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# “Recent Developments in Bargaining Structure and Outcomes in Korea”

Yongjin Nho

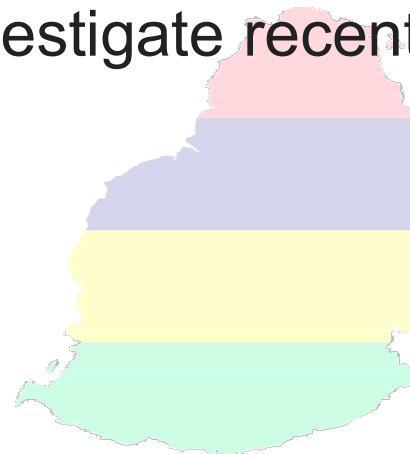
Dept. of Business Administration

Seoul National University of Science & Technology

[ynho@seoultech.ac.kr](mailto:ynho@seoultech.ac.kr)

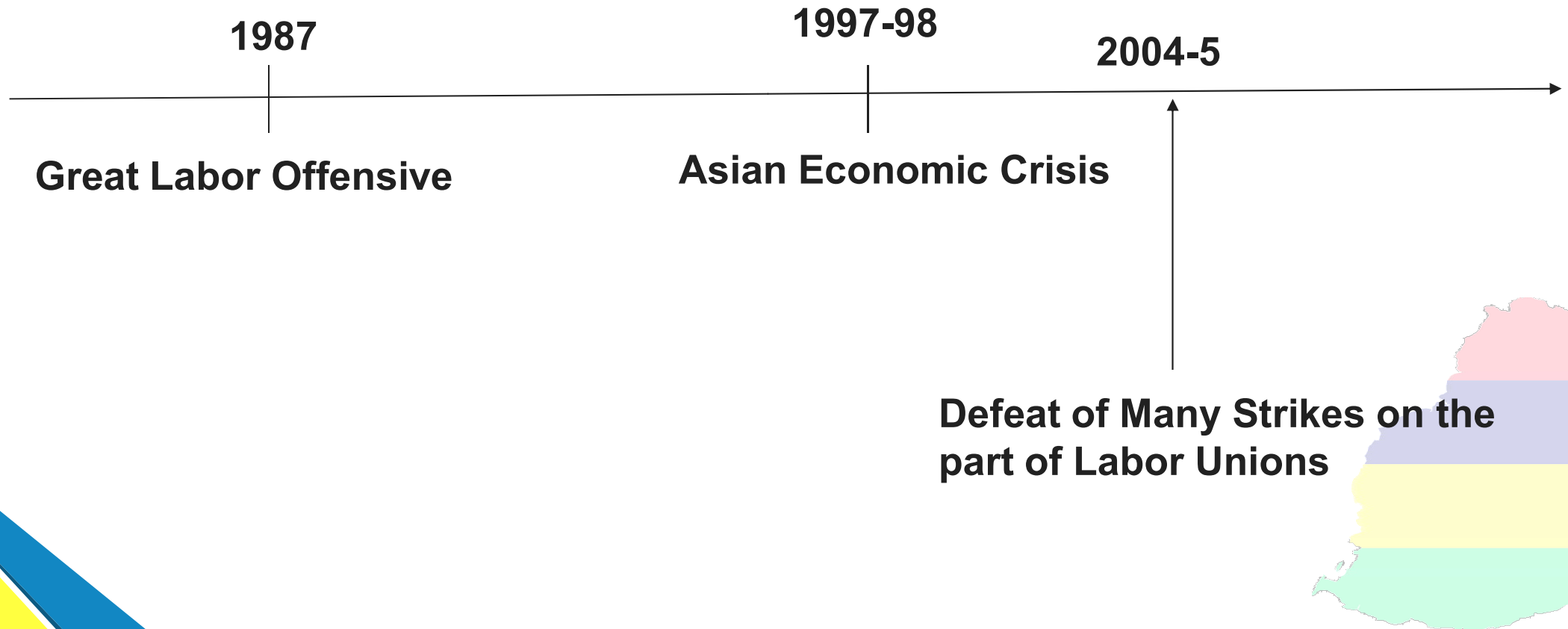
## Motivation of this Study

- Big changes in industrial relations over the last decade in Korea
  - More multi-employer bargaining
  - Wage growth rate has been slowing down over the time
  - Less frequent strike activities
  - Lower union density
  - More non-affiliated independent unions
- To examine what happened to Korean unionism, I will investigate recent developments in bargaining structure and outcomes

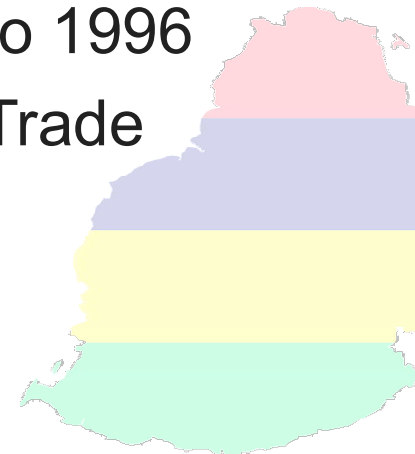


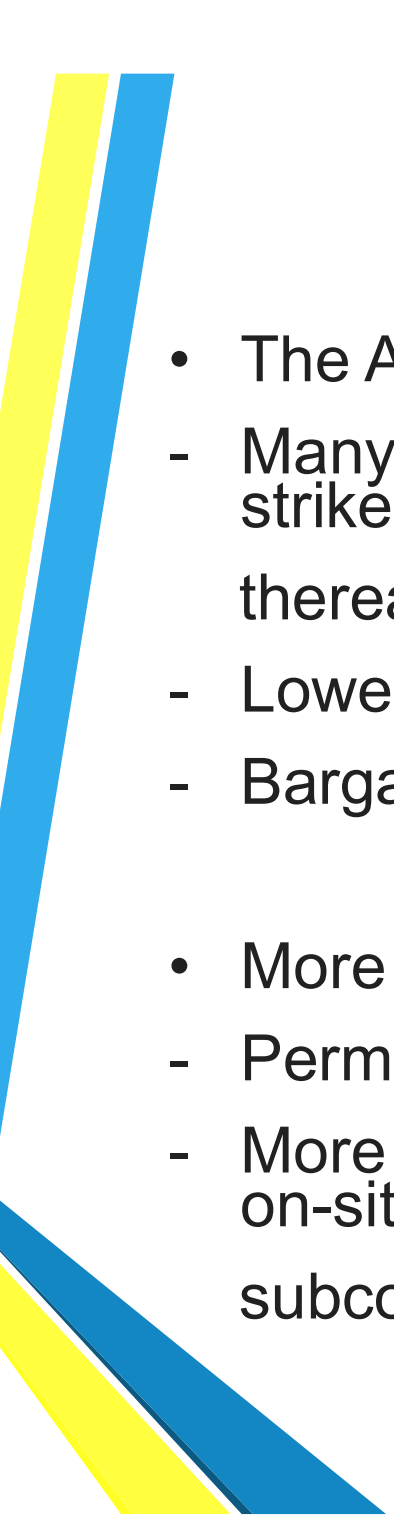
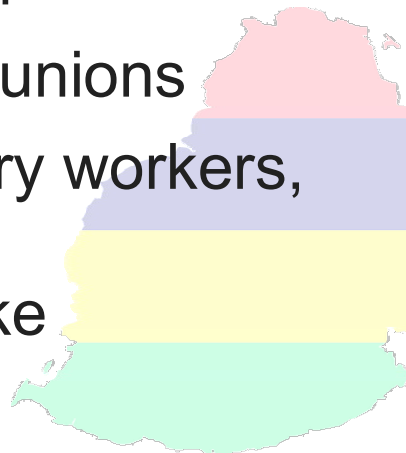
# Historical Background

## Critical Incidents for Korean IR



- Old unions were weak and cooperative with management
  - Most of old unions are enterprise-based, but are still the majority
- New unionism emerged in the late 1980s
  - In 1987, Korea witnessed its political democratization
  - With the political liberalization, labor union movement rose rapidly and got more militant
- \* During 1986~1990, unionization rate grew up by about 6%p (15.5% -> 21.5%)
- \* Thousands of strikes were waged in the late 1980s
- \* Annual wage growth rates were higher than 10% up to 1996
  - New unionists formed the Korean Confederation of Trade Unions (KCTU), the second national center in 1995



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- The Asian economic crisis posed serious threats to labor unions
    - Many strikes against redundancy until 2005, but got less and less strikes thereafter
    - Lower union density: 11.4%(2000) -> 9.9%(2012)
    - Bargained wage growth rates were lower than 5%
  - More flexible labor markets and labor market polarization
    - Permanent workers in large firms are protected by labor unions
    - More and more employment were externalized: temporary workers, on-site subcontractor, outsourcing, employee leasing, and the like
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## Union Structure

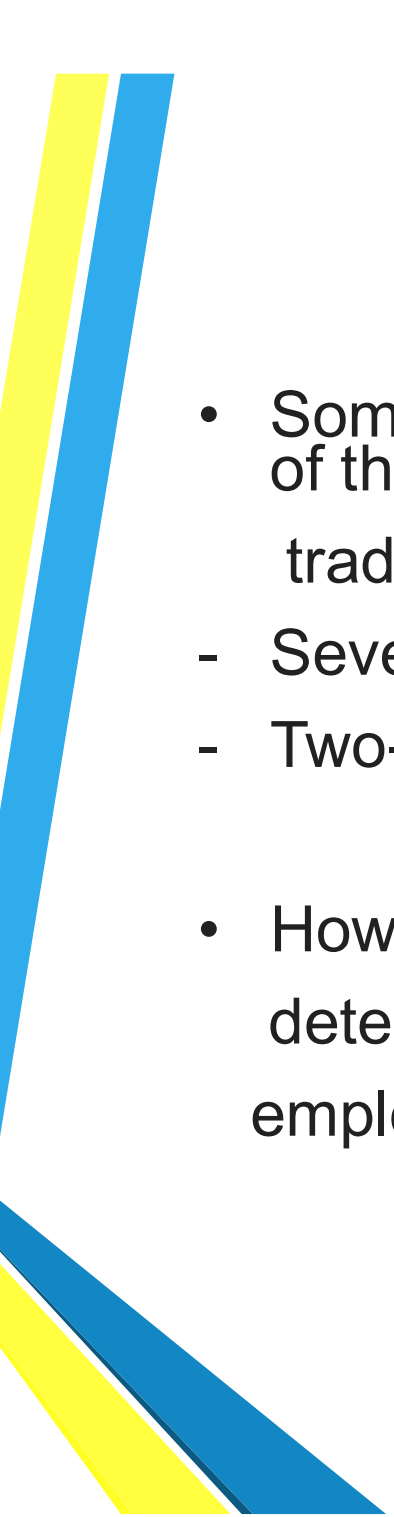
- Industrial Unionism has been driven by the new unionism
- The new unionism started as enterprise-based one, but thereafter soon moved toward industrial unionism
- The decisive turning point: the establishment of KCTU, which proclaimed the industrial unionism as one of its principles at its onset
- The Asian financial crisis accelerated the move toward industrial unionism
- \* The crisis raised many issues like redundancy, restructuring and plant relocation, which were too complicated and complex to be solved by enterprise unions
- About 80% of the KCTU members were organized along industries in 2012
- On the other hand, most of the old unions(FKTU) are still enterprise-based

- With more industrial unions organized, multi-employer bargaining has been growing since the Asian financial crisis
- \* Bank industry, metal industries, health-care industry, transportation industries(bus and taxi) and some more

<Table 1> Proportion of Multi-employer Bargaining Firms

| Year | FKTU |      | KCTU |      | Whole |      |
|------|------|------|------|------|-------|------|
|      | N    | Mean | N    | Mean | N     | Mean |
| 2005 | 370  | 0.21 | 310  | 0.38 | 737   | 0.27 |
| 2007 | 325  | 0.20 | 236  | 0.37 | 620   | 0.25 |
| 2009 | 283  | 0.24 | 252  | 0.33 | 621   | 0.26 |
| 2011 | 347  | 0.27 | 184  | 0.38 | 630   | 0.29 |
| 2013 | 331  | 0.35 | 188  | 0.45 | 632   | 0.35 |

Source: Workplace Panel Survey

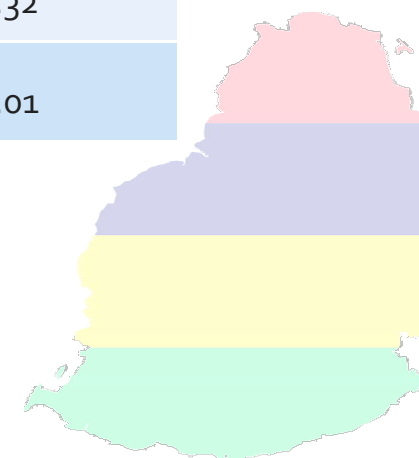
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- Some limitation, because the multi-employer bargaining have grown out of the tradition of enterprise-based ones
    - Several large firms try not to join the multi-employer bargaining
    - Two-tiered bargaining
  - However, 67-84% of the firms involved in a multi-employer bargaining determined their wage increase rate at the standard rate set by the multi-employer bargaining (Table 2)



<Table 2> Wage Drift in Multi-employer Bargaining Firms

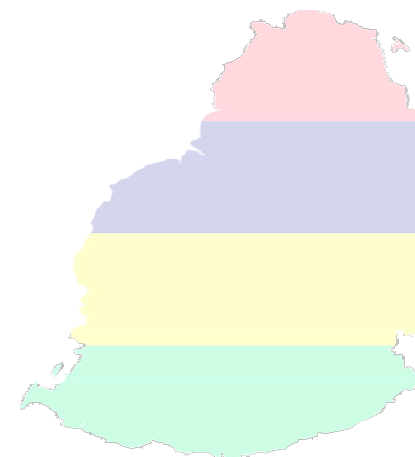
| Year | N   | Proportions (%) |        |        | Mean of wage growth rate drift |
|------|-----|-----------------|--------|--------|--------------------------------|
|      |     | Below           | At     | Above  |                                |
| 2005 | 196 | 12.76%          | 71.43% | 15.82% | 0.18                           |
| 2007 | 154 | 9.09%           | 84.42% | 6.49%  | -0.21                          |
| 2009 | 156 | 15.38%          | 77.56% | 7.05%  | -0.32                          |
| 2011 | 180 | 18.89%          | 67.22% | 13.89% | -0.01                          |

Source: Workplace Panel Survey



## Wage Outcomes

- Wage growth rate has been declining over the time (the average bargained wage increase rate is 5.5% over 1999-2005)
- The non-unionized sector yielded higher wage increase rate than the unionized one
- The comparison of wage increase rate between enterprise-based and multi-employer bargaining indicates that multi-employer bargaining affect wage outcomes a little positively

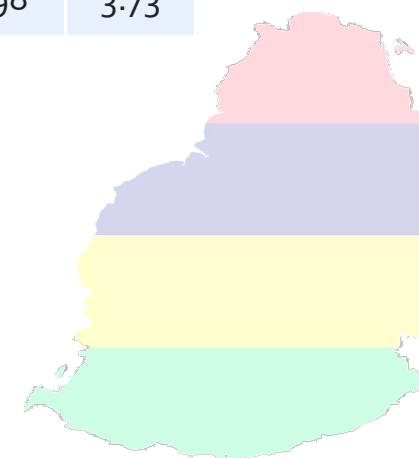


<Table 3> Annual Wage Growth Rates, 2005-2013

| Year | No Union |      | No Affiliate |      | FKTU |      | KCTU |      | Enterprise-based |      | Multi-employer |      |
|------|----------|------|--------------|------|------|------|------|------|------------------|------|----------------|------|
|      | N        | Mean | N            | Mean | N    | Mean | N    | Mean | N                | Mean | N              | Mean |
| 2005 | 1076     | 6.26 | 57           | 4.85 | 370  | 4.91 | 310  | 4.73 | 536              | 4.82 | 201            | 4.86 |
| 2007 | 823      | 5.90 | 59           | 3.53 | 325  | 4.14 | 236  | 3.99 | 466              | 4.00 | 154            | 4.12 |
| 2009 | 815      | 4.34 | 86           | 2.77 | 273  | 3.20 | 251  | 2.92 | 454              | 2.96 | 156            | 3.22 |
| 2011 | 1042     | 4.49 | 99           | 4.49 | 347  | 4.29 | 184  | 3.47 | 450              | 4.00 | 180            | 4.28 |
| 2013 | 1055     | 4.32 | 110          | 3.72 | 313  | 3.78 | 184  | 3.00 | 409              | 3.43 | 198            | 3.73 |

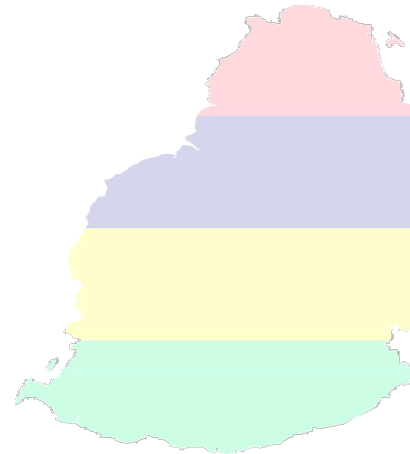
Note: unit - %

Source: Workplace Panel Survey



# Employment Outcomes

- Employment is not a mandated bargaining issue in Korea, but redundancy should be discussed by labor-management consultation committee
- Redundancy was on the increase after the Asian financial crisis, arousing labor unions' resistance through strikes
  - Labor and management in many firms have gradually made compromises toward using contingent workers



- Redundancy is composed of layoff(3-5%) and early retirement program(about 20%)
- The non-unionized sector has lower proportion of firms with redundancy than the unionized one(higher proportion of layoff for the non-unionized, higher early retirement program for the unionized)

<Table 4> Proportion of Establishments with Redundancy, 2005-2013

| Year | No Union | No Affiliate | FKTU | KCTU | Enterprise-based | Multi-employer |
|------|----------|--------------|------|------|------------------|----------------|
| 2005 | 0.20     | 0.21         | 0.31 | 0.28 | 0.29             | 0.28           |
| 2007 | 0.21     | 0.17         | 0.26 | 0.25 | 0.25             | 0.26           |
| 2009 | 0.17     | 0.24         | 0.21 | 0.23 | 0.23             | 0.22           |
| 2011 | 0.19     | 0.21         | 0.25 | 0.26 | 0.24             | 0.26           |
| 2013 | 0.17     | 0.26         | 0.25 | 0.27 | 0.26             | 0.26           |

Note: Refer to table 3 for the sample size for each cell

Source: Workplace Panel Survey

- The unionized sector has lower employment growth rate than the non-unionized one
- There is no consistently significant difference in employment growth rate between enterprise-based and multi-employer bargaining

<Table 5> Annual Employment Growth Rates, 2005-2013

| Year | No Union | No Affiliate | FKTU  | KCTU | Enterprise-based | Multi-employer |
|------|----------|--------------|-------|------|------------------|----------------|
| 2005 | 8.43     | 2.91         | 0.24  | 2.92 | 1.76             | 1.07           |
| 2007 | 3.34     | -0.57        | -1.42 | 1.59 | 0.02             | -0.84          |
| 2009 | 0.08     | -0.80        | -0.93 | 1.07 | -0.18            | 0.15           |
| 2011 | 2.81     | 3.77         | 1.54  | 2.24 | 2.01             | 2.33           |
| 2013 | 1.71     | 2.12         | 0.06  | 0.19 | 1.05             | -0.61          |

Note: Refer to table 3 for the sample size for each cell

Source: Workplace Panel Survey

- The firms with KCTU-affiliated unions have higher proportion of contingent workers than the others
- The proportion of contingent workers for the firms with multi-employer bargaining has been generally declining, and has been lower than its counterpart

since 2009

<Table 6> Proportion of Contingent Workers

| Year | No Union | No Affiliate | FKTU | KCTU  | Enterprise-based | Multi-employer |
|------|----------|--------------|------|-------|------------------|----------------|
| 2005 | 9.72     | 11.79        | 7.56 | 12.72 | 9.26             | 12.18          |
| 2007 | 8.36     | 9.88         | 6.81 | 13.14 | 8.39             | 12.91          |
| 2009 | 7.28     | 8.21         | 6.20 | 11.72 | 8.99             | 7.95           |
| 2011 | 7.68     | 10.27        | 7.13 | 15.13 | 10.32            | 9.05           |
| 2013 | 7.89     | 8.80         | 7.32 | 13.19 | 9.89             | 8.31           |

Note: Refer to table 3 for the sample size for each cell

Source: Workplace Panel Survey

- KCTU-affiliated unions are more likely to negotiate contingent workers' wage
- Multi-employer bargaining is more likely to negotiate contingent workers' wage

<Table 7> Proportion of Establishments with Contingent Workers' Wages Negotiated by a Labor Union

| Year | No Affiliate | FKTU | KCTU | Enterprise-based | Multi-employer |
|------|--------------|------|------|------------------|----------------|
| 2005 | 0.23         | 0.14 | 0.22 | 0.15             | 0.27           |
| 2007 | 0.14         | 0.14 | 0.24 | 0.13             | 0.30           |
| 2009 | 0.08         | 0.06 | 0.13 | 0.09             | 0.10           |
| 2011 | 0.18         | 0.18 | 0.20 | 0.16             | 0.25           |
| 2013 | 0.08         | 0.16 | 0.17 | 0.11             | 0.22           |

Note: Refer to table 3 for the sample size for each cell

Source: Workplace Panel Survey

# Concluding Remarks

Firm Performance of the  
Unionized Sector and thus  
Employers' Ability to Pay  
are Lower

Workers' Bargaining  
Power is Lower

Industrial  
Unionism and  
Multi-employer  
Bargaining

- Lower Wage Outcomes
- Lower Employment Outcomes

