

**A Socio-Economic Analysis of Union Densities and Bargaining Structures:
The Korean Case from a Cross-National Comparative Perspective***

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Abstract

On the basis of original data on union activities in five Korean industries (auto assembly, shipbuilding, machinery or auto supply, auto transport, and banking) heavily organized, this study characterizes the industrial diversities in levels of union densities, their recent changes and prevailing bargaining levels. They are analyzed by numerous industry-specific socioeconomic environmental contexts in interaction with the roles of employers and unions. Those findings reveal the limits of the macro political economic perspective exclusively focusing on union activities at national levels in recent comparative studies of Asian nations including Korea. In addition, several theoretical reasonings on union densities and bargaining structures in comparative studies of advanced nations turn out to be useful in dealing with the Korean case. A significant shift in the previous research focus, methodology, and analytical perspective on Korean unions is called for.

I. Introduction

According to the macro-level analytical perspective in studies of union activities across Asian NICs (newly industrialized countries) including Korea (Choi, 1989; Deyo, 1989, Kuruvilla's works reviewed below), feeble union activities in organization and bargainings were notably characterized by a few macro indicators at the national levels and were interpreted by considering some environmental factors at national level including a repressive economic and political role of the state and the corresponding roles of employers against free union activities. However, given the growing significance of union activities at enterprise- and industry-levels after 1987 (Kwon and O'Donnell, 1999), the mismatches between actual union activities and the macro or national research focus became so serious as to ignore dynamic and diverse dimensions of vigorous union activities across industries and firms (Jeong, 2003). This paper aims to illuminate structural features in Korean union organizations and bargainings at industry- and firm-levels and analyze them by taking into account several socio-economic factors in both environmental contexts and roles of TUs (trade unions) and employers at those levels.

This paper has dual research goals. One of them is to show how the alternative micro research focus helps to properly understand recent union activities in the 1990s in Korea. For this goal, this study focuses on union densities, their subsequent movements after the occurrence of the Asian financial crisis in 1997 (henceforth, 1997 economic crisis) and prevailing bargaining levels in five industries. High union densities in auto assembly, shipbuilding, auto transport, and banking industries are contrasted with low densities in auto supply. The contrasting feature is mainly explained by the degree of competition and regulation in relevant product or service markets in interaction with relevant roles of IRs (industrial relations) actors, TUs and employers. After the 1997 economic crisis, significant declines in union densities in shipbuilding, auto supply, intra-city and highway buses, and banks in contrast to those in auto assembly were

attributed to the employer-led industrial restructuring and changes in employers' personnel and work organization policies. Finally, different attitudes of enterprise unions across industries for the centralization of enterprise bargainings were explained by their distinct perceptions on the performance of the current bargaining structure in defending employment securities closely interacting with socio-economic dimensions in both environmental contexts and the roles of IRs actors.

Another goal of this paper is to show how the Korean experiences in union and bargaining structures are relevant with recent studies on those subjects in advanced nations. While questioning the previous research tradition of the previous English literature treating union activities in Korea as distinct species from those in advanced nations, this study shows how the socioeconomic approach in recent studies of advanced nations is also useful in dealing with the Korean case. It generates some crucial theoretical implications on IRs studies in both groups of nations as examined in the conclusion.

This study is comprised of six sections. The second section critically reviews the limits of some recent English studies on union activities in Korea in understanding the recent development of Korean union activities at industry and enterprise levels. A brief introduction of data in the third section is followed by the fourth section examining union activities across five industries in three criteria of union densities, their recent movements, and prevailing bargaining levels in a brief comparison with their counterparts in advanced nations. In the fifth section, theoretical reasoning on those union activities in numerous comparative studies of advanced nations are introduced and applied to the Korean case. The sixth section concludes with the empirical and theoretical implications of this study calling for significant shifts in future research focus.

II. Limits of the English Literature in Understanding Recent Korean Union Activities

In the previous literature on unions (Choi, 1989; Deyo, 1989) in Asian NICs during the developmental period of the 1970s and 80s, their inherently weak leverage in organizations and bargainings were usually associated with the state's labor-intensive export-oriented industrialization strategy relying on docile labor as well as partially reinforced in the Confucian cultural tradition leading to the subordination of labor to employers. In comparison with the political orientation of those political scientists, Kuruvilla and his associates placed much emphasis on the economic environment influenced by the state in the 1990s. For example, the rising popularity of aggressive HR (human resources) practices promoting flexible pay and positive non-union HR practices in Korean firms resulted from the state's IR (industrial relations) strategy advocating active HR practices and collaborative IRs in the second stage of the export-oriented industrialization strategy in the first half of the 1990s (Kuruvilla, 1996; Kuruvilla and Venkataratnam, 1996). In addition, the declining union density and bargaining coverage in Korea after the outbreak of the 1997 economic crisis was mainly accounted for by the wave of employer-led industrial and enterprise restructuring processes mainly assisted by state intervention in the formation of a tripartite commission and revision of labor laws (Kuruvilla and Erickson, 2002; Kuruvilla *et al.*, 2002).

Since this study mainly deals with Korean union activities in the late 1990s, it tries to focus on Kuruvilla's works. Two questions could be raised. Above all, the political context is still a crucial constraint surrounding union activities. In this respect, Gall (1998: 76) precisely criticized Kuruvilla for placing too much emphasis on economic environmental pressure led by both employers and the state since the Korean state may seem to play still significant political roles in shaping IR outcomes in the 1990s as follows:

“Kuruvilla overstates the degree of change in terms of general achievements of the pro-democracy forces and in particular their affect on industrial relations role of an active participant which can act independently rather than

just be acted upon. This analysis of the relaxation of the state intervention and regulation, fails to acknowledge the limitations of the influence of organized labour and its lack of independent political representation, which largely account for the circumscribed change in the freedom to organize and bargain. Evidence of this, in the case of South Korea, can be judged from the significant decline in strike activity from 1987 until to the strike wave of 1996/1997. The role of the state in IR is unlikely to reduce in the foreseeable future, albeit it may take different forms.”

Another objection to Kuruvilla is the ignorance of the vigorous stage of union activities in Korea. Gall is also defiant of Kuruvilla’s treatment of ‘capital as being largely omnipotent and labour largely powerless’ (1998; 76) in shaping IR outcomes in Korea. He argues that we need to explore “how and why the oppositional force of organized labour develops and how this might be related to different regimes of industrialization or industrialization in general (*ibid.*).”

Being relevant with the second objection, the significant and qualitative shift of the landscape in Korean IRs after 1987 was not fully captured by Kuruvilla. The upsurge of conflicts and union members after 1987 as seen in Table 1 illustrates that the Korean state could no longer maintain a repressive grip over normal union organizations and strike activities at enterprise levels. However, as Gall correctly pointed out, the Korean state did not wholly modify the previous legal and administrative stance, being hostile to free union activities in the period between 1993 and 2002, one decade of the continuing political regimes of Presidents YoungSam Kim and DaeJung Kim, two previous leaders of democratic political movements¹. Due to the significant progress in political and social democratization during the period, both employers and the state could not fully restore their repressive grip over union activities at enterprise levels to their previous levels before 1987.

In the new environmental context, Korean enterprise unions have been allowed to organize and bargain by owning greater degrees of autonomies and independence from managerial influences, which have been qualitatively different from those before 1987. Industrial union associations, which are comprised of enterprise unions in certain industries, do not usually

intervene in enterprise bargaining while playing nominal roles of providing information for enterprise bargainings or representing unions' common interests at industry levels. Table 2 shows that enterprise-level bargaining is the most prevailing bargaining structure in Korea as wages and working conditions of more than 80% of union members are determined at those levels.

According to Salamon (2000), unions in capitalistic nations usually play four distinct roles in economic regulation, job regulation or control, member services, and (or) social and political change. Rapidly growing numbers of Korean enterprise unions and the numbers of union members between 1987 and 1991 were accompanied with by vigorous economic unionism winning rapid growth rates of annual wages and non-wage benefits through annual enterprise bargainings during the period as seen in Table 3. In addition, some militant unions in a small number of large-sized enterprises, but not in many unionized SMEs, possessed a limited level of job control unionism by obtaining some degrees of defensive control in otherwise unilateral managerial decisions in personnel policies like compulsory discharges and personnel evaluation (Jeong, 1999). However, the vigorous economic and job control unionism retreated after the occurrence of the 1997 economic crisis but resurfaced after 2000 as seen in the movements in annual wage growth rates agreed in Table 3.

In response to the rising significance of enterprise unions and bargainings, employers could adopt various forms of strategies ranging from low-trust conflictual relations to constraining radical union activities by allowing an economic and limited degree of job control unionism or cultivating company unions controlled by employers' influences or completely denying unions. Those choices by employers are closely related with several socio-economic environmental contexts at industry- and firm-levels, including previous growth patterns and their future prospects, histories of union and employer relations, modifications in personnel and work

organization policies affecting unions' organizational and bargaining power, and strategic choices of IRs actors in pursuit of new relations. Hence, the proper research focus must be enterprise-level union activities closely interacting with employers' strategic responses being surrounded by industry-specific socioeconomic environmental contexts and by the state's role. The needs to consider the roles of independent unions, employers, and the state were also stressed by Kwon and O'Donnell (2001) and by Jeong and Wad (2003b) in both Korea and Malaysia.

What then are the recent critical features of union activities at industry- and firm-levels in Korea after 1987, which will be dealt with in this study? This paper focuses on two crucial features in organizational and bargaining structures. One of them is the uneven distribution of unions across industries and firms. Among the total number of union members in Korea in 2001, 62.3% of them were in ten industrial union organizations in Table 4 among forty two; they included traditional manufacturing (metalworking and chemical), traditional domestic transportation service (road transport and taxi), financial and general service (financial and clerical) and public service and teachers as revealed in the names of industrial union organizations in the Table 4. In addition, large-sized firms were more likely to be organized in Korea. As seen in Table 5, even though a predominantly larger portion of employees (89.1%) was hired in SMEs (small- and medium-sized enterprises) hiring less than 300 employees than in LEs (large-sized enterprises) hiring more than 299 employees (11.9%), a predominantly larger portion of union members (55%) were hired in LEs; the uneven distribution of unions became more noticeable in 2000 after the 1997 economic crisis despite the rising proportion of employees hired in SMEs.

Another feature of recent union activities in Korea, which will be dealt with in this study, is the industrial diversities of unions in the pursuit of centralizing current enterprise bargaining

structures. The decentralized bargaining structure successfully gained some improvements in economic and job control unionisms in the late 1980s and early 1990s as examined above. However, as unions took defensive positions in the growth of union densities and improvements of bargaining outcomes in the 1990s, in particular after the 1997 economic crisis, the extremely decentralized bargaining structure revealed its inherent limitations in searching for effective solutions dealing with the common woes of labor beyond enterprise levels, such as persistent declines in union densities and growing employment insecurity for union members.

According to Jeong (2003a), this phenomenon in Korea resulted from three distinct limits of isolated enterprise bargainings which were commonly observed in the U.S. (Bronfenbrenner *et al.*, 1998) and Japan (Benson, 1998; Tsuru and Rebitzer, 1995). They included structural dependence on employers' influence, limited vertical functional bargaining leverage on the basis of the principle of 'management acts, then union reacts,' and narrow horizontal strategic coverage of bargaining issues by showing lukewarm responses for similar concerns of labor in other firms. If the fundamental shift of the bargaining structure is achieved, it will entail several shifts in the landscape of Korean IRs. This study illuminates the different degrees of progresses of enterprise unions in different industries for the pursuit of centralized bargaining structures and analyzes them by associating them with several industry-specific environmental contexts.

III. Data and Methodology

In order to deal with the industrial diversity in union organization and bargaining structures, this study considers five heavily organized industries including auto assembly, machinery or auto supply, shipbuilding, auto transport (inter- and intra-city and highway buses), and banking (private banks). Relevant data on union activities in those industries were collected in the author's numerous meetings with several union leaders during the last few years. The author

met and interviewed union leaders in both KMWF to be comprised of enterprise unions in the first three industries and its sister organization, KMWU. Three of them became graduate students under the supervision of the author in the Master's program of the Graduate School of Labour Studies in Korea University in 2002, which gave the author numerous chances to learn union activities of KMWU. In addition, some annual activities reports of both union confederations helped the author to understand the subject. The author was also involved in writing a book of the 40 years' history of union activities in the auto transport industry which generated numerous accesses to various data including annual reports about union activities as well as union leaders in KATU (Korean Auto Transport Union) in 2002 and 2003. In addition, one leader of KATU wrote his dissertation (Oh, 1999) under the supervision of the authorship in the Graduate School of Labor Studies in Korea University. Finally, the author interviewed some union leaders in KFU (Korean Financial Union) organizing banks in 2002 and collected annual reports of union activities.

Since Korean union activities have made significant progress in employee representation after 1987 as examined above, the comparative perspective on the basis of the review of the relevant literature on the subject in advanced nations is useful to understand the Korean case. The comparative approach is useful to illuminate several distinct features of Korean union activities in parallel with or distinct from those in advanced nations and to search for some explanatory factors for their analysis as Bean (1994) and Bamber and Lansbury (1998) emphasized.

IV. Union Densities, Bargaining Structures and Their Recent Changes

Three subjects in the title of this section have been examined in numerous studies of advanced nations. First, in both the U.K. and the U.S., unions are more popular in some industries and firms than in others; for example, in large-sized firms and domestic public, financial,

transportation, and educational services in Britain during the postwar period (Bain and Price, 1983) and in 1998 Workplace Employee Relations Survey (Cully *et al.*, 1999; 92) or in strongholds of unionism in the transportation and traditional manufacturing and public service industries in the U.S. (Katz and Kochan, 2000). Second, union densities in advanced nations have generally fallen during the last few decades but there were significant industrial diversities. For example, detailed information regarding the roles of relevant IRs actors as well as their environmental contexts in specific industries are required to understand growth in union densities in health care (Clark, 2002) in contrast to those in the trucking (Belzer, 2002), airline (Johnson, 2002), auto assembly and parts (Katz *et al.*, 2002) and newspaper (Stanger, 2002) industries. Finally, there are industrial and national diversities in prevailing bargaining levels in advanced nations but the trend of decentralization is generally common in the U.S., Britain, Germany, and Sweden (Bean, 1994; Katz, 1993; Salamon, 2000) despite their industrial and national diversities in their degrees and factors causing it.

1. Union Densities in Different Industries and Their Recent Movements

In order to illuminate the different levels of popularity of unions at industry levels, union densities in industries are calculated. One limit in the calculation must be admitted. In those tables, data for the numbers of employees in specific industries are available from employers' organizations, for example, KARI (Korean Auto Research Institute) in the auto assembly industry, KAICA (Korean Auto Industries Cooperative Association) in the machinery or auto supply industry, KOSHIPA (Korean Shipbuilders' Association), and KEAAT (Korean Employers' Association of Auto Transport). On the other hand, information on union members in those industries is available from relevant industrial union associations. In addition to the discrepancies of those who collect data, their months of collecting those data in one year are

dissimilar. As a result, union densities must be treated as rough measures to give a glimpse of the measure.

Tables 6 to 8 show that union densities varied across industries in 1997; 74% in the auto assembly, 71% in shipbuilding, 96% in intra-city buses, 99% in highway buses, and 70% in private banks. In contrast, union densities were very low by organizing 25% in machinery or auto supply in 1998. In addition to the industrial diversities in union densities at one point in time, their movements during the last six years were not identical across industries. In the auto assembly industry, the high union density was matched with the presence of unions in four out of five firms. Levels of union densities were constant in 1998 and 2001 after the 1997 economic crisis (Table 6) while the economic event considerably reduced the number of employees and union members by about 12,000 and 9,000 respectively between 1997 and 1998. In the shipbuilding industry, high union density also matched with the presence of unions in seven out of nine shipbuilding firms in 2001. The negative shock of the Asian financial crisis on employee numbers did not seem to be serious in the shipbuilding industry in contrast to that of auto assembly as seen in the slight decline of employee numbers between 1997 and 1998. Even though the number of employees grew by about 15,000 between 1998 and 2001, the union density fell by about 20% during that period (Table 7).

In the machinery or auto supply industry, the boundary of the industry was broadly defined to include any type of machinery firms regardless of their exclusive specialization in auto parts and components in production according to the definition of KAICA. Low union densities of the industry in comparison with those in auto assembly and shipbuilding in Table 6 also match with the presence of unions in 148 among 1,075 firms in 2001. Union densities in that industry also recorded a noticeable decline from 24% in 1998 to 19% in 2001 (Table 6)².

In the auto transport industry, union densities in intra-city and highway buses recorded high

rates (Table 7). According to that table, after the 1997 economic crisis, there were no significant declines in employee numbers for those buses. However, union densities rapidly went down from 94% in 1998 to 81% in 2002 in intra-city buses and from 99% to 87% in highway buses during the same period (Table 7). Finally, according to Table 8, the union density in the banking industry went up to 77% in 1998 after the outbreak of the Asian financial crisis in 1997, but significantly went down to 62% in 2001.

2. Predominance of Enterprise-Level Bargainings and Their Recent Shifts

Reflecting the prevalence of decentralized enterprise-level bargaining in Korea as seen in Table 2, enterprise bargainings prevailed in four industries in this study as seen in Table 9. However, as mentioned in the third section, many union leaders in Korea have felt it necessary to centralize their decentralized enterprise-level bargaining structure into regional and industrial ones as examined in detail in Jeong (2001). About one third of enterprise unions to be affiliated to KMWF, most of which are unions in SMEs of the auto supply industry, built KMWU in 2000, which aimed to exercise their central leadership in determination of bargaining timings and demands across firms. After experiencing their experimental period of trial and error in building the new bargaining structure between 2001 and 2002, it started to conduct centralized bargaining with the representatives of employers in 2003. KFU is another similar case to build a two-tiered bargaining structure at national and enterprise levels in place of the previous decentralized enterprise bargaining.

In contrast, KATU has maintained its current centralized regional bargaining in the industry of intra-city buses during the last four decades. During the last six years after the occurrence of 1997 Asian financial crisis, however, the stability of the bargaining structure has faced some challenges due to the breakdown of the central coordination. Another threat to that structure is

managerial attempts to withdraw from their employers' associations in some cities, which may ultimately lead to the breakdown of regional bargainings in the near future.

V. An Analysis of Union and Bargaining Structures from a Comparative Perspective

1. Why Are Certain Industries and Firms More Prone To Be Organized Than Others?

In advanced nations, the relatively higher union densities in traditional manufacturing, domestic service like transportation and banks, and public services as mentioned in the previous section could be explained by numerous industry-specific socioeconomic factors. One primary factor is either low degrees of competition or high levels of regulations in relevant product and service markets. Such market environments are shaped by the degrees of the state's interventions in relevant industries, low degrees of competition shielded from foreign competitive pressure, or the oligopolic industrial structure being comprised of a small number of large firms. In a stable market environment, employers would naturally exhibit greater economic affordability and social perseverance for free union activities calling for wage premiums, favorable working conditions, and greater intervening voices in managerial decisions in comparison with those market averages. In addition, employees owning higher demographic qualifications in education and skill levels, who are likely to be hired and remain in the primary labor market of the industries, would usually show stronger interests in unions and prefer to join them more than their counterparts in secondary labor markets.

This logic of interpretation, which takes into account several industry-specific socioeconomic environmental and relevant roles of IR actors, is also crucial to understand the uneven distribution of Korean union densities across industries. Two buses in the auto transport industry in Korea, despite their whole private ownerships, could be classified as belonging to providers of public transportation services. As a result, those industries have been highly regulated by the

Transportation Ministry and regional governments in cities and provinces in determination of bus fares and the establishment of transportation policies during the last four decades (Oh, 1999). Similarly, the banking industry could be classified as a quasi-public industry since the state closely intervened in the normal operation of banking businesses in terms of various forms of financial policies and even in personnel policies of managers in major private banks. Due to both the monopolistic and quasi-public features of the bus and banking sectors, unions could maintain strong bargaining voices while the government allowed such roles of unions as long as they did not threaten the normal operation of those industries. Since employers could make stable revenues in the auto transport industry and enjoy lucrative revenues in the banking industry, both of which are highly regulated, they could own managerial freedom to allow free union activities in organization and bargainings.

Firms in the auto assembly and shipbuilding industries could also avoid severe competition in the oligopolic industrial structure to be comprised of a small number of competitors. Due to persistently growing business performance and their optimistic prospects in the favorable economic environment, employers own great economic affordability to meet unions' demands for higher wages and better working conditions than market averages. Given the large size of the firm organization, employers also showed high degrees of social perseverance for certain degrees of autonomy in union activities since the function of unions for maintaining industrial order at the workplace was beneficial to them to establish bureaucratic rules agreed upon at the workplace level. The distinct rapid growth pattern of a small number of large-sized firms was cultivated by the state-led economic growth strategy of the 1970s and 1980s, which encouraged rapid quantitative growth of production facilities and export in a few chaebol firms in auto assembly and shipbuilding through various forms of industrial policies such as preferential financial and technical supports, protection of domestic markets from foreign MNEs

(multinational enterprises), and promotional support of exports (Kim, 1997; Porter, 1990).

In contrast, firms in the machinery or auto supply industry faced severe competitive pressure in a highly competitive industrial structure comprised of a large number of SMEs. As a result, employers usually exhibited stubborn resistance to unions' economic demands due to their weak financial and organizational capacities resulting from their precarious economic statuses as subcontractors to supply auto components to oligopolic auto assemblers (Jeong, 1995). At the same time, owners in those firms usually adhered to an authoritarian and paternalistic managerial style, usually denying the autonomy of unions' voices, and also felt confident of easily controlling their organizations due to their small sizes while undermining the spontaneous formation of unions.

From the union's perspective, many competent union leaders actively involved in the extension of union organization in the late 1980s also naturally prefer to organize LEs in auto assembly and shipbuilding due to the relatively more rapid achievement resulting from their successes in organizing large organizations. As a result, despite the presence of more formidable and systematic resistances of managers for both initial organizations and initial unions' demands for bargaining in good faith, LEs were more likely to be targeted to be organized than SMEs in the late 1980s³. Once unions succeeded in organizing and building normal bargaining relations with employers, the favorable economic and social environments in LEs could relatively easily meet higher demands for wage levels and working conditions from their employees owning more ambitious expectations for improvement of their economic and social statuses in the primary labor market. The opposite situation was generally observed in SMEs of machinery or auto supply, which discouraged the rapid extension of union organization in the late 1980s, as shown in Jeong (1995).

2. Which Factors Shaped the Changes of Union Densities after 1997?

Shifts in union densities over time could be influenced by numerous environmental contexts surrounding union activities as well as relevant choices of TUs and employers. Above all, the vigorous growth stage of certain industries may be positively associated with the growth of union densities by increasing the size of the employees being potentially organized. It chiefly accounts for the increase in union densities in the U.S. health care (Clark, 2002) in contrast to the British coal and steel industry (Kessler and Bayliss, 1998). In addition, an anti-union stance in the state's labor policy in Britain in the 1980s and 1990s and deregulation in the state's deregulation industrial policy in the U.S. trucking (Belzer, 1994) partially resulted in persistent declines of union densities. Union densities in specific industries also diverge depending on types of employers' personnel, work organization, union policies in employer-led industrial and enterprise restructurings since they directly influence the size of union members, employees' commitments to unions, and actual functions of unions in employee representation. Finally, the strategic roles of unions in response to those managerial initiatives could possibly block or reverse union declines.

Many firms in the Korean auto assembly industry suffered from a temporary but serious annual decline in domestic consumers' demand for assembly cars by 48% in 1998 after the 1997 economic crisis. As a result, many firms went through a radical industrial restructuring process to be accompanied by bankruptcies, transfer of ownerships to foreign MNEs, and massive discharges in the existing workforce⁴. As a result, the existing workforce of the industry between 1997 and 1998 considerably fell while the opposite recovery of the numbers between 1998 and 2001 occurred after the end of the temporary recession of the auto assembly business (Table 6). Even though enterprise unions in auto assembly are known to be the most powerful ones in Korea, they failed to completely defend employment securities in the face of employer-

led industrial restructurings resulting from the stiff decline in domestic demand after the 1997 economic crisis.

In contrast to the auto assembly industry, the shipbuilding industry has enjoyed a persistent boom in its business cycle during the last six years. As a result, the workforce grew by about thirteen thousand employees between 1997 and 2001 but the number of union members did not grown (Table 6). Finally, the union density fell from 71% to 54% during the period. This trend is explained by the distinct personnel and work organization policy of shipbuilding firms which increased the size of irregular workers not organized by unions -- from 12,998 in 1997 to 25,325 in 2001 -- but freezed hiring of regular workers (KOSHIPA, 2002). The distinct choices of employers resulted from their conscious union avoidance strategy on the basis of their previous experience of serious conflicts with their militant unions in the late 1980s and early 1990s as well as from the competitive pressure to maintain low cost competitive pressure by paying much lower wages and fringe benefits to irregular workers⁵.

In the worldwide trend of mergers of large auto assemblers in advanced nations and in Korea in the 1990s, many auto suppliers in Korea turned out to be too small in sizes and too weak in financial and technical capabilities to enjoy economies of scale in production. As a result, Korean auto assembly firms have persistently urged their suppliers to increase their individual production capacities through mergers and specialization in production of one auto part and component. The competitive pressure for industrial restructuring was accelerated after the 1997 economic crisis. A significant proportion of firms in the auto supply industry faced bankruptcies or completely or partially sold their ownerships to foreign auto supply MNEs investing in Korea and led to massive discharges by 18.0% from 331,814 in 1997 to 271,791 in 1998 (KAICA, 1999: 30). For example, 204 firms (18.5%) among 1,104 auto supply firms in Korea sold their stakes or management rights to foreign MNEs in 2001 (KARI, 2002: 28). Many of those new

owners did not admit their previous unions while employers in surviving firms also showed more hostile attitudes to their union activities than before.

In the auto transport industry, buses confronted the persistently declining business performances during the 1990s. Total annual passengers carried by intra-city and highway buses fell respectively by 14.5% and 13.5% between 1997 and 2001 (KEAAT, 2002: 6&7). During the previous period between 1990 and 1996, the numbers of passengers also fell by 18.3% in intra-city buses 32.6% in highway buses (*ibid.*). The persistently declining trend of business performances in those two buses did not lead to the similar stiff decline in the number of employees. Those numbers in intra-city buses rose from 63,206 in 1990 to 65,975 in 2002 while the counterparts in highway buses moderately fell from 7,351 to 6,005 in 2002 (Table 7) (KEATT, 2000: 120). This puzzle is explained by the exercise of two institutional forces, regulations and financial subsidies of the state in the public transportation industry as well as the rigid regulation of centralized regional bargainings not allowing cutting the workforce depending on business performance at industry- and firm-levels. Due to the presence of the carrot and stick measures to prevent the reduction of workforce, bus firms could maintain the current workforce. However, the deteriorated business performance between 1998 and 2002 resulted in the growth of irregular workers despite the regulation of regional bargaining and thus led to the decline in union densities in Table 7.

Finally, unions in the private banking industry suffered from massive discharges after the outbreak of the 1997 Asian financial crisis. Since the improper practices of lending money to Korean private firms on the basis of inaccurate examination of capabilities to repay was blamed as the main reason for the 1997 economic crisis, the state was involved in a radical industrial restructuring process calling for the cut of the existing workforce by 40%. However, this plan met formidable resistance from the Korean Financial Union to be followed by the first general

strike in the whole history of that industry in 2000, which contributed to reducing that ratio. However, between 1997 and 1998, the existing workforce in the banking industry fell by about seventeen thousand but its union members by about seven thousand (Table 8). This discrepancy is explained by the discharges of irregular employees not organized by unions. The rapid decline of union members between 1998 and 2001 is accounted for by the growth in the proportion of irregular employees in order to save labor costs.

3. Why Do Different Prevailing Bargaining Structures Exist and Evolve across Industries?

Several comparative studies of bargaining structures in advanced nations illuminated national and industrial diversities in prevailing bargaining levels and explained them by considering the roles of unions and employers in interaction with their environmental contexts. The prevalence of industrial and national bargainings in France, Germany, and Italy is accounted for by the early growth of employers' organizations driven by managerial attempts to avoid severe competitive pressure in product markets mainly comprised of large numbers of SMEs as well as by the strategic pursuit of centralized organization and bargaining activities among unions (Bean, 1994). In contrast, the prevalence of a decentralized enterprise bargaining structure in Japan and the U.S. is explained by the strong corporate culture in numerous large-sized firms usually owning capital-intensive production methods, which blocked the spontaneous formation of employers' associations beyond enterprise levels. In addition, the predominance of single employer enterprise bargaining was also encouraged by both the state's labor policy allowing an exclusive representation right in one enterprise and the fragmented structure of union organizations prohibiting the growth of the centralized national or industrial leadership of unions (*ibid.*).

During the last two decades, the prevailing trend towards a decentralized bargaining structure

despite its crucial national diversity (Bean, 1994; Katz, 1993) resulted from the breakdown of the political and social consensus of employers and unions in the previous bargaining structure. It is closely interacted with the shift of the bargaining initiative in determination of its structure and agendas moving favorably toward managers. Managers could justify crucial changes in compensation, work organization, and other union policies, which ultimately dismantle and loosen the rigidly centralized bargaining structure in the face of the rising competitive pressure originating. Industry-specific causes resulting in those managerial changes include loss of international competitiveness in basic steel and automobiles, economic deregulation in for-hire-trucking and airlines, chronic comparative disadvantages in textile and apparel, structural changes in supply and demand in rubber and farm equipment and machinery in the U.S. (Block and McLennan: 1985), privatization and governmental pressure in public sectors, the managerial needs of devolved pay bargainings, and the managerial desires relating IRs strategy to business strategies in hosiery, knitwear, retail food, steel, and water industries, and local government in Britain (Jackson *et al.*: 1993; Salamon, 2000), and extremely poor business performances of SMEs in the previous territory of eastern Germany (Hassel, 1999). In other cases, unions also led the undermining of centralized bargaining structures by pursuing greater wage gains beyond national averages bargained in the case of Swedish metalworking union or by challenging the dominance of LO, national confederation of blue collar employees (Kjellberg, 1998).

Jeong (2001) showed that the analytical discussion on the formation of diverse bargaining structures in advanced nations examined above is also useful in dealing with the Korean case. The prevalence of enterprise bargaining in auto assembly, shipbuilding, and highway buses is caused by the industrial structure of large-sized firms adopting capital-intensive production methods. In 2001, the average of number of employees in auto assembly and shipbuilding firms

was respectively about 18,000 and 7,000 in comparison with 251 in auto supply industry, while the average number of vehicles owned by firms in highway buses was 227 in comparison with 90 in intra-city buses. As a result, LEs in those three industries owning oligopolic composition of competitors could own both great economic capabilities to pay and organizational capacities to deal with unions at enterprise levels. In contrast, Jeong (2001) showed that the formation of centralized regional-level bargaining in intra-city buses is accounted for by several industry-specific environments including the early growth of employers' associations being responsible for consultation with city governments in determination of bus fares and routes, the state's transportation policy placing emphasis on industrial peace in centralized bargaining structures, and the tradition of occupational solidarities of employees.

In addition, the analytical perspective on recent shifts in prevailing bargaining structures in advanced nations is also useful to understand its recent evolution in Korea. In the face of the radical acceleration of employment insecurities amidst industrial restructuring in auto supply and banking industries as examined above, both KMTU and KFU acutely recognized the inherent limits of enterprise bargainings and tried to pursue the centralization of decentralized enterprise bargainings. The predominance of SMEs in auto suppliers owning one or a few customers of domestic auto assemblers generated a relatively favorable environment to choose the united action of enterprise unions while the relatively stable regulation in the banking industry generated a similar wage structure to facilitate the growth centralized bargaining structure. In contrast, a vigorous economic unionism in combination with a certain level of job control unionism in highway buses, auto assembly, and shipbuilding contributed to maintaining the social consensus between unions and employers over the current decentralized bargaining despite the industrial diversities in reasons discussed in detail in Jeong (2003).

In contrast, the persistently poor business performance in the auto transport industry was

worsened due to the outbreak of the 1997 Asian financial crisis and the rapid extension of the subway lines in competition with intra-city bus routes. As a result, employers in intra-city buses tried to reduce their wage costs as well as increase their managerial prerogatives in allocation of labor by both massive discharges and hiring irregular workers. For this goal, many employers tried to avoid the rigid centralized bargainings prohibiting such managerial autonomies.

VI. Conclusions

On the basis of the presumption that union activities in Korea are premature in comparison with those in advanced nations, the previous research reviewed in the second section focused on the role of the state and employers in determining political and economic environments surrounding union activities. Instead, this study advocates for significant shifts in the research level, methodology, and perspective to properly understand real union activities in the 1990s. Above all, the strength of union activities must be concretely examined by considering their union densities and bargaining structures and outcomes at enterprise and industrial levels because of the recent salience of vigorous union activities at those levels. In order to explain them, researchers must rely on the methodology of 'dirty hands' to gather real data on union activities in organization and bargaining as well as their explanatory variables reflecting socioeconomic features in both roles of IRs actors and environmental contexts at enterprise and industrial levels. Finally, an alternative micro theoretical perspective is required to analytically associate several measures of union activities at enterprise and industry levels with those numerous socioeconomic factors in both roles of IRs actors and environmental contexts at those levels.

Unlike the prediction of the macro political-economic perspective, a micro-level research focus in this study provides an elaborate picture that shows the roles of state intervention and

economic crisis did not generate identical impacts on union activities across industries. Various industrial policies of the state in support of the growth of LEs in auto assembly and shipbuilding as well as the state's transportation policy securing stable industrial peace in auto transport generated the indirect but persistently long run impacts on union activities. In addition, the presumption of the tremendous impacts of the 1997 economic crisis on union activities needs to be elaborated by considering the distinct growth strategy and stage of different industries. In the shipbuilding industry, as exports occupied a significant proportion of sales, the shrinkage of domestic demand after that crisis did not generate serious impacts in contrast to those in auto assembly, auto supply, auto transport, and banking industries.

The clearest advantage of the micro research focus is to show that the diversities in union densities, their movements, and prevailing bargaining levels depends on numerous industry-specific socioeconomic factors. In contrast to the conventional belief of feeble union activities in densities and bargaining in Korea in the previous studies reviewed in the second section, unions recorded high densities in highly regulated and less competitive industries. Their movements after the 1997 Asian financial crisis also depended on those socioeconomic factors, including the severity of the economic shock as seen in auto assembly in contrast to that in shipbuilding, the distinct growth stage facing the worldwide industrial restructuring in auto supply, the persistence of regulations of the state's transportation policy in both buses and centralized bargaining in intra-city buses, and high degrees of state-led industrial restructuring moderately regulated by KFU in the banking industry. The micro research focus also shows that seriousness in the pursuit of centralizing enterprise bargainings varies across industries depending on the diverse unions' perceptions on the effectiveness of enterprise bargainings in defending employment securities.

Recent developments of union activities in Korea and advanced nations are parallel in the

sense that they faced a period of declines in terms of declining union densities as well as of managerial demands for concession bargainings and shrinkage of bargaining agendas. On the surface, the pursuit of centralized bargainings in Korea reflects the premature stage of growth in which unions could resist and try to modify existing bargaining structures generally preferred by the state and employers (Jeong, 1995 & 2001). The similarity in both groups of nations, however, lies in the fact that the shift of bargaining structure was sought to reverse union declines in both cases as seen in recent theoretical and empirical arguments advocating for the close coordination of union organization and bargainings beyond enterprise levels in the U.S. (Erickson *et al.*, 2002; Rogers, 1995).

One crucial theoretical implication of this paper is that several empirical judgments and theoretical reasonings on union densities and bargaining structures in comparative studies in advanced nations are also useful in dealing with the Korean case showing different stages of growth in union activities. In both groups of nations, union densities are higher in highly regulated and less competitive industries while their movements over time depended on several socio-economic factors in both environmental contexts and relevant choices of IRs actors. In addition, theoretical reasoning on the prevailing bargaining structure and its evolution in advanced nations are also useful in dealing with the Korean case. This attempt improves our current limited understanding on Asian nations by providing an alternative micro research focus and analytical perspectives, which critically deviates from the previous outdated macro research focus to reflect the significance of vigorous union activities at industry- and firm-levels. At the same time, this attempt of sharing theoretical frameworks in studying union activities in two groups of nations will help to ultimately build an inclusive theoretical framework covering nations undergoing different stages of growth in union activities.

Tables

Table 1. Annual Trends of Industrial Conflicts and Union Growth in Korea

Year	Number of conflicts	Unions at the Enterprise Level	Union members (Union Density (%))
1980	206	2,635	948,134 (14.7)
1985	265	2,551	1,004,398 (12.4)
1986	276	2,675	1,035,890 (12.3)
1987	3,749	2,742 (July, 30) & 4,103 (Dec., 31)	1,267,457 (13.8)
1988	1,873	6,164	1,707,456 (17.8)
1989	1,616	7,883	1,932,415 (18.6)
1990	322	7,698	1,886,884 (17.2)
1991	234	7,656	1,803,408 (15.9)
1992	235	7,527	1,734,598 (15.0)
1993	144	7,147	1,667,373 (14.2)
1994	122	7,025	1,659,011 (13.5)
1995	88	6,606	1,614,800 (12.7)
1996	85	6,424	1,598,558 (12.2)
1997	78	5,733	1,484,194 (11.2)
1998	129	5,560	1,401,940 (11.5)
1999	198	5,637	1,480,666 (11.8)
2000	250	5,698	1,526,995 (11.6)

Note: Unionization rate is defined as ratio of union members to total employees.

Source: pp. 145 & 146 in KLI (2002)

Table 2. Distribution of Different Levels of Collective Bargainings (2001)

Classification of CBs	Union numbers	Numbers of union members	Proportions in union numbers (%)
Enterprise-Level CB	5,022	996,729	81.7
Regional and National CBs	923	559,168	15.0
Others	205	12,826	3.3
Total	6,150	1,568,723	100

Source: p. vii in Ministry of Labor (2002)

Table 3. Average Annual Wage Growth Rates Agreed to in Enterprise Bargaining

Year	1986	1987	1988	1989	1990	1991	1992	1993
Rate	6.4	17.2	13.5	17.5	9.0	10.5	6.5	5.2
Year	1994	1995	1996	1997	1998	1999	2000	2001
Rate	7.2	7.7	7.8	4.2	0.0	2.1	7.2	6.0

Source: p. 49 in KLI (1988); p. 205 in KLI (1999); p. 151 in KLI (2002)

Table 4. Numbers of Union Members in Industrial Unions or As. (Associations) (December, 2001)

Organizations in FK TU	Union members	Organizations in KCTU	Union members
Financial (or bank) Union	79,128	Metalworking Industry As.	181,938
Chemical Association	86,138	Clerical and Financial As.	70,741
Metalworking Association	120,768	Public As.	92,178
Confederated Association	70,870	Teachers' Union	87,996
Road Transport As.	69,751		
Taxi As.	118,948		

Source: Ministry of Labor (2002), pp. ii – iii.

Table 5. Numbers of Union Members in Different Sizes of Enterprises and Their Changes

	SMEs (1997)	LEs (1997)	SMEs (2000)	LEs (2000)
Number of Employees Hired	89.1%	11.9%	94.8%	5.2%
Number of Union Members	45%	55%	37%	63%

Sources: KLI (2002), p. 27; Ministry of Labor (2001), p. vi; Ministry of Labor (1998), p. v.

Table 6. Employee Numbers and Union Densities in Three Industries

Years	1997	1998	2001
Auto Assem.	103,728(73,639; 70%) ¹	90,181(64,806; 71%)	97,689(72,879; 74%)
Shipbuilding	50,138 (35,966; 71%)	48,525 (36,674; 75%)	63,950 (34,561; 54%)
Auto Supply		271,792(65,516; 24%)	270,496(51,610; 19%)

Notes:

1. First numbers are the total numbers of employees while numbers and percentages in parentheses are the actual numbers of union members and union densities respectively. The orders of those numbers are the same in Tables 7 and 8.

Sources: KAIRA (2002), p. 27; Ministry of Labor (1998, 1999 & 2002), relevant pages; KOSHIPA (2002), p. 9; KAICA (1999 & 2002), relevant pages.

Table 7. Numbers of Employees and Union Members in the Auto Transport Industry

Years	1997	1998	2002
Intra-city Buses	58,466(56,168; 96%)	57,137(53,877; 94%)	65,975 (53,532; 81%)
Highway Buses	7,565(7,490; 99%)	7,248(7,192; 99%)	6,005(5225; 87%)

Notes: KATU (1997, 1998, and 2002), relevant pages.

Table 8. Numbers of Employees and Union Members in the Banking Industry

Years	1997	1998	2001
Private Banks	96,612(68,041; 70%)	79,370(61,033; 77%)	79,235 (49,562; 62%)

Source: KFU (1999, 2000, & 2002), relevance pages.

Table 9. Prevalent Bargaining Structures and Their Evolution

Industries	Prevailing bargaining structures
Auto assemblers, shipbuilding, inter-city buses, highway buses	Isolated enterprise b. (bargaining)
Some proportions of auto suppliers	Attempting to build centrally coordinated b.
Intra-city buses	Maintaining coordinated regional b. but facing serious challenges
Private banks	Two-tiered b. at national and enterprise levels

Notes

¹ In the first regime, labor's ardent demands for revising the repressive labor law were ignored while the revision of the labor law in 1996 increased the managerial freedom to hire irregular workforces contributing to undermining the organizational and bargaining power of unions. In the second regime, the tripartite committee joined by national employers' associations and union confederation was built to generate a social and political consensus to overcome the 1997 Asian financial crisis. However, it failed to generate real improvements in the voice of labor in political and social spheres beyond enterprise levels.

² Both KAICA (1999 & 2002) and annual reports of KMWF (1999, 2002) respectively provided information on the total numbers of employees in firms in the machinery or auto supply industry and in firms organized. However, there was no information on the actual number of union members in those organized firms. On the basis of the approximate guess of one leader in KMWF, 60% of total employees in those organized firms in 1998 and 2001 were assumed to be actual union members. As a result, the union densities in those industries are derived from that guess.

³ Union leaders in KMWF, who were involved in organizing LEs in 1987 and 1988, commonly realized that managers in those firms could rely on various forms of repressive measures to inhibit the formation of unions due to their great financial and organizational capacities sufficient to bribe police and government officials to implement labor laws favorably toward employers as well as to seek a proactive response to demands of labor for autonomous unions. Even after unions were formed, unions in LEs of auto assembly and shipbuilding commonly faced the persistent resistance of managers to avoid bargaining in good faith during the next few years.

⁴ Three among four firms faced bankruptcies after the 1997 economic crisis while two of them -- Samsung and Daewoo -- were sold to foreign MNEs -- Renault and GM -- and one -- Kia -- to another domestic firm -- Hyundai.

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