

A COMPARATIVE ANALYSIS OF INDUSTRIAL RELATIONS : KOREA AND JAPAN

HYO-SOO LEE*

This paper has two goals. One is to develop a Trinity Model of industrial relations, which is a new model maintaining consistency with the Trinity Model of Labor Market Structures (H. S. Lee (1987b; 1984)). The other is to present the features of Korean-Japanese industrial relations on the basis of the Trinity Model.

We will not discuss about Korean industrial relations since the great disputes began from July 1987. Power balances among actors are, since, being changed. These changes may alter the features of Korean industrial relations through the changes of the effects of actors' strategies. Now we can not come to any obvious conclusion about the change of the features of Korean industrial relations, because the dispute is being progressed and the new industrial relation pattern is not settled yet.

I. INTRODUCTION

Japan has developed its economy miraculously since its modernization which began in 1868, the year of the 'Meiji' Restoration¹⁾. This miracle stems from numerous factors. Many economists consider Japanese industrial relations to be the most important factor among them. Since an OECD report defined Japanese industrial relations as having "three pillars" in 1973, it has been recognized that Japanese industrial relations has three features peculiar to Japan (T. Hirohide (1980) pp. 339-50). These are a lifetime employment system, a seniority wage system (the length of service reward system), and enterprise unionism.

This raises three questions. One is about the generality or the universality of these factors. Are these three pillars actually in general existence in the Japanese labor market? The second is about the root and the mechanism of their existence. If they

* Dept. of Economics, Yeungnam University. I would like to thank Y.S. Song, K.H. Jeoun, D. Dollar, H. Shibuya and two anonymous referees for helpful comments on an earlier draft of this paper. Any remaining defects are, of course, my own responsibility. This paper was presented at the Third International Convention of Korean Economists, The Korean Economic Association, Aug. 2-3, 1988. Some portions of the paper were also presented at the Annual Regional Seminar on Contemporary Japan-Korea Relations, Institute of East Asian Studies, University of California, Berkeley, May 8, 1987. Financial assistance from Yeungnam University is gratefully acknowledged.

1) Consideration such serious disadvantages as its small size, poor natural resources, massive population, the late coming of modernization and the destruction of the economy during World War II, it is often considered a miracle that Japan is now ranked third in the world in terms of economic scale (T. A. Hanami (1985) p. 15). In 1988, Japan was ranked first in the world in per capita GNP.

are generalized or they exist only partly in the Japanese labor market, where do they come from? And how can they be maintained? The third is about their uniqueness. Do they come from the Confucian Culture, or are they native only to Japan?

In 1954, Korea started the reconstruction of its economy with even more serious disadvantages²⁾ than Japan. In spite of such disadvantages, Korea had converted farm capital into human capital through massive education, the average annual growth rate of GNP was 4.4%, and management skills had been accumulated and improved in import substitution industries during the preparatory period (1954-61).

Korea has experienced rapid economic growth on the base of the human capital accumulated during the preparatory period since implementing the first five years economic development plan in 1962. The average annual growth rate of GNP registered 8.5 percent from 1962 to 1987, which was similar to Japan's GNP growth rate of about 10.0 percent for the 1950s and 1960s. Nowadays, many people are interested in this miracle and endeavour to solve the question of how it came to be.

Needless to say, the Korean miracle also stems from numerous factors and we need to understand Korean industrial relations as the most important factor among them. We also have three questions about Korean industrial relations. Does Korea also have a special industrial relations system? As Korea has a Confucian cultural tradition, do Korean industrial relations also come from the Confucian culture? If it is true, are Korean industrial relations similar to Japanese industrial relations or not?

II. AN ALTERNATIVE MODEL FOR INDUSTRIAL RELATIONS - A TRINITY MODEL

The industrial relations are complicated and diverse. J. T. Dunlop (1958) suggested a theoretical framework to analyze these problems in his *Industrial Relations System*.

This paper is an attempt to make an alternative theoretical framework for the international comparison of industrial relations. We will try to establish a new model maintaining consistency with the Trinity Model of labor market structures. The Trinity Model consists of 'three environmental factors', 'three actors', and 'three factors characterizing labor market structures'. Each 'actor' has his strategies to change three factors, and continuously maps out his strategies considering the three environmental factors. The structural features of a nation's labor market are formed by the interaction effects among the three factors characterized by the three actors' strategies (see H. S. Lee (1987b; 1984) for a detailed story of the Trinity Model of labor market structures).

All workers want to work with high wages, good working conditions, and employment security. These high wages, good working conditions, and employment attachment increase labor cost which employers want to minimize. These are conflicts between workers and employers. The government wants to minimize the conflict cost. These are the actors' objective functions.

'Actors' achieve their goals in two stages. The first stage is the stage before

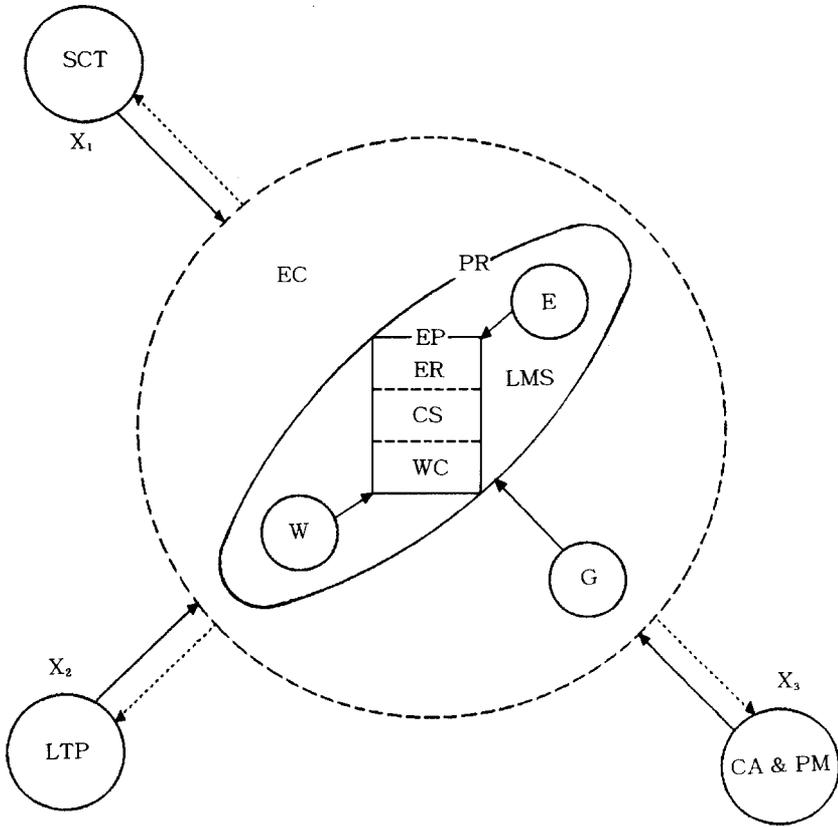
2) The disadvantages included the small size of the area, poor natural resources, massive population density, and the terrible destruction of the economy during the Korean War.

a worker is employed in the labor market. To realize their objective functions in the first stage, workers try to select good jobs, and employers try to hire workers of high quality. The second stage is the stage during which employment relations come into being. To achieve their goals in the second stage, workers and employers must bargain about their objectives with each other, so as to reach an agreement that is agreeable to both.

There are two ways for a worker to improve his/her situation in the second stage. The first is individual action. This might involve quitting the present employer to find a better one, going back to school to get more education, or talking on a one-to-one basis with the employer or supervisor about a particular complaint or suggestion, or a present employment practice. The second option available to the worker is collective action. A worker could seek to improve his wages and working conditions or to gain some voice in the operation of the firm by joining a trade union (B. E. Kaufman (1986) pp. 408-9). If any critical bargaining arrives at an agreement, it changes the actors' behavior. The repeated new behavior becomes a new employment practice. The employment practice has an influence on job content and job structure, workers' characteristics and their supply structure through the interaction effects. Consequently, the structure of labor markets is changed.

The Trinity Model of labor market structures deals with this whole story. The labor market theory deals with the first stage, that is, the operation of the labor market. The theory of industrial relations deals with the second stage, that is, industrial relations system.

Figure 1 is to enlarge the part of employment practice in the Trinity Model and reconstruct the model to use it in analyzing the industrial relations system. In the Figure, E, W, G are 'three actors' in the industrial relations system, in which employers and their organization are represented by E, workers and trade unions by W, government by G. E and W are inside an oval, and G is outside the oval. This indicates that workers and employers are primary participants, and government is a secondary participant in the industrial relations system. X_1 , X_2 , X_3 are three environmental factors of industrial relations (TEFIR), in which X_1 represents socio-cultural traditions (SCT), X_2 is the stage of capital accumulation and the structure of product market (CA & PM), X_3 is the level of technology and the speed of its progress (LTP). EC is the entrepreneurial culture which is influenced by three environmental factors and the power relations among 'actors'. PR represents the power relations among 'three actors', especially the power relations between the primary participants in the labor market. The LMS is the form of labor market structure which can be explained by the Trinity Model, and it is given in the analysis of industrial relations. We call these the Three Basic Grounds of Industrial Relations. A solid arrow stands for direct effects, and a dotted arrow stands for indirect effects. A square stands for employment practice (EP) which contains the issues and outcomes of collective bargaining. The major issues are employment relations (ER), compensation systems (CS), and working conditions (WC).



[Figure 1] A Trinity Model of Industrial Relations

1. Three Actors

W=Workers and Trade Union, E=Employers and Their Organization,
G=Government

2. Three Environmental Factors of Industrial Relations

SCT (X_1) = Socio-Cultural Traditions, CA & PM (X_2) = The Stage of
Capital Accumulation and the Structure of Product Markets,
LTP (X_3) = The Level of Technology and The Speed of Its Progress

3. Three Basic Grounds of Industrial Relations

EC = Entrepreneurial Culture, LMS = Labor Market Structures,
PR = Power Relations among Three Actors

4. Employment Practice (Labor - Management Relations)

ER = Employment Relations, CS = Compensation System,
WC = Working Conditions.

According to Figure 1, the industrial relations system consists of three environmental factors, three basic grounds, three actors, and three employment practices. This means that it is important to examine the cause of actors' conflict, and the process and the result of negotiation surrounding any issues in analyzing industrial relations. This says also that we must understand primary participants' organizations, actors' strategies to analyze the process and the result of actors' conflict and negotiations about the issues. This is possible, observing the three basic grounds which are affected by the three environmental factors.

We will compare Japanese industrial relations with Korean industrial relations according to this model(A Trinity Model of industrial relations).

III. THREE BASIC GROUNDS

1. Entrepreneurial Culture (EC)

An entrepreneurial culture is basically influenced from the socio-cultural traditions and the power relations among actors, and is also affected by the other environmental factors, the labor market structures and actors' strategies. The culture may be changed from authoritarianism to paternalism or egalitarianism according to the changes of the three environmental factors, of actors' strategies, of their power relations and of labor market structures.

A. Korea : Authoritarianism

To understand Korean entrepreneurial culture, it is important to understand Korean Confucianism. The 'Yi' dynasty(1392-1910) established an absolute monarchy to solve conflicts within the feudal aristocracy society. The 'Yi' dynasty admired Confucianism, suppressing Buddhism both as the philosophy of ruling the state and as the basis of norms of family and the society.

The 500 years of the 'Yi' dynasty was sufficient to permit the development of a Confucian social system and establish the norm of human behavior. The concrete contents of Confucianism have been changed through the colonial period, the Korean War, and by the process of modernization. But the Confucian norms have been preserved in Korean society because these national disturbances and social evolution in this century did not establish any competing social norms or principles of social customary order to replace the Confucian norms.

Korean Confucianism emphasizes 'hyo'(filial piety) and 'sarang' in the family, 'chung'(loyalty to the nation) to the nation, and 'eui'(justice, faith) in human relations. Among these 'hyo' is most important and is the basis of norms of human behavior. 'Hyo' is verbalized and taught didactically as the duty to parents and the basis of all human behavior, but the parents' 'sarang' to the children is not verbalized and taught. This means that 'hyo' is obligatory rather than spontaneous, while 'sarang' is spontaneous. The Korean 'hyo' is absolute, unconditional, spontaneous and obligatory piety to parents. 'Sarang' is unconditional, spontaneous and self-sacrificing

love for his/her children, which resembles 'jabi' (mercy of Buddhism) or 'jae' (benevolence of Confucianism) rather than love.

The meaning of 'hyo' is to fulfill your ancestors' and parents' wishes and reproduce their wishes creatively, and to do everything keeping 'hyo' in mind. Many Korean parents say that it is 'hyo' by which you honor your parents, succeed in your life, and bring an honor to your family. This encourages Koreans to have endurance, self-sacrificing spirits, and diligence.

A Filial people respects also the parents of others. This creates the 'kyungro' spirit (respect to the old) and the order of 'jang-yu-yu-seu' (which means that the younger should give precedence to the elder). This definitely has an influence on establishing a 'yeungong' system (seniority system) in Korean establishments.

'Eui' is very important in the human relations. 'Eui' stands for duty, ties or sincerity on one hand, and for justice or morality on the other hand.

A Korean proverb says a filial son makes a loyal subject. Because Korea had been ruled under an absolute monarchy from the period of establishing the Confucian culture, 'chung' was not loyalty to a feudal lord, but loyalty to the king or the nation. Thus a Korean has strong loyalty to the nation, but his/her loyalty to his/her establishment is relatively weaker than that of the Japanese. As we will see in the next section, Japan has a tradition of norms of the relationship between 'oyabun' (leader) and 'kobun' (follower) in the group stemming from feudalism and the era of the 'samurai'. But Korea has no tradition of norms in this group because of the long traditions of a unified country, the 500 years' absolute monarchy, and the 'seun-bi' (scholar) attitude.

There is only the concept of individual duty and not any concept of individual right in the concepts of 'hyo', 'eui', and 'chung'. Therefore, Korean Confucianism essentially generates authoritarianism. However, when the concept of 'sarang' is combined with the concept of 'hyo', paternalism is the result.

The endurance, self-sacrificing spirit, the order of 'jang-yu-yu-seu', and sincerity can be easily and naturally introduced to an enterprise from the family. However, it is difficult to introduce the concept of 'sarang' to an enterprise from the family. There are two reasons. One is that 'sarang' is unconditional, spontaneous, and self-sacrificing, so that the concepts match with the family but do not match with an enterprise. The other is that if the firm introduces the concept of 'sarang', it increases both productivity and labor costs. Thus, if employers think that the production process can be controlled and productivity can be increased by virtue of authoritarianism, they would not introduce the concept of 'sarang'. This is possible when an employer has strong power, and workers' power is very weak. This mechanism generates authoritarianism in an enterprise.

However, if there is strong trade unionism, employers come to introduce the concept of 'sarang' and they come to emphasize the concept that your company is your family. Of course, the concept of 'sarang' will be introduced in a modified form so as to obtain reciprocity.

As we have seen by now, an entrepreneurial culture in a Confucian kinship society follows authoritarianism or paternalism. Whether the authoritarianism comes out or the paternalism comes out depends upon the power relations between the primary participants. Thus we need to examine the power relations to understand an entrepreneurial culture more accurately.

The power relations between workers and employers depends upon three environmental factors and the government policies (see H. S. Lee (1987b)). Workers' power in Korea has been very weak, as shall be discussed in chapter IV, because the labor supply was unlimited as a result of 'one-pole dissolution' by the Japanese occupation forces in the early 1900's. As a result, an entrepreneurial culture in Korea has been formed as a type of authoritarianism.

B. Japan : Paternalism

Japan has a different social tradition though it has cultural traditions similar to those of Korea. Japan has also Buddhism and Confucian cultural traditions which were changed into Japanese style traditions. Thus, 'ko' (filial piety) and 'on' (one's right to anticipate reciprocity) have been stressed in the Japanese family³⁾.

The concept of 'on' in Japan is different from the concept of 'sarang' in Korea. 'Sarang' in Korea is spontaneous and unconditional, it does not contain any concept of right or reciprocity, while 'on' in Japan is the concept of right and reciprocity. This means that 'hyo' in Korea is unconditional while 'ko' in Japan is conditional. The concept of 'on' is relatively more liable to be introduced from a kinship society to a profit-oriented society because of its reciprocity.

It is definitely important to examine how the concepts of 'ko' and 'on' were converted into a profit-oriented society. After about a century of confusion and conflict, the 'Tokugawa' family conquered all its rivals in 1603 and established a centralized feudal government for the whole of Japan. The 'Tokugawa' shogunate owned all land, and gave out the land to local lords in the form of fiefs. Landlords could not cultivate all their land. They rented their land to tenants. The 'ko' and 'on' system was naturally introduced in this farm tenancy system as ritual kinship relations, because the concept of 'on' was well matched with the tenancy system which rented the land expecting the loyalty of tenants. This established the 'oyabun-

3) Japan has two types of family systems : the 'samurai' (top social class) family system and the 'heimin' (common people) family system. In the 'samurai' family system, the relationship between parent and child, and between husband and wife, is a relationship of one-sided dominance and submission, with the one side having only powers, and the other side merely duties. It is not a reciprocal relationship in which both sides have 'rights' and 'duties' toward each other (T. Kawashima (1948) p.10; J. W. Benett and I. Ishino (1963) p.264). "In the 'heimin' family, every member, including the women, children, and the aged, participates in the productive labor of the farm enterprise according to the ability of each. The rights and authority of the patriarch in the Confucian family type do not exist here. A much more cooperative atmosphere is the rule, rather than absolute authority and filial piety. In accordance with the task assigned each member of the family, each member has a unique status, and thus clear differentiation is obtained between the rights and duties of the statuses of a family head, a husband, father, housewife, and the like" (T. Kawashima (1948) p.12; J. W. Benett and I. Ishino (1963) p.265).

kobun' system which stressed 'giri' (obedience) and 'ninjo' (benevolence)⁴. This generates the spirit of paternalism.

However, this is not a sufficient condition to generate paternalism in Japanese industrial relations. There are two reasons. One is because the typical Japanese family system is a semi-feudal family system (see J. W. Bennett and I. Ishino (1963) p. 263). This means the concept of 'ko' is relatively more stressed than the concept of 'on'. The second is that a factory system is more competitive and impersonal than an agricultural system. That is, the kinship society is much more matched to an agricultural system than to a factory system.

If employers think that it is possible to get high productivity without introducing the concept of 'ninjo', he manages his factory by authoritarianism. What determines this? It is the power relations between workers and employers. As we shall see in chapter IV & V, Japanese industrial relations were purely authoritarian by the end of World War II. Japanese industrial relations began to change after the catastrophic strikes and riots which occurred frequently in 1906-7, and the phenomenon of high mobility of labor reaching over 100.0 percent per year during the First World War boom. Employers began to grope for means to solve the unstable industrial relations. This began the transformation from authoritarianism to paternalism. However, it was only after World War II that paternalism was widely practiced in the Japanese industrial relations.

2. Labor Market Structure

A. Korea : Stratified Labor Markets

The Korean labor market is stratified into four strata. There are an unstructured lower stratum, structured lower stratum, middle stratum, and upper stratum (see H. S. Lee (1984; 1983); M. K. Bai (1985); K. H. Jeon (1985a; 1985b)).

There are no chances of status elevation or pay raises in the unstructured lower stratum which consists of free laborers. In this stratum, the educational level is not an important issue, and the workers are engaged in very simple labor tasks. We call this stratum a structureless market.

In the structured lower stratum, there exist only chances of pay raises without chances of status elevation. In this stratum are male workers with an educational level up to junior high school and female workers with an educational level up to senior high school. It is especially common to see female workers with an educational level of junior high school or senior high school working as production workers in the textile, apparel, and electronics industries, or as clerical workers in companies. Even though those female workers may be senior high school graduates, they receive a lower rank and class than male workers of the same educational level, and in case they receive the same rank, they may be in a very disadvantageous position so far as promotion chances are concerned.

4) See I. Ishino (1953) about illustrative of certain synthetic kinship relations in Japan known collectively as the 'oyabun-kobun' system.

The workers belonging to the middle stratum have chances both of status elevation and of pay raises, but they can be promoted only to the status of the middle managers. The middle stratum consists mainly of male workers with high school diplomas, junior college graduates and female college graduates. These people are employed through a totally different port of entry than male college graduates, and usually receive a totally different hierarchical position.

In the upper stratum it has become a tradition to recruit male workers with college degrees. These people are given much better promotion opportunities and a much higher wage level than those of workers in the middle stratum. The structured lower, the middle, and the upper stratum form the structured labor market.

In 1986, 64.6 percent of the total number of workers in the structured labor market belonged to the structured lower stratum, 28.0 percent belonged to the middle stratum, and 7.4 percent belonged to the upper stratum⁵⁾.

We can infer that each stratum may have different industrial relations, as will be discussed in chapter IV and V.

B. Japan : Dual Labor Markets

The Japanese labor market is a dual labor market, which is divided into the larger firms labor market, and the small and medium-sized firms labor market. There exists the potential for overpopulation of the urban and the rural areas which are the base of the labor market (U. Shojiro(1966)). Somebody in the base of the labor market can get chances to go into the larger firms labor market, and the others in the base of the labor market go into the small and medium-sized firms labor market. Most people in the larger firms labor market enjoy lifetime employment and a seniority wage system. A part of the workers in the larger firms labor market descend to the small and medium-sized firms labor market, or become managers in the small firms. Workers in the small and medium-sized firms labor market very rarely get chances to go into the larger firms labor market.

If we define a larger firm as a firm with at least 500 workers, the size of the larger firms labor market was 23.2 percent of the Japanese labor market in 1986. In the case of firms with at least 1,000 workers, the size of the larger firms labor market was 18.7 percent of the Japanese labor market in 1986⁶⁾.

3. Power Relations : This will be analyzed in chapter IV, discussing the 'three actors'.

5) These ratios were calculated from Report on the Second Employment Structure Survey-whole country(National Bureau of Statistics, Economic Planning Board, Korea, 1987).

6) These ratios were calculated from Year Book of Labour Statistics (Policy Planning and Research Department, Minister's Secretariat, Ministry of Labour, Japan, 1986).

IV. 'THREE ACTORS'

1. Workers and Trade Unions

A. Korea : Company Unionism

Most workers in Korea have a good quality of labor power. As we have seen in chapter III, their loyalty to the company is not so high, but their loyalty to their family and the nation is very high. They are ready to suffer long work-hours and low wages for the development of the nation. They are self-sacrificing, enduring, and sincere. They follow the order of 'jang-yu-yu-seu'. They have a high enthusiasm for learning. These attitudes of the workers are the sources of the high productivity of Korean economy.

Workers' power has been very weak because of 'one-pole dissolution' by the Japanese occupation forces, the existence of the authoritative order (see Chapter III), and the rapid speed of technical progress. Korean trade unionism goes back to the 1910s. The Korean workers organized the 'Cho Sun No Dong Yeun Meng Hoe' (Korean Association of Trade Unions) in 1922. But Korean trade unionism during the colonial period (1910-45) had been severely suppressed by the occupation forces. The strategies of the trade unions in that period combined the features of a struggle against colonialism and a national movement for independence, as well as the struggle against low wages and bad working conditions. Korean workers were much like slaves during the Japanese occupation periods (See 'Han Kook No Chong' (1979), for details of this period). After national liberation, Korean workers organized 'Jeun-Peung' (the 'Chosun' All-Korea Council of Trade Unions) in November 1945. It was a strongly leftist labor group. The United States forces did not recognize the 'Jeun-Peung' and supported the 'Dae Han No Chong' (the Federation of Korean Trade Unions) which was a right wing labor group organized in March 1946. At the end of June 1949, 683 of the total 7,404 establishments were unionized. The number of the trade union members was 128,018 out of the total of 265,965 workers. The rate of organization was about 48 percent (Y. H. Kim and R. J. Kim (1970) p.143). However, the trade unions' power was very weak because of their firm support of the S. M. Lee government and the relative over-supply of labor.

In the first of the 1950s, the Korean economy had been almost completely destroyed by the Korean War (June 1950 - September 1953). As a result this national misery generated an unlimited supply of labor. The internal trouble in the 'Dae Han No Chong' splited it into the 'Dae Han No Chong' and the 'Jeun No Hyup' (the National Council of Trade Unions) in October 1959. These made workers' power severely weak.

After the April 19 students revolution in 1960, the number of trade unions and union members rapidly increased. The labor movement was also very active. 'Han Kook No Ryun' (the Federation of Korean Trade Unions) was organized by the integration of the 'Dae Han No Chong' and the 'Jeun No Hyup' in November 1960.

'Han Kook No Ryun' was dissolved by the May 16 military coup in 1961. 'Han Kook No Chong' (the Federation of Korean Trade Unions) was organized by the Third Republic government on August 30, 1961 ('Han Kook No Chong' (1979) pp. 569-73), which has lasted until today. 'Han Kook No Chong' is not a national league of company unions but a league of 15 nation-wide industrial unions. This means the transfer from a company union system to an industrial union system. Nevertheless the movement of the trade unions was still limited by the export-oriented economic development policy and by reasons of national security.

The industrial trade union system was again converted into a company union system by the labor law of December 31, 1980. Nowadays, Korean trade unionism is basically a company union system. There were 20 national leagues of trade unions by industry in June 1988⁷⁾, and three of them are government-managed corporations : the rail-road union, the electrical workers union and the union of workers in monopoly establishments.

As we have seen by now, Korean unionism has been heavily affected by the government. Although Korean trade unionism was a company union system before 1961, because it was an industrial union system for 20 years (1961-1980), the present company union system has only a short history. Thus the company union system is not well established yet. As a result, the rate of unionization is very low, 15.5 percent in 1986⁸⁾. The power of trade unions is also very weak.

Korean trade union have the following characteristics⁹⁾: 1) The unions are organized at the enterprise level, and any union shop clauses were nullified by law in 1980, 2) In general, only blue collar workers are organized in a single union of particular enterprise, 3) About 80 percent among companies with trade union have a dues check-off system, and deduct dues with a 2 percent maximum of a union member's monthly wage, 4) Union officers are elected from among the regular employees of the enterprise, 5) Union officers, during their tenure in office, usually retain their employee status and are paid by the enterprise.

These characteristics have result in there being few professional leaders, and demonstrate the union's dependence on management.

As a result, Korean trade unions have failed in maintaining their independence and autonomy in representing the interests of employees. This means that Korean Trade Unions are not enterprise unions which are bona fide unions, but company unions which are actually dominated by management.

7) There were 16 national leagues of trade unions from 1980 to 1987. Four national leagues were organized since the great disputes began from July 1987.

8) This table shows us organization ratios and the number of unit unions. The ratios and especially unions have been dramatically increased since the great disputes began from July 1987.

Year	Organization Ratios (%)	Unions	Year	Organization Ratios (%)	Unions
1970	20.0	3,063	1985	15.7	2,534
1975	23.0	3,585	1987.6	14.3	2,725
1980	20.1	2,618	1988.6	19.4	5,062

Source : Korea Labor Institute, Quarterly Labor Review, 1988. 12.

9) These characteristics shall be partly changed if the labor law is amended in 1989.

B. Japan : Enterprise Unionism

Although Japanese trade unionism goes back to 1897, they had been severely repressed by the government, and they did not develop greatly until after the end of World War II, because Japan was ruled by the military, the police, and the bureaucracy until that time. The rate of organization was less than 8 percent by 1939. In 1940, all the trade unions were dissolved by the government.

After World War II, the United States occupation forces wanted Japan's demilitarization and democratization. They thought a short way of democratization of Japan was to foster trade unions(K. Okochi(1961) pp.36-7). As a result, the rate of organization was 41.5 percent in 1946. By 1949, the rate was 55.8 percent which is the highest rate in Japanese history¹⁰⁾.

Japanese trade unions are basically enterprise union systems¹¹⁾. They are different from the Korean company unions. In Korea, alternative forms of labor organization to company unions have been prohibited by the labor law since the amendment of 1980, while Japanese enterprise unionism is the one of the Japanese worker's own choosing.

Why do the overwhelming majority choose enterprise unions? We can point out three reasons by examining the three environmental factors. One is the effect of socio-cultural traditions. The 'samurai' had loyalty to the master of his county not to the King of the whole nation, because they were a kind of private soldier. Because a county's master and his 'samurai' had a common fate in that turbulent period, they could not help binding together by 'giri' and 'ninjo'. This had great effects on the Japanese socio-cultural traditions with the 'heimin' family system, because the 'samurai' were the ruling class after the unification of the whole nations. The loyalty to county and the 'oyabun-kobun' system with a feudal family system generate a group loyalty. The group loyalty makes it easy to organize an enterprise union.

The second reason is the lack of a craft union tradition. Imported technologies and the rapid progress of technology, before World War II, generated general skills

10) The following table shows us that the trade unions were explosively organized right after World War II in Japan.

Year	Organization Ratios(%)	Year	Organization Ratios(%)	Year	Organization Ratios(%)
1945	3.2	1950	46.2	1975	34.4
1946	41.5	1955	35.6	1980	30.8
1947	45.3	1960	32.3	1985	28.8
1948	53.0	1965	34.8	1987	27.6
1949	55.8	1970	35.4		

Sources : 1) The Japan Ministry of Labor, Basic Survey of Trade Unions (for union membership data)
 2) Japan Prime Minister's office, Employment Status Survey(for the member of employees data)

Notes : a) Organization ratios are the percentage of union membership divided by the number of employees.
 b) Union membership data for 1945-46 are obtained from surveys by Koseisho.

11) Each enterprise union is a member of the National League of Trade Unions by industry. The National League is a member of the National Federation of Trade Unions.

rather than specific skills. Craft or occupational unions are mostly composed of workers with specific skills.

The third reason comes from the characteristics of the capital accumulation process. In the early stage, Japanese government took the leadership of capital accumulation through the 'one-pole dissolution' by the land tax system reform. This gave the Japanese economy a dual structure. Before World War II, one sector was a munition and heavy industries sector and another was a small home companies sector. After the War, Japan still had a dual structure of larger firms, and small and medium-sized firms. The former had strong competitiveness and high capacity to pay while the latter had weak competitiveness and low capacity to pay. This made it difficult to unionize workers by industry or occupations, but made it easy to unionize workers by firms.

In the larger firms, there existed friendship encouraging meeting by firms during the war, as the result of the employers' strategies of internalization of the labor market. This also made it easy to organize company unions (S. Mikio (1986) pp.5-6).

Under these circumstances, employers' strategies of internalization of the labor market during the 1920s and the first half of 1950s, and the workers' strategies for job security right after the war contributed to the development of enterprise unionism¹²⁾.

We must give attention to the fact that Japanese enterprise unions are generally observed in the labor market of larger firms which form 18.7 percent of the Japanese labor market. If trade unions are organized by firms, it becomes difficult to organize them in the small firms. The rate of unionization in the larger firms labor market has been greater than 60.0% while that in the labor market of small firms which is 49.9% in the Japanese labor market has been less than 9.0% since 1960. Japanese workers in the smaller firms also tend to organize themselves primarily into enterprise unions.

[Table 1] Organization Ratios of Trade Unions by Firm Size
(Private Enterprises)

	All Sizes	1000per. or more	500-999 per.	100-499 per.	30-99 per.	29per. or less
1960	26.3	69.1		38.5	8.9	3.2 ¹⁾
1970	26.2		67.5	34.9	8.9	0.6
1975	26.0		69.2	36.0	8.7	0.6
1980	22.3		64.2	32.2	7.4	0.5
1984	21.3		59.9	29.5	6.8	0.5

Sources : Ministry of Labor, Basic Survey of Trade Unions, Japan, Each Year.

Note : 1) Including joint trade unions in 1960.

12) Larger firms' strategy of the internalization of the labor market was to produce their own key employees' for the future during the 1920s, while the strategy had been changed into the 'community' strategy during the first half of 1950s. After losing the war, Japanese workers were threatened with unemployment and the decrease of real wages. This made workers take prompt action for establishing unions. The easiest and quickest way of forming unions was to organize workers at the plant or enterprise level.

What are the characteristics of Japanese enterprise unionism? 1) Membership is limited to the regular employees of a particular enterprise. Temporary and part-time workers are not eligible for membership. 2) In general, both blue and white-collar workers are organized in a single union. 3) Most of enterprises have a union shop system. 4) Union officers are elected from among the regular employees of the enterprise. 5) During their tenure in office, they usually retain their employee status but are paid by the union. 6) About 72 percent of the enterprise unions are affiliated with some type of federation outside the enterprise, but since most of these federations are loosely organized national industrial unions, sovereignty is retained almost exclusively at the local enterprise-union level (T. Shirai (1983), p. 119).

In view of their relatively short history, Japanese unions' achievements have been very significant, and their record can not be evaluated as poor when compared with that of unions in Western countries. (T. Shirai (1983), p. 118)

This means that they have been successful in maintaining their independence and autonomy in representing the interests of employees, so we call them enterprise unions. These successes come partly from the separation of management from the ownership of corporations by the political and economic reforms effectuated after World War II such as the dissolution of the zaibatsu and the dispersion of shareholding.

But Japanese trade unionism has basically two weaknesses of organization. One is that managers are also members of a trade union, and union officers are employees of the enterprise. The other is the oligopolistic product market. The Japanese product market was monopolistic before World War II, but it was changed to an oligopoly system some 10 years after the War by an anti-trust law. The oligopoly system strengthened the competition among larger firms. This meant that if a trade union in a company went on strike, the company lost its competitive power in the product market. This decreased the firm's ability to pay. As a result, the union was in a worse bargaining position than before.

2. Employers

A. Korea

The Korean employers had no difficulty in hiring workers until the middle of the 1970s, because all kinds of labor were in plentiful supply. They did not meet any threatening resistance from the trade unions with the exception of a few violent conflicts during 1979-80.

In contrast with labor force, capital was extremely scarce for the last 20 years. Employers could not help depending on the government, which controlled domestic and foreign capital. They were also supported by the low wage policy of the government for supporting its export-oriented economic development policy. Under these circumstances, employers have maintained authoritarianism in industrial relations. Since the middle of the 1980s, however, labor forces in the lower stratum have been scarce and a quality competition of commodities has begun in the product market.

These make employers find a new meaning in the importance of the labor force. As a result, many employers have begun to introduce the concept of 'sarang' in the work place. This means the beginning of the transformation from authoritarianism to paternalism.

Since the great disputes began from July 1987, many unions have been trying to transform company unionism into enterprise unionism. This means that the last of the 1980s will be a turning point from authoritarianism to paternalism.

B. Japan

Japanese employers were basically authoritative by the end of World War II. They began to introduce paternalism after the catastrophic strikes and riots of 1906-7, and after the experience of competitive labor piracy among employers seeking to hire skilled workers in the 1920s.

There existed a labor shortage in the early stage because of government - led industrialization and 'one-pole dissolution' through the reform of the land tax system. This was basically different from labor shortage caused by 'two-pole dissolution' in the United States. Because a 'one-pole dissolution' through the reform of land tax system brought about an incomplete dissolution of producer classes (this generated a potential oversupply of labor force), if higher wages than farm income had been offered, the labor shortage would have disappeared.

Employers did not raise wages; they adopted 'gentlemen's agreements'¹³⁾. The content of the agreements was to maintain a system like a feudal master-servant relationship in which the master exercised unlimited control over the person of his servant.

During the first World War boom, farm incomes increased greatly and many farm families did not want to send their children to factory employment because of low wages and bad working conditions. Labor surplus greatly diminished in areas traditionally rich in labor, because many industries were expanding in those areas (K. Taira (1970) pp.130-1). This meant that it was difficult to maintain the employment of workers with only a 'gentlemen's agreement' without raising wages and improving the bad working conditions. Although employers raised wages somewhat, their main responses was to practice labor piracy rather than raise wages or improve working conditions. Employers raided one another for workers for their own enterprises (see K. Taira (1970) pp.131-2).

When employers felt the limits of their basically authoritative response to this labor market condition, the economy began to be depressed. During the post-war depression, new equipment and production processes were introduced with the object of escaping from the recession. Automatic machines, assembly-line mass production,

13) Employers organized their own federation. As an example of this agreement, each agreed that an employer's rights over a worker would disappear if the employer allowed the employment of the worker to be interrupted for a year (see K. Taira (1970) pp.111-6 about this gentlemen's agreement).

and product standardization were rapidly introduced from Western countries in the name of rationalization. This made old skills useless. It was good chance for employers to obtain complete control over the labor process without relying on the 'oyakata' system (see A. Gordon (1985) pp. 32-70 for the 'oyakata' system). Thus, employers hired many young workers without skills, making them fill the required positions after training. They also prevented young workers from joining labor unions, and instituted factory committees (joint labor-management conference systems) as a strategy designed to counter the attempts of labor unions to organize their employees. There was, however, no guarantee that the internally trained workers would not change jobs before their training cost was recouped. Employers were compelled to map out a strategy for raising workers' employment attachment consciousness which was called 'nenko joretsu' (seniority system). During the 1920s, indeed, there were noticeable efforts among employers to institute a variety of amenities inside the firm and to improve wages and working conditions. This means that employers began to move toward a paternalistic response at that time. This increased labor costs for the firm. To weather this problem, employers introduced a temporary employment system, divided workers into regular employees and temporary workers. They bestowed the seniority benefits on the former only. The employers' paternalistic response was established by the trade union and labor law after World War II.

3. Government

A. Korea

The Korean government has intervened heavily in the labor market and labor relations by means of its economic policies and labor law, and it has done so in every area of economic activity since the 1960's.

The government has suggested wage guide-lines and controlled the activities of the trade unions in the name of export-oriented economic development policies and national security. "In spite of the demands of workers and trade unions, the government hesitated to improve industrial relations to ensure equal footing of both parties. With industrial welfare being continuously emphasized by the government and employers, collective activities by trade unions has continuously been discouraged" (M. K. Bai (1986) pp. 14-5).

Historically, Korea came to enact the first modern labor legislation with the labor laws and regulations issued by the U.S. Military governor of Korea in 1945 (H. B. Kim (1981) p. 65). The Constituent Assembly of Korea was brought into being by the general election of May 10, 1948. Article 17 of the Constitution established the right and the duty to work. Article 18 guaranteed three basic workers' rights: (1) the right to form associations, (2) the right to collective bargaining, and (3) the right to take collective action. It also established the right of workers to share in the profit of their companies if these were private enterprises (H. B. Kim (1981) pp. 72-3).

After the Korean war and the 'Chosun' Textile company's labor disputes in 1952,

Korea enacted four labor laws¹⁴⁾ in 1953, four years after the enactment of the Constitution. These labor laws were changed after the military coup of May 16, 1961. The labor legislation of the 1960s aimed at restraining labor union activities and promoting government intervention in labor-management relations for the purpose of achieving national economic growth, but at the same time it also improved the personal welfare of the workers (H. B. Kim (1981) pp. 81-2).

If the 1960s were a period when top priority was given to modernizing the economy, the 1970s saw top priority go to national security. The government enforced the October Revitalization Constitution on October 17, 1972 for reasons of national security. The government amended the labor laws on March 13, 1973 under the Revitalization Constitution. The three labor laws except the Labor Committee Act were reamended on December 24, 1974. While the Labor Standard Act was amended to extend and strengthen the protection of workers, the amendment of the Labor Union Act and the Labor Dispute Settlement Act, having to do with collective labor management relations, marked a sharp transition from the principle of labor-management autonomy to that of government guidance (H. B. Kim (1981) pp. 88-9).

The Fifth Republic amended the four labor laws on December 31, 1980. The amendment guaranteed back wages for all workers and retirement allowances for laid-off workers, established the company union systems which replaced the industrial union system, and enacted the Labor-Management Council Law in addition to the Labor Union Law.

B. Japan

With some few exceptions, such as the Factory Law of 1911 and the Labor Dispute Mediation Law of 1926, Japanese labor laws were almost exclusively products of the postwar period (T. A. Hanami (1983) p. 161). The Japanese government labor policy was basically against workers before World War II, but in the postwar period they have tried to guarantee symmetry and reciprocity in employer and employee relationships.

The Public Peace Police Law of 1900 limited the activities of the trade unions drastically. In 1940, the Japanese government dissolved the trade unions. Although the Factory Law of 1911 was a protective law for workers, oppressive measures against trade unions made any symmetry of industrial relations impossible.

Since the end of World War II, Japanese government has tried to take a position of recognizing the autonomy of partners in industrial relations although it practiced massive intervention in other economic fields.

The government has always been very careful to refrain from intervention in the field of industrial relations, with the exception of labor inspection teams to enforce

14) On March 8, 1953, the Labor Union (Law No. 280), the Labor Dispute Settlement Act (Law No. 279), and the Labor Committee Act (Law No. 281) were simultaneously promulgated and put into force. On May 10 of that year, the Labor Standard Act (Law No. 286) was promulgated, and it became effective ninety days later.

the minimum standards, and for police intervention in criminal cases arising from labor disputes (T. A. Hanami (1985) p. 47). On the whole, though, unions commonly see these measures as intimidation (T. Ariizumi (1974) p. 104).

The emancipation and protection of workers were carried out by the enactment of laws under pressure from the U.S. occupation forces. To keep pace with the rapid organization of unions after the war, the Trade Union Law was enacted on December 22, 1945, whereby workers' rights to organize, bargain collectively, and engage in labor disputes were formally guaranteed.

In Japan the right to organize, bargain and act collectively, guaranteed by Article 28 of the Constitution are recognized only for workers, not for the employers¹⁵⁾. Legal opinions and court decisions extend this one-sided protection basing it in part on the constitutional guarantee of the rights of workers, but also partly on the ideological interpretation that labor law, substantively, is to protect workers (T. A. Hanami (1983) p. 174). These circumstances induce the parties' propensity to resolve their conflicts by compromise¹⁶⁾. This law, with the Labor Relations Adjustment Law of 1946 and the Labor Standard Law of 1947, constitute the three pillars of the legal framework for labor relation in present day Japan (T. Ariizumi (1974) pp. 89-93).

V. EMPLOYMENT PRACTICE (LABOR-MANAGEMENT RELATIONS)

Employment practices are arrived at by the actors' strategies and 'three basic grounds of industrial relations'.

1. Employment Relations

A. Korea : Short-term Employment Practice

Korea has a short-term employment practice. As we saw in chapter III. section 2. the Korean labor market is a stratified labor market. Workers in the structured lower stratum have only the chance of a pay raise without any chance of status elevation. Because they have no chance of status elevation, if they are offered only slightly higher wages, they move to another company. Workers in the middle stratum have chances of both status elevation and pay raises, but they can be promoted only to the status of middle managers. They also easily move to a company which offers only slightly higher promotion chances and higher wages.

On the whole, employment relationships in the upper stratum are relatively stable. Employers have been very careful not to fire workers in the upper stratum because they have a relatively stronger position as being one quasi-fixed cost than the workers in the other strata.

15) The protection of individual workers certainly is the basic idea of protective labor legislation. In most countries of the world, however, the idea underlying collective bargaining legislation is to assure the equality of bargaining power of the parties in a union-management relationship, the stability of industrial relations based on free bargaining, and the like (T. A. Hanami (1983) p. 174).

16) Many problems in employer-employee relations in Japan are settled informally in conversation over drinks (Y. V. Matsuda (1983), p. 181).

76.7 percent and over among workers in the structured lower stratum have tenure of less than 4 years. Some 12.4 percent of the 30-year-old or more age bracket in the stratum worked for the same job for 10 years or more. And 60.6 percent among workers in the middle stratum have tenure of less than 4 years. Only the upper stratum has a long-term employment practice. 21.3 percent among workers in the upper stratum had tenure of 10 years or more, but the probability of the long-term employment with 10 years or more was 70.5% in the 35 to 44 year old age bracket (H. S. Lee (1988a) p. 48 ; see H. S. Lee (1988a) for details of the Korean employment relations).

Considering that the proportion of the upper stratum is only 7.4 percent in the Korean labor market, we may conclude that Korea has basically a short-term employment practice. Table 2 also supports our conclusion, with showing us the high degree of mobility among Korean workers who have a yearly separation rate of about 50 percent.

[Table 2] Labor Turnover Rates, Monthly Averages

Year	All Industries (Non Agri., Forestry, Fishery)		Manufacturing		Unit : %
	Accession Rate	Separation Rate	Accession Rate	Separation Rate	
	1970	4.7	5.1	5.4	
1975	4.4	3.7	5.2	4.4	
1980	4.4	4.8	4.9	5.6	
1985	3.7	3.9	4.3	4.5	
1987 ¹⁾	4.1	3.8	5.0	4.6	

Source : Ministry of Labor, Report on Monthly Labor Survey, Korea, May 1987.

Note : 1) Labor turnover in May.

This high mobility is basically caused by the short-term employment practice in the lower and the middle stratum. Some 90 percent among workers in the structured labor market belonged to the structured lower and the middle stratum.

B. Japan : Long-term Employment Practice

Lifetime employment is often identified as the unique feature of the Japanese employment relation system. I call it long-term employment practice. Although we define lifetime employment as employment until retirement age, the only people who can enjoy this privilege are key employees in the larger firms. These workers account for less than 18.7 percent of the whole labor market.

Long-term employment practice began to appear during the First World War boom. It was the outcome of employers' strategies against labor shortage and labor disputes. This did not mean that employers could not discharge workers, but did mean that

employers were careful about firing workers because of the employer's economic problems.

According to table 3, 44.1 percent of workers had been employed for less than a year in 1900, and 9.8 percent for more than 5 years. This situation was not changed in 1918. This indicates that the long-term employment practice does not come only from Japanese socio-cultural traditions.

In 1924 and 1933, the sprouting stage of paternalism, 38.4 percent and 46.6 percent of factory workers had been employed in the same factories for more than five years. In 1939, however, labor mobility was remarkably increased again. This means that long-term employment as a common practice had not settled down by that time.

Table 4 also shows that the rate of separation had been greater than 50 percent per year until the end of World War II. After the war, the separation rate was remarkably low.

[Table 3] Distribution of Workers by Length of Employment, Selected Years, 1900-1957

	Unit : %, (*) : in 000's of persons					
	1900	1918	1924	1933	1939	1957
Up to 6 month	20.1	24.6	9.2	9.3	15.2	7.6
6 month to 1 year	24.0	19.4	9.5	9.8	16.2	14.4
1-3 years	33.8	32.6	25.6	19.8	37.0	24.1
3-5	12.3	11.7	17.2	14.4	12.6	17.1
5-10		8.0	22.2	22.8	9.7	21.1
10 and more		3.7	16.2	23.8	9.3	15.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
Sample (*)	115 ¹⁾	1,371 ²⁾	1,314 ³⁾	1,424 ³⁾	1,234 ⁴⁾	5,270 ⁵⁾
Paid employment in manufacturing (*)	649 ⁶⁾	1,505 ⁶⁾	1,977 ⁶⁾	2,133 ⁶⁾	4,370 ⁶⁾	5,270

Source : K. Taira (1970) p.154.

Notes : 1) The Sample is the basic for the proportionate distribution of workers by length of employment. For 1900 the sample is aggregated from data in the 'Shokko Jijo'. 2) 'Koyo Kantoku Nenpo' (Annual Report on Factory Supervision) by the Ministry of Agriculture and Commerce, and the Ministry of Commerce and Industry, No.3 (1918), pp.296-301, covering factories with 15 or more operatives. 3) 'Rodo Tokei Jitchi Chosa Hokoku' (Field Surveys of Labor Statistics) by the Prime Minister's Office (1924, 1927, 1933). These reports cover male and female workers in establishments employing 30 or more workers, with exceptions of a few industries for which establishments with 300 or more, 100 or more, or 15 or more were surveyed. 4) Ministry of Welfare, 'Rodosha Chingin Chosa Hokoku' (Report on the Survey of wages), 1939, covering "experienced" workers in manufacturing establishments with 10 or more operatives. 5) Ministry of International Trade and Industry, 'Nihon Sangyo No Genjo' (The Present Conditions of Japanese Industries), 1955, p.185, covering manufacturing establishments with one or more regular workers. 6) 'Nihon Keizai Tokei Shu' (A Collection of Japanese Economic Statistics), ed. by 'Hyoze Ouchi' (Tokyo : 'Nihon Hyoron Shinsha' (1958), pp.55-56. Factories with 5 or more operatives.

[Table 4] Labor Turnover Rates, Monthly Averages

Unit : %					
Year	Accession Rate	Separation Rate	Year	Accession Rate	Separation Rate
1900 ¹⁾	10.1	12.0	1930-33 ³⁾	4.3	4.2
1916-17 ²⁾	7.3	5.6	1934-36 ³⁾	4.7	3.9
1920-25 ³⁾	5.6	5.6	1949-59 ⁴⁾	2.2	2.1
1926-29 ³⁾	4.5	4.3	1960-66 ⁴⁾	2.6	2.3

Source : K. Taira (1970), p. 155.

- Notes : 1) 'Shokko Jijo', Vol. 1, pp. 67-69. Three large cotton textile factories.
 2) 'Kojo Kantoku Nenpo' (Annual Report on Factory Supervision) by the Ministry of Agriculture and Commerce, and the Ministry of Commerce and Industry, No. 2 (1917), pp. 234-35. Prefecture of Kyoto only.
 3) Prime Minister's Office, 'Rodo Tokei Yoran' (Handbook of Labor Statistics), 1920-36. For 1920-25, factories employing 15 or more operatives. For 1926-36, factories employing 50 or more workers.
 4) 'Rodo Hakusho' (White Paper on Labor) by the Ministry of Labor, 1946-66. Manufacturing establishment employing 30 or more regular workers.

How was the long-term employment practice established after the war? It has been established by the strategies of the 'three actors'. Right after the war, the rate of unionization increased rapidly under the positive support of the United States occupation forces in spite of the high rate of unemployment which came up to 10 million. Under these circumstances of the labor market, job security was naturally the most important goal of the trade unions because of the fear of unemployment. The government also enacted the Employment Security Law in 1947. This Law abolished such feudalistic remnants in employment relations as bondage (S. Mikio (1974) pp. 56-57; T. Ariizumi (1974) pp. 106-8). Courts also have established case law decisions on discharges, in which a discharge is generally regarded as invalid (T. Ariizumi (1974) pp. 123-4).

Employers have mapped out various strategies in order to surmount the difficulties that resulted from the restriction of their right to discharge workers. Employers' strategies in the larger firms' labor market include the triple tenure system, a subcontractor system, a bonus system, a new school graduates hiring system, and an overtime system.

Companies divided workers into three groups : key employees, experienced recruits, and temporary employees. Key employees are workers who enter the company immediately after school graduation. They are not fired until their retirement age, have high promotion chances, and enjoy various allowances at a level higher than the minimum level determined by the Labor Standards Law, and are provided

with welfare facilities according to the length of service. Key employees enjoy what is called lifetime employment. Experienced recruits are workers with job experience in another company. They also usually enjoy lifetime employment, but they may be fired in case of a severe recession. Their promotion is slower than that of key employees. Temporary employees are workers with job experience, primarily residents of agricultural areas, day laborers in cities, and workers transferred from other small firms. They are not guaranteed continuous employment, and they are fired in case of a recession. Only a small portion among them will have the good luck to be selected for promotion to the rank of a regular employee.

The second method of employment adjustment in the larger firms is to use a subcontractor system. Larger firms have a few or many subcontract factories. Therefore, although subcontractors' employees are outside the larger firm, they are definitely influenced by the employment adjustment policy of the larger firm. They are employed until needed by the parent firm. They have no chance of promotion.

The third strategy of employment adjustment is a bonus system. In the Japanese firms, as much as 20 percent of total compensation takes the form of bonuses, paid at midyear and at the year end. Bonuses vary somewhat from year to year, depending on the firm's profit showing. The bonus system has two effects. One is the effect on employment during a depression, because an employer can reduce bonuses instead of discharging employees. The other effect is an increase in productivity because it is a kind of profit sharing.

The fourth strategy is a new school graduates hiring system. Employers hire young workers fresh from school at the same time. Employers pay them a low wage at the starting point.

The fifth strategy is a flexible man-hours system.

Only a small portion of all workers can enjoy lifetime employment. It is difficult for small-sized firms to guarantee lifetime employment, because small-sized firms cannot map out strategies as large-sized firms do. Small firms are liable to bankruptcy, and their workers are not unionized. It is not true to say that a lifetime employment system is a general feature of Japanese industrial relations, because the real rate of lifetime employment was 15.5 percent in 1986 (H. S. Lee (1988a), p. 37).

Nevertheless, employers in the small-sized firms have also been very careful about firing workers under the influence of socio-cultural traditions, the influence of the long-term employment practice in the larger firms labor market, and the lack of any need to fire workers owing to the continuous high economic growth since the Korean War.

In contrast to the period right after World War II, employers have come to know that a long-term employment practice saves hiring and training costs, generates firm specific skills, and increases group productivity¹⁷⁾. Workers also have come to know that a change of jobs is disadvantageous for them.

17) Right after World War II, "The labor laws that made it virtually impossible to fire people seemed a terrible intrusion into the traditional discretionary powers of management, especially to the older managers" (A. Morida (1986) p. 180.).

As a result, long-term employment has been prevailing. The probability of long-term employment with 20 years or more in 1986 was 40.5% in the small-sized firms labor market, 63.0% in the medium-sized firms labor market and 69.0% in the larger firms labor market (H. S. Lee (1988a) p. 50 : see H. S. Lee (1988a) for details of the Japanese employment relations). This means that everybody thinks that a dismissal is unfair. Therefore, long-term employment is quite certain in Japan, in the sense that an employee is not easily fired except during a recession or the bankruptcy of his company. However if he/she is not a key employee in a large firm, it is not guaranteed that he/she will not be dismissed before the retirement age. Thus, the Japanese employment relationship can more accurately be called a "long-term employment practice" rather than a "lifetime employment system".

2. Compensation System

A. Korea : Comprehensive Wage Structure and Stratum Based Seniority System

A worker's total compensation is the sum of fixed wages, variable wages, and bonuses. Fixed wages are divided into a base rate and various allowances. The base rate in the upper and middle stratum is determined by the stratum and seniority variables. It may be called 'personal pay'. For half of all workers in the structured lower stratum, the base rate is also determined by the seniority variables. Allowances consist of a family allowance ('ka-jok su-dang'), a rank-based allowance ('jik-chek su-dang'), attendance allowance ('jeng-keun su-dang'), housing allowance ('ju-taek su-dang'), and so on. The variable wages consists of overtime pay, night-duty allowance, day-duty allowance, and so on.

The base rate is quite important, because it is a basis for calculating various kinds of allowances, bonuses, and retirement allowances. Employers try to keep a base rate ('bon-bong') as low as possible¹⁸⁾. When factors raising wages take place, employers have preferred to increase the various allowances rather than to increase base rates. Bonuses and variable wages are used as a method of employment adjustment during a recession.

If a worker is hired in a company, his first wage level is determined according to sex and education level, stratum variables, and his/her wage level after that time increases by an annual increment that raises the wage of each individual according to his age and length of service. This system implicitly assumes that higher education graduates may be able to achieve higher skill levels, and that older workers with longer service may be more skilled than younger workers.

B. Japan : Comprehensive Wage Structure and Seniority Wage System

The Japanese compensation system is very similar to that of Korea. A worker's total compensation in Japan is the sum of a standard wage (which is similar to the fixed wages of Korea), a supplementary wage (which is similar to the variable wage

18) The ratio of the base rate to total regular wages was 62.6% in Korea in 1985, while the ratio in Japan was 74.5% in 1983. These ratios were calculated from General Survey Report on Wages and Working Hours System (Ministry of Labor, Korea, 1985).

of Korea), and bonus (see N. Funahashi (1974) pp. 361-97 for details of the Japanese compensation system). Standard wages consist of a base rate and a variety of allowances. A base rate is the basis for calculating various kinds of allowances.

The wage level of an individual worker in Japan also is determined by sex, education level, age, length of service, and job experience. This is well-known as the 'nenko' system. The 'nenko' system is based on a regular pay-raise depending on age. The pay-raise system was introduced as part of the key employee strategy in the 1920s. Japanese workers' real wages were severely decreased because of war inflation in the early 1930s. The formation of the 'nenko' system was inevitable to cover worker's living costs which raise according to age. This system is possible on the base of the low starting wage of the new graduates.

The electrical industry union demanded an epoch-making reform of the wage system in 1946. The 'nenko' system was generally established by the universalization of this reform bill¹⁹⁾ and by the regular pay raise system since 1954. Because the 'nenko' system was established with the internationalization of the labor market, the effect of service length on wages is greater than the effect of age on wages or the effect of job experience on wages²⁰⁾.

Wage differentials between strata are very large in Korea, while wage differentials according to firm size are very large in Japan. This is due to the difference of labor market structures between the two countries. Before World War II, no objective standards existed for determining wage rates in small and medium-sized firms in Japan, and the employer usually set wages at his own discretion. Many of these companies were satellites of or subcontractors for larger firms and sold their products to the parent company for a fixed price per unit. Whether or not the firm was a subcontractor, the wage a worker received depended upon the sale price of the product and thus was a variation of a piece-rate wage system. This discretionary method of wage determination is still practiced in many small and medium-sized enterprises (N. Funahashi (1974) p. 379). This means also that the 'nenko' system (seniority system) is not completely established in the small and medium-sized firms.

19) The contents of the reform bill are as follows (1) Wage must be classified into a standard wage for 8 hours work and a supplementary wage. (2) Standard wage is basically calculated on the age-wage schedules based on a minimum cost of living according to age. (3) This wage system is applicable to every employee. (4) Family, regional, dependent, and transportation allowances, and an allowances for over-time work must be clearly stated. (5) The bulk of the wage must be the standard wage. See N. Funahashi (1980) pp. 116-54 for details about Japanese Wages.

20) But in Korea the effect of age on wages is greater than the effect of service length on wages in the middle and upper stratum, and vice versa in the lower stratum, and the effect of service length on wages is a little greater than the effect of job experience on wages (H.S. Lee (1984) pp. 339-58). This is because in Korea the experienced recruits' starting wage is the same as the wage of the key employees in the same job, with same stratum and of same age, while in Japan the experienced recruits' starting rate is 50-80 percent of that of the key employees. And the effect of age on wages in Japan has been decreased, because since 1955, the supply of new school graduates has become increasingly short, and the level of starting pay has been creeping up.

3. Working Condition

The issue of working conditions tends to be underemphasized, because its miscellaneous character makes it hard to discuss in general terms. However, the issue is definitely important to understand industrial relations, because working conditions have a large effect on personal satisfaction and health, and are different according to the outcome of labor negotiations.

We can infer that working conditions in Korea, under authoritarian rule, are worse than those of Japan, which is under paternalism, considering that power relations are relatively unbalanced in an authoritarian industrial relations rather than in paternal industrial relations, and that the outcome of any negotiation depends partly on the relative bargaining power of the parties.

[Table 5] Comparison of Working Conditions

Year	Man - Hours per Week ¹⁾		Injury Frequency Rate ²⁾		Severity Rate ³⁾	
	Korea	Japan	Korea	Japan	Korea	Japan
1965	57.0	44.3	n. a. (n. a.)	12.38 (7.34)	n. a. (n. a.)	1.30 (0.68)
1970	52.3	43.3	15.47 (n. a.)	9.20 (6.07)	3.19 (n. a.)	0.88 (0.66)
1975	50.5	38.8	16.76 (15.68)	4.77 (3.79)	3.29 (2.10)	0.43 (0.34)
1980	53.1	41.2	11.12 (10.61)	3.59 (2.68)	2.58 (1.95)	0.32 (0.27)
1985	53.8	41.5	11.57 (11.16)	2.52 (1.67)	2.68 (2.92)	0.29 (0.19)

- Sources : 1) Korea Employers' Federation, 'No Dong Kyung Jae Yeun Kam' (Yearbook of Labor Economy), 1982-1987.
 2) The Office of Labor, 'Han Kook No Dong Tong Gye Yeun Kam' (Yearbook of Korean Labor Statistics), 1987.
 3) Ministry of Labour, Yearbook of Labour Statistics, Japan, 1986.
 4) Japan, 'Rodoshō, Tokei Johobu' (Ministry of Labor, Department of Statistics and Information), 'Rodo Tokei Yoran' (Handbook of Labor Statistics), 'Okurasho Insatsukyoku', 1984.

- Notes : 1) : manufacturing
 2), 3) : all industries : Manufacturing is shown in parentheses.

Table 5 verifies our inference. We use three indexes : man-hours per week, injury frequency rate, and severity rate.

Japanese laborers worked for 44.3 hours per week in 1965. After that, man-hours per week have been continuously decreased. Korean man-hours per week are too long, being 53.8 hours in 1985. Recently, they have increased, rather than decreased.

The injury frequency rate of Korea is 4.6 times of the rate of Japan, and the rate of severity of injury in Korea is some 9.2 times of the rate of Japan in 1985. To sharpen the contrast, these rates have been continuously decreasing in Japan, but not in Korea.

VI. SUMMARY AND CONCLUSION

This paper has presented the features of Korean-Japanese industrial relations. We have been discussing the three environmental factors, three basic grounds of industrial relations, the 'three actors' in these relations, and employment practices (labor-management relations) in both countries on the basis of the Trinity Model.

I. Three Basic Grounds

A. Entrepreneurial Culture : In a country with Confucian traditions, the entrepreneurial culture becomes authoritarian if workers' power is very weak, while it becomes paternalistic if the balance of power between workers and employers is fairly well maintained. Korea and Japan share Confucian cultural traditions, but have different social traditions.

In Korea, the entrepreneurial culture has been authoritarian. Recently, however, paternalism has begun to bud, because employers want to reduce worker turnover, and company unionism is being changed into enterprise unionism since the great disputes began from July 1987.

In Japan the entrepreneurial culture was authoritarian until the end of World War II, Paternalism in Japan sprung up as a result of employer needs during the 1920s and 1930s, and was firmly established during the 1950s because of the 'three actors' strategies.

B. Labor Market Structures : The Korean labor market is a stratified labor market, while the Japanese labor market is a dual labor market. In Korea, labor-management relations in the upper stratum are different from those in the lower stratum, while in Japan the labor-management relations in the larger firms labor market are different from those in the smaller firms labor market.

C. Power Relation : We will talk about them in the next section.

2. 'Three Actors'

In Korea, power relations between workers and employers have been unbalanced. Government intervention in industrial relations has been massive. In Japan power relations have been fairly evenly balanced since the end of World War II. As a result, in Japanese industrial relations, autonomy has been established since World War II.

In spite of the oversupply of labor after World War II, a balance of power between workers and employers in Japan was established by the U.S. occupation forces' demand for the democratization of Japan, while in Korea workers' power was very weak due to the oversupply of labor. Korean trade unions are company unions, whereas Japanese trade unions are enterprise unions.

3. Employment Practice (Labor-Management Relations)

A. Employment Relations.

(1) The three 'pillars' are not widespread in the Japanese labor market. Only key employees in the larger firms can be guaranteed lifetime employment. This amounts to less than about 16 percent of all workers in the Japanese labor market. However, a certain type of long-term employment is common in Japan. Most workers are not guaranteed job security until retirement age, but they are not generally fired except during a recession or because of the bankruptcy of the establishment.

(2) Long-term employment began to sprout in the 1920s and 1930s. But this was only to meet employer needs during this period. Therefore, if employers felt the necessity of firing workers, they could and did. After World War II, however, it was very difficult for employers to fire workers. Employers have been very careful about firing workers since the War.

(3) In Korea, the lower stratum has short-term employment practice. The upper stratum has long-term employment practice. The employment relations in the upper stratum also is relatively more uncertain than Japan's, because it does not arise from the strategies of the 'three actors', but it comes from the needs of employers. Workers in the upper stratum are rarely fired until retirement age, but workers in the lower stratum are fired during economic recessions.

B. Compensation system : Korea has a stratum-based seniority wage system, and Japan has a 'nenko' wage system. In both countries education level, sex, age, and length of service are very important in determining the individual wage level. In Korea wage differentials by strata and the effect of age on wages are very large, while in Japan wage differentials by firm size and the effect of service length on wages are very large.

C. Working Conditions : Working Conditions in Korea, under authoritarianism, tend to be worse than those of Japan, which is dominated more by the spirit of paternalism.

4. Conclusion

Because Korea and Japan share a Confucian culture, they have more or less similar systems of industrial relations. They consider education level, sex, and age as the most important characteristics of workers. However, as the Trinity Model shows, because labor-management relations are influenced by the three environmental

factors, the three basic grounds, and the 'three actors' strategies, the concrete reality of industrial relations differ between the two countries.

In the Korean case, our findings concerned the features of industrial relations before June 1987. We did not discuss the new pattern after the great disputes, because the disputes have been developing since July 1987. The great disputes may change the actors' strategies and their power balances. If the power balances are really changed, Korean industrial relations may be changed from authoritarianism to paternalism or egalitarianism.

REFERENCES

- [1] ARIIZUMI, T. (1974), "The Legal Framework : Past and Present", in K. Okochi; B. Karsh and S.B. Levine eds., *Workers and Employers in Japan : The Japanese Employment Relations System*, Tokyo Univ. Press and Princeton Univ. Press, pp.89-132.
- [2] BAI, M.K. (1986), "Export-Led Industrialization and Wages and Labor Conditions in Korea", Seoul National Univ., mimeo.
- [3] _____ (1985), "Industrial Development and Structural Changes in Labor Market : The Case of Korea", Institute of Developing Economies, Tokyo, mimeo.
- [4] BENETT, J.W. and ISHINO I. (1963), *Paternalism in the Japanese Economy*, Univ. of Minnesota Press.
- [5] DUNLOP, J.T. (1958), *Industrial Relations System*, Henry Holt.
- [6] FUNAHASHI, N. (1980), *Nosi Gangai Ron(The Theory of Industrial Relations)*, Gailin Chobo.
- [7] _____ (1974), "The Industrial Reward System : Wages and Benefits", in K. Okochi, B. Karsh and S.B. Levine, (eds), *Workers and employers in Japan : The Japanese Employment Relations System*, Tokyo Univ. Press and Princeton Univ. Press.
- [8] GORDON, A. (1985), *The Evolution of Labor Relations in Japan; Heavy Industry, 1853-1955*, Harvard Univ. Press.
- [9] HANAMI, T.A. (1985), *Labor Law and Industrial Relations in Japan*, Kluwer Law and Taxation Publishers.
- [10] _____ (1983), "The Function of the Law in Japanese Industrial Relations", in Taishiro Shirai, eds., *Contemporary Industrial Relations in Japan*, The Univ. of Wisconsin Press.
- [11] HAN KOOK NO CHONG (1979), *Han Kook No Dong Jo Hab Un Dong Sa(The History of Korean Trade Union Movement)*, Il Jo Kag.
- [12] HIROHIDE, T. (1980), *The Modern Theory of Employment*, The Japanese Labor Association.
- [13] ISHINO, I. (1953), "The Oyabun-Kobun : A Japanese Ritual Kinship Institution", *American Anthropologist*, Vo.55, No.5, Part1, December.

- [14] JEOUN, K.H. (1985a), "Han Kook No Dong Si Jang eui Ku Jo(The Structure of Korean Labor Markets)", in K.H. Jeoun and K.E. Lee, eds., *Han Kook Sa Hoe Ku Jo(The Korean Social Structure)*, Hoda Publishing Co.,
- [15] _____ (1985b), "No Dong Mun Jae eui Ku Jo wa Jeung Chaek (The Structure and Policy of Labor Problems)", in N.C. Kim, et al. eds., *Han Kook Kyung Jae eui Heun Dan Gea(The Present Stage of Korean Economy)*, Sageajeul Publishing Co.,
- [16] KAUFMAN, B.E. (1986), *The Economics of Labor Markets and Labor Relations*, Prentice Hall.
- [17] KAWASHIMA, T. (1948), *Nippon Shakaido Kazokuteki Kosei(The Familial Structure of Japanese Society)*, Tokyo, Nippon Hyoronsha.
- [18] KIM, H.B. (1981), "Labor Law in Korea", P.H. Park, et al. eds., *Modernization and Its Impact Upon Korean Law*, Institute of East Asian Studies, Univ. of California, Berkeley, pp.65-93.
- [19] KIM, Y.H. and KIM, R.J. (1970), *Han Kook No Dong Un Dong Sa(The History of Korean Labor Movement)*, Il Jo Gak.
- [20] LEE, H.S. (1988a), "No Dong Si Jang eui Han Mi Il Bi Kyo Bun Seuk (Employment Tenure in Korea, Japan and the United States)", *Korean Journal of Labour Economics*, Vol, XI, December, pp.29-55.
- [21] _____ (1988b), "Job Tenure Structures in Korea, Japan and the United States", mimeo, Harvard Univ., January 27.
- [22] _____ (1987a), "A Comparative Analysis of Industrial Relations", Regional Seminar on Contemporary Japan-Korea Relations, Institute of East Asian Studies, Univ. of California, Berkely, May 8.
- [23] _____ (1987b), "A Trinity Model of Labor Market Structures", Labor Seminar Paper, mimeo, Univ. of California, Berkeley, April 14.
- [24] _____ (1984), *No Dong Si Jang Ku Jo Ron(The Theory of Labor Market Structures : The Theory and Evidence of Korean Labor Market)*, Seoul, Beub Moon Publishing Co.,
- [25] _____ (1983), "*Han Kook No Dong Si Jang eui Dan Cheung Ku Jo Bun Seuk(An Inquiry into the Stratified Structure of the Korean Labor Market)*", Ph.D. Dissertation, Seoul National Univ., December.
- [26] MIKIO, S. (1986), "The Socio-Economic Base of the Company Union", in The Japanese Labor Association, eds., *Japanese Industrial relations*, pp.5-6.
- [27] MINISTRY OF LABOR(1986), *Wages Census*, The Association of Labor Laws and Ordinances.
- [28] _____ (1966), *The Postwar History of Labor*, The Association of Labor Laws and Ordinances.
- [29] MATSUDA, Y. (1983), "Conflict Resolution in Japanese Industrial Relations", in Taishiro Shirai, *Contemporary Industrial Relations in Japan*, The Univ. of Wisconsin Press, pp.179-203.
- [30] MORIDA, A. (1986), *Made in Japan - A. Morida and Sony*, E.P. Dutton.

- [31] OKOCHI, K., KARSH, B. and LEVINE, S.B. (1974), eds., *Workers and Employers in Japan : The Japanese Employment Relations system*, Tokyo Univ. Press and Princeton Univ. Press.
- [32] _____ (1961), *Japanese Trade Union*, Keiyusha.
- [33] SHIRAI, T. (1983), "A Theory of Enterprise Unionism", in Taishiro Shirai, eds. *Contemporary Industrial Relations in Japan*, The Univ. of Wisconsin Press, pp. 117-43.
- [34] _____ (1974), "Collective Bargaining", in K. Okochi, B. Karsh and S.B. Levine, eds., *Workers and Employers in Japan*, Tokyo Univ. Press and Princeton Univ. Press.
- [35] SHOJIRO, U. (1966), *The Study of Japanese Labor Problems*, The Tokyo Univ. Press.
- [36] TAIRA, K. (1970) *Economic Development & the Labor Market in Japan*, Columbia Univ. Press.