

## Seeking a Vision for Labor-Management Reform to Enhance Competitiveness



### A Roadmap for the Korean Labor Market and Labor Relations in the 21st Century

- Richard Freeman, professor, Harvard University

The challenges that Korea will have to overcome in the future in order to achieve an advanced labor-management relationship can be summarized into the following four points.

First, the labor market structure of advanced countries can generally be categorized into the market-led labor market of the US and the institution-led labor market of Europe. However, the fact that the labor market of Korea shows characteristics that are disparate from these two large categories shows that there is a third labor market category.

- The labor market of the traditional industry where sharp labor disputes exist, the labor market of the knowledge-based industry where the largest numbers of young laborers are found, and the labor market of the service industry which is comprised of countless small private businesses.
- Organically integrating these markets and enabling free mobility among different labor markets is an important policy challenge.

**S**econd, the conflictive labor-management relationship that exists in the traditional industry labor market must be transformed into a more cooperative form.

- To do this, the following three policies need to be fulfilled. First, negotiations between the on-site labor and management must be more effective than labor-management negotiations at a higher level, such as the Tripartite Commission. Second, the expansion of the profit sharing system between businesses and laborers will also be helpful in establishing cooperative labor-management relations. Third, it is important that the labor union representative be elected through democratic means.

**T**hird, while it is generally possible for a flexible labor market to absorb the rapidly increasing numbers of college graduates, the decrease in income or quality of work is inevitable in such cases.

- In the case of Korea, the number of college graduates has been continually increasing, which has led to a significant drop in the college graduate premium. Therefore, an urgent challenge facing Korea is how to absorb further college graduates into the labor market.

**F**inally, productivity in the service industry must be enhanced to the level of the manufacturing industry.

- In the case of Korea, about 2/3 of workers are laid off around the age of fifty, after which they join the individual private service industry. In comparison, only 27% of young laborers work in this industry.
- It should be taken into reference that in the case of Japan, it is common for workers who are laid off in their fifties to join a smaller company, or re-enter their previous company under adjusted working conditions.



**Globalization and Labor-Management Relations in Korea: Recent Contentious Issues**

- Cho, Jun-mo, professor, Sungkyunkwan University

**K**orea's labor-management relations are highly bipolarized due to the highly combatant nature of large conglomerate labor unions, and the low organization rate of small-and-medium business labor unions. In addition, Korea's labor relation competitiveness according to the IMD is ranked 60th out of 60 countries (2004, 2005), and Korea's propensity to strike is 1.77 times higher than the OECD average, preceded only by Italy.

**R**egarding labor-management relations issues, the unification of negotiation windows under the future multiple labor union system is necessary, through a democratic process for which the infrastructure should urgently be established.

- While a payment ceiling for full-time union representatives should be established, this policy must be enforced by creating a legislative mechanism for regulating full-time labor representatives that exceed the payment ceiling as well as undisclosed labor representatives.
- Regarding industrial negotiations, the efforts of labor unions to reduce unnecessary costs associated with industrial labor unions and industrial negotiations should be established as a pre-requisite, after which industry-level negotiations can be requested of the users (management).

**I**n order to reform conflictive labor-management relational practices, users must exercise transparent management, while enhancing a sense of solidarity within the company by actively disclosing management information.

- Rather than adhering to unreasonable demands during negotiations, labor unions must adopt a more practical attitude, acquire expertise in corporate management, HR management and labor-management relations, and employ an attitude of constructively engaging in dialogue to enhance competitiveness.
- The government must also take on a 'spirit of servitude,' providing help and support for parties involved in labor-management negotiations to resolve problems smoothly.
- Only when labor and management resort to mutual respect for each other's opinion rather than ordering and supervising, and only when they are allowed to grow as leaders of the negotiation and compromise process through effective support process can we build a society of trust.
- In addition, a paradigm shift in labor related laws to create new jobs needs to be emphasized. Thus, Korea's labor related laws need to be reorganized under the concept of fairly reflecting the interest relations of workers and aspiring workers, and achieving harmonization with market economic principles (=principles of competition).



### **Labor Market Institutions and Productivity: Case Studies of Performance-based Income**

- John S. Heywood, professor, Wisconsin-Milwaukee University

**W**hile performance-based income does not always bring about an increase in profitability, it is an important tool in HR management.

- Workers in Korea seem to be showing a positive attitude towards the expansion of performance-based pay, and are observed to be satisfied with their work when receiving performance-based pay under the premise that other conditions remain unchanged.
- Based on the experiences of other countries, performance-based pay can enhance productivity most effectively when workers are allowed to participate in the creation and execution of the system.
- Under the current collective agreement system which has become relatively more centralized through policy changes, a decentralized labor-management council is likely to grant greater influence to performance-based pay.



### **Measures for the Labor Law to Strengthen Industrial Conditions**

- Kim, Young-mun, professor, Jeonbuk University

**I**n order to induce foreign investment by enhancing the attractiveness of Korea as an industrial location and prevent a hollowing-out of the industry, the economic implications of labor laws must be reflected in the legislation and application of labor laws, creating labor related laws and institutions that align to the economic situation.

- To accomplish this, measures that can be taken from an individual labor-management law perspective are reduction of incidental expenses to income, alleviation of dismissal regulations, reconsideration of work-hour reduction, and enhancing flexibility in non-regular employment, while measures that can be taken from a collective labor-law perspective are enhancing flexibility in collective agreements, applying a principle of priority to advantageous conditions, regulating strikes, institutionalizing changes in working conditions, and resolving the issue of worker representation.
- Specifically, the labor law that has been reorganized to reflect economic implications need to be applied to free economic zones and corporate cities where the labor law has a direct improvement effect on industrial conditions, in order to design labor-related laws that are applicable to the region.
- If such regionally designed labor-related laws achieve economic and employment activation, a method of implementing this system throughout the entire industrial area of 'Korea' should be sought.

**I**n this paper, measures to alleviate dismissal reports and enhance flexibility of collective agreements are suggested.



### **Implementation and Effects of the New Participatory Employment System: Global References**

- Takao Kato, professor, Colgate University

**I**n the workplaces of Japan, US and other advanced countries, one of the most important changes that have taken place in the past 20 years is the introduction of an innovative work practice often called 'high-performance practice' or 'worker participation practice.'

- This new participatory employment system which is in stark contrast with the traditional employment system is comprised of a number of new work practices, which are based on assumptions regarding the importance of on-site workers that are fundamentally different from the past.
- On-site workers can obtain local information that is not accessible to their supervisors or engineers (for example, ideas to enhance productivity, quality, customer satisfaction, and health and safety in the workplace). This local information can best be acquired when on-site workers cooperative with supervisors, engineers, and other on-site workers.

- Simply put, the new participatory employment system was developed to promote teamwork among workers on the field, and encourage the sharing of useful local information among on-site workers, supervisors and engineers.
- In this paper, the major work practices comprising the new participatory employment system is examined, the effect that these practices have on work performance are theoretically investigated, and the importance of the synergy effects created among various work practices are examined in detail.
- Then, the expanded application of such work practices by companies in Japan, US and other advanced countries are examined.
- Finally, recent evidence regarding the work performance generated by the new participatory employment system is presented, and policy implications are discussed.



### Observation of Korea's Labor Policy in a Rapidly Aging Society

- Kim, Seon-wung, professor, Wisconsin-Milwaukee University

**K**orea is rapidly entering into the category of an aging society. According to the Korea National Statistical Office, 7.2% of the Korean population was over the age of 65 in 2000.

- This ratio is expected to increase to 19.1% by 2025, and 34.4% by 2050.
- The fast pace in which Korea is becoming an aging society is unprecedented among OECD countries. The rapid aging of the Korean population will bring about fundamental economic changes in the future of the Korean society.
- The government will not only experience expenditure pressure in social entitlement programs such as national pension and national health insurance programs, but will also have to face a significantly rigidified labor market from early mandatory retirement and the rapid increase in support recipients, and the low labor market participation of women and working-aged population.
- Korea needs to create incentives to work, in order to increase the labor market participation rate of aged workers and women. In addition, appropriate labor market policies must be adopted to increase the birth rate, as well as policies to enhance Korea's productivity.



## The US Experience with Exclusive Representation: Implications for Multi Unionism

- Ken Dau-Schmidt, professor, University of Indiana

While different countries adopt a diverse set of labor laws, the two common goal sought by all labor laws is ‘the fostering of industrial democracy through collective bargaining rights’ and ‘enhancement of peace in industry.’

- These goals can be found in the labor laws of both the US and Korea. The question of whether workers will be represented through exclusive representation rights or multi unionism is also related to the two fundamental issues mentioned above in terms of developing institutions for labor-management relations.

Exclusive representation strengthens the bargaining power of the labor union against the employer, enabling workers to make a meaningful contribution to the collective bargaining process.

- Exclusive representation focuses the interest of the user on a single labor union representative, enhancing cooperation between the involved parties and preventing the labor union from strategically acting on behalf of a single or a handful of workers while sacrificing the interests of workers at large, simplifying the problems incorporated in collective bargaining.

However, exclusive representation can be a barrier to the worker organization, as can be seen in the deep-rooted problems of the US labor relations institutions.

- Furthermore, putting workers that have differing interests under a single labor union may complicate the politics of collective bargaining, and may prevent the interests of the minority from being represented.
- In reality, it was found in the case of the US that when exclusive representation is adopted, all workers within the negotiating party must be given the ‘duty of fair representation.’

In this presentation, the policy decision between exclusive representation and multi unionism is examined.

- The laws and experiences of the US in exclusive representation are presented, and the implications that these experiences have on multi unionism are discussed.
- In terms of the former, the overall contents of the US election procedure, the duty of fair representation principle and recent trends towards recognizing minority labor unions and the ‘members only contracts’ adopted in the US are examined in order to investigate the laws and experiences of the US with exclusive representation.
- In terms of the latter, the experiences of countries where a multiple labor unions are actively implemented are examined in order to identify the advantages of multi unionism.

In deciding upon the issue of representation, there is no country that has such a strictly official system as the US, and no country that adheres to the exclusive representation model as strongly as the US does. Therefore, the US presents an interesting case study in examining the issue of exclusive representation and multi unionism.



### Multi Unionism and Unification of Negotiation Windows in Korea: Recent Issues and Challenges

- Dr. Lee, Seung-gil, research fellow, KIET

As we can see in the ‘measures for negotiation window unification following the implementation of enterprise-level multiple labor unions’ which is being discussed in light of the ‘measures to advance labor related laws and institutions’ presented by the ‘Labor Management Relation Advancement Research Committee’ of the Ministry of Labor, there is a high possibility that the unification of a negotiation window under a multiple labor union system will be adopted in some form.

- In the process of democratization and overcoming the Asian Financial Crisis, Korea was able to form a consensus regarding the implementation of multiple labor unions as part of a 1997 revision of the labor union and labor relation adjustment law. However, it is indeed a problem that application of the measure into the current labor law regulations has been delayed for ten years.

- ·If the ‘unification of the negotiation window’ is again delayed or abolished, Korea’s labor-management relations will immediately fall into severe conflict, losing credibility within the global community.
- Therefore, a measure to unify negotiation windows must be established as soon as possible.
- ·However, if legislation is carried out as planned, the discussions regarding ‘payment support for full-time labor representatives’ have to be ceased.
- However, while the unification of negotiation windows is an issue of efficiency in order to prevent the side-effects of allowing enterprise-level multiple labor unions, there have been no empirical studies regarding the most effective method of minimizing the side-effects generated from allowing multiple labor unions.
- In the current discussion structure regarding the unification of negotiation windows, a ‘majority representation system’ would be most effective in terms of avoiding excessive competition among labor unions and bargaining delays between labor and management, preventing labor-management disputes and stabilizing labor-management relations.
- However, under the current situation, a ‘government proposal’ will be established and pursued in consideration of not only the unification of negotiation windows, but various issues regarding the ‘advancement measures’ for labor-management relations.