

Employment Relations in the Korean Automotive Industry: Issues and Policy Implications

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Abstract

Since the late 1980s there have been significant problems in the Korean auto industry related to employment relations. This paper focusses on the experience of three companies: Hyundai, Daewoo and Kia, which have pursued somewhat different strategies in industrial relations and human resource management. Hyundai, which is the largest auto producer, has experienced major labour disputes almost every year since 1987, but has reached an accommodation with its union in the past couple of years. Daewoo and Kia have both faced militant union leadership since the early 1990s. Kia's management was rather indecisive, but Daewoo was more decisive and industrial relations appear to have stabilised. However, major industrial conflicts at the end of 1996, following the government's attempt to reform labour laws, and the formation of a new independent peak union council, indicate that industrial relations in the Korean auto industry are likely to remain unsettled for some time.

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Korean auto manufacturers, have experienced rapid growth over the past two decades and are now at a crossroads. One direction leads to greater international competitiveness and success; the other leads to stagnation and decline. There are several critical issues facing the Korean auto industry: the demand for new cars in the domestic market is declining, there will soon be a new Korean car maker into the market, and the complete opening of the domestic market to the overseas auto companies will increase competition not only among domestic auto companies but also with overseas firms. As Korean auto makers lose their low cost competitiveness, it is anticipated that they will also face tougher competition in international markets

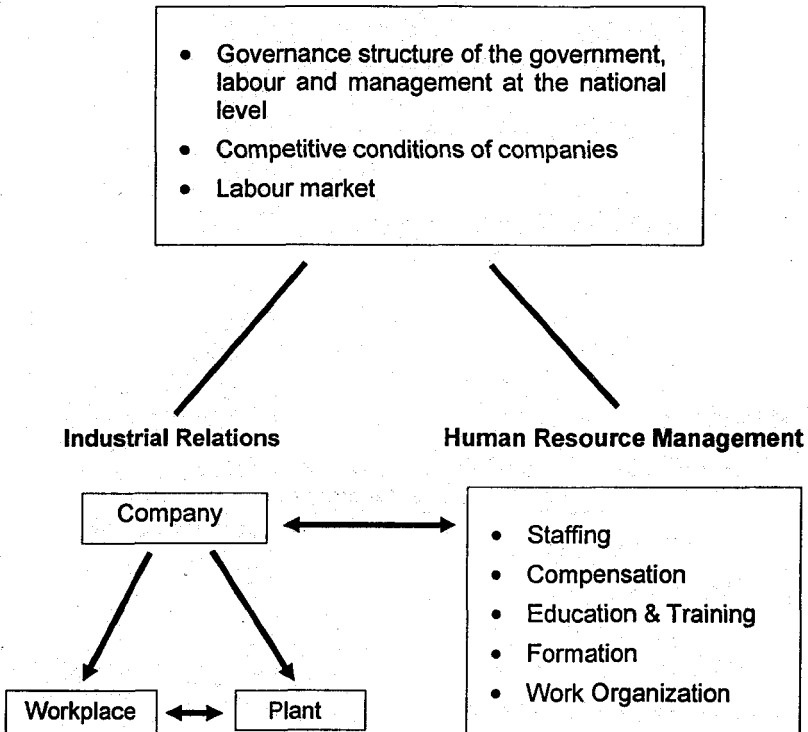
With rapid changes in the industrial relations environment in Korea, since 1987, the auto industry has experienced several serious labour disputes. Industrial relations practices in the auto industry have not yet stabilised and the industry faces additional changes effected by globalization. Moreover, given the Korean auto industry has the largest union membership among private manufacturing companies in Korea, employment relations in the auto industry will have a strong influence on the future direction of Korea's industrial relations as a whole.

This paper analyzes employment relations in the Korean auto industry through an examination of three major auto companies: Hyundai, Kia, and Daewoo Motors. Policies are suggested for innovation in employment relations in the Korean auto industry. Only production workers are considered for the analysis since non-production workers in these three companies do not belong to unions.

The analytic structure for the research is shown in Figure 1. Considering the fact that collective bargaining in Korea is mainly conducted at enterprise level, this paper focuses on the inter-relationship of industrial relations activities at company/plant/workplace levels and human resource management practices. As the size of the three auto makers is large, industrial relations activities at company level and those at plant level are distinguished from each other. It is assumed that the human resource management practices in each company are strongly influenced by the power balance between labour and management, relations among labour groups in the union, and the process of dispute settlement at company, plant and workplace levels.

The main focus of this paper is the degree of change in industrial relations, and in four major areas of human resource management, since the early 1990s. Business environments of the companies, the governance

Figure 1. The Analytical Structure of this Research Environmental Factors



structure among labour, management and government at the national level, and labour market conditions are seen as factors influencing industrial relations and human resource management practices.

This paper is based on a series of interviews with policy decision-makers from both unions and management in the three auto makers which were conducted between December 1996 to March 1997. Secondary data on recent industrial relations in the Korean auto industry are also used in this paper.

The External Environment

The annual sales of Korean vehicles exceeded two million units in 1996. This represented ten fold increase from the annual sales of two hundred thousand vehicles in 1987. However, the future market forecasts for the Korean auto industry do not appear to be as positive.

The domestic market, which experienced rapid expansion until recent years mainly due to rapid improvement in Korea's national income level, has stagnated. The annual demand peaked at 1,110,000 units of vehicles in 1996. However, from 1997, the volume of the annual demand in the domestic market is expected to decrease steadily to 600,000 units of vehicles by the year 2000 (Kia Economic Research Centre, 1994).

Moreover, while the existing companies have continuously expanded their production facilities, a newcomer, Samsung Motors, will start to produce passenger cars for the domestic market, from 1998, with a production capacity of 500,000 unit of vehicles per year.

In recent years, the market share of imported vehicles in the domestic market has increased rapidly. The annual sales of imported vehicles in 1995 was 7,811 units, which is six times the total in 1991. This trend is expected to continue in the future. In 1999, the Korean auto market will be completely open to foreign car makers. The market share of Japanese vehicles, which were previously forbidden to sell into the Korean market, is expected to expand rapidly.

The export competitiveness of the Korean vehicles, which relied heavily on cheap prices, has rapidly weakened since the early 1990s. The hourly wage of the Korean auto industry in 1995 was 9 US dollars, which was 51 percent of American and 33 percent of Japanese wage costs. Hourly wages of the Korean auto industry in 1991 was 28 percent of American and 33 percent of Japanese wage costs. Clearly the Korean auto makers need to reconsider their price-based competitiveness strategies.

Industrial relations in Korea has changed rapidly since 1987 and the power of the trade union movement has expanded (see Park, 1993). Trade unions in large enterprises are very strong and influential in the labour movement. Of the 50 automotive manufacturing companies in Korea, only six are not unionised.

Some fundamental changes in the trade union movement occurred after freedom of union organization was achieved in 1987. A more progressive and independent type of labour movement has rapidly emerged. Until very recently, the Korean law did not allow multiple unions within an enterprise. The Federation of Korean Trade Unions (FKTU) is the only legal national level peak union. However, a large number of unions have left the FKTU

and have joined another national centre. Non-FKTU affiliated unions established *Minjunochong* in November 1995. Due to the labour law amendment on the 10th of March, 1997, *Minjunochong* now has the opportunity to be legally recognised. Currently, 900 unions and their 400,000 members belong to this new peak union. *Minjunochong* played a very active and influential role during the strikes related to the labour law amendments from late 1996 to early 1997.

Excluding the national vehicle part in Daewoo heavy industry, which has no union organization, all the other automobile companies' unions in Korea are affiliated with *Minjunochong*. The unions from the three major automobile companies, in our study, play a very important role not only in the employment relations in these companies, but also in setting the direction of the Korean labour movement as a whole. These three unions played a leading role during the so-called 'Great Strike' led by *Minjunochong* which was undertaken against government labour law amendment from late 1996 to early 1997.

Industrial Relations

(i) The National Level

Since 1987, the three Korean automakers have experienced severe labour disputes, due to the establishment of a trade union (at Hyundai) and so-called 'union democratisation' (at Daewoo and Kia). Enormous losses in these companies' production and exports resulted from these labour disputes, as shown in Table 1. Under confrontational labour-management relations, wages sharply increased, and managerial prerogative to control workplace operations was curtailed. These have been critical constraints on the competitiveness of those Korean automakers.

Confrontational collective bargaining practices, conflicts between labour unions and management, and intensified internal union politics have resulted in these companies incurring heavy costs in terms of their industrial relations. Moreover, sustained distrust between labour and management and rigid labour utilization practices at the workplace have provided barriers to the improvement of manufacturing operations in these companies.

During the past decade, the three auto companies have made great efforts to stabilize industrial relations by acceding to high wage increases, improving fringe benefit plans, and expanding education and communication programs for employees. However, industrial relations in the three companies, which appeared to have stabilized between 1993-1995, have become more unstable with the re-emergence of militant unions.

Table 1. Production and Export Losses due to Industrial Disputes in the Surveyed Companies (in Units of Automobiles)

Year	Hyundai Motors		Daewoo Motors		Kia Motors	
	Production Loss	Export Loss	Production Loss	Export Loss	Production Loss	Export Loss
1997	57,655	30,383	17,200	—	9,768	—
1988	61,544	25,137	37,900	—	27,745	—
1989	49,923	1,600	32,500	—	25,757	—
1990	36,906	14,503	5,225	—	11,419	—
1991	63,612	24,000	19,250	3,014	79,200	12,642
1992	82,622	23,521	—	—	—	—
1993	73,008	19,052	—	—	—	—
1994	—	—	—	—	25,000	10,000
1995	30,016	11,609	7,650	3,825	1,400	—
Total	455,286	159,805	129,725	6,839	180,319	22,642

Source: Internal data from the three companies

Despite the common features of industrial relations among many Korean automakers, the recent labour-management relations in the three companies have exhibited considerable variations. Kia Motors had relatively cooperative labour-management relations until 1992. Yet, as a militant 'democratic' union caucus took office in 1993, the union has been dominant in Kia's industrial relations. By contrast, Daewoo Motors has management-led industrial relations. Since the early 1990s, when the company was faced with a severe business crisis and most of the militant union leadership, which led illegal strikes, were dismissed, Daewoo management has focused their efforts on the stabilization of industrial relations and the strengthening of managerial control on the shopfloor. The management strategy at Daewoo was effective enough to ensure no strikes occurred between 1992-1994. Even though another militant union leadership took office in 1995, Daewoo management are still dominant, especially in industrial relations at the workplace level. Hyundai Motors has experienced labour disputes every year from 1987 with only 1993 as the exception. The power balance between labour and management has been maintained since 1995, when moderate and militant union activist groups created a unified leadership.

Recently, the union and management in each company have been seeking a way to avoid confrontational industrial relations practices in light of the uncertain economic environment. Militant union leaders have begun

to adopt a more cooperative position to overcome the economic difficulties faced by the companies. The union leadership's cooperative approach mainly derives from their concern about employment insecurity, accompanied by growing competition from internal and overseas markets. By contrast to the past, top management of the three companies also have begun to recognize the unions as partners and have sought to develop a cooperative relationship with them.

However, while there have been some indications of cooperative industrial relations initiated by the top-level leaders of both management and the unions, it is still unclear whether the industrial relations of the three automakers will continue to be stable in the future. There is still uncertainty at the national-level of industrial relations due to the revision of labour laws in early 1997, and widespread distrust at the workplace level between management and workers (and union activists), derived from the past experience of labour disputes and confrontation.

(ii) The Company Level

Industrial relations at the company level, in the three firms, are based on collective bargaining over wage and labour contracts as well as the labour-management council, which is established under the Labour-Management Council Act. Negotiations for a wage increase and labour contracts are carried out on either an annual or biennial basis. Meetings of the labour-management council are held every three months and an ad hoc council is called whenever either party requests it to discuss labour issues. In practice, however, the activities of the labour-management council have been regarded as an extension of collective bargaining.

A typical feature of collective bargaining and labour-management council meetings at the enterprise level is that 'the union demands and management reacts'. While management has taken proactive steps to accede to the union's economic demands, especially for fringe benefit plans, they have been uncompromising in resisting union demands which affect managerial prerogatives, such as personnel policies and corporate rules. Also, as part of the companies' strategy to achieve more stable industrial relations, management has been very cooperative with unions which have shown a moderate and pro-company inclination.

Collective bargaining has been time-consuming and conflictual. Due to mutual distrust on bargaining-related issues proposed by each party, the lack of effective bargaining procedures and the outside pressures (i.e. governmental wage guidelines and the national union's bargaining policy), collective bargaining at the company level has often reached an impasse

and created intense industrial disputes. According to the internal data from the Korea Automobile Manufacturers Association, annual collective bargaining rounds at the three companies between 1988-1996 lasted more than 50 days on average.

In recent times, there have been small but meaningful attempts to reform the existing confrontational labour-management relations at the three companies. In each company, management and the union have formed joint committees to share business information and discuss how to enhance the company's competitiveness as well as working conditions. These are known as, the 'Business Improvement Committee' in Kia Motors; and 'Corporate Improvement Committee', 'Housing Welfare Committee', 'Occupational Safety Committee' in Daewoo Motors; and 'Business and Production Performance Explanation Forums', and the 'Joint Labour Management Committee for Job Restructuring' in Hyundai Motors. Although these attempts have been limited and experimental, union leaders at these companies have become more positive toward the rationalization of production, although they retain strong concerns about employment insecurity.

(iii) The Plant Level

Based on labour agreements reached between the union and management at the company-level, union representatives (elected from among shop stewards) and plant (or department) management representatives discuss issues through the regular labour-management council of the plant (or department) level. In the three companies, the term of service for shop stewards is usually one year. The ratio of shop stewards to union members varies from one shop steward for 100 union members at Hyundai and Daewoo to one shop steward for 50 union members at Kia. The election of shop stewards in these companies has usually been keenly contested due to political competition among union activist groups as well as the companies interventionist policies.

The issues discussed at plant and department levels include working conditions (i.e. industrial health and safety environment, resting areas, air conditioning and ventilation), handling of occupational accidents, changes of production layout, the introduction of new production equipment, job (re-)deployment and personnel assignments and adjustments to production speed.

As with collective bargaining at the company level, the typical pattern of behaviour within the labour-management council at the plant and department level is that 'union representatives demand and management reacts'.

The labour-management council has been used by union representatives as the vehicle to handle workplace grievances raised by union members. Hence, issues concerning improvement of manufacturing operations, such as productivity and quality, are not usually included in the agenda of the council.

Management and union representatives, make an oral agreement, or an informal written memorandum, regarding concerned labour issues through the plant (or department) labour-management council. This agreement does not have the legal status of a labour agreement yet, in practice, it substantially regulates the industrial relations at the plant (or department) level. Violations of this agreement made by any party, especially plant management, often produce serious shopfloor disputes.

A major problem with the plant-level industrial relations, which is heritage of the past labour-management confrontation, is that plant management have been actively involved in preventing the election of militant shop stewards and have informally supported cooperative union representatives by various means. Many shop stewards have followed the policy of their activist factions, rather than representing the interests of union members. These practices have deepened the mistrust between plant management and shop stewards (and union members).

Industrial relations practices, including labour-management consultation, at the plant and department level, vary in accordance with the nature of production processes, management's philosophy and their ability to deal with the union, power relations between union representatives and management, and the attitudes of union activist groups. While industrial relations in the clerical and research departments and within indirect production (parts production and production equipment manufacturing) have been relatively stable and cooperative, it has been more confrontationalist in direct production areas, especially labour-intensive areas such as assembly departments.

In recent years, joint labour-management consultative meetings have been held to discuss manufacturing performance at the plant (or department) level, particularly in Kia Motors and Hyundai Motors. The example of a joint labour-management committee established to improve the working environment of the transmission plant in Kia Motors shows the possibility of cooperative labour-management participation at the plant level.

(iv) The Workplace Level

Industrial relations practices at the workplace level continue to be conflictual. However, the established workplace order, which had been based on authoritarian management before 1987, was dismantled by union activists' resistance and the rank-and-files' growing voice in shopfloor matters after 1987. Managerial action to increase labour productivity and change work rules is rarely put into effect without obtaining prior consent from union representatives and workers. The authority of foremen (known as Cho-Jang, Ban-Jang or Jik-Jang) has been seriously undermined by the abolition of incentive wage plans, which was linked to the foremen's performance appraisal, and used to control workers at the workplace before 1987.

As part of corporate policy to re-establish disciplinary order at the workplace level, the three auto companies have sought to restore the foremen's authority and supervisory roles by empowering them to make decisions regarding awards, minor disciplinary action and shopfloor matters, as well as strengthening their training in managerial skills. However, managerial efforts to restore the foremen's shopfloor control have been resisted by union activists and workers and, as a result, has failed to be effective.

The confrontation between labour and management over shopfloor control has contributed to the deterioration in workplace relations and also has been a constraint on the improvement in workplace operations. One example of labour-management confrontation in the workplace is subtle competition between foremen and shop stewards to conduct grievance handling for workers. While senior management have stressed the foremen's managerial roles and their ability to deal with workers' grievances, as a means to re-establish the hierarchical shopfloor order, shop stewards have sought to deal directly with senior management and bypass the foremen. This has resulted in management's attempts to introduce quality circles and suggestion programs, which have been largely unsuccessful.

While unions have focussed on issues related to their interests, such as work environment, production speed, and job allocation, they have not been actively involved in the improvement of manufacturing operations.

Although foremen have tried to promote quality circles and have suggested activities for continuous improvement, these have played a very limited role in managing workplace relations. In fact, many foremen complain that they are sandwiched between senior management's top-down approach and their subordinates' recalcitrance and resistance.

In Kia Motors and Hyundai Motors, where the influence of unions at the workplace is very strong, the power and authority of foremen has been

seriously weakened. Semi-autonomous practices of work groups to manage daily operations, including job rotation and overtime allocation, have emerged, exemplified by the 'Production Unit Meeting' at Hyundai Motors.

At Daewoo Motors, there has been considerable effort to re-establish tight shopfloor control since the dismissal of militant union leadership in 1991. The authority of managers and supervisors has been strengthened by the restoration of systems of performance appraisal. The 'Unit Production Meeting', which was established in 1992 by management initiative, has enabled workers to participate in the management of shopfloor operations, thereby incorporating them into management-dominated industrial relations in the workplace. Daewoo management's efforts to strengthen the foremens' role and promote workers' participation in shopfloor matters appeared to be successful in 1996. Yet, with the workers' growing discontent over management-led speed-up during the last five years, a militant union administration was re-elected in the middle of 1996.

Human Resource Management Practices

(i) Staffing

Recruitment

Despite the rapid growth in productivity, the number of regular employees has not greatly increased. For example, in Daewoo Motors, the production of vehicles increased 154 percent between 1992 and 1995. While the number of regular employees slightly decreased from 16,074 to 15,928 despite a small increase of production workers (see Table 2).

Large scale investments in automation has occurred in all three companies with a significant decline in the workforce. Daewoo Motors, for example, has a plan to reduce 1,100 employees from its body and assembly plants in Boopyong through automation (Daewoo Motors Trade Union and Korea Labour Theory Policy Institute, 1996).

The utilization of non-regular employees has rapidly expanded. In the early 1990s, Kia Motors had only a small number of workers on a fixed-term contracts, but this number had increased to 2,489 by 1996. The number of temporary workers in Daewoo Motors also doubled between 1992 and 1995.

After industrial relations became more conflictual the companies sought to screen applicants more carefully. Kia Motors gave priority to applicants who completed the one-year job training course in its technical training centre. This had the effect of not only improving the skill level of new

Table 2. Number of Production Employees, Amount of Total Sales and Profits in the Surveyed Companies

Year	Hyundai Motors			Daewoo Motors			Kia Motors		
	Total Product'n Employee (person)	Total Sales (100 million won)	Net Profit (100 million won)	Total Product'n Employee (person)	TotalSales (100 million won)	NetProfit (100 million won)	Total Product'n Employee (person)	TotalSales (100 million won)	Net Profit (100 million won)
1991	21,094	56,052	538	9,229	15,956	-1467	11,249	24,448	158
1992	23,895	60,790	416	10,770	17,067	-956	11,657	32,823	150
1993	26,040	71,812	582	10,791	21,594	-847	12,582	41,129	187
1994	26,658	90,523	1368	10,406	27,859	-91	13,162	47,307	-696
1995	27,304	103,392	1567	10,795	34,705	105	14,323	56,885	114
1996	28,324	114,890	868	10,289	46,000	-	13,973	66,071	70

Source: Internal data from the three companies

entrants but also identifying potential 'trouble-makers' among applicants during the training period. Hyundai Motors also changed its recruitment method from open competition through public advertisements to one based on personnel personal contacts.

New workers are not required to have special skills and prior experience is not recognized. However, the three companies have experienced no difficulty in recruiting new employees because of the high level of wages, which are offered.

Employment Security

Since 1987, it has been very difficult to dismiss regular workers as a result of business restructuring or other changes. The only way to reduce the number of regular workers is by not replacing workers who leave or retire. Kia Motors has a disciplinary committee which comprises an equal number of representatives from the union and management, and dismissal of a production worker needs at least the approval of two thirds of the members of the disciplinary committee.

Transfers

The management's right to transfer a worker from one job to another has also been significantly weakened since 1987. It is necessary for management to hold prior consultation with the trade union, or to obtain the consent of the trade union, for the redeployment of workers above a certain number.

For example, when Kia Motors established a new plant in the early 1990s the management and union agreed that the basis for transfer of workers from the old plant to the new one would depend solely on their tenure.

(ii) Compensation

Rules for Wage Determination and the Composition of Wages

Individual worker's wages are determined mainly on seniority. Qualifications, characteristics of jobs, and ability to undertake work are taken into consideration, but their influence is minor. The proportion of overtime allowance and/or night-work allowance varies from 20 percent to 30 percent in the three companies. The total working hours per week in Daewoo Motors increased from 52.4 hours in 1992 to 56.8 hours in 1995. The ratio of basic wage to the total wage is less than 50 percent. This has been mainly due to the agreements struck between trade unions and companies. The employers have responded to the unions' wage claims by providing various allowances rather than increasing basic wages. The government's wage restraint policy in the 1990s also contributed to the lowering the proportion of the basic wage to the total wage.

Wages and Performance

Although the performance achievements of individuals are not reflected in the determination of annual wage increases at Hyundai Motors and Kia Motors, Daewoo Motors has a system of performance evaluation for production workers. Before 1987, in Hyundai Motors and Kia Motors, there was a performance evaluation system for production workers which led to increased wage differentials. However, this system was abolished as a result of complaints by the unions. In Hyundai Motors, the re-introduction of an individual incentive system has been sought by the management as part of the restructuring of the performance management system. However, due to the dissatisfaction of the union and workers, the re-introduction of the system has not been possible. After 1987, the personnel appraisal system was abolished in Daewoo Motors. However, when the management pursued a 'new management strategy' from 1992, an evaluation system for production workers was re-introduced. Performance evaluation of a department or section is now undertaken in all of the three companies, but the results of these evaluations are not reflected in wage increases.

There has also been a tendency to eliminate the linkage between wages and company performance. The bonus allowance has been determined by the unions since 1987. In the 1990s, the government advised individual

companies, including car makers, that they should seek to reflect their annual performance in wage increases. However, in practice, wages have been decided almost without any reference to performance.

Wage Levels and Structures

Wage levels in the three auto companies are much higher than the Korean average. As shown in Table 3, the average annual total wage of the three companies was 28,510,000 Korean won in 1996, which was two and half times higher than the average wage of Korea's total workforce. Wage differences between the three companies are minor. Owing to the growing strength of trade unions' negotiation power, the wage gap between production and non-production workers has been reduced. The wage differences based on tenure have also declined due to the system of basic wage increases being based largely on a fixed amount.

(iii) Education: Training, Skill Formation and Career Development

Formal Training Programs

Formal training in the three companies places more emphasis on work morale than on the improvement of skills. Programs to raise workers morale have been in place since the early 1990s. Employers argue that low rates of productivity are due mainly to the lack of sincerity and work morale among their employees.

Kia Motors and Daewoo Motors send their production workers to on-the-job training programs offered by their counterparts among Japanese automobile companies. The purpose of the on-the-job training is to enable the workers to experience the labour intensity of the Japanese automobile industry. In Kia Motors, 23 percent of the total production workforce have undertaken on the job training, compared with 80 percent of the production workers in Daewoo Motors who participated in the program. However, the management of both companies complain that with respect to overseas training the workers tend not to respond to these experiences in the way that management would like them to.

The participation of production workers in formal training programs designed to improve their skills has had some negative effects. Workplace managers and supervisors do not want to send their production workers to programs because they may fail to achieve their production targets. Furthermore, production workers normally try to avoid such programs fearing this will lead to a loss of their overtime allowance.

Investment in education and training at Daewoo Motors has increased substantially since 1992 when the New Automotive Industry Concept (NAC) movement started. The annual training hours per employee increased from an average of 17.8 hours in 1991 to 113.6 hours in 1993, while the educational expenses increased from 200,000 Korean won per employee (0.21 percent of the total turnover) to 1,390,000 Korean won per employee (0.88 percent of the total turnover) during the same period.

Major Channels for Skill Formation

As noted previously, the basic approach is on-the-job training. New production workers are deployed to their workplace after only two to three weeks training and start to perform their jobs with instruction from their supervisors. It takes one to three years to become a skilled worker.

All three companies have tried to foster multi-skilling through job rotation since the early 1990s, except in some areas which require highly advanced skills. As a result, a large number of workers are multi-skilled. However, as the nature of skills are simple, due to the repetitive nature of the work, the effects of multi-skilling are rather limited.

The automation of production facilities affects the nature of training. As CNC-and-NC-related facilities become more widely used, workers are requested to learn skills related to numerical control functions. The intensification of training on the operation of automated machines, as well as the maintenance of these machines, enable a large number of workers to repair small problems of their machines. For example, in the case of Kia Motors, a recent survey shows that 79 percent of workers can repair minor breakdowns of their machines (Kia Motors Trade Union, 1996).

However, the content of the skills have not greatly changed despite the considerable amount of automation introduced in recent years. The management introduces automation not only to improve productivity and quality, but also to replace workers. Hence, the introduction of automation and new technology has often an aspect of simplifying the skills content of the jobs.

Promotion and Career Development

Production workers have a different promotion system from non-production workers. Generally, their chances of promotion are very limited compared with non-production workers. The appraisal by managers is the most important element in promotion. There exist no systematic career development programs for production workers in any of the three companies.

Although the three companies have tried to restructure their personnel management systems, the resistance or indifference of trade unions (as well as workers) has meant that the companies have not achieved satisfactory results, except Daewoo Motors. Kia Motors introduced an ability-based personnel management principle and eliminated promotion discrimination against female employees in 1996. It also opened up some opportunities for production workers to be promoted to manager's jobs. However, the management of Kia Motors failed to introduce a performance appraisal system for shop-floor workers.

At Daewoo Motors the job classification system was restructured. The number of production workers in the smallest production unit (JO) was reduced from 20 to 10. As a result, the number of unit leaders (JoJang) doubled. The authority of supervisors was strengthened as a result of these changes.

(iv) Work Organization

Division and Scope of Jobs

Production jobs are highly segmented through the standardization of work processes and job content is much clearer than for non-production workers. Jobs have been further segmented and simplified as a response to unstable industrial relations.

The issue of labour intensity has emerged as one of the major problems in each of the three companies, since increased work speed tends to accelerate the rate of work simplification and standardization of production jobs. In Daewoo Motors, the number of vehicles per hour increased significantly from 32 units in 1990 to 60 units in 1994. Considering that there was a 23 percent of reduction of employment during the same period, the workload per worker increased 2.4 times. According to the results of a survey conducted by the unions within Kia Motors, 69 percent of workers experienced an increase in work intensity. Reasons included the reduction of the number of workers (30.5%), increased workload (27.6%) and enlargement of job scope (18.6%) (Kia Motors Trade Union, 1996).

Job rotation within the same production unit has been actively implemented and horizontal multi-skilling is well developed. Transfers of workers to another production unit or department is very limited. The job rotation within the same production unit is either at the discretion of the unit leader (Jik Jang or Ban Jang) or by the request of workers. Management does not favour job rotation because it tends to increase defect rates, especially under

the Tayloristic and standardized production methods which the three companies currently use.

There exists little involvement by shop floor workers, particularly in the design stage, in decision-making and the organization of work.

Job Control

Control over work organization and the labour process before 1987 was in the hands of supervisors. Merit appraisal of production workers by their supervisors was abolished after the intensification of trade union activity. The influence of workers and trade unions over workplace practices has increased significantly since 1987.

As a result, dualistic job control practices have developed. The official hierarchy in the workplace, of workers/supervisors/managers, does not co-exist very well with union presence. The shop stewards and union representatives now play a crucial role in communication between the management and the shop floor workers.

Although each of the three companies has sort to strengthen the authority of shop floor supervisors, to overcome the effects of the union-controlled shop floor, only Daewoo Motors has experienced any success. In Kia Motors, training for shop-floor supervisors to improve their managerial skills has been consolidated since 1994. Furthermore, much of the authority concerning shop-floor activities has been passed to the supervisors by the managers. However, according to a union survey, although shop floor workers tend to follow the instruction of supervisors, they also follow the advice of their shop stewards where there is a disagreement between shop stewards and supervisors (Kia Motors Trade Union, 1996).

In Hyundai Motors, the union and management have established a joint committee for the restructuring of job classification and personnel management system. However, introduction of the new system has been hindered by the employers' concern about the investment cost and effects of the system, as well as production workers' strong resistance to the reintroduction of a merit appraisal system. The successful restoration of a job control by shop floor supervisors in Daewoo Motors is due to the company's comprehensive reorganization following its crisis in 1992. Special promotion and wage increase systems for shop floor workers, based on merit appraisal by supervisors was introduced as part of the development of a systematic appraisal system. Shop floor supervisors now have the opportunity to be appointed as a manager, which was previously restricted to non-production employees. Daewoo Motors have recognised problems

created by the authoritarian attitudes of its shop floor supervisors and the lack of proper grievance procedures, as major causes of industrial relations conflicts since the late 1980s. Education and training for shop floor supervisors to acquire proper managerial skills have been significantly increased by Daewoo.

Major Production Activities

Small group activities related to production incentives, such as Total Quality Control (TQC) and Total Productive Maintenance (TPM) have been actively promoted within the auto companies. However, as these activities have been unilaterally introduced, voluntary and active participation of shop floor workers has been limited. They function mainly as a communication channel between shop floor supervisors and workers for the stabilization of industrial relations, rather than an instrument to improve production efficiency.

It has been observed that group meetings for production activities tend not to encourage worker participation. For example, at Daewoo Motors, which has implemented the most active production activities through 'One Mind Production Meeting', a union survey found that 65 percent of workers just listened to the orders of supervisors at the meeting, 18 percent of workers did not care about the meeting while only 12 percent of workers participated in the presentation of ideas (Daewoo Motors Trade Union and Korea Labour Theory Policy Institute, 1996).

Various quality programs have been introduced by the auto companies. Daewoo Motors introduced the 'Pull Men' system for quality control. These are multi-skilled workers available to fill temporary vacancies at the workplace. Hyundai Motors introduced IQS 100 program, which is a J.D. Power quality evaluation method. Kia Motors introduced IK 156 system for innovative quality control. As a result, the defect rate per vehicle which had been increasing since 1987, stabilised in 1997.

Considerations for Innovation in Employment Relations

Human resource management in each of the three companies encounters the following problems. First, systems to motivate the workers are inadequate, incentive factors in the wage system are weak and performance appraisal is conducted solely in Daewoo Motors. Second, there are dual job control channels at the workplace. As the informal trade union channel is more influential than the formal organizational channel to solve problems raised at the workplace, efficient workplace management by managers

becomes difficult. Despite the management's efforts to strengthen workplace control through the reintroduction of merit appraisal and the consolidation of shop floor supervisors' rights, the outcome of such efforts has not been successful, except in Daewoo Motors. This failure is due to inappropriate appraisal systems and resistance by trade unions concerned to protect the rights of their members.

Management has used automation to reduce labour in order to overcome rising labour costs and to eliminate industrial relations problems. As the dismissal of regular employees is difficult, the use of non-regular workers has become prevalent. This in turn has caused uneasiness among regular workers about their employment security.

Trade unions and workers are dissatisfied with the current situation. Although the level of the average wage is high, workers' earnings depend heavily on overtime-related allowances, which forces workers to work longer hours. As there has been a trend toward longer working hours, some workers have suggested changing the current hourly wage system to a monthly salary system. The lack of an efficient system linking education and training with career development has contributed to the lack of workers' long-term attachment to their companies.

The Japanese-style skill certification system is often suggested as an alternative to a career development program. However, management does not seem to be confident that it will achieve an adequate return on its investment. Trade unions and workers also hesitate to accept any system which may result in the reintroduction of an appraisal system. Management does not place much emphasis on long-term and systematic education. Under the current system, the effects of education are very limited because workers have a negative perception of the type of training offered by management which focusses on moral education.

Improvements in the current situation of employment relations in the Korean automobile industry cannot be achieved by unilateral dominance by one party. It is necessary to move toward a more participative and cooperative model to achieve long-term gains.

The management of the three automobile companies recognizes that achieving stable industrial relations is an urgent task. However, the focus of their efforts has been on excluding workers and their unions through the intensification of workplace control systems, automation and utilization of temporary workers. As these initiatives are perceived as a challenge to the trade unions, they have met with strong resistance. Hence, the conversion of management to bilateral cooperation and participation is a necessary precondition for long-term improvement in industrial relations.

A partnership between management and employees based on equal and independent industrial relations practices is essential for the future. Managers in the three companies have sought to influence trade union elections, strikes and the approval for collective agreements. They have also intervened in the daily activities of the trade unions, including support for some groups which management favors.

However, this interventionist policy by management has caused the accumulation of distrust and antagonism. It has a potential to cause industrial conflicts whenever anti-management activists are elected as union leaders. The cooperative participation of labour and management in the process of design and introduction of innovative human resource management can provide a good opportunity to create a compensation system and a work organization without serious resistance by trade unions and workers (Park and Lee, 1994).

Trade unions have contributed to negative management attitudes. There are many activist groups in the trade union movement which have different perspectives and practices. These differences sometimes create strong rivalry within the union movement. The conflicts cause unstable trade union leadership and sometimes create serious industrial conflicts at the plant and workplace levels.

It is necessary for the trade unions to establish stable leadership which can be recognized as a credible communication and bargaining channel by management. Union members need to understand the business conditions under which the Korean automobile industry operates in the global environment.

Korean auto companies could learn from the experience of Fiat in Italy since their serious business crisis of the early 1980s. Union members recognized the seriousness of a crisis only when Fiat was on the verge of bankruptcy. However, the Fiat case also indicates that attempts by management to exclude unions not only disadvantaged union members but also inhibited successful implementation of management's reform policy (Cammuffo, 1997).

Within the globally competitive business environment, the Korean automobile industry should establish participative and cooperative employment relations based upon mutual recognition of union and employer interests.

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