Changes in Korean Labor Market Regimes

Kim Kyung Mi

By exploring the extent to which the South Korean labor market and labor deployment in production processes have changed since the 1997 financial crisis, this article criticizes the prevalent views regarding national adjustments, including neoliberalism and rigid leftism. Korean adjustments in the labor market are characterized by a dual structure of regular and irregular employment. Unlike Anglo-Saxon free markets, the Korean regular employment system is still very rigid due to its organized labor. However, Korea has not developed the functional flexibility or close collaborative skill formation and work organization as Germany and Japan have. In order to increase flexibility, Korean corporations, instead, introduced irregular and part-time work into the system, as the Netherlands did. However, Korea differs from the Netherlands in the sense that it failed to develop society-wide protections for irregular workers. The Korean adjustment process since the 1997 financial crisis shows that its path is not only toward one direction. Therefore, Korean adjustments cannot be explained by the neoliberal perspective that the Anglo-Saxon-style free market system is universally relevant regardless of the national institutional context, or by the rigid leftist perspective that Korean current readjustments toward a flexible system under globalization follow the neoliberal, free-market model. Further, this article argues that the diversity of national adjustments is not due to the path-dependent persistence of national development, but to the outcome of politics by main players.

Keywords: Flexible system, neoliberalism, institutionalism, globalization, Korean labor market

By exploring the extent to which the South Korean (hereafter, Korean) labor market and labor deployment in production processes have changed since the 1997 financial crisis, this article criticizes the prevalent views regarding national adjustments, including neoliberalism and rigid leftism. Almost all advanced economies began to adopt more flexible production systems in the

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Seoul Journal of Korean Studies 23, no. 2 (December 2010): 247-269.

mid-1980s, not only because market competition became more extensive and severer around the world, but also because technologies began to change more rapidly. The existing mass production systems, which sharply divided conception and execution, could not cope when it became necessary to flexibly respond to turbulent markets and adopt new technologies (Piore and Sabel 1984; Herrigel 2010). American corporations had previously focused on the smooth flow of production materials based on a standardized, fixed production process and had to adopt more flexible systems, learning from the Japanese lean production system (Womack et al. 1990). German corporations also developed flexible systems, revising their existing region- and vocation-based collaborative systems as a result of suffering from loss of competitiveness in global competition with their Japanese counterparts (Herrigel 1997; Kwon 2002, 2005). The Korean political and economic systems also adopted new flexible systems in the labor market as well as in production processes, introducing more part-time workers, utilizing new flexible work systems, and increasing outsourcing from independent parts suppliers, as the Korean economy became more exposed to the global economy after the 1997 financial crisis.

Regarding the adjustments of national economies toward a more flexible system, the neoliberal argument prevails. Neoliberals (Strange 1997; Siebert 1997) argue that the Anglo-Saxon-style free market system is universally relevant regardless of the national institutional context. They argue that, in order to survive in global competition, national economies should, and will, converge toward the global standard of a free market economy. Even in South Korea, many neoliberals like Bak (2003) argue that the Korean labor market should move toward the global standard of a free market, discrediting the developmental state model and dissolving the current organized labor market system.

In contrast, many institutionalists (Soskice 1999; Hall and Soskice 2001; Pierson 1994; 2004; Esping-Andersen 1996) argued for the persistence of diverse national economic models based on path-dependence. Institutionalists emphasize as the causes of institutional resilience informal norms or cognitive frameworks (Dimaggio and Powell 1991), embedded interests or increasing returns (Pierson 1994; 2004; Esping-Andersen 1996), or institutional complementarities and comparative institutional advantages (Hall and Soskice 2001). However, this view fails to see the changes that occurred in national production systems as globalization accelerated. The movement of national production systems toward a more flexible system became a general trend with the restructuring of labor markets and production systems.

Although they agree that globalization moved national economies toward a more flexible system, some rigid left scholars (Jeong 2004; No 1998; Son 1999) also tend to view nearly all adjustments toward a flexible system as neoliberalism. However, the modes of national adjustments toward a flexible system are actually diverse, although most national economic systems tend to move toward a flexible system as a result of globalization. For example, the United States and the UK adopted more numerical flexibility in a free market model, while Germany and Japan continue to utilize more functional flexibility and coordination in skill formation and the deployment of skills in production processes (Kwon 2002; Herrigel 2010).[1] Denmark and the Netherlands adopted more numerical flexibility in the labor market, using other complementary methods to develop a flexicurity (flexibility and security) model. Denmark complemented its flexible system with social welfare protection, while the Netherlands adopted flexibility through a part-timer system with equal protection of social rights for both part-timers and full-timers (Madsen 2006; Hemerijck and Manow 2001).

Assuming that the Korean labor market has indeed moved toward a more flexible system, what are the characteristics of its adjustments? What kind of flexible system have Koreans established under the challenges of globalization, particularly since the 1997 financial crisis? What makes the Korean labor market adjustments unique? These are the key questions that this article seeks to address.

By analyzing how Koreans reorganized their labor, not only in the labor market but also in the formation and deployment of skills, this article criticizes the prevalent views of comparative political economy regarding national adjustments under globalization, including neoliberalism and the left-oriented approach. First, by proposing the uniqueness of Korean adjustments compared with those of advanced economies, this article will argue that there are diverse adjustments in moving toward a flexible system. The Korean adjustments are characterized by a dual structure of regular and irregular employment. Unlike Anglo-Saxon free markets, the Korean regular employment system is still very

1. According to Atkinson, there can be four types of labor market flexibility. External numerical flexibility refers to the adjustment of the number of workers from the external market. This can be achieved by employing workers on temporary work or fixed-term contracts or through relaxed hiring and firing regulations. Internal numerical flexibility, sometimes known as temporal flexibility can be achieved by adjusting working hours or schedules of workers already employed within the firm. Functional flexibility, related to work organization, is the extent employees can be transferred to different activities and tasks within the firm. Wage flexibility refers to a situation in which wage levels are not decided collectively and where there are more differences between the wages of workers based on individual performance wages (Atkinson 1984).

rigid in terms of organized labor, although it has adopted more external flexibility. Regular employment in Korea is stable, as in Japan, but it has not developed the functional flexibility as much as in Japan. Irregular and part time work were introduced to the Korean labor market, as was done in the case of, for example, the Netherlands too. However, the Korean labor market differs from the Dutch labor market in its low level of social protection.

This article argues that the particularity of the Korean flexible adjustments contradicts not only the neoliberal theory of a convergence of national economies toward a neoliberal system, but also the rigid leftist approach that considers flexible adjustment itself to be neoliberalism. The neoliberalist and rigid leftist views differ in their ethical evaluation of flexible adjustments, but are similar in that they regard current adjustments as a move toward a single form of neoliberalism, disregarding various types of adjustments and the different effects on social-economic life in a nation-state.

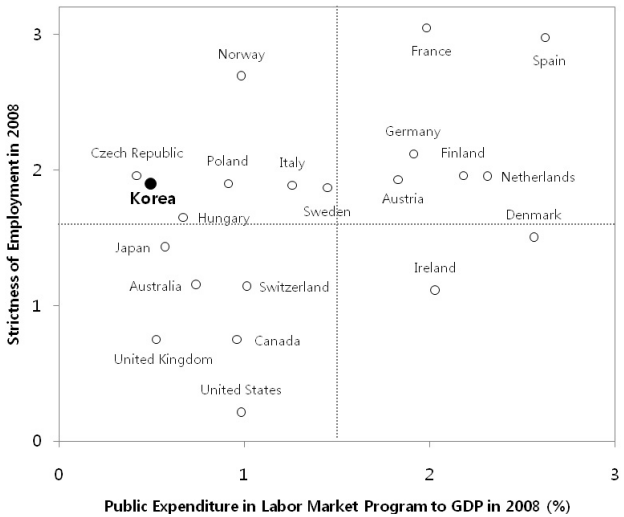
The diversity of national adjustments and the particularity of Korean adjustments are not because of the path-dependent persistence of national development, but are the result of politics by main players such as the state, employers, and unions. This does not mean that historical legacies and institutions are not important for the adjustments. On the contrary, national institutions and historical legacies really matter for differences in national adjustments, and provide motives and resources for change. This study emphasizes the actors' proactive choices and their ways of resolving conflicts through diverse adjustments.

In order to explore how Korea has transformed the way to organize labor productively, this article examines three dimensions of productive labor organizations, including the labor market, the formation of skills, and the deployment of skills in the production processes.

Characteristics of the Korean labor market

Since the mid-1980s, almost all advanced economies have adopted more flexible systems, not only in their labor markets but also in the deployment of labor, in order to respond more flexibly to the turbulently changing markets of end products and rapidly changing technologies. However, in spite of what neoliberalists and the Marxist-oriented approach argue, not all changes toward a flexible system are neoliberal, as the flexible systems adopted differ from country to country. This section first explores the characteristics of Korean labor market adjustments and how it differs from other countries, before

Figure 1. Classification of Labor Market Regimes



Source: OECD Statistics Database.

examining the causes for such differences.

As shown in Figure 1, unlike the neoliberal argument for convergence of the national labor market toward an Anglo-Saxon-style free market, labor market regimes are not converging toward a single form, but are very diverse. Many economies have different combinations of employment regulation with varying degrees of strictness, and social protection that can go from minimal or nonexistent to the provision of unemployment benefits and other forms of social welfare. For example, liberal market economies such as the United States or United Kingdom typically adhere to some form of free market policies, maintaining low levels of employment regulation and, at the same time, avoiding state intervention with high social welfare. While utilizing external flexibility and an easy hire-and-fire system in their labor markets, these economies are likely to develop a radical innovation system in production processes with a rapid deployment of labor and capital in response to the market. However, these economies fall short when it comes to developing skilled employees and incremental innovation. These countries tend to develop high levels of employment by flexibly absorbing labor into low wage service jobs.

In contrast, European welfare states such as Germany and France have adopted very stable labor market systems, with high levels of employment

regulation and social welfare. These countries tend to develop functional flexibility, wherein employees are circulated and retrained within a company instead of being laid off, flexibly responding to market fluctuations. Corporations in these economies tend to develop deep skills under high levels of employment protection and pursue the market strategy of high quality products based on highly skilled workers, coordinating skill formation and the deployment of skills in production processes.

In order to increase flexibility in a context with high employment protection, the Netherlands developed temporal flexibility by adopting a highly developed part-time system. The Netherlands traded off temporal flexibility with a high level of social protection. Other European countries like Denmark developed another form of tradeoffs. Denmark developed a kind of "flexicurity" (flexibility and security) model by combining more external flexibility in labor markets with high levels of social protection, adopting the policy of taking care of the unemployed with high levels of active labor market programs.

As seen in Figure 1, the Korean labor market is characterized by high levels of employment regulation. In this sense, Korea differs from the Anglo-Saxon-style free markets, but it also differs from the European welfare states because of its low level of social protection and welfare. The Korean labor market is characterized by a dual structure of regular and irregular employment. Although employment protection is relatively high, it is applied to regular workers in large corporations while irregular workers are outside the strict regulation of employment, and are also outside of social protection. Given the high levels of employment protection, Korean corporations increased the flexibility of wages and work hours since 1997 in order to increase flexibility. Instead of dissolving the strictness of legal regulations, due to strong militancy of trade unions organized by full-time regular workers, Korean corporations increased their use of irregular workers such as part-timers, short-term workers, subcontractors within the company, and external services.

The share of irregular workers in the total employment of the Korean labor market increased from 26.8% in 2001 to 35.9% in 2007.[2] However, it should be noted that Korea did not adopt social protection for irregular workers, as the Netherlands did. Korean irregular workers' wages and social protection are significantly lower than those of regular workers. In 2007, the wages of irregular workers were only 63.5% of regular workers' wages (Jang et al. 2008, 94). In addition, although social protections such as the unemployment

2. These figures are based on "Economically Active Population Survey" by Statistics Korea.

insurance system were drastically expanded in Korea, irregular workers were, to a significant extent, excluded. For example, the employment insurance scheme covered only 39.2% of irregular workers in 2007, while it covered 64.3% of regular workers.[3]

What makes the Korean labor market unique? One factor is the strong militancy of Korean trade unions, particularly the democratic labor movement in the process of democratization, which deterred the government from adopting liberal deregulation in employment rights. Why, then, has Korea not developed flexicurity as the Netherlands and Denmark did? Why have Korean militant unions not developed social protection for irregular workers? The dual structure of the labor market in Korea is mainly due to the so-called "insider-outsider" problem (Yang 2006), wherein strong unions, which are mainly organized by full-time regular workers, take care of their insider members' rights and wages rather than outsiders such as non-unionized and irregular workers. This insider-outsider problem tends to occur more easily because of the structure of Korean trade unionism. The structure of trade unionism in Korea is, by and large, organized at the unit of corporations, rather than industry-wide organizations. Unlike the case of industrial unionism in the Netherlands and Germany, Korean corporate unionism is less likely to solve the insider-outsider problem because it tends to fail in coordinating individual corporate unions. In cases where union movements are based on industry-level unions, collective action problems are more likely to be pervasive in the achievement of public goods like universal welfare and class-wide social protections (Yang 2006, 213).

In actuality, although the poor employment conditions of irregular workers has been one of the most serious social issues in Korea since the end of the 1990s, Korean trade unions have not suggested any effective solution or made significant efforts to solve the problem. Instead, most Korean unions have adopted strategies to exclude irregular workers or evaded the issue by assuming that irregular workers should deal with their problems through the establishment of their own unions. For example, the union density of irregular workers is extremely low at 5% in 2007 (Bae et al. 2008, 178, 182). The organization rate of irregular workers is low in Korea because regular workers are reluctant to accept irregular workers as members, with only 14.7% of trade unions offering irregular workers regular membership in 2006. Regular

3. These figures are based on "Economically Active Population Survey" by Statistics Korea. Compared with the figures for 2003, when only 24.7% of irregular workers and 79.5% of regular workers were insured, the gap has narrowed, but remains high.

workers are afraid that their own interests may be damaged due to the costs of improving irregular workers' employment conditions (Bae et al. 2008, 186-187). As a result, the Korean labor market tends to fall into a vicious cycle in which strict regulation for full-time insider workers is likely to increase the number of irregular workers in order to improve flexibility.[4] At the same time, the growth of irregular workers tends to reduce regular employment and weaken the organizational basis for current unions, which finally tends to deteriorate the employment conditions of all workers.

However, it is not true that corporate-based unionism determined the whole story of adjustments of the Korean labor market. For example, Ireland developed social partnerships at the national level even with its fragmented and pluralistic structure of labor and capital organization, and Korea could also have developed corporatist social partnerships in the absence of corporatist institutions (Gweon 2009). Why have Koreans failed in the establishment of social partnerships in developing social tradeoffs, such as in the cases of Denmark and Ireland? The main reason is that the main actors had confrontational political ideas, a legacy of the democratization process.

Following the Asian financial crisis in 1997, the Korean government attempted to build a social partnership through a Tripartite Council consisting of labor, management, and government representatives, as Ireland and Denmark did. However, Korea's attempt failed because of social actors' confrontational attitudes. First, trade unions in Korea did not accept the tripartite coordination because they thought the Tripartite Accord required only their one-sided sacrifice instead of a fair distribution of burdens and benefits. In an interview with a journalist in 1999, for example, Yi Gabyong, the president of the Korean Confederation of Trade Unions (KCTU) at the time, remarked: "Now the labor-employer-government tripartite council is not a genuine mechanism of social cooperation but a capitalist tool of control to prevent labor resistance and to carry out effectively their own plan of restructuring" (Koo 2000, 102). Trade unions suspected that employers tried to weaken labor power instead of making sincere efforts at social cooperation (Choi 2002, 108). At the same time, employers criticized the Tripartite as an outdated form of interventionism, going against the global trend of free market principles (Koo 2000, 102).

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4. In cases where the protection of regular workers is strong, there is a trend towards hiring more irregular workers to improve flexibility. If the hiring of irregular workers is difficult due to legal or institutional factors, hiring will be low or unemployment will increase. This can easily trigger a vicious cycle of economic stagnation as in the case of the Continental welfare state model (e.g. Germany).

Table 1. Lost Days Per 1000 Workers

	Average				
	1986~90	1991~95	1995~99	2000~04	1995~2004
Japan	4	3	3	**	**
Germany	4	14	3	4	3
Korea	**470.5**	**133.4**	**72**	**101**	**86.6**
Italy	264	142	77	122	100
UK	117	24	21	29	25
US	65	21	38	43	40
OECD	123	38	48	47	48

Source: Beardsmore, R. (2006), p. 119.
Note: ** Data could not be obtained.

The confrontational attitudes between labor and capital organizations mainly resulted from the democratization process. Reflecting upon the oppressive measures before democratization in 1987, unions believed that they were different from employers based on class interests; their employment rights and benefits could only be wrestled from capital through the use of power. The Korean labor movement grew through confrontational struggles against capital organizations. The Korean trade unions had few opportunities to cooperate with capital in dealing with social problems. As seen in Table 1, after democratization in 1987, industrial disputes increased tremendously while new democratic trade unions were rapidly expanding. In addition, the level of lost days due to strikes in Korea is still very high compared with other countries.

To sum up, the adjustments of the Korean labor market are characterized by a dual system of strict regulation of employment for regular workers and high external flexibility for irregular workers without social protection. This particularity of the Korean labor market resulted mainly from confrontational politics of labor and capital as well as the failure of coordination between full-time insiders and irregular outsiders. The confrontational politics of labor and capital, where both Korean labor and capital regarded themselves only as agents in a distributive struggle, tended to obstruct the social cooperation found in Ireland and Denmark. Due to the failure of coordination between employers and employees, Korea could not develop the functional flexibility as much as Germany. While Korea could not adopt more external flexibility rather than functional flexibility, it also failed to establish the flexicurity of the Netherlands and Denmark due to the failure of coordination between insiders and outsiders within the employee groups. The low level of coordination in the

Korean labor regime will be examined in-depth in the next two sections on skill formation and labor deployment.

Skill Formation in Korea

Adjustments in labor markets are closely related to the skill formation and production processes. For example, coordinated economies like Germany tend to utilize functional flexibility, with corporations flexibly retraining and redeploying labor in-house in order to meet the changes of the product markets, rather than simply laying off employees. In this system, corporations are likely to pursue the production of high quality and high value-added products with cooperative and skilled labor. In contrast, free market economies like the US and the UK, which tend to utilize external flexibility, are less likely to invest in training. In this free market system, corporations are likely to lay off workers in response to fluctuations in the market, instead of training employees on firm-specific or industry-specific skills. Due to the risks of poaching skilled labor, employers in free market economies are less likely to invest in training their own employees. This free market system is more likely to result in the so-called "low road" of development in which the skill level of labor is low and employers pursue production of low value-added products with low skilled labor.

Adjustments in Korean skill formation resulted from large corporations giving up existing in-house training and shifting toward a more market-based system, as corporations began to adopt a more flexible labor market. However, this does not mean that the Korean skill formation system became the free market system of the US and the UK. Unlike the Anglo-Saxon neoliberal economies, the state has been significantly involved in skill formation in Korea. This section explores how Korean skill formation has changed since 1997 and what makes Korean skill formation unique.

Traditionally, skill formation in Korea was more similar to that of Japan due to the rigid labor market structure in which employees worked their entire lives at a single company. However, even with the rigid employment protections and lifelong employment system, Korean skill formation differed from that of Germany because there was no corporatist vocational training system in Korea. Given the lifelong employment system, as in Japan large conglomerates in Korea invested in training (Kwon 2004; 2005). As seen in Table 2, Korean corporations, particularly large conglomerates, continuously increased their investment in job training until the end of the 1990s. For

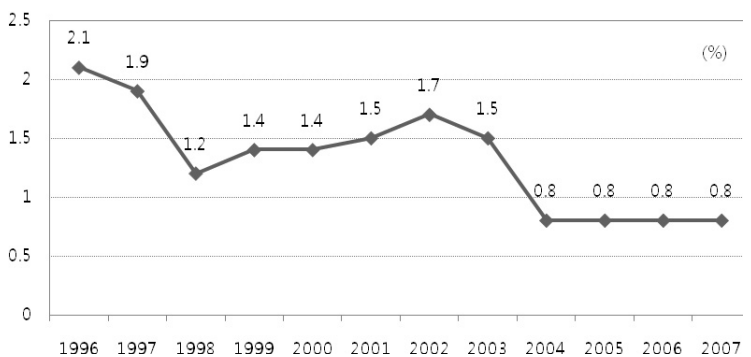
Table 2. Amount of Monthly Training Costs per Employee in Korea Firms

(Unit: 1000 won)

		1990	1992	1994	1996	1999
Total		9.8	19.3	25.1	39	33.1
Number of employees	30~99	3.5	10.4	5.4	5.6	5.6
	100~299	5.3	8	10.1	10.7	8.6
	300~499	6.7	10.7	12.9	13.2	13.7
	500~999	7.7	17.5	16.6	23.1	20.6
	Over 1000	10.8	21.2	34.1	50.8	42.1

Source: Goyong nodongbu [Ministry of Employment and labor], "Report on businesses' labor costs."

Figure 2. Proportion of Training Costs to Total Labor Costs in Korean firms.



Source: Daehan sanggong hoeuiso [The Korea Chamber of Commerce & Industry], 2008.

example, large corporations with over 1,000 employees increased their monthly training investment per employee (on average) from 10,800 won in 1990 to 42,100 won in 1999.

However, it should be noted that the main change in Korean skill formation during the so-called post-IMF period was that large corporations abandoned their in-house training. As seen in Figure 2, corporations in Korea significantly reduced their investment in job training from 2.1 percent of total labor costs in 1996 to 0.8 percent of total labor costs in 2007.

As corporations began to avoid in-house training, they also changed their recruitment patterns. As seen in Table 3, large corporations recruited more experienced employees instead of hiring new graduates and training them in-

Table 3. Recruitment Pattern Changes in Korean Firms

(Unit: persons)

	2000	2001	2002	2003
New employees (A)	10,216	8,915	9,753	14,624
Experienced workers (B)	19,122	19,533	20,168	16,881
(B) / (A)+(B)	0.65	0.69	0.67	0.54

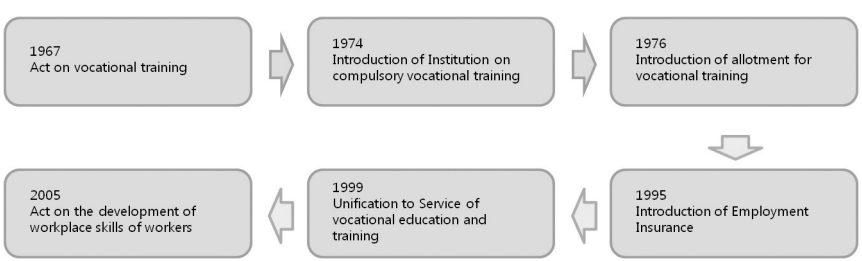
Source: Daehan sanggong hoeuiso [The Korea Chamber of Commerce & Industry], 2004.

house. The proportion of experienced workers in new recruitment reached more than 65 percent in the early 2000s. A survey of an online site for job-seekers in 2009 reveals that the pattern of recruiting experienced employees still prevailed, with 60% of employers seeking experienced employees (*Painaensyeol Nyuseu* [The Financial News], April 29, 2009). Another empirical study reveals that, due to corporations' low investment in job training, skilled labor declined while unskilled workers increased in the 2000s (Hwang 2007, 83-85).

Considering this low level of skill training investment by private corporations, one may say that Korea followed the Anglo-Saxon-style liberal system of skill formation and production. However, Korea differs from the liberal system because Korean skill formation is also characterized by its state-led system. Traditionally, the Korean state has been strongly involved in training skills by building technology high schools. While private corporations reduced their training investment, the state did not reduce its support for skill formation. On the contrary, the state increased public support for job training.

As seen in Figure 3, the Korean state has been strongly involved in the market's training system since it introduced the Job Training Act (Jigeop hullyeonbeop) in 1967. On the one hand, the Korean state required firms to train employees by law, as seen in the "Institution on Compulsory Vocational

Figure 3. History of Korean Vocational Training System.



Training" (Jigeop hullyeon uimuje). On the other hand, it encouraged a training system funded by public financial support, as seen in "Institution of Allotment for Vocational Training" (Jigeop hullyeon bundam geumje).[5] Financial support for skill formation by the state and the number of participants in the programs continuously increased. For example, the investment in job training programs increased from 740 billion won in 2002 to 1,200 billion won in 2007, and the number of participants in training programs increased from 1.97 million workers in 2002 to 3.76 million workers in 2007 (Jang et al. 2009, 105).

As a result, in contrast to Japanese and German corporations, Korean private corporations are less likely to use functional flexibility while reducing job training in order to increase flexibility in response to market fluctuations. When large corporations reduced skill formation programs, the state began to cover the gap with training on general skills. What makes this Korean skill formation adjustment unique? Why have Korean corporations been likely to use external flexibility, instead of utilizing functional flexibility with firm- or industry-specific deep skilling?

Large corporations began to give up traditional firm-specific training firstly because they were lacking the cheap finance that had been supplied by the state before the Asian financial crisis in 1997. As the developmental state began to be criticized as a cause of the crisis, the state eliminated the traditional financial support for large corporations. Thus, large corporations lacked cheap capital with which to train their employees. According to a general manager of one of the largest *chaebol*, before the crisis the Korean large corporations annually recruited and educated thousands of university graduates for two or three years. However, after the Asian financial crisis, the large corporations could no longer do so because cheap capital at non-market rates was no longer available (Park 2007, 419).

Another reason for Korean corporations' utilization of external flexibility is

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5. The system was abolished in 1999 as its effects diminished rapidly since the 1980s and the Korean skill formation system was unified into a "Service of Vocational Education and Training" funded by the employment insurance program introduced in 1995. "Service of Vocational Education and Training" improved the previous system in that it expanded the autonomy of the private sector and enforced support for incumbent retraining. The "Act on Development of Workplace Skills of Workers," implemented in 2005, served the purpose of responding actively to rapidly changing domestic and international economic circumstances and labor force demands, and was an attempt to establish a skill formation system based on consumers by supporting autonomous capability development of firms and workers, training by organizations of labor or management, co-training by organizations of labor or management, and so forth (Jang et al. 2009, 101-103).

the confrontational relationship between employers and employees after democratization, as discussed in the previous section. Functional flexibility within firms requires a cooperative attitude and trust between labor and management, as seen in Germany and Japan. However, industrial relations in Korea were too conflict-laden to develop cooperation regarding skill formation and functional flexibility. A recent study about the correlation between trade unions and firms' investment in job training reveals that trade unions have a negative impact on firms' investment in job training (No 2007). The distrustful relationship between employers and employees in Korea is also due to management's idea of their own privilege. According to one survey, 60% of worker representatives believe that management does not want organized labor participating in the skill training process because training should be an exclusive privilege of management (Jeong, Im and In, 2005). In fact, Korean management refused the cooperative skill training system suggested by the Korean Financial Industry Union in the 2001 collective bargaining (Son and Yi 2002).

In addition, Korean corporations are less likely to use functional flexibility than German and Japanese corporations because the main actors in Korean industrial relations do not have such coordinative capability as the Germans do. Unlike Germany's corporatist coordination of industry-wide skill formation, corporate-based trade unions in Korea have difficulty in coordinating such industry-wide skill formation. Although there have been some cases where trade unions participated in cooperative skill formation through a labor-management-government council at the national level, agreements have not been successfully implemented because they are not binding and the national organizations of capital and labor do not have coordinative power for their members (Jang, Jeong and O 2009, 99-100). Furthermore, due to the distrustful relationship between employers and employees, Korean corporations are less likely to develop such cooperative skill formation at the firm level, as their Japanese counterparts have done. For example, the proportion of Korean companies involving employees in the deliberation of job training was only 33% in 2005 (Gim et al. 2008). As a result, Korean corporations tend to use external flexibility and "low road" development with low investment in training, rather than utilizing functional flexibility with the development of firm- or industry-specific deep skilling. The next section explores this production process.

Flexibility in Work Organization

In order to flexibly respond to turbulent markets and rapidly changing technologies, almost all advanced economies began to introduce a more flexible system, not only in the labor market but also in the organization of work. The rigid form of mass production, which separated conception from execution and froze the standardized form of input flow in order to realize economies of scale, had difficulty in reorganizing the work organization to flexibly combine new inputs in response to various market demands. In order to flexibly organize the production system, advanced economies began to adopt a more flexible work organization in which not only key engineers but also employees with various dimensional know-how deliberate together how to organize the work of employees. The employee-involvement practices are likely to overcome the rigid separation of conception and execution, and can be used to flexibly

Table 4. Implementation of Employee-Involvement Practices in 1996

(Unit: %)

Program		Introduction rate	Participation rate
Participation in consultative decision process	Survey on workers' attitudes	78.4	38.1
	QC (Quality Control)	91.8	44.9
	Team for problem resolution except QC	81.9	24.4
	Suggestions program	97.1	74.3
Participation in direct decision process	Intrapreneuring	26.6	9.9
	Expansion and rotation of work	90.5	29.3
	Redesigning of work	83.3	22.6
	Autonomous management team	43.5	11
Participation in decision process by workers' representatives	Participation in board of directors	32.4	6.2
	Joint labor-management conference	96.6	54.8
	Joint labor-management committee for quality of life of workers	71.1	26.3
	Committee for personnel matters	66.5	24.5
Participation in distribution of profits	Personal incentives	64.3	23.5
	Team incentives	54.3	18.9
	Profit allotment	57.8	28.9
	Employee ownership	52.4	35.6

Source: Yi and Yu (1997), Tables 3-15.

reorganize the production system. However, it is not easy to adopt employee-involvement practices because the main actors in work organizations, such as managers, engineers, and ordinary production workers, have different interests and it is very difficult to resolve and coordinate conflicts among them. This section explores the extent to which Korean corporations adopted the employee-involvement practices and what makes the Korean flexible production system unique.

As shown in Table 4 (based on a 1996 survey conducted by the Korean Labor Institute), Korean corporations also began to introduce the so-called flexible system of employee-involvement practices in the 1990s. However, it is noteworthy that in Korea, there are significant gaps between the introduction rates of the employee-involvement practices and actual implementation. In other words, Korean corporations appear to adopt employee-involvement practices successfully in terms of introduction rates, but in genuine terms of its implementation, Korean corporations are falling short. The rates of participation at which employees take part in the employee-involvement practices are very low. Only the suggestions program shows a relatively high rate of participation at 74.3% Most programs, such as autonomous regulation teams and multi-functional teams, reveal relatively low rates of participation.

As shown in Table 5, the trend of low participation in Korean employee-involvement practices has prevailed even in the 2000s. According to a survey on workplace practices conducted by the Korean Labor Institute in 2002, the real participation rates for various employee-involvement practices are very

Table 5. Implementation Degree of Employee-Involvement Practices in 2002

		Low	Middle	High
Work integration	Preservation control	65%	21%	14%
	Quality control	43%	36%	21%
Participation	Rotation participation	85%	7%	8%
	Small group activity	57%	8%	35%
	Adoption of suggestion	59%	13%	28%
Autonomy	Rights to decision related to work organization[a]	89%	3%	8%

Source: Hanguk nodong yeonguwon [Korean Labor Institute] (2002). Reorganized based on tables on pp. 23-31.

Note: a. These decisions include final rights to choose the work allotment within a team, rotation, work time/overtime, method and speed of work, amount of work, recruitment of new employees, and team training.

low with the exception of the quality control program. For example, approximately 92% of survey participants report that the decision making rights for team activities are given to team leaders and the head of the department, with only 8% reporting that decision making rights are given to ordinary team members.

As a result, Korean corporations are still falling short at adopting real employee-involvement practices. Korean workers tend to be given various responsibilities but the benefits of cooperative work are very poor as seen in the low level of participation in high performance incentives in Table 4. In this sense, Korean employee-involvement practices are less likely to work properly, as MacDuffie and Pill (1997) point out, stating that although the introduction rate of the lean manufacturing system in Korea seemed to be higher than in Europe or the U.S., the Korean system was very different from the Japanese system. MacDuffie and Pill (1997) argue that the "team" in Korean workplaces was not the same integrated "team" for multi-functional collaboration as those adopted in most advanced countries. Rather, Korean work teams are more similar to the traditional form of supervisory group under the Tayloristic mass production system (Gim and Gim 2000, 70).

Why have Korean corporations failed to implement real collaborative and flexible teams? The reason may be corporations' strategy of pursuing external flexibility and "low road" development, rather than pursuing high quality and highly value-added production with deep skilling. However, it should be noted that the failure of collaborative work teams as well as the pursuit of external flexibility are mainly based on the conflict-laden and arms-length relationships between employers and employees as well as the weak capability for coordination.

Successful employee involvement practices need a close relationship between employers and employees. However, this close collaboration does not occur automatically. It requires the stable resolution of conflicts and fair distribution of burdens and benefits, as seen in corporatist coordination in Germany and fair tradeoffs between long-term employment and employees' loyalty in Japanese corporations. However, as mentioned above, Korean employment relations have not developed such an industry-wide corporatist coordination system or in-house trustful relationships.

Many empirical studies indicate that Korean industrial relations are too poor to develop corporatist coordination and too militant to develop trustful relationships. Gim and Yi's (2002) empirical study shows that trade unions have a significantly negative impact on the adoption of employee-involvement practices. Another empirical study by No and Gim (2002) presents an

interesting point: firms that are unionized but have had no strikes in the last three years are more likely to implement so-called "high performance work" practices; in contrast, firms that are unionized and have had strikes in the last three years are less likely to implement flexible work practices. This means that if unions are more collaborative, then firms are more likely to implement a so-called high performance work system. In contrast, if industrial relations are adversarial and an arms-length relationship exists, then corporations are less likely to develop employee-involvement practices. Korean trade unions mainly focusing on wages and working conditions rather than on the improvement of production practices are less likely to contribute to the development of employee-involvement and a collaborative work system.

Another main reason for the failed implementation of employee-involvement practices is managers' strict conception of their own privileges. According to one empirical study, a third of Korean human resources managers believe that the desirable range of trade union activities should be restrained to collective bargaining for wages and working conditions, although unionists wanted to expand their activities to employee-work practices as well (Yi and Yi 2005, 34). It suggests that Korean business as well as Korean trade unions limit industrial relations only to the distributive framework, and do not consider employees as partners in the operation of the company.

In summary, Korean corporations failed to implement genuine employee-involvement practices not only because the industrial relations are lacking coordination capability to develop stable corporatist governance, but also because the employment relations are too distrustful to develop collaborative employee-involvement practices.

Conclusions

Almost all advanced economies have readjusted their production and labor market system to be more flexible as technology changes are increasingly rapid and the product market has become more turbulent. Postwar mass production and mass consumption under a stable welfare system could not survive in the presence of increased global competition. In the ensuing process of readjustment, neoliberalist theories and policies gained ascendancy.

Neoliberals argue for the universal relevancy of a neoliberal free market model, and claim that national economies should and will converge toward a global standard of free market economy. In Korea, most businessmen and liberal economists contend that the Korean labor market should move toward

a free market model. In refutation of neoliberalism, many progressive scholars also argue that current readjustments toward a flexible system under globalization follow the neoliberal, free-market model although they do not agree on the value of the flexible adjustments.

However, the dominant views regarding readjustments toward a more flexible labor market and work organization system do not appropriately explain the various forms of adjustments. As analyzed in this article, the flexible adjustments made are not uniform but are diverse, contrary to the prevalent view of neoliberalism. The rigid left theories, assuming that current adjustments toward a flexible system are neoliberal, cannot explain the varied flexible systems or their diverse effects.

Korean adjustments in the labor market are characterized by a dual structure of regular and irregular employment. Unlike Anglo-Saxon free markets, the Korean regular employment system is still very rigid because of organized labor, although more external flexibility was adopted. Regular employment in Korea is stable, just as in Germany and Japan. However, Korea has not developed the functional flexibility or close collaborative skill formation and work organization as Germany and Japan have. In order to increase flexibility, Korean corporations introduced irregular and part-time work into the system, as the Netherlands did. However, Korea differs from the Netherlands in the sense that it failed to develop society-wide protections for irregular workers.

This diversity of national adjustments is not due to the path-dependent persistence of national development, but to the outcome of politics by main players such as the state, employers, and unions. As seen in the main text of this article, Korean corporations have failed to develop functional flexibility or collaborative skill formation and employment practices not only because the industrial relations are too confrontational to develop collaboration but also because the main actors, such as organizations of capital and labor, are too weak in their coordination capability to develop a flexible cooperative system at the corporate or national level.

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