" option.

While Hirschman paid little attention to the labour market mechanism, Freeman and Medoff(1979) introduced the exit- voice

model in providing a basic framework for analysing the major employee institution of capitalist economies - the trade union.[3] From the perspective of the dichotomy, the 'voice' is embodied in unionism and the collective negotiating system by which workers elect union leaders to represent them in negotiations with management, while the 'exit' option consists primarily of quits. The model, therefore, predicts that as long as a voice institution for expressing discontent is provided, workers will exhibit lower quit rates and longer spells of job tenure with firms.

Freeman(1976) argued that there were three reasons why a collective rather than individual bargaining with an employer is necessary to provide an effective voice within firms.[4] Firstly, for fear of some sort of punishment, workers do not reveal their true discontents or preferences to their bosses. Secondly, without a collective organisation, an individual's suggestions or preferences are likely to be too small to spur action, especially where the suggestions or preferences lead to sizeable costs to the organisation. Finally, because of the regularity of employment, the monitoring of contracts is needed and thus a collective agency specialising in information concerning this contract and in providing representation for workers in the drawing up of such a contract, is required.

As far as the collective-voice function of a trade union is concerned, Freeman pointed out the three major advantages of unionisation;

...it provides: a direct channel of communication

between workers and management; an alternative mode of expressing discontent than quitting, with consequent reductions in turnover costs and increases in specific training and work conditions; and social relations of production which can mitigate the problems associated with the authority relation in firms.[5]

Finally, the positive view of trade unionism is based on Leibenstein's "x-inefficiency" idea. Leibenstein(1966) argued that people and organisations do not work either as hard or as effectively as they could.[6] In other words, all firms have x-inefficiencies in several aspects. He divides organisational efficiency into two; allocative efficiency and non-allocative efficiency (so called 'x-efficiency'). Allocation efficiency is related to the allocation of conventional input resources, such as, capital, materials, labour and the like. On the other hand, x-efficiency depends on somewhat invisible resources, for example, members' motivation, managers' managerial ability, and competitive pressures in the areas of marketing or production.

Backed by several sources of empirical data, Leibenstein argued that:

...in a great many instances the amount to be gained by increasing allocative efficiency is trivial while the amount to be gained by increasing x-efficiency is frequently significant.[7]

Consequently, he provides strong support to the positive view, through emphasising worker's motivation as well as manager's managerial ability as sources of improving x-efficiencies. In fact, the positive view of unionism, argues that workers morale and motivation, as well as management abilities, can be improved by unionisation.

Table 3.1 shows us how unions can affect worker productivity. The productivity of a worker is a function of those factors that occur at the workplace in addition to his or her formal schooling, age, sex and other innate characteristics. In particular, it is generally agreed that the productivity of a worker depends on his or her firm-specific training, interaction with other workers and management, morale, and motivation. Unions can affect each of these factors.

Table 3.1 The Relationship Between Unions And Output

Union -->	Contract Provisions	--->	Worker and Managerial Responses	-->	Output
	Wages		Quality of Labour Hired		
	Fringe Benefits		Capital Labour Ratio		
	Seniority System		Turnover		
	Grievance Procedures		Training		
	Work Rules, etc.		Motivation		
			Morale		
			Managerial Effectiveness		

Source: Brown, c. and J.L. Medoff(1983), "The unions in the production process", Journal of Political Economy, September, p.357.

As we see in the above table, trade unions have an impact on the efficiency of workers, either negatively or positively. Presumably, if the contract provisions were acceptable to both management and workers, there would be a greater possibility of unions having a positive impact on productivity.

Like most labour economists, Freeman and Medoff(1984) strongly emphasised the importance of the "industrial relations climate" for labour productivity. They contend that:

If industrial relations are good, with management and unions working together to produce a bigger "pie" as well as fighting over the size of their slices, productivity is likely to be higher under unionism. If industrial relations are poor, with management and labour ignoring common goals to battle one another, productivity is likely to be lower under unionism.[8]

Therefore, we can assume that the positive view of trade unionism is more likely to be justified only under a favourable industrial relations climate. Their theory is not a straightforward or unconditional endorsement of the positive role of trade unions. The industrial relations climate is critical, however, trade unions are a necessary ingredient of that climate.

In the second part of this chapter, the major theoretical and empirical reasons why unions lead to higher labour productivity are presented using case studies. In section three, empirical studies present how significantly trade unions improve their members' productivity. Finally, criticisms directed toward the positive view of unionism are discussed in light of theoretical aspects as well as empirical ones.

2. Reasons Why Unions Lead to Higher Labour Productivity

While the positive view claims a number of favourable affects of trade unions on productivity, they may conveniently be grouped into three categories. Firstly, unions can collect their members' voice or preferences and provide communication

channels, and thus foster a reduction in turnover rate, an increase in members' morale and motivation, and an improvement in the efficiency and quality of managerial decision-making. Secondly, management can be stimulated by unions to behave in a more effective manner, enabling it to extract more output from a given amount of inputs than a management that is not confronted with a union stimulus, the so called "shock effect" of unionism. Finally, in the third category, we will discuss the introduction of seniority rule as a positive union effect.

2.1 Turnover Rate

According to the positive view of unionism, trade unions reduce worker turnover rates, and hence provide greater scope for increases in labour productivity. In terms of productivity, the increase in job tenure and reduction in labour attrition can be expected to raise the efficiency of organised establishments by lowering the costs of turnover in the form of hiring and training expenses.

Trade unionism may be expected to reduce exit behaviour through either 'monopoly routes' or 'voice routes' of impact.[9] On the monopoly side, one of the primary reason why people work is to earn financial resources in order to maintain their living standards, and thus union-induced improvements in wages, fringe benefits, and working conditions could lead to a reduced turnover rate.

Freeman(1976), however, shows several ways in which the operation of unions as an institution of worker 'voice' is likely to reduce exit behaviour.[10] Firstly, unionism creates several mechanisms, such as, grievance or arbitration systems, for treating industrial relations problems that offer a substitute for classical exit behaviour. That is, instead of seeking new jobs, people can communicate their problems and perceived job deficiencies directly to management. Secondly, the regular process of collective negotiation of labour contracts can also be expected to reduce exit behaviour. Workers wanting new conditions who, in the absence of a bargaining alternative, might quit their job, will instead seek first to obtain the particular changes through bargaining. If some of the workers' demands are met, then attrition rates are likely to be lower than would otherwise be the case. Finally, the union 'voice' may also reduce exit behaviour by creating particular work rules and conditions of employment that are desired by workers, in particular, what industrial relations writers call the 'industrial jurisprudence system'.[10]

Therefore, by providing a mode for expressing discontent beyond exiting, direct information about worker desires and certain preferred work conditions that cannot be readily offered by non-union establishments, the union 'voice' can be expected to reduce quit rates.

Freeman and Medoff(1984) addressed the question of, which of the two ('monopoly routes' or 'voice routes') is more important

in terms of reducing the quit rate.[12] Tables 3.2 and 3.3 show empirical results that illustrate, where wages and other factors remain constant, unionised workers tend to have a lower quit rate as well as more tenure than non-union workers have.

Table 3.2 Estimates of The Effects of Unionism And A Twenty Per cent Wage Increase on The Probability of Quitting

Sample, Data Set, Years, (Number of Persons)	Approximate Percentage by Which Quits Are Reduced by:	
	Unionism, for Workers Paid Same Wage (Voice Effect)	20% Wage Increase (Monopoly- Effect)
1. All Workers, Panel Study of Income Dynamics, 1971-79(10,938)	31	8
2. All Workers, May Current Population Survey, 1973-75(98,593); analysis is of unemployment due to quitting	65	12
3. All Workers, Quality of Employment Survey, 1973-76(796)	33	2
4. Older Males, National Longitudinal Survey, 1972-74, 1977-79(3,718)	60	9
5. Younger Male Workers National Longitudinal Survey, 1969-78(3,845)	21	5
6. Mature Females, National Longitudinal Survey, 1972-74, 1977-79(3,718)	26	9
7. Younger Females, National Longitudinal Survey, 1970-80(2,657)	16	8

Source: Freeman, R.B. and J.L. Medoff(1984), What Do Unions Do, New York: Basic Books, Table 6-1.

In Table 3.2, labour turnover rates are reduced by between 16 per cent and 65 per cent via the 'voice route', while in Table 3.3, tenure is increased by between 11 per cent and 35 per cent through the same route. In addition to these findings, it needs to be pointed out that in every case, the voice effect is much superior to the monopoly wage effect.

Table 3.3 Estimates of The Effect of Unionism And A Twenty Per cent Wage Increase on Tenure of Workers

Sample, Data Set, Year, (Number of Persons)	Approximate Percentage Amount by Which Tenure Is Increased	
	Unionism, for Workers Paid Same Wage (Voice Effect)	20% Wage Increase (Monopoly Effect)
1. All Workers, Panel Study of Income Dynamics, 1979(2,169)	32	9
2. All Workers, May Current Population Survey, 1979(12,278)	23	11
3. Older Males, National Longitudinal Survey, 1976(1,432)	35	2
4. Younger Males, National Longitudinal Survey, 1976(1,882)	11	5
5. Mature Females, National Longitudinal Survey, 1977(1,852)	32	12
6. Young Females, National Longitudinal Survey, 1978(2,079)	27	11

Source: Freeman, R.B. and J.L. Medoff(1984), *ibid.*, Table 6-2.

Clark(1980) revealed similar results in his study of six cement companies.[13] Three companies had a reduced turnover rate, while only one had an increased quit rate. The remaining two companies had no change in exit behaviour. He also estimated that 20 per cent of the productivity increase assigned to unions is explained by a decrease in labour turnover. Brown and Medoff(1978), in their study of U.S. manufacturing, found that one-fifth of the union/non-union productivity differential in the average manufacturing industries was attributable to the lower turnover rate under unionism.[14]

So far, we have introduced some examples of where unionism can be expected to reduce turnover rates, that would raise

productivity by lowering costs of training and recruitment. However, it should be mentioned that for further examination of whether the 'voice' effect is much superior to the 'monopoly wage' effect on the worker turnover rate, a worker opinion survey, which can show how many workers actually seek solutions with their unions in quitting matters, would provide another valuable source of evidence.

2.2. Morale and motivation

The positive view suggests that improved worker morale and motivation is a favourable effect of unionism. According to this view, unionisation can raise workers' moral by improving the nature of their jobs or by changing the worker's perception of their jobs.[15] Unions can secure greater material rewards (both wages and fringe benefits), and also can attempt to ensure that workers' grievances are heard and fairly addressed. Moreover, the union presence may reduce the arbitrary nature of such areas as, job assignments, training and promotion opportunities, and discipline.[16] To the extent that explicit rational criteria for judging employees behaviour replace informal or arbitrary judgements, the employee is more likely to view his or her employer as fair. The behavioural outcomes are high morale and motivation, and a climate that is conducive to greater productivity.[17] Leibenstein(1966) also emphasised that one of the major areas for improving x-efficiencies in the firm, is worker morale and motivation.[18]

Clark(1980) demonstrated that unions improved workers' morale in at least two of the six sample companies used, while, the others had no negative impact.[19] But, as he admitted the necessity of additional information on worker behaviour for drawing out a definitive conclusion, such as through the utilisation of a a worker opinion survey, was vital for justifying whether the presence of trade unions lead to improved worker morale and motivation.

Medoff(1986), in the study of 31 plants of a large multinational firm in the years 1975-82, commented that:

...unionisation exerted a positive effect on labour productivity. This may be partly due to an improved labour relations climate and worker morale.[20]

Another important role of unionism, in terms of worker morale, is that trade unions can effectively handle worker grievances. While the inverse relationship between grievance rate and worker morale is generally admitted, answering the question "how badly do grievance and discipline rates affect productivity?" will be valuable as a starting point.

Several recent studies explore the relationship between grievance activity and productivity. The common conclusion is that the establishments with high grievance rates perform worse than those with low grievance rates. Ichniowski(1986), in his study of a comparison between the productivity of nine union mills and one non-union mill without a grievance procedure, showed that the non-union mill had significantly lower

productivity.[21] Katz, Kochan, and Gobeille(1983) studied the relationship between the industrial relations climate and economic performance through data from 18 plants within a division of General Motors, for the years 1970-79.[22] Their study showed that higher grievance levels are related to lower product quality (-27 per cent) and lower labour efficiency (-49 per cent). Norsworthy and Zabala(1985) estimated the relationship between worker attitudes and productivity in the U.S. automobile industry for the years 1959-76.[23] They conclude that:

...high grievance rates are associated with low productivity of production workers, and with low total factory productivity and high unit costs of production.[24]

So far, we have introduced some examples that show the negative effect of grievances on labour efficiency. In order to support the role of unions, we need to discuss the next question: "can only unions manage worker grievances effectively?" According to the positive view of trade unionism, the answer will be "yes, only unions can do this".

Slichter, Healy and Livernash(1960) suggest that even management, on the whole, realise the harmful effects of grievances, and thus set up procedures to address them. The effective operation of such grievance procedures, however, is likely to rely on the unions rather than management.[25]

Slichter et. al also described the unique role of unions in handling grievances, as follows:

They give the workers machinery for presenting complaints to management, and then protect workers who make complaints from being

victimised. Furthermore, unions negotiate contracts that impose obligations on management, thus creating the basis for grievances. Finally, the union itself may be the source of grievances. In a few cases, however, the union may stir-up grievances as a matter of union policy to harass management or to foster interest in the union.[26]

Thus, the positive view argues that the presence of trade unions is crucial for handling worker grievances.

One of the most interesting and surprising findings regarding union effects, concerns the relationship between union membership and reported job satisfaction. Empirical investigations of this relationship have made different assumptions and have employed varying methodological techniques. All, however, have found union members to report significantly less job satisfaction than non-members.[27] The 'exit-voice' hypothesis, however, argues that the provision of voice mechanisms in the union sector enables members to express their dissatisfaction, whereas dissatisfied non-members have only the choice of remaining with the firm or leaving. Because members have the opportunity to forward grievances (and may be encouraged to do so), they can be expected to report more dissatisfaction than non-members. The empirical evidence of the lower actual labour turnover rates in unionised firms may support the exit-voice hypothesis, while the fact that the presence of trade unions may increase worker morale and motivation, and decrease turnover rate, was confirmed by the worker opinion survey and empirical data, in the Korean case.[28]

In summary, the positive view claims, using empirical

examples, that unions are most likely to raise worker morale and motivation, whilst reducing worker grievances. As far as the above statement is true, it is easy to predict that the improved morale and motivation and the decreased grievance level would have a favourable impact on labour productivity. Again, it must be pointed out, the necessity of polling workers' opinions, in order to confirm this argument.

2.3. Channel of Communication

The positive view of unionism argues that unions increase labour efficiency through collective bargaining which opens a potentially important channel of communication between management and workers. The improved communications will lead to a more efficient decision-making process and eventually, better decisions. There are two main methods by which trade union functions as a communication channel: the provision of a collective-voice and a vehicle for dealing with employee suggestions. The collective-voice function is an information source on worker preferences concerning the compensation and personnel policies. Trade unions, therefore, enable management to set up employee policies which are closer to workers preferences than that of firms without unions. Freeman and Medoff(1979) argued that:

It is likely, ... that the package of employee benefits and employment-adjustment policies will be different in firms covered by collective bargaining than in those that are not.[29]

They(1984) produced Table 3.4, that shows the effect of unions on

major fringe benefits within the total compensation package.[30]

Table 3.4 Estimates of The Impact of Unionism on The Composition of "Fringes", Holding Total Compensation Fixed

	Approximate Percentage Change in Fringe Spending	Union Impact on Probability Establishment Has Fringe	Approximate Percentage Change in Expenditure on Fringe for Plants with Fringe
All fringes	16	--	11
Pensions	29	.17	-1
Life, Accident, Health	35	.01	27
Vacation	14	-.04	13
Holiday	12	-.01	11
Bonuses	-100	-.16	-58
Overtime	0	.00	-7
Shift Premiums	15	.09	3
Sick Leave	-11	-.07	-8
Personal, Civic Leaves	0	.06	-10
Severance Pay	-50	-.03	-1
Vacation, Holiday Funds	137	.06	58
Supplemental Unemployment	81	.05	28
Savings, Thrift	-83	-.04	-32

Note: The figures were estimated from Expenditures for Employee Compensation data, 1972-76, using multivariate regressions. The figures in the third column were calculated as antilogs of estimated union coefficients in semilog regression model.

Source: Freeman, R.B. and J.L. Medoff(1984), What Do Unions Do? New York: Basic books, Table 4.2.

As we see in the Table, the effect of unionism on the composition of "fringes" is very clear. The unionised plants are much more likely to incorporate pensions, life, accident, and health insurance, vacation, holiday funds, and unemployment support in their compensation package. With the exception of the last item, fringe benefits are generally favoured by older and more stable employees. Unions tend to be more responsive to

senior or less-mobile workers. While unions induce better fringe benefits, they reduce the expenditure on bonuses, because bonuses are likely to be based on management discretion.[31] The differences between fringe benefits before and after unionism, therefore, confirms the existence of a union function and of a collective-voice.

Other collective voice functions are closely related with the areas of wage payment and employment practices. If firms are unaware that workers value certain benefits very highly, problems may develop. If unions inform firms of their employees' desire for added fringe benefit coverage, packages can be restructured so as to meet these desires. These fringe benefit packages may be directly or indirectly related to higher worker productivity.

The second function of unionism, as a communication channel, is to provide a means of handling suggestions by employees, that is, ideas volunteered by workers, for improving plant layout, production planning or working practices. For example, when discussing the physical conditions of work, Reynolds(1974) revealed that:

Unions can do valuable work by pointing out improvements that perhaps should have been obvious to management but were not, and that, once discovered, can be installed with a net gain to the company as well as the workers.[32]

In summary, unions can allow or even encourage workers to volunteer suggestions about their working practices, and also collect information about the preferences of workers. Consequently, such suggestions and ideas could lead to a positive

effect on worker productivity, in connection with the above two functions. However, the positive view failed to provide direct empirical evidence that could prove trade unions open communication channels, and actually, how many more workers volunteered their suggestions under unionism.

2.4. Shock Effect

The assumption of this effect is very clear and simple. The increase in wages or costs, induced by trade unions, can 'shock' management. Consequently, they will try to eliminate any organisational slack and/or strive to introduce more effective production systems. In short, the "shock effect" on management will lead them to concentrate on improving their "x-efficiency".

As we mentioned earlier, the "shock effect" is closely related with the Leibenstein's x-efficiency idea. That is, in order to increase output, x-efficiency is far more important than allocative efficiency. The x-efficiency includes worker motivation, management's managerial ability and the degree of competitive pressure.

Leibenstein (1966) pointed out the importance of the allocation of managers, since managers can determine not only their own productivity but also the productivity of all co-operating units in the firm. Thus it is possible, that the actual loss due to such a missallocation might be large.[33] Several empirical studies have been presented by a number of

labour economists providing such evidence.[34]

Analysing the International Labour Office Productivity Demonstration Missions, Kilby(1962) discovered that labour productivity was increased by simply altering production layout, materials handling, working methods, compensation schemes, or personnel policies rather than increasing capital or installing new machines (see Table 3.5).[35] This result, thus, supports the strong possibility of the existence of such a "shock effect".

Table 3.5 ILO Productivity Mission Results

Factory or Operation	Method	Increase in labour Produc- tivity %	Impact on the Firm (Unit Cost Reduction)	
			Labour Savings %	Capital Savings %
INDIA				
Seven Textile Mills	n.a.	5 to 250	5 to 71	5 to 71
Engineering firms				
All operations	F,B	120	50	50
One operation	F	385	79	79
One operation	F	120	55	55
One operation	F	500	83	83
BURMA				
Moulding railroad brake shoes	A,F,B	100	50	50
Smithy	A	40	29	29
Chair assembly	A,B	100	50	50
Almirah assembly	A,B	65	39	39
Biscuit wrapping	F	45	31	--
Cutting hosiery	F	40	29	--
Packing towels	A,F	20	17	--
Match manufacture	A,F	24	19	--
INDONESIA				
Knitting	A,B	15	13	--
Radio assembly	A,F	40	29	29
Printing	A,F	30	23	--
Cement block	A,B	50	33	33
Enamel ware	F	30	23	--

SINGAPORE				
Vegetable oils	A,E,D,F	63	38	--
MALAYA				
Furniture	A,D	10	9	9
Engineering workshop	A,D	10	9	9
Pottery	A,B	20	17	17
THAILAND				
Locomotive maintenance	A,F	44	31	31
Saucepan polishing	E,D	50	33	--
Saucepan assembly	B,F	42	30	--
Cigarettes	A,B	5	5	--
PAKISTAN				
Textile plants	C,H,G			
Weaving		50	33	33
Spinning and weaving		30	23	23
Bleaching		58	37	37
Over-all operations		400	80	80
GREECE				
Pharmaceutical	F,G,B	20	17	17
ISRAEL				
Locomotive repair	F,B,G	30	23	23
Diamond cutting				
and polishing	C,B,G	45	31	--
Refrigerator assembly	F,B,G	75	43	43
Orange picking	F	91	47	--

Note: * A = plant layout reorganised E = waste control
 B = machine utilisation and flow F = work method
 C = simple technical alterations G = payment by results
 D = materials handling G = worker training and supervision

** Limited to plant and equipment, excluding increased depreciation costs.

Source: Kilby, Peter(1962), "Organisation and Productivity In Backward Economies", Quarterly Journal of Economics, Vol.76, May, pp.306-307.

Johnston(1963) analysed the ways in which management consultants improve productivity in the case of the U.K.[36] His team involved improvements in plant layout, personnel, management and budgeting, general management, production procedures, selling organisations, and accounting systems. For

the consulting jobs whose consequences were quantitatively assessed, the average increase in productivity was 53 per cent, and the highest quartile 70 per cent, the lowest quartile showed an increase of 30 per cent.[37] This study shows the availability of "shock effect" on management, while it demonstrates the magnitude of "x-inefficiency" of British manager.

On the basis of this idea, the positive view of unionism claims that one major source of possible union/non-union productivity variance, is the behaviour of management. This arises since unions increase production costs as well as workers wages. In addition, union representatives are always in the plant and can easily observe manager's performance on a daily or hourly basis. Unions can thus have a 'shock effect' on management. That is, unions force managers to tighten job production standards and accountability, to reduce wastage in the use of materials, to minimise organisational slack, or to take more rational personnel policies. 'Union-shocked' management, therefore, is able to extract more output from a given amount of inputs than management which is not confronted with a union stimulus. Clark(1980), in his study of the U.S. cement industry, provided firm evidence (see Table 3.6) that the unions brought substantial changes in management style and practices in the sample plants.[38]

Table 3.6 Adjustments to Changes in The Labour Contract in The Six Before-After Plants

	Non-union Management Style	Changes in Personnel	Practices Procedures
Plant 1	paternal- istic	new plant manager; change in supervisor ranks	established system of production targets and goals; review performance of supervisors; regular meetings with supervisors; "keep close eye on things"
Plant 2	paternal- istic	new plant manager; wholesale changes in foreman group	changes in proce- dure directed by contract (e.g., discharges); no change in reporting or accountability
Plant 3	authori- tarian / autocratic	new plant manager; increased number of foreman	supervisors changed way they dealt with people; some gradual changes in system of monitoring performance
Plant 4	authori- tarian	new plant mana- ger; additional supervisors; staff special- ist in personnel and safety	little change in procedures except as dictated by contract; supervisor - worker relations changed
Plant 5	authori- tarian / autocratic	new plant man- ager; reduced number of fore- men; brought in new industrial relations staff	some changes in reporting and accounting system; introduced staff meetings; major change in way supervisors dealt with people
Plant 6	profes- sional	new plant manager; new foreman	introduced standards for department; new on line time stan- dards for equipment; introduced meeting with supervisors

Source: Clark, Kim B. (1980), "The Impact of Unionisation on

Productivity: A Case Study", Industrial and Labour Relations Review, Vol.33, No.4, July, p.466.

As we see in the six plants, unionisation led to the replacement of plant managers and foremen, the introduction of more professional managerial practices, and the weeding out of authoritarian or paternalistic practices. He finally concluded that:

...an improvement in plant management is one of the key adjustments to unionisation. These results may be interpreted as evidence of a modern union "shock effect.[39]

Mandelstamm(1965) analysed the impact of unions on efficiency by comparing efficiency and costs in residential construction in two Michigan cities, one (Ann Arbor) heavily unionised, the other (Bay City) non-unionised.[40] He found that the contractors in Ann Arbor were more alert and more anxious to take advantage of opportunities for greater profit than those in Bay City. This is one effect of unionism on Entrepreneurial efficiency. Finally, Mefford(1986), in his examination of the effect of unions on productivity in 31 plants of a large multinational firm in the years 1975-82, revealed that management performance was improved 47 per cent, by the presence of a union. With this result, he firmly argued that the unions within the sample plants certainly exert a "shock effect" on management.[41]

In summary, while it is difficult to measure the "shock effect" on productivity in numerical terms, the presence or the possibility of the existence of such an effect appears

likely from the findings of the empirical studies cited.

2.5. Seniority Rule

Most trade unions generally pressure management to adopt a 'seniority rule' which governs the ranking of individuals relative to each other.[42] The positive view of unionism claims that productivity may increase through the standard use of the seniority principle in the areas of promotions, transfers, benefits, and vacations. This is taken largely because, the seniority rule would weaken the feelings of rivalry among workers, and thus increase the amount of informal training and assistance between workers.[43] In addition, such rules play an important part in lowering turnover rates under unionism.[44]

Rees(1962) pointed out four advantages of the seniority rule.[45] Firstly, the relationship between productivity and experience is naturally positive. Secondly, the rule excludes a system of subjective selection that may lead to favouritism. Thirdly, seniority systems emphasise not only seniority but also ability or merit. Finally, it sometimes reduces the conflict between seniority and efficiency, because the system makes management select employees more carefully and with a view to their future promotion.

Several examples of the use of seniority rule can easily be seen in unionised firms.[46] Most collective bargaining ensures that 'seniority' governs layoffs, so that the oldest worker in

terms of service to the company is the last laid off and the first rehired. The importance of seniority in promotion can be varied in degree, but, as long as other things are equal, the senior person will be promoted first. Sometimes, the rule is applied to work assignments, shift preferences, selection of day offs, vacation and parking privileges, and other benefits schemes.

Dworkin and Ahlburg(1985) summarised the effect of seniority rules on productivity as follow:

Where promotions, transfers, and the like are governed by seniority, as is typical in unionised establishments, senior workers may have less rivalry among workers if the primary criterion for advancement is seniority. Thus, it is predicted that senior workers will provide more formal and informal training to their junior counterparts. Additionally, since seniority rules limit management's discretion to use decision criteria other than length of service, the possibility of unfair and capricious judgements seems to be minimised. Thus, seniority as a voice principle is believed to increase productivity because workers feel that decisions are fair, rules for advancement are clear, and senior workers are more willing to transfer skills voluntarily to junior workers, thus saving training costs.[47]

Thurow(1972) confirmed that seniority rules which govern promotions and compensations would increase the amount of informal training, and thus firms could reduce training costs as well as increase labour efficiency.[48] A survey revealed that American workers acquire their actual job skills not only from formal training programmes(40 per cent) but also from informal on-the-job training(60 per cent).[49] This shows us that informal training can be more important than formal training

in terms of acquiring actual job skills. While he emphasised on-the-job training, he pointed out prerequisites in order to lead to a successful informal training as follow:

the absence of direct wage competition and the restriction of any job competition to entry-level jobs are absolutely necessary. ... where strong seniority provisions exist, and where there is no danger of some competitor bidding down your wages, employees can freely transmit information to new workers and more readily accept new techniques.[50]

So far, we have discussed five major positive effects of unionism on labour productivity: reduced labour turnover rates; increased morale and motivation; improved communications between management and workers; the "shock effect" on management; and the "seniority effect". While, each of these sources are theoretically clear ideas, most of them still suffer a lack of empirical evidence. It is important to mention that since the relationship between unions and productivity is an empirical matter, union functions which may impact on productivity, should be supported by empirical evidence. In the next section, econometric evidence, quantitative effect of trade unions on productivity, are presented.

3. Econometric Evidence

Most economists appear to agree that the issue of the effect of unions on labour productivity is chiefly an empirical

question, while of course, the theoretical background is required in order to explain the positive view of unionism. This section reviews nine studies which were carried out by economists, mainly from the 'Harvard School'.

The findings are summarised in Table 3.7. In most cases, positive coefficients on the unionism variable are recorded, while only two cases register a negative union productivity effect.

The first study by Frantz(1976) analysed a single manufacturing industry (wooden household furniture). He found that unionised plants had 15 per cent higher productivity than non-unionised plants.[51] Brown and Medoff(1978) based their analysis on cross-state data for 20 two-digit SIC manufacturing industries in the U.S., in 1972.[52] They revealed that with other factors (such as, capital per hour, person's sex, schooling, age, and region) being equal, the unionised establishments were 20 to 25 per cent more productive than non-unionised establishments. In separate regressions, they found that the presence of unions was highly associated with a lower quit rate, and when the quit rate was included in the regression analysis, the positive impact decreased by about one-fifth.[53] However, the remaining four-fifths of the union impact is unexplained by their study.

Table 3.7 Unions And Productivity

Study	Sample	Estimated Increase or Decrease in Output per Worker Due to Unionism
(1) Frantz (1976)	Wooden Household Furniture	15%
(2) Brown and Medoff(1978)	All 2-digit SIC Manufacturing Industries	20 to 25
(3) Clark (1980)	Cement	6 to 8
(4) Connerton, Freeman and Medoff(1982)	Underground Bituminous Coal	
	--1965	33 to 38
	--1970	-4 to 8
	--1975	-20 to -17
	--1980	-18 to -14
(5) Allen (1984)	Construction, All Sectors	17 to 22
(6) Clark (1984)	Manufacturing Industries	-2
(7) Allen (1986)	Construction	
	--Office Building	30
	--School	0 to 20
(8) Mefford (1986)	Multinational Manufacturing Firms	13 to 29
(9) Allen (1988)	Construction	
	--Retail Stores & Shopping Centres	40 to 51

- Source: (1)Freeman, R.B. and J.L. Medoff(1984), What Do Unions Do?, New York: Basic Books, Table 11.1.
- (2)Brown, C. and J. Medoff(1978), "Trade Unions In The Production Process", Journal of Political Economy, Vol.86, No.3, pp. 355-378.
- (3)Clark, K.B.(1980), " The Impact of Unionisation on Productivity: A Case Study", Industrial and Labour Relations Review, Vol.33, No.4, July, pp. 451-469.
- (4)Freeman, R.B. and J.L. Medoff(1984), op. cit., Table 11.1.
- (5)Allen, S.G.(1984), "Unionised Construction Workers Are More Productive", Quarterly Journal of Economics, Vol.99, May, pp.251-274.
- (6)Clark, K.B.(1984), "Unionisation and Firm Performance:

- The Impact on Profits, Growth and Productivity", American Economic Review, Vol.74, No.5, December, pp.893-919.
- (7) Allen, S.G.(1986), " Unionisation and Productivity on Office Building and School Construction", Industrial and Labor Relations Review, Vol.39, No.2, January, pp.187-201.
- (8) Mefford, R.N.(1986), " The Effect of Unions on Productivity in A Multinational Manufacturing Firm", Industrial and Labor Relations Review, Vol.40, No.1, October, pp.105-114.
- (9) Allen, S.G.(1988), "Further Evidence on Union Efficiency in Construction", Industrial Relations, Vol.27, No.2, Spring, pp.232-240.

The third study was carried out by Clark(1980).[54] The sample in this instance, included six cement plants that had experienced a change in union status (from non-union to union) in the period 1953-76. He estimated unionisation was associated with 6 to 8 per cent higher productivity[55] Importantly, Clark revealed several channels of union influence on productivity through interviews with union and management officials.[56] Turnover rates lowered with unionisation in three of the six plants, but increased in one plant and was unchanged in the other two plants. Improved worker morale was confirmed by union officials in four plants, while management reported that morale declined in one plant and was unchanged in three plants. Finally, changes in management practices and procedures (so called "shock effect") occurred in all six plants. As can be seen in the above statements, union and management officials expressed quite different opinions over several subjects. This fact, thus, clearly illustrates the necessity of additional information on worker behaviour.

Connerton, Freeman and Medoff(1982) showed somewhat

incongruous results.[57] In their study of Bituminous coal mining firms, they found the union productivity effect varied quite dramatically between different time periods, from a positive 33 per cent in 1965 to a negative 20 per cent in 1975. They explained this variation by suggesting:

... the union productivity effect is highly variable over time, dependent on labour and management policies and relations, which can improve or deteriorate.[58]

Therefore, the adverse swing in productivity, was attributed to the deterioration of industrial relations during the period of 1970-1980. Thus the 'wider' industrial relations environment, especially economic and political conditions, are critical determinants of the industrial relations 'climate'. This suggests that longitudinal data may be more useful than using short time frames. However, having stressed the importance of the climate of industrial relations, they never described what factors compose either "good" or "bad" industrial relations.

Allen(1984), in his study of 83 building projects in 1972-75, reported a positive effect of unionisation on productivity of between 17 and 22 per cent.[59] While jurisdictional disputes and restrictive work practices had lowered productivity, he pointed out the following factors that had led to higher productivity:

(1) better training at the journeyman level through joint apprenticeship programs; (2) changes in the occupational mix (including reduced use of unskilled labour and lower foreman to journeyman ratios); (3) reduced recruiting and screening costs for contractors; and (4) greater managerial ability.[60]

This research found a new factor of union impact on productivity, better training at the journeyman level through joint apprenticeship programs. This finding implies a valuable point; that channels of union influence on productivity would differ with each empirical case, and would not be an exhaustive list.

Clark(1984) revealed interesting results with his sample of 902 North American manufacturing businesses over the period 1970-80.[61] The majority of the industries studied, experienced a slight negative union impact of -2 per cent. While industries, such as, textiles, furniture, and petroleum had positive effects of between 6 and 17 per cent. Negative effects of between 4 and 18 per cent, were found in timber, stone clay and glass, transportation equipment, and instrument manufacture. Thus, he concluded that:

... the nature of the union's impact on productivity depends on a complex interaction between management adjustment and union policy and action, which may well differ across industries.[62]

This research reinforces the notion that the impact of unions on productivity would not be a strict linear fashion. Unfortunately, he did not try to explain the relationship between the types of interaction between management adjustment and union policy, and productivity, rather left it as a complex one.

Allen(1986) carried out another study, with samples from the construction industry in order to determine the difference in productivity between unionised and non-unionised contractors.[63] In the examination of 83 commercial office buildings completed in 1973-74, the results showed that unionisation led to 30 per cent

higher productivity, measured in terms of square feet of floor space completed per hour worked. Superior training, lower supervisory requirements, reduced recruiting and selection costs and better management were highlighted as positive sources of unionised labour productivity.[64] A range from zero to 20 per cent higher productivity, measured in physical units and value added respectively, was drawn from a study sample of 68 elementary and secondary schools completed in 1972. In comparing the two samples, Allen argued that the difference in results might arise for two reasons:

(1) Schools are so heterogeneous that output cannot be represented in a single measure; (2) There are more constraints on the production process in the school sample than in the office building one.[65]

Mefford(1986), in a study of 31 plants within a large multinational firm between the years 1975-82, indicated that unionism had a positive effect on labour productivity of either 13 per cent without the union-turnover interaction variable or 29 per cent, when included.[66] The author concluded that in most cases, an improved industrial relations climate, worker morale, and labour quality were the main causes of the positive union impact on labour productivity. While, he claimed improved industrial relations and worker morale, as positive sources of union impact, he did not present practical evidence for his arguments, and could not investigate the existence of the "shock effect" properly, since no sampled plants, in his study, changed their union status during the sample period.

Finally, Allen(1988) examined 42 retail stores and shopping centres, that had opened between October 1976 and March 1978, and claimed that:

...square footage per hour is 51 per cent greater for union than non-union contractors in store and shopping centre construction. Value added per hour is 48 per cent greater for union than non-union contractors.[67]

However, he did not attempt to reveal any possible sources of union influences on productivity, while the study confirmed no difference in mean cost per square foot, profit rates or prices between union and non-union contractors.

In conclusion, at least eight studies have shown a positive effect of unionism on labour productivity, even if their numerical significance was quite different between each case. We should point out one important fact, which was discussed by most supporting the positive view, that is, the union productivity effect is variable, being largely dependent upon union and management policies and relations, and the industrial relations climate. Therefore, we could expect that different industries will show varying union impacts on labour productivity. Also, even within one establishment, the effect will differ over a given time period, thus emphasizing the importance of the wider political and economic environment to the firms performance and the industrial relations climate. All these factors suggest that the relationship between trade unions and productivity is more complex than simple negative or positive positions would suggest.

4. Criticisms On The Positive View Of Trade Unionism

As it goes against the dominant views of trade unions, especially, as seen by politicians, journalists, management and scholars, the positive view of unionism has been criticised.[66] In order to judge the validity of the view, this section includes several criticisms on the positive view of trade unionism.[69]

The positive view does not fully present the reasons why unions increase labour productivity. The proponents of this view have revealed and explained only a handful of reasons, such as, labour turnover rates, motivation and morale, communication channels, the "shock effect", and "seniority rules". Others have been put into a "black box", as they have called it. Moreover, even many of the stated causes have not been sufficiently supported by empirical evidence. In this regard, Addison made the following criticism:

...support for the collective-voice model comes from the alleged failure of other factors to explain the union effect.[70]

The positive view is based on the idiosyncratic exchange model. That is, jobs are not transferable skills, indeed, they are task idiosyncratic, and thereby, labour markets would not act as auction markets. Addison and Barnett(1982) criticised such an idea, in that:

...labour markets will vary according to the degree of idiosyncrasy or standardisation of the labour input (product). The continuum is bounded at one extreme by spot or auction markets and

by the most internally structured markets at the other. Neither collective voice nor idiosyncratic exchange effectively come to grips with this diversity, and its implications for unionism.[71]

Thus, they argued the possibility that labour markets act as a auction market for a certain jobs. However, it should be mentioned that even if jobs are transferable, labour markets cannot act as pure auction markets, as the negative view claimed.[72] Further criticism points out that the positive view applies only to industrial-type labour markets, where workers are relatively stable.[73] In labour markets such as those for craft groups, where workers change jobs regularly, the positive view could not be fitted or, at least, its validity could be decreased by weakening or failing the application of the reduced turnover rate, as a positive union function.

The seniority rules which are supported by the unions, are subject to criticism. Under the seniority system, training and screening costs will be higher than those in a system without seniority rules, since, without such rules, workers' inter-firm mobility would increase and they would begin to provide their own training. In other words, the firm can save training costs. Addison(1981) argued that:

...there can clearly be an overinvestment in specific training as the result of unionisation. Here, quits will be artificially reduced.[74]

It could be expected that absenteeism may be reduced under unionism, since absenteeism might be construed as a form of exit behaviour. The empirical studies, however, show the opposite result; absence rates are much higher among union than non-union

workers. For instance, Allan(1984) found that union members are 29 per cent more likely to be absent than non-union workers, while he estimated that 10 per cent higher absence rate leads to a 1.6 per cent decrease in productivity.[75] The demands on the individual to participate in non-work activities and the reduced penalties for absenteeism were seen to account for the higher absence rates among union members.[76]

One of the most important causes for a positive union effect on productivity is the "shock effect" on management. This effect, however, is viewed as a questionable one. Some researchers argue that in comparison with the U.S., British management may have already been sufficiently shocked by unions.[77] Hence, they manage firms at their optimum level in terms of managerial ability. In other words, there is no room to increase X-efficiency. Therefore, the magnitude of the "shock effect" would be diverse between countries and individual firms, and may be decreased along with the time period of union presence.[78]

Finally, why is it that unions are not welcomed by managers? In general, management does not welcome the birth of unions within their firms. Freeman and Medoff(1979), however, answered the question by providing the following reasons:

(1)The bulk of the economic gains that spring from unionism accrue to workers and not to owners or managers; (2) though productivity might typically be higher in unions than in otherwise comparable non-union work settings, so too are wages. And thus, the rate of return on capital may be lower under unionism; (3) Management may find unionism expensive, difficult and very threatening in its initial stages, when modes of operation must be altered if efficiency is

to be improved; and (4) U.S. management has generally adopted an ideology of top-down enlightened control, under which unions are seen as both a cause and an effect of managerial failure.[79]

So far, several criticisms on the positive view of trade unionism have been raised. However, the shortcomings are not enough to dismiss the positive view, rather they suggest areas of empirical research that should be improved and/or modified. In reality, many of the criticisms are closely related with the weakness of empirical evidence, that can confirm the theoretical assumptions. As both negative and positive views admitted, the relationships between trade unions and productivity are not universally constant, rather depend on specific industrial relations settings, therefore, it should be stressed again that any arguments that are related in this topic, can only be justified by empirical evidence.

5. Conclusion

The positive view of trade unionism, when compared with the negative view, is based on relatively realistic assumptions, such as, the 'imperfection' theory of the labour market, the 'exit-voice' model and the 'x-inefficiency' idea. The positive view suggests a number of ways in which unions could have a favourable impact on labour productivity.

Trade unions may reduce the worker turnover rate, and increase worker morale and motivation. Further, they may provide communication channels between workers and management, thereby, management can obtain information easily, concerning worker preference toward personnel policies, and workers volunteered ideas for improving productivity. The presence of unions may make management less lethargic, through so called 'shock effect'. Finally, unionised workers may assist themselves more positively than non-unionised employees, since unions pressure management to adopt the 'seniority rule', would weaken the feeling of rivalry among workers.

However, the positive perspective suffers from a lack of empirical evidence, as the majority of the criticisms point out. As workers' opinions were excluded from the analysis, the positive views could not lead to decisive conclusions on the sources of union impact on productivity, especially, such sources as, turnover rate, worker morale and motivation, communication channels and the 'seniority rule'. Further, while the positive view argued the "shock effect", as a major positive union impact, most of the studies estimated the relationship between unions and productivity by comparisons between unionised and non-unionised companies, rather than between union status(before/after) within same sampled firms. Therefore, they failed to prove the existence of the "shock effect". More importantly, even the positive views claimed the importance of the industrial relations climate, but never defined what factors compose either "good" or "bad" industrial relations, and determined the nature of

industrial relations in each case study.

In this regard, the following suggestions would be recommended for future research on this topic. Firstly, workers' opinion should be included to assist in revealing the sources of union influence on productivity. Secondly, researchers should be required to focus on time series comparisons along with union status, such as those performed by Clark. Thirdly, while both the negative and positive views admit the importance of the industrial relations climate, empirical studies must define what factors constitute the climate, and attempt to estimate the status of industrial relations, and determine the relationship between unions and the industrial relations climate. Finally, the external environments of industrial relations, particularly, political and economic conditions, and the characteristics and policies of unions and managers are required to be analysed for interpreting the statistical estimations of the union impact on productivity.

In conclusion, even though the positive view has several shortcomings, these should not be employed to dismiss the view, rather to provide suggestions to remedy any such failings. As we have seen by the empirical results in chapters 2 and 3, the effect of unionisation upon productivity, however, cannot be generalised for all the empirical cases in one direction either positive or negative. That is, the effects of unionism on productivity are not universal constants but rather dependent on specific industrial relations settings. With this in mind, the remaining chapters will analyse the effects of unionism on

labour productivity through the Korean case in order to answer the following questions: (1) Do Korean trade unions increase/decrease productivity? ;(2) In which ways do the unions influence productivity?; (3) Are there any differences with other countries' cases (especially Western ones) in terms of factors that affect productivity?; and (4) Why do the differences occur?

NOTES AND REFERENCES

- [1] Addison, John T. and John Burton(1978), "Wage Adjustment Processes:A Synthetic Treatment",British Journal of Industrial Relations, Vol.16, No.2, July, p.210.
- [2] Hirschman, Albert O.(1970), Exit, Voice, and Loyalty, Cambridge, MA : Harvard University Press, p.4.
- [3] Freeman, Richard B. and James L. Medoff(1979), "The Two Faces of Unionism", Public Interests, Fall, pp.69-93.
- [4] Freeman, Richard B.(1976), "Political Economy: Some Uses of The Exit-voice Approach, Individual Mobility and Union Voice in The Labour Market", American Economic Review, Vol.66, No.2, May, pp.361-368.
- [5] Freeman, R.B.(1976), Ibid., p.364.
- [6] Leibenstein, Harvey(1966), "Allocative Efficiency VS. 'X-Efficiency'", American Economic Review, Vol.56, No.3, June, pp.392-415.
- [7] Leibenstein shows several empirical data in his article of "Allocative Efficiency VS. 'X-Efficiency", Ibid., pp.398-406. And part of the data will be introduced in the section of 2.4.
- [8] Freeman, Richard B. and James L. Medoff(1984), What Do Unions Do?, New York: BasicBooks, p.165.
- [9] This argument is the summary of Freeman's article : Freeman, R.B.(1980), "The Exit-Voice Tradeoff in The Labor Market: Unionism, Job Tenure, Quits, and Separations", Quarterly Journal of Economics, Vol.94, June, pp.644-673.
- [10] Freeman, R.B.(1976), op.cit., pp.361-368.
- [11] Freeman, R.B.(1976), op.cit., pp.361-367.
- [12] Freeman, R.B. and J.L. Medoff(1984), op.cit., pp.94-110.
- [13] Clark, Kim B.(1980), " The Impact of Unionisation on Productivity: a Case Study", Industrial and Labor Relations Review, Vol.33, No.4, July, pp.451-459.
- [14] Brown, Charles and James L. Medoff(1978), "Trade Unions in The Production Process", Journal of Political Economy, Vol.86, No.3, June, pp.355-378.
- [15] Brown, C. and J. Medoff(1978), op.cit., p.358.

- [16] Brown, C. and J.L. Medoff(1978), op.cit., p.358.
- [17] Vroom, Victor and Edward Deci(1970), Management and Motivation, Baltimore: Penguin.
- [18] Leibenstein, H.(1966), op.cit., p.405.
- [19] Clark, Kim B.(1980), op.cit., p.466.
- [20] Mefford, Robert N.(1986), "The Effect of Unions on Productivity in A Multinational Manufacturing Firm", Industrial and Labor Relations Review, Vol.40, No.1, October, pp.105-114.
- [21] Ichniowski, Casey(1986), "The Effects of Grievance Activity on Productivity", Industrial and Labor Relations review, Vol.40, No.1, October, pp.75-89.
- [22] Katz, Harry, Thomas A. Kochan, and Kenneth Gobeille(1983), "Industrial Relations Performance, Economic Performance, and The Effects of Quality of Working Life Efforts: An Interplant Analysis", Industrial and Labor Relations Review, Vol.37, No.1, pp.3-17.
- [23] Norsworthy, J.R. and Craig A. Zabala(1985), "Worker Attitudes, Worker Behaviour, and Productivity in The U.S. Automobile Industry, 1959-1976", Industrial and Labor Relations Review, Vol.38, No.4, July, pp.544-557.
- [24] Norsworth, J.R. and C.A. Zabala(1985), Ibid., p.557.
- [25] Slichter, Sumner H., James J. Healy, and E. Robert Livernash(1960), The Impact of Collective Bargaining on Management, Washington, D.C.: Brookings Institution, p.692.
- [26] Slichter, S.H., J.J. Healy, and E.R. Livernash(1960), Ibid., p.693.
- [27] (1) Berger, Chris J., Craig A. Olson, and John W. Boudreau(1983), "Effects of Unions on Job Satisfaction:The Role of Work Related Values and Perceived Rewards", Organizational Behavior and Human Performance, Vol.32, No.8, pp.289-324. (2) Borjas, George J.(1979), "Job satisfaction, Wages, and Unions", Journal of Human Resource, Vol.14, No.1, pp.21-40. (3) Freeman, Richard B.(1978), "Job Satisfaction as an Economic Variable", American Economic Review, Vol.68, No.2, pp.135-141. (4) Odewahn, Charles, and M.M. Petty(1980), "A Comparison of Levels of Job Satisfaction, Role Stress, and Personal Competence Between Union Members and Nonmembers", Academy of Management Journal, Vol.23, No.1, pp.150-155.
- [28] Refer to chapter 7, Sections 2.1 and 2.2.
- [29] Freeman, R.B. and J.L. Medoff(1979), op.cit., p.82.
- [30] Freeman, R.B. and J.L. Medoff(1984), op.cit., P.65.

- [31] Freeman, R.B. and J.L. Medoff(1984), op.cit., p.65.
- [32] Reynolds, Lloyd G.(1974), Labor Economics and Labor Relations, 6th Edition, Englewood Cliffs, N.J.: Prentice-Hall, P.539. as cited in Brown, C and J. Medoff(1978), op.cit., p.359.
- [33] Leibenstein, H.(1966), op.cit., p.397.
- [34] For example, Kilby(1962), and Johnston(1963) that will be discussed in the following parts.
- [35] Kilby, Peter(1962), "Organisation and Productivity in Backward Economies", Quarterly Journal of Economics, Vol.76, May, pp.303-310.
- [36] Johnston, J(1963), "The Productivity of Management Consultants", Journal of The Royal Statistical Society, Series A, Vol.126, No.2, pp.137-149.
- [37] Johnston, J.(1963), Ibid., pp.148-149.
- [38] Clark, K.B.(1980), op.cit., P.466.
- [39] Clark, Kim B.(1980), op.cit., p.467.
- [40] Mandelstamm, Allen B.(1965), "The Effects of Unions on Efficiency in The Residential Construction Industry :A Case Study", Industrial and Labor Relations Review, Vol.18, July, pp.503-521.
- [41] Mefford, Robert N.(1986), op.cit., pp.105-110.
- [42] Freeman, R.B. and J.L. Medoff(1984), op.cit., pp.122-135. however, seniority rules are by no means a universal feature of industrial relations. For example they do not exist in Britain and in most European countries. That is, British trade unions may not try to let seniority rules in their workplaces.
- [43] Brown, C. and J. Medoff(1978), op.cit., p.358.
- [44] Freeman, R.B. and J.L. Medoff(1984), op.cit., p.109.
- [45] Rees, Albert(1962), The Economics of Trade Unions, 1st Edition, Cambridge: Cambridge University Press, pp.154-155.
- [46] Slichter, Sumner H., James J. Healy, and E. Robert Livernash(1960), op.cit., pp.106-116.
- [47] Dworkin, James B. and Dennis A. Ahlburg(1985), "Unions and Productivity : A Review of The Research", Advances in Industrial and Labor Relations, Vol.2, pp.55.
- [48] Thurow, Lester C.(1972), "education and Economic Equality", Public Interest, Vol.28, Summer, pp.66-81.

- [49] Thurow, L.C.(1972), Ibid., p.72.
- [50] Thurow, L.C.(1972), Ibid., p.72.
- [51] Freeman, R.B. and J.L. Medoff (1984), op.cit., p.167.
- [52] Brown, C. and J.L. Medoff(1978), op.cit., pp.355-378.
- [53] Brown, C. and J. Medoff(1978), op.cit., p.373.
- [54] Clark, K.B.(1980), op.cit., pp.451-469.
- [55] Clark, K.B.(1980), op.cit., p.467.
- [56] Clark, K.B.(1980), op.cit., p.462-467.
- [57] Freeman R.B. and J.L. Medoff (1984), op.cit., PP.165-169.
- [58] Freeman, R.B. and J.L. Medoff(1984), "Trade Unions and Productivity: Some New Evidence on An Old Issue", Annals of The American Academy of Political and Economic Science, Vol.473, May, P.156.
- [59] Allen, Steven G.(1984), "Unionised Construction Workers Are More Productive", Quarterly Journal of Economics, Vol.99, May, pp.251-274.
- [60] ibid., P.269.
- [61] Clark, Kim. B.(1984),"Unionization and Firm Performance: The Impact on Profits, Growth, and Productivity", American Economic Review, Vol.74, No.5, December, PP.893-919.
- [62] ibid., P.912.
- [63] Allen, S.G.(1986), "Unionization and Productivity on Office Building and School Construction", Industrial and Labor Relations Review, Vol.39, No.2, January, PP.187-201.
- [64] ibid., P.195.
- [65] ibid., P.199.
- [66] Mefford, R.N.(1986), op.cit., pp.105-114.
- [67] Allen, S.G.(1988), "Further Evidence on Union Efficiency in Construction", Industrial Relations, Vol.27, No.2, Spring, P.234.
- [68] Addison, J.T., Barnett, A.H., Toner, B., Allen, S.G., Schwochau, S., and Allen, F. have attacked the new view of unionism.
- [69] Further references: Marki,Dennis R.(1983), "Trade Unions and Productivity: Conventional Estimates", Industrial Relation,

Vol.38, No.2.

[70] Addison, J.T. (1981), "Do Unions Raise Productivity?", Business & Economic Review, Vol.28, No.3, December, p.14.

[71] Addison, J.T. and A.H. Barnett(1982), "The Impact of Unions On Productivity", British Journal of Industrial Relations, Vol.23, No.2, July, p.315.

[72] Refer to chapter 2, section 4.

[73] Addison, J.T.(1981), op.cit., p.14.

[74] Addison, J.T.(1981), Ibid., p.14.

[75] Allen, Steven G.(1984), "Trade Unions, Absenteeism, and Exit-voice", Industrial and Labor Relations Review, Vol.37, No.3, April, pp.331-345.

[76] Allen, S.G.(1984), Ibid., p.344.

[77] Metcalf, David(1988), "Unions And Productivity: The Impact of Union Presence on Labour Productivity in British Manufacturing", Mimeo, LSE, Industrial Relations Dept., April.

[78] ibid., p.6.

[79] Freeman, R.B. and J.L. Medoff(1979), op.cit., pp.91-92.

[80] Further references; Bloch, Farrell E.(1979), "Labor Turnover in U.S. Manufacturing Industries", Journal of Human Resources, Vol.14, No.2, Spring, PP.236-246., Cameron, Samuel(1985), "Trade Unions and Productivity: Theory and Evidence", Industrial Relations Journal, PP.170-176., Clark, Kim B.(1980), "The Impact of Unionization on Productivity: A Case Study", Industrial and Labor Relations Review, Vol.33, No.4, July, PP.451-469., Freeman, Richard B.(1976), "Industrial Mobility and Union Voice in the Labor Market", American Economic Review, Vol.66, No.2, May, PP.361-368., Freeman, Richard B.(1976), "Political Economy: Some Uses of The Exit-voice Approach, Individual Mobility and Union Voice in The Labour Market", American Economic Review, Vol.66, No.2, May, pp.361-368., and Harbinson, Fredrick(1956), "Entrepreneurial Organization As A Factor in Economic Development", Quarterly Journal of Economics, Vol.70, August, PP.364-379.

CHAPTER 4. EXTERNAL ENVIRONMENT OF KOREAN INDUSTRIAL RELATIONS

1. Introduction

Although somewhat obvious, it is important to state that every country has its own industrial relations which are, in significant ways, different from those of other nations. Various industrial relations writers have indicated the importance of nation states when interpreting the meaning and practice of industrial relations. For example, Dunlop(1959) argued in his systems theory that an industrial relations system contains three components, labour, management, and government, and that this system is itself surrounded by several wider environmental forces, such as, ecological, economic, political, legal and social systems.[1] As long as the environmental systems and the characteristics of the components in industrial relations are dissimilar between nations, then it can be expected that trade unionism in each country would not have the same nature and functions in respect to management as well as the society. Consequently, we may assume that, the influence of unionisation on labour productivity would vary between countries.

Also the above argument could be extended, such that if the environmental factors and the characteristics of the components in industrial relations are changed, the union impact on

productivity would also be altered. Following on from this point, it would be reasonable to assume that the relationship between trade unionism and labour productivity will vary not only between nations, but also between time periods. Furthermore, even within one nation in the same time period, the influence of unions can be dissimilar among industries and even between individual enterprises, through specific industrial relations settings. The explanation of such factors in a given industrial relations system, therefore, is essential to the empirical investigation of the influence of trade unions on productivity.

In this chapter, historical, political, economic, and socio-cultural environments that have deeply influenced Korean industrial relations are described. The following chapter will contain explanations of the typologies of Korean unionism, management, and government as the internal environment for this research.

2. The Historical Environment

Like many other developing countries, Korea has been governed by foreigners, in this case, the Japanese and Americans. Japan ruled Korea for 36 years, from 1910 to 1945. Following the Second World War, an American military government controlled Korea until the Republic of Korea was set up in 1948. These historical events played a significant role in the formulation of

Korean industrial relations.

Capitalistic industry in Korea, that accompanies waged workers, has been developed not by Korean's, but by foreigners; mainly the Japanese; trade unions also emerged during the colonial period. After liberation from Japan, the American military government passed several labour laws, thus allowing labour organisations to be set up legally. These laws have become the main framework for the Korean industrial relations system.

As a historical environment, therefore, this study will discuss two historical periods; the colonial period and the American military government period.

2.1. The Colonial Period

Following the handing over of Korea by the Yi Dynasty to Japan in 1910, the number of capitalist manufacturing operations was sharply increased by Japanese investors in the fields of rice cleaning, cotton ginning, brewing, and cotton weaving. This was particularly so in the 1920's.[2] From 1936, munitions and chemical industries, and power stations were set up for the preparation of war.[3] Even though the Korean economy was entirely dependent on the Japanese, producing mainly materials and semi-manufactured goods, there was a major transformation in the Korean industrial structure, from primary to modern industry, during this period.

The Japanese dominated most of the Korean industrial sectors, including agricultural. Table 4.1 illustrates that more than 90 per cent of the capital invested in manufacturing companies was Japanese.

Table 4.1 Nominal Capital of Manufacturing Companies at The End of 1940

Industry	Japanese		Korean	
	Amount*	%	Amount*	%
Metal	373,000	98	6,100	2
Machine & Tool	85,050	58	61,500	42
Chemical	276,250	100	-	0
Ceramic	53,245	100	-	0
Gas & Electricity	553,030	100	-	0
Spinning	76,600	85	14,000	15
Food	73,800	93	5,250	7
Wood & Wooden Product	47,000	90	5,500	10
Printing & Bookbinding	2,000	57	1,500	43
Others	83,500	92	7,000	8
Total	1,623,475	94	101,850	6

Note: 1) Companies that employed less than 1 million won, are not included.

2) * = Won, Korean Currency.

Source: The Bank of Korea, "Chosen Economy Year Book", 1948, cited in Kim, Y.H. et.al.(1978), "The Structure of Korean Labour Problem", Kwing Min Sa, p.64.

As the Japanese used many of the same techniques that they had found successful in their home country, for operating

business organisations in Korea, the domination of the business class by the Japanese during this period, left a deep impression on management practices in Korean industry, some of which still exist in current Korean industrial society. Ogle(1973) described the management practices as follows:

Korean capitalists organise on a Zaibatsu-like conglomerate basis; they share a close confidence with the government; loyalty to the enterprise and its president is emphasised; the system is of permanent, and lifetime employment is coupled with a system of temporary workers.[4]

During the colonial period, with the increase in the number of capitalist manufacturing operations, the working class grew rapidly. In fact, the total number of employees in factories increased nearly 7 times between 1911 (14,575 workers) and 1930 (101,943 workers).[5] Additionally, the Japanese initiated several kinds of political tactics in order to take away cultivated land from the Korean people, through such systems as, taxation, administration and the monopoly system. Also, home industries were prohibited. Consequently farmers who gave up farming, became waged workers in the manufacturing industries or they moved to other countries, mainly Japan or China.[5]

The working conditions for the Korean worker, were extremely poor in comparison with those of Japanese. The Koreans were paid half the amount of Japanese workers.[7] Moreover, with the Japanese invasion of China in 1937, the low-wage policy was further tightened. So, as can be seen in Table 4.2, real wages for the labouring classes in Korea were declining.

Table 4.2 The Real Wage Index of Labour During The War
Time Period

Year	Total production index	Price index	Real wage index
1936	100	100	100
1938	142	139	100
1940	198	180	86
1942	210	195	92
1944	254	241	99

Source: The Bank of Korea, Chosen Economy Year Book, 1948, PP.1-319. cited in Kim, Y.H.(1978), The Structure of Korea Labour Problem, Kwang Min Sa, p.103.

More than 85 per cent of workers experienced severe economic distress, with starvation wages, and a 10 hour working day (Table 4.3). Further, 23.3 per cent of factory workers had to work a full year without any days off, while only 29.5 per cent of them had more than 10 days off in a year.[8]

Table 4.3 Working Hours of Factory Workers in 1933

Working hours	Number of factory	%	Number of factory	%
- 8	11	0.9	521	0.9
8 - 10	158	13.2	7,938	13.1
10 - 12	528	40.0	21,051	34.9
12 -	493	41.1	30,689	50.8
Unknown	9	0.8	175	0.3
Total	1,199	100.0	60,374	100.0

Source: Chosen Governor-general, The Survey of Working Condition in Factory and Mining, 1933, PP.64-69, cited in Federation of Korean Trade Unions, History of Korean Trade Union Movement,

1979, Table 2.11.

As an inevitable consequence of these extremely poor working conditions, the first national labour organisation, namely, the Aid Association of Chosen Labour (AACL), was founded as anti-Japanese resistance in 1920 based on regional labour organisations. The AACL was initiated not by the labouring class, but by intellectuals, and thus its primary role was the 'enlightenment' of the labourers and improvement of working conditions.[9] Prior to the dissolution of the AACL, to form a new labour organisation, its membership had numbered some fifteen thousand.

After the Federation of Chosen Labour (FCL) was closed down, the Alliance of Chosen Labour (ACL) was organised in 1924. Both organisations pursued socialist ideals and rejected national reformism that had been the political platform of the AACL. Under the severe oppression of the Japanese, the ACL had a significant impact on the labour movement, theoretically as well as politically, and supported practical union activities.[10] From the 1930's, however, with most of the ACL leaders arrested and jailed, and the Japanese oppression of the ACL particularly extreme, there was a need for regional and industrial trade unions to be organised. Thus, the Korean labour movement had become both illegal and left wing.

As the Japanese have influenced Korean management style, they have also left vestiges of Japanese imperialism. Authoritarianism being the most notable of Japanese

characteristics. Ogle(1981) pointed out that:

... during the years of World War II, the Japanese organised industrial workers into 'industrial patriotism clubs', so called "Sampo", the purpose of which was to promote the war effort. The company president was usually the head of Sampo, and the workers' representatives were housed in offices inside the factory compound in order to facilitate "co-operation" between the company workers. ... Japan left Korea in 1945, but Sampo lives on. Labour unions have adopted the same organisational shell: union offices are usually located inside company property; part of the office upkeep is paid for by the company; and union officers, up to national levels, receive wages from the employers.[11]

This Japanese style of industrial relations still exists in the form of enterprise-based unions. For instance, unions were treated as part of the business organisation, during the period before the 6.29 Declaration. In addition, most unions still have their offices supplied and maintained, and their union representatives' salaries paid by their employers.

During the colonial period, in which Korea experienced a major transformation in its industrial structure, from primary to modern industry, most factories were managed by the Japanese. Somewhat naturally, the Japanese left their management style and industrial relations structure to the Koreans, much of which still remains in Korean industrial society.

2.2. The American Military Government Period

After liberation from Japan in 1945, Korea was occupied by the United States and the Soviet Union. Korea was thus divided

into two, south and north, along the 38th parallel, since the two nations had significantly different ideologies, capitalism and communism. In 1948 the Republic of Korea was set up in the southern part of Korea. During this period, three events had a significant impact on Korean industrial relations.

Firstly, Japanese owned properties, that formed around 80 per cent of the total assets of Korea, began to be transferred to Korean civilians under the guidance of the U.S. military government. Since the government-vested properties were not distributed gratuitously, they were occupied by comprador capitalists in the colonial period. This government intervention is now seen as the beginning of 'bureaucratic capitalism' in the Korean economy, and has brought about the custom of the close relationship between government and business, that exists to the present day in the society.

Secondly, for the first time in Korea, the American military government had promulgated several labour laws, allowing, for example, the legal founding of trade unions. Wages, working hours, and other employment conditions were to be decided within the collective bargaining process. Additionally, workers were given the right to choose their representatives without any interference from employers and other parties. Overall, the Labour Laws were quite similar to those in American. Also several statutes that were related to the establishment of a Labour Department, Mediation Boards, the protection of child labour, maximum working hours (60 hours per week), and standard

working hours (48 hours per week) were introduced.[12]

Most of the labour laws, however, were not implemented, largely because the government was not strong enough to force such laws upon employers, and the poor economic climate prevented them from practising the laws. In fact, even collective bargaining may not be recognised by employers as formal procedures in many work places. The labour laws which were initiated by the Americans strongly influence the current Korean labour laws.

The final key event was the birth of national labour organisations, namely, the All-Korean Labour Council (Chun Pyung), and the Anti-Communist General Federation of Korean Labour Unions (Daehan Nochong) in 1945 and 1946 respectively.

Chun Pyung was organised by unionists who had led unions during the colonial period. Most of them belonged to the left, and thus had a close relationship with the Chosen communist party.[13] It claimed a membership of 574,475.[14] As the mood of co-operation between America and Russia was broken, the oppression on Chun Pyung was accelerated by the military government and the right. Until its collapse in 1948, Chun Pyung had led four general strikes, that had focused on political issues rather than economic ones. As a consequence of this, Chun Pyung had lost most of its members, such that the last general strike had proved a complete failure.

Meanwhile, Daehan Nochong, the parent of the current national labour organisation, the Federation of Korean Trade

Unions, had been gradually extended by strong support from the military government, the right, and employers. From 1947, with the demolition of Chun Pyung, Daehan Nochong dominated the Korean industrial society. As Daehan Nochong's motive of foundation had been to crush the socialist line vigorously supported by Chun Pyung, many of its leaders were anti-communists who had strong political ambitions, rather than workers or unionists. Consequently, Daehan Nochong retained a strong relationship with the government, and this became a tradition in the development of the Korean labour movement, at least until 1987. Moreover, Daehan Nochong was based on the individual enterprise unions, and thus provided a greater possibility for the adhesion between union leaders and employers, and weakened the solidarity between unions.

During this period, between 1945 to 1948, the American Military government left a close relationship between government and businessmen, an American style of Labour Laws and an adhesion between trade union representatives and the government and employers, in the industrial society of Korea.

3. The Political Environment

The government normally initiated several kinds of policies in order to achieve its aims. Among them, economic and labour

policies were the most important. These two policies, therefore, are to be discussed next. The main focus in reviewing economic policy will be on two sources of capitalist accumulation that would clearly provide reasons why Korean businessmen are obliged to have a very close relationship with the government. In terms of labour policy, how the government deliberately controlled industrial workers, will also be illustrated. In addition the most important legal contextual factor in this study, the 6.29 Declaration, will be introduced.

3.1 Economic Policy

As with most nations, especially developing countries, the Korean government has put a priority on economic development. Due to the lack of financial resources for carrying out economic policies, the government has relied heavily on foreign aid, loans, and investments. Along with the disposal of vested property, these three kinds of financial sources have brought about a capitalist class in Korea. The various explanations of how the financial resources were distributed to the civilian population, should provide an explanation as to why Korean capitalists have such a close relationship with the government.

With the appropriation of Japanese property interests in southern Korea (which accounted for some 80 per cent of the regions assets), by the American military government, it may be argued that the Korean capitalist class emerged through the

disposal of this vested property.[15]

Though the disposal of such property was initiated by the Americans in 1947, the process was actually handled by the new Korean government. The important role played by the government here, required agreement from the South Korean people. Moreover, because the properties were not distributed free of charge, many of them were purchased by competent capitalists of the colonial period. These facts laid the foundation for a type of bureaucratic capitalism, characteristic of Korea.

The second source of wealth accumulation was through foreign aid, mainly from America. The Korean War that broke out on 25th June, 1950 and ended in July 1953, effectively destroyed the Korean economy. The damage caused by the war has been estimated at 3 billion dollars.[16] Following the war, the Korean government, therefore, had to depend largely upon foreign aid. For example, in 1957 and 1958, foreign aid accounted for 22.9 and 16.9 per cent, respectively, of the Korean GNP.[17] Moreover, investment in Korean industry relied on the aid for nearly 90 per cent from 1953 to 1960.[18] In fact, foreign aid totalled some 2.8 billion dollars during the period from 1949 to 1960.[19] Again this aid brought strong ties between capitalists and politicians who controlled its allocation. Kim(1982) discussed the ways of wealth accumulation in this period as follows:

(1) Non-competitive allocation of import quotas and import licenses; (2) The selective allocation of aid funds and materials; (3) Privileged access to cheap bank loans; and (4) Non-competitive awards of government and U.S military contracts for reconstruction activities.[20]

While the two governments prior to 1961, had little opportunity to carry out any economic development plans, and concentrated on economic stabilisation, the third regime launched the first five-year economic development plan beginning in 1962, by drawing credit from foreign countries. This loan and several government incentives for carrying out the plan, became another source of wealth accumulation for Korean capitalists, and it brought about the birth of Zaibatsu-like conglomerates, so called "Chaebol".

President Park who ruled Korea from 1961 to 1978, focused on economic development through an export promotion policy. He held most of the power in the distribution of loans and special privileges. In fact, the characteristic of Korean economic development plans may be placed between that of indicative and imperative planning.[21] That is to say, Korean private businesses were major agents of government controlled development. In many cases, even types of business were given to businessmen along with export targets.

During the 1960's and 1970's, the Korean economy was under strict government control. The state introduced and distributed foreign capital. It also exercised control over bank credit and the interest rate. Moreover, the government mediated a foreign exchange rate for improving exports, together with incentives and privileges, such as, reduction in tax and tariffs, prohibition of imports of competitive foreign products, and a guarantee of monopoly prices to the private export industries. It also regulated the wage rate tightly.

Under the government controls, Korean businessmen realised that as long as they simply followed the government economic plans, they could expand their enterprises easily. Thus, the close relationship between government and businesses had reached its climax.

During the Fifth and Sixth regime, from 1981 to today, the two successive governments began to provide the basis of civilian initiatives in the economy. The Minister of Economic Planning Board expressed the government policy that:

Labour became increasingly more expensive in Korea, and the nation's business sector was neither small nor passive enough to require extensive government intervention and guidance.[22]

The customary government intervention in private business sector, however, never ceased. The state controlled directly all Korean banks, and it intervened to enforce mergers, specialisation and monopolies.[23] The sixth regime, from 1988, started with its economic policy, which focused more on the distribution of wealth rather than the economic growth. But, only after two years, the government abandoned the new economic policy and returned to the old policy, that put emphasis on the rapid economic growth.

During the last three decades, Korean economic policy has brought about big economic growth. On the other hand, the "Growth First and Distribution Later" slogan has widened the income discrepancies, thus causing workers to distrust both management and the government. Moreover, the excessive reliance on the cheap labour led to the backwardness of technological

development in most industries, from textile to motor. In fact, the labour productivity, particularly in the motors, computer, textile and ship-building industries, was less than half of the developed countries.[24] Finally, the policy has given birth to "Chaebol" which are becoming a subject of criticism, not only for their lack of social responsibility, but also for their anti-unionism attitudes.[25]

3.2 Labour Policy

During the period of colonisation, which had seen the exploitation of both the country and its people, and the civil war, the Korean economy had been significantly damaged. The majority of Koreans suffered extreme poverty. The first consideration of the Korean government, therefore, was economic development that would bring about a "freedom from hunger".

Under the cloak of economic development, workers had been tightly controlled by the government and labour organisations-which had been created and structured by the government-simply became a mechanism for promoting government policies among workers. While Korean trade unions had never been given total freedom for their actions, the extent of government control had fluctuated according to the nature of the ruling elite.

During the first regime, labour laws, based on American and Japanese practice, were first decreed in 1953. Many of these laws which were related to the protections of workers and trade

union activities, however, were not applied, because of the high rate of unemployment and poor economic conditions. The labour laws, in turn, allowed for massive government intervention in industrial relations. The most significant were as follows;[26] firstly, the government office had the right to change or cancel any of the union regulations, and to inspect unions as it felt necessary. Secondly, the government had the power to dismantle unions, if they broke laws or were "harmful" to the "public interest"- always defined by the government. Finally, the labour committee that included members who were appointed by the government, was allowed to mediate industrial disputes.

With the passing of these labour laws, all of the existing unions were dissolved and reorganised again according to the new legislation. Through this reorganisation, Daehan Nochong was renamed the Federation of Korean labour (FKL) and became a much more a government patronised organisation. In the first regime, therefore, the government intervention in industrial relations had been secured by the law, and the national labour organisation, the FKL, began to deviate from its original aims and purpose. That is, the FKL followed the government labour policies, rather than supporting individual unions for improving working conditions, and leading the Korean labour movement.

The second regime, which was "born" in 1960, as a result of the student and civilian demonstration which overthrew the first regime, lasted only thirteen months. The Korean labour movement acted freely under the mood of democratisation during this period. A considerable number of new unions, notably, teachers

unions, financial institute workers unions and press unions, were organised, raising the total number of unions to 914 in 1960, nearly double the number of 1959.[27] More importantly, the "National Federation of Trade Unions", which was organised of the end of 1959, and the existing national trade union, the FKL, were integrated under the name of the "Federation of Korean Trade Unions"(FKTU).[28] Despite these developments, demonstrations became rife in Korean society, calling for the respect for peoples' wishes and rights, which had been buried in the first regime. This transition phenomenon provided a "just cause" for the military coup of May 1961.

During the third regime, in the 1960's, the government tried to gain the cooperation of workers for the economic development of Korea. So, while the FKTU was reformed from a centralised to a decentralised organisation, with twelve national industrial unions, workers were given the rights of free association, collective bargaining, and collective action, which had been secured by the law from the first regime, but had not been implemented properly.

The Labour laws passed in 1963; the "Labour Union Law", the "Labour Disputes Adjustment Act", and the "Labour Committee Act", established bargaining procedures, permitted labour disputes, and allowed strikes and lock-outs. The laws, however, totally prohibited political participation by unions, and thus, the only concern of Korean unionism was the improvement of working conditions within individual enterprises.

With the launching of the second five-year economic development plan (1967-1971), the government faced a lack of financial resources. In fact, foreign capital accounted for, 54 and 40 per cent of the total investment in the procedure of the first and second development plans respectively.[29] This meant, the success of any development plan was largely dependent upon the invitation of foreign capital. In order to attract foreign direct investment, therefore, the government began to control trade union activities more tightly. Accordingly, a special law covering foreign investment companies was announced by the government. This law secured extremely low wage levels and allowed widened administrative interventions by the state in the union activities for those firms.

The political environment for union operations was worsening. As Park Chung Hee won the presidential election by only a slim margin in 1971, criticisms on economic development and the democratic movement were accelerated by opposition parties, intellectuals and students, a few months later he declared a state of emergency and suspended civil rights with a special law concerning state protection, the so called, "Kooka Powei Pub".

As a result, the rights of collective bargaining and collective action were restrained, and the government held jurisdiction over all labour disputes. The following year, Mr. Park was re-elected as the president under the new law, the, so called, "Yushin Constitution". Consequently, the Korean labour

movement fell back into the "dark ages", and this unfavourable political situation continued until 1987, including the fifth regime that tightened the Labour Laws even further.

On the 26th of June 1987, the presidential candidate of the ruling party, Roh Tae Woo, announced a special decree, the so called 6.29 Declaration, in order to appease the massive demonstrations for democratisation which were being carried out by nearly all levels in Korean society. He announced the following eight items and proposed them to the President; (1) A constitutional amendment for a direct presidential election; (2) A presidential electoral reform for a fair election; (3) A release of political offenders; (4) An extension of fundamental human rights; (5) An improvement of related systems and routines for the freedom of speech; (6) A guarantee of self-government in every sector of society; (7) A security of political party activities; and (8) An eradication of social corruption.[30]

Since President Chun Doo Hwan accepted all the items, the labour laws were amended on the 28th of November, 1987. Workers could once again bargain for their working conditions collectively, and have widened freedom for calling industrial action. However, the Korean union activities still suffer from the following restrictions:[31] (1) trade union involvement in political activities is banned; (2) third party intervention in industrial disputes is not allowed; (3) civil servants have no rights to collective bargaining and collective action; (4) multiple unionism is not allowed; (5) compulsory arbitration is applied to the enterprises designated as vital to the "public

welfare", such as, water, gas electricity and defence industries; (7) union dues are limited within 2 per cent of worker's wages; (8) government offices hold the right of investigation into individual unions; and (9) cool-off periods are applied to all industries. Thereby, trade union activities are still subject to intervention by these Labour Laws, which become a controversial subject in the Korean industrial society.

In summary, even though the Korean economy has grown dramatically under these economic policies, which provided endless benefits to businessmen and repressed workers' desire, the outcome of the economic development has never been shared with workers fairly. Consequently, this policy brought about workers' deep distrust toward management and the government, and deepened the confrontation between unions and employers. In reality, these behavioural factors became major sources of the long and wild industrial disputes in the period after the declaration.

4. Economic Environment

It is true to say that the economic condition of a nation deeply influences its trade unionism. It can frequently be seen that when the economic situation is poor, unions are naturally weakened in terms of their members and strength of

their activities, and vis-versa. This argument, however, may only fit well to those countries that allow all civil rights, and to an industrial society that is not controlled significantly by the government.

In the Korean case, with the domination of the state over industrial relations bodies-including unions, employers, and the government-the relationship between economic conditions and union activities has been frequently manipulated by administrative action. Even with this widespread government intervention, the economic development in Korea has provided some good, basic environmental factors for Korean trade unionism.

The unemployment rate has steadily decreased. In the 1960s, it was 8.1 per cent, but by 1988 it had fallen to 2.5 per cent (Table 4.4). This means that most people who want to be employed can have a job, and thus, they may bargain for their working conditions without fear of unemployment. Obviously, trade unionism is able to fare better in such favourable labour market conditions.

Table 4.4 Unemployment Rate

Year	%	Year	%
1963	8.1	1983	4.1
1965	7.4	1984	3.8
1970	4.5	1985	4.0
1975	4.1	1986	3.8
1980	5.2	1987	3.1
1981	4.5	1988	2.5
1982	4.4		

Source: Ministry of Labour, "Year Book of Labour Statistics 1971, 1977, 1984, 1989" Republic of Korea.

Secondly, per Capita GNP has sharply increased during the last three decades. It reached 4,040 dollar in 1988, while it was only 83 dollar in 1961.[32] As we see in Table 4.5, the growth rate of GNP has been one of the highest in the world to date. This income growth has brought workers a freedom from poverty, and led them to claim an improvement of their working conditions and social status. Consequently, workers organised their unions in a more positive manner to achieve their aims more effectively.

Table 4.5 Growth Rate of GNP

Year	%	Year	%
1962	3.1	1976	15.1
1963	8.8	1977	10.3
1964	8.6	1978	11.6
1965	6.1	1979	6.4
1966	12.4	1980	-5.7
1967	7.8	1981	6.4
1968	12.6	1982	7.2
1969	15.0	1983	12.6
1970	7.9	1984	9.3
1971	9.2	1985	7.0
1972	5.8	1986	12.9
1973	14.9	1987	12.8
1974	8.0	1988	12.2
1975	7.1	1989	6.7

Sources: (1) FKTU, "The History of Korean Trade Union Movement", Korea Su Juk, 1979, pp.556-558. (2) The Conference of Korean Christian Church "The Scene of Labour and the Witness", Book Publishing Pool Bit, 1984, p.220 and p.433. (3) National Bureau of Statistics, Economic Planning Board "Korea Statistical Year Book 1989", Republic of Korea, p.465.

Thirdly, economic development has raised the education levels of Korean workers (Table 4.6). During the early 1960's, more than 50 per cent of hired employees had only a primary education with 5.5 per cent being unschooled. In 1988, nearly 60 per cent of employees had higher than middle school education. Therefore, it can be expected that a better educated workforce

may supply unions with increased membership and perhaps with better leaders.[33]

Table 4.6 Workers' Education

Schooling	1946	1963	1988**
No schooling	48,400 (39.6)	32,314 (5.5)	--
Primary	64,785 (53.0)	309,774 (53.0)	51,904*** (7.1)
Middle	3,910 (3.3)	108,537 (18.7)	243,672 (33.3)
High	5,014 (4.1)	88,841 (15.2)	358,421 (49.0)
Jr. College	--	--	27,782 (3.8)
College & University	--	44,001* (7.6)	49,342 (6.8)
Total	122,159	583,470	731,121

Note: (1) Survey includes workers in mining, manufacturing, commerce, services and wage earners in agriculture in the data of 1946 and 1963, and wage earners in agriculture is excluded from the data of 1988.
 (2) Percentages are shown in the parenthesis.
 (3) * = Jr. college graduates are comprised in the data.
 ** = The data of 1988 stands for the first half of 1988.
 *** = The numbers includes the categories of no schooling.

Sources: (1) Ogle, G.E.(9173), "Labour Unions in Rapid Economic Development:Case of the Republic of Korea in the 1960s", Doctoral thesis, University of Wisconsin, p.168.
 (2) Ministry of Labour, "Year Book of Labour Statistics 1989", Republic of Korea, p.160.

Fourthly, as the Korean economy has developed, the size of firms has also been growing. Nearly 20 per cent of workers were

employed in those firms that had more than 1000 employees, in 1988.[34] As can be seen in Table 4.7, the large firms which had more than 500 workers, expanded their share of the employed workforce from 22.2 per cent in 1965 to 28.5 per cent in 1988. Since Korean unions are organised on the basis of individual enterprises, this phenomenon would be a favourable environmental factor to unionism. Therefore, workers may organise unions more easily and have a greater possibility of gaining more power in the bargaining process. In fact, at the end of January 1989, 72.9 per cent of firms which had more than 300 employees had their own unions, while only 9.6 per cent of companies hiring less than 300 people had been unionised.[35]

Table 4.7 Distribution of Workforce According to Size of Firm

Size of firm	1965	1988**
0 - 49	164,103 (31.5)*	1,515,183*** (29.5)
50 - 99	87,132 (16.7)	716,452 (14.0)
100 - 199	78,864 (15.1)	660,016 (12.9)
200 - 499	75,230 (14.5)	771,597 (15.1)
500 -	115,167 (22.2)	1,464,724 (28.5)
Total	520,496	5,127,972

Note: * = Percentages are shown in the parenthesis.

** = Referenced period 30th of April in 1988.

*** = The figure excludes workers where are employed less than 5 people.

Sources: (1) Ogle, G.E.(1973), op.cit., p.170.

(2) Ministry of Labour, op.cit., pp.82-83.

Finally, the total number of employees, excluding self-employed and family workers, has grown sharply with economic development (Table 4.8). Moreover the portion of daily workers, who are not subject to union membership, to the total number of employees, has decreased from 18.4 per cent in 1982 to 16.6 per cent in 1988. These changes could also provide a favourable environment to the growth of union membership.

Table 4.8 Waged Workers

Unit = 1,000

Year	Total employee	Regular employee	Daily workers
1982	6,839	5,538	1,256
1983	7,171	6,009	1,162
1984	7,632	6,337	1,295
1985	8,104	6,714	1,390
1986	8,433	6,979	1,454
1987	9,191	7,662	1,529
1988	9,610	8,114	1,496
1989	10,355	8,635	1,720

Source: Ministry of Labour, Year Book of Labour Statistics, 1989 and 1990.

It cannot be denied that economic development has provided a favourable environment to the Korean labour movement. Bain and Price(1983) also put forward a model of union growth related to economic variables.[36] They claimed that a rise in the level of money wages and an increase in the rate of change in retail

prices, may impact favourably on union growth, while a rise in the general level of unemployment may reduce workers' propensity to join unions. However, tight controls by the government on union activities never allowed unions to become quite as strong as might be expected. In fact, the rate of unionisation actually decreased during the 1980s, from 19.3 per cent in 1979 to 12.9 per cent in 1986.[37]

5. Socio-cultural Environment

Even though there may be several factors that should be discussed concerning the socio-cultural environment of industrial relations, this study will focus on one traditional philosophy, that of, Confucianism, which still strongly influences industrial relations in the modern Korean society. It has led to quite a distinctive form of industrial relations in Korea, despite other factors being more or less similar with those of Western countries, mainly America.

Confucianism was introduced to Korea from China, around 57 B.C., and it came into full bloom during the Yi Dynasty (1392-1910).[38] The philosophy was formulated by the basic idea that a centralising system is the most desirable one for the political and social structures. It focuses on the ethic of the upper and lower sides in the relationship within the family, the society,

and the state for achieving a harmony.[39] That is, the lower sides (children, younger people and junior) should respect and obey the upper ones' (parents, old people and senior) orders. The main thought of Confucianism could be divided into four areas.[40] The first one is a hierarchical political idea. A ruler is posted to the top position, officials follow in descending order, and finally the bottom class is given over to civilians. Thus every one has their social status, and are obliged to be obedient to the upper class.

Secondly, loyalty and filial piety are regarded as of great importance to human relations. Loyalty is related with the subordination and service of civilians to the state or the ruler. Filial piety is applied to the relations within the family. That is, younger people, son and daughter, wife, and descendants, have to respect elder people, parents, husband, and ancestors respectively. Accordingly, the young people should give precedence to the elders in Korean society.

Thirdly, the philosophy provides an occupational ranking. It gives social ranks to the civilians. Scholars are first, and farmers, engineers, and businessmen then follow on, after one another. Since, during the 14 century, agriculture dominated the Korean economy, the "farming-first" principle was applied in the occupational hierarchy.

Finally, Confucianism lays stress on education. Kim and Kim(1989) explained why Confucianism emphasis on education as follows:

In Confucianism education is seen as an instrument for the betterment of a person and subsequently a society. The Confucians believe that the capacity for goodness and harmony in the individual must be cultivated. Such qualities cannot be learned by imposing regulations upon the individual, but rather stem from the individual's training himself. This belief provides a powerful impetus for the educational process.[41]

These aspects of Confucianism have deeply influenced the Korean workers and management. Confucianism, which stresses the importance of rank between people, has given the following characteristics to Korean management style. Korean enterprises are similar to the orthodox military organisation, which has a strict vertical decision making structure and emphasise on the absolute obedience of subordinates to superiors. Thus most of the important decisions are made at the top management level, and then employees are obliged to follow these decisions without any objection. Somewhat naturally, their organisational structures are bureaucratic types, employing a top-down decision making system, and a strict vertical hierarchy of authority and control.[42]

The basic Korean leadership style is authoritarian and paternalistic. While the top management have the most power over their organisations, leaders provide their employees with several kinds of welfare systems. In fact, Korean enterprises provide workers with welfare facilities and social events, which are quite similar to those of the Japanese.[43]

The majority of Korean companies are run by founder-owners' families.[44] Lee and Yoo(1987) explained the phenomenon in this

way:

Many founder-owners have handed over the company to the eldest son of the family because of their Confucian beliefs that the company can be managed more effectively with the loyalty of hierarchy within the family.[45]

In fact, only 18.4 per cent of Korean enterprises are managed by professional management. The remaining companies have to suffer certain levels of intervention by owners, 43.6 per cent run directly by owners.[46]

Finally, the seniority rule has been applied in the fields of promotion and compensation, since, Confucianism claims that the younger should give precedence to those older.[47] Even though, seniority is not the only factor that is considered in promotion and compensation systems, it still has a strong influence upon them.

Korean workers are relatively well-educated, because Confucianism lays stress on education. As Table 4.6 shows, more than half of all workers have higher than middle school education. This is especially so in the case of male workers in the manufacturing industry, where 65 per cent, were educated to higher than middle school level in 1988.[48] This traditional desire for education has significantly contributed to the economic development during the last three decades.[49] On the other hand, because both Confucian belief puts the engineer in third place in its occupational ranking, and the wages of blue-collar workers are far below those of white-collar employees', the lack of skilled workers became one of the major obstacles for

carrying out the five-year plan in the early 1960's.[50] Even at present, while the wage gap has significantly narrowed, the traditional desire to become a white-collar worker still persists.[51]

It should be mentioned that Korean behaviour is influenced not only by traditional value systems but also by contemporary education and training. However, the Cofucianism still have some major impact on the behaviour of Korean workers and managers.

6. Conclusion

This chapter has presented the extenal circumstances of industrial relations in Korea, and discussed how deeply the external environment affects the employee-employer relationship. Korean management's practices and polices toward unions, union behaviour and structure and even ideology are highly influenced by environmental factors. Indeed, industrial relations are not simply formulated by the interactions between workers and management, rather they are more deeply influenced by the external environments, such as, historical backgrounds, government policies toward industrial relations, economic conditions and socio-cultural ideologies. Therefore, for an explanation of the relationship between unions and productivity, consideration of the external environment is vital in empirical

studies.

Japanese colonisation has left behind typical Japanese management styles, like, high loyalty to the company, lifetime employment, close relationship with the government, conglomerate type of business organisation, an enterprise-based union structure which is located inside company property and whose offices are supplied and maintained by the company. The Americans also handed down elements of their Labour Law framework to Korea.

The economic and labour policies that focused on the nation's economic development, encouraged management to be anti-unionists, and brought about deep distrust of workers toward management and the government. Economic growth, however, provided the union movement an important stimulus to growth, which ultimately played an important role in leading to the 6.29 declaration.

Finally, Confucianism has influenced on certain Korean type management practices, such as, a strict vertical decision making, an authoritarian and paternalistic leadership style, management by family and the application of the seniority rule. Also the philosophy caused Korean to have a high desire for education, while it brought about a lack of skilled-workers, particularly, during the 1960s and 1970s.

The Korean experience confirms the fact that industrial relations are affected by the environmental factors. Therefore, the explanations of external environmental factors would be

essential in all empirical studies, since the relationship between union presence and productivity would also be influenced by a nature of such factors. The next chapter will illustrate the current nature of Korean industrial relations through the discussion of characteristics of the participants: unions, management and the government.

Notes and References

- [1] Dunlop, J.T.(1958), "Industrial Relations Systems", New York: Holt.
- [2] Cho, Y.B.(1978), "The Development Process of Korean Capitalism", in Kim, Y. H. et.al.(1978), "The Structure of Korean Labour Problem", Kwang Min Sa: South Korea, p.25.
- [3] Cho, Y.B.(1978), *ibid.*, p.25.
- [4] Ogle, George Ewing(1973), "Labour Unions in Rapid Economic Development: Case of The Republic of Korea in The 1960s", Doctoral Thesis, University of Wisconsin, p.23.
- [5] Kim, Y.H.(1978), "The Formulation Process of Modern Waged Labour", cited in Kim, Y.H. et.al.(1978), The Structure of Korean Labour Problem, Kwingmin Sa: South Korea, p.67.
- [6] Kang, D.J.(1973), "The Working Condition of Labour Under The Japanese Governing", in Kim, Y.H. et.al.(1973), "The Structure of Korean Labour Problem", Kwing Min Sa: South Korea, p.108.
- [7] Federation of Korean Trade Unions"The History of Korean Trade Union Movement", Korea Sujuck: South Korea, 1979, p.154.
- [8] Kang, D.J.(1978), *op.cit.*, Table 17.
- [9] FKTU, *op.cit.*, pp.127-128.
- [10] The Dong-A Ilbo, 2nd, January, 2929, cited in "History of Korean Trade Union Movement", *op.cit.*, p.137.
- [11] Ogle, G.E.(1981), "South Korea", in Edited by Blum, Albert A.(1981), "International Handbook of Industrial Relations", London: Aldwych Press, p.501.
- [12] FKTU, *op.cit.*, pp.255-264.
- [13] Chosen is the former name of Korea.
- [14] FKTU, *op.cit.*, p.265.
- [15] Cho, Y.B.(1978), *op.cit.*, p.36.
- [16] Cho, Y.B.(1978), *op.cit.*, p.43.
- [17] Kim, D.W.(1981), "The Analysis of Korean Economy in The 1950's", in Jin, T.K. et.al.(1981), "The Recognition of The 1950's", Han Kil Sa: South Korea, p.173.

- [18] The Conference of Korean Christian Church "The Scene of Labour and The Witness", Book Publishing Pool Bit: South Korea, 1984, p.24.
- [19] *ibid.*, p.24.
- [20] Kim, S.K.(1982), "Analysis of Business-Government Relations in Korea", Master Dissertation, Seoul National University, p.44.
- [21] Choi, J.J.(1988), "Labour Movement and State in Korea", Yeal Eum Sa: South Korea, p.208.
- [22] Economic Planning Board, Economic Bulletin, Republic of Korea, July, 1984, p.12.
- [23] Harris, Nigel(1986), The End of The Third World: Newly Industrialising Countries And The Decline of An Ideology, Penguin Books, p.42.
- [24] Dong-A Ilbo, March, 14th, 1991, p.3.
- [24] Refer to chapter 5, section 3, for detail information.
- [26] The Conference of Korean Christian Church, *op.cit.*, pp.31-32.
- [27] *ibid.*, p.40
- [28] *ibid.*, p.39.
- [29] Choi, J.J.(1988), *op.cit.*, p.94.
- [30] Hankook Ilbo, June, 13th, 1987, p.6.
- [31] Hankook Ilbo, June, 30th, 1987, pp.1-6.
- [32] Bureau of Statistics, Economic Planning Board "Korea Statistical Yearbook, 1989", Republic of Korea, No.36, p.465. And, Bank of Korea, "Year Book of Economic Statistics, 1977", p.260.
- [33] Ogle, J.(1973), *op.cit.*, pp.160-181.
- [34] Bank of Korea, 1989, *op.cit.*, pp.82-83.
- [35] Jung, H.M.(1990), "The Revolutionary Movement of Production Workers", Sae Byuk, No.8, May, p.69.
- [36] Bain, G.S. and R. Price(1983), "Union Growth: Dimensions, Determinants and Density", cited in Bain, G.S. et.al.(1983), Industrial Relations in Britain, Blackwell: London.
- [37] Ministry of Labour, Year Book of Labour Statistics, 1982 and 1988, Republic of Korea.

- [38] Oh, T.K. et.al.(1983), "A Comparative Study of The Influence of Confucianism on Japanese, Korean, and Chinese Management Practices", Proceedings of The Academy of International Business Asia-Pacific Dimentions of International Business", December 18-20, Honolulu, Hawaii, in Lee, S.M. and S. Yoo(1987), "The K-Type Management: A Driving Force of Korean Prosperity", Management International Review, Vol.27, No.4, Fourth Quarter, p.69.
- [39] Kim, I.K.(1985), "The Order and Economy of A Confucianism Cultural Area", Hankook Kyungjae Sinmoonsa, pp.64-65.
- [40] *ibid.*, pp.85-92.
- [41] Kim, Dong Ki and Chong W. Kim(1989), "Korean Value Systems and Managerial Practices", in Chung Kae H. and Hak Chong Lee(eds), Korean Managerial Dynamics, Praeger: London, p.208.
- [42] Joseph, J.(1985), "In Search of Theory K", Industrial Management, September, pp.107-110. And, Korean Productivity Center, An Anlysis of Business Management, February, 1990, p.23.
- [43] See chapter 5, section 3 for more detail information.
- [44] Oh, Y.S.(1981), The Future and Task of Korean Management Style, Federation of Korean Industries, and Institute of International Management, p.18.
- [45] Lee, S.M. and S. Yoo(1987), "The K-Type Management: A Driving Force of Korean Prosperity", Management International Review, Vol.27, No.4, p.75.
- [46] Korean Productivity Centre, "An Analysis of Business Management", 1989, p.14.
- [47] Lee, J.C. and Lee, D.W.(1982) Modern Personnel Management, Ilsin Sa, p.39.
- [48] Bank of Korea, 1989, *op.cit.*, p.156.
- [49] Lee, S.M. and S. Yoo(1987), *op.cit.*, p.69.
- [50] Lee, S.M. and S. Yoo(1987), *op.cit.*, p.69.

5. TRADE UNIONS, MANAGEMENT AND THE STATE

1. Introduction

Until 1987, Korean industrial relations were apparently harmonious and calm. Workers, who had suffered extreme poverty during the colonial period and following the Korean War, worked hard for the prosperity of their nation with a strong 'anti-poverty' spirit.[1] In turn, management carried out the government's plans, utilising foreign aid and loans. The government setup future development plans, while it strived to attract as much foreign finance as possible. From the mid-1960s, all their efforts had produced successful results. In fact, in the 1960s and 1970s, the average growth rate of GNP was nearly 10 per cent. However, these years also saw a widening gap in wealth, between the rich and the poor. Between 1970 and 1980, the income share of the bottom 40 per cent fell from 19.6 per cent to 16.1 per cent, whilst the income share of the top 20 per cent climbed from 41.6 per cent to 45.4 per cent.[2] More seriously, a large number of workers earned less than the minimum standard of income.[3] As a result, the dissatisfaction with their working conditions increased the class struggle, and this lead to the demand for higher wages, better workplace conditions and of course, democratic trade unions.

By 1987, the dissatisfaction of Korean workers, that had

built up over the previous 30 years, escalated to the point where industrial relations matters had become the prime concern in Korean industrial society. For an explanation of the new situation, this study puts emphasis on these current features, in addition to the historical ones. In the following sections, trade unions, management and the government will be discussed separately, as participants in the industrial relations of Korea.

2. TRADE UNIONS

The following sections discuss union structure and activities, labour movement and the general characteristics of Korean unions, which are quite different to those of their Western counterparts. These are essential prerequisites for illustrating and analysing the impact of Korean trade unions on labour productivity.

2.1 Union Structure and The FK TU

A notable feature of the structure of organised labour in Korea, compared to other industrialised market economies, is the prevalence of comprehensive unions at the enterprise level. While, in 1961, the structure of the Federation of Korean Trade Unions (FKTU) had been organised into the industrial union type

by the government, the 'nationalised' industrial unions could not fulfil their functions, since the leaders of the FKTU were appointed and controlled tightly by the state. Thus, most collective bargaining was carried out on the basis of individual enterprises.[4]

Several reasons appear to account for the prevalence of enterprise-based unionism. Historically, the Korean labour movement was founded in the colonial period. The Japanese vigorously suppressed any kind of labour movement that pressed not only for improvements in working conditions but also for political independence. Consequently, difficulties in establishing national labour organisations led to the rise of the enterprise-based type of union structure. Secondly, during the years of World War II, the "industrial patriotism clubs", so called "Sampo", with an emphasis on the enterprise level, were introduced by the Japanese in order to promote the war effort. After the liberation of Korea, the labour unions adopted the same organisational shell. Finally, the persistent hold of traditional exclusionism and paternalism in Korean industry and society, may be pointed out as a general reason.

Each enterprise-based union tends to be fairly self-contained, and related only loosely to other enterprise-based unions, even within the same industry.[5] Most individual unions belong to appropriate industrial, regional and national federations. These federations, however, have little or no authority for conducting collective bargaining, sanctioning

agreements and strikes, or for administering grievance procedures. Enterprise-based unions retain about 90 per cent of the dues collected, mainly through automatic check-off. They elect their own officials from their own membership, and conduct their own affairs directly, without assistance from "outside" professional unionists. Such unions have a relatively large staff of their own, and they are usually regular members of the enterprise workforce, with a right to return to their jobs. The lack of finance, however, forces the unions to rely on management, in the areas of union officials' salaries and aspects of the union upkeep.[6] This decentralisation and exclusiveness, however, sacrifices a high degree of labour movement solidarity and opens enterprise-based unions to strong employer influence.

The only national labour organisation at present, the KFTU, was founded by the government in 1961. As might be expected, it has become a semi-government administrative organisation, under strong state control.[7] In fact, all of the candidates who were appointed by the government, were elected as chairmen in each of the industrial federations. Moreover, among 11 chairmen of the FKTU, three became a Member of the National Assembly, and one was posted to the Minister of Labour.[8] In consequence, the FKTU fully supported the military coup, and emphasised the strengthening of the anti-communist system, which was one of the main policies of the government, in its first proclamation.[9] Moreover, they did not help the unions to improve conditions, and were unconcerned about organising new unions.[10] This behaviour has become traditional practice by subsequent leaders

of the federations, and thus the majority of unions have gradually been alienated from the FKTU, at least until 1986. The FKTU now, at the end of 1989, embraces 4 national unions and 17 industrial federations (Table 5.1). Since each of the enterprise unions must belong to one of the federation's 21 industrial unions, the table shows the current feature of Korean trade unions.

Table 5.1 The Federation of Korean Trade Unions (1989)

Union : No. of unions		
Union membership: person		
Federations or unions by industry	Unit unions	Membership
Railway*	1	31,181
Textile	506	155,331
Mining	127	44,305
Electric-power*	1	26,517
Foreign institution	89	38,416
Post.tele.	29	50,366
Port & trans.	85	46,668
Shipping	64	83,455
Financial institution	183	120,571
Monopoly*	1	10,238
Chemistry	1,036	206,429
Metal industry	1,609	448,583
Federation	1,390	237,597
Publication	235	26,887
Automobile transport	806	121,161
Tourist industry	165	24,107
Communication*	1	21,949
Insurance	41	21,063
Taxi	1,371	117,284
Rubber	52	67,728
Clerical and fiance	90	32,579
Total	7,883	1,932,415

Note: * = National unions (These unions based not on individual unions but on individual members)

Source : Ministry of Labour, A White Paper on Labour, 1990, p.30.

Since the 6.29 declaration, the FKTU has attempted to undergo a major transformation in order to cope with the new demands of its members.[11] Core members of the executive in the FKTU have been changed, and two unionists dismissed under the fifth regime, have been appointed as officials at the FKTU. Secondly, the formation and structure of the FKTU, has been altered to include the establishment of a "politics board" with the objective of political participation, despite the fact that this union function is still illegal. Further, it has decided to become more active in leading the labour movement to independence from political authority. Finally, the FKTU has attempted to develop solidarity amongst the democratic labour organisations and dismissed workers who were involved in the movement in the last three decades. While the results of the above activities have yet to have an outcome, it can be assumed that the FKTU would accelerate the new wave of the Korean labour movement in the future. However, the establishment of a strong solidarity between individual unions, which is one of the prime tasks of Korean unionism, cannot be easily achieved, since many unionists refused the suggestions of the FKTU, and even denied its existence. Moreover, there is a wide ideological gap between unionists over the direction of the labour movement. In fact, while some unionists claim that the eventual objective of the labour movement is the establishment of a socialist society, others focus rather on the improvement of workers' economic and social status.[12]

2.2 Trade Union Movement

The history of the Korean trade union movement may be a 'mirror image' of the oppressive measures which were carried out by the rulers. As a precursor to the discussion of the Korean labour movement, the growth of the unions will be introduced. Even if data on union growth may not provide a precise quantitative index of the industrial or political power of trade unions, union growth and power are broadly related, since such growth is a necessary condition for the exercise of union power.[13]

As Table 5.2 shows, union density has grown continuously from 9.3 per cent in 1963 to 19.3 per cent in 1979. From the fifth regime, in 1980, union membership fell for the first time in union history, by 12.9 per cent, and the density, in particular, decreased to 12.9 per cent in 1986. After the declaration, however, this trend has reversed with density reaching 19.8 per cent in 1989, an increase of 6.9 per cent within 2 years. These statistical data well illustrates how strongly the government dominates in industrial relations of Korea. At the same time, it shows the weakness of union power against the government, especially, during the period before the declaration.

Table 5.2 Aggregated Union Membership And Density in Korea:
Selected Years, 1961-1989.

Year	Union membership		Union density	
	Number (persons)	Annual % change	Level (%)	Annual % change
1961	96,831	N/A	N/A	N/A
1962	176,165	81.9	N/A	N/A
1963	224,420	27.4	9.3	N/A
1964	271,579	21.0	11.4	2.1
1965	294,105	8.3	11.2	-0.2
1966	336,974	14.6	12.0	0.8
1967	366,973	8.9	12.0	0.0
1968	399,909	9.0	11.7	-0.3
1969	444,372	11.1	12.4	0.7
1970	469,003	5.5	12.4	0.0
1971	493,711	5.3	12.5	0.1
1972	504,624	2.2	12.8	0.3
1973	530,949	5.2	12.6	-0.2
1974	614,561	15.7	13.6	1.0
1975	712,001	15.9	14.8	0.8
1976	845,630	18.8	16.3	1.5
1977	954,727	12.9	16.6	0.3
1978	1,054,608	10.5	16.8	0.2
1979	1,088,061	3.2	19.3	2.5
1980	948,134	-12.9	16.7	-2.6
1981	966,738	2.0	16.7	0.0
1982	984,136	1.8	15.9	-0.8
1983	1,009,881	2.6	14.9	-1.0

1984	1,010,522	0.1	13.9	-1.0
1985	1,004,398	-0.6	13.1	-0.8
1986	1,035,890	3.1	12.9	-0.2
1987	1,267,457	22.4	17.3	4.4
1988	1,707,456	34.7	19.5	2.2
1989	1,932,415	13.2	19.8	0.3

Note: N/A = Not Available

Source: 1) 1961 - 1975 : The Federation of Korean Trade Unions, 1962-75, Activity Report, and Ministry of Labour, "Year Book of Labour Statistics", Republic of Korea, 1972 & 1976, cited in Lee, B.O. (1977), "Introduction to the study of Korean Labour Movement History", Master Dissertation, Kyunghee University, Table II-6.

2) 1976 - 1978 : The Conference of Korean Christian Church "The Scene of Labour and Witness", Book Publishing Pool Bit, 1984, P.55.

3) 1979 - 1986 : The Federation of Korean Managements, "Year Book of Labour Economics", 1987, P.56, cited in "All Questions of Labour Related Laws", 1988, P.10.

4) 1987 : Korea Labour Institute, "Quarterly Labour Trend Analysis", Vol.1, No.1, 1988, P.40.

5) 1988 : Ministry of Labour, "Labour White Paper", Republic of Korea, 1989, P.31.

6) 1989 : Ministry of Labour, A White Paper on Labour, 1990, p.30

The relatively low rate of unionisation can be explained by the following reasons. Firstly, potential union membership increased rapidly with the fast economic growth during the last three decades. Secondly, because the last three governments had persisted in a low wage policy, in order to raise the competitiveness of Korean products in foreign markets, they had

also tried to control union movements tightly. Thirdly, employers have never had a positive view of unionism, and interrupted the movement actively through several kinds of unfair labour practices.[14] Finally, the only national labour organisation, the FKTU, did not carry out its duty fully, and also workers were not highly motivated to participate in the labour movement. Given the massive political oppression and employer opposition, it is significant that Korean unionism is as strong as it is. It has survived in a turbulent environment, hostile to unionism.

Table 5.3 shows how Korean trade unions were tightly controlled by the government. If the numbers of industrial disputes in each year are compared, between before and after the year of 1987, it demonstrates that the main reason for disputes had been wage related matters. More detail explanations about this table will be cited in the following sections.

Table 5.3 The Trend of Industrial Disputes

Year	D/C	W/T (000s)	D/J (000s)	Reasons of Industrial Disputes (%)				
				A	B	C	D	E
1963	89	169	N/A	66.3	1.1	3.4	N/A	22.5
1964	126	207	N/A	80.0	0.9	4.8	N/A	12.4
1965	113	104	N/A	69.1	2.1	8.2	N/A	14.4
1966	117	145	N/A	78.8	3.8	0.9	N/A	16.5
1967	105	151	N/A	83.9	0.9	N/A	N/A	15.2
1968	112	206	N/A	59.6	N/A	6.2	N/A	24.2
1969	70	108	N/A	72.9	N/A	2.9	N/A	24.2
1970	88	183	N/A	70.0	N/A	2.5	N/A	27.5
1971	101	116	N/A	73.3	N/A	2.0	N/A	24.7
1975	133	N/A	N/A	55.6	3.0	7.5	14.3	22.6
1976	110	N/A	N/A	61.8	14.6	2.7	7.3	13.6
1977	96	N/A	N/A	68.8	9.4	1.0	6.3	11.5
1978	102	11	13	72.5	8.8	1.0	2.0	15.7
1979	105	14	16	63.8	0.0	5.7	2.9	27.6
1980	206	49	61	61.2	7.8	7.3	8.7	15.0
1981	186	35	31	57.5	17.2	4.8	2.2	18.3
1982	88	9	12	37.5	23.9	2.3	N/A	36.3
1983	98	11	9	43.9	19.4	6.1	N/A	30.6
1984	113	16	20	49.6	12.4	4.4	6.2	27.4
1985	265	29	64	46.4	17.8	8.3	4.5	23.0
1986	276	50	72	44.6	17.4	12.3	5.8	19.9
1987	3,749	935	6,947	71.3	15.1	1.4	1.7	10.5
1988	1,873	294	5,401	53.7	7.3	5.9	3.2	29.9
1989	1,616	397	6,351	49.6	1.3	5.0	0.6	43.5

Note: 1) D/C = Number of Disputes

W/T = Workers Involved

D/J = Working Day Lost

N/A = Not Available

2) Data of from 1972 to 1974 are not be attainable.

3) Categories of reason are:

A = Wage related matters, like, wage negotiation and delayed wage payment.

B = Working conditions except wages

C = Dismissal

D = Unfair labour practice

E = Others includes collective bargaining closure of business, and specific issues such as money which taxi drivers have to turn over to the company out of their daily earning. In the years, from 1963 to 1971, others include the reason of unfair labour practice and other working conditions excluding wages.

Sources: (1) For 1963 - 1971, i) The Economic Planning Board, "Economic White Paper", 1966. ii) The Ministry of Labour, "Year Book of Labour Statistics", 1975.

(2) For 1975 - 1977, Kim, W.B.(1988), "A Study on the Cause of Labour-Management Dispute : With the Special Emphasis on the Metalworking Industries and Banking Facilities", Yonsei University, P.15.

(3) For 1978 -1987, The Ministry of Labour, "Year Book of Labour Statistics", 1989, P.420.

(4) For 1988 - 1989, Ministry of Labour, A white Paper on Labour, 1990, p.16.

For a description of the development of the Korean labour movement, four broad periods can be identified along with the degree of government control on unionism; (1) 1961 -1969; (2) 1970 - 1979; (3) 1980 - 1986; and (4) 1987 - 1989.

In 1961, the Korean labour movement was faced with unavoidable disruption, as a consequence of the new ruler, Park Jung Hee, who set about reorganising all political and social groups, including trade unions. He reformed the FKTU, through the implementation of a new structure and the appointment of new leaders to provide more effective means of state intervention in it's activities. With this reorganisation, the union membership decreased sharply from 320,000 in 1960 to 100,000 in 1961.[15]

More importantly, the FKTU became a right wing organisation, that blindly followed the government's policies, whilst it's leaders struggled between themselves to gain overall leadership.

The labour movement in the first period, concentrated it's effort solely on the raising of wages, since most workers suffered severe financial difficulties. In fact, nearly 70 per cent of industrial disputes occurred over the issue of raising wages.[16] The movement was not organised nationally, but led by individual company unions. As a result, even where the labour movement had been developed somewhat actively within individual unions, it could not improve the economic, social, as well as political positions of workers, because of the lack of solidarity between unions.

The second period, the 1970s, may be treated as the worst in the Korean labour movement history. Under the cloak of national security and economic development, the rights of collective bargaining and action were suspended, and all union activity that brought about confrontation between labour and management became illegal. The role of the FKTU was still more or less the same, or perhaps worse than that of the 1960s. In fact, the FKTU took up dialogues, recommendations, and petitions as ways of forwarding their demands, with the abandoning of collective labour action.[17] Therefore, even though the frequency of strikes remained at a similar level to the 1960s, worker involvement in strikes decreased by about one fifth, in comparison with the former decade. One noticeable characteristic

of the 1970s' labour movement was the participation of Catholic and Christian missionaries. In particular, the Jeunesse Ouvnere Chretienne (JOC) and the Industry Missionary Work Society (IMWS), both had strong relations with the labour movements.[18] They worked on production lines, educated workers, organised unions, and advanced workers' rights through industrial disputes. However, the 1970s' labour movement, like that of the 1960s', suffered severe oppression by the government, and thus, workers experienced considerable economic distress under the fast economic growth being experienced by Korea.

In the third period (1980-1986), the Korean labour movement still suffered from massive government interventions. As can be seen in Table 5.2, union density actually decreased from 19.3 per cent in 1979 to 12.9 per cent in 1986. The customary labour oppression policy succeeded under the military government that arose following the death of President Park, who was assassinated by a colleague in 1979. On the other hand, the mood of the labour movement had gradually matured with the leading unions, which were supported by intellectuals, students and the churches. This period culminated with the declaration in 1987.

Following the 6.29 declaration, not only did union membership and density rise, but the number of industrial disputes jumped dramatically. Membership increased by nearly 70 per cent, and union density rose to well over 6 per cent within two years. Some 3,749 cases of industrial disputes were recorded in 1987, that is 13.6 times higher than that for 1986. A total of 935,000 workers were involved in the industrial

disputes, leading to 6.9 million working days being lost.[19] These figures clearly show the tragic result of the long duration of the labour oppression policy.

From 1988 Korean workers and unionists, who were disappointed with the FKTU, began to organise conferences that involved all the individual unions within the same type of business or industry, in order to gain solidarity between them.[20] Such meetings were also organised on a regional basis, and workers in small companies organised regional unions, rather than enterprise-based ones. This was a significant break with the past, and occurred in opposition to the FKTU. Further, a new national labour organisation, the so called, "National Federation of Trade Unions"(NFTU) was founded on the 22nd of January 1990, though the state prescribed it as an illegal organisation.[21] Another important phenomenon was the growth of the white-collar unions. Their membership had increased by three times by mid 1990(about 30,000), compared with that of 1986.[22] Such unions brought about a big transformation in terms of the purpose of trade unions, from the improvement of workers' economic welfare to social status within their business organisations as well as in wider society.

Following the massive industrial disputes in 1987, such cases noticeably dropped in number to 1,873 and 1,616 in 1988 and 1989 respectively (Table 5.3).[23] Moreover, at the end of 1990, the number of cases had fallen by 80.1 per cent, to 322, compared with the 1,616 cases in the former year.[24] These

statistical trends can be explained in the following two ways. Firstly, workers, as well as management, have attempted to gain peaceful conciliation in their collective bargaining. Secondly, in 1989, the government announced that any union involved in illegal collective actions would be prosecuted, and this began to involve them in those disputes that broke the labour law. The decline in labour disputes, therefore, may be explained by both the growth of peaceful conciliation and the exercise of government power.

In any case, since the 6.29 declaration, the Korean labour movement has been active, thus allowing workers to improve their economic as well as social status. Political action, however, is still banned by the law. It should be mentioned that, whether the future Korean labour movement accompanies strikes or not, greatly depends upon both the amendments to the labour laws, which in the past have been biased toward management, and management's attitude toward the labour movement.[25]

2.3 Union Activities in Individual Enterprises

Korean trade unions are generally quite different from their Western counterparts, in terms of their overall activities. Mainly because unions are based on individual enterprises, they can provide tailored 'services' for their particular members. In other words, while the main job of Korean unions is carrying out collective bargaining, they also provide several kinds of social events as well as welfare systems and facilities.

For an explanation of sections 2 and 3, eleven companies are to be analysed. They will be the sample companies used in the empirical study discussed in chapters 6 and 7. They are; (1) Kia Motor; (2) Daewoo Motor; (3) Ssangyong Motor; (4) Asia Motor; (5) Hyundai Motor; (6) Tongyang Cement Manufacturing; (7) Sungsin Cement; (8) Ssangyong Cement; (9) Asia Cement Manufacturing; (10) Hanil Cement Manufacturing; and (11) Hyundai Cement.

Question 5 in the union representative opinion survey asked about the expenditure of union dues (Table 5.4). [26] The first three categories are noticeable for introducing distinctive Korean union activities compared with Western ones.

Table 5.4 Details of Union Dues Expenditure

Sample Unions	Expenses			Categories			
	A	B	C	D	E	F	G
One	5*	2	4	1		3	
Two	5	3	4	2		1	
Three	5	4	3	2		2	
Four	5	3	4	1		2	
Five	5	1	2			3	4
Six	3	5	1	4		2	
Seven	5		4	3	1	2	
Eight	2	4	5	3	1		
Nine	5	4	1	3		2	
Ten	4		3	2	5	1	
Eleven	4	3	5	1		2	
Total	48	29	36	22	7	19	4

Note: 1) * Figures represent their weighted scores. The category, which take the largest amount of union dues, was give the score of 5, and followingly the second largest one was given 4, in descending order.

2) Categories are;

- A = Education, organisation, and publicity work
- B = Welfare, and congratulations and condolences
- C = Social events and supporting hobby circles
- D = Expendency funds
- E = Official travelling
- F = Federation dues
- G = Labour disputes

Source : Union Representatives Opinion Survey, Question 5.
See Appendix IX for Questionnaire.

Expenses for education, organisation, and publicity work have been given priority in the allocation of union dues. These items are highly related to union efforts to foster the growth of

union membership and strengthen the labour movement. Union officials frequently educate workers in trade union activities, the current situation of the labour movement and the rights of workers, through lectures, movies and publications.

In fact, although trade unions were legally recognised more than 40 years ago, few workers know about the functions of their union or even their own rights. Workers have carried out the duties allocated to them by management, and have had to be satisfied with the wages that were decided by their employers. Consequently, the first task of union leaders, therefore, has been the education of workers.

Secondly, Korean unions spend dues on providing social events and supporting hobby circles. They organise athletic meetings, song contests, picnics, disco parties, climbing meetings, and other social events. Many of them are held not only for workers but also for the workers' families. They also support several kinds of hobby circles by providing meeting places, equipment and finance. Social activities, of course, were also originally part of the functions of trade unions in the West.

Finally, unions tried to promote workers' welfare by, for example, providing scholarships for workers and their children, and running consumers' cooperative societies to supply consumer goods at cheaper prices than those at public markets. Union officials organise building societies for their members, and since the shortage of housing has long been a big social

problem, this will be of great help to workers. Some unions arrange group weddings and birthday parties, and union officials also participate in individual workers' congratulations and condolences.

In many cases the above union activities are supported by management, mainly in terms of finance (see Table 5.12). That is, trade unions normally organise such social events, and managers donate funds toward them. Korean unions, thus, have existed for the improvement of the life of their members in several aspects that the government cannot yet cover. In this direction, the functions of Korean unions are quite different with those of current Western unions, where most social welfare systems are provided by the state. Thus, it can be expected that this fact would exercise a significant influence on unions' effect on productivity.

2.4 Characteristics of Korean Trade Unions

The current characteristics of Korean trade unions may be explained by reference to the following categories. The weak leadership of union leaders may be pointed out as the first prominent characteristic. This fact may be confirmed by the frequent change of union leaders. As Table 5.5 shows, only 30.5 per cent of union leaders completed their terms of office, which is 3 years. Furthermore, 32.1 per cent of leaders were changed within one year. This phenomenon basically arises from the fact

that many union members do not know about their labour organisations' objectives and functions, and have a view that unions can or should improve their working conditions dramatically. Thus, they seem to be easily influenced by the opposition parties who are promising far better working conditions. In addition, inharmonious relationships between union officials and worker representatives may be another source of this weak leadership.[27]

Table 5.5 The Length of Korean Union Leaders' in Office

Length	Less than 1 year	1 - 2 years	2 - less than 3 years	More than 3 years	Total
Number of unions	240 (32.1%)	203 (27.1%)	77 (10.3%)	228 (30.5%)	748 (100.0%)

Source: Korea Labour Institute, The Research on The Actual Condition of Trade Unions, 1989.

Secondly, Korean trade union representatives do not run their unions democratically. That is, they tend to lead workers in a certain direction which is decided by only a few of the union officials, rather than collecting members' opinions positively and following the opinion of the majority. The Korea Labour Institute confirmed that unions are run by a few officials, in its survey (Table 5.6). Nearly 60 per cent of the respondents claimed that unions were operated by either a few union officials or factions.

Table 5.6 A View of Union Operation

Views	Blue-collar workers	White-collar workers	Total
A	42.6 % (237)	38.3 (90)	41.3 (327)
B	16.0 (89)	17.4 (41)	16.4 (130)
C	38.8 (216)	37.0 (87)	38.3 (303)
D	2.5 (14)	7.2 (17)	3.9 (31)
Total	100.0 (566)	100.0 (235)	100.0 (791)

Notes: Views are:

- A = unions are operated arbitrarily by few of union officials.
- B = union operations are depend on the factions.
- C = members' opinions are well reflected democratically in the union operations.
- D = no answer

Source: The Korea Labour Institute, "The Research on The Actual Condition of Trade Union", 1989.

Thirdly, Korean unions suffer from financial difficulties. Since most Korean unions are enterprise-based unions, majority of individual unions are relatively small in scale. In reality 87.5 per cent of Korean unions had less than 300 members in 1990.[28] This fact forces unions to rely on management's financial support(Table 5.7). As it can be seen, offices, wages of full-time union officials, and office supplies are provided to the unions by their employers in all companies. Generally speaking, this trend was initiated by the Japanese government in the colonial period, and has become a customary support during the last 40 years, continuing at present for financial reasons. Therefore, there would be a high possibility that such financial dependence on employers may allow for management intervention in trade union activities.

Table 5.7 Examples of Management Support to The Unions

Union	Contents				
One	A	B	C	D	
Two	A	B	C		
Three	A	B	C		
Four	A	B	C	D	
Five	A	B	C	D	E
Six	A	B	C		
Seven	A	B	C		E
Eight	A	B	C		

Note: Categories are: A = Office
B = Wages of full-time union officials
C = Office supplies
D = Vehicles
E = Official trip expenses

Source: Management Opinion Survey, Question 8.
See Appendix III for Questionnaire.

Further, the financial problems of the unions can be viewed as a source of the current industrial unrest, through the application of the "no work no pay" rule, since employers claim that as long as employees do not work during strikes, they will not pay wages for that period. In fact, the majority of unions, especially small and medium sized unions, could not have accumulated enough funds to support in industrial dispute. In Table 5.8, whilst seven unions, including 2 with potential sources of finance, have reserve funds, this was for the operating expenses of future industrial disputes, rather than for compensating their members' wage losses. Therefore, the application of the "no work no pay" rule in Korean industrial

society, is viewed as a mechanism of the repression on the labour movement.

Table 5.8 The Current Position of Accumulated Funds for Industrial Disputes in Individual Unions

Union	Yes/no	From(year)	%*	Reasons (if not)
One	Yes	1989	30.9**	
Two	No	--	--	Ordinary reserve funds***
Three	No	--	--	Lack of finance
Four	No	--	--	Lack of finance
Five	Yes	1988	9.0	
Six	No	--	--	Lack of finance
Seven	Yes	1987	2.0	
Eight	Yes	1989	5.0	
Nine	No	--	--	Welfare funds***
Ten	No	--	--	Lack of finance
Eleven	Yes	1965	4.0	

Note: * = Annual percentage of the total union dues

** = The company reserved the sum of remain union dues in 1989

*** = Each funds can be transferable to the dispute funds

Source: Union Representative Opinion Survey, Question 6.
See Appendix IX for Questionnaire.

Finally, the Korean trade union movement does not exhibit strong solidarity amongst the individual unions on a nationwide basis. This is because, there is no national labour organisation that collects unions' opinions and efforts, and collectively leads them in a certain direction. While Korean unions tend

to seek a close relationship with other unions in the same industry and/or region, the FKTU is undergoing a major transformation as described in the earlier part of this chapter, and the NFTU, an illegal organisation, has organised those enterprise-based unions that may not have had as much solidarity as other types of union structure.

3. Management

Korean management have not handled their employer-employee relations independently. In fact, Korean capitalists had relied entirely on three major sources for their wealth accumulation: government-vested properties, foreign aid, and foreign credit with government incentives. Somewhat naturally, because the three sources were distributed by the government, no businessmen was willing to object to it's wishes, and thus, the state has always played the prime role in industrial relations. Korean management, therefore, have operated their businesses under the government's labour policy, which has kept wages low, and controlled any kind of labour movement. Management has grown accustomed to this position. Vogel and Lindauer(1989) described a favourable atmosphere to Korean management as follows:

From 1961 to 1987 Korean managers enjoyed the luxury of having low paid workers of high quality willing to work long hours, without serious labour protest.[29]

Furthermore, at present, many managers still try to hold onto

their out-dated ideas on industrial relations.[30] For a detailed explanation of Korean management, the current features of industrial establishments and employer's organisations, management strategies and practice in industrial relations, and finally characteristics of Korean management, will be discussed in the following sections.

3.1 The Characteristics of Industrial Establishments And Employer's Organisations

The Korean economy, at present, mainly relies on the large sized manufacturing companies. There are well over one hundred thousand industrial establishments of more than five employees, in 1988.[31] Nearly half of these being in manufacturing, 20 per cent in the wholesale & retail trade and restaurants & hotels, and 10 per cent in financing, insurance, real estate and business services.[32] There are more than 1,000 enterprises, with a total of about one and half million workers, which employ 500 or more workers, and 70 per cent of these are in manufacturing.[33] Nearly 30 per cent of workers who are employed in industrial establishments, which have more than 5 employees, are in large sized companies.

The preponderance of large manufacturing companies is the result of the export drive policy, which also brought about the big business groups, the so called, "Chaebol". In 1989, the 50 largest Chaebols incorporated 522 individual establishments, with the Lucky-Goldstar business group embracing some 51

companies.[34] These Chaebols produced 15.2 per cent of the Korean GNP.[35] Table 5.9 shows their role in each industry.

Table 5.9 The Value-added of The 50 Largest Business Groups And GNP in Each Industry

Unit = Billion Won

Industry	Total value-added		%
	Industry	Business groups*	
Agriculture, Forestry, Hunting, and Fishing	14,546	6	0.04
Mining	884	35	3.96
Manufacturing	44,460	16,016	36.02
Electricity, Gas, and Water	3,459	45	1.30
Construction	13,808	2,759	19.98
Wholesale & Retail Trade, and Restaurants & Hotels	16,871	592	3.51
Transport, Storage, and Communication	9,936	1,420	14.29
Financing, Insurance, Real Estate, and Business Services	20,022	604	3.02
Community Social and Personal Services	5,808	--	--
(Subtraction) Financial Services**	(4,801)	--	--
Total	124,993	21,477	17.18

Note: * Financial business establishments are excluded

** Because financial business establishments are excluded in the total value-added of the 50 largest business groups, the value-added of financial services is subtracted.

Source: Management Efficiency Research Institute, "The 50 Largest Business Groups in Korea - Data Collections of Financial Analysis", 1990, Table 2.2.

The 50 groups contributed 17.18 per cent of the gross industrial product in 1989, and in particular, accounted for 36.02 per cent of manufacturing, 19.98 per cent of construction, and 14.29 per cent of transport, storage, and communication. Furthermore, 10 of the largest Chaebols, according to the value of total sales, among these 50, held 74 per cent of total sales of the 50 groups', 65 per cent of the assets, and 81 per cent of net profits.[36]

While it cannot be denied that these large business groups have been the backbone of the Korean economy, they have long been open to criticism for their "octopus arm" type expansion, aggressive infringement in the business areas of medium and small enterprises, lack of business ethics, and the concentration of wealth within a small group of people.[37] Moreover, the Chaebols own so wide an interest in land, that as a result land and housing prices are rising sharply.[38] They also took part in leading a stream of over-consumption by importing foreign goods, from food to motors.[39] More importantly, many Chaebols interrupted their union activities. They kidnapped employees who tried to organise trade unions, and even used terrorist methods against trade unionists.[40] As a response to the above criticisms, the Presidents of the 10 largest business groups announced their voluntary selling of real estate and determined the following five items, in May 1990; (1) A control of excessive and overlapping investment; (2) A transfer of the business areas of medium and small enterprises; (3) An acceleration of business opening-up and a settlement of professional management systems;

(4) Support for workers' housing; and (5) Reserving of one per cent of net profit before taxation for employee welfare funds.[41] In addition, 39 other business groups made similar statements. However, so far, none of the Chaebol owners have showed any action towards fulfilling their promises in the four months following these announcements.[42]

Today there are six major nationwide employer's organisations; The Federation of Korean Industries, the Korea Employers' Federation, the Council of Korea Employers' Organisation, the Korea Chamber of Commerce and Industry, the Korea Federation of Small Business and the Korea Traders Association. Among them, the first three are noteworthy. One of the oldest and largest employer's organisations is the Federation of Korean Industries, founded in 1961, it claimed a memberships of 453 at the end of 1989.[43] It has long been considered as the chief employers' spokesman on all political and economic policies, and still has a strong influence in these areas.

At least until the emergence of the Council of Korea Employers' Organisation (CKEO), the Korea Employers' Federation was the only organisation that was concerned mainly with industrial relations affairs. However, as industrial disputes deepened following the 6.29 declaration, the CKEO was organised on the initiative of the above six employer's organisations, in December 1989. It is composed of 11 regional and 2 industrial complex councils, and had 151 members, in 1990.[44] Its chief functions include research, consultation and education on labour and personnel administration. The CKEO also provides strong

support to management for the rule of "No Work, No Pay", and champions the case of excluding workers from participation in managerial decision making procedures and personnel management, which are the main issues in Korean industrial relations at present.

3.2 Management Strategies And Practice for Industrial Relations

Under the strict government controls of all labour movements and trade union activities, Korean management has little difficulty in dealing with their workers, and thus, has not needed to develop any special strategies for industrial relations, rather they have just followed the government's guide lines, at least until 1986. As the state's control over the labour movement became weaker, however, the subject of industrial relations has recently become one of the prime concerns for recent Korean management.

To begin with, a management opinion survey, which was carried out by the Korean Productivity Centre in 1989, is to be illustrated for the Korean managements' views of industrial relations.[45] The survey included all industries, though 66.2 per cent of respondents were involved in manufacturing companies. The total number of respondents was 237 and, most of these were from top management. Question 11 in the survey asked about their views of the employer-employee relationship (Table 5. 10). While only 8.5 per cent of managers suggested that they

have equal status with workers, 86 per cent of them thought that the relationship was a mutually complementary one. In turn the customary view, of the master and servant relationship, accounted for only 0.9 per cent of the respondents. The managements' view can be summarised, therefore, that while they recognised their labourers as companions, they wanted higher status than workers.

Table 5.10 The Relationship Between Employee And Employer

Category	Percentage
Equal	8.5
Mutually complementary	86.0
Master and servant	0.9
Antagonistic	4.2
Others	0.4

Source: The Korean Productivity Centre, "A Great Study of Management", 1989.

Question 12 enquired about managements' opinion concerning the necessity of unions, Table 5.11 reveals the fact that nearly 80 per cent of respondents had a positive view, while about 20 per cent of them were in opposition to unionism.

Table 5.11 The Necessity of Trade Unions

Category	Percentage
Definitely necessary	7.2
To some extent necessary	68.9
Not interested	3.4
Not particularly necessary	16.2
Entirely unnecessary	4.3

Source: The Korean Productivity Centre, "A Great Study of Management", 1989.

Even Korean management has seen the labour class and its organisations in a new light, though many of them still tend to rely on government intervention in their industrial disputes. Question 14 revealed that nearly half of respondents welcomed the intervention of government power in industrial disputes (Table 5.12).

Table 5.12 Views Concerning The Intervention of Government Power in Industrial Disputes

Category	Percentage
Absolutely desirable	10.2
Fairly desirable	35.3
Neither desirable nor undesirable	7.3
Fairly undesirable	36.6
Absolutely undesirable	10.6

Source: The Korean Productivity Centre, "A Great Study of Management", 1989.

Somewhat similar results were obtained by the Conference of Economic Organisations.[46] This survey found that while only 5 per cent of management did not approve of any type of government intervention, the rest were in favour of state control in industrial relations.[47]

Still, some Korean businessmen, especially within medium and small sized companies, interrupted the organisation of trade unions deliberately, and participated in the collective bargaining processes reluctantly. Further, they used force, so called "Ku Sa Dae", in order to break up industrial disputes.[48] Table 5.13, provides good evidence that a considerable number of Korean managers have undertaken unfair labour practices. Moreover, as the labour movement has become more active, the total number of relief applications increased by nearly 5 times in 1989, compared to 1986. Over one thousand employers attempted to interrupt the organisation of unions and even refused collective bargaining with the existing unions. It should be mentioned, here, that among the 1,887 employers who disturbed union activities illegally, no one has been prosecuted so far in 1989, while thousands of workers suffered legal punishments.[49] This fact clearly illustrates that the Labour Laws have never been applied fairly to the current Korean industrial society.

Table 5.13 The Present Situation of Relief Applications for Unfair Labour Practice

Year	Total case	First	Second	Third	Fourth	Fifth
1983	187	150	5	15	14	3
1984	274	227	0	24	14	9
1985	388	353	0	17	13	5
1986	379	331	-	19	25	4
1987	528	430	6	36	44	12
1988	1,515	1,057	5	330	98	25
1989	1,887	1,459	7	287	113	21

Note: Categories are;

- 1) First = Give disadvantages to workers who join or organise trade unions, or act for them.
- 2) Second = A specific worker's union status is required in the employment condition.
- 3) Third = A refusal of collective bargaining.
- 4) Fourth = Management's control or involvement in union operations.
- 5) Fifth = Give disadvantages with the reason of reporting unfair labour practices to the labour committee or being witnesses in the committee.

Source: Ministry of Labour, A White Paper on Labour, Republic of Korea, 1990, p.31.

In turn, many Korean managers have tried to cope with the new circumstances surrounding industrial relations. They developed their employee-employer relations, in order that they should become not only rationalised but also harmonised. Rationalisation applies mainly to the field of economic compensation and promotions. Harmony is stressed in human relations within the workplace. For the former, management opened up business planning and performance to their employees, and established a new bureau to deal with industrial relation

matters, sent union officials and management to foreign countries to learn other countries' industrial relations, rationalised their personnel management systems, and set up more reasonable and scientific wage determination procedures. For the latter, businessmen developed several kinds of communication channels not only for top-down but also for bottom-up communications, and put their efforts into creating harmonious workplace environments. Table 5.14 illustrates the effort of management in this field.

Table 5.14 Management's Efforts for The Creation of Harmonious Workplace Environment

Company	Contents						
One	A	B	C	D	F		H
Two	A	B		D	F	G	H
Three	A	B		D	E	F	H
Four	A	B	C	D	F	G	H
Five	A		C		F	G	H
Six	A	B			E	G	H
Seven		B	C	D		G	H
Eight		B		D	F	G	H
Nine	A	B	C	D		G	
Ten	A	B		D	F	G	H

Note: Categories are:

- A) Picnics
- B) Athletic meetings
- C) Group weddings and/or Birthday parties
- D) Associations for stock-sharing plan
- E) Labour welfare funds
- F) Education expenses
- G) Overseas travel
- H) Housing benefits (financing & subsidy)

Source: Management Opinion Survey, Question 12.
See Appendix III for Questionnaire.

Since some of the social events, for instance, picnics or athletic meetings, are usually sponsored by management, in terms of finance, it may be confirmed that Korean management put more effort into creating harmonious human relations than those in Western economies. Table 5.15 supports the above argument by presenting the details of welfare facilities in Korean companies.

Table 5.15 Welfare Facilities in Korean Enterprises

Company	Category	Facilities					
One	A	2	5	8			
	B	9	10				
	C	13	14	15	16		
	D	22					
	E	24	25				
Two	A	2	4	5	7		
	B	9	10				
	C	13	14	16	17	21	
	D	22	23				
	E	24	25	27	28	29	
Three	A	3	4	5	8		
	B	9	10				
	C	13	16	20			
	D	22					
	E	24	25	26	27	28	29
Four	A	3	4	5	6	7	
	B	9	10				
	C	Not available in detail					
	D	22	23				
	E	24	25	26	27	29	
Five	A	6					
	B	12					
	C	16	19				
	D	22	23				
	E	24	26				
Six	A	2	4	5			
	B	9	11				
	C	13	14	16	18		
	D	23					
	E	24	30				
Seven	A	3	4	5			
	B	9	10				
	C	13	14	15	16	19	
	D	22	23				
	E	24					
Eight	A	2					
	B	9	11				
	C	Not available in detail					
	D	--					
	E	24	26	29			

Nine	A	2	4	5		
	B	9	10	11		
	C	13	16	19		
	D	23				
	E	24	28			
Ten	A	6				
	B	9	10			
	C	13	14	15	16	19
	D	23				
	E	24	27	29		

Note: Categories are;

- A) Health
- B) Education
- C) Sports
- D) Housing
- E) Others

Facilities are;

- 1) Hospital 2) Medical treatment room
- 3) Hospital in affiliation 4) Doctor 5) Nurse
- 6) Health and safety supervisor 7) X-ray technician
- 8) Ambulance 9) Library 10) Training institute
- 11) Nursery 12) Lecture hall 13) Football field
- 14) Valley ball court 15) Billiard hall
- 16) Tennis court 17) Basketball court
- 18) Swimming pool 19) Table-tennis room 20) Gymnasium
- 21) Health club 22) Dormitories 23) Houses/flats
- 24) Free meals 25) Transportation for attending office
- 26) Recreation place/ Game room 27) Barbershop
- 28) Launderettes 29) Shop 30) Church

Source: Management Opinion Survey, Question 9.
See Appendix III for Questionnaire.

The Korean companies act as a multi-welfare states. They provide medical, education, sports and housing facilities to their employees. Through this welfare policy, management try to encourage workers to become "company men", who spend their life with the company and identify with the company. This is a form of 'corporate paternalism' typical of large Japanese organisations.

The overall trend of Korean management policy toward industrial relations may be outlined, in that while managers try

to cope with the new circumstances surrounding industrial relations after the 6.29 Declaration, they tend to have more concern in protecting their vested superiority over trade unions in industrial relations.

3.3 Characteristics of Management

The distinguishing characteristics of Korean management can be summarised as follows. Enterprises are ruled by founder-owners or their families. While there is a big difference between large business organisations and medium/small ones, as can be seen in Table 5.16, the owner and their families still have top management positions in 25.4 and 74.1 per cent of large and medium/small enterprises respectively. Even in the case of professional and internally promoted managers, they cannot manage their companies independently. That is, the professionalisation of autonomous management has not yet been accepted in Korean industrial society. In fact, management and ownership are totally separated in only 18.4 per cent of Korean enterprises, while 43.6 per cent are unseparated, and 38.0 per cent are formally separated but company owners still have a big influence the management.[50]

Table 5.16 Executive Officers in Korean Enterprises (%)

Size of Enterprise	Family member	Professional	Inside Promotion
Big	25.4	14.2	34.9
Medium/Small	74.1	11.2	14.7

Source: The Korea Productivity Centre, "An Analysis of Business Management", 1989, P.15.

The concentration of ownership in a particular person may be the most prominent obstacle for introducing professionalism in management, and the opening-up of business establishments. Actually, more than half of the stock belong to one person in 38.9 per cent of Korean companies.[51] Therefore, family management and the concentration ownership in single individuals, are the constitutional characteristics of Korean business organisations. Further, these may lead to bureaucratic control, centralisation of decision making, the use of unscientific management techniques, a lack of social responsibility and the adoption of a hard line to trade unions.

Bureaucratic control and top-down decision making can be pointed out as the second characteristic. Most of the important decisions are made at the top management level. In fact, only 2.2 per cent of executive officers consider the ideas of low level management.[52] Also their organisational structures are of a bureaucratic type, with a strict vertical hierarchy of authority and control, and other operational rules.

Thirdly, management guarantees lifetime employment, utilise

a seniority based compensation system, and employs paternalistic leadership styles. With the employer's consistent attitude towards lifetime employment, they rarely layoff employees, even in times of recession. Seniority rules are applied in the fields of compensation and promotion, though it is not the only factor to be considered. Korean businessmen frequently persuade employees to work hard and to keep a harmonious workplace through the encouragement of several kinds of welfare facilities.

Finally, Korean management has a close government-business relationship. Two basic reasons may be pointed out for the explanation of this. The first is that they have had to rely heavily on the government in order to accumulate their wealth historically. The second is that Korean economic development has been entirely planned and controlled by the state, and thus a close and cooperative relationship has been required for national economic growth and for the expansion of individual businesses themselves as well.

4. The Government

As mentioned in previous chapters, the Korean state has played the prime role in industrial relations. It has developed several mechanisms, to intervene in the administration of the legal framework, such as, the Labour Committee, the Labour-Management Council and the Factory Saemaul Movement. However, it

should be pointed out that these state interventions are more likely to have exacerbated than ameliorated conflict between workers and management.

4.1 The Labour Committees

The Labour Committee, which operates outside the established government bureaucracies, was founded in 1963, as a mechanism for conciliation, mediation and arbitration. The committee is formed by three agents; representatives of workers, employers and public, who are appointed by appropriate government authorities upon nomination by union and employer groups.

While, the private sector may voluntarily apply the Labour Committees' mediation for their industrial disputes, compulsory arbitration is applied to the enterprises designated as vital to public welfare, such as public transportation, water and broadcasting businesses.[53]

In the case of "non-vital" industries, workers can enter into a strike after the official cooling off period of 10 days. In turn, the issue of industrial disputes in the enterprises for the public good can be referred to arbitration. Then, the arbitration committee, whose three members are all representatives of the 'public', provide a written decision. But either party can appeal to the Central Labour Committee and after that they can institute an administrative litigation. There is one special case in the resolution of industrial disputes, that

is, emergency arbitration, which is decided by the Minister of Labour. Disputes which are large in scale or "harmful" to the national economy or to the "peoples' daily life", and are related to the enterprises for "public good", can be subject to emergency arbitration, which has similar procedures to the normal arbitration process. Therefore, compulsory arbitration can be applied to all industries.

Further, as Table 5.17 shows, more than 60 per cent of cases have been mediated unofficially by the administrative offices, even though they have no legal rights to mediate. More seriously, during the 1970s (from 1972 to 1980), the offices took the authority of mediation from the Labour Committee.[54] This is another aspect of the massive government intervention in industrial relations.

Table 5.17 The Trends of Industrial Disputes Resolution by Mediation Types

(%)					
Year	Labour Committee			Admini- strative office	Others
	Conciliation	Mediation	Arbitration		
1966	9.6	9.8	10.9	71.7	--
1967	9.3	10.3	7.5	72.9	--
1968	3.6	15.3	15.3	65.8	--
1969	3.3	19.6	14.1	63.0	--
1970	2.4	13.4	8.7	74.3	1.2
1971	4.3	12.9	10.7	54.8	17.3

Source: The Ministry of Labour, "Year Book of Labour Statistics" 1972.

Even though there is a high possibility that the Labour Committee may effectively reduce the number of strikes or make more peaceful industrial relations, workers tend to distrust it. This is because the powerful military government has forced the committee to be partial towards the management side in dealing with disputes.[55] As a result of the government's excessive interventions in the operation of the Labour Committee, there were only 146 applications in 1987, while more than three thousands strikes occurred.[56] Moreover in the following year, even though the committees received 2,526 reports, the resolution rate was expected to be quite low.[57] Thus, it is widely known that the Labour Committee, which was created by the government as a labour control mechanism, can no-longer carry out its mediation function effectively without major constitutional improvements.

4.2 Labour-Management Councils

The Labour-Management Council was devised by the government, as an attempt to build an arm of 'consent' alongside the existing repressive machinery of the state. It was also designed to promote productivity and national economic development. The council has had legal support from 1963, and its legal position has been strengthened through continuous amendments of the related Labour Law in 1973, 1975, 1980, 1981 and 1987. As a result, business organisations that employ more than 50 workers, have to establish such a council.[58] The rate of establishment reached 100 per cent by 1985, and after the range of application

was widened, this rate decreased to around 80 per cent.[59] The main items of consultation have concentrated on the improvement of productivity and the promotion of employee's welfare (Table 5.18).

Table 5.18 Settlements by The Labour-Management Council

Year	Main items of consultation							
	TF	A	B	C	D	E	F	G
1981	99,480	16,063 (16.2)	26,587 (26.7)	5,176 (5.2)	2,231 (2.2)	21,380 (21.5)	7,633 (7.7)	20,410 (20.5)
1982	66,600	12,377 (18.6)	19,924 (29.9)	2,900 (4.4)	1,622 (2.4)	9,882 (14.8)	5,199 (7.8)	14,606 (21.9)
1983	65,322	14,473 (22.2)	19,192 (29.4)	3,067 (4.7)	1,134 (2.0)	7,714 (11.8)	6,572 (10.1)	12,990 (19.9)
1984	69,216	14,628 (21.1)	17,959 (25.9)	4,440 (6.4)	1,629 (2.4)	8,933 (12.9)	7,445 (10.8)	14,182 (20.5)
1985	60,627	9,231 (15.2)	18,927 (31.2)	2,757 (4.5)	1,682 (2.8)	4,247 (7.0)	6,269 (10.8)	17,514 (28.9)
1986	66,439	8,016 (12.1)	21,318 (32.1)	2,449 (3.7)	1,504 (2.3)	2,826 (4.3)	7,090 (10.7)	23,236 (35.0)
1987	80,958	8,577 (10.6)	27,081 (33.5)	2,413 (3.0)	3,954 (4.9)	3,923 (4.8)	7,305 (9.0)	27,705 (34.2)
1988	106,932	12,388 (11.6)	34,271 (32.0)	2,914 (2.7)	4,098 (3.8)	4,899 (4.6)	8,824 (8.3)	39,538 (37.0)
1989	125,789	14,815 (11.8)	39,834 (31.7)	3,674 (2.9)	4,632 (3.7)	4,894 (3.9)	10,462 (8.3)	47,478 (37.7)

- Note: 1) TF = Total Frequency
2) Percentages appear below the frequencies in parentheses.
3) The total of percentages in each row may not be 100, because they were calculated by Frequency of each item / Total frequency.
4) Main items are: A = Improvement of productivity
B = Promotion of employee's welfare
C = Education and training
D = Prevention of labour dispute
E = Grievance handling
F = Safety and health

G = Others

Source: The Ministry of Labour, "Year Book of Labour Statistics", 1982, 1984, 1986, 1988, 1989 and 1990.

The Korean Labour-Management Council has a somewhat different purpose than with comparable bodies of Western countries. It is not for employee participation in management, but for the dilution of the needs or power of the unions. In fact, in Korean industrial society, where collective bargaining is highly decentralised into the individual establishments, unions can carry out most functions of the Labour-Management Council. Thus Korea may not have as strong a need for such a council as Western nations, where unions are organised on an industry or national basis. Choi(1988) also expressed the same view, that the council was a by-product of the government's view that trade unions carry out unproductive and destructive functions, detrimental to economic growth, and cause complications in industrial relations.[60]

4.3 The Factory Saemaul Movement

The Factory Saemaul Movement(FSM) was not a legalised formal organisation, but a government devised campaign intended to infuse an ideology of cooperation between labour and management and to improve productivity.[61] The movement originated from the Saemaul Undong (New Community Movement) that was launched by the government for the reduction of rural unemployment and poverty in 1970, and had been widened to urban and industrial

society after three years. Until 1978, the FMS was based on the worker's voluntary participation in raising product quality and quantity with slogans that stressed "cooperation for the company (like a family)" and the "loyalty to the employer (like a father)".

In the individual company, leaders were appointed by top management to lead the movement, and small work groups that had 8 to 15 workers were also established for championing such initiatives as, quality control, zero defect, curtailment of production costs and technology renovations.[62] In turn, the government provided Saemaul Education to workers and management in several kinds of training institutions, including the Federation of Korean Trade Unions. The education for leaders contained a wide range of propaganda topics, for instance, indicating the Saemaul spirit, producing desirable types of leader, the Korean style of industrial relations, the prospects of the Korean economy, and unification and national security.[63] Further, the movement initiated technical education and vocational training activities for production workers. The state also stimulated employers to provide or improve their employee welfare facilities by creating a 'family' atmosphere.

As a result, the Factory Saemaul Movement, emphasising diligence and loyalty, has led to the improvement of manufacturing productivity. On the other hand, it has brought sacrifice and damage to the working class. Sacrifice, because in many workplaces, workers were forced to accept overtime work

without any compensation as one way of reducing production costs, and damage, since the small working groups contradicted with existing unions in terms of their different purposes.[64] Thus, the FSM actually obstructed the growth of the labour movement, and weakened the power of trade unions. At present, however, the movement, which reached its peak in the late 1970s, has been gradually disappearing from Korean industrial society.

As can be seen in the above, the Korean government controlled labour movements and union activities tightly through several mechanisms. Moreover, the state treated the labour movement as being pro-communist activity. It is quite important to mention that, since the nation has been divided into South and North by the ideological conflict between capitalism and communism, all Korean rulers have totally banned any pro-communist activities under the cloak of national security. In fact, a large number of unionists have been branded as pro-communists, and put in prison.[65] In turn, the government also tried to persuade workers, to cooperate through the Factory Seamaul Movement designed to improve workers' morale in the workplace. Currently, while the Factory Saemaul Movement has almost disappeared, two other state-sponsored mechanisms, the Labour Committees and the Labour-Management Council, have also become subject to the process of repeal and amendment. After the 6.29 Declaration, the traditional government policies eventually brought about massive and severe industrial disputes, since management tried to keep their prerogatives, and workers exercised their newly provided power to the maximum in collective

bargaining.

5. Conclusion

Korean industrial relations have been dominated by the government, which has consistently repressed the labour movement. As a result, Korean industrial society appeared to have very harmonious industrial relations, where employees worked hard, and managers acted in a caretaker role. But in reality, workers' grievances about their working conditions and social and economic status, were accumulated excessively, while most management became anti-unionists. This fact is reflected in Korean industrial society following the 6.29 Declaration. Industrial disputes exploded to more than three thousands cases, some 13.6 times higher than that in 1986 and 1987, and has led to nearly 7 million working days lost.

The current characteristics of Korean industrial relations can be summarised in the following five points. Firstly, the deep rooted distrust of workers toward employers and the government has been widespread. Secondly, not only workers but also employers are not particularly familiar with all the mechanisms in industrial relations. Thirdly, some management are anti-unionists, and still want the state to control industrial relations. Fourthly, the Labour Law has several controversial features which were legislated to control the labour movement.

Finally, the government does not attempt to minimise its interventions in the employee-employer relationship.

The above characteristics have produced the relatively poor industrial relations in Korea, in terms of trust and cooperation between workers and management, and thereby, may have influenced unfavourably the relationship between unions and productivity. There is a high possibility, however, that the enterprise-based Korean unions, which have quite different functions to their Western counterparts, would positively impact on the relationship through dissimilar ways to the Western unions'. In the next chapter, the relationship between trade unions and labour productivity will be estimated statistically.

Notes and References

- [1] McLoughlin, Jane(1985), "South Korea", cited in Smith, Michael, et.al.(1985), Asia's New Industrial World, Methuen:London, pp.42-43., And Irwan, Alexander(1987), "Real Wages and Class Struggle in South Korea", Journal of Contemporary Asia, Vol.17, No.4, pp.385-408.
- [2] Koo, H.A.(1984), "The Political Economy of Income Distribution in South Korea", World Development, Vol.12, No.10.
- [3] Far Eastern Economic Review, 19th, July 1984, p.74.
- [4] Railway, communications, post.tele., and monopoly workers have their own industrial unions, because the companies belong to the government.
- [5] After the 6.29 declaration, the relationship between unions in the same industry seems to have tightened, but it has far weaker solidarity compared to the industrial unions.
- [6] The union dues can not be in excess of 2 per cent of the member's monthly wage. (The Trade Union Act, Article 7, Paragraph 1)
- [7] Choi, J.J.(1988), Labour Movement and The State in Korea, Yeal Eum Sa: South Korea, p.173.
- [8] Chosen Ilbo, February, 28th, p.16.
- [9] The Conference of Korean Christian Church, The Scene of Labour and The Witness, Book Publishing Pool Bit: South Korea, 1984, p.55.
- [10] *ibid.*, p.65.
- [11] Kim, K.S.(1989), "A Massive Strike in 1987 and A Development Aspect and Prospect of Trade Union Movement", Hyundai No Sa, Vol.7, No.8, August, pp. 12-16.
- [12] See, Saebyuck, No.8, May, 1990.
- [13] Bain, George Sayers and Robert Price(1980), Profiles of Union Growth: A Comparative Statistical Portrait of Eight Countries, Oxford: Blackwell, pp.160-163, cited in Bain, S.B. and R. Price(1983), "Union Growth: Dimensions, Determinants, and Density", in Edited by Bain S.B. Industrial Relations In Britain, Oxford: Basil Blackwell, p.3.

[14] The Conference of Korean Christian Church, op.cit., pp.42-605.

[15] The conference of Korean Christian Church, op.cit., p.52.

[16] Lee, W.B.(1977), Introduction to the Study of Korean Labour Movement History, Master Dissertation, Kyunghee University, pp.46-48.

[17] The Conference of Korean Christian Church, op.cit., p.240.

[18] The Conference of Korean Christian Church, op.cit., pp.94-122.

[19] Internal data of Ministry of Labour.

[20] October, 1988, at present, 14 regional conferences have been organised and 569 individual unions with 156,836 workers are involved in them. Also 14 industrial conferences or federations have been organised, claiming 182,894 members with 593 enterprise-based unions. However, all of these are illegal unions, excluding two industrial federations. Source: Hankook Kyungjae Sinmoon, 5th, December, 1989.

[21] According to The Trade Union Law (Article 3, Paragraph 5), if the organisation covers the same members of an existing trade union, it can not be recognised as a trade union. In other words, the law does not allow multiple unionism.

[22] Hankook Kyungje Sinmoon, December, 5th, 1989.

[23] Internal data of Ministry of Labour.

[24] Hankook Ilbo, September, 9th, 1990, p.8.

[25] See, chapter4, section 3.2.

[26] Respondents were required to write down the first 10 largest items in their union due expenditure. Among them, the five largest items were selected and the weighted scores were given, like, score five to the largest item, score four to the second largest, and the like.

[27] Twenty six respondents in Question 40 in the worker opinion survey, claimed this problem. See, chapter 8, Table 8.1, for detail explanations.

[28] Park, D.J. and K.S. Park(1989), Trade Unions, Lorea Labour Institute.

[29] Vogel, Ezra F. and David L. Lindauer(1989), Toward A Social Compact for South Korean Labor, Development Discussion Paper, Harvard Institute for International Development, The Harvard University, No.317, November, p.7.

- [30] See, Table 5.11.
- [31] Ministry of Labour, Year Book of Labour Statistics, Republic of Korea, 1989, p.70.
- [32] *ibid.*, pp.70-71.
- [33] *ibid.*, pp.132-139.
- [34] Management Efficiency Research Institute, The 50 Largest Business Groups in Korea - Data Collections of Financial Analysis, 1990, p.26.
- [35] *ibid.*, p.24. Financial business establishments were excluded in the calculation of the total value-added of the largest business groups.
- [36] *ibid.*, p.47.
- [37] Lee, S.M. and S. Yoo(1987), "The K-Type Management: A Driving Force of Korean Prosperity", Management International Review, Vol.27, No.4, Fourth Quarter, p.73.
- [38] Neff, Robert and Laxmi Nakarmi(1989), "Giants Under Siege", Business Week, November, 20th, p.26. And refer to chapter 5, section 3.1, for detail information.
- [39] Hankook Ilbo, October, 14th, 1990, p.7.
- [40] The Economics, July, 20th, 1989, pp.80-81., Nosa, April, 1989, pp.124-125., Dong-A Ilbo, January, 11th, 1989., Chosen Ilbo, January, 12th, 1989., And Nosa, February, 1989, pp.72-77.
- [41] Hankook Ilbo, September, 6th, 1990, p.10.
- [42] *ibid.*, p.10.
- [43] Internal data of Council of Korea Employers' Organisation.
- [44] The Federation of Korean Industries, an Activity Report, 1989, February, 1990, p.21.
- [45] The Korean Productivity Centre, A Great Study of Management, 1989.
- [46] The Conference of Economic Organisation, "A Survey of The Prospect of Industrial Relations For The Year of 1990", Publicity Paper, 1990.
- [47] *ibid.*, p.10.
- [48] Nosa, April, 1989, pp.68-73.
- [49] Youn, S.C.(1990), "Democratisation of Labour Policy and Labour Administration; The Meaning and Problem", Nosa Kwangjang,

No.1, November, pp.48-52.

[50] Korea Productivity Centre, An Analysis of Business Management, 1989, p.14. In contrast with Japanese "Zaibatsu" enterprises, "Chaebol" organisations in Korea remain under the control of family capitalists.

[51] *ibid.*, p.14.

[52] *ibid.*, p.15.

[53] The Labour Disputes Adjustment Act states them as follow;
(1) public transportation; (2) water service, supply of electricity and gas and oil supply; (3) public health and medical treatment; (4) banking business; and (5) broadcasting and communication businesses.

[54] Kim, J.S.(1986), Industrial Relations, Bub Moon Sa: South Korea, pp.62-70.

[55] Several evidences were in the reference book; The Conference of Korean Christian Church, *op.cit.*, pp.86-605.

[56] Kim, T.K. and Lee, Y.H.(1989), A Strong of Labour Disputes Adjustment System, Korea Labour Institute, p.16.

[57] *ibid.*, pp.16-17.

[58] The Ministry of Labour, A White Paper on Labour, 1989, p.9.

[59] The Ministry of Labour, Year Book of Labour Statistics, 1987.

[60] Choi, J.J.(1988), *op.cit.*, p.180.

[61] Choi, J.J.(1988), *op.cit.*, p.184.

[62] Choi, J.J.(1988), *op.cit.*, p.188.

[63] Choi, J.J.(1988), *op.cit.*, p.189-192.

[64] Choi, J.J.(1988), *op.cit.*, p.189-190.

[65] The Conference of Korean Christian Church, *op.cit.*, pp.70-605.

CHAPTER 6. TRADE UNIONS AND PRODUCTIVITY IN KOREAN MANUFACTURING

1. Introduction

In this chapter, the relationship between trade unions and productivity will be examined in the Korean context, using case studies of two industries, auto and cement. The total number of sample companies employed was eleven, five from the auto industry and six from the cement industry. Among them, two companies in each industry were unionised in 1987, whilst the unions in the remainder were founded in either the 1960s or 1970s. While many studies have made a comparison between unionised and non-unionised companies in order to determine the effect of unionisation on productivity, this study concentrates upon the impact of unions measured in a time-series context, along with union status and one particular political event, the 6.29 Declaration, which led to the removal of restrictions on trade union activities. Thus, this study is valuable in determining whether, over time, unionisation makes companies more productive, or whether unions simply organise the more productive firms.

The union effect is divided into two, what we call U1 and U2. U1 refers to the impact of unionised companies on productivity, during the period where restrictions on union activities existed. The second union effect(U2), only includes

those periods where the trade unions had freedom to undertake their activities.

This study uses data drawn from the statistical data book, titled Analysis of Value Added in Korean Corporations, published by the Korean Productivity Centre. The data for the operation rates was privately collected via a management opinion survey.[1] However, the data was not always available for all years in the auto industry, thus the sample size was 41 in the auto industry and 42 in the cement industry. It should be mentioned here, that in Korea, there was little published data providing detailed information about individual firms. Moreover, like other developing countries, trade unionism has not been fully accepted by management, and in some instances by employees, who do not clearly understand the function of trade unions. As a result of this, management did not willingly give any data concerning their companies, and union representatives had little information about their unions. Further, some sample firms did not possess the data that was required by this empirical analysis. As a consequence of these factors, working hours, worker and management tenure could not be included in the econometric analysis.

The results obtained by estimating a Cobb-Douglas production function indicate that Korean trade unions not only have a positive but also a negative effect on productivity, depending upon the industry and sample period. The union impact on labour productivity in unionised auto companies varied from 8.29 to -32.85 per cent. On the other hand, in the cement industry,

the effects ranged from 4.99 to 29.97 per cent. That is, both industries had positive union impacts on productivity in the period before the declaration, though neither were statistically significant. Somewhat interestingly, in the period after the declaration, while unions in the cement industry had a positive impact, those in the auto industry, experienced a decline in their labour productivity, and the union impact in both industries was statistically significant.

The impact of Korean unions on the rate of value-added per employee in each company, therefore, cannot be generalised in one direction, either positive or negative, with these statistical results alone. The following chapters will discuss reasons why the union impacts are so diverse, through opinion surveys and relative empirical data and information.

2. Statistical Model

An econometric investigation of the impact of trade unions on labour productivity poses several problems. In fact, productivity depends not only upon numerable inputs but also on several environmental factors, including, for example, the status of the union. Isolating the union impact from other influences on productivity, therefore, is not a simple job, perhaps sometimes even impossible. The following problems have

been frequently cited by both labour relations practitioners and scholars.

Firstly, as long as the output is not measured in physical units, there is a possibility that the productivity and price effects are compounded. If a company has a monopoly in a given market, then the price effects would be somewhat more obvious. Without any real increase of output, productivity can be raised simply by inducing higher prices in such a market. While many manufacturing companies produce several types of products, however, the value-added as a measure of output is more commonly used in empirical studies. Thus, there is the task of how to eliminate such price effects. To cope with this problem, in this study, value-added is adjusted by the appropriate industry wholesale price indexes. This adjustment was initiated by Machin(1988).[2] He used the industry-level price index as deflator for the dependent variable which is at firm-level.

The second problem stems from the fact that companies utilise different technologies. Even within the same industry, companies may not be at the same stage of technological development. It is somewhat obvious that under the more advanced technologies, labour productivity would be higher, *ceteris paribus*. These inter-firm differences in technology, therefore, could lead to biased statistical results. This study, thus selected a relatively homogeneous group of firms, in terms of the types of products. However, while the cement companies have quite similar levels of production technology, the auto firms may have been at different stages of technological development.[3]

Thus, this analysis includes the tangible fixed assets per employee as the capital input variable, with the idea that the more advanced machinery would have a higher book value.

Thirdly, in the real world, not all trade unions have the same objectives and functions, or are faced by the same industrial relations climate. Moreover, as time passes, unions would not operate within the same environment. This is especially so, in developing countries, where the political, economic, and socio-cultural environments, would have changed rapidly over the last forty years. Therefore, it would be hard to explain the full impact of unionisation on productivity by using a single binary variable. To cope with this obstacle, the empirical analysis estimates the impact of unions on productivity in two time periods(U1 and U2), separated by the 6.29 Declaration, which brought about a significant change in Korean industrial relations.

Finally, the productivity of each plant may differ with the quality of management and/or workers, or other organisational factors which are difficult to measure and control for in statistical analysis. Several ways to cope with the adjustment of labour quality have been suggested by many scholars, such as, Allen(1984), Brown and Medoff(1978), Clark(1980) and Mefford(1986).[4] Schooling, age, sex, race, length of work experience and turnover rate have been used in adjusting the labour quality. We recommend the firm's average length of worker's tenure as the labour quality inputs variable, under the

idea that longer tenure would result in a more experienced workforce. It is necessary to mention that while turnover rate and tenure seem to be highly correlated, tenure does not necessarily increase by a lowered turnover rate, because of recruitment. There is also a high possibility that under competent management, labour productivity would be higher with other things being equal. The length of business experience, schooling and management training received may be useful criteria for management ability, but these are very difficult to represent in numerical terms. Moreover, the information about persons who are in charge of making managerial decisions is extremely difficult to obtain. Mefford(1986), measured management ability with the following three criteria; (1) Output goal attainment; (2) Cost (factory budget) over- or under-fulfilment; and (3) quality level of the output.[5] This problem, however, could not be tackled in this study, because of the lack of information.

In order to determine the true impact of unionisation upon productivity, the above four obstacles have to be overcome at least. In reality, the majority of such problems cannot be fully resolved, rather, only reduced in their biased impacts on productivity.

The basic regression model is formulated by the Cobb-Douglas production function.

$$Y_{it} = A (K_{it}^{\alpha_1} \cdot L_{it}^{\theta}) \quad \text{-----(1)}$$

where Y=Output, K=Capital, L=Labour, and A is a constant of proportionality which depends on the units in which Y, K, L are measured.

In the model (1), the value-added per number of employee is given by :

$$\ln\left(\frac{Y}{L}\right)_{it} = \ln A + \alpha_1 \ln\left(\frac{K}{L}\right)_{it} + \alpha_2 \ln(L)_{it} \quad \text{-----} (2)$$

where $\alpha_2 = \alpha_1 + \theta - 1$

To the model (2), four variables are added; operating rate (R); size of company (S); time trend (T); and a dummy variable representing union impact (U1 and U2).

The amended estimating equation, corresponding to the model (2) is :

$$\begin{aligned} \ln\left(\frac{Y}{L}\right)_{it} = & \ln A + \alpha_1 \ln\left(\frac{K}{L}\right)_{it} + \alpha_2 \ln(L)_{it} + \alpha_3 \ln(R)_{it} + \beta_1 S_{it} \\ & + \beta_2 T_{it} + \gamma_1 U1 + \gamma_2 U2 + e_{it} \quad \text{-----} (3) \end{aligned}$$

In the regression model (3), output(Y) is value-added. The sample companies produced several different types of product. The auto companies made over two hundred different models during the sample period. The cement firms had produced not only cement but also other products, such as, clinker and ready mixed concrete, and in addition, were involved in construction, shipping, and other activities, even if the proportion of such projects to the total output was below 10 per cent. In this case study, output, therefore, has to be a value-added term rather than a physical unit. In the cement industry, however, the price of cement is the same throughout Korea, since the price is determined by an agreement between all the cement companies. Hence, in this situation, the price effect would not be compounded with productivity.

However, there could be a possibility that price varies between the sample years. Where Korea experienced inflation or deflation during the sample period, the fluctuations of price may lead to biased statistical results. Thus, all outputs(Y) are adjusted by the appropriate industry wholesale price indexes(Table 6.1). The table clearly shows that prices changed in the range of about 23 and 2 per cent in the auto and cement industries respectively. The value-added is calculated as follow:

$$\text{Value-added} = \text{Sales} - \{ (\text{Material} + \text{Overhead} + \text{Depreciation}) + \text{Opening stock} - \text{Closing stock} \} + \text{Adjustment for value-added}$$

where Adjustment for value-added = The total costs of manufacturing - Cost of goods sold + Opening stock - Closing stock

Therefore: $Y = \text{Value-added} \times \text{Industry-level price index}$

Table 6.1 The Wholesale Price Indexes for The Auto and Cement Industry

Year	Industry	
	Auto	Cement
1980	79.5	-
1981	88.9	-
1982	98.4	-
1983	99.5	100.7
1984	100.3	99.8
1985	100.0	100.0
1986	100.6	99.8
1987	101.7	99.7
1988	102.2	100.8
1989	103.4	102.0

Source: i) National Bureau of Statistics, "Korea statistical Year Book 1987", Economic Planning Board, p.426. ii) Ministry of Labour, "Year Book of Labour Statistics 1989", pp.298-301.

The capital input variable(K) is the sum of tangible fixed assets in each company for each year. Among them, the suspense of construction is not included, because it is not a tangible asset. Again, in the same respect as Y, K was adjusted by the wholesale price indexes of the country (Table 6.2).

Table 6.2 The Wholesale Price Indexes for The Country

Year	Price Indexes	Year	Price Indexes
1980	78.0	1985	100.0
1981	93.9	1986	98.5
1982	98.2	1987	99.0
1983	98.4	1988	101.7
1984	99.1	1989	103.2

Source: National Bureau of Statistics, "Korea Statistical Yearbook", EPB, Republic of Korea, 1989 and 1990.

Thus the capital input variable is calculated as follows:

$$K = \left(\begin{array}{l} \text{total tangible fixed assets} \\ \text{of construction} \end{array} - \text{suspense account} \right) \times \text{wholesale price index}$$

Labour(L) within this study is measured as the total number of employees in each company.[6] The number of employees in each company for each year is calculated as follows:

$$L = \begin{array}{l} \text{The total number of employees at the beginning of the year} \\ + \text{The total number of employees at the end of the year} / 2 \end{array}$$

There is a high possibility that changes in the rate of operation (R) may be an important source of variation in not only the capital but also the labour input. In fact, high operating rates could reduce the capital input per production unit.

Similarly, a high rate may utilise employed labour more effectively than that of a lower rate. This is especially so, since Korean employers tend rarely to layoff employees, even in times of recession. This confirms the necessity for adjustments with regards to the variation in the operating rate. In this case, the ratio was calculated as follows;

$$R = \text{Total Production} / \text{Plant capacity} \times 100$$

This study included two industries, but the size of the companies (S) varied considerably. For example, in the auto industry, the smallest company employed 4,202 in 1989, while the largest had 34,613 employees in that same year. In the cement industry, the largest firm employed four times as many workers as the smallest company within the industry, in 1989. Since it is normally expected that larger firms tend to have a better chance of producing more effectively than smaller ones, through economies of scale, a dummy variable was introduced to cope with such possibility in the sample companies, as follows:

i) Auto Industry

$$S \begin{cases} 1 & \text{if a company has more than 10,000 employees} \\ 0 & \text{otherwise} \end{cases}$$

ii) Cement Industry

$$S \begin{cases} 1 & \text{if a company has more than 2,000 employees} \\ 0 & \text{otherwise} \end{cases}$$

A control variable is also included within the regression. In order to control for possible changes over the sample period,

such as, generalised technological progress and other business environment factors, a time variable(T) is added.

Finally, two union dummy variables (U1 and U2) which are categorised along with the time period, were included.[7] In Korea, as described in chapters 4 and 5, the 6.29 Declaration gave freedom to the trade unions, including the right to organise, collective bargaining, and collective action. Thus the union status dummy variables are divided into two;

$$U1 \begin{cases} 1 & \text{if union status (1980 - 1986) or (1983 - 1986)} \\ 0 & \text{otherwise} \end{cases}$$
$$U2 \begin{cases} 1 & \text{if union status (1987 - 1989)} \\ 0 & \text{otherwise} \end{cases}$$

The difference of coefficient value between U1 and U2 will, therefore, indicate whether the impact of unionisation on productivity is influenced by both external and internal environment of industrial relations, and whether the restrictions on the trade union actions in Korea, are favourable to the labour productivity or not. Meanwhile, some British researchers, such as, Machin and Wilson, took account of the differences in union density and the presence of a closed shop, in their economic analysis.[8] However, all the Korean sample companies had enterprise-based unions and very similar levels of union density, that was around 70 per cent through the sample periods.[9] Although, two auto unions and three cement unions employed the union-shop rule, which was the post-entry closed shop rule, such rules did not apply to the white-collar workers. Moreover,

nearly all blue-collar workers were union members in other unions, which did not adopt the union-shop rule, in both industries. As a consequence of these facts, the presence of unions in the Korean case, would not bring about the need to adjust for such differences.

3. Sample Industries

3.1 Auto Industry

In Korea, there are currently five auto companies, who assemble and also sell their final products. The Korean car industry has a relatively short history, dating back to 1955.[10] Until the Kia Motor and Hyundai Motor companies produced the 'Birsa' and 'Pony' in 1975, more than half of the components used were imported from outside of Korea, mainly Japan.[11] In 1976, the percentage of 'localised' parts for the 'Pony' was 90 per cent, and the car was exported for the first time in the history of the Korean auto industry, in this year.[12] The capacity for car production in Korea has escalated during the 1980s, as illustrated in Table 6.3.

Table 6.3 The Capacity of Car Production in Korea

		Units = Thousand												
Vehicle	Year													
		62	65	70	75	80	81	82	83	84	85	86	87	88
Car		2	4	27	103	238	204	192	192	192	490	924	1110	1350
Bus		-	-	4	9	23	21	41	41	41	41	94	126	143
Truck& Others		0.5	0.5	14	54	105	123	104	104	104	114	167	233	243
Total		2.5	4.5	47	166	366	354	337	337	337	644	1185	1469	1736

*Source: "Korea Automobile Industry. 1989", Korea Automobile Manufacturers Association, 1989, P.12.

Korean auto companies can now produce almost two million vehicles per year. In 1988, the five car makers employed around seventy two thousand workers, most guaranteed lifetime employment.[13]

Since 1976, the export of motor vehicles has increased dramatically (Table 6.4). While 31,468 vehicles were sold in foreign markets in 1979, the total number of exported motors by 1988, had been boosted by more than 18 times in comparison. Thus more than half of the Korean manufactured motor cars, were sold abroad, in each year from 1986. Consequently, most of the auto companies were able to recover from deficit in the early 1980s. The auto industry itself has become one of the leading export industries in Korea, with the export of three and a half billion dollar's worth of motor cars in 1988.[14]

Table 6.4 Production And Selling Levels for of Motor Vehicles

Unit = Thousand

Year	Production	Selling*	Export	%**
1979	204	194	31	16.0
1980	123	129	25	19.4
1981	133	136	26	19.1
1982	163	161	20	12.4
1983	221	219	25	8.8
1984	265	262	52	20.0
1985	378	369	123	33.3
1986	602	595	306	51.4
1987	980	966	546	56.5
1988	1,084	1,100	576	52.4

Note:* Selling = Domestic selling + Export

** Export / Selling x 100

Source: "Korea Automobile Industry 1989", Korea Automobile Manufacturers Association, 1989, P.19.

All five companies have their own worker's unions. In two of them, unionisation only occurred after the declaration in 1987. Nearly all production workers are union members, while white-collar workers rarely joined unions.[15] Thus the average union density in the auto industry was around 70 per cent during the 1980s, and there was no significant difference between individual companies.[16] The company level unions belong to one national industry union, namely, the Metal Industry Workers Union(MIWU). the MIWU, however, does not directly participate in the collective bargaining in individual firms. Rather the auto unions have a very close relationship between each other.

Perhaps the most crucial aspect of the industry for this analysis, is that it has been in the vanguard of the current Korean labour movement. All of the firms have had several industrial disputes during the sample period and their unions are regarded as the most independent of state control and the most democratic.[17] So, these sample companies can show the effect of the 6.29 Declaration on the relationship between unions and productivity as well as the real impact of unions on productivity under the freedom from restrictions on union activities.

3.2 Cement Industry

In Korea there are nine companies in the cement industry, among them, the six largest have been selected as sample firms in this study. These six companies produce cement and clinker, and account for almost 90 per cent of the total production in Korea. The cement industry has one of the longest industrial histories in Korea. The first cement company, set up by the Japanese in 1919, produced sixty three thousand tons per year, today almost three million tons of cement are produced each year (see Table 6.5).[18] With the boom in construction in Korea, the market is a seller's not a buyer's market. The price of cement, however, is the same over the whole nation, set at an agreed cartel price.

Table 6.5 The Trend of Cement And Clinker Production
in Korea

(Unit: 000s M/T)

	1983	1984	1985	1986	1987	1988
Cement	21,214	20,359	20,498	23,225	25,662	28,995
Clinker	20,794	20,433	20,557	22,482	25,051	27,416

Source: Korea Cement Industrial Association, Cement, No.116, September, 1989, pp.73-74.

The six companies employed eleven thousand workers at the end of 1989. While over 90 per cent of blue-colour workers were union members, the overall union density, which includes white-colour employees, was around 70 per cent during the sample period.[19] Four company unions were established in the mid-1960's. The other two unions were founded in 1987. Therefore, the cement industry also has one of the longest union histories in Korea. The company unions belong to the Chemistry Workers Union (CWU) which is one of the largest national unions. Like the MIWU, the CWU does not directly involve itself in the collective bargaining process and other union activities. But the CWU guides the direction of the labour movement and provides advice and suggestions as required from the company level unions.

Despite the long history of unionisation in the cement industry, none of the six companies have had any industrial disputes to date, but this phenomenon does not mean that cement unions are all 'kept unions'.[20] In comparison with the auto industry, they have the same collective bargaining process, and have achieved somewhat similar results in terms of, wage levels, length of holidays, and other employee welfare facilities. Thus,

it is fair to assume that the cement industry has had a more stable and harmonious industrial relations climate than that of the auto industry. As a consequence of this, we may be able to see some meaningful findings by comparing the two industries. This comparison should have the benefit of showing that the impact of unions on productivity may vary between industries which have distinctive industrial relations settings, even under a similar external environment.

4. Empirical Results

Regression results are displayed in Table 6.5. The auto unions increased their labour productivity by 8.29 per cent during the period of time before the declaration, though this was statistically insignificant. In contrast, under the relative freedom for trade union activity, unions had a negative impact on productivity, of 32.85 per cent, and this was significant at 90 per cent.

In the cement industry, unions had a positive impact on productivity over all the sample periods. Moreover, the effects were higher, from 4.99 to 29.97 per cent in the period of time after the declaration. Also, U1 was not statistically significant, while U2 was significant at 95 per cent.

Table 6.6 Regression Results in The Auto and Cement Industries

	Auto	Cement
R^2	0.7213	0.7592
SEE	0.2509	0.1498
F	12.2019	15.3101
DW	1.6034	1.6278
Constant	6.6336	6.4009
$\ln(K/L)$	-6.2925 E-03 (-0.038)	0.1818 (2.001)*
$\ln(L)$	-0.0154 (-0.199)	0.2648 (1.896)*
$\ln(R)$	0.4967 (4.584)**	-0.1146 (-0.634)
S	0.2250 (1.358)	-0.3414 (-2.456)**
T	0.1273 (5.188)**	0.0467 (1.726)*
U1	0.0829 (0.665)	0.0499 (0.600)
U2	-0.3285 (-2.015)*	0.2997 (2.501)**

- Note: (a) The dependent variable in all regression is $\ln(Y)$
 (b) $N=41$ in auto Industry and $N=42$ in cement industry
 (c) Each observation is one company for one year
 (d) t-values appear below the coefficient estimates in parentheses
 (e) * significant at the 10 % level
 ** significant at the 5 % level

5 Conclusion

The impact of Korean trade unions upon productivity, varies from positive to negative, depending on the industry and the sample periods. In the period before the declaration, both auto and cement unions increased labour productivity, but such a union impact was relatively small compared with those after the declaration, and were statistically insignificant. Under the freedom of the union activities, however, the union influences on productivity were diverse, that is, while the auto unions had a negative effect, the cement unions enhanced their positive effect on productivity by about 6 times compared with the period before the declaration. These results support my contention that the union effect cannot be fixed in one direction for all periods and situations. That is, the effect will be dependent upon the circumstances of industrial relations.

These varied union impacts on productivity, therefore, bring about the following three questions; (1) In which ways did Korean unions influence labour productivity? (2) Why did the auto and cement unions in the period prior to the declaration have a relatively small and statistically insignificant impact on productivity compared with the period following the declaration? (3) Why did the auto unions lower labour productivity, under the freedom of union actions, while the cement unions had a positive impact on productivity in the same period? In the following chapter, these questions will be addressed.

Notes and References

[1] The individual company data, such rates as, production, wage improvement, turnover and absenteeism, were collected in the management opinion survey under the guidance of the researcher.

[2] Machin, S.J.(1988), "The Productivity Effects of Unionisation and Firm Size in British Engineering Firms", Warwick Economic Research Paper, University of Warwick, March, 23rd.

[3] Park, R.Y. and Y.K. Choi(1989) "The Industrial Relations In Korea Auto Industry", in Park, R.Y.(1989), "The Industrial Relations In Auto Industry", Korea Labour Institute and Korea Automobile Manufacturers Association, February, p.50.

[4] (1) Allen, S.G.(1984), "Unionised Construction Workers Are More Productive", Quarterly Journal of Econometrics, Vol.99, May, pp.260-261.; (2) Brown, C. and J.L. Medoff(1978), "Trade Unions in The Production Process", Journal of Political Economy, Vol.86, No.3, June, pp.363-365.; (3) Clark, K.B.(1980), "The Impact of Unionisation on Productivity: A Case Study", Industrial and Labor Relations Review, Vol.33, No.4, July pp.451-469.; and (4) Mefford, R.N.(1986), "Introducing Management into The Production Function", Review of Economic and Statistics, Vol.68, No.1, pp.96-104.

[5] Mefford, R.N.(1986), op.cit., 98-99.

[6] In Korea, information concerning total working hours rarely exists. This is, especially, true in the cement industry, where each company has several plants spread throughout the country. Some companies have more than twenty factories, often concerned with different stages of production, such as, pulverising, clinker or cement production, and packing. Hence, the exact data on working hours for each company was impossible to obtain.

[7] This study also analysed the union impact on productivity into three categories as follow;

$$U1 = \begin{cases} 1 & \text{if union status, (1980-1986) in the auto industry,} \\ & \text{(1983-1989) in the cement industry} \\ 0 & \text{otherwise} \end{cases}$$

$$U2 = \begin{cases} 1 & \text{if the unions were organised before the declaration} \\ & \text{in the period from 1987 to 1989} \\ 0 & \text{otherwise} \end{cases}$$

U3 $\left\{ \begin{array}{l} 1 \text{ if the unions were organised after the declaration} \\ \text{in the period from 1987 to 1989} \\ 0 \text{ otherwise} \end{array} \right.$

Therefore, U1 refers to the union impact of unionised companies during the period where there was restrictions on union activities. The second union effect (U2) only includes periods where the freedom of union activities were available, and companies which were unionised before the declaration. Finally, U3 involves the union impact of companies that were unionised after the declaration.

As can be seen in the following table, U2 and U3 have quite similar values in both industries. Therefore, in the main analysis, U2 and U3 were made into one variable in order to cope with the lack of empirical data.

Regression Results in The Auto and Cement Industries

	Auto	Cement
R^2	0.7226	0.7602
SEE	0.2542	0.1517
F	10.4204	13.0788
DW	1.5700	1.6286
Constant	6.4851	6.6060
 ln(K/L)	 -0.0151 (-0.086)	 0.1483 (1.668)
ln(L)	-0.0193 (-0.243)	0.3009 (1.771)*
ln(R)	0.4899 (4.406)**	-0.1374 (-0.714)
S	0.2352 (1.384)	-0.3430 (-2.435)**
T	0.1267 (5.086)**	0.0491 (1.714)*
 U1	 0.0795 (0.628)	 0.0287 (0.286)
U2	-0.3595 (-1.959)*	0.2706 (1.891)*
U3	-0.3024 (-1.697)*	0.3140 (2.473)**

Note: (a) The dependent variable in all regression is $\ln(Y)$
 (b) $N=41$ in auto Industry and $N=42$ in cement industry
 (c) Each observation is one company for one year
 (d) t-values appear below the coefficient estimates in parentheses

- (e) * significant at the 10 % level
 ** significant at the 5 % level

[8] Machin, S.J.(1987), "Union Productivity Effects in British Engineering", Mimeo, University of Warwick, December. Wilson, N.(1987), "Unionisation, Wages and Productivity: Some British Evidence", Occasional Paper, No.8703, University of Bradford, March.

[9] Refer to reference numbers; [10] and [13].

[10] A Ministry of Commerce and Industry "A Government Report on Auto Industry, 1988", November, p.36.

[11] Park, R.Y. and Y.K. Choi(1989), op.cit., p.18.

[12] Park, R.Y. and Y. K. Choi(1989), op.cit., p.18.

[13] "Korea Automobile Industry 1989", Korea Automobile Manufacturers Association, p.10.

[14] ibid., p.10.

[15] The exact union density of white-collar workers was not available, but most union officials informed that the rate was around between 10 to 20 per cent.

[16] The Union Density in Individual Auto Companies
 (%)

Company	89	88	87	86	85
One	74	71	63	--	--
Two	74	69	68	--	--
Three	67	65	N/A	N/A	N/A
Four	68	61	73	76	70
Five	70	68	N/A	N/A	N/A

Note: 1) Companies One and Two was unionised in 1987.

2) The union density record of the company C, D and E were not available in the private interview, because the three unions did not have accumulated data. However, all the union representatives informed that the union density of the unreported years were around 70 per cent.

3) N/A = Not Available

Source: The union leader opinion survey, Question 1.

[17] Unions are grouped into two categories:

- (i) A democratic union which is not patronised by the management side.
- (ii) A kept union which is patronised by the management side

[18] "Cement" Korea Cement Industrial Association, Vol.91, June, 1983, p.57.

[19] The union leader opinion survey, Question 1&2.

The Union Density of Blue-Collar Workers in Individual
Cement Companies

(%)

Company	89	88	87	86	85	84	83
One	99	98	80	--	--	--	--
Two	92	87	81	--	--	--	--
Three	97	97	97	97	97	97	97
Four	100	100	100	100	100	100	100
Five	100	100	100	100	100	100	100
Six	85	89	84	86	N/A	N/A	N/A

Note: 1) Companies One and Two were unionised in 1987.

2) Most of the unions did not have exact data for union density which included white colour workers. However, the overall density can be estimated at about 70 per cent, if the number of employee in each company are considered.

3) N/A = Not available

Source: The union leader opinion survey, Question 1.

[20] The Ministry of Commerce and Industry, op.cit., p.36.

CHAPTER 7. EXPLANATIONS ON THE ECONOMETRIC ESTIMATION

1. INTRODUCTION

While the relationship between the unions and productivity has been explored by many empirical studies, few have investigated the sources of union impact on productivity, through opinion surveys, individual company data and information. Certainly, econometric analysis may show the relationships more clearly than a qualitative approach. However, we need to bear in mind that human behaviour cannot be properly explained by statistical estimations only. Therefore, the effect of unions upon productivity could be better examined, if both quantitative and qualitative methods were used at the same time in order to assist mutually. This is the procedure I have adopted, but no other researchers have used.

This experimental analysis involved interviews and questionnaires which were carried out in ten sample companies (introduced in chapter 6) from January to March 1989. For the trade union representatives opinion survey, one union official was interviewed in each of the ten unions. For the management opinion survey, open-ended questionnaires were used and completed by personnel managers in ten companies, since several questions required cumulative individual company data. Finally, in nine companies, 2,300 close-ended questionnaires were

distributed to the workers who had more than three years work experience in the sample companies. The questionnaires included many questions that asked for comparisons either before/after the 6.29 declaration or unionisation, which occurred two and half years prior to the survey. As a consequence of this, two kinds of questionnaires were utilised. The first, so called "Model I", was intended for those workers who had been unionised before the 6.29 declaration. The second, so called "Model II", was designed for those workers who had undergone unionisation after the declaration. Hence the comparisons required here, were between before and after unionisation.

The overall response rate in the employee opinion survey was 58 per cent. Among the 1,337 collected questionnaires, 1,197 responses were used in this analysis, the remainder did not answer all the questions or were "spoilt" in some way. The tables, 7.1, 7.2, 7.3 and 7.4, show details of the sample in the worker opinion survey (see Appendixes I and II for copy of questionnaire).

Table 7.1 Details of The Sample in The Worker Opinion Survey

	Auto Industry	Cement Industry	Total
Companies	4	5	9
Number of Workers	996	201	1197
Collected Questionnaires			
(i) Model I	480	124	604
(ii) Model II	516	77	593

Table 7.2 Sex Distribution

F			
T.P			
R.P			
C.P	Male	Female	Total
Auto	990	6	996
	82.71	0.50	83.21
	99.40	0.60	
	83.76	40.00	
Cement	192	9	201
	16.04	0.75	16.79
	95.52	4.48	
	16.24	60.00	
Total	1182	15	1197
	98.75	1.25	100.00

Note: F = Frequency, Number of Respondent
T.P = Total per cent
R.P = Row per cent
C.P = Column per cent

As we see in the Table 7.2, the respondents of this survey were mostly male workers. This is related to the composition of workers in these industries; over 90 per cent are male. Recent labour movements in Korea have been handled by men, in contrast to the fact that female workers contributed significantly to earlier labour movements, in the 1960's and 1970's, when the light industries dominated the Korean economy.[1] The age distribution of respondents provides an indication that this opinion survey gave an even spread over all age groups, according to the density of each age groups(see Table 7.3). Finally, three years plus tenureship might be expected to be enough time for workers to know about their companies and unions(see Table 7.4).

Table 7.3 Age Distribution

F						
T.P						
R.P						
C.P	- 25	26 - 30	31 - 35	36 - 44	45 -	Total
Auto	19	388	418	153	18	996
	1.59	32.41	34.92	12.78	1.50	83.21
	1.91	38.96	41.87	15.36	1.80	
	86.36	94.87	90.48	65.11	26.09	
Cement	3	21	44	82	51	201
	0.25	1.75	3.68	6.85	4.26	16.79
	1.49	10.45	21.89	40.80	25.37	
	13.64	5.13	9.52	34.89	73.91	
Total	22	409	462	235	69	1197
	1.84	43.17	38.60	19.63	5.76	100.00

Note: F = Frequency, Number of Respondent
 T.P = Total per cent
 R.P = Row per cent
 C.P = Column per cent

Table 7.4 Tenure Distribution

F					
T.P					
R.P					
C.P	3 - 5	6 - 10	11 - 15	16 -	Total
Auto	626	209	121	40	996
	52.30	17.64	10.11	3.34	83.21
	62.85	20.98	12.15	4.02	
	94.56	71.33	64.71	71.73	
Cement	36	84	66	15	201
	3.01	7.02	5.51	1.25	16.79
	17.91	41.79	32.84	7.46	
	5.44	28.67	35.29	27.27	
Total	662	293	187	55	1197
	55.30	24.48	15.62	4.60	100.00

Note: F = Frequency, Number of Respondent
 T.P = Total per cent
 R.P = Row per cent
 C.P = Column per cent

In the second section, the sources of union impact on labour productivity, supported by both qualitative and quantitative data, will be introduced. Table 7.5 shows how the empirical opinion surveys are related to the possible union impact on productivity. In the third section, the reasons why the union impact on productivity (U1) could not be statistically significant in the period before the 6.29 declaration, will be discussed. And the mutually contradictory results of U2 between auto and cement unions will be analysed. Finally, the relationship between union presence and labour productivity in Korean manufacturing will be formulated in fourth section.

Table 7.5 Contents of Qualitative Surveys

No	Category of Union Impact	Number of Questions in Each Relevant Opinion Surveys
1	Workers' Morale and Motivation	i) W: 7, 10, 11, 26, 27, 29, 35, 37. ii) M: 4. iii) T: 5.
2	Channel of Communication	i) W: 17, 18, 28, 30, 31, 38. ii) M: 6.
3	Turnover Rate	i) W: 21, 22.
4	Seniority Rule	i) W: 23, 24, 25.
5	Shock Effect	i) W: 15, 16. ii) M: 3, 6.
6	Climate of Industrial Relations	i) W: 8, 13, 32, 38. ii) M: 10, 11. iii) T: 11, 12.
7	"WorkPlace Democracy"	i) Q.W.: 14, 33.
8	Productivity Elevating Activity	iii) T: 8, 11, 12.
9	Work Rule Intervention	ii) M: 1, 2. iii) I.U: 11, 12.
10	Industrial Action	ii) Q.M & I.M: 10, 11. iii) I.U: 13.
11	Absenteeism	Other sources*
12	Investment	Other sources**

Note: 1) W = The worker opinion survey
 2) M = The management opinion survey
 3) T = The trade union leader opinion survey
 4) Other sources: * = Internal data of individual companies
 ** = Korea Investors Services, inc., Financial Report of Korean Companies, 1989.

2. The Sources of Union Influence on Labour Productivity

The relationship between trade unions and productivity has been estimated by many researchers. A fair number, however, tell us nothing at all about the sources of union influence.[2] Even though some empirical studies have tried to answer the question of "how do unions increase/decrease productivity?", the area still remains a "black box", as Freeman and Medoff have noted. This is partly because, the union influences involve human behaviour that is inherently difficult to identify and quantify in categorical terms. Moreover, the impact tends to greatly depend on not only internal climate of a workplace, but also the external climate in which management and labour operate.[3] On top of these problems, and especially in the Korean case, it is extremely hard to gain access to the management of firms. In fact, managers are very reluctant to provide information that is needed to analyse the impact of unionisation.

Working with the above difficulties, this study draws out twelve possible channels of union influence on labour productivity(see Table 7.5). The first eight sources may have positive impacts on productivity, while the remaining four, may have negative influences. And the study confirms that nine union functions, among the twelve, influenced on productivity in Korean case.

2.1 Worker Morale and Motivation

One assumption, that increased worker morale and motivation under unionism would be one factor influencing labour productivity, has long been asserted by the positive view of trade unionism. That is, worker's morale and motivation are improved by better working conditions as well as ensured grievance procedures, gained as a result of union action.

In fact, in the Korean case, the assumption is clearly accepted by the employee opinion survey. It shows that unions improve working conditions in terms of pay level, working hours, length of holiday, workplace environment, and welfare facilities. Also, workers are more satisfied with their grievance procedures under unionism or after the declaration period. More importantly, workers' morale and motivation have been increased by the improved working conditions and provision of ensured grievance procedures.

Question 7 in the employee opinion survey, asked about the level of pay. Table 7.6 shows that workers gave more scores in the range 0.53 to 0.70, in the period after unionisation and following the declaration, in both industries, than those before. Moreover, even in the period before, respondents were more satisfied with their payment level under unionisation than those without unions, in both industries. Thus, it can be argued that trade unions brought about better economic compensation to workers.

Table 7.6 Responses to Question: "How would you rate your current pay level compared to your work load?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
Very High	5	4*	0	13	3	0	0	0	0
High	4	4	17	14	23	0	2	17	35
Fair	3	25	109	40	166	5	21	40	53
Low	2	181	310	224	310	35	48	48	34
Very Low	1	246	24	245	34	36	5	20	3
N		460	460	536	536	76	76	125	125
Mean Scores		1.56	2.26	1.74	2.35	1.59	2.26	2.43	2.96
S.D.		.725	.609	.897	.689	.615	.619	.919	.807

Note: (1) Union = Unionisation, thus the category of union includes workers who had their unions from the year of 1987.

(2) 6.29 = The 6.29 declaration, thus the category of 6.29 covers workers who were in unions since 1960's or 1970's.

(3) Bef = Before

(4) Aft = After

(5) Scores = In order to draw out the more clear interpretation from the number of frequencies of each category, the weighted scores are given under the assumption that the interval between the categories is equal.

(6) * = Frequency

(7) Mean score of each category is calculated as follow:

$$\text{Frequency} \times \text{Score} / \text{Frequency}$$

(8) S.D. = Standard Deviation

Source : Question 7 in the worker opinion survey.

Table 7.7 Wage Rate Increases

Industry		Year							
Company	81	82	83	84	85	86	87	88	89
Auto									
One	11.0	8.5	5.3	2.0	5.0	13.7	16.0	24.0	19.8
Two	17.1	12.6	7.9	11.7	3.2	5.0	30.0	20.6	28.1
Three	17.0	9.8	8.7	7.2	9.7	6.0	22.0	28.2	25.8
Four	-	-	8.1	7.0	9.4	5.6	30.7	26.4	24.5
Five	14.9	14.3	11.5	8.7	18.5	0.0	32.4	26.9	35.1
Mean	15.0	11.3	8.3	7.3	9.2	6.1	26.2	25.2	26.7
Cement									
One			-	-	4.6	4.8	11.0	12.0	16.6
Two			6.1	7.1	6.8	6.8	18.0	13.0	16.6
Three			-	5.0	7.6	6.5	9.4	12.0	16.6
Four			-	-	6.9	5.7	15.0	13.2	16.6
Five			5.0	4.0	5.5	5.2	11.5	19.9	16.6
Six			5.9	4.0	5.3	4.6	10.0	12.0	15.0
Mean			5.7	5.0	6.1	5.6	12.5	13.7	16.3

Source: Internal data of individual company.

In fact, Table 7.7 illustrates how sharply unionisation increased workers' wages during the 1980s. After the declaration, unions increased wages by double the rate, in comparison with those before.

Question 10 looked for employee opinions on working hours (Table 7.8). It can be seen that the difference of mean scores is certainly significant. Similarly, respondents were more satisfied with their holidays in the sample period between 1987 and 1989 in both industries, than those in the period between 1980 and 1986 (Table 7.9).

Table 7.8 Responses to Question: "How would you rate working hours in comparison to your pay?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
Very short	5	3	1	4	2	0	0	1	0
Short	4	1	1	5	9	1	3	5	7
Fair	3	33	109	44	110	16	27	66	83
Long	2	175	304	214	341	19	37	36	31
Very long	1	248	45	269	74	40	9	17	4
N		460	460	536	536	76	76	125	125
Mean Scores		1.56	2.15	1.63	2.11	1.71	2.32	2.50	2.74
S.D.		.768	.612	.774	.657	.846	.734	.809	.608

Note : i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

Source: Question 10 in the worker opinion survey.

Table 7.9 Responses to Question: "How satisfactory do you consider the length of your holiday in your company to be?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	5	4	5	9	11	1	1	6	9
B	4	28	92	52	110	3	13	14	33
C	3	116	214	172	247	21	28	51	40
D	2	164	127	187	130	19	24	31	28
E	1	148	22	116	38	32	10	23	15
N		460	460	536	536	76	76	125	125
Mean Scores		2.28	2.85	2.06	2.82	1.97	2.62	2.95	2.94
S.D.		.944	.831	.951	.854	.993	.966	1.06	1.12

Note : i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are :

A = Very satisfactory B = Satisfactory
C = Fair D = Poor

E = Very Poor

Source: Question 11 in the worker opinion survey.

Question 35 asked about the working environments within the workplace (Table 7.10). The table indicates that unionisation and the freedom to take union action, have led to significant improvements in workplace conditions, in both industries. Even in the period before the declaration, workers in unionised companies gave more points, 0.38 or 1.12 higher, in the auto and cement industries, respectively.

Table 7.10 Responses to Question: "How do you consider the working environment of your company?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	5	7	1	10	10	0	0	4	9
B	4	13	33	32	68	1	2	7	12
C	3	76	194	176	202	8	20	77	77
D	2	168	170	166	163	25	34	21	15
E	1	196	62	152	93	42	20	16	12
N		460	460	536	536	76	76	125	125
Mean Scores		1.84	2.43	2.22	2.51	1.58	2.05	2.70	2.93
S.D.		.904	.826	.986	.999	.735	.798	.882	.943

Note : i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are :

A = Very pleasant B = Pleasant
C = Fair D = Bad
E = Very bad

Source: Question 35 in the worker opinion survey.

Table 7.11 illustrates the fact that unions forced management to provide welfare facilities in the time period overall, and in both industries. In turn, workers responded that they still felt the facilities provided, were below the level of fairness.

Table 7.11 Responses to Question: "To what extent are you satisfied with the welfare facilities in your company?"

Category	Score	Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
		Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	5	3	1	9	10	0	0	10	15
B	4	1	34	27	74	3	11	10	26
C	3	52	166	178	248	14	23	44	36
D	2	182	172	219	154	21	29	40	35
E	1	222	87	103	50	38	13	21	13
N		460	460	536	536	76	76	125	125
Mean Scores		1.65	2.33	2.29	2.70	1.76	2.42	2.58	2.96
S.D.		.738	.872	.891	.891	.892	.942	1.11	1.18

*Note : i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

- ii) Categories are :
- A = Very much satisfied
 - B = Satisfied
 - C = Fair
 - D = Dissatisfied
 - E = Very much dissatisfied

Source: Question 37 in the worker opinion survey.

So far, the tables show that unions can secure greater material rewards, particularly in the Korean case. Table 7.12 reveals that complaints and suggestions are taken more seriously by management under unionism. In the period before unionisation

or the declaration, 302 respondents said that management did not accept any complaints or suggestions, while in the period after, only 60 workers chose the same category. Moreover, workers already unionised, expressed that freedom of union activity had brought about the ensured grievance procedures, giving more points by around 0.6 in both industries.

Table 7.12 Responses to Question: "How seriously are employees complaints and suggestions taken by management in your company?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	5	23	35	21	32	1	0	6	18
B	4	87	173	109	174	11	26	46	55
C	3	21	110	74	137	0	22	13	27
D	2	194	122	226	162	27	27	36	17
E	1	135	20	106	31	37	1	24	8
N		460	460	536	536	76	76	125	125
Mean Scores		2.28	3.18	2.46	3.03	1.84	2.96	2.79	3.46
S.D.		1.21	1.04	1.14	1.05	1.08	.871	1.26	1.10

Note : i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are :

A = Very seriously

B = Quite seriously

C = Seriously under the pressure of trade union

D = not seriously

E = Not at all

Source: Question 29 in the worker opinion survey.

From Question 4 in the management opinion survey, it can be seen that most companies had adopted some kind of channel to communicate workers' grievances, from the early 1980's (Table 7.

13). Table 7.12, however, indicates that grievances have not been handled properly without unions or without the freedom for union action. In fact, the mean scores have sharply increased by from 0.57 to 1.12 points. Another interesting finding, was that even under some restrictions, the existence of unions was better than without, in these aspects. Since, in the before period, respondents who worked in unionised companies were more satisfied with their grievance procedures by an average mean scores of 2.63, than those of non-unionised companies (average mean scores of 2.06). Hence, it can be concluded that the role of unions in addressing grievances procedures is critical.

Table 7.13 Responses to Question: "What kinds of channels do you have in order to collect workers' suggestions and grievances in your company?"

Company	Establishing Date	Contents
1	N/A 1988 1989	i) Joint Labour-Management Conference ii) Grievance Committee iii) Telephone Recorded Message
2	1979 1979 N/A	i) Grievance Committee ii) Joint Labour-Management Conference iii) Suggestion System
3	1982 1985	i) Grievance Committee ii) Joint Labour-Management Conference
4	1981 N/A N/A	i) Grievance Committee ii) Joint Labour-Management Conference iii) Interview
5	1970 1980 N/A 1989 1989	i) Suggestion System ii) Grievance Committee iii) Joint Labour-Management Conference iv) Self Report System v) Information Report System
6	1980 1981 1982	i) Small Group Meeting ii) Joint Labour-Management Conference iii) Interview
7	1976 N/A	i) Grievance Committee ii) Joint Labour-Management Conference

Note: N/A = Not Available

Source: Question 4 in the management opinion survey.

The previous eight tables, indicate firmly that the existence of a union or the freedom of union actions has led to greater material rewards as well as better grievance procedures. In order to justify the proposition that unions improve labour productivity through the above functions, however, one must determine whether workers' motivation at work has increased or not. Thus Question 26 in the employee opinion survey, attempted

to find out how much workers' motivation had increased (Table 7.14).

Table 7.14 Responses to Question: "What kind of attitude do you have towards undertaking your job?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	5	28	46	49	48	3	8	16	23
B	4	102	120	126	116	14	17	32	37
C	3	201	253	264	308	24	31	53	57
D	2	69	19	38	36	12	7	17	4
E	1	60	22	59	28	23	13	7	4
N		460	460	536	536	76	76	125	125
Mean Scores		2.93	3.32	3.13	3.22	2.50	3.00	3.26	3.57
S.D.		1.08	.889	1.05	.895	1.22	1.20	1.03	.936

Note : i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are :

A = Because the work is interesting, I do my best.

B = Although the work is not very interesting, I work quite hard.

C = Because the work is given, I do my duty.

D = I work as little as possible.

E = In order to get money, I am forced to work.

Source: Question 26 in the worker opinion survey.

In both industries, workers were more motivated to work in the period after unionisation and the declaration than those before. One more important finding is that even in the period before, unionised workers had higher levels of motivation than non-unionised employees. Thus, unions have had a positive effect on worker motivation throughout the sample period.

Finally, to ensure that there is a firm relationship between

material rewards, grievance procedures and motivation, Question 7, 10, 11, 29, 35, 37, and 26 were combined.[4] Table 7.15 clearly demonstrates that employees more satisfied with their material rewards and grievance procedures were more motivated at a workplace.

Table 7.15 Relationship between Material Rewards, Grievance Procedures and Motivation

Question	Question 26				
	1	2	3	4	5
Q 7	2.29	2.10	2.09	1.96	1.60
Q 10	2.10	2.04	1.95	1.95	1.56
Q 11	2.71	2.58	2.62	2.39	2.04
Q 29	3.22	2.86	2.83	2.35	2.00
Q 35	2.62	2.38	2.31	2.08	1.81
Q 37	2.50	2.39	2.35	2.18	1.76
Mean	2.57	2.39	2.36	2.15	1.80
S.D	.277	.218	.245	.178	.155

Source: Refer to reference number [4].

In the employer and union leader opinion survey, Question 11 enquired about their opinions concerning the relationship between trade unions and productivity. All of the union leaders and management respondents, pointed out the improved worker morale and motivation as a positive union impact on productivity.

Unlike Western trade unions, Korean enterprise-based unions actively provide several types of events and support to their members. Almost half of their budgets were spent on these activities, such as, athletic meetings, supporting or organising hobby circle activities, picnics, and participating in most

individual workers' congratulations and condolences. Consequently, it can be expected that Korean unions could increase workers' morale and friendship among workers. Question 27 in the employee opinion survey asked about the role of unions in these aspects (Table 7.16). As we see, 63 per cent of respondents believed that the union was definitely necessary for enhancing friendship among workers.

Table 7.16 Responses to Question: "How do you rate the role of the trade union in enhancing the friendship among workers in your company?"

Category	Score	Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
		Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	4	N/A	285	274	367	N/A	62	26	44
B	3	N/A	106	111	100	N/A	9	45	39
C	2	N/A	63	136	61	N/A	3	43	35
D	1	N/A	6	15	8	N/A	2	11	7
N		460	460	536	536	76	76	125	125
Mean Scores		-	3.45	3.20	3.54	-	3.72	2.69	2.96
S.D.		-	.920	.915	.753	-	.665	.902	.928

Note : i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.
 ii) N/A = Not available
 iii) Categories are :
 A = Definitely necessary
 B = Not definitely necessary but quite helpful
 C = Not helpful
 D = Rather an obstacle to friendship

Source: Question 27 in the worker opinion survey.

In conclusion, Korean unions raised labour productivity through enhancing workers' morale and motivation by securing greater material rewards, by attempting to ensure that workers'

grievances were heard and fairly addressed, by providing social events, and by participating in individual members' congratulations and condolences.

2.2 Channel of Communication

The positive view of unionism argues that unions increase labour productivity through collective bargaining, which opens an important channel of communication between management and workers. The improved communications may provide management and worker preferences concerning the employment contract. More importantly, employees volunteer ideas that can improve plant lay-out, production planning, or working practices.

Moreover, unions may deliver more effectively, management announcements to employees, such as, business performance, the company's financial statement, and future development plans of the company. This argument can be strengthened by the results in Table 7.35, in this chapter. Nearly 80 per cent of respondents trusted announcements by their unions, while only 30 per cent believed management announcements. Thus, it can be assumed, confidently, that unions may enhance the effectiveness of delivering management announcements. Therefore, management can create a more co-operative mood amongst their employees, through enhancing their understanding of the company's current situation and future plans (this argument was approved by the later Tables 7.23 and 7.24).

In the Korean case, unions certainly collected their member's preferences concerning all matters of the employment contract. In fact, for the preparation of collective bargaining, a majority of the sampled unions, distributed some kind of questionnaire to their members, or provided group discussions in order to obtain worker's preferences, as well as their opinions.

Secondly, there is a need to analyse whether Korean unions have led to worker's volunteering more ideas. Questions 17 and 18 in the employee opinion survey, may show the union impact on this topic.

Question 17 was designed to check what percentage of workers had their own ideas for improving productivity. This would be important, in order to justify a positive union effect on productivity through providing communication channels. Since, if workers rarely have ideas, then unions cannot expect to have any impact through this function. Table 7.17 provides strong evidence, with nearly 76 per cent of respondents having had their own ideas for improving productivity, for the total of both industries. This should be a large enough percentage for justifying a positive union impact, as long as unions provide the communication channels.

Table 7.17 Responses to Question: "Do you have any ideas for improving productivity?"

F R.P.	Yes	No	Total
Auto	766 77.91	230 22.09	996
Cement	133 66.17	68 33.83	201
Total	909 75.94	298 24.06	1197 100.00

Note: R.P = Raw Percentage

Source: Question 17 in the worker opinion survey.

Question 28 in the employee opinion survey, enquired about the frequency of opportunities for expressing complaints and suggestions about their companies. Table 7.18 gives a clear indication that the union presence and the freedom of union activity enhanced the frequency by between 0.31 to 0.61 points. That is, workers were provided with opportunities almost regularly in the period after the unionisation and the declaration, while 34 per cent of respondents chose the "no opportunity" category in the period before.

Table 7.18 Responses to Question: "How often have you been provided with the opportunity to express any complaints or suggestions about your company?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	4	99	164	153	194	8	17	38	59
B	3	16	42	30	44	5	8	16	18
C	2	163	180	192	202	25	39	43	31
D	1	182	74	161	96	38	12	28	17
N		460	460	536	536	76	76	125	125
Mean Scores		2.07	2.64	2.32	2.63	1.78	2.39	2.51	2.95
S.D.		1.14	1.13	1.18	1.15	.974	1.01	1.15	1.13

Note: i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are:

A = Always

B = Regularly

C = Irregularly

D = None

Source: Question 28 in the worker opinion survey.

To determine how many workers actually have suggested their ideas to management or their seniors Question 18 was included (Table 7.19). The suggestion rate was raised by 7 to 18 per cent depending on the industry and union status. The highest rate was amongst cement workers, who had been newly unionised. Also, the percentage of respondents who did not suggest their ideas because of the lack of opportunity, decreased by 1 per cent to 14 per cent. Importantly, unions have encouraged workers to express ideas. That is, the frequency of respondents who do not want to suggest ideas, declined from 3 per cent to 18 per cent. The above findings, therefore, confirm that Korean unions

not only provide more opportunities, but also activate workers to express their ideas.

Table 7.19 Responses to Question: "Have you suggested your ideas for improving productivity to your management or senior?"

Category	Auto Industry				Cement Industry			
	Union		6.29		Union		6.29	
	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	116 27.62	183 39.78	138 25.75	174 32.46	22 28.95	36 47.37	35 28.00	56 44.80
B	152 33.04	147 31.96	209 38.99	192 35.82	20 26.32	20 26.32	52 41.60	35 28.00
C	192 45.72	130 28.26	189 35.26	170 31.72	34 44.73	20 26.32	38 30.40	34 27.20
N	460	460	536	536	76	76	125	125

Note: i) Union, 6.29, Bef, and Aft are same initials as used in Table 7.6.

ii) Categories are:

A = Yes

B = No, because no opportunity

C = No, because don't want to

Source: Question 18 in the worker opinion survey.

Finally, unions can deliver management announcements to workers more effectively than management itself. Question 6 in the employer opinion survey, was designed to find out whether management informed workers of their performance, financial situation and future plans (Table 7.20).

At least five companies had some kind of communication channels in order to inform the above information to workers before the declaration. Question 30 in the employee opinion

survey, however, revealed that these channels have not worked properly.

Table 7.20 The communication channels utilised by management for their announcements.

Sample Company	Starting Date	Announcer	How Regularly	Forms of Channels
One	1986	Official	Twice/year	In training programmes
Two	1980	Chief Director	Monthly	Private paper, Company leaflets
Three	N/A	Official	Monthly	Private paper, Company leaflets, Presentation meeting
Four	1985	Official	Quarterly	Labour-Management Committee
Five	1988	Managing Director	Yearly	Labour-Management Committee
Six	1980	Official	Quarterly	Private paper, Company leaflets
Seven	1987	Official	Quarterly	Company leaflets
Eight	1974	Director	Quarterly	Labour-Management Committee

Source: Question 6 in the management opinion survey. See, Appendix III for questionnaires.

Question 30 asked workers how well they knew their company's financial and management status (Table 7.21). In the before period, the mean scores were far less than 2.00, except for the unionised cement companies. That is, they knew almost nothing concerning the status of such matters. In turn, after the declaration and unionisation, workers knew far more, with an average mean scores of 2.32.

Table 7.21 Responses to Question: "How well do you know your company's financial and management conditions?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	4	4	5	9	10	1	1	5	7
B	3	63	222	71	174	2	14	37	57
C	2	179	173	240	206	20	35	60	45
D	1	175	53	185	136	45	25	17	14
E	0	39	7	31	10	8	1	6	2
N		460	460	536	536	76	76	125	125
Mean Scores		1.75	2.40	1.81	2.11	1.40	1.88	2.25	2.46
S.D.		.558	.658	.630	.650	.633	.678	.625	.677

Note: i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are:

A = Very well

B = Fairly well

C = Very little

D = Not at all

E = Not interested

Source: Question 30 in the worker opinion survey.

Question 31 was intended to determine how often employees were informed of the business performance and future development plans of their company (Table 7.22). Certainly, in the period after the unionisation and the declaration, workers have been provided more opportunities, but the situation is still very poor. The mean scores fall well below 2 points, that is "fewer than irregularly".

Table 7.22 Responses to Question: "Do you have an opportunity to be informed about the business performance and future development plans of the company?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	3	29	63	32	47	0	1	17	22
B	2	112	265	192	273	6	46	51	63
C	1	319	132	312	216	70	29	57	40
N		460	460	536	536	76	76	125	125
Mean Scores		1.36	1.85	1.47	1.68	1.08	1.63	1.68	1.86
S.D.		.613	.635	.614	.633	.271	.512	.703	.692

Note: i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are:
A = Regularly
B = Irregularly
C = Not at all

Source: Question 31 in the worker opinion survey.

With the above two tables, the function of trade unions can be explained in three ways. Firstly, unions obtain information and then communicate this to their members. Secondly, unions activated the existing channels that had been provided by the management. Finally, the unions pushed management to provide this information to workers. On top of that, the number of workers who were not interested in knowing about the information provided, decreased sharply, from 84 to 20 per cent in comparing the responses between the period before and after. Hence, unions motivated employee concern about not only individual jobs but also the whole company. Thus, workers may accept relatively poor working conditions, when their

companies are in deep financial problems, while they may ask for higher wages under better business performance. Consequently, there would be a balance between workers' requests and their performance. Obviously, this could avoid any severe industrial confrontation. These expectations are supported by the following two tables (Table 7.23, and Table 7.24).

Table 7.23 The Rate of financial Information Exposure to Workers and Their Cooperativeness with Management

		Question 38				
Question 30	score	1	2	3	4	5
A	5	4	7	20	8	3
B	4	24	201	210	147	58
C	3	7	175	361	312	103
D	2	10	60	200	205	175
E	1	2	13	25	40	24
Total		47	456	816	712	363
Mean		3.38	3.28	3.00	2.83	2.56
S.D.		.906	.685	.613	.682	.748

Note: Question 30: "How well do you know your company's financial and management conditions?"

1) Very well 2) Fairly well 3) Very little
4) Not at all 5) Not interested

Question 38: "How do you consider the mood of industrial relations in your company?"

1) Very cooperative 2) Quite cooperative
3) Neither cooperative nor uncooperative
4) Quite uncooperative 5) Very uncooperative

Table 7.24 The Rate of Managerial Information Exposure to Workers and their Cooperativeness with Management

		Question 38				
Question 31	score	1	2	3	4	5
A	3	15	86	68	37	5
B	2	23	233	376	279	97
C	1	9	137	372	396	261
Total		47	456	816	712	363
Mean		2.13	1.89	1.63	1.50	1.29
S.D.		.558	.533	.449	.552	.422

Note: Question 31: "Do you have an opportunity to be informed about the business performance and future development plans of the company?"
 1) Regularly 2) Irregularly 3) Not at all

The above two tables show that workers who have been supplied more information, tend to be more cooperative with management. Thus, as long as unions enhanced the flow of information from management to workers, either directly or indirectly, then this would be expected to be one channel of positive union impact on productivity.

In conclusion, Korean unions have provided communication channels for collecting workers' preferences as well as for expressing volunteered ideas that may improve productivity. Moreover, unions have helped their members better understand their company's financial and management conditions, business performance, and future development plans, that could aid management in creating a cooperative mood amongst their workers. Thus, it can be concluded that Korean unions have a certain positive effect on productivity by providing communication

channels between management and workers.

2.3 Turnover Rate

One of the major positive union impact on productivity stems from the fact that trade unions reduce worker turnover rates. Low turnover may lead to cost reductions, such as, in hiring and training expenses, and securing the requisite amount of labour. Also, lower turnover rates would result in a more experienced workforce. Further, Olson(1979) argued that the new hire rate is significantly related to industrial accident rates.[5] Thus, it may be supposed that low turnover will reduce the costs associated with industrial accidents. In turn, the increase in job tenure would give greater confidence to manpower planning, thus allowing management to organise establishments more effectively.

How might unions lower worker turnover rate? Several ways have been identified by Freeman(1976).[6] Firstly, unionism creates several mechanisms, such as, grievance or arbitration systems, for treating industrial relation problems that offer a substitute for classical exit behaviour. Secondly, the regular process of collective negotiation of labour contracts can also be expected to reduce exit behaviour. Finally, the union 'voice' may also reduce labour attrition rates, by creating particular work rules and conditions of employment that are desired by workers.

Kim(1988) determined those factors influencing voluntary turnover of employees in Korean manufacturing companies.[7] According to his study, better compensation, the provision of horizontal industrial relations, and fair personnel management would reduce the turnover rate.[8] In fact, these factors could normally be ensured by unionism. Thus, the presence of unions in the Korean case, may also reduce voluntary turnover of employees.

To justify the above arguments in the Korean case, Question 21 in the employee opinion survey asked for the reasons why they had changed or intended to quit their job(Table 7.25).

Table 7.25 Responses to Question: "If you have changed or intended to quit your job, what factor most influenced your decision?"

Category	Auto Industry				Cement Industry			
	Union		6.29		Union		6.29	
	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	229 49.35	197 42.83	288 53.73	255 47.57	45 59.21	26 34.21	70 56.00	61 48.80
B	48 10.43	259 56.30	44 8.21	266 49.63	12 15.79	49 64.47	17 13.60	54 43.20
C	112 24.35	4 0.87	106 9.73	15 2.80	5 6.58	1 1.32	10 8.00	10 8.00
D	6 1.30	0 0.00	9 1.68	0 0.00	2 2.36	0 0.00	5 4.00	0 0.00
E	6 1.30	0 0.00	2 0.37	0 0.00	3 3.95	0 0.00	1 0.80	0 0.00
F	42 9.13	0 0.00	68 12.69	0 0.00	6 7.89	0 0.00	16 12.80	0 0.00
G	19 4.13	0 0.00	19 3.54	0 0.00	3 3.95	0 0.00	6 4.80	0 0.00
N	460	460	536	536	76	76	125	125

Note: i) Union, 6.29, Bef, and Aft are same initials as used in Table 7.6.

ii) Categories are:

A = Poor pay

B = Problems with management or supervisor

C = Poor working condition

D = Poor peer relationship

E = Non-union status

F = Never thought about quitting

G = Others

Source: Question 21 in the worker opinion survey.

Poor pay, problems with management or their supervisor, and poor working conditions were the most frequently cited factors of the respondents. As has already been seen in table 7.7 and 7.10,

unions have created much of the improvement in pay levels and work place conditions, and thus in the period after unionisation and the declaration, these categories, indicated as reasons for quitting have been reduced. In contrast, category B has sharply increased by almost 40 per cent in the period after, in comparison with the period before. This means that workers' concerns have shifted from physical matters to psychological factors, by the satisfying of pay levels and the working environment.

The incidence of workers intending to quit, however, has risen. While no workers choose category F in the after period, respondents who never think about quitting was around 10 per cent in the before period, in both industries. This can be explained by the way that workers are motivated to claim their rights more actively under unionism.

Question 22 was intended to find out how many workers rely on their unions to provide a solution to stop them quitting (Table 7.26). It is clear that this role of the union in the low quitting rate is outstanding among others. Especially, in the period after unionisation and the declaration, almost half of the respondents who had been unionised after the declaration, relied on unions concerning quitting matters. Importantly, all categories, such as A, C, D and E, have decreased, except F (that just maintains the same level), in comparison between the before and after period. This can be explained by the fact that more workers seek solutions with their unions rather than with others.

Table 7.26 Responses to Question: "What will you do, if you have a reason to quit your current company?"

Category C.P.	Auto Industry				Cement Industry			
	Union		6.29		Union		6.29	
	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	63 13.70	40 8.70	60 11.19	71 13.25	3 3.95	4 5.26	29 23.20	24 19.20
B	0 0.00	192 41.74	81 15.11	159 29.66	0 0.00	38 50.00	24 19.20	37 29.60
C	158 34.35	115 25.00	178 33.21	169 31.53	21 27.63	10 13.16	21 16.80	26 20.80
D	6 1.30	8 1.74	5 0.93	9 1.68	0 0.00	1 1.32	1 0.80	7 5.60
E	196 42.61	65 14.13	162 30.22	70 13.06	43 56.58	15 19.74	41 32.80	20 16.00
F	37 8.05	40 8.70	50 9.33	58 10.82	9 11.84	8 10.53	9 6.40	11 8.00
N	460	460	536	536	76	76	125	125

Note: i) Union, 6.29, Bef, and Aft are same initials as used in Table 7.6.

ii) C.P. = Column per cent

iii) Categories are:

A = Discuss with management to find out the solution

B = Discuss with union leaders to find out the solution

C = Discuss with peers to find out the solution

D = Discuss with government agencies to find out the solution

E = Just quit

F = Others

Source: Question 22 in the worker opinion survey.

Finally, in table 7.27, the trend of turnover rate of production workers is shown. Since not all sample companies provided the required data, only six firms are included. It can be clearly seen that the actual quit rate in the companies

unionised in 1987, has fallen from 11.01 and 6.88 per cent to 5.49 and 3.92 per cent compared with the period before and after unionisation, in the auto and cement industry respectively. Similarly, the freedom for union activity decreased the turnover rates, in the cement industry, from 5.39 to 3.18 per cent. Further, even during the period before the declaration, unionised companies had lower turnover rates(5.39%) than non-unionised firms(6.88%). The Korean case, therefore, proved the fact that the presence of a union accompanies lower labour turnover rate.

Table 7.27 The Turnover Rate of Production Workers in The Sample Companies

Industry Company	Year						
	83	84	85	86	87	88	89
Auto One*	8.14	12.45	14.14	9.31	7.67	5.14	3.65
Cement One*	-	-	-	4.29	4.52	3.05	3.01
Two*	8.29	6.38	7.92	7.53	6.41	3.08	3.45
Three	-	-	2.37	2.06	2.14	2.71	2.79
Four	5.33	3.72	8.77	17.13	13.63	4.53	3.36
Five	3.01	3.66	3.83	4.03	3.41	2.39	4.00
Total Mean	6.19	6.55	7.32	7.39	6.30	3.48	3.38

Note:(1) The turnover rate = number of quitting / total number of production worker

(2) * = The companies were unionised in 1987.

Source: Internal data of individual company.

In conclusion, in the Korean case, the argument that unions decrease worker turnover rate is proven, not only theoretically but also empirically. Thus, through cost reductions and securing the desired amount of labour, labour productivity in unionised

companies can be raised.

2.4 Seniority Rule

The positive view of unionism also claims that productivity may increase through the standard use of the seniority principle in the areas of promotions, transfers, benefits, and vacation. This is mainly because, the seniority rule weakens the feelings of rivalry among workers, and thus increases the amount of informal training and assistance between workers.[9] In Western countries, most trade unions generally pressure management to adopt seniority rule to govern the ranking of individuals relative to each other.[10]

As already described in chapter 5, in Korean industry, including the sample companies, compensation systems are based mainly on seniority. The longer one stays with a company, the higher the compensation. Consequently, Korean unions do not need to pressurise management to employ seniority rules in respect of compensation.

In terms of promotion, however, seniority does not govern the whole of the decision. Question 23 in the employee opinion survey, asked about the major dependents in the promotion process (Table 7.28). It revealed that management's opinions were foremost, second was seniority or tenure, and third was the educational level, in both industries. Seniority is still one of the major factors in promotion, though it is not necessarily the

most important. In particular, in the cement industry, the educational level was considered the most important factor by 55 per cent of respondents.

Table 7.28 Responses to Question: "What do you consider promotion in your firm depends mostly on?"

F	A	B	C	D	E	F	Total
R.P.							
Auto	291 29.22	172 17.27	176 17.67	11 1.10	281 28.21	65 6.53	996
Cement	11 5.48	18 8.96	111 55.22	0 0.00	59 29.35	2 1.00	201
Total	302 25.23	192 15.87	287 23.98	11 0.92	340 28.40	67 5.60	1197 100.00

Note: i) R.P. = Raw per cent
 ii) Categories are:
 A = Seniority or tenure
 B = Individual ability and performance
 C = Educational level
 D = Age
 E = Management's opinion
 F = Others

Source: Question 23 in the worker opinion survey.

Through question 24 in the employee opinion survey it can be confirmed that trade unions did nothing to weaken the feelings of rivalry among workers (Table 7.29). The mean scores are nearly the same in comparison with the period before and after.

Table 7.29 Responses to Question: "Do you worry about the possibility that your promotion is interrupted by peers, juniors, or seniors?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	4	296	278	384	356	55	51	83	79
B	3	102	142	96	124	11	20	24	37
C	2	32	26	26	35	6	4	12	6
D	1	30	14	30	21	4	1	6	3
N		460	460	536	536	76	76	125	125
Mean Scores		3.44	3.48	3.56	3.52	3.54	3.59	3.47	3.54
S.D.		.981	.760	.825	.800	.855	.657	.857	.702

Note: i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are:

A = Never

B = Not much

C = Quite a lot

D = A great deal

Source: Question 24 in the worker opinion survey.

The results from Question 25, Table 7.30, deny any relationship between weakened feelings of rivalry among workers and the amount of informal training and assistance between them. If the number of respondents in category A and F are totalled, well over 70 per cent of workers always reveal efficient ways of doing their job. Moreover, almost half of the respondents who worry about the possibility that their promotions were interrupted by peers, juniors or seniors, do not want their efficient ways of undertaking their jobs kept secret (see Table 7.31).

Table 7.30 Responses to Question: "Do you keep your efficient ways of doing your job to yourself because you are worried about the possibility that your promotion prospects, and/or your wage increase will be interrupted by peers, juniors or seniors?"

Category C.P.	Auto Industry				Cement Industry			
	Union		6.29		Union		6.29	
	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	225 48.91	233 50.65	235 43.84	232 43.28	23 30.26	24 31.58	31 24.80	31 24.80
B	71 15.43	71 15.43	87 16.23	75 13.99	7 9.21	6 7.89	20 16.00	24 19.20
C	18 3.91	18 3.91	16 2.99	22 4.10	3 3.95	2 2.63	21 16.80	15 12.00
D	7 1.52	5 1.09	10 1.87	9 1.68	4 5.26	4 5.26	2 1.60	3 2.40
E	37 8.04	23 5.00	46 8.58	46 8.58	4 5.26	7 9.21	7 5.60	5 4.00
F	102 22.17	100 23.91	142 26.49	152 28.36	35 46.05	33 43.42	44 35.20	47 37.60
N	460	460	536	536	76	76	125	125

Note: i) Union, 6.29, Bef, and Aft are same initials as used in Table 7.6.

ii) C.P. = Column per cent

iii) Categories are:

A = Always reveal them

B = Mostly reveal them although sometimes keep them secret

C = Sometimes reveal them but mostly keep them secret

D = Always keep them secret

E = Have not any effective ways of doing my job

F = Never worry about it

Source: Question 25 in the worker opinion survey.

Table 7.31 The distribution of respondents who choose categories; "Quite a lot" and "A great deal" in question 24, and in question 25.

Category	Frequency	Per cent
A	39	15.23
B	73	28.52
C	43	16.80
D	52	20.30
E	48	18.75
F	0	0.00
Total	256	100.00

Note: Categories are same with those in the question 25.
Source: Question 24 and 25 in the worker opinion survey.

As mentioned earlier, in the Korean case, trade unions do not need to pressure management to adopt the seniority rule in the field of compensation, since the rule already exists. As far as promotion is concerned, unions may not pressure management to employ the seniority rule, partly because the subject of promotion is not normally included in the collective bargaining agenda. Korean workers, surprisingly, are willing to provide informal training and assistance for each other, even if they worry about the possibility that their promotion may be interrupted by other workers. It can be concluded, therefore, that the Korean trade unions have no effect on labour productivity in the connection of seniority rule.

3.5 Shock Effect

The "shock effect" has frequently been claimed as a major positive union impact on productivity. The idea is very simple and clear. That is, the rise in wages or costs which are induced by unions, shock management. Consequently, they will try to eliminate any organisational slack and/or become eager to introduce more effective production systems.

In order to check the possibility of shock effects in the Korean case, Question 3 of the employer opinion survey inquired about changes in management policies or tactics, before and after the declaration or unionisation.[11] Nine companies answered this question. Two companies cut the number of production workers, while four firms reduced the volume of recruits. Finally, supervisors or management, who did not maintain harmony with their workers, had been replaced in two firms. These phenomenon can be treated as management's efforts to eliminate organisational slack.

Question 6 in the employer opinion survey, inquired about attempts to increase labour productivity in the 1980's (Table 7. 32). It can be seen that at least four companies have required their management to be effective through new tactics after the year of 1987. However, whether the above attempts have stemmed from the "shock effect" or not, is not clear from this table, since many of the firms have made several attempts at improving productivity annually or continuously during the 1980's

Table 7.32 The efforts of management to increase productivity.

Company	Year	Content
One*	1988	i) SUD movement**
Two*	1984	i) Introducing shift working system
	1986	ii) A stock-sharing plan for the employees
	1988	iii) Expanding factory automation
	1988	iv) Reducing the volume of employment
Three*	1986	i) Office automation
	1986	ii) Remodelling of kilns
	1986	iii) Altering the combination of raw materials
Four*	1981	i) Introducing new calcination engineering method
	1981	ii) Switching the main fuel from bunker oil to coal
	1985	iii) Increase of production volume of kilns to get the size of economy
	1985	iv) Automation of production lines
	1986	v) Introducing quality circle
	1987	vi) Energy saving movement
Five	N/A	i) Diversified management system
	N/A	ii) Activation of suggestion system and total quality control system
	N/A	iii) Authority decentralisation
Six	1988	i) Remodelling of equipments and facilities
Seven	-	Not at all
Eight	N/A	i) Establishing a department that supervises productivity and quality of products

Note: i) * = The companies were unionised in 1987.

ii) ** = The SUD movement is a productivity enhancing movement.

iii) N/A = Not Available

Source: Question 6 in the management opinion survey.

The changes in management policies after unionisation have been revealed through the employer opinion survey by the Korea Seoul Chamber of Commerce and Industry in 1989 (Table 7.33). The survey was conducted utilising a sample of 725 companies, with the respondents being head of personnel departments or top

management.

Table 7.33 Changes in Management Policies As A Result of Unionisation

Category	Number of respondent	Aggregated percentage
1) Factory automation	195	22.3
2) More restricted standards in recruiting	194	44.5
3) Reducing or stopping recruitment	86	54.3
4) Increasing subcontracts	81	63.6
5) Reducing number of employee	70	71.6
6) Planning to move plants into other parts of nation	26	74.6
7) Planning to move plants into overseas	11	75.9
8) No changes	221	100.0
Total	874	100.0

Note: The question is multiple choice

Source: Korea Seoul Chamber of Commerce and Industry, The Relationship between Trade Union and Management Performance, July, 1989, p.115.

As we can see in the above table, 75.9 per cent of respondents have experienced changes in management policies as a result of unionisation.[12] Management initiated a number of policies to increase efficiency in order to survive. Category 1 refers to the introduction of more effective production systems, while 2, 3, and 4 are designed to eliminate organisational slack. The other categories are aimed at reducing production costs.

There is one more finding, that shows management has attempted to increase labour productivity more positively in comparison between before and after the declaration (Table 7.34). Question 16 in the employee opinion survey revealed that workers have been provided with more opportunities for education or discussing ways of improving productivity in the period after the declaration. This could be explained in the way that shocked management have tried to overcome the cost of wage increases by unionisation, through the raising of labour productivity.

Table 7.34 Responses to Question: "How often are you provided with the opportunity for education or discussing ways of improving productivity in your company?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	3	24	38	50	58	5	10	25	32
B	2	154	237	255	237	37	54	73	74
C	1	282	140	231	195	34	12	27	19
N		460	460	536	536	76	76	125	125
Mean Scores		1.44	1.58	1.66	1.71	1.62	1.97	1.98	2.10
S.D.		.539	.510	.571	.546	.533	.310	.427	.457

Note: i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are:

A = Regularly

B = Irregularly

C = Not at all

Source: Question 16 in the worker opinion survey.

Finally, Question 15, provides valuable indication that there is a high possibility of the shock effect in the Korean

case(Table 7.35). More than 40 per cent of the respondents claimed that more effective management would be the most important factor in order to improve labour productivity.

Table 7.35 Responses to Question: "What do you think is the most important factor in order to improve labour productivity in your company?"

F					
R.P.	A	B	C	D	Total

Auto	279	404	241	72	996
	28.01	40.56	24.20	7.23	

Cement	39	94	51	17	201
	19.40	46.77	25.37	8.46	

Total	318	498	292	88	1197
	26.57	41.60	24.39	7.43	100.00

Note: Categories are:

- A = Introduction of new technology and machinery
- B = More effective management
- C = Positive behaviour of labour
- D = Improvement of labour skill

Source: Question 15 in the worker opinion survey.

While the scale of the shock effect is not as great as in those Western cases discussed in chapter 3, it can generally be accepted that there is a "shock effect" in Korean industries. In reality, Korean management provided workers more opportunity for education or discussing ways of improving productivity, initiated new management policies and tactics, and replaced supervisors or managements who did not maintain harmony with their workers. Therefore, it can be concluded that Korean unions "shocked" management into initiating policies designed to reduce organisational inefficiencies and increase productivity.

2.6 Climate of Industrial Relations

The impact of trade unionism on the industrial relations climate is still a topic open to debate, because it is highly dependent on circumstances, such as, union policies, worker attitudes, and management responses. Hence, whether the presence of unions creates a harmonious industrial climate or leads to greater adversary in industrial relations, cannot be generalised for all work places.

The industrial relations climate, however, has been treated as the most important factor in the relationship between unions and productivity. Most researchers admit that unions positively affect productivity in several ways, but if industrial relations are poor, unions may lower labour productivity.[13] Thus, climate is an essential factor to be analysed in any empirical study.

In this study, the climate of industrial relations was rated in two respects; trust and cooperation between workers and management.[14]

Question 32 in the employee opinion survey, was designed to determine the level of trust amongst workers trust toward announcements by management(Table 7.36).

Table 7.36 Responses to Question: "Which one are you likely to believe most, your employer's announcement of business performance or your trade union's?"

Category C.P.	Auto Industry				Cement Industry			
	Union		6.29		Union		6.29	
	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	N/A	8	63	13	N/A	2	21	19
	-	1.74	11.75	2.43	-	2.63	16.80	15.20
B	N/A	264	216	304	N/A	59	20	28
	-	57.39	40.30	56.72	-	77.63	16.00	22.40
C	N/A	109	79	110	N/A	7	43	53
	-	23.70	14.74	20.52	-	9.21	34.40	42.40
D	N/A	79	178	109	N/A	8	41	25
	-	17.17	33.21	20.34	-	10.53	32.80	20.00
N	460	460	536	536	76	76	125	125

Note: i) Union, 6.29, Bef, and Aft are same initials as used in Table 7.6.

ii) C.P. = Column per cent

iii) Categories are:

A = More employer's

B = More trade union's

C = Both of them

D = None of them

Source: Question 32 in the worker opinion survey.

There are four valuable findings presented in the table. Firstly, the number of respondents who did not believe either management or union, (category D), decreased by 10 per cent after the declaration in both industries. Secondly, workers who believed both increased by 6 and 8 per cent, in auto and cement industries respectively. Thirdly, while the cement industry retained a similar percentage, the frequency of category A fell by 9 per cent in the auto industry, in comparison between the before and after period. Finally, the overall percentage of

respondents who trusted the announcements of management, was much higher in the cement industry, with 40 per cent, than that of auto firms, at 24 per cent. Thus this table indicates that the cement industry had a better industrial relations climate than that of the auto industry in terms of 'trust' between workers and management.

Question 38, asked about the cooperativeness between workers and management (Table 7.37). It can be clearly seen that the presence of a union has led to more harmonious industrial relations in terms of 'Cooperativeness'. Unionisation increased its mean score by more than 1 point within the cement companies. However, even though unions raised the mood of cooperativeness, the mean score was 2.7 point, which is certainly worse than the situation of either cooperative or uncooperative (mean score of 3 point). On the other hand, the cement industry had well over 3 points, and thus it may be considered that cement firms had better industrial relations, in terms of cooperativeness between workers and managements. This impact is a sector-effect, as well as a trade union effect, which will be discussed later.

Table 7.37 Responses to Question: "How do you consider the mood of industrial relations in your company?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	5	5	9	7	7	0	2	7	10
B	4	41	126	77	103	4	24	32	49
C	3	107	138	177	214	25	40	59	56
D	2	169	124	196	164	21	9	21	8
E	1	138	63	79	48	26	1	6	2
N		460	460	536	536	76	76	125	125
Mean Scores		2.14	2.77	2.51	2.73	2.09	3.22	3.10	3.46
S.D.		.912	.850	.896	.841	.832	.741	.888	1.00

Note: i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are:

A = Very cooperative

B = Cooperative

C = Neither cooperative nor uncooperative

D = Uncooperative

E = Very uncooperative

Source: Question 38 in the worker opinion survey.

Question 13, asked whether workers believed firmly the direct relationship between higher company profits and better working conditions (Table 7.38). If yes, there would be a high possibility that workers may generate more effort to create a bigger "pie". In the period after unionisation and the declaration, raised workers confidence in the relationship by 0.51 and 0.80 points, in the auto or cement industry, respectively. However, it should be mentioned, that both the auto and cement workers were not sufficiently convinced of the relationship between higher company profits and better working conditions.

Table 7.38 Responses to Question: "If your company makes higher profits, do you think that your pay and working conditions will be improved as a result?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	3	27	118	48	86	0	14	23	48
B	2	129	235	159	274	18	49	59	58
C	1	278	95	297	137	55	11	42	17
D	0	26	12	33	39	3	2	1	2
N		460	460	536	536	76	76	125	125
Mean Scores		1.42	2.05	1.51	1.90	1.25	2.04	1.85	2.25
S.D.		.540	.735	.598	.494	.373	.363	.573	.583

Note: i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are:

A = Definitely

B = Probably

C = Does not make any difference

D = Do not know

Source: Question 13 in the worker opinion survey.

Finally, Table 7.39 illustrates that 33 per cent of Korean workers tried to improve their wages by enhancing company profits through the improvement of productivity, while only 13 per cent of respondents relied on trade union power. Therefore, these results deny the argument that unionisation and the freedom of union action will cause workers to claim more compensation through union power rather than productivity improvements.

Table 7.39 Responses to Question: "Which would you choose as first course of action in order to improve your wage level?"

F R.P.	A	B	C	D	E	Total
Auto	312 31.36	113 11.36	333 33.47	214 21.51	24 2.31	996
Cement	67 33.33	39 19.40	61 30.35	33 16.42	1 0.50	201
Total	379 31.69	157 12.71	394 32.94	247 20.65	25 2.01	1197 100.00

Note: Categories are:

A = Employer's favour

B = Enforcement of trade union action

C = Improving company profitability through an enhancement of productivity

D = Establishment of proper government wage policy

E = Others

Source: Question 8 in the worker opinion survey.

The opinion surveys appeared, therefore, to support the view that Korean trade unions have a positive impact on the climate of industrial relations through increasing trust as well as cooperation between workers and management.

2.7 "Workplace Democracy"

Traditionally, as Confucianism stresses, the arguments between juniors and seniors have been treated as undesirable occurrences, even though the opinion of seniors may not be reasonable. In fact, juniors are always required to obey their seniors' orders without any objections. There is one more important reason why such a custom can exist so deeply in the

Korean industrial society, that is, most of Korean male workers have experienced compulsory military service. While the term of service varies from a few weeks to several years, depending on the person, most have spent a certain period of their life in the army. As a consequence of this, they have become accustomed to the rule that a junior should obey a senior's order.

This custom, however, would have both a positive and negative effect on labour productivity. Saving time in persuading workers and the ease in handling them may be positive sources. On the other hand, the custom would eliminate workers' volunteering ideas, and may lower employee motivation to work. One more serious disadvantage may arise from the fact that as long as a junior simply adheres to the opinion of his or her senior, he or she can be free from any responsibility as to the result. Thus, we can make an assumption that as workers express their opinions and some of them are accepted by management or seniors, then they would feel a certain level of responsibility for the outcome, and thus they would try to promote more desirable results, than in those instances where their opinions are excluded. To test this assumption, this study used Question 33 and 14 in the employee opinion survey.

Question 33 was formulated to examine changes in this custom that were caused either by unionisation or the activation of union functions(Table 7.40).

Table 7.40 Responses to Question: "When you have a difference of opinion with your senior in carrying out a given job, how do you manage the situation?"

		Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
Category	Score	Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	1	201	15	173	33	37	1	57	12
B	2	180	290	237	279	29	51	58	89
C	3	65	148	116	207	8	22	10	23
D	0	14	7	10	17	2	2	0	1
N		460	460	536	536	76	76	125	125
Mean Scores		1.64	2.26	1.86	2.26	1.57	2.22	1.62	2.07
S.D.		.687	.456	.597	.515	.608	.400	.569	.351

Note: i) Union, 6.29, Bef, and Aft are the same initials as used in Table 7.6.

ii) Categories are:

- A = Follow senior's opinion without any argument
- B = Although expressing my opinion, I put a priority on the senior's opinion
- C = In order to reach an agreement, I argue with my senior
- D = Just follow my opinion and ignore the senior's opinion.

Source: Question 33 in the worker opinion survey.

Since Category D in Table 7.40 would not be a desirable state in any kind of organisation, it was excluded from the calculation of mean scores by giving scores zero. In the period before the declaration and unionisation, the average mean scores of both industries were far lower than 2. That is, 468 respondents had not expressed their opinion, and simply followed their seniors' advice. In contrast, in the period after, the mean scores of both industries, are well over 2, and only 61 workers just obey their seniors' orders.

While 59 per cent of workers had expressed their opinions in the period before unionisation and the declaration, this rate increased to 93 per cent after. Even in the period before, the presence of unions provided higher scores than non-unionised firms in both industries. In addition, the frequency of respondents who ignored their seniors' opinions and followed their own opinion, was kept level over the sample period.

Now it is necessary to examine whether workers who expressed their opinions to seniors in Question 33, feel greater responsibility for the outcome, than workers who just followed senior's orders. To answer this question, Question 14, which was intended to find out whether workers try to do their job as effectively and efficiently as they are able, and Question 33 in the period after the declaration and unionisation, were matched.

Table 7.41 indicates that workers who choose categories 2 and 3 in Question 33, took a positive attitude by performing their job as effectively and efficiently as they were able (mean scores 2.45 and 2.47 in the auto industry, and 2.41 and 2.36 in the cement industry), than the respondents who chose category 1 in Question 33 (mean scores 2.19 and 2.23 in the auto and cement industry respectively). However, as expected, workers who just followed their opinion by ignoring senior's opinion, had lowest mean scores among the four categories in Question 33, in both industries.

Table 7.41 The Relationship Between "Workplace Democracy" And Worker's Responsibility on Their Jobs

		Auto Industry				Cement Industry			
		Question 33							
Question 14	Score	A	B	C	D	A	B	C	D
Actively	3	14	236	169	7	5	63	19	0
Moderately	2	29	301	183	11	6	72	23	2
Never	1	5	5	3	6	2	5	3	1
N		48	569	355	24	13	140	45	3
Mean Scores		2.19	2.45	2.47	2.04	2.23	2.41	2.36	1.67
S.D.		.475	.505	.507	.558	.592	.527	.545	.443

Note: i) Question 14; "Do you try to do your job as effectively and efficiently as you are able?"
 ii) Refer to Table 7.42 for detail of Question 33.

Source: Question 14 and 33 in the worker opinion survey.

Therefore, as the assumption that a promoted mood of workplace democracy would lead to workers to feel higher responsibility on the job, is accepted, it can be concluded that the Korean unions have influenced labour productivity positively by promoting the mood of workplace democracy.

2.8 Productivity Elevation Activity

Enterprise-based unionism may provide a consciousness of a community bound together by a common fate to management as well as workers. Thus, it can be expected that unions may initiate a certain kind of productivity elevation activities themselves for the prosperity of the company in which they are based. In Japan, where the majority of unions are enterprise-based, around 86 per

cent of unions cooperate with management for the improvement of labour productivity, and 43.9 per cent of unions assist in sales promotions.[15]

In the Korean case, one auto union promoted a campaign, the so called "S.TU 90 Movement", in 1989, the basic purpose of which was improvement in workers' lives through the growth of company profits.[16] There were also several sub-objectives, such as, productivity and quality improvement, sales promotion, the reduction of production costs and management rationalisation. The methods employed in achieving the purpose are listed in Table 7.42.

Table 7.42 The Methods of Achieving the Purpose of the S.TU 90 Movement

-
- 1) Observance of working time and dinner-time
 - 2) Wearing of specified working clothes
 - 3) Strict arrangement of surroundings and materials
 - 4) Suggestions for the reduction of the defect rate
 - 5) Active sales promotions and thorough after-services
 - 6) Effective personnel management
 - 7) Extension of communication channels between top and down
 - 8) Lessen the top-down conflict through informal talks
-

Source: The Ssangyong Motor Union, "An Activity Report 1989", p.56.

As can be seen in the above table, most of the methods used do not involve any additional costs to management, but rather

they rely on positive behavioural attitudes of employees toward their jobs and normal company life. Consequently, this union initiated activity is an example of positive union influence on labour productivity. Since most Korean unions are enterprise-based, it may be expected that as the climate of industrial relations settles down gradually, more unions may set up and carry out this kind of activity, as in Japanese firms.

2.9 Work Rule Intervention

It is argued by those who hold a negative view of trade union effects upon productivity that if unions induce restrictive work practices and limit managerial flexibility in decision-making, then the presence of union would lead to organisational problems that may decrease labour productivity. To analyse this point, Questions 1 and 2 in the employer opinion survey, were introduced. Question 1 asked management whether any of their policies had been interrupted by the unions (Table 7.43). While the nine companies provided information, four of them had had experiences where their union did not allow the implementation of certain management policies.

Two of the union interventions were related to the application of personnel evaluation in both the promotion process and/or reward system. The other two cases involved policies that involved possible job losses. These union interventions may lead to organisational inefficiencies, and thus, can be viewed

as unfavourable influences on labour productivity. It should be noted, however, that five of the nine companies, had not had any union interventions in the implementation of management policies.

Table 7.43 Responses to Question: "Have you had any experience of management policies being interrupted by trade unions over the last ten years?"

Industry	
Company	Management polices which are blocked by unions

Auto	
One	- Workers promotion according to the results of personnel evaluation (1987)
Two	- Reduction the number of employees (since 1987)
Three	- None
Cement	
One	- Transfer of bulk-truck driving is given to the private service corps.(1987)
Two	- None
Three	- None
Four	- None
Five	- None
Six	- Exclusion from bonus scheme of workers who have low scores in the personnel evaluation (1986)

Source: Question 1 in the management opinion survey.

Question 2, was intended to check whether unions induced restrictive work practices.[17] While none of the cement unions had forced management to adopt any restrictive work rules, only two of the auto unions had had the right of involvement in the assignment overtime work. In fact, before the declaration

period, overtime works had been assigned workers by management only, whilst in the period after, management were required to get permission from the unions for assigning overtime works.

In conclusion, Korean unions appear not to have induced any restrictive work practices, rather they have protected members from unfavourable management policies and practices which may lead to possible job losses or adverse involvement of management opinion in the promotion process or reward systems. In the Korean case, therefore, the negative impact on productivity through the adoption of restrictive work practices and union intervention in managerial decision-making, would not seem to have been as serious as that experienced in Western industries.

2.10 Industrial Action

Industrial action has long been claimed as one of the main sources of adverse union impact on productivity. That is, trade unions as representatives of employees may lead strikes whenever their members have grievances and/or conflicting demands with employers.

Metcalf(1988) pointed out the negative impact of strike on productivity as follows:

Industrial action will lower the output where it occurs, but that output might be made good by overtime or by other firms. Such action, or the treatment of it, causes uncertainty about output levels and this will tend to reduce the effectiveness of resources devoted to marketing and distribution; and company performance will be impaired if delivery dates are not met

(Caves 1980). Labour relations tend to deteriorate as plant size increases (Prais 1978) which might encourage UK companies to build plants smaller than would otherwise be indicated by technical economies of scale. Finally management time is diverted to problems of labour relations and away from other tasks.[18]

Fieldwork carried out by the Korea Seoul Chamber of Commerce and Industry, revealed that industrial disputes impaired several aspects of firms' performance (Table 7.44).[19] Seven hundred and twenty five personnel or top management participated in this survey.

Table 7.44 Management Performance in The Periods Before and After Industrial Disputes

Category	Before	After	Difference(%)
Conflict with senior	872*	822	- 5.7
Human relationship	555	455	-18.0
Rule observance	921	901	- 2.2
Managerial leadership	775	623	-19.6
Supply & demand of funds	752	664	-11.7
Reformation of organisational structure	763	663	-13.1
Company image	910	820	- 9.9
Banks Credits	933	863	- 7.5

Source: The Korea Seoul Chamber of Commerce and Industry, " The Relationship Between Trade Union and Management Performance", July, 1989, Table 58.

Note: * = The values are calculated as follow; Number of respondents x Scores of each category that has individual scores from 1 to 5.

As we see in the above table, the most serious adverse

impact of industrial disputes is in the area of managerial leadership. This could be explained jointly with the areas of conflict with seniors, rule observance, and the reform of organisational structure. As long as workers have a deep conflict with management, they do not adhere to their company's rules, and employees resist reforms of their organisational structure, it is quite obvious that management cannot lead companies properly. The other areas are negatively related with management resources either directly or indirectly. However, it should be pointed out that this fieldwork was carried out by an employers' organisation, and included only management opinions. Thus, these results may be nothing more than 'allegations by managers', since workers' and trade union representatives' view were totally ignored in determining the empirical findings.

In particular within this study, labour productivity is calculated in terms of productivity per worker, thus, if strikes lead to losses of production time, they would lower productivity. Moreover, most car assembling companies have adopted the "Just-In-Time" system which allows for only three hours of stock.[20] Thus, the effect of a strike in one workplace could stop several related factories.

Industrial disputes that occurred within the auto companies themselves have caused losses in working hours. Whilst unofficial strikes or stoppages in individual working lines were excluded, official strikes have occurred in all the auto companies after the declaration (Table 7.45).

Table 7.45 Official strikes in the auto industry from 1980 to 1989.

Company	Year	Stoppage	Duration (days)	Main Issues
1	87	1	3	wages grievance
	88	1	7	wages grievance
2	87	1	3	union leader
	88	1	25	wages grievance
3	88	1	1	wage and personnel management
4	86	1	10	wages grievance
	87	1	25	wage and collective bargaining procedural
	88	1	19	wages grievance
5	87	1	0	wages grievance
	88	1	7	wage and collective bargaining procedural
	89	1	1	wages grievance

Source: Question 13 in the trade union representative opinion survey.

Table 7.46 demonstrates the economic costs of industrial disputes in the auto industry. While the accuracy of this data may be questionable, since it was not approved officially, it can be assumed that strikes in the auto industry affected productivity unfavourably by reducing output.

Table 7.46 The State of Industrial Disputes in The Auto Industry

Year	1987	1988	1989
Number of company that experienced industrial disputes	4	4	1
Average duration of industrial disputes (days)	19	34	21
Economic costs of industrial disputes**	55,000* 479***	171,000 1,499	141,000 1,064

Note: 1) * = Number of vehicle

2) ** = Economic costs were estimated;

Planned outputs - Actual outputs

3) *** = Billion won (Korean currency) The normal range of exchange rate; 1 £ = 1,000-1,500 Own

Source: Internal data of Korea Automobile Manufacturers Cooperative Association.

However, the costs of strikes should be adjusted downwards, since such costs were estimated under the unrealistic assumption that all produced vehicles will be sold, and some part of total losses of production may be occurred by strikes that happened in the related companies or subcontract factories. This fact is quite critical for the auto industry, which has a relatively large number of related or subcontract companies in comparison to other industries, including the cement industry. Motor vehicles are produced by assembling some 20,000 parts, made by around 5,000 companies, in Korea at present.[21] Moreover, some components are monopolised by one or two factories.[22] As a consequence of these factors, the affect of a strike in one company could stop several related factories. In fact, in the first six months of 1988, five auto companies could not produce 2,939 vehicles by this reason.[23] Also, most of the auto

companies have suffered from shortages of components after the declaration. For instance, from January to June in 1988, five million dollar's worth of components were imported because of industrial strikes in the related and subcontract companies.[24] This would increase the production costs and reduce the effectiveness of inventory and production management in the sampled auto companies of this study.

In conclusion, the impact of industrial action could have an adverse impact on labour productivity through several factors which have just been discussed. The Korean auto industry has had industrial disputes in all the sample companies, in the period after the declaration, while the cement firms have not experienced any industrial action. Hence, this negative union impact can only be applied to the auto industry.

2.11 Absenteeism

Some writers have claimed that the presence of trade unions may impact on productivity unfavourably, since union members tend to be absent more frequently than nonmembers. For example, Allen(1984) gave reasons why union membership may be associated with higher absentee rate:

union members ... face smaller penalties for absenteeism and because managers in union plants have less flexibility to tailor work schedules to individual performance.[25]

He also estimated the adverse effect of a 10 per cent higher absentee rate as a decrease in labour productivity of 1.6 per

cent.[26] He firmly concluded that:

Other things equal, union members are at least 29 per cent more likely to be absent than workers who do not belong to unions.[27]

In this study, actual absentee rates have been collected, although only limited empirical data was available in both industries. One auto and two cement companies could provide the statistical data, where is presented in Table 7.47. As can be seen in the table, the absentee rate was not closely related with unionism. Moreover, in the cement industry, the company, which was unionised in the 1960's, had lower absentee rates than those of the newly unionised firm. This may mean that unionism may lower the absentee rate.

Table 7.47 The rate of absenteeism

								(%)
Industry Company	Year							
	82	83	84	85	86	87	88	89
Auto								
One*	8.51	7.22	7.99	9.67	9.94	10.50	8.54	7.07
Cement								
One*		4.51	5.13	6.90	6.34	8.77	6.84	7.56
Two**		0.63	0.48	0.64	0.81	0.49	0.34	0.55

Note: i) * = Company is unionised after the declaration in 1987.
 ii) ** = Company is unionised in the 1960's.
 iii) The rate of absenteeism = Total number of absentees / Total number of production workers.

Source: Internal data of individual companies.

Since, the relationship between unions and absenteeism is not clear in the Korean case, it can be concluded that Korean unions did not influence productivity, through either

enhancing or decreasing the absence rate.

2.12 Investment

The presence of unions may decrease the will of businessmen to invest in capital equipment and research and development.[28] If unions keep invested capital idle, and cause low rates of return on investments, shareholders and management may tend to invest less than would otherwise be the case. However, the contradictory view argued that the presence of unions may stimulate employers to invest in new or more effective production systems by closing off certain routes to profitability, such as, sweating and low wages.[29] Thus, this argument requires empirical confirmation.

In Korea, as Tables 7.48 and 7.49 show, there was no obvious adverse union impact on the trend of investment. In fact, at least five of the companies invested more in physical plant and equipment, while three decreased and three maintained the same level. As for the research and development, little actual data was available, but the overall trend of investment was a rise in expenditure, rather than a fall.

Since, there was not direct relationship between unionism and the trend of investment, the negative view cannot be accepted in the Korean case, rather the Korean evidence confirmed Machin and Wadhwani's(1989) findings in their empirical study:

In terms of raw correlations, unionised plants

invested more than their non-union counterparts. However, once we control for the fact that union firms experienced greater organisational change, and for industry and regional effects, there is no significant effect of unionism on investment. Importantly, there is no evidence here for the union rent-seeking view which postulates that unions reduce investment.[30]

Table 7.48 The Trend of Investment in Physical Plant and Equipment in the Korean Manufacturing Industry

Unit = Million Won				
Company	1985	1986	1987	1988
Auto Industry				
One	10,734	18,854	24,478	31,885
Two	183,949	510,149	485,338	528,579
Three	84,904	231,888	138,137	125,427
Four	203,969	211,684	152,933	106,176
Five	5,252	14,014	46,951	29,192
Cement Industry				
One	21,898	21,556	8,427	11,857
Two	45,417	4,954	10,868	5,625
Three	54,117	31,279	21,778	53,969
Four	52,980	52,982	132,472	147,643
Five	1,906	5,300	15,957	4,339
Six	19,842	11,110	9,153	14,416

Source: Korea Investors Service, inc., Financial Report of Korean Companies, 1989.

Table 7.49 The Trend of Investment in R&D in the Korean Manufacturing Industry

Unit = Million Won				
Company	1985	1986	1987	1988
Auto Industry				
One	N/A	N/A	N/A	N/A
Two	35	37	279	207
Three	5,701	6,123	3,267	4,151
Four	N/A	0	0	167
Five	N/A	N/A	N/A	N/A
Cement Industry				
One	N/A	N/A	N/A	N/A
Two	1	N/A	N/A	14
Three	316	327	549	544
Four	N/A	N/A	N/A	N/A
Five	N/A	22	34	6
Six	N/A	N/A	91	290

Source: ibid..

Investment patterns would be more closely related to the life of cycle of the industry or consumer market behaviour than to the presence of unionism. That is, if a company is in its "twilight" stage and/or the predicted future product demand was downward, employers would tend to reduce investment. Conversely, if a firm is in its "growth" stage and/or management are confident of the future demand, employers would increase investment. While, the relationship between unions and the trend for investment may not be generalised for all cases, the scale of union impact on investment would be quite small in either

direction, positive or negative.

Before concluding this section, it is necessary to consider management's and union leaders' view on the relationship between unions and productivity. As Table 7.50 illustrates, union leaders focused more on the positive union impact on productivity, while management mentioned more of the unfavourable effects.

Table 7.50 Sources of Union Influence on Productivity, Mentioned by Management and Union Leaders

Item	M	U
Positive Sources		
(1) Increasing Worker Morale and Motivation	7*	8
(2) Providing Communication Channels	7	8
Negative Sources		
(1) Calling Industrial Strike	7	6
(2) Bring about a Confrontation Between Workers and Management	6	0
(3) Disruption to the Workplace Command Hierarchy	6	0
(4) Intervening in Management Decisions	5	2
(5) Diminishing Worker's Work "Spirit"	3	0

Note: 1) M = Management, U = Union Leader
 2) * = Number of respondents who mentioned each item
 3) Among 10 management and 10 union leaders surveyed, 7 managements and 8 union leaders replied in the relevant questions.

Source: 1) The Management Opinion Survey, Questions 10 and 11 (see Appendix III).
 2) The Trade Union Leader Opinion Survey, Questions 11 and 12 (see Appendix IX).

Most management and union leaders had the same view that unions would impact favourably on productivity by increasing

worker morale and motivation and providing communication channels, whilst unions may decrease labour efficiency through calling industrial strike and intervening in management decisions.

The remaining items of negative influence are quite controversial. In fact, these items are highly dependent on individual judgement. For instance, management argued that unions deepened a confrontation between workers and management through claiming unreasonable wage rises and other working conditions. But union leaders alleged that their claims were fair. Similarly, the item on disrupting the workplace command hierarchy can also be interpreted as eliminating the old fashioned management style of absolutism, which required unthinking obedience. Since this enhanced workplace "democracy" led to workers feeling a greater responsibility for their job, and thus this could impact on productivity positively rather than negatively.[31] Finally, the argument about diminishing worker's work spirit is denied through Table 7.14. The table clearly shows the fact that workers had more a positive attitude towards their jobs under unionisation and freedom for union activity. These arguments have one vital conclusion, that empirical studies should include not only management's opinions but also workers' and union leaders' views in order to draw objective conclusions.

So far, the possible sources of union influence on labour productivity have been examined in the context of Korean industrial relations. And this study revealed seven positive and two negative sources (see Table 7.51).

Table 7.51 Sources of Union Influence on Labour Productivity in Korean Industry

Positive Channels	Negative Channels
1) Worker's Morale and Motivation	1) Work Rule Intervention
2) Channel of Communication	2) Industrial Action
3) Turnover Rate	
4) Shock Effect	
5) Climate of Industrial Relations	
6) Workplace "Democracy"	
7) Productivity Elevation Activity	

3. Explanations on The Varied Impact of Unions On Productivity

The union impact on labour productivity in the Korean case has changed dramatically over the sample period (from 1980 to 1989). In fact, the presence of unions in the period before the declaration raised productivity by 8.29 and 4.99 per cent in the auto and cement industries, respectively, but in both instances this was not statistically significant. On the other hand, in the period after the declaration, while the cement unions had a positive impact of 29.97 per cent, the auto unions decreased productivity by 32.85 per cent, both being significant at 95 and 90 per cent, respectively.

This data indicates that the impact of unions on productivity was diverse over the sample period and between the two sampled industries. For the explanation of this, two questions arise; (1) Why did the auto and cement unions in the sample period before the declaration, have relatively small and statistically insignificant impacts on productivity compared to those in the period after? ; (2) Why did the auto unions experience lower levels of labour productivity under unionisation and the freedom of union activity, while the cement unions had a positive impact on productivity in the same period?

To deal with the first question, we have to mention once again the fact that before the declaration, the union activities, including the three basic rights, organisation, collective bargaining and collective action, had been tightly controlled by the government.

New unions were required to gain government approval. The right to collective bargaining had been diluted by the Labour-Management Council that emphasised the harmonisation between employees and management. Since there was no clear distinction between the functions of the unions and the councils, working conditions, including wages, had frequently been decided whilst discussing other topics, such as, personnel and production management policies. In many cases, moreover, the leaders of unions and the members of councils were duplicated.

Further, the government had intervened in the collective action of unions, through the application of the Labour Disputes

Adjustment Act, which allowed for limitless government intervention in industrial disputes.[32] More seriously, many workers, who were involved in strikes, had been sacked from their companies, or suffered criminal punishment.

Consequently, it can be argued that unions in the period before the declaration, could not have a full impact on labour productivity. As the empirical evidence suggests in the former section, even if unions influenced productivity favourably through sources similar to those of the period after the declaration, mean scores of most sources were quite low compared with those of the period after the declaration. Thus, the econometric results were small and statistically insignificant in both industries.

For the explanation of diverse union effects between industries, the nature of industrial relations in terms of trust and cooperativeness between workers and management, and the incidence of industrial strikes are the prime factors, which closely are related with each other.[33] That is, the fact that the auto unions were associated with lower productivity, while the cement unions raised it, may be explained by the above two factors.

In reality, the overall percentage of respondents who trusted the announcements of their management, was much higher in the cement industry, with 40 per cent, than that for the auto firms, at 24 per cent.[34] Also, the cement industry had higher levels of cooperation between labour and management, with 3.37

points, than that of the auto industry, at 2.75 points.[35] That is, while the auto firms had experienced a mood far worse than the category of "neither cooperative nor uncooperative", the cement industry had experienced a mood far better than this. Thus the cement industry had a better climate of industrial relations than that of the auto industry. Further, the auto unions had severe industrial strikes, whilst, the cement unions had never experienced such disputes. Therefore, it can be concluded that it was poor industrial relations and industrial strikes which led to the contradictory of results in the Korean case, because other channels of union influences on productivity in the auto industry were more or less the same as in the cement industry.

However, an explanation is required, as to why the cement industry had a better climate of industrial relations and had not been involved in strikes. Since the auto and cement unions focused mainly on the improvement of their members' working conditions, and the management in both industries recognised trade unions and held the policy of the creation of a harmonious workplace, thus, as far as union objectives as well as management policies toward industrial relations are concerned, no differences existed between two industries. However, four specific industrial relations factors: workers' age and tenure, the size of the company, organisational structure and the location of the company, can be pointed out as major sources of difference.

Firstly, the cement workers had far longer tenure, and were

older than the auto workers. The average production worker's tenure in the cement industry in 1989, was 11.5 years, whilst for the auto industry it was 4.5 years.[36] The longer tenure could provide better understanding about the company and management policies. While there was no exact data, from Table 7.3 and the longer tenure, it can be presumed that cement workers were older than those in the auto industry.[37] Since older workers tend to need somewhat stable income for their family, and the opportunity of changing their jobs is reduced, they may be less radical toward industrial relations than younger labourers in the auto industry. For these reason, the cement workers tended to be conservative in the labour movement.

Secondly, the cement companies are far smaller than the auto firms, in terms of the total number of employees. In fact, the largest cement company employed 4,189 workers in 1989, while the largest auto firm had more than 34,000 employees.[38] Thus, union leaders as well as management may have had access to and coped with workers' needs and wishes more closely and easily.

Thirdly, the individual plants of the cement companies were scattered all over the nation, while the auto firms were concentrated in particular places. This might present difficulties to union leaders when calling industrial strikes, and may have lead to the similarly favourable circumstances as with the second factor.

Finally, the cement companies were located in small towns, while those from the auto industry were sited in the industrial

regions, which are normally near to or actually in big cities. In the small towns, housing and land prices were far cheaper than those of the big cities, while the current Korean housing prices have risen sharply, by several hundred per cent. Thus the accommodation problem became one of the causes of industrial strikes. As can be seen in Table 7.52, 49.25 per cent of respondents in the cement industry claimed an increase in their wages for rent or the purchasing of accommodation, while more than 75 per cent of the auto workers chose this same reason. Hence, as the opinion survey indicates, the cement workers suffered less severe housing problems than the auto workers. The other clue arises from the fact that in the big cities, especially in the industrial regions, a large number of leading unionists opened labour consultation offices. Thus, the auto labourers would get more opportunities to be educated by them and gain somewhat more radical ideas of unionism. In fact, most auto unions were closely related with the social movement organisations, and took the lead in the current Korean labour movement.[39]

Table 7.52 Responses to Question: "If you claim an increase in your wage, which one of the following items is such an increase for?"

F R.P.	A	B	C	D	E	F	G	H	Total
Auto	34 3.14	15 1.51	756 75.90	4 0.04	56 5.62	81 8.13	44 4.42	6 0.60	996
Cement	5 2.49	0 0.00	99 49.25	0 0.00	41 20.40	43 16.92	19 9.45	3 1.49	201
Total	39 3.26	15 1.25	855 71.43	4 0.33	97 8.10	115 9.61	16 5.25	9 0.75	1197 100.00

Note: Categories are:

- A = Food
- B = Clothing
- C = Renting or purchasing accommodation
- D = Purchasing household goods or car
- E = Education of children or oneself
- F = Cultural life
- G = Saving money
- H = Others

Source: Question 9 in the worker opinion survey.

In the Korean case, the diverse impact of unions on productivity between industries, was caused by the differences of specific industrial relations settings, such as, workers' age and tenure, the size of the company, organisational structure and the location of the company, which influenced on the overall industrial relations climate.

4. Relationship Between Trade Unions and Productivity in Korean Manufacturing

That the presence of trade unions can be favourable to labour productivity has been made clear by the empirical results of the cement industry. For the auto industry, findings have left room for further argument.

The presence of the cement unions was associated with higher productivity, rising from 4.99 to 29.97 per cent in the period before and after the declaration, respectively. Before the declaration, the cement unions favourably influenced productivity through various factors, such as, worker morale and motivation, channels of communication and the climate of industrial relations, while only one union interrupted management policy. On the other hand, after the declaration, the unions had a more strongly positive effect on productivity through the above channels and other additional ones, like turnover rate, shock effect, affection to the company and workplace democracy. As a consequence of these, the union effect on productivity has grown by 6 times in the period after the declaration. In the cement industry case, therefore, it can be firmly argued that unions have had a positive impact on productivity.

On the other hand, the case of the auto industry proved to show somewhat contradictory results, that is, the union effects

deteriorated with the freedom of union activities. In reality, in the period before the declaration, the unions raised productivity by 8.29 per cent, though this was statistically insignificant. However, following the declaration, the unions had a negative impact of 32.85 per cent and this was significant to 90 per cent.

In both periods, the auto unions had similar channels of union influence on productivity as those of the cement ones.[40] With the only exception being, that the auto firms experienced industrial strikes in the period after the declaration. Since the strikes were quite severe, they might be singled out as one of the reasons for the negative union impact in the auto industry.[41] But, there was one fundamental reason, the poor industrial relations, which led to industrial strikes. Few workers trusted employers, and most of employees did not cooperate with management.[42]

However, before one can conclude, that productivity decreased because of unions activity, it should be considered whether the whole responsibility of the negative impact caused by the unfavourable industrial relations and strikes, should to be placed with the unions. That is, if the responsibility was attributed not only to the unions, but shared amongst all the participants, like unions, management and the government, the above conclusion might be untrue.

The following explanations would help us consider the above question.

Since, particularly during the period before the declaration, workers have never been fairly compensated economically, and had been forced to work in some of the worlds poorest working conditions, under the tacit approval of the government, employees never believed in management and the government.[43]

Korean workers have reputation as 'hard workers'. As Table 7.53 shows, they worked well over 50 hours per week, equivalent to working 30 per cent more hours per week than Western counterparts.

Table 7.53 Hours Worked Per Week

Year	Korea*	Japan*	U.S.A.**	W.Germany*	France*
1980	53.1	41.2	39.7	41.6	40.7
1981	53.7	41.0	39.8	41.1	40.3
1982	53.7	40.9	38.9	40.7	39.3
1983	54.4	41.1	40.1	40.5	38.9
1984	54.3	41.7	40.7	41.0	38.7
1985	53.8	41.5	40.5	40.7	38.6
1986	54.7	41.1	40.7	40.4	38.6
1987	54.0	41.3	41.0	40.1	38.7

Note: * = Hours actually worked

** = Hours paid for

Source: 'I.L.O. Year Book, 1988', Cited in 'Year Book of Labour Statistics, 1989', Ministry of Labour, Republic of Korea, pp. 410-411.

The workplace environment was also one of the main sources of workers' grievance. The situation can be illustrated by Korea's work place safety record, which was far worse than any other Western country (Table 7.54). The rate of industrial accidents was nearly three times higher than those experienced in

France, for example.

Table 7.54 Rates of Industrial Accidents in Manufacturing Industry

Year	Korea*	France*	U.K.**	Canada**
1980	0.160	0.071	0.030	0.080
1981	0.180	0.077	0.018	0.080
1982	0.170	0.068	0.022	0.100
1983	0.170	0.072	0.020	0.080
1984	0.200	0.066	0.023	0.070
1985	0.180	0.059	0.021	0.080
1986	0.170	0.060	0.019	0.050

Note: The above rates are calculated as;

* = Compensated accidents / Rate per 1000 persons employed

** = Reported accidents / Rate per 1000 persons employed

Source: 'I.L.O. Year Book, 1988', cited in 'Year Book of Labour Statistics, 1989,' Ministry of Labour, Republic of Korea, pp. 418-419.

In reality, in 1980-81 the increase in real wages lagged behind productivity increases by about 36 per cent.[44] From 1982-86 the gap was about 16 per cent.[45] More importantly, these extremely poor working conditions had been overlooked by the government. In reality, the government allowed management to exploit workers by suppressing the labour movement. Consequently, workers hardly believed that higher performances would lead to improved working conditions.[46]

Further, the traditional Korean management styles, like, top-down decision making, a strict vertical hierarchy of authority and control and family management, also impaired the industrial relations climate. In fact Korean managers had hardly ever been provided with information on their own company, such

as, business performance, financial data, future development plans, and were required only to provide absolute obedience to management orders.[47] On top of this, there was no communication channels that could effectively carry workers' opinions or complaints to top management, while for those that existed, few managers took them seriously.[48] These circumstances brought about low level of cooperation between workers and management, and a severe confrontation in collective bargaining for obtaining more share of the company profit. Obviously, this became one of the major causes of the long and wild strikes.

Further, top management in the Korean auto industry cannot handle their labour disputes or union requirements independently. In fact, most of the auto firms belong to each of the huge conglomerates that incorporate a number of individual establishments. The office of planning and cooperation in each business group has the most power in connection with industrial relations matters. Consequently, because of this bureaucratic centralisation, the duration of strikes tends to be longer than would otherwise be the case. The inherent delays in the collective bargaining process may also cause unnecessary strikes.[49]

Both management and union leaders are unfamiliar with the collective bargaining system. While the bargaining procedures were introduced more than twenty years ago in Korean industrial society, the unions have never had power equal to that of management in these procedures. In fact, union leaders were not given enough power to put forward their opinions, and had to ask

favours of management to improve working conditions. As union leaders have gained equal power in the bargaining process, in the period after the declaration, they have tended to use that power to the maximum, whilst management has attempted to maintain their traditional prerogatives. Following the declaration, collective bargaining has been remarkably slow, normally taking several months because of the lack of bargaining skills and communication channels. The long duration of collective bargaining may be a source of industrial strikes, as workers' frustration with delays spills over into action.

The weak leadership of union leaders may also lead to industrial strikes. In most of the auto unions, the leadership had been challenged by a no-confidence vote. Even though no leaders were expelled, more than 50 per cent of workers distrusted their leaders in several instances.[50] moreover, many of the unions had conflicting relationships between union officials and worker representatives. In the employee opinion survey, in reply to Question 40, more than 6 per cent of respondents complained about this matter.[51] Consequently, leaders could not bargain confidently with management on behalf of workers. This fact could lead to two undesirable results. The first, is that there will be a greater possibility of the results of bargaining being rejected by the workers. The second, is that union leaders may take a hard line in order to get support from workers. These two results certainly would cause industrial action.

As Table 7.52 shows, more than 75 per cent of the respondents in the auto industry claimed an increase in their wages for the purpose of renting or purchasing accommodation. In fact, current Korean housing costs have risen sharply; by several hundred per cent within the last few years. One weekly magazine commented on housing costs as follows; "In some urban areas, housing costs rose nearly 50 per cent in the past four months alone".[52] As a result of this, many workers argued that even though their wages had increased by around one hundred per cent between 1987 and 1989, their actual living conditions had worsened.[53] The skyrocketing costs of housing, therefore, would be one of the major causes of the recent Korean industrial strikes.

Finally, workers themselves had a problem in attempting better working conditions. That is, they tried to achieve their wants and wishes instantly rather than gradually. Because of the impossibility of forwarding grievances before 1987, there was an enormous back log of complaints to be pursued following the declaration. In some cases, more than one hundred items relating to improvements in working conditions were claimed together, through collective bargaining, especially after 1987. This impatient attitude may be one of the main sources of the long and bitter industrial strikes. However, it should also be pointed out, that this may result from a frequently changing labour policy. That is, workers may be in a hurry to obtain better working conditions while the favourable circumstances exist, because there is an expectation that such a situation is only

temporary, get as much as you can, as greatly as you can seems to be the natural response to a volatile political climate.

The above explanations appear to support the argument that, as far as poor industrial relations and industrial action are concerned, the responsibility for the negative impact on labour productivity, should be shared by management, unions, the government and even workers. Further, it can be claimed that the greater part of the responsibility for the poor industrial relations and strikes should lie with both management and the government rather than the unions and workers.

In summary then, whilst the presence of unions in the auto industry lowered labour productivity, no one can decisively conclude that this was because of unionisation. As was mentioned earlier, total responsibility for the poor industrial relations and strikes should not lie entirely with the unions, rather management and the government have a large share of responsibility for this situation. Therefore, it can be concluded that even if union activity and unionisation itself was accompanied by lower labour productivity in the auto industry, the presence of unions in the Korean case, was not harmful but helpful to labour productivity, whilst the cement unions increased labour productivity firmly.

5. Conclusion

As presented in chapter 6, the impact of unionism on labour productivity was quite diverse between industries and even time periods within the same industry. Since the statistical results do not provide explanations for why these relationships occur, this chapter has examined sources of union influence, through the utilisation of three opinion surveys, that were directed toward workers, management and union leaders.

This study identified the following sources of union influence on productivity; (1) worker morale and motivation; (2) communication channels; (3) the labour turnover rate; (4) "shock" effect; (5) climate of industrial relations; (6) workplace democracy; (7) productivity elevation activities; (8) work rule intervention; and (9) industrial action.

As can be seen in the above analysis, such conventional factors as allowing the 'seniority rule', raising the absentee rates and hampering the trend of investment did not exist, while two new sources, like "workplace democracy" and productivity elevation activity were revealed in the Korean case. Therefore, it should be pointed out that not all of the channels of influence may exist in every empirical case, and some new channels, not revealed in this study, may exist in other cases. That is, they may be activated depending on other circumstances, and thereby the impact of unions on productivity

would be different between sampled cases. Thus demonstrating my main point, that the relationship between trade unions and productivity, is an empirical and not an abstract question. Further, assumed factors of unionism's influence on productivity, in all case studies, should be proved by empirical evidence.

The Korean experience confirmed that the relationship between unionism and productivity was deeply influenced by both the external and internal environment. In particular, it pinpointed one political event(the 6.29 Declaration), and four specific industrial relations settings (workers' age and tenure, the size of the company, organisational structure and the location of the company), as the major environmental factors influencing the diverse union impact in the Korean case. In the auto industry this study has confirmed that the greater part of the responsibility should lie with management and the government rather than unions.

In summary, this study has established the following points dealing with this issue of trade union impact upon productivity. Firstly, since that impact is not constant between industries, time periods and countries, any argument which attempts to generalise the relationship between unionism and productivity would be meaningless in practical terms. Secondly, while statistical analyse imply simple linearity of the relationship between unionism and productivity, empirical studies should include qualitative analysis in order to explain how and why these relationships occur. Finally, for drawing out definitive conclusions, researchers should consider all participants'

opinions in industrial relations, especially those of workers. Indeed, all the agents involved in the production process and in the industrial relations environment needed to be included, in order to reach a definitive evaluation of the true causes of fluctuations in productivity.

Notes And References

[1] The Conference of Korean Christian Church, The Scene of Labour and The Witness, Book Publishing Poolbit: South Korea, 1984.

[2] As mentioned earlier chapters 2 and 3, particularly Wilson(1987) and Machin(1987) did not present the sources of union influence.

[3] Freeman, R.B. and J.L. Medoff(1984), "Trade Unions and Productivity : Some New Evidence on An Old Issues", Annals of American Academy of Political and Economic Science, Vol.473, May, pp.149-164.

[4] Table 7.15 summarises the following tables;

1) Q 7 + 26.

		Question 26				
Question	score	1	2	3	4	5
A	5	6	3	9	0	2
B	4	22	29	46	12	3
C	3	44	123	245	33	14
D	2	106	277	631	92	84
E	1	43	132	260	65	113
Total		221	546	1191	202	216
Mean		2.29	2.10	2.09	1.96	1.60
S.D.		.755	.616	.569	.618	.543

2)Q 10 + 26.

		Question 26				
Question 10	score	1	2	3	4	5
A	1	56	144	322	61	123
B	2	97	274	617	97	72
C	3	60	133	242	38	15
D	4	7	8	7	5	5
E	5	1	5	3	1	1
Total		221	546	1191	202	216
Mean		2.10	2.04	1.95	1.95	1.56
S.D.		.640	.565	.516	.574	.649

3)Q 11 + 26.

		Question 26				
Question 11	score	1	2	3	4	5
A	5	13	15	11	3	4
B	4	41	81	194	23	6
C	3	71	211	487	59	61
D	2	61	167	332	81	69
E	1	35	90	167	36	76
Total		221	546	1191	202	216
Mean		2.71	2.58	2.62	2.39	2.04
S.D.		.934	.849	.791	.804	.804

4)Q 29 + 26.

		Question 26				
Question 29	score	1	2	3	4	5
A	5	32	31	62	9	2
B	4	76	180	360	38	27
C	3	43	99	208	16	17
D	2	49	187	413	91	92
E	1	21	67	148	48	78
Total		221	546	1191	202	216
Mean		3.22	2.86	2.83	2.35	2.00
S.D.		1.05	1.01	1.00	.958	.718

5)Q 35 + 26.

		Question 26				
Question 35	score	1	2	3	4	5
A	5	12	10	11	4	4
B	4	26	44	79	13	6
C	3	85	216	447	47	35
D	2	61	172	389	69	71
E	1	37	122	265	69	100
Total		221	546	1191	202	216
Mean		2.62	2.38	2.31	2.08	1.81
S.D.		.880	.825	.789	.792	.750

6)Q 37 + 26.

		Question 26				
Question 37	score	1	2	3	4	5
A	5	14	9	19	4	2
B	4	23	52	94	13	4
C	3	68	192	407	53	41
D	2	70	210	433	77	62
E	1	46	101	238	55	107
Total		221	546	1191	202	216
Mean		2.50	2.39	2.35	2.18	1.79
S.D.		.939	.792	.792	.778	.752

[5] Olson, Craig A.(1979), Trade Unions, Wages, Occupational Injuries: An Empirical Analysis, Ph.D. Dissertation, University of Winsconsin, p.28.

[6] Freem, R.B.(1976), "Political Economy: Some Uses of The Exit-voice Approach, Individual Mobility and Union Voice in The Labour Market", American Economic Review, Vol.66, No.2, May, pp.361-368.

[7] Kim, Moon. S.(1988), "A Study on The Factors Influencing on Voluntary Turnover for Employee in Korean Manufacturing Business Organisation", Master Dissertation, Yonsei University.

[8] *ibid.*, p.61.

[9] Brown, Charles and James L. Medoff(1978), "Trade Unions in The Production Process", Journal of Political Economy, Vol.86, No.3, June, p.358.

- [10] Freeman, R.B. and J.L. Medoff(1984), What Do Unions Do?, New York: BasicBooks, pp.122-135.
- [11] Refer to Management Opinion Survey in the Appendix III.
- [12] 221 companies said "No changes" among 578 unionised ones. Thus, 38 per cent firms have no changes.
- [13] Freeman, R.B. and J.L. Medoff(1984), op.cit., p.165. And Metcalf, David(1988), "Unions and Productivity - The Impact of Union Presence on Labour Productivity in British Manufacturing", Working Paper, London School of Economics, April, p.3.
- [14] Blyton, Paul, Ali Dastmalchian and Raymond Adamson*1987) presented six dimensions of industrial climate: cooperation, trust, mutual regard, joint participation, apathy and hostility. See "Developing The Concept of Industrial Relations Climate", Journal of Industrial Relations, June pp.207-216.
- [15] Aka Oka(1990), "The Change of Modern Industrial Society and The New Techniques of Personnel Management", Nosa Kwangjang, Vol.1, November, p.93.
- [16] The Ssangyoung Motor Union, "An Activity Report 1989", pp.53-64.
- [17] Refer to Management Opinion Survey in the appendix III.
- [18] Metcalf, D.(1988), op.cit., P.3. His references are: (1) Caves, R.(1980), "Productivity Differences Among Industries", in Caves, R. and Krause, L. Britain's Economic Performance, Washington D.C.: Brookings Institution, (2) Paris, S.J.(1978), "The Strike-proneness of Large Plants in Britain", Journal of the Royal Statistical Society, Series A(general), Vol.414, No.3, pp.368-384.
- [19] "The Relationship Between Trade Union and Management Performance", The Korea Seoul Chamber of Commerce and Industry, July, 1989, pp.126-127. The field survey was designed to analyse management opinions about the relationship between unions and management performance in 1989. 725 companies participated in this survey, and respondents were either officials in personnel management department or top management in each company.
- [20] Park, R.Y. and Y.K. Choi(1989), "The Industrial Relations In Korean Auto Industry", in Park, R.Y. et.al.(1989), "The Industrial Relations in Auto Industry", Korea Institute and Korea Automobile Manufacturers Association, February, p.126.
- [21] Ministry of Commerce and Industry, White Paper on Auto Industry, 1988, pp.126-127.

[22] *ibid.*, pp.131-137.

[23] *ibid.*, Table 4.5.

[24] *ibid.*, p.131.

[25] Allen, Steven G.(1984), "Trade Unions, Absenteeism, and Exit-Voice". Industrial and Labour Relations Review, Vol.37, No.3, April, p.344.

[26] Allen, S.G.(1984), *ibid.*, p.344.

[27] Allen, S.G.(1984), *ibid.*, p.331.

[28] Metcalf, D.(1988), *op.cit.*, p.3.

[29] Machin, S. and S. Wadhvani(1989), "The Effect of Unions on Organisational Change, Investment and Employment: Evidence from WIRS", Discussion Paper NO.355, Centre for Labour Economics, London School of Economics, August.

[30] *ibid.*, p.39.

[31] Refer to chapter7, section 2.7.

[32] Refer to the section 4.1 in chapter 5.

[33] In the explanation of diverse union impacts between industries, the period before the declaration is excluded, because the union impacts were very similar, 8.29 and 4.99 per cent in the auto and cement industry respectively.

[34] Refer to Table 7.36.

[35] Refer to Table 7.37.

[36] The data were collected privately in the employer opinion survey.

[37] As long as the employee questionnaires were distributed randomly, the fact that while over 66 per cent of respondents in the auto industry were younger than 35 years old, the similar percentage of respondents in the cement industry were older than 36 years old, can be interpreted in the way that the cement workers were older than the auto ones.

[38] Korean Productivity Centre, Analysis of Value-Added in Korean Corporations, 1978-1990.

[39] Park, R.Y. and Y.K. Choi(1989), *op.cit.*, pp.15-141.

[40] Refer to Table 7.51.

[41] Refer to chapter 7, section 2.10.

[42] Refer to tables 7.36 and 7.37.

[43] Refer to chapter 7, section 2.6.

[44] Clifford, Mark(1988), "The Price of Democracy", Far Eastern Economic Review, 28th, January, p.60.

[45] ibid., p.60.

[46] Refer to Table 7.38.

[47] Refer to tables 7.21 and 7.22.

[48] Refer to Table 7.18.

[49] This fact was claimed by three union representatives in the opinion survey.

[50] According to the Korean labour law, a union leader can be sacked by 75 per cent of workers' non-confidence in a no-confidence vote.

[51] Question 40 in the worker opinion survey asked workers to described any complaints about their union leaders and managements.

[52] Nakami, L.(1990), "Korea's Distress signal on May Day", Business Week, 14th, May, p.16.

[53] ibid..

[54] Refer to chapter 4, section 3.2, and chapter 5, section 2.2.

CHAPTER 8 CONCLUSION

This thesis has examined the relationship between trade union presence and labour productivity through the Korean experience. Despite a large amount of research into this issue, the relationship cannot be fixed in one direction, either negative or positive, since it is highly dependent on both internal and external circumstances of particular industrial relations. Freeman and Medoff(1984) admitted this fact when they said that "the debate about the two faces of unionism is ultimately empirical".[1] Also Metcalf(1990) has expressed the same view that "The net effect of union presence on labour productivity is ... clearly an empirical matter2.[2] With a degree of consensus between protagonists on the empirical nature of this debate, it is somewhat surprising that economists have largely relied upon statistical estimations, and industrial relations commentators on historical data, which is immune from 'subjective' interpretation. It has been a central part of this research to engage with empirical reality. Moreover, it has examined both quantitative and qualitative aspects of this reality.

Results obtained by estimating a Cobb-Douglas production function indicate that the Korean trade unions have not only a positive but also a negative effect on productivity, depending on the industry and the sample period. The auto unions increased their labour productivity by 8.29 per cent during the period

from 1980 to 1986, but this was not statistically significant. In contrast, under the freedom of union activity, these unions had a negative impact on productivity, of 32.85 per cent, and this was significant at 90 per cent. In the cement industry, unions had a positive impact throughout the whole sample period. Moreover, the effects increased from 4.99 (statistically insignificant) to 29.97 per cent (significant at 95 %), in the period after the 6.29 Declaration, from 1987 to 1989. These results however require explanation. In themselves they beg more questions than they answer.

Unfortunately, many researchers, such as Frantz(1976), Wilson(1987) and Machin(1987), provided only econometric evidence in their analysis. Since it has been widely accepted that the relationship is not constant, rather dependent on the specific industrial relations settings, the simple statistical correlation between unions and productivity would no longer be helpful for discussing this issue. Economists have got to get out into the field and provide actual evidence for their theories.

While several case studies provided the sources of union influence on productivity, majority of them suffered from a lack of empirical evidence. For instance, Metcalf(1988) and Pencavel(1977) argued that productivity deteriorated under unionism, because unions, they allege, cause industrial strikes, induce restrictive work practices and hamper the nature of industrial relations. But these remain pure suppositions because they provide no direct empirical evidence preferring rather to assume that unions exercise these unfavourable influences.

Freeman and Medoff(1979), Brawn and Medoff(1978) and Allen(1986), who support the positive view of unionism, also fail to present sufficient practical evidence. While they claimed unionism may enhance worker morale and motivation, provide communication channels and let the 'seniority rule', none of these sources were actually confirmed by workers themselves. And yet, the questions over whether unions improve workers' morale and motivation, allow them to express their ideas and preferences, etc. can only really be satisfactorily answered by engaging worker's opinions through interviews or survey methods. Otherwise, this view also remains, pure supposition.

Furthermore, some researchers, like Pratten(1976), Keefe(1987) and Bemmels(1987), could not ascertain the actual impact of unionism on productivity, since their research information was entirely rested on management opinions. Similarly Clark(1982), who included interviews with union and management officials but not workers, faced a similar limitation, which he acknowledged.[3]

Therefore, it can be sensibly argued that as long as the relationship between unionism and productivity is an empirical matter, case studies should include both quantitative and qualitative analysis. Further, the asserted sources of union influence on productivity in empirical researches should be proved by empirical evidence.

To provide evidence of by which unions had affected productivity, this study included the opinion surveys of workers,

managers and union officials, as well as statistical data of a longitudinal trend. Moreover, a novel feature of the research was the possibility of exploring the impact of change in several facets of union status. During 1987, the same year of the 6.29 Declaration, greater freedom of union activity was allowed. This provided a good opportunity for identifying the sources more clearly; that is, workers, union leaders, and management could comment on changes in overall components of industrial relations. Moreover, they could answer comparison type questions of the periods before and after the above changes.

This study confirmed the same sources of positive union impact as the Western researches for the following six items. Firstly, Korean unions increased labour productivity through enhancing worker's morale and motivation through securing greater material rewards; by ensuring that workers' grievances were heard and fairly addressed; and by providing social events, and participating in individual members' family life, through sending out congratulations and condolences. Secondly, Korean unions provided communication channels for the collection of workers' preferences, as well as for them to volunteer ideas for improving productivity. Moreover, unions activated the flow of company information to their members, such as financial and management position, business performance, and future development plans. This would be favourable to management, by creating a cooperative mood with workers. Thirdly, Korean unions decreased the labour turnover rate, by providing some kind of counselling to to their members with regard to the reasons for leaving.

Fourthly, in particular, since 1987, the rise in wages and/or costs induced by unions, shocked management. It can be seen that possible tactics for reducing organisational inefficiencies and increasing productivity were initiated more actively in comparison with the period before 1987. Fifthly, Korean unions frustrated the implementation of new management policies that might have led to possible job losses or excessive involvement of management opinion in the promotion process or reward systems. However, the extent of this effect on productivity, was not as serious as that described in Western cases. Finally, while the total responsibility for strikes should be placed on the unions, industrial actions nevertheless had adverse effects on productivity by causing the loss of working hours, ineffective inventory management, and the diversion of management time to these unproductive matters.

However, the Korean case revealed quite different findings with those of other researches regarding the following four items. The positive view of unionism claims that, as trade unions pressure management to let the 'seniority rule', productivity may increase, because the rule weakens the feeling of rivalry among employees and, thereby, the amount of informal training and assistance between workers may increase. However, while Korean unions have no need to pressure management to adopt seniority rule in the fields of compensation and promotion, and well over 70 per cent of workers always reveal efficient ways of doing their job. Moreover, only 37 per cent of respondents, who worried about the possibility that their promotion prospects

and/or wage increase were interrupted by peers, juniors or seniors, tended to keep their efficient ways of undertaking their jobs in secret. Therefore, it can be concluded that the Korean unions had no effect on productivity in the connection of the 'seniority rule'.

The negative view argues that the presence of trade unions may worsen the climate of industrial relations. But this was totally rejected by the Korean case. The nature of industrial relations was defined through two concepts, 'trust' and 'cooperation' between workers and management, and estimated through the worker opinion survey. The findings firmly proved the fact that unionism enhanced the climate by increasing the number of workers who trust management and the level of cooperation between workers and management.

Unfavourable factors associated with the impact of unionisation on productivity, such as the absentee rates and the trend of investment, did not exist in the Korean experience. In reality, the presence of unions slightly reduced the absentee rate, and had a mixed effect on investment, being associated with increases in five companies, decreases in three and maintaining the same level in three firms. Thus, the above empirical evidence firmly refutes the negative impact of unions on productivity in respect to these two factors, while there were no direct relationship between unionism and the absentee rates, and unionism and the trend of investment.

In the Korean case, two new sources of union impact were

revealed. First, as the Korean unions promoted a mood of what I have called "workplace democracy", workers felt greater responsibility toward their work performance. In fact, in the period before the declaration, 468 respondents just followed a senior's opinion, even if they disagreed with that opinion. In turn, in the period after the declaration, only 61 respondents had the same attitude. Importantly, the workers, who expressed their opinions, felt greater responsibility to the job than those of the respondents, who just followed their senior's command. Therefore, unionisation can be said to influence productivity positively through promoting a mood of openness and "workplace democracy". Second, one Korean union initiated certain kinds of "productivity elevation activities", the purpose of which was improvement in workers' lives through the growth of company profit, that is, enterprise-based unionism providing a consciousness of a community bound together by a fate common to management as well as workers. Importantly, most of the methods used in the S.TU 90 movement, did not require any additional costs to management, since they relied on positive behavioural attitudes of employees toward their jobs and normal company life.[4] This factors would have a favourable effect on productivity directly.

As can be seen in the above explanations, this thesis revealed seven positive and two negative sources of union influence on productivity with the Korean experience. However, it should be mentioned that not all of the sources which were activated in the Korean case, may exist in every empirical

context. And, of course, new factors of union influence may be emerging depending on the circumstances. Consequently, the impact of unions on productivity is of necessity, a variable phenomena, both in terms of its extent and its direction.

The Korean experience also indicates that the relationship between the presence of trade unions and productivity is influenced by environmental factors. The diverse impact of unionism between the sample periods can largely be explained by one reason, the political change (The 6.29 declaration). This was mainly because the declaration removed a large number of restrictions on union activities. Thus, the Korean unions were able to participate in "real" collective bargaining, which were previously carried out merely as a matter of form, which could freely lead to industrial strikes. These freedoms of union activity therefore provided unions with circumstances favourable to making a full impact on labour productivity. The specific industrial relations settings, such as, workers' age and tenure, the size of the company, organisational structure and the geographical location of the company can be used to explain the varied impact of unions on productivity between industries, in the period after the declaration. That is, longer tenure, older aged workers, the smaller size of the company, decentralised organisational structure and rural location of companies were factors favourable to the climate of industrial relations.

Finally, we need to determine the relationship between the Korean trade unions and productivity. The fact that unions

presence is favourable to labour productivity has been made clear by the empirical results of the cement industry, while the the auto industry case has left room for further argument. That is, the cement and auto unions improved labour productivity in the period before the declaration, and the freedom for union activity enhanced the positive impact of unionism in the cement industry, while the auto unions decreased productivity under the same circumstances. Before concluding the impact of the auto unions on productivity in the period after the declaration, it is necessary to consider the question of whether the whole responsibility for poor industrial relations and strikes, which were the main sources of unfavourable union influence, should rest with the unions alone. To deal with this question, several explanations may be offered.

As the korean government has pursued a 'cheap labour' policy for the economic development, workers have never been fairly compensated, and have been forced to work in poor conditions. Consequently, Korean employees where extremely sceptical about higher performance leading to improved wages and better working conditions. Their experience from 1980 to 1896, was that productivity increased profitablity, but there was no corresponding improvement in their remuneration. Further, the typical top-down management style of decision making and strict vertical hierarchy of authority and control, never allowed workers' praticipation in managerial decision-making process. Hence, workers were not motivated sufficiently to cooperate with their management. Since the government repressed severely trade

unionism, workers, union leaders and even management were not familiar with the industrial relations mechanisms. Moreover, such government policies, which were favourable to managers, made management anti-unionists. On top of these, the skyrocketing costs of housing became one of the major causes of the industrial disputes in the 1980's.

The above contextual factors illustrates that the responsibility for the poor industrial relations and strikes in the auto industry cannot be placed at the door of trade unions. Rather management and the government must carry a heavy responsibility. With this qualification, it could be sensibly argued that the presence of unions in the auto industry, would also be favourable to labour productivity, rather than harmful, through the seven positive channels of union influence discussed earlier.

An industrial relations perspective of the union-productivity relationship should begin with a consideration of the external circumstances and characteristics of all participants in industrial relations, since the employee-employer relationship is a reflex of such environmental factors. In order to uncover the mechanisms of a possible interface with productivity, we have to draw out trade union's objective, behaviour, the extent of bargaining power and organisational form, management's managerial styles and policies towards industrial relations and the role of the government in the context of employee-employer relationships. Indeed, a 'real' relationship between union presence and productivity can only be

determined through these considerations.

In conclusion, the Korean experience has confirmed the view that the relationship between the presence of unions and labour productivity is not constant, rather dependent on specific industrial relations settings. Therefore, empirical studies are needed to explain why and how the relationship between unionism and productivity is constructed. Econometric evidence alone is inadequate. Moreover the asserted sources of union influence on productivity should be proved through the empirical evidence, and research should consider all participants' opinions in industrial relations, including those of workers, to produce sounder conclusions. But 'effects' on their own are not enough. It is necessary to analyse the background to the sources of union impact on productivity. This is particularly important, for instance, when judging the question of whether the responsibility of industrial strikes should rest with unions alone. Finally, this thesis has highlighted the importance of time series comparisons, and "before" and "after" union conditions for revealing sources of union influences on productivity as well as for avoiding inherent productivity differences between sampled companies.

References

- [1] Freeman, Richard B. and James L. Medoff(1984), What Do Unions Do, Basic Books: New York, p.246.
- [2] Metcalf, David(1990), "Union Presence and Labour Productivity in British Manufacturing Industry. A Reply to Nolan and Marginson", British Journal of Industrial Relations, Vol.28, No.2, p.250.
- [3] Clark, Kim B.(1980), "The Impact of Unionisation on Productivity: A Case Study", Industrial and Labour Relations Review, Vol.33, No.4, pp.462-467.
- [4] Refer to Table 7.42 in chapter 7.

APPENDIX I

THE WORKER OPINION SURVEY (TYPE I)

(For workers who were in unions since
1960's or 1970's)

1. Sex ? ()
(1) Male (2) Female
2. Age ? _____ years
3. married? Yes / No
4. How many years have you worked for your current employer?
_____ years
5. The number of times of you have changed employer?
_____ Times
6. Total working years _____ Years
7. How would you rate your current pay level in relation to your
work load ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

(1) Very high
(2) High
(3) Neither high nor low
(4) Low
(5) Very low
8. Which would you choose as a first course of action in
order to improve your wage level ? ()
(1) Employer's favour
(2) Enforcement of trade union action
(3) Improving company profitability through an enhancement of
productivity
(4) Establishment of proper government wage policy
(5) Others

9. If you claim an increase of your wage, for which one of the following items is such an increase for: ? ()

- (1) Food
- (2) Clothing
- (3) Renting or purchasing accommodation
- (4) Purchasing Household goods or car
- (5) Education of children or oneself
- (6) Cultural life
- (7) Saving Money
- (8) Others

10. How would you rate your working hours in comparison to your pay ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Very Long
- (2) Long
- (3) Appropriate
- (4) Short
- (5) Very Short

11. How satisfactory do you consider the length of your holiday in your company to be ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Very satisfactory
- (2) Satisfactory
- (3) Fair
- (4) Poor
- (5) Very poor

12. To what extent do you agree with the opinion that a company should make a profit ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Completely
- (2) To some extent
- (3) Hardly
- (4) Not at all

13. If your company makes high profits, do you think that your pay and working conditions will be better than ever ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Definitely
- (2) Probably
- (3) Does not make any difference
- (4) Do not know

14. Do you try to do your job as effectively and efficiently as you are able ? ()

- (1) Actively
- (2) Moderately
- (3) Never

15. What do you think is the most important factor in order to improve labour productivity in your company ? ()

- (1) Introduction of new technology and machinery
- (2) More effective management
- (3) Positive behaviour of labour
- (4) Improvement of labour skill
- (5) Improvement of physical working condition
- (6) Others

16. How often are you provided with the opportunity for education or discussing ways of improving productivity in your company?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Regularly (ie. monthly or quarterly)
- (2) Irregularly
- (3) Not at all

17. Do you have any ideas for improving productivity ? ()

- (1) Yes
- (2) No

18. Have you suggested your idears for improving productivity to your management or senior?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Yes
- (2) No, because no opportunity
- (3) No, because don't want to

19. Who do you think should provide the educational or training opportunities for improving productivity in order to be effective ? ()

- (1) Management
- (2) Trade unions
- (3) Workers
- (4) Professional people or scholars
- (5) Government institutes
- (6) Others

20. How do you consider the ability of your managers? ()

- (1) Very good
- (2) Good
- (3) Fair
- (4) Poor
- (5) Very poor

21. If you have changed or intended to change your job, what factor has most influenced your thinking: ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Poor pay
- (2) Disagreement with management or supervisor
- (3) Bad working conditions
- (4) Poor peer relationship
- (5) Non-union status
- (6) Never think about quitting
- (7) Others

22. What will you do, if you have a reason to quit your current company?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Discuss with management to find out the solution
- (2) Discuss with union leaders to find out the solution
- (3) Discuss with peers to find out the slution
- (4) Discuss with government agencies ti find out the solution
- (5) Just quit
- (6) Others

23. What do you consider promotion in your firm depends mostly on? ()

- (1) Seniority or tenure
- (2) Individual ability and performance
- (3) Education level
- (4) Age
- (5) Management's opinion
- (6) Others

24. Do you worry about the possibility that your promotion is interrupted by peers, juniors or seniors ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Never
- (2) Not much
- (3) Quite a lot
- (4) A great deal

25. Do you keep your efficient ways of doing job your to yourself because you are worried about the possibility that your promotion prospects, and/or your wage increase will be interrupted by peers, juniors or seniors ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Always reveal it
- (2) Mostly reveal it although sometimes keep it secret
- (3) Sometimes reveal it but mostly keep it secret
- (4) Always keep it secret
- (5) Have not any effective ways of doing my job
- (6) Never worry about it

26. What kind of attitude do you have towards undertaking your job?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Because the work is interesting, I do my best
- (2) Although the work is not much interested, I work quite hard
- (3) Because the work is given, I do all my duty
- (4) I work as little as possible
- (5) In order to get money I am forced to work

27. How do you rate the role of a trade union in enhancing the friendship among workers in your company ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Definitely necessary
- (2) Not definitely necessary but quite helpful
- (3) Not helpful
- (4) Not helping, rather an obstacle to friendship

28. How often have you been provided the opportunity of expressing any complaints or suggestions about your company ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Always
- (2) Regularly
- (3) Irregularly
- (4) None

29. How seriously are employee complaints and suggestions taken by management in your company ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Very seriously
- (2) Quite seriously
- (3) Seriously under the pressure of trade union
- (4) Not seriously
- (5) Not at all

30. How well do you know your company's financial and management conditions ?

Please reply to this question with respect to the periods before and after the 6.29 Declaration.

Before () After ()

- (1) Very well
- (2) Fairly well
- (3) Very little
- (4) Not at all
- (5) Not interested

31. Do you have an opportunity to be informed about the business performance and future development plans of the company ?

Please reply to this question with respect to the periods before and after the 6.29 Declaration.

Before () After ()

- (1) Regularly
- (2) Irregularly
- (3) Not at all

32. Which one are you likely to believe most, your employer's announcement of business performance or your trade union's ?

Please reply to this question with respect to the periods before and after the 6.29 Declaration.

Before () After ()

- (1) Employer's
- (2) Trade union's
- (3) Both of them
- (4) None of them

33. When you have a difference of opinion with your senior in carrying out the job, how do you manage it ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Following senior's opinion without any argument
- (2) Although expressing my opinion, I put a priority on the senior's opinion
- (3) In order to reach an agreement I argue with my senior
- (4) Just following my opinion

34. How do you use the public facilities in your company ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) The company is our's, so I use them very carefully just like my own
- (2) Because the facilities are provided in order to employ workers, I use them without any special affection
- (3) The facilities are not mine, so I use them carelessly

35. How do you consider the working environment of your company ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Very pleasant
- (2) Pleasant
- (3) Fair
- (4) Bad
- (5) Very bad

36. Which of the following, do you think, is the major cause of defective products ? ()

- (1) Bad working conditions
- (2) Low level of accuracy of machinery and tools
- (3) Labour mistakes or poor handling
- (4) Long working hours
- (5) Job overload or excess speed pace
- (6) A rush which is caused by a piece-work based wage system
- (7) Others

37. To what extent are you satisfied with the welfare facilities in your company ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Very much satisfied
- (2) Satisfied
- (3) Fair
- (4) Dissatisfied
- (5) Very much dissatisfied

38. How do you consider the mood of industrial relations in your company ?

Please reply to this question with respect to the
periods before and after the 6.29 Declaration.

Before () After ()

- (1) Very cooperative
- (2) Cooperative
- (3) Neither cooperative nor uncooperative
- (4) Quite uncooperative
- (5) Very uncooperative

39. How satisfactory do you consider the current union activities in your company to be ?

Please reply to this question with respect to the periods before and after the 6.29 Declaration.

Before () After ()

- (1) Very satisfactory
- (2) Satisfactory
- (3) Fair
- (4) Poor
- (5) Very poor

40. Please write down your complaints of management and union leaders.

Thank you very much for your cooperation.

APPENDIX II

THE WORKER OPINION SURVEY (TYPE II)

(For workers who had their unions
from the year of 1987)

1. Sex ? ()
(1) Male (2) Female
 2. Age ? _____ years
 3. married? Yes / No
 4. How many years have you worked for your current employer ?
_____ years
 5. The number of times of you have changed employer?
_____ Times
 6. Total working years _____Years
 7. How would you rate your current pay level inrelation to your
work load ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Very high
(2) High
(3) Neither high nor low
(4) Low
(5) Very low

12. To what extent do you agree with the opinion that a company should make a profit ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Completely
- (2) To some extent
- (3) Hardly
- (4) Not at all

13. If your company makes high profits, do you think that your pay and working conditions will be better than ever ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Definitely
- (2) Probably
- (3) Does not make any difference
- (4) Do not know

14. Do you try to do your job as effectively and efficiently as you are able ? ()

- (1) Actively
- (2) Moderately
- (3) Never

15. What do you think is the most important factor in order to improve labour productivity in your company ? ()

- (1) Introduction of new technology and machinery
- (2) More effective management
- (3) Positive behaviour of labour
- (4) Improvement of labour skill
- (5) Improvement of physical working condition
- (6) Others

16. How often are you provided with the opportunity for education or discussing ways of improving productivity in your company?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Regularly (ie. monthly or quarterly)
(2) Irregularly
(3) Not at all

17. Do you have any ideas for improving productivity ? ()

- (1) Yes
(2) No

18. Have you suggested your idears for improving productivity to your management or senior?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Yes
(2) No, because no opportunity
(3) No, because don't want to

19. Who do you think should provide the educational or training opportunities for improving productivity in order to be effective ? ()

- (1) Management
(2) Trade unions
(3) Workers
(4) Professional people or scholars
(5) Government institutes
(6) Others

20. How do you consider the ability of your managers? ()

- (1) Very good
(2) Good
(3) Fair
(4) Poor
(5) Very poor

21. If you have changed or intended to change your job, what factor has most influenced your thinking: ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Poor pay
- (2) Disagreement with management or supervisor
- (3) Bad working conditions
- (4) Poor peer relationship
- (5) Non-union status
- (6) Never think about quitting
- (7) Others

22. What will you do, if you have a reason to quit your current company?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Discuss with management to find out the solution
- (2) Discuss with union leaders to find out the solution
- (3) Discuss with peers to find out the solution
- (4) Discuss with government agencies to find out the solution
- (5) Just quit
- (6) Others

23. What do you consider promotion in your firm depends mostly on? ()

- (1) Seniority or tenure
- (2) Individual ability and performance
- (3) Education level
- (4) Age
- (5) Management's opinion
- (6) Others

24. Do you worry about the possibility that your promotion is interrupted by peers, juniors or seniors ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Never
- (2) Not much
- (3) Quite a lot
- (4) A great deal

25. Do you keep your efficient ways of doing your job to yourself because you are worried about the possibility that your promotion prospects, and/or your wage increase will be interrupted by peers, juniors or seniors ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Always reveal it
- (2) Mostly reveal it although sometimes keep it secret
- (3) Sometimes reveal it but mostly keep it secret
- (4) Always keep it secret
- (5) Have not any effective ways of doing my job
- (6) Never worry about it

26. What kind of attitude do you have towards undertaking your job?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Because the work is interesting, I do my best
- (2) Although the work is not much interested, I work quite hard
- (3) Because the work is given, I do all my duty
- (4) I work as little as possible
- (5) In order to get money I am forced to work

27. How do you rate the role of a trade union in enhancing the friendship among workers in your company ? ()

- (1) Definitely necessary
- (2) Not definitely necessary but quite helpful
- (3) Not helpful
- (4) Not helping, rather an obstacle to friendship

28. How often have you been provided the opportunity of expressing any complaints or suggestions about your company ?

Please reply to this question with respect to the periods before and after unionisation.

Before () After ()

- (1) Always
(2) Regularly
(3) Irregularly
(4) None

29. How seriously are employee complaints and suggestions taken by management in your company ?

Please reply to this question with respect to the periods before and after unionisation.

Before () After ()

- (1) Very seriously
(2) Quite seriously
(3) Seriously under the pressure of trade union
(4) Not seriously
(5) Not at all

30. How well do you know your company's financial and management conditions ?

Please reply to this question with respect to the periods before and after unionisation.

Before () After ()

- (1) Very well
- (2) Fairly well
- (3) Very little
- (4) Not at all
- (5) Not interested

31. Do you have an opportunity to be informed about the business performance and future development plans of the company ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Regularly
- (2) Irregularly
- (3) Not at all

32. Which one are you likely to believe most, your employer's announcement of business performance or your trade union's ? ()

- (1) Employer's
- (2) Trade union's
- (3) Both of them
- (4) None of them

33. When you have a difference of opinion with your senior in carrying out the job, how do you manage it ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Following senior's opinion without any argument
- (2) Although expressing my opinion, I put a priority on the senior's opinion
- (3) In order to reach an agreement I argue with my senior
- (4) Just following my opinion

34. How do you use the public facilities in your company ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) The company is our's, so I use them very carefully just like my own
- (2) Because the facilities are provided in order to employ workers, I use them without any special affections
- (3) The facilities are not mine, so I use them carelessly

35. How do you consider the working environment of your company ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Very pleasant
- (2) Pleasant
- (3) Fair
- (4) Bad
- (5) Very bad

36. Which of the following, do you think, is the major cause of defective products ? ()

- (1) Bad working conditions
- (2) Low level of accuracy of machinery and tools
- (3) Labour mistake or poor handling
- (4) Long working hours
- (5) Job overload or excess speed pace
- (6) A rush which is caused by a piece-work based wage system
- (7) Others

37. To what extent are you satisfied with the welfare facilities in your company ?

Please reply to this question with respect to the
periods before and after unionisation.

Before () After ()

- (1) Very much satisfied
- (2) Satisfied
- (3) Fair
- (4) Dissatisfied
- (5) Very much dissatisfied

38. How do you consider the mood of industrial relations in your company ?

Please reply to this question with respect to the periods before and after unionisation.

Before () After ()

- (1) Very cooperative
- (2) Cooperative
- (3) Neither cooperative nor uncooperative
- (4) Quite uncooperative
- (5) Very uncooperative

39. How satisfactory do you consider the current union activities in your company to be ? ()

- (1) Very satisfactory
- (2) Satisfactory
- (3) Fair
- (4) Poor
- (5) Very poor

40. Please write down your complaints of management and union leaders.

Thank you very much for your cooperation.

APPENDIX III

THE MANAGEMENT OPINION SURVEY

1. Have you had any experience of management policies being interrupted by trade union actively over the last ten years?
2. Were there any changes in the following items, as a result of the 6.29 Declaration or unionisation?
 - 1) Control of hiring
 - 2) Training and apprenticeship
 - 3) Layoff
 - 4) Promotion policies and procedures
 - 5) Work assignment
 - 6) Establishment of work plan and rule
 - 7) Form of shift working
 - 8) Assignment of work load
 - 9) Technological change
 - 10) Company welfare system
 - 11) Wage structure
 - 12) Grievance and suggestion procedure
3. Please choose the following events that occurred during the period after the 6.29 declaration or unionisation in your company?
 - 1) Reduction of production workers
 - 2) Reduction of management staff
 - 3) Reduction of the number of recruits
 - 4) Improvement of new employee's skill and education
 - 5) Replacement of supervisor or management who did not maintain harmony with production workers
 - 6) Decline in product defectiveness
 - 7) Increase in product defectiveness
 - 8) Decline in the rate of absenteeism
 - 9) Increase in the rate of absenteeism
 - 10) Decline in the number of industrial accident
 - 11) Increase in the number of industrial accident
 - 12) Increase of expressions of worker discontent
4. What kinds of communication channels do you have in order to collect worker's suggestions and grievances in your company?

5. Do you inform your workers of the business performance and future development plans of the company?
 - 1) From when?
 - 2) Who does? (position)
 - 3) How regularly? (ie. monthly, quarterly, etc)
 - 4) In which form? (ie. company newspaper, company leaflets, company broadcasting, etc)
6. Has your company implemented any attempt to improve productivity since 1980?
7. If the attempts, which were mentioned in Question 6, did not have expected results, what were the problems?
8. What kinds of benefits, if any, does your company provide to your trade union?
9. Please state your company's welfare facilities and future plans in relationship to the following:
 - 1) Health facilities
 - 2) Dining room
 - 3) Library
 - 4) Education facilities
 - 5) Sports facilities
 - 6) Housing
 - 7) Others
10. What do you think about the impact of trade unionism on industrial relations in your company?
 - 1) Positive impacts
 - 2) Negative impacts
11. What do you think about the relationship between trade unions and productivity?
 - 1) Positive relationship
 - 2) Negative relationship
12. What kind of management policies do you pursue in order to promote harmony with your workers.

Thank you very much for your cooperation

APPENDIX IX

THE TRADE UNION LEADER OPINION SURVEY

1. When was the trade union established?
2. Please tell me the number of members and density?
-----from 1980
3. Which rule do you adopt in joining your union?
 - 1) Union shop
 - 2) Open shop
 - 3) Others
4. Concerning the union due:
 - 1) What is the Percentage of the worker's monthly payment?
 - 2) What methods are employed for collecting union dues?
5. How do you collect and spend your union dues collected, please tell me the 10 largest items.
6. Do you accumulate a fund for industrial disputes?
 - 1) From when?
 - 2) What percentage of your total union dues are put into this fund ?
 - 3) If you do not accumulate the fund, why is this?
7. When the president of your union has been elected ?
8. What were your union's major tasks?
--From 1980
9. How can labour productivity be increased in your company?
 - 1) Management side
 - 2) Worker side
10. Do you have any ideas for improving the industrial relations climate?

11. What do you think about the relationship between unions and productivity?
 - 1) Positive relationship
 - 2) Negative relationship
12. What do you think about the impact of union on industrial relations?
 - 1) Positive impact
 - 2) Negative impact
13. Concerning industrial action (from 1980):
 - 1) Work stoppage
 - 2) Working days lost
 - 3) Main issues

Thank you very much for your cooperation

BIBLIOGRAPHY

- Addison, John T.(1981), "Do Unions Raise Productivity?", Business and Economic Review, Vol.28, No.3, December, pp.10-16.
- Addison, John T.(1982), "Are Unions Good for Productivity ?", Journal of Labor Research, Vol.3, No.2, Spring, pp. 125-138.
- Addison, John T.(1983), "The Evolving Debate on Unions and Productivity", Journal of Industrial Relations, Vol.25, No.3, September, pp.286-300.
- Addison, J.T. and A.H. Barnett (1982), "The Impact of Unions on Productivity", British Journal of Industrial Relations, Vol.23, No.2, July, pp.179-202.
- Addison, J.T. and John Burton (1978), "Wage Adjustment Processes: A Systematic Treatment", British Journal of Industrial Relations, Vol.16, No.2, July, pp.208-223.
- Aka Oka(1990), "The Change of Modern Industrial Society and The New Techniques of Personnel Management", Nosa Kwangjang, Vol.1, November.
- Allen, Frank(1980), "Bosses Say Unions Do More Bad Than Good", Wall Street Journal, 11th, December.
- Allen, Steven G.(1984), "Trade Unions, Absenteeism, and Exit-Voice", Industrial and Labor Relations Review, Vol.37, No.3, April, pp.331-345.
- Allen, Steven G.(1984), "Unionised Construction Workers Are More Productive", Quarterly Journal of Economics, Vol.99, May, pp.251-274.
- Allen, S.G.(1986), "Unionisation and Productivity in Office Building and School Construction", Industrial and Labour Relations Review, Vol.39, No.2, January, pp.187-201.
- Allen, S.G.(1988), "Further Evidence on Union Efficiency in Construction", Industrial Relations, Vol.27, No.2, Spring, pp.232-240.
- Ashenfelter, Orley and George E. Johnson(1972), "Unionism, Relative Wages, and Labor Quality in U.S. Manufacturing Industries", International Economic Review, Vol.13, No.3, October, pp.488-508.
- Bain, George Sayers(ed.)(1983), Industrial Relations in Britain, Oxford:Blackwell.

- Bain, George Sayers and Robert Price(1980), Profiles of Union Growth: A Comparative Statistical Portrait of Eight Countries, Oxford: Blackwell.
- Bain, S.B. and R. Price(1983), "Union Growth: Dimensions, Determinants, and Density", in Bain S.B.(ed.) Industrial Relations In Britain, Oxford: Basil Blackwell.
- Ball, John M., and N.K. Skeoch(1981), "Inter-plant Comparisons of Productivity and Earnings", Government Economic Service Working Paper, London: Department of Employment, No.38, May.
- Bank of Korea, "Year Book of Economic Statistics, 1977".
- Becker, G.S.(1962), "Investment in Human Capital: A Theoretical Analysis", Journal of Political Economy Supplement, Vol.70, October, pp.9-44.
- Berger, Chris J., Craig A. Olson, and John W. Boudreau(1983), "Effects of Unions on Job Satisfaction:The Role of Work Related Values and Perceived Rewards", Organizational Behavior and Human Performance, Vol.32, No.3, pp.289-324.
- Bladwin, Carliss Y.(1983), "Productivity and Labour Unions: An Application of The Theory of Self-enforcing Contracts", Journal of Business, Vol.56, No.2, pp.155-185.
- Bemmels, Brain(1987), "How Unions Affect Productivity in Manufacturing Plants", Industrial and Labor Relations Review, Vol.40, No.2, January, pp.241-253.
- Bergsman, Joel(1974), "Commercial Policy, Alocative and X-Efficiency", Quarterly Journal of Economics, Vol.88, pp.409-433.
- Bernstein, Irving and Hugh G. Lovell (1953), "Are Coal Strikes National Emergencies?", Industrial and Labor Relations Review, Vol.6, No.5, April, pp.352-367.
- Beynon, Huw(1973), Working For Ford, Wakefield: EP Publishers.
- Bloch, Farrell E.(1979), "Labor Turnover in U.S. Manufacturing Industries", Journal of Human Resources, Vol.14, No.2, Spring, pp.236-246.
- Borjas, George J.(1979), "Job Satisfaction, Wages, and Unions", Journal of Human Resource, Vol.14, No.1, pp.21-40.
- Brookshire, Michael L.(1986), "Productivity and Collective Bargaining", Survey of Business, Vol.21, No.4, pp.29-32.
- Brown Charles and James L. Medoff (1978), "Trade Unions in The Production Process", Journal of Political Economy, Vol.86, No.3, June, pp.355-378.

- Bureau of Statistics, Economic Planning Board "Korea Statistical Yearbook, 1989", Republic of Korea, No.36.
- Burkitt, Brain(1981), "Excessive Trade Union Power: Existing Reality or Contemporary Myth?", Industrial Relations Journal, Vol.12, No.3, pp.65-71.
- Burton, John F., Jr.(1985), "Review Symposium: What Do Unions Do? by Richard B. Freeman and James L. Medoff", Industrial and Labor Relations Review, Vol.38, No.2, January, pp.244-263.
- Byrnes, Patricia et.al.(1988), "The Effect of Unions on Productivity: U.S. Surface Mining of Coal", Management Science, Vol.34, No.9, September, pp.1037-1053.
- Cain, Glen G.(1975), "The Economics of Labor: An Assessment of recent Research - The Challenge of Dual and Radical Theories of the Labour Market to Orthodox Theory", American Economic Review, Vol.65, No.2, May, pp.16-22.
- Cameron, Samuel(1985), "Trade Unions and Productivity: Theory and Evidence", Industrial Relations Journal, pp.170-176.
- Caves, R.(1980), "Productivity Differences Among Industries", in Caves, R. and Krause L., Britain's Economic Performance, Washington DC.: Brookings Institution.
- Choi, J.J.(1988), Labour Movement and The State in Korea, Seoul:Yea! Eum Sa.
- Christenson, C.Lawrence(1955), "The Impact of Labor Disputes upon Coal Consumption", American Economic Review, Vol.45, No.1, March, pp.79-117.
- Christensen, Laurits R., Dale W. Jorgenson and Lawrence J. Lau(1973), "Transcendental Logarithmic Production Frontiers", Review of Economics and Statistics, Vol.55, No.1, February, pp.28-45.
- Chung, Kae H. and Hak Chong Lee(eds)(1989), Korean Managerial Dynamics, London:Praeger.
- Clark, Kim B.(1980), "The Impact of Unionization on Productivity : A Case Study", Industrial and Labor Relations Review, Vol.33, No.4, July, pp.451-469.
- Clark, Kim B.(1980), "Unionization and Productivity: Micro Economic Evidence", Quarterly Journal of Economics, Vol.95, No.4, December, pp.613-639.
- Clark, Kim B.(1984), "Unionization and Firm Performance: The Impact on Profits, Growth and Productivity", American Economic Review, Vol.74, No.5, December, pp.893-919.

- Clifford, Mark(1988), "The Price of Democracy", Far Eastern Economic Review, 28th, January.
- The Conference of Economic Organisation, "A Survey of The Prospect of Industrial Relations For The Year of 1990", Publicity Paper, 1990.
- The Conference of Korean Christian Church, The Scene of Labour and The Witness, Book Publishing Pool Bit, 1984.
- Dalton, James A. and E.J. Ford, Jr.(1977), "Concentration and Labor Earnings in Manufacturing and Utilities", Industrial and Labor Relations Review, Vol.31, No.1, October, pp.45-60.
- Defina, Robert H.(1983), "Unions, Relative Wages, and Economic Efficiency", Journal of Labor Economics, October, pp.408-429.
- Dillion, P., and I. Gang(1987), "Earnings Effects of Labour Organisations in 1890", Industrial and Labor Relations Review, Vol.40, No.4.
- Dunlop, J.T.(1958), "Industrial Relations Systems", New York: Holt.
- Dworkin, James B. and Dennis A. Ahlburg(1985), "Unions and Productivity : A Review of the Research", Advances in Industrial and Labor Relations, Vol.2, pp.51-68.
- Eberts, Randall W.(1984), "Union Effects On Teacher Productivity", Industrial and Labor Relations Review, Vol.37, No.3, April, pp.346-358.
- Edwards, Michael(1983), Back From The Brink, London: Collins.
- Edwards, P.K.(1987), Managing the Factory, Oxford: Blackwell.
- Ehren, R.G., D.R. Sherman, and J.L. Schwarz(1983), "Unions and Productivity in the Public Sector : A Study of Municipal Libraries", Industrial and Labor Relations Review, Vol.36, No.2, January, pp.199-213.
- Ehrenberg, Ronald G. and Robert S. Smith(1988), Modern Labor Economics: Theory and Public Policy, Third Edition, London: Scott, Foresman and Company.
- Federation of Korean Trade Union "The History of Korean Trade Union Movement", s, Korea Su-Juck, 1979.
- The Federation of Korean Industries, an Activity Report, 1989, February, 1990.
- Flatherty, Sean(1987), "Strike Activity, Worker Militancy, and Productivity change in Manufacturing, 1961-1981", Industrial and Labor Relations Review, Vol.40, No.1, July, pp.585-600.

- Freeman, Richard B.(1976), "Industrial Mobility and Union Voice in the Labor Market", American Economic Review, Vol.66, No.2, May, pp. 361-368.
- Freeman, Richard B.(1976), "Political Economy: Some Uses of The Exit-voice Approach, Individual Mobility and Union Voice in The Labour Market", American Economic Review, Vol.66, No.2, May, pp.361-368.
- Freeman, Richard B.(1978), "Job Satisfaction as an Economic Variable", American Economic Review, Vol.68, No.2, pp.135-141.
- Freeman, Richard B. and James L. Medoff(1979), "New Estimates of Private Sector Unionism in the United States", Industrial and Labor Relations Review, Vol.32, January, pp.143-174.
- Freeman, R.B. and J.L. Medoff(1979), "The Two Faces Of Unionism", Public Interests, Fall, pp.69-93.
- Freeman, R.B.(1980), "The Exit-Voice Tradeoff in the Labor Market : Unionism, Job Tenure, Quits, and Separations", Quarterly Journal of Economics, Vol.94, June, pp.644-673.
- Freeman, R.B. and J.L. Medoff(1982), "Substitution between Production Labor and Other Inputs in Unionized and Nonunionized Manufacturing", The Review of Economics and Statistics, Vol.64, No.2, May, pp.220-233.
- Freeman, R.B. and J.L. Medoff(1984), "Trade Unions and Productivity : Some New Evidence on an Old Issue", Annals of the American Academy of Political and Economic Science, Vol.473, May, pp.149-164.
- Freeman, R.B. and J.L. Medoff(1984), What Do Unions Do?, New York: Basic Books.
- Gordon, David M.(1981), "Capital-labour Conflict and the Productivity Slowdown", American Economic Review Papers and Proceedings, Vol.71, No.2, pp.30-35.
- Graddy, Duane B. and Gary Hall(1985), "Unionization and Productivity in Commercial Banking", Journal of Labor Research, Vol.6, No.3, Summer, pp.249-262.
- Harbinson, Fredrick(1956), "Entrepreneurial Organization As A Factor in Economic Development", Quarterly Journal of Economics, Vol.70, August, pp.364-379.
- Hartman, Paul T.(1969), Collective Bargaining and Productivity : The Longshore Mechanization Agreement, Berkeley: University of California Press.

- Hendricks, Wallace(1975), "Labor Market Structure and Union Wage Levels", Economic Inquiry, Vol.13, No.3, pp.401-416.
- Hirsch, Barry T. and Albert N. Link(1984), "Unions, Productivity, and Productivity Growth", Journal of Labor Research, Vol.5, No.1, Winter, pp.29-37.
- Hirschman, Albert O.(1970), Exit, Voice, and Loyalty, Cambridge, MA :Harvard University Press.
- Hyman, Richard(1984), Strikes, Third Edition, London:Fontana Paperbacks.
- Ichniowski, Casey(1986), "The Effects of Grievance Activity on Productivity", Industrial and Labor Relations Review, Vol.40, No.1, October, pp.75-89.
- Irwan, Alexander(1987), "Real Wages and Class Struggle in South Korea", Journal of Contemporary Asia, Vol.17, No.4, pp.385-408.
- Jin, T.K. et.al.(1981), "The Recognition of The 1950's", Han Kil Sa.
- Johnson, George E.(1975), "Economic Analysis of Trade Unionism", American Economic Review, Vol.65, No.2, May, pp.23-28.
- Johnston, J(1963), "The Productivity of Management Consultants", Journal of The Royal Statistical Society, Series A, Vol.126, No.2, pp.137-149.
- Joseph, Jonathan(1985), "In Search of Theory K", International Management, September, pp.107-110.
- Jung, H.M.(1990), "The Revolutionary Movement of Production Workers", Saebuyuk, Suck Tap, No.8, May.
- Kaki, D.R.(1983), "The Effects of Unions and Strikes on The Rates of Total Factor Productivity in Canada", Applied Economics, No.15, pp.29-41.
- Kalachek, Edward and Fredric Raines(1980), "Trade Unions and Hiring Standards", Journal of Labor Research, Vol.1, No.1, Spring, pp.63-75.
- Kang, D.J.(1973), "The Working Condition of Labour Under The Japanese Governing", in Kim, Y.H. et.al.(1973), "The Structure of Korean Labour Problem", Kwing Min Sa.
- Katz, Harry, Thomas A. Kochan, and Kenneth Gobeille(1983), "Industrial Relations Performance, Economic Performance, and The Effects of Quality of Working Life Efforts: An Interplant Analysis", Industrial and Labor Relations Review, Vol.37, No.1, pp.3-17.

- Katz, Harry C., Thomas A. Kochan, and Jeffrey H. Keefe(1987), "Industrial Relations and Productivity in the U.S. Automobile Industry", Brookings papers on Economic Activity, Part3, pp.685-727.
- Kilby, Peter(1962), "Organization and Productivity in Backward Economics", Quarterly Journal of Economics, Vol.76, May, pp.303-310.
- Killingsworth, Charles C.(1962), "The Mordernization of West Cost Longshore Work Rules", Industrial and Labor Relations Review, Vol.15, April, pp.295-306.
- Kim, I.K.(1985), "The Order and Economy of A Confucianism Cultural Area", Hankook Kyungjae Sinmoonsa, pp.64-65.
- Kim, J.S.(1986), Industrial Relations, Bub Moon Sa.
- Kim, K.S.(1989), "A Massive Strike in 1987 and A Development Aspect and Prospect of Trade Union Movement", Hyundai No Sa, Vol.7, No.8, August.
- Kim, Moon, S.(1988), "A Study on The Factors Influencing on Voluntary Turnover for Employee in Korean Manufacturing Business Organisation", Master Dissertation, Yonsei University.
- Kim, S.K.(1982), "Analysis of Business-Government Relations in Korea", Master Dissertation, Seoul National University.
- Kim, T.K. and Lee, Y.H.(1989), A Strong of Labour Disputes Adjustment System, Korea Labour Institute.
- Kim, Y. H. et.al.(1978), "The Structure of Korean Labour Problem", Kwang Min Sa.
- Knight, K.G.(1989), "Labour Productivity and Strike Activity in British Production Industries: Some Quantitative Evidence", British Journal of Industrial Relations. Vol.27, No.3, pp.365-374.
- Koo, H.A.(1984), "The Political Economy of Income Distribution in South Korea", World Development, Vol.12, No.10.
- Korea Automobile Manufacturers Association"Korea Automobile Industry 1989".
- Korea Cement Industrial Association, "Cement", Vol.91, June, 1983.
- Korea Productivity Centre, An Analysis of Business Management, 1989.
- The Korean Production Centre"An Analysis of Business Management", 1989.

- The Korea Seoul Chamber of Commerce and Industry, The relationship between Trade Union and Management Performance2, July, 1989.
- Kuhn, Peter(1985), "Union Productivity Effects and Economic Efficiency", Journal of Labor Research, Vol.6, No.3, Spring, pp.229-248.
- Lee, J.C. and Lee D.W.(1982), Modern Personnel Management, Ilsin sa.
- Lee, S.M. and Yoo, S.(1987), "The K-Type Management: A Driving Force of Korean Prosperity", Management International Review, Vol.27, No.4, Fourth Quarter, pp.68-77.
- Lee, W.B.(1977), Introduction to the Study of Korean Labour Movement History, Master Dissertation, Kyunghee University.
- Leibenstein, Harvey(1966), "Allocative Efficiency VS. "X-Efficiency", American Economic Review, Vol.56, No.3, June, pp.392-415.
- Leijnse, F.(1980), "Workplace Bargaining and Trade Union Power", Industrial Relations Journal, Vol. 11, No.2, pp.58-69.
- Machin, S.J.(1988), "The Productivity Effects of Unionisation and Firm Size in British Engineering Firms", Warwick Economic Research Papers, No.293, March.
- Marchin, S. and S. Wadhwani(1989), "The Effect of Unions on Organisational Change, Investment and Employment: Evidence from WIRS", Discussion Paper NO.355, Centre for Labour Economics, London School of Economics, August.
- Management Efficiency Research Institute, The 50 Largest Business Groups in Korea - Data Collections of Financial Analysis, 1990.
- Mansfield, Edwin(1980), "Basic Research and Productivity Increase in Manufacturing", American Economic Review, Vol.70, No.5, pp.863-873.
- Marki, Dennis R.(1983), "Trade Unions and Productivity: Conventional estimates", Industrial Relations, Vol.38, No.2, pp.211-228.
- Mandelstamm. Allen B.(1965), "The Effects of Unions on Efficiency in the Residential Construction Industry : A Case Study", Industrial and Labor Relations Review, Vol.18, July, pp.503-521.
- Marsden. David(1986), The End of Economic Man, U.K.: Wheatsheaf Books Ltd..

- McKersie, Robert B. and Janice A. Klein(1983), "Productivity: The Industrial Relations Connection", National Productivity Review, Vol.3, No.1, pp.26-35.
- Medoff, James L.(1979), "Layoffs and Alternatives under Trade Unions in United States Manufacturing", American Economic Review, Vol.69, June, pp.380-395.
- Mefford, Robert N.(1986), "Introducing Management into the Production Function", Review of Economics and Statistics, Vol.68, No.1, pp.96-104.
- Mefford, R.N.(1986), "The Effect of Unions On Productivity in A Multinational Manufacturing Firm", Industrial and Labor Relations Review, Vol.40, No.1, October, pp.105-114.
- Metcalf, David(1988), "Unions and Productivity : The Impact of Union Presence on Labour Productivity in British Manufacturing", Mimeo, London School of Economics, Industrial Relations Department, April.
- Metcalf, David(1988), "Trade Unions and Economic Performance : The British Evidence", Working Paper, London School of Economics, July.
- Metcalf, David(1990), "Union Presence and Labour Productivity in British Manufacturing Industry. A Reply to Nolan and Marginson", British Journal of Industrial Relations, Vol.28, No.2, July, pp. 249-266.
- Ministry of Commerce and Industry "A Government Report on Auto Industry, 1988", November.
- Ministry of Labour, "Year Book of Labour Statistics, 1982 1987 1988 and 1989", Republic of Korea.
- Ministry of Labour, A White Paper on Labour, 1989.
- Ministry of Commerce and Industry "A White Paper on Auto Industry", Republic of Korea, 1988.
- Neff, Robert and Laxmi Nakarmin(1989), "Giants Under Siege", Business Week, 20th November.
- Neumann, George R. and Melvin W. Reder(1984), "Output and Strike Activity In U.S. Manufacturing: How Large Are The Losses?", Industrial and Labor Relations Review, Vol.37, No.2, January, pp.197-211.
- Nichols, Theo(1986), The British Worker Question, London: Routledge & Kegan Paul.
- Noh, S.K.(1990), "Industrial Relations and the Corporative Culture", No-Sa, Vol.3, No.8, October.

- Nolan, Peter and Paul Marginson(1988), "Skating on Thin Ice ? : David Metcalf on Trade Unions and Productivity", Warwick Papers in Industrial Relations, University of Warwick, No.22, December.
- Norsworth, J.R. and Craig A. Zabala(1985), "Worker Attitudes, Worker Behavior, and Productivity in the U.S. Automobile Industry, 1959-1976", Industrial and Labor Relations Review, Vol.38, No.4, July, pp.544-557.
- Odewahn, Charles, and M.M. Petty(1980), "A Comparison of Levels of Job Satisfaction, Role Stress, and Personal Competence Between Union Members and Nonmembers", Academy of Management Journal, Vol.23, No.1, pp.150-155.
- Ogle, George Ewing(1973), "Labour Unions in Rapid Economic Development: Case of The Republic of Korea in The 1960s", Doctoral Thesis, University of Wisconsin.
- Ogle, G.E.(1981), "South Korea", in Edited by Blum, Albert A.(1981), "International Handbook of Industrial Relations", London:Aldwych Press.
- Oh, Y.S.(1981), The Future and Task of Korean Management Style, Federation of Korean Industries, and Institute of International Management.
- Olson, Craig A.(1979), Trade Unions, Wages, Occupational Injuries: An Empirical Analysis, Ph.D. Dissertation, University of Wisconsin.
- Park, J.D. and K.S.Part(1989) Trade Unions, Korea Labor Institute.
- Paris, S.J.(1978), "The Strike-proneness of Large Plants in Britain", Journal of the Royal Statistical Society, Series A(general), Vol.414, No.3, pp.368-384.
- Pencavel, John H.(1977), "The Distributional and Efficiency Effects of Trade Unions in Britain", British Journal of Industrial Relations, Vol.15, No.2, pp.137-156.
- Piore, Michael J. and Charles F. Sabel(1984),The Second Industrial Divide, New York:Basic Books.
- Pollert, Anna(1987), "The 'Flexible Firm': A Model in Search of Reality (or A Policy in Search of A Practice)", Warwick Paper in Industrial Relations, No.19, University of Warwick.
- Pratten, C.F.(1976), Labour Productivity Differentials within International Companies, Cambridge: Cambridge University Press.

- Rees, Albert(1963), "The Effects of Unions on Resources Allocation", Journal of Law and Economics, October, pp.69-78.
- Register, Charles A.(1988), "Wages, Productivity, and Costs in Union and Nonunion Hospitals", Journal of Labor Research, Vol.9, No.4, Fall, pp.325-345.
- Reid, Joseph D., JR.(1982), "Labour Unions in the American Economy: An Analytical Survey", Journal of Labor Research, Vol.3, No.3, pp.277-294.
- Reynolds, Lloyd G.(1974), Labor Economics and Labor Relations, 6th Edition, Englewood Cliffs, N.J.: Prentice-Hall.
- Reynolds, Morgan O.(1981), "Whatever Happened to the Monopoly Theory of Labor Unions?", Journal of Labor Research, Vol.2, No.1, Spring, pp.163-173.
- Schwochau, Suan(1987), "Union Effects on Job Attitudes", Industrial and Labor Relations Review, Vol.40, No.2, January, pp.209-225.
- Simler, Norman J.(1962), "The Economics of Featherbedding", Industrial and Labor Relations Review, Vol.16, October, pp.111-121.
- Slichter, Sumner H., James J. Healy, and E. Robert Livernash(1960), The Impact of Collective Bargaining on Management, Washington D.C.: The Brookings Institution.
- Smith, Chris, John Child, and Michael Rowlinson(1990), Reshaping Work: The Cadbury Experience, Cambridge: Cambridge University Press.
- Smith, Michael, et.al.(1985), Asia's New Industrial World, London: Methuen.
- The Ssangyoung Motor Union, "An Activity Report 1989".
- Sullivan, Terry.(1984), "Trade Unions and Productivity: Theory and Evidence", International Journal of Manpower, Vol.3, No.2, April, pp.163-191.
- Sullivan, Terry(1985), "Trade Unions, Management and Productivity", Employee Relations, Vol.7, No.2, pp.8-11.
- Turnbull, Peter J.(1989), "Trade Unions and Productivity: Opening Harvard 'Black Boxes'", Warwick Papers in Industrial, Industrial Relations Research Unit, School of Industrial and Business Studies, University of Warwick, No.24, January.
- Thurow, Lester C.(1972), "Education and Economic Equality", Public Interest, Vol.28, Summer, pp.66-81.

- Toner, Bill(1985), "The Unionisation and Productivity Debate: An Employee Opinion Survey in Ireland", British Journal of Industrial Relations, Vol.23, No.2, July, pp.179-202.
- Vogel, Ezra F. and David L. Lindauer(1989), Towards A Social Compact For South Korean Labor, Development Discussion Paper, Harvard Institute for International Development, The Harvard University, No.317, November.
- Vroom, Victor and Edward Deci(1970), Management and Motivation, Baltimore: Penguin.
- Warren, Ronald S., Jr.(1985), "The Effect of Unionization on Labor Productivity : Some Time-Series Evidence", Journal of Labor Research, Vol.6, No.2, Spring, pp.199-207.
- Webb S. and B(1920), Industrial Democracy, Long Green and Company.
- Wilson, Nichols(1987), "Unionisation, Wages and Productivity Some British Evidence", Occasional Paper, No.8703, March, University of Bradford Management Centre.
- Youn, S.C.(1990), "Democratisation of Labour Policy and Labour Administration: The Meaning and Problem", Nosa Kwangjang, No.1, November.