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THE TRANSFORMATION OF INDUSTRIAL RELATIONS IN KOREA
A Case Study of the Automobile Manufacturing Company, Kia Motors, 1980-1992

by

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ABBREVIATIONS

AIRA:	Automotive Industry Rationaliation Arrangement
ASA:	Employment Stability Act
FKTU:	Federation of Korean Trade Unions
GCKTU:	General Council of the Korean Trade Unions
IACIA:	Industrial Accident Compnesation and Insurance Act
IAPHCI:	Investment Adjustment Policy in Heavy and Chemical Industries
ISHA:	Industrial Safety and Health Act
JIT:	Just-In-Time
LCA:	Labour Committee Act
LCSMSNS:	Law Concerning Special Measures for Safeguarding National Security
LDMA:	Labour Dispute mediation Act
LSA:	LabourStandard Act
LUA:	Labour Union Act
MFEEA:	Male/Female Equal Employment Act
MWA:	Minimum Wage Act
OJT:	On-the-Job-Training
TL:	Temporary Law
TNS:	Toyota Network System
TPM:	Total Production Maintenance
TQC:	Total Quality Control
VTA:	Vocational Training Act

CHAPTER ONE

1.0 INTRODUCTION

It is generally accepted that a substantial change has taken place in Korean industrial relations since 1987. However, despite the wide recognition of these changes and subsequent studies, very few **empirical** studies have been undertaken to examine the shifts in the pattern and processes of the practice of industrial relations at the firm level, which is essential for the verification of the general consensus of view on such changes. Without such practical research, it is difficult to truly understand the direction of such changes and, therefore, to respond effectively to such changes. Based on this conviction, this thesis will try to delineate a clear picture of change in Korean industrial relations via a specific case study of **Kia Motors**, with reference to findings on macro-level changes.

Before proceeding to the next section of this thesis, it would be advantageous to detail the research procedures so that the research context is fully understood. This part, in this regard, will briefly outline the next steps in this thesis.

In Chapter Two, the theoretical background adopted for the analysis of industrial relations issues in Korea has been taken from **The Transformation of American Industrial Relations** (Kochan et alii of 1986). Through an evaluation of the history of American industrial relations, an extensive review of empirical studies and after the collection and analysis of a wide variety of primary and secondary qualitative and quantitative data, the authors claim that America has recently experienced a fundamental transformation in its industrial relations system.

Specific reasoning will be provided later, but the fact that the theory adopted by Kochan et alii deals with the transformation of American industrial relations provides ample justification for it to be used as a theoretical framework for the analysis of rapid changes in Korean industrial relations since 1987. The empirical case study of **Kia Motors** will also examine the appropriateness of Kochan et alii's theoretical framework for analysing Korean industrial relations.

In this thesis, Kochan et alii's strategic choice theory and the "Framework for Analysing Industrial Relations Issues" (vid. Figure 2.1) are given special emphasis, as they provide a unique diagnostic method of research for the processes and patterns of change in industrial relations.

In this section - **Chapter Three: Characteristics of Korean Industrial Relations During the Pre-1987 Period and recent Changes** - the thesis will firstly historically examine and analyse the general characteristics of Korean industrial relations during the pre-1987 period. By comparing recent changes

with these general characteristics, this thesis will secondly evaluate the generally-agreed factors that Korean industrial relations have been undergoing a substantial transformation since 1987 and will attempt to identify the causal factors in such changes.

Outcomes in this section will be necessarily reliant upon secondary sources - recently-published texts and articles. However, there are certain clear deficiencies in such sources. Most lack specifically focussed empirical case studies, and are therefore written in a generalised descriptive fashion, providing only an overview or macro-aspects of changes. As such, it is doubtful if such findings can be applied to micro-level firm contexts.

It is therefore considered that an empirical case study examining the applicability of macro-level findings to micro-level industrial relations is essential.

In Chapter Four - **Application of Strategic Choice Theory to Korea Based on the Findings from Macro-Level Changes** - before proceeding to the empirical study, the findings from Chapter Three will be examined by the principles of strategic choice theory to discover the causes and effects of changes. Moreover, in doing so, the validity or applicability of this theory as an explanatory tool for the Korean situation will be briefly addressed.

In Chapter Five - **A Case Study of Kia Motors** - as a main part of this thesis, findings from the case study will be detailed and analysed. Extensive interviews were conducted with managers from both the work place and the main office - such as managers from the Planning and Coordinating Department, from the Labour and Management Cooperation Department, from the Human Resources Management Department, from the Production Planning Department, the Production Coordinating Department, the Personnel Management Department, the Overseas Planning and Control Department and from the Centre of Technology Development . An interview was also conducted with one of the staff from Kia Motors' Trade Union.

The questionnaire for the interviews (Appendix I), consists of four sections and is designed on the basis of Kochan et alii's research framework. The procedure of this section follows the structured steps of the questionnaire except for the section relating to Kia Motors. As may be noticed, the questionnaire is designed to collect information on each factor in Kochan et alii's research framework (Figure 2.1), such as external environments, values, business strategy, history and current structures and institutional structure of firm-level industrial relations.

The first section of the questionnaire concerning the external environment, mainly focusses on the labour market, the product market and new technology. Other factors, such as workforce characteristics and public policy, will be discussed in other sections. For example, public policy will be dealt with in the section dealing with the history of the Korean car industry, and workforce

characteristics and values will be discussed in the section dealing with the history of Kia Motors and characteristics of union parts.

The second and third sections of the questionnaire covering the characteristics of management and unions are designed to collect information about values, about business strategy and about history and current structural factors. History, current structures and workforce characteristics and values will be mainly discussed in the history of Kia Motors, which is the first sub-section of this part.

The final section of the questionnaire covering industrial relations and human resources management activities in Kia Motors is mainly designed to elicit information on the firm's activities within the three-tier structure. The format of this section is based on a revised version of a questionnaire designed by Russell Lansbury and John Niland (1992), to conduct research on the changes in Australian industrial relations and human resources management which is the Australian research component in a M.I.T.- sponsored international comparative research project conducted by the scholars of O.E.C.D. countries. This same questionnaire will also be used for research on changes in industrial relations and human resources management in Asian countries.

Work organisation, skills formation and productivity are designed to identify the changes in the bottom tier workplace activities. Compensation and employment security and staffing arrangements sections are for the analysis of middle tier activities of Kia Motors. The corporate government section is mainly designed to gain an understanding of top tier activities in Kia Motors.

The final section - **Chapter Six: Conclusion** - will summarise and analyse, using the framework of strategic choice theory, the research outcomes of the case study and ascertain the applicability of macro-level findings on change to micro-level situations. These outcomes will determine the integrity and validity of the hypotheses advanced in this thesis.

Further potential research directions, based on the outcomes of this specific study, will, as a final component, be addressed.

CHAPTER TWO

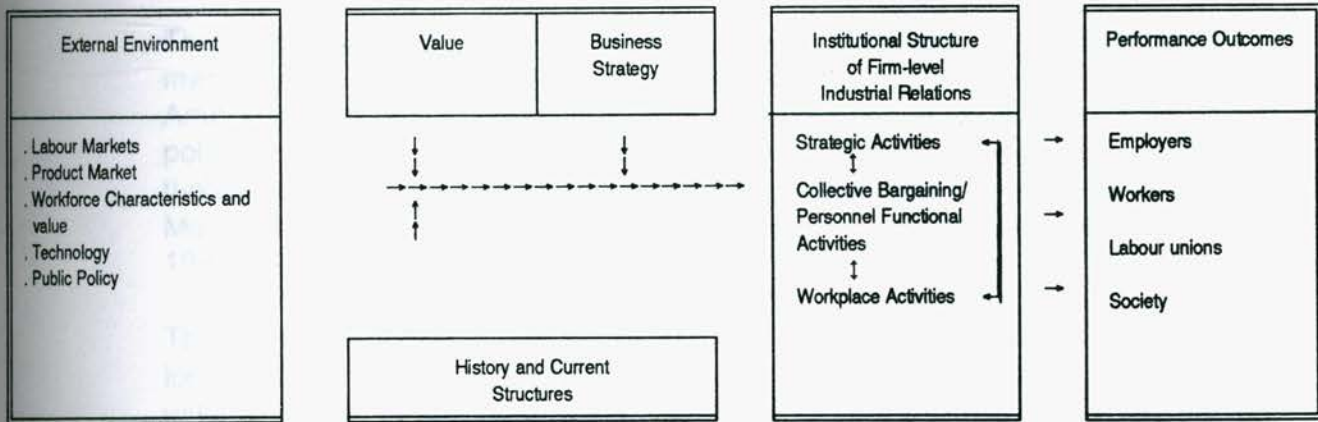
2.0 THEORETICAL BACKGROUND

2.1 The Strategic Choice Theory as a Model for the Analysis of Industrial Relations Issue

In this thesis, the strategic choice theory developed by Kochan et alii (1986) and their research framework (Figure 2.1) for the analysis of industrial relations issues based on the notion of strategic choice theory are adopted as theoretical background for understanding changes in Korean industrial relations. Through an examination of the roles of the factors in the framework - and the relationships between them - the major characteristics of the theory can be explained.

Figure 2.1

General Framework for Analysing Industrial Relations Issues.



Source: Kochan, Katz and McKersie, 1986, page 11

One of the major characteristics of strategic choice theory is that it relies heavily on "strategic choices" made by industrial relations participants. It is this characteristic that makes it distinctly different from other traditional theories.

By looking at the flow pattern of the framework, the external environment is not, as in most traditional theories, the direct determinant of the performance outcomes. Although the theory is based on the assumption that external factors - such as labour and product markets, workforce characteristics and value, technology and public policies - condition change, they do not conclude that these factors explicitly influence the performance outcomes. The authors base their framework on "the key premise that industrial relations processes and outcomes are determined by a continuously - evolving interaction of environmental pressures and organisational responses." (Kochan, et alii 1986 page 13).

These organisational responses are strategically determined to serve, specifically, the needs of management, of labour unions, and of public policy makers. According to the authors, factors within the framework such as values, business strategies and history and current structures directly affect strategic decisions, whilst responding to external environmental pressures.

As Kochan et alii claim that "choice and discretion on the part of labour, management and government affect the course and structure of industrial relations systems ", the strategic choice perspective embedded in the framework is the key premise for applying the framework to practical research.

The second characteristic of the theory stresses the importance of management's strategic choices. Through the evaluation of the history of American industrial relations, the authors conclude that unions and government policies lagged behind management in their willingness to adapt to change in the external environment and to changes in managerial strategies and policies. Management is considered as the major initiator of changes (Kochan et alii, 1986, pages 9-10).

The authors assert that management strategies have become more conscious, long-running and pro-active than other strategies. In relation to the roles of values, business strategies and history and current structures which are the factors most conspicuously affecting the determination of strategic choices of each participant in the framework, Kochan et alii place a lot of weight on managerial values affecting unions and management adjusting business strategies to changes in external environment, rather than unions responding to the adjustment of business strategies or changes in external environment.

Earlier studies usually stressed union strategies and embodied the assumption that unions were always the "moving force" and that management was only reactive to a union's needs. As a result, management's strategy was largely ignored (Strauss 1988, page 450).

The importance of management strategy in the strategic choice theory reverses the ideas of past theories on the role of management in industrial relations activities. Kochan, McKersie and Cappelli point out that "a more realistic model of industrial relations should recognise the active role played by management in shaping industrial relations as opposed to the traditional view which sees management as reactive, responding to union pressures" (Kochan, McKersie and Cappelli, 1984, page 2).

The importance of management's strategic choices are considered critical in the authors' analysis of industrial relations issues, as the following quotation highlights/underscores: " changes in the external environment induce employers to make the necessary adjustments in their business strategies to gain competitive advantage. In making these adjustments, the options are evaluated and filtered in terms of their consistency with the values, attitudes and beliefs of key decision makers. As choices are also embedded in particular historical and institutional structures, the range of feasible options available at any given time is partially constrained by the outcomes of previous organisational decisions and the current distribution of power within the firm and between it and any unions, government agencies or other external organisations it deals with." (Kochan, Katz and McKersie, 1986, page 12).

Despite the importance of management's strategic choices, labour and government will not be neglected in this thesis. Kochan et alii's theory is based on the premise that changes in American industrial relations have been brought about by management's active response to changing environmental pressures.

As mentioned earlier, however, the authors also point out that choice and discretion on the part of labour and government, as well as of management, are important factors which respond to environmental pressures, thus affecting performance outcomes.

The first characteristic of Kochan et alii's theory - the importance of strategic choices of industrial relations participants, and their interaction and strategic responses to changes in the external environment - seems to be conceptually derived (that is, a logical theoretical framework based on potentially interactive elements). The second characteristic, which emphasises the importance of management's strategic choice, seems to be more practical (that is, based on the findings from the case study of American industrial relations).

One may deduce from this that Kochan et alii's research must have been conducted on the basis of their theoretical framework (the first characteristic) and, as a result, they discovered the second characteristic. Thus, they concluded that management's strategic choices have played a major role in the changes in American industrial relations.

The case study in this thesis will test the conceptual framework (the first characteristic), thus trying to glean the strategic choice activities of each participant. From the findings of the case study, the practical terms regarding

managerial initiatives will be examined within the context of Korean industrial relations activities.

The third, and possibly most critical, feature of the theory seems to be the introduction of the "Institutional Framework of Firm - Level Industrial Relations". This three-tiered institutional framework provides a far more extensive conceptualisation than past theories on this subject have. Great attention has been paid to the importance of the institutional structure in which labour and management interaction occurs.

The attention given by the authors to this aspect is mainly due to the belief that, to explain industrial relations processes and outcomes, it is essential to study an independent effect of the institutional structure and forces in conjunction with environmental forces.

The main aim of institutional industrial relations theory has been to identify the key variables or institutional forces of labour-management interactions. This is, in fact, "one of the central features which differentiates industrial relations theory from neo-classical economics and many other general theories in the behavioural and social sciences. These other theories view institutional factors as a black box of random forces that need not be considered in predicting behaviour." (Kochan, Katz and McKersie, 1986, page 16).

However, according to Kochan et alii, the previous institutional industrial relations studies focus too much on institutional aspects of collective bargaining to explain the current trends in changes in industrial relations. This is largely due to the fact that collective bargaining has played a central role in the post-New Deal period in America. As a result, industrial relations studies have mainly concentrated on this aspect of industrial relations issues. Kochan et alii claim that these narrowly-focussed studies can no longer explain the current trend of changes in American industrial relations and thus propose a broader conception of the institutional structure which is diagrammed in Figure 2.2.

As will be explained later, the necessity to broaden the scope of research area stemmed from the authors' finding that, despite the middle tier representing the traditional domain of industrial relations, the three tiers are completely interrelated. Recent changes in the top and bottom tiers have significantly affected the middle tier. That is, the trend of transformation in American industrial relations cannot be fully understood unless the effects and interactions between factors on each of the three tiers have been seriously studied.

Figure 2.2

Three Levels of Industrial Activity

Level	Employers	Unions	Government
Long-Term Strategy and Policy Making	Business Strategies Investment Strategies Human Resource Strategies	Political Strategies Representation Strategies Organising Strategies	Macro economic and Social Policies
Collective Bargaining and Personnel Policy	Personnel Policies Negotiations Strategies	Collective Bargaining Strategies	Labour Law and Administration
Workplace and Individual Organisation Relationships	Supervisory Style Worker Participation Job Design and Work Organisation	Contract Administration Worker participation Job Design and Work Organisation	Labour Standards Worker Participation Individual Rights

Source: Kochan, Katz and McKersie, 1986, Page 17

As mentioned earlier, the key premise of Kochan et alii is that industrial relations processes and outcomes are determined by a continuously-evolving interaction of environmental pressures and organisational responses. The main purpose of their analysis seems to be to identify the strategic choices of the three main actors and the actual outcomes of the interaction of those strategic choices through the three - tier system. by doing this, they are able to obtain the outcomes of the interaction between environmental pressures and the responses of strategic choices.

According to Kochan et alii, this institutional framework provides several advantages through considering three-tier levels and the roles played by environmental pressures and strategic choice. "Firstly, this framework recognises the interrelationships among activities at different levels of the system and helps explain the origins of any prevailing internal contradictions or inconsistencies. Secondly, it considers the effects that various strategic decisions exert on the different actors in the system. Thirdly, it also facilitates the analysis of the effects that increased participation in workplace decisions by individual and informal work groups have for the labour movement and the industrial relations system. Fourthly, the framework encourages analysis of the roles that labour, management and government play in each other's domain and activities." (Kochan, Katz and McKersie, 1986, page 19).

The main purpose of this thesis is to identify the process and patterns of changes in Korean industrial relations through a case study of Kia Motors. The "Institutional Framework of Firm-Level Industrial Relations" will provide a useful way of describing the major elements of industrial relations in Kia Motors.

To apply Kochan et alii's theory successfully to the Kia Motors' case study, one must fully understand how they interpreted the transformation of American

industrial relations, based on their research framework.

2.2 Kochan et Alii's Interpretation of the Transformation of American Industrial Relations

The main characteristic of American industrial relations, according to Kochan et alii, is explained as a dynamic interplay or competition between union and non-union employment systems. Each of the systems is subjected to intermittent interruptions when prevailing policies and practices in one system are questioned, resulting in the emergence of new institutional arrangements in the other (Kochan, Katz and McKersie, 1986, page 5). Based on this notion, Kochan et alii divide American industrial relations history into three periods:

- A) Prior to the 1930's;
- B) 1930's to the 1950's;
- C) The 1960's onwards.

This division is based on the point that while a non-union employment system prevailed prior to the 1930's, after the 1930's the union employment system dominated the American industrial relations system. And from the late 1960's until recently, the effectiveness of the union employment system has been deprecated and the non-union employment system has again emerged with different types of industrial relations practices from the system prior to the 1930's.

2.2.1 Non-Union Employment System Prior to the 1930's

The period to the 1930's might be described as chaos in American industrial relations. Without any supportive legislation, resulting in employers' oppressive management, workers were unable to organise their unions. Only a small fraction of the labour force, mostly craft workers, could manage to organise their unions. In such a situation, employers and workers were inevitably locked into confrontation, not negotiation.

As a remedy for the problems of the period, the so called "New Deal" industrial relations system was introduced during the 1930's.

This system was designed to introduce greater stability and order and to lend a degree of permanency to union-management relations and provided a favourable environment for the union employment system by facilitating collective bargaining practices, with the use of arbitration as a contract-enforcement mechanism to avoid disruptive strikes. The historical evaluation

of American industrial relations traced by Kochan et alii begins with this New Deal industrial relations system.

2.2.2 New Deal Industrial Relations System (1930's-1950's)

The New Deal collective bargaining system, the middle-tier activity in Kochan et alii's framework, constituted the basic cornerstone of labour-management relations and was regarded as the most significant source of innovation in American industrial relations. As a result of the activity of middle-tier collective bargaining and negotiation of contracts, unions were able to adopt policies that were designed to promote greater stability, reduce chaos and to cement union-management relations. Unions were perceived as a legitimate entity in American society, since collective bargaining had been chosen as the preferred mechanism for worker participation and representation in industries. As a result, by the 1960's, industrial relations participants seemed to believe that relations between labour and management had matured and stabilised, that management had accommodated to the fact that collective bargaining was an effective way of negotiating and that labour unions were a permanent participant in their employment relationships. (Kochan, Katz and McKersie, 1986, page 8). In this regard, despite intensive debates over the future of American industrial relations during this period, no doubt occurred about the effectiveness and existence of the collective bargaining system.

The success of the New Deal industrial relations system during this period, according to Kochan et alii, derived from the relative stability of the economic environment. During the initial post-war decades, the American economy maintained an expanding rate of growth and high levels of productivity improvement. Product markets were stabilised by the effective chain between mass production and mass consumption. Technology for the mass production system was well developed and was accompanied by scientific management. Public policies allowed unions to organise through representative election procedures and to grow sympathetically with the organisations which had established bargaining relationships. As unions grew in large numbers, they were able to take wages out of competition through the stabilised collective bargaining. Moreover, union firms often were more productive than non-union firms and workers preferred unions which could provide their job and wage security.

As the New Deal industrial relations system was compatible with the economic environment, the middle-tier activity of collective bargaining alone could maintain effective labour-management relations. This is because, during this period, the economic environment was stable enough to allow management to manage and workers and their unions to negotiate over the impact of managerial decisions on wages, hours and working conditions. As the notion that management could manage and workers could negotiate was effectively established through collective bargaining, managerial prerogatives - such as where to locate workers, how to invest profits, where to do business, how to diversify one's business, what kind of new technology should be brought into

the operation, and the place of the introduction of these technologies - could be left to management (Kochan, Katz and McKersie, 1985, page 3). What this implies is that the top and bottom tier activities of unions were not necessarily needed in the New Deal industrial relations system owing to the stabilised economic environment. In fact, most of the union leaders during this period considered the introduction of managerial prerogatives as the end of stable labour and management relationships.

2.2.3 The Transformation of American Industrial Relations (1960's onwards)

Although the New Deal industrial relations system seemed to work quite well, and indeed many scholars predicted the maintenance of this system in the future, Kochan et alii point out that, from the 1960's until recently, the central role of middle-tier activities of collective bargaining has led to an inappropriately-narrow view of the institutional influences on industrial relations. What this implies, according to Kochan et alii, is that the collective bargaining process has been gradually squeezed and pressured to adapt to forces of top and bottom tier activities (Kochan, Katz and McKersie, 1986, page 16). These changes are seen as the main trends of the transformation of American industrial relations.

According to Kochan et alii, changes in the external environment from the 1960's have forced the initiation of new patterns of industrial relations activities in America. The general ongoing world-wide changes in increasing international competition and the domestic competition, resulting from the deregulation of industries and the growth of non-union domestic sectors, have played a vital role in the collapse of the New Deal industrial relations system. The increase in wages of union workers through collective bargaining, which continued relative to non-union wages through the 1970's, was also a factor to which firms' inability to compete was attributed. In a similar context, the emergence of industrial economies in low-wage East- and South-East Asia and Latin American countries and diversified consumers' tastes undermined the stable relationship between mass-production and mass-consumption. Moreover, the deep recession of 1981-1982 which created so much pressure for changes in bargaining, and the changes in the political environment during the 1980's (which is often described as the New Right movement), are also factors affecting the disruption of the New Deal system. These factors together exerted considerable pressure on firms to reduce costs and increase flexibility and make unions increasingly unattractive. (Burton, Jr. 1988, page 440). So, changes in the patterns of industrial relations activities were unavoidable.

As mentioned earlier, Kochan et alii place management's strategic choices or decisions in the centre of their analysis because of their belief that management has been involved more actively in responding to the environmental changes since the 1960's. According to Kochan et alii, while unions and government have been reluctant to respond to the environmental changes, management,

on the other hand, has deliberately adapted to the changing environment, which resulted in the transformation of American industrial relations since the 1980's.

To enhance the competitiveness of a firm, it has been essential for management to implement the principles of flexibility - such as flexibility in work organisation, flexibility in the way in which workers are assigned to jobs, fewer job classifications, more emphasis on training and individual communication, and more emphasis on the discretion of workers in their jobs. As management found it difficult to negotiate with unions on the implementation of flexibility through the middle-tier activity (since unions were reluctant to accept these changes), at the strategic or top level, union avoidance has become the goal in many firms.

In this context, the adaptation to the changing environment made by management's strategic choices was developed in the high-growth, high-technology newer industries, in some of the service industries (outside of core manufacturing), and in some leading manufacturing firms where unions were not organised (Kochan, Katz and McKersie, 1985, p.4), and then transmitted to partially-organised firms. Moreover, to maintain a flexible firm with non-union organisations, a human resources model emerged at the workplace level which was more accommodating to innovation for adaptation to the changing environment than the New Deal industrial relations system. This further reduced the attractiveness of unions, not only to management, but to individual workers, who found that many of their needs were served by the human resources model which stresses individual worker motivation. (Burton, Jr, 1988, page 441).

These changes at the top and bottom tiers consequently undermined the middle tier activities of collective bargaining. As one result, unions experienced a considerable decline of their membership between the 1950's and the 1970's. By the end of the 1970's, the New Deal industrial relations system, according to Kochan et alii, was increasingly irrelevant and from the early 1980's, America witnessed a fundamental transformation in the industrial relations system in many industries. These irreversible changes have occurred at all three tiers of the industrial relations system since the early 1980's, mainly due to the accumulation of the continuous interaction between changing environmental pressures and the responses of strategic choices of management since the 1960's.

The changes of the middle tier in the 1980's were not mere changes of pay levels or work rules but more fundamental changes, such as decentralisation of the bargaining process, shifts in the internal industrial relations personnel from industrial relations professionals to human resources management professionals, new communication policies avoiding the collective bargaining process, and increased emphasis on contingent compensation criteria (Kochan and McKersie, 1985, page 6).

In the work place, considerable changes occurred in the 1980's, introduced by

unions and their unionised firms, to compete with the perceived advantages of increased flexibility through direct involvement of employees in the non-union sectors. The bottom tier has seen the increased use of worker participation processes, such as the quality of work life (QWL) process which is designed to increase flexibility and worker involvement, and thus productivity.

The strategic tier has also changed in some firms where unions have strong power to negotiate and/or where firms are facing great competition. The general trend has been active participation of unions in strategic decisions. However, where firms faced less competition and/or unions had insufficient power, unions did not gain participation in the strategic level because most managers resisted such involvement, and some union leaders were reluctant to become enmeshed in situations where conflict was built-in (Burton, Jr, 1988, page 441).

Although Kochan et alii reveal the irreversible changes at all three tiers and their general trends, they also suggest that the trends and results of these changes are not predictable because the transformation in American industrial relations is not yet stabilised. That is to say, Kochan et alii consider that responses of strategic choices which will affect the outcomes still exist for unions, management and policy makers. The likely choices and outcomes are influenced by the complicated interaction process which pertain to each industry or firms' environmental situations, values, business strategies, history and current structure.

For example, those industries that are fully organised and protected from competition may continue to maintain the hard bargaining of the middle tier and, at the same time, management may aggressively pursue strategies and practices at the top and bottom tiers which will result in the disappearance of unions in the firms in the long run. Alternatively, the others may build on the recent innovations at all three tiers, focussing on the enhancement of flexibility (such as increased flexibility in work rules at the collective bargaining level, greater union involvement at the strategic level, and greater workers participation at the workplace, producing unions and workers cooperation).

Although Kochan et alii have emphasised the variability of outcomes which will depend on the choices of each participant, the present four alternative scenarios for American industrial relations in the future (Kochan, Katz and McKersie, 1986, pages 250-253).

Scenario 1. A continuing decline of private sector unions.

Scenario 2. Labour laws will be reformed to protect more effectively workers' rights to organise.

Scenario 3. The more innovative developments of the 1980's in all three tiers of industrial relations will spread over other firms.

Scenario 4. Unions will develop new organising strategies that will be effective in the growing occupations and industries.

Scenario 1, which is the current trend in America, according to Kochan et alii, is the most probable of the four in the short run. In the context of the activities within the three tiers, it implies that management, as an initiator of changes, will prefer the non-union employment system by using contradictory strategic decisions within the three tiers. Partially-organised firms in particular may pursue sophisticated and aggressive strategies and practices at the top and bottom tiers which will probably lead to union-free operations, while management maintains the middle tier activities of collective bargaining.

Scenarios 2, 3 and 4 together are another extreme which will maintain the union employment system with more operations than before. According to Kochan et alii, the decline of the private union sector may be altered to some degree by labour law reform to protect more effectively workers' rights to organise, but changes in the legal environment would have only a modest impact. Diffusion of the innovations in union-management cooperation through all three tiers of the industrial relations system, which will result in increased economic performance and improved relationships, is the one that could stabilise unionisation. The fourth scenario, accompanied by scenarios 2 and 3, may reverse the downward trend by developing new union organisation strategies which will be effective in the growing occupations and industries. This fourth scenario is the future preferred by Kochan et alii, but the one that they regard as being the least achievable.

2.3 The Debate on Strategic Choice Theory

There has been widespread debate on the appropriateness of the Strategic Choice Theory. As one of the major purpose of this thesis is to verify the effectiveness of Kochan et alii theory through the comparison of the findings of this thesis with those of the Strategic Choice Theory, this part tries briefly to identify the major factors in the debate rather than examining them in detail.

In general, criticisms of the Strategic Choice Theory seem to fall into three distinct categories.

The first category of criticism seems to focus on the appropriateness of Kochan et alii's findings and **interpretation** of the transformation of American industrial relations rather than on the **validity** of their research framework.

One of the most frequently-cited criticisms of this type is related to Kochan et alii's idea on managerial initiatives evaluated from their study of the history of American industrial relations. Aronowitz, for example, criticises the theory in that, by emphasising the importance of management initiatives in the history of American industrial relations from the 1960's, Kochan et alii misinterpret unions and their workers as minor bit players in that history (Aronowitz, 1989, page 444). According to Aronowitz, although Kochan et alii recognise that industrial relations is constituted by the interaction of strategic choices of the participants, from the way Kochan et alii explain the transformation of American industrial relations, they exclude workers and unions as independent actors. By providing two cases of workers' movements, Aronowitz points out that unions and workers have had their strategies responding to the changing environment and also to managerial decisions; thus management's predominance may not last. Critics, such as Lewin (1987, pages 4-10) and Lipset (1988, page 448) share Aronowitz's critical standpoint. These critics argue that Strategic Choice Theory relies heavily on the relationship between the management and unions (Strauss, 1988, page 451), and thus underestimates the role of labour law or public policy (Lewin, 1987, page 12; Lipset, 1988, page 448).

It seems that these criticisms stem from a perceived inconsistency between the principle of Strategic Choice Theory, which emphasises the importance of the interaction between environmental pressures and strategic responses of unions, management and government and Kochan et alii's **interpretation of fact**, which is indicated as management's initiatives in response to changes. However, it should be noted that Strategic Choice Theory itself has potential variability between principle and fact. This point can be explained through the comparison between Dunlop's System Theory and Strategic Choice Theory.

According to Kochan et alii, they try to modify and update Dunlop's industrial relations systems model by adding a dynamic and strategic component to it (1986, page 7). This is mainly because Kochan et alii regard Dunlop's important central assumption as inadequate, when applied to current changes in America, because it assumes that the key actors (labour, management and the government), share an underlying consensus which defines and legitimises their roles. In Dunlop's model, this shared ideology is expected to create stability in the system. Unlike the assumption of shared ideology, Kochan et alii advocate strategic choices of the key actors which produce dynamics in the system. What this implies is that the activities of the key actors in the system are not necessarily based on the shared consensus. Rather, it is the strategic choices of each actor which guide their activities in the system. Put simply, when the external environment is **stable**, there could be a mutually-beneficial consensus between key actors. However, when environmental pressures are **unstable**, the condition could easily excite those same key actors to undertake change actions which they perceive as both necessary and beneficial for their own sakes. As such, consensus may no longer be maintained within the system.

Kochan et alii's interpretation of American industrial relations history as a dynamic interplay between union and non-union employment system is in the same context based on this notion. Kochan et alii suggest that, although unions and government strategies exist, they have mainly existed to maintain their preferred New Deal industrial relations system which is no longer suitable to the current changing environment and thus reactive to management's strategic activities. These are led by management's own strategic choices which productively envisage the development of new industrial relations activities for the improvement of adaptability towards the changing environment.

In this regard, if we are to be faithful to the Strategic Choice Theory, it could be said that the inconsistency between the principle and fact pointed out by the critics is consistent with the notion of dynamic strategic choices theory of Kochan et alii. However, one very important fact which should be considered, regardless of the persuasive power of the critics or of Kochan et alii's theory, is that most of the criticisms of the Strategic Choice Theory seem to focus on the appropriateness of Kochan et alii's interpretation of American industrial relations rather than on the validity of their research framework. That is to say, it is not the concept of interactive strategic choices embedded in Kochan et alii's framework, rather it is their findings and subsequent interpretations of proactive managerial initiatives which seem to inform such criticisms.

Another good example centres on the notion advanced by Kochan et alii that change-trends in American industrial relations can be described as a transformation. A number of critics argue that Kochan et alii misinterpret the continuing evolution of American industrial relations as a transformation. For example, Block argues that the changes, which Kochan et alii revealed in their evaluation of American industrial relations, are simply predictable evolutionary reactions to increasingly competitive product markets rather than transformation which, according to Block, is defined as occurring when there is a fundamental attention to the way industrial relations is conducted (Block, 1990, page 19). In this context, Block argues that the trend itself can be best understood as employer dominance in collective bargaining. In a similar context, Roomkin and Juris also argue that industrial relations developments in the 1980's, such as the decline in union membership, concession bargaining, should be seen as adaptive change rather than transformative change, and believe that the changes can be obtained through collective bargaining (Roomkin and Juris, 1990, page 190).

The main differences between the critics and Kochan et alii seem to be in that, while the former regard the role of collective bargaining as the main activity which constitutes industrial relations developments in the 1980's, Kochan et alii advance the notion of transformation, based on their belief that industrial relations in America during the 1980's involved a shift in the locus of activity away from the traditional bargaining tier towards the strategic and workplace tiers of the system.

Here again, given that the critics also recognise the changes in American

industrial relations during the 1980's, the criticisms are focussed on the way in which Kochan et alii interpret their findings rather than on the research framework itself.

The second category of criticisms derives from the doubt as to whether Kochan et alii efficiently use the overall research framework and define clear notions of some concepts. Lewin, for example, pointed out that interaction of strategic choices among the parties is not provided (Lewin, 1987). Other examples, such as the failure to explain the relationship between available strategic choices and business strategy, and the failure to explain, the independent influence of strategy, which Kochan et alii agree with (Kochan, Katz and McKersie, 1990, page 192), are the points to be considered as fair criticisms (Roomkin and Juris, 1990, pages 110-111). In a similar context, the unclear notion of strategic choice in Strategic Choice Theory has been pointed out by the critics (Lewin, 1987, page 13; Block, 1990, page 33; Strauss, 1988, page 450).

Here again, the emphasis in the second category of criticisms seems to focus on the effective use of Kochan et alii's research framework and their unclear concept of strategic choice, rather than on the effectiveness of their framework.

The third category of criticisms involves the need to undertake international comparative study (Lipset, 1988, pages 444-449; Rojot, 1990, pages 160-161). Kochan et alii also admit the importance of international comparative study and suggest, with great enthusiasm, that international comparisons will provide an opportunity to test the roles played by institutions and strategy by looking across countries or industries facing similar economic pressures (Kochan, Katz and McKersie, 1990, page 195).

Despite these criticisms, Strategic Choice Theory has also been supported for various reasons:

- a) Strategic Choice Theory encourages researchers in industrial relations to consider the role of corporate business strategy and managerial behaviour. Therefore, it broadens the scope of areas of inquiry (Roomkin and Juris, 1990, page 108; Strauss, 1988, page 450; Block, 1990, page 19).
- b) By suggesting the three-tiered institutional framework and activities among the levels, Strategic Choice Theory provides a broader conception of the institutional structure (Strauss, 1988, page 450; Lewin, 1987).
- c) Strategic Choice Theory considers the interaction of strategic choices of industrial relations participants and thus suggests dynamism

which provides new ground for understanding industrial relations (Verma, 1990, pages 174-175).

d) Strategic Choice Theory promotes increased attention to non-union sectors which have been disregarded (Roomkin and Juris, 1990, page 108).

e) Strategic Choice Theory is consistent with Reynold's criteria, in that it is both theoretically "sound" - focussing on big issues as opposed to trivia - and it is operational in that it can influence and instigate sound public policies (Strauss, 1988, page 450).

As discussed above, the bulk of the criticism levelled at Kochan et alii is preoccupied more with whether Kochan et alii interpret their findings properly, or whether they effectively enough define the notion of strategic choice. The research framework itself has attracted scant criticism and as such, Verma and others (Verma, 1990, pages 185-186), have suggested that strategic choice theory may indeed be a most useful diagnostic framework for understanding patterns and processes of change in industrial relations. For this reason, this thesis will use Kochan et alii's theoretical framework to test its applicability and validity in the context of Korean industrial relations.

Besides being an effective research framework, the strategic choice theory formulated by Kochan et alii is a new industrial relations theory with fresh ideas - ideas like corporate business strategy, managerial behaviour, a three-tiered industrial framework, strategic choice, dynamism in industrial relations development and non-union sectors - elements which have generally been neglected in industrial relations research. Since these innovative elements embedded in Kochan et alii's strategic choice theory have also attracted positive comment from several respected critics, it also seems both productive and appropriate to analyse Korean industrial relations by such means, to ascertain whether Kochan et alii's thesis holds true when the same factors are scrutinised in a totally different context.

Moreover, as suggested by both the critics and Kochan et alii, international comparative study is essential to demonstrate the applicability of Strategic Choice Theory. Although this thesis will not be comparative (in that it only deals with the changes in Korean industrial relations), it is believed that the study of the patterns and processes of change in Korean industrial relations will have some useful implications for both understanding and demonstrating the universal applicability of Strategic Choice Theory.

CHAPTER THREE

3.0 CHARACTERISTICS OF KOREAN INDUSTRIAL RELATIONS DURING THE PRE-1987 PERIOD AND RECENT CHANGES.

3.1 Research Guidelines and Hypotheses

There has been general consensus by industrial relations participants in Korea and amongst foreign countries that Korean industrial relations have changed rapidly since the statement of Presidential candidate Ro, from the ruling party on democratic reform of Korea, on 29 June, 1987. As the main purpose of this thesis is to analyse patterns and processes of changes in Korean industrial relations and to test whether or not the strategic choice theory of Kochan et alii fits or explains the Korean experience, before proceeding to the examination of macro-level industrial relations in a historical context, the principles of how strategic choice theory will be used for the examination of changes at both the macro- and micro-levels of industrial relations in Korea will be outlined:

- a) In order to test the applicability of Kochan et alii's Strategic Choice Theory to the Korean industrial relations scene, this thesis will attempt a comprehensive accumulation of information and data on elements within Kochan et alii's theoretical framework - factors such as environmental elements, the values of individual industrial relations participants and their attitudes towards each other, business strategies, history and current structures, and industrial relation activities throughout the three-tiered system described by Kochan et alii.
- b) This thesis will define the notion of strategic choice as "any strategically determined activities done by each industrial relations participant for their own benefits".
- c) Based on a) and b), particular attention will be given to the following factors:
 - * the relationship between available strategic choices and business strategy;
 - * the influence of external environments, business strategy, values, history and current structures on the decision of strategic choices of each industrial participant;
 - * the interaction of strategic choices among the participants in the three tiers and consequent performance outcomes.
- d) Although findings on the managerial initiatives in American industrial relations will be taken into account, this thesis will put more weight on the strategic interaction of each participant evenly which, in fact, is the

which provides new ground for understanding industrial relations (Verma, 1990, pages 174-175).

d) Strategic Choice Theory promotes increased attention to non-union sectors which have been disregarded (Roomkin and Juris, 1990, page 108).

e) Strategic Choice Theory is consistent with Reynold's criteria, in that it is both theoretically "sound" - focussing on big issues as opposed to trivia - and it is operational in that it can influence and instigate sound public policies (Strauss, 1988, page 450).

As discussed above, the bulk of the criticism levelled at Kochan et alii is preoccupied more with whether Kochan et alii interpret their findings properly, or whether they effectively enough define the notion of strategic choice. The research framework itself has attracted scant criticism and as such, Verma and others (Verma, 1990, pages 185-186), have suggested that strategic choice theory may indeed be a most useful diagnostic framework for understanding patterns and processes of change in industrial relations. For this reason, this thesis will use Kochan et alii's theoretical framework to test its applicability and validity in the context of Korean industrial relations.

Besides being an effective research framework, the strategic choice theory formulated by Kochan et alii is a new industrial relations theory with fresh ideas - ideas like corporate business strategy, managerial behaviour, a three-tiered industrial framework, strategic choice, dynamism in industrial relations development and non-union sectors - elements which have generally been neglected in industrial relations research. Since these innovative elements embedded in Kochan et alii's strategic choice theory have also attracted positive comment from several respected critics, it also seems both productive and appropriate to analyse Korean industrial relations by such means, to ascertain whether Kochan et alii's thesis holds true when the same factors are scrutinised in a totally different context.

Moreover, as suggested by both the critics and Kochan et alii, international comparative study is essential to demonstrate the applicability of Strategic Choice Theory. Although this thesis will not be comparative (in that it only deals with the changes in Korean industrial relations), it is believed that the study of the patterns and processes of change in Korean industrial relations will have some useful implications for both understanding and demonstrating the universal applicability of Strategic Choice Theory.

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- a) In order to test the applicability of Kochan et alii's Strategic Choice Theory to the Korean industrial relations scene, this thesis will attempt a comprehensive accumulation of information and data on elements within Kochan et alii's theoretical framework - factors such as environmental elements, the values of individual industrial relations participants and their attitudes towards each other, business strategies, history and current structures, and industrial relation activities throughout the three-tiered system described by Kochan et alii.
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- c) Based on a) and b), particular attention will be given to the following factors:
 - * the relationship between available strategic choices and business strategy;
 - * the influence of external environments, business strategy, values, history and current structures on the decision of strategic choices of each industrial participant;
 - * the interaction of strategic choices among the participants in the three tiers and consequent performance outcomes.
- d) Although findings on the managerial initiatives in American industrial relations will be taken into account, this thesis will put more weight on the strategic interaction of each participant evenly which, in fact, is the

basic concept of strategic choice theory. Moreover, to understand the strategic interaction of each participant, Kochan et alii's three-tier institutional framework will be the central component of the empirical case study of Kia Motors.

e) By comparing the findings of this thesis - critically extracted from the study of changes in Korean industrial relations via the prism of a historical context and a case study of Kia Motors - with those of Kochan et alii, this thesis will attempt to evaluate the appropriateness of strategic choice theory in the Korean experience.

Based on the research guidelines detailed above, three hypotheses have been formulated to crystallise the research methodology of this thesis, the main purpose of which is to verify the changes in Korean industrial relations since 1987 and to test the applicability and validity of strategic choice theory to Korean industrial relations changes since 1986. The hypothesis will be evaluated via the research outcomes.

The first hypothesis is that **"there has been a transformation of Korean industrial relations since 1987."**

The second hypothesis is that **"this transformation can be partially explained using Kochan et alii theory."**

The third hypotheses is that **"other important political economical, and/or social factors need to be taken into account in order to explain the transformation of Korean industrial relations."**

3.2 Characteristics of Korean Industrial relations during the Pre-1987 Period.

The single most important feature of Korean industrial relations during the pre-1987 period was the government's strong and decisive authoritarian control of industrial relations activities. Whereas current government policies concerning industrial relations attempt to deal in a balanced and democratic fashion with large enterprises and the trade unions, during the pre-1987 period, with little consensus among the industrial relations participants, the government drafted, implemented, and sometimes changed rules and regulations of industrial relations as means of maintaining political and social stability, as well as industrial peace in Korea. It can be generally discerned that, during the pre-1987 period, any industrial relations activities which could have undermined the industrial peace, (such as industrial disputes, grievances), were seen as undesirable and problematical for the maintenance of stable and rapid economic growth as well as a threat to political and social stability, so the formal labour right, especially the collective labour movements, were extensively repressed.

As a consequence of such authoritarianism, management inherited relatively favourable conditions which allowed it to manipulate the agenda of labour-management relations. Workers without any formal rights, therefore, had to confront long hours of work in an environment where labour standards and health and safety conditions were not enforced, and for low wages.

In this regard, it is essential to explore the economic, political and socio-cultural aspects of Korea in a historical context to understand why the government's authoritarian approach was the dominant feature of Korean industrial relations during the pre-1987 period. Additionally, the examination of the characteristics of the Korean workforce and their values will provide some insights on the relative success of the government's labour control policies and of management's manipulation of the workforce.

3.2.1 Economic Developmentalism in Korea.

The economic progress of Korea during the last three decades is quite impressive. The real rate of gross national product (GNP) growth averaged a percent a year. GNP per capita has increased from US\$ 87 in 1962 to US\$ 4.994 in 1990. Exports have risen from US\$ 32 million in 1967 to US\$ 63 billion which shows about a 200 times growth during 23 years. The unemployment rate has been reduced from 16.4 percent in 1963 to 3.0 percent in 1988. Moreover, this unemployment rate has remained stable under 5.0 percent since the middle of the 1970's (Y. Park, 1992; W. Lee, 1988).

This so-called economic development miracle can be explained by the government's principle of "develop first, share later" and the export-oriented economic structure of Korea with its stable supply of a highly educated, hard-working, low-cost and disciplined workforce. As indicated above, in the early 1960's, Korea confronted chronic high unemployment; coupled with this, its industries were undeveloped, it lacked natural resources and it had a small domestic market. In these circumstances, the government had no option but to concentrate on the development of the Korean economy by mobilising all available resources and the distribution of wealth could not even be contemplated, owing to the extremely poor conditions of the Korean economy. And, with the added disadvantage of a small domestic market, the Korean economy had to be "re-jigged" or restructured as an export-oriented enterprise.

Moreover, by taking advantage of the abundant supply of cheap and highly-educated workers, Korea was able to maintain price competitiveness in the world market and thus achieve a rapid growth of exports during the pre-1987 period. Although there are other political and socio-cultural factors which provide the reasons for the government's authoritarian control over the industrial relations process when the situation is considered in purely economic terms, the industrial relations policy was carefully constructed to provide industrial relations conditions which were as favourable as possible for the stimulation of rapid economic growth.

To meet this economic objective, the government focussed its attention and energies on the containment and lowering of growth in real wages - an approach which has real potential for exacerbating labour conflict - with the aim of keeping Korean firms competitive in the world market. In fact, the average real wage growth between 1962 and 1986 was 7.2% (J. You, pages 110-111). One could argue that 7.2% real wage growth is not too bad and that it should not, therefore, provoke labour disputes.

However, because wages started from a very low base and because manufacturing-sector productivity increased to a level and at a rate which far exceeded growth in real wages [and most labour-intensive light industries employed cheap female workers], (J. You, pages 111-112), the figure of 7.2% growth did not satisfy workers in Korea.

The labour disputes and grievances, mostly about wage increases and their working conditions, were viewed by government as something undesirable and even a threat to their economic growth plan and, as such, they were something to be suppressed as quickly as possible. At the same time, the government did not encourage union activities, and thus suppressed any adversarial collective actions or bargaining through direct intervention. In fact, there has been no collective bargaining since the 1970's, although union organisation has been allowed. For this reason, Professor S. Park described the labour movement as unionism without collective bargaining. Clearly, Korean industrial relations policy was subordinated to the accomplishment of rapid economic growth - a subset of the government's overall economic development strategy.

Not surprisingly, therefore, any industrial relations activities which were perceived as disruptive to industrial peace and harmony were also perceived as potentially sabotaging the master plan for rapid economic growth and stability. As such, they had to be authoritatively and expeditiously controlled - and they were during the pre-1987 period.

3.2.2 Political Aspects in Relation to the Labour Movement in Korea

The early Korean labour movement is, by and large, characterised by the dominance of political and ideological elements fundamentally opposed to the government of the day, which resulted in controversial labour-management relations. This tendency has been marked over the last three decades, but it was particularly evident until the end of the 1950's.

After the second world war, in November 1945, and with the endorsement of the occupying US military hierarchy, the first national Trade Union organisation in Korea was formed. It was called the General Council of the Korean Trade Unions (G.C.K.T.U. or Chun Pyung). Since this organisation was established by communists and left-wing radicals, it was almost inevitable that the labour movement should concentrate on political and ideological struggles against the government, rather than involve itself with economic issues.

As Korea was divided into democratic South and communist North Korea after liberation from Japanese colonialism, there was a great deal of tension between the two countries. The activities of GCKTU (Chun Pyung) was greatly influenced by North Korea and the organisation was often used as North Korea's unification strategy. Most right-wing politicians and employers, therefore, encouraged workers to reorganise anti-communist, right-wing organisations in individual firms. As a result, the Federation of Korean Trade Unions (FKTU or Daehan Nochang), was established in March, 1946. Fierce competition between the two national trade union organisations continued until the end of the Korean war, often resulting in severe violence. After the Korean war, as South Korea was and still is officially at war with the North Korean communists, the GCKTU (Chun Pyung) was disbanded and thus the FKTU (Daehan Nochang) became the only national trade union organisation.

The outcome of this establishment of a singular monopolistic trade union organisation was a deep-seated tendency for government, employers and Korea's older generation to view industrial disputes and workplace grievances - often expressed through collective workers' action - more as political and social challenges than legitimate demands for economic rights or benefits. This tendency continued until mid-1987: labour disputes were not classified as integral or functional parts of industrial society; rather, they were perceived as undesirable threats to the status quo and, as such, they needed to be either extinguished or rapidly suppressed.

In addition to the edification of the communist- and socialist-led ideological and political labour movements during the 1940's and 1950's, there was another factor which enabled government to exercise relatively easy control over industrial relations from the 1960's until mid-1987.

As already outlined, the Federation of Korean Trade Unions (Daehan Nochang) was the only legitimate national organisation after the Korean war. As FKTU (Daehan Nochang) was heavily sponsored by the Government and employers during the 1940's and 1950's, there remained a close connection between union officials, government and employers. Moreover, officials of industry-level unions were also greatly influenced by government instructions.

Consequently, the FKTU and industry-level unions were under the control of the government. It was impossible for workers to lead industry-wide or national labour actions to have their demands met. Therefore, although there were a few firm-level workers' collective actions on basic economic issues, it was not difficult for employers, with the assistance of government agencies and without the intervention of industry- or national-level unions, to repress such actions.

A further highly significant political aspect of Korean labour-management industrial relations lies in the fact that the radical leaders of the labour movements violently contested the legitimacy of government. Both the third (1962-1979) and the fifth (1980-1987) governments were the end-products of military coups, and as such, the unionists argued that they were non-

democratic. This was the major cause for labour and student unrest and major confrontation with the so-called "military dictators" during the 1970's and the 1980's.

When the confrontations between radical labour movements and government in the 1970's and 1980's are coupled with the socialist- and communist-inspired and led activities of the 1940's and 1950's, it is perhaps easy to understand why government moved to establish authoritarian control over industrial relations, a job made easier via the historically-close connections and influences between union officials, government and/or employers.

3.2.3 The Socio-Cultural Context

Another major factor which contributed to the intensification of government's authoritarian control derives from the principles of Confucianism, which has been the most influential social norm in Korean society for more than 500 years. The major ideology of Confucianism, at least in Korea, is known as the idealisation of a hierarchically- and collectively-ordered, harmonious and patriarchal society (Lee, 1993, page 246). That is to say, in a Confucian society, the nation's interests take total precedence over any individual's or group's interests. The maintenance of societal harmony is deemed essential, and is managed via strict accordance with and acceptance of the hierarchical order. In such a philosophically-determined context, whenever individual or group interests or grievances are considered prejudicial to the larger, national interests, the government - as guarantor or custodian of the common good - is sanctioned to intervene, repress or suppress such actions for the sake of maintaining social and/or political stability and harmony.

The Korean government's well-known economic policy of "Development first, distribution later" during the last three decades can be understood in this context. After the Korean War, as Korea was so poor, the Korean people had little choice other than to sacrifice themselves on the altar of national economic development. And it was because of this philosophical underpinning that the government was able to successfully introduce and implement their wage control policies to foster Korea's international competitiveness; to intervene authoritatively in industrial disputes to bolster industrial peace and harmony in the early stages of Korea's dramatic economic recovery over the last three decades. The philosophy of Confucianism provided government with the perfect vehicle for wielding its authoritarian stick in industrial relations matters. The Korean people accepted it, perhaps out of necessity, but it also seemed to work.

3.2.4 Workforce Characteristics and Their Values in the Pre-1987 Period

The government's authoritarian control in industrial relations affairs seemed to contribute to Korea's rapid economic development, in that it produced a sort of industrial peace and, particularly, created a wage restraint policy, and, given the fact that certain philosophical, political and socio-cultural attributes of Korean life provided government within an apparently cast-iron rationale for being authoritarian in its industrial relations control mechanisms, one could say that Korean workers had no choice except to work hard - for the common good, of course.

However, without understanding the workforce characteristics and their labour during this period, one cannot fully understand the reasons for the government's successful authoritarian control over the industrial relations activities in Korea. Vogel and Lindauer (1989) have described these factors well. First of all, in the years of that generation now aged between 50 and 60 years, working was purely and simply a matter of survival - especially in the 1960's and 1970's - because the Korean War decimated Korea's industrial base. As the Korean government was too poor to support them, families had to support themselves.

Even worse, too many people were seeking too few (or non-existent) jobs, so the phenomenon of labour surplus dominated. In such scenarios, issues such as wage levels and working conditions take a back seat to simple survival.

Secondly, most of the workers during the 1960's and 1970's were recruited from rural areas. They were well accustomed to working hard and, moreover, their wages in an industrial/manufacturing context were relatively high, compared with their earnings as rural workers.

Thirdly, there was a wide-spread consensus among the Korean people that **economic** development was the only way for the nation's survival and thus they were ready to sacrifice their individual interests for the greater national need. Needless to say, the notion of self-sacrifice was totally vindicated by the prevailing ideology of Confucianism.

Finally, in a society where Confucianism was so influential, people who are educated are respected and they have good job opportunities. Understandably, parents of the older generation were quiet prepared to make whatever sacrifices were necessary, so that they could provide their children with the highest possible quality of education and, therefore, life opportunities which they themselves had never enjoyed.

Although there were undoubtedly profound dissatisfactions amongst the workforce during this time, the above factors provided Korean workers with the spiritual power to endure the repressive industrial relation's system; and prepared them - via dreams of glorious Korean economic development and the success of their children via their sacrifices - for future opportunities.

3.3 Implications of Authoritarian Industrial Relations System During the Pre - 1987 Period

As far as Korea's economic development is concerned during the last three decades, the government's authoritarian industrial relations policy seemed to play an important role, despite manifest dissatisfaction by workers concerning their wages, working conditions and rights, etc. However, thanks to government's rigidly-applied control mechanisms, all workers' actions came to nothing. Therefore, it is essential to understand the effects of the government's authoritarian control over industrial relations activities during the pre-1987 period.

First of all, it is said that the government's authoritarian approach can be attributed to the fact that both labour and management are not accustomed to autonomous conflict resolution. As mentioned earlier, owing to the government's intervention and sometimes repression of any industrial disputes, employers did not have to pay much attention to industrial relation matters at the firm or company level. For example, wages were not generally decided by collective bargaining. Rather, it was unilaterally decided by employers in large enterprises, supported by government instructions which mainly emphasised wage restraint. Workers in the small or medium-size firms had even worse wages. Therefore, it can be argued that the government's authoritarian policy towards industrial workers contributed significantly to the unilateral management of industrial relations by employers at the firm or company level. The workers were "gagged".

Not surprisingly, the workers forced the government into strong interventional action by setting up a series of rolling strikes, marred by severe and widespread violence, which, inevitably created extremely adversarial labour-management relations at the firm level. These strikes were mainly because the workers believed that, within the prevalent legal framework, it would be extremely difficult for them to have any effective dialogue or meaningful negotiations with employers and government policy makers. In this regard, it could be said that the government's authoritarian control over industrial relations activities resulted in the depreciation of autonomous conflict resolution capacity of both labour and management, and thus created an adversarial labour-management relations at the firm level.

Secondly, in a similar context, the government's tight control over industrial relations activities provided an opportunity for the growth of radical unionism during the late 1970's and early 1980's, as workers' dissatisfaction had been fermenting. Radical unionism - mainly asserting the need for political liberalisation - gained widespread support, both explicitly and implicitly, for the Korean workforce. Although there has been much criticism of radical unionism in that it adhered too much to political activities and sometimes used socialistic or communistic ideas as its ideological basis (which most Korean people still do not like), it is generally agreed that the repression of industrial relations activities - often described as unionism without collective bargaining - was

mainly due to the political dictatorship of the so-called military government. Further, there was wide consensus among the workforce that political liberalisation was the only way to improve the conditions bedeviling fair and effective management of Korea's industrial relations mechanisms, and thus a substantial number of workers supported radical unionism.

Although these radical unions were not recognised as legal associations by the government because they were not registered under the Federation of Korean Trade Unions (the only national association recognised by the government), radical unionism played an important role in influencing Presidential candidate Ro, Tae-Woo's democratisation statement on 29 June 1989, which resulted in great changes in Korean Industrial relations. Moreover, dual labour movements came into being after 1989, so radical unionism's influence on changes in Korean industrial relations are not to be underestimated.

The third, and perhaps the most important implication, is the fact that, owing to the favourable business conditions of employers created by the government's "Development first" economic policy, large Korean enterprises failed to recognise changing patterns in the world economic environment. The government's master plan of employers driving a lowly-paid, highly-skilled workforce to constantly-increasing levels of low-cost productivity - thereby theoretically guaranteeing Korea a secure niche in the world market place via low-cost goods and, therefore, solid economic development - was, in fact, flawed.

International competition became much more intensified than Korean employers ever expected, especially with the emergence of industrial economies in low-wage East and South-East Asian and Latin American countries, which produced standardised goods cheaper than Korea. Moreover, as these countries' low-price products forced the advanced industrial countries to reconsider their role in the international market, the advanced countries tried to look for alternative markets. The production of special and customised and/or high-quality goods, suggested themselves as a new strategy. To implement and accelerate this alternative strategy, the advanced industrial nations have tried to concentrate on both technological and human resources development. These efforts have resulted in actually widening the gaps between the quality of products in these countries and in Korea.

The main reason for Korean employers failing to recognise the intensified international competition could be attributed to the domestic business conditions created by government's economic and industrial relations policies. High tariff rates on imported products, limitation on the items of importation of various overseas products, financial and monetary assistance to large enterprises as a major part of economic policy, as well as wage restraints, well-disciplined surplus labour, and direct interventions in major labour disputes - all these factors contributed to Korean employers' failure to recognise significant shifts in the world economic environment.

Put another way, the government's policy of excessive protectionism and support for Korean enterprises - both vital and appropriate in the early stages of industrial redevelopment - may well have lulled employers into a false sense of security, even economic complacency. Perhaps they did see the changes happening all around them, but felt "insulated" from them.

The employer's reluctance to adapt to changing world economic conditions caused firm-level industrial relations problems. First of all, for reasons delineated above, there was a climate of low trust and adversarial industrial relations at the firm level with the potential for massive labour disputes. Secondly, employers were seemingly reluctant to involve themselves in the development of technology and human resources, essential sources for a competitive advantage in the future.

To facilitate a systematic evaluation, the characteristics of Korean industrial relations during the pre-1987 period will be briefly explained using the structure of the research framework derived by Kochan et alii.

First of all, the external environment had been generally favourable to employers. The glut on the labour market guaranteed low-cost, well-disciplined workers, with the government's economic and industrial relations policies further consolidating the employers' position. Workers during this period were relatively cooperative, despite of the potential for industrial disputes. Further, the domestic product market had been oligopolistic and protected from overseas' products by the government's high tariff rate policy and their limitations on certain imported products.

Additionally, export levels of high-volume, low-cost, mass-produced products enjoyed relative success. Although there had been rapid technological developments throughout the industrial/manufacturing world, the technology level in Korean firms was good enough to satisfy the mass-production system essential for a low-price products strategy. Again, these external environmental conditions encouraged employers to adhere to the notion of low-price competitiveness. Moreover, traditional Korean values/beliefs, historical precedents, traditional labour structures, and the economic, political and socio-cultural fabric of Korea industrial relations aggregated to provide both government and employers with a rationale for authoritarian control over the workforce.

So, given these factors, Korean industrial relations during the pre-1987 period, could be characterised by the government's macro-level and by employer's firm-level authoritarian and bureaucratic control over the workforce.

3.4 Changes in Korean Industrial Relations After 1987

During the middle of the 1980's, there were severe student and radical union protests directed against the repressive actions of President Chun's government. As is clearly evident from Table 3.1, which details Korea's labour

**Table 3-1:
Korea's Labour History**

Labour Acts			Major Events	
Year	Collective Industrial Relations	Others	Labor	Others
1945	-A statute on labour protection including labour disputes mediation was declared.	-A Statute on wages, was declared by the U.S. military authorities	-A national affiliation of pro-communist trade unions was organised	-Korea was liberalised. -U.S. military rule began
1946		-Statutes on maximum working hours a child labour was declared.	-The Federation of Korea Trade unions was organised	
1947			-The pro-communist national affiliation of trade unions was outlawed by the U.S. military authorities.	
1948			-The Labor Bureau was established under the Ministry of Social Affairs and Health	-The 1st Republic of Korea was established.
1950				-The Korean War broke out.
1953	-The Labour Union Act(LUA) , the Labor Dispute Mediation (LDMA) & Labor Committee Act (LCA) were enacted	-The Labor Standard Act (LSA) was enacted.		-The Korean War ended.
1958			-The National Council of Trade Unions was organised.	
1960			-Two national affiliations of trade unions competed for the national leadership. -Teacher's unions were organised.	-The First Republic ended with the April 19 student revolution.
1961			-All Labor Acts were suspended	-The Second Republic ended with a military coup.
1962		-The Labor Standard Act (LSA) was amended.	-All trade unions were dissolved -Trade union structure was transformed to an industrial union structure.	-The Third Republic began.
1963	-The LUA, the LDMA & the LCA were amended	-The Industrial Accident Compensation and Insurance Act (IACIA) was amended	-The Labor Office became an independent government agency.	

1967		-The Vocational Training Act (VTA) was enacted. -The Employment Stability Act (ESA) was enacted.		
1970	-A "Temporary" Law (Ti) which restricted union activities and labor disputes in foreign owned firms, was enacted.	-The IACIA was amended.	-The Korea Employers, Federation was formed.	
1971	-Following the LCSMS, compulsory arbitration was expanded to include all industries.			-The Law Concerning Special measures for Safeguarding National Security(LCSMSNC) was declared, which followed a National Emergency Declaration.
1972				-The Fourth Republic was born with the new "Yushin" Constitution.
1973	-The LUA, the LDMA & the LCA were amended	-The VTA was amended.		-The first oil-shock.
1974	-The LUA & the LDMA were amended with the dissolution of the January - 14 State Emergency Concerning Economic Affairs	-The LSA was amended.		- The January-14 State Emergency Concerning Economic Affairs was declared.
1976		-The VTA was amended.		
1979				-The second oil-shock. -President Park was assassinated.
1980	-The LUA, the LDMA & the LCA were amended and the Labor/Management Council Act was enacted.	-The LSA was amended.	-A clean-up process of trade unions took place.	-The Fourth Republic ended with a military coup. -The Fifth Republic was born with a new constitution.
1981		-The Industrial Safety and Health Act (ISHA) was enacted. The VTA was amended.		-The Labor Office was expanded to become the Ministry of Labor.
1982		-The ESA was amended.		

1986	-The LUA & the LDMA were amended. The TI was abolished.	-The VTA was amended. -The Minimum Wage Act (MWA) was enacted.		
1987	The LUA , the LDMA & the LMCA were amended.	-The LSA was amended. -The Male/Female Equal Employment Act (MFEEA) was enacted.		-The June - 29 Democratisation Declaration was declared by the Presidential Candidate of the ruling party.
1989		-The LSA was amended.		
1990			-Another national affiliation of trade unions was organised.	

Source: Park, Y, **State Regulations, the Labor Markets and Economic Development : Korea, Korea Labor Institute, Seoul, 1992**

Note:

- LUA: The Labor Union Act
- LDMA: Labor Dispute Mediation Act
- LCA: Labor Committee Act
- LSA: Labor Standard Act
- IACIA: Industrial Accident Compensation and Insurance Act
- VTA: Vocational Training Act
- ESA: Employment Stability Act
- TI: Temporary Law
- LCSMSNC: Law Concerning Special Measures for Safeguarding National Security
- ISHA: Industrial Safety and Health Act
- MWA: Minimum Wage Act
- MFEEA: Male/Female Equal Employment Act.

history, during the regimes of President Chun (the fifth republic), a clean-up process of trade unions took place and thus labour and trade unions were severely repressed (for more details, see Y. Park, 1992). This repression provided a chance for the rapid growth of radical unions which resulted in one of the main anti-government movements. Moreover, at the end of President Chun's regime, there was a widespread political discussion on the method of presidential election. While the government advocated a parliamentary system, the opposition strongly argued for the maintenance of a direct election system which had been the formal election method. This political debate culminated in strong student and civil protests which erupted on 10 June, 1987.

In response to the social turmoil, Presidential candidate Ro announced that the government would permit direct elections. He also announced that there would be significant political liberalisation. After this statement on 29 June, 1987, unrest spread throughout the whole industrial spectrum. There is a shared consensus by industrial relations participants in Korea and amongst foreign countries that Korean industrial relations have changed since Presidential candidate Ro made his statement on democratic reform. In this respect, this section will seek to explore the changes in Korean industrial relations and their implications.

3.4.1 Changing Government Labour Policy

One of the major changes in Korean industrial relations after 1987 was the change in the government's policy on industrial issues. Instead of an authoritarian approach to industrial relations, the government has tried to project the image of being a strong mediator between the various factions. The basic reasons for the government's changed role can be summarised as follows:

- (a) the government has tried to foster a process of dealing with industrial relations issues, especially industrial disputes, in a legal framework, and has prohibited any illegal industrial relations activities;
- (b) in dealing with labour-management interactions, rather than adopting the authoritarian, management-biased approach of the pre-1987 era, the government has tried to stand in the middle as a rational mediator between employer and employees;
- (c) despite its changed perspectives on industrial relations activities, the pre-1987 priority of national economic development being paramount has been maintained: any dispute which threatens to damage the development of the Korean economy is subject to government intervention.

Changes in labour laws during the post-1987 period - one of the government's most frequently and openly used mechanisms during this time - are instances which clearly reflect significant changes in the government's labour policy. As a result, labour laws which had been one of the most frequently and openly used mechanisms of the government during the pre-1987 period, have been changed.

As mentioned earlier, major restrictions applied by the labour laws were mainly aimed at controlling collective industrial relations activities during the pre-1987 period, but the right to organise, the right to strike and the right to have free collective bargaining had also been extensively restricted. Even the right to organise had been somewhat restricted during the fifth republic regime

through legislation ordering that all unions should be formed on an enterprise basis. This legislation was enacted mainly to reduce the power of unions by intervening in their cooperation through industry-based unions. Despite these restrictions imposed by labour legislation, the government provided a number of legal arrangements which protected workers and sometimes even encouraged employers to improve working conditions to acceptable levels. However, the labour laws of the individual worker's welfare had not been successfully applied at a firm-level, largely because of employers' reluctance.

However, as can be seen from Table 3. 1, labour laws relating to collective industrial relations - such as the Labour Union Act, the Labour Dispute Mediation Act and the Labour Committee Act - were, after 1987, amended for the first time since their original promulgation so that they were more favourable to the workers. Moreover, labour laws relating to individual workers' protection were also amended and enacted. In Table 3.1, it can be easily seen that extensive revision of the legal framework, especially relating to collective industrial relations during the pre-1987 period, were predominantly designed to regulate and sometimes repress the collective activities of workers (Y. Park, 1992, pages 6-10).

In this regard, the favourable amendment of labour laws after 1987 has had a very important impact on Korean industrial relations from 1987, in that the government labour policy is far more democratic than the authoritarianism exercised during the pre-1987 period. This democratic trend was to be further enhanced during the so-called first civilian government from 1992.

In fact, since the establishment of the first civilian government, there have been active debates on proposed further amendments to labour laws relating to collective industrial relations. The first Labour Minister of the first civilian government proposed the elimination of prohibition of the unions' political participation, third party intervention and the establishment of multi-unions in 1993. As these prohibitions have been the major obstacles in the further development of Korean union movements post-1987 (Korean Labour Institute, 1988; Dong - A Daily, 31/5/1993), their elimination will inevitably activate the expansion of union movements. However, largely because of stiff opposition from employers and the ruling party, this proposal to lift the prohibitions has been shelved until 1994, which will excite another round of heated debate among industrial relations participants. Nevertheless, despite the government's delay in this matter, the government's initiatives in proposing to lift the prohibitions on the trade unions provide a clear picture of the government's changed policy on labour issues.

Another way of examining the government's changed stance on industrial issues is via the examination of its relationships to industrial relations issues, especially with regard to industrial disputes and rapid increases in wages post-1987.

Table 3.2**Labour Dispute Trend in Korea (1980-1992)**

	1980	1981-86	1987	1988	1989	1990	1991	1992
Number of dispute cases	407	1,026	3,749	1,873	1,616	322	234	235
Average duration of dispute (days)	--	--	5.4	13.9	18.5	--	--	--

Source: Ministry of Labour, Reports on Monthly Labour Survey, Seoul, Each Issue (1980-1992)

As Table 3.2 illustrates, the number of industrial disputes between 1987 - 1989 exceeds the total number of disputes between 1981-1986. However, from 1990, this number is significantly lower, mainly because the government has tried to intervene strongly in illegal industrial disputes post-1987 to minimise the degree of damage inflicted, during 1987-1988, upon Korea's rapid economic growth.

Table 3.3 shows Korea's real economic development rate between 1986-1988, with a high of 12.5% and a low of 6.5%. Additionally, the high export growth rates of 14.6% (1986), 36.2% (1987) and 28.4% (1988) plummeted to a low of 2.8%. Table 3.4 reveals the excessive production losses stemming from industrial disputes between 1987-1989. As a consequence of stunted economic growth caused by three years of disputes, the government announced its firm intention to intervene in any illegal industrial disputes threatening the nation's economy.

Table 3.3

Economic Indicators in Korea (1985-1989)

Year	Real Economic Development Rate (%)	Unemployment Rate (%)	Export Increase Rate (%)
1985	7.0	4.0	3.6
1986	12.9	3.8	14.6
1987	12.8	3.1	36.2
1988	12.2	2.5	28.4
1989	6.5	2.6	2.8

Source: Modified from Kim, T. and Yoon, B., Study on Industrial Disputes, Korea Labour Institute, Seoul, 1991, page 45

The government's recent response to the massive industrial disruptions in the Hyundai Group of Companies during June-July, 1993, is yet another example of its determination to be seen as a serious mediator. In the initial phases, the government tended to stand back from the bargaining processes and leave it in the hands of labour and management. However, as the disputes became violent and dragged on for 36 days - sadly damaging Hyundai's reputation as one of Korea's leading export companies - the government gradually began to involve itself, not by heavy-handed, oppressive authoritarianism, but by the announcement of the enforcement of Emergency Conciliation legislation for only the second time in the history of Korean industrial relations.

The Emergency Conciliation legislation lays down that the union cannot provoke strikes for twenty days and that the Central Labour Relations Commission will act as the conciliator in disputes between unions and management within ten days and bring down a decision, after conciliation, which has to be accepted by both parties. Because of this move, the union and management in the Hyundai Group of Companies reached agreement before implementation of the conciliation process.

There are three factors which account for the changed government labour policy. The first is that, despite the seriousness of the disputes - which were not simply a single company's disputes, but those of a whole group of companies over a protracted period of time - the government tried to leave the

settlement to the warring parties during the early stages of dispute. Secondly, the announcement of the Emergency Conciliation legislation for only the second time since the dispute involving the Daehan Shipbuilding Company in 1969 signals the fact that the government was trying to settle disputes within a legal framework. In fact, there had been no need to invoke the Emergency Conciliation laws pre-1987, because the principal means of dispute settlement during this time was via police involvement and the arrest and prosecution of the instigators. And, thirdly, the government announced that - after the settlement of any dispute - there would be extensive penalties imposed on companies with a history of chronic industrial disputes by withdrawal of financial assistance, regular tax investigations and regular reviews and educational training by the local Labour Relations Commission. All this points to the government's recognition of the fact that industrial disputes are the responsibility of both unions and management, both in terms of origin and resolution, and that it is adopting a far more balanced perspective on such issues.

The government's determination to protect the national economy over the self-interests of industrial disputes can be found in its introduction of the National Wage System in 1992 in response to the rapid escalation of wages post-1987. The main thrust of this wage system was that wage increase rates, negotiated by collective bargaining in large enterprises nominated by the government, should not exceed the rate of increase of consumer prices. In other words, such increases will be tolerated until they damage the price competitiveness of Korean industry, at which point government will intervene to protect the national economic interests.

Having said that the government has shifted from being an authoritarian, direct interventionist in the industrial relations arena to being a rational conciliator in such matters, and has introduced measures which have substantially - if not radically - reshaped the nature its labour policies, it is still patently obvious that it has every intention of maintaining a controlling influence in industrial affairs whenever the stability or development of the national economy is seen to be in jeopardy.

3.4.2 Activated Trade Union Movements.

One of the most striking features in Korea's industrial relations after 1987 is the rapid expansion of trade union activities. As shown in Table 3.4, the number of organised establishments increased from 2,725 to 17,883 during July 1989, to December, though the numbers slightly decreased to 7,634 in 1991.

Table 3.4

Indicators related to Korean Trade Union Movement after 1987

	1987 from 30 June	1988	1989	1990	1991	1992
Number of trade unions	2,725	6,142	7,861	7,676	7,634	-
Organisation rate (%)	14.7*	17.8	18.7	17.4	16.0	
Number of disputes	3,749	1,873	1,616	322	234	235
Illegal disputes rate (%)	94.1	79.6	68.5	56.8	39.17	35.7
Number of workers involved in disputes (thousands)	1,262	293	409	134	175	104
Number of labour days lost (thousand days)	6,947	5,401	6,351	4,487	3,258	1,520
Amount of production loss (100 million Won)	27,782	32,020	41,995	14,387	12,317	-
Amount of export loss (million dollars)	537	732	1,363	314	238	-

Source: Quarterly Labour Review, Korea Labour Institute, Seoul, December 1992

The rapid expansion of trade union organisations shows the activated trade union movement. During the pre-1987 period, union activities in heavy manufacturing industries were severely restricted. This was because these industries were vital to Korea's national economic development. However, after 1987, these restrictions were mostly lifted and union membership in large factories rapidly expanded. About 55.4 percent of total establishments with 300 or more employees in Korea were organised as of December 1989 (F. Park and Y. Park, 1991, page 5).

Another way of viewing the rapid growth of trade union movements can be seen in the tremendous increase in strikes after 1987. In the second half of 1987, about 3,600 strikes occurred, as shown in Table 3.4. In 1987, about 70 percent of the manufacturing establishments with more than 1,000 workers experienced strikes (F. Park and Y. Park, 1991, page 9). As shown in Table 3.2, the number of disputes after 1987 is significantly higher than the total number of disputes from 1981 to 1986.

The number of strikes in 1988 and 1989 was also higher than the total number of strikes during 1981 to 1986. This increased number of strikes proves that unions enjoyed fuller freedom in their activities. Moreover, the substantial decrease in the number of strikes from 1990 does not mean the reappearance of the government's repression against labour movement. After the fierce strikes during 1987, 1988 and 1989, the trend of negotiation between labour and management moved from an illegal into a legal framework. Therefore, many of the problems were solved without any significant disputes. This is mainly due to the recognition of both labour and management that illegal disputes could not achieve their goals any more, owing to government enforcement of labour law and regulations and lack of public support (F. Park and Y. Park, 1991, pages 12-13).

However, compared with the government industrial relations policy during the pre-1987 period, this government recognised any industrial relations problems within a legal framework. The government only intervened in any illegal disputes, although there was one exceptional case as previously mentioned. Therefore, as far as both labour and management tried to solve the problems within a legal framework, they did not experience government intervention or repression. Therefore, it can be said that although the number of disputes from 1990 has significantly decreased, this does not mean the decline of labour movement. It can be proved from the number of trade unions established since 1987. As in Table 2, the number of trade unions on 30 June 1987, was 2,725 and the numbers constantly increased to 7,861 in 1989 and maintained that level after 1989.

Through the activated labour movement since 1987, labour and trade unions have achieved significant gains, the most significant of which was the rapid increase of workers' wages.

As Table 3.5 reveals, the real wage increase rate from the last quarter of 1987 to 1990 was substantially higher than the wage increase during the pre-1987 period. As mentioned earlier, as wages had been restrained to maintain international competitiveness, wage increase was the first priority on the worker's negotiations agenda. This substantial wage increase after 1987 was led by blue collar workers and unions in large firms.

Table 3.5

Trend of Wage Increase Rate in Korea (1989-1990)
(Unit: %)

	'81-86	'87	414	'89	'89	'90
Total Wage						
*Nominal	12.2	10.1	18.5	15.5	17.8	20.3
*Real	5.5	6.9	12.8	7.8	21.1	11.7
Occupation						
*Production	12.8	12.5	23.9	21.2	26.0	23.2
*Non-Production	10.5	9.1	15.4	11.0	16.2	16.6
Size of Establishment						
*10-29 employees	12.3	8.6	15.2	10.1	16.2	19.5
*30-99 employees	11.5	9.5	14.0	9.2	18.8	17.8
*100-299 employees	11.8	9.4	17.2	14.3	20.0	20.7
*300-499 employees	12.3	9.9	16.3	18.8	21.9	22.0
*more than 500 employees	12.9	11.6	23.8	21.2	24.5	21.7

Source: Ministry of Labour, Korea, Reports on Monthly Labour Survey, each issue).

This is mainly because the trade union movement has been more activated in large firms and these establishments with a greater ability to satisfy wage increases had to yield to the mounting union pressure. Besides rapid wage increase, working conditions, health and safety, workers' welfare, job security and employee participation at the firm level have been improved substantially since 1987 (The Korean Chamber of Commerce and Industry, 1988, pages 232-235).

balanced relationship between unions and management. In the collective bargaining owing to changed government labour policy and a consequent increase in union power.

What this implies is that, unlike the pre-1987 period, collective bargaining became the most important instrument for controlling industrial relations in Korea, and thus replaced unilateral authoritarian mechanisms in industrial relations. Despite the activated labour movement, there were some problems in Korean trade unions which undermine their stability and development. Two most distinctive problems were due to labour movements and lack of strong leadership at the firm level.

At the macro-level, the Federation of Korean Trade Unions (FKTU) is recognised as the only national-level trade union by the government. However, owing to the rapid growth of radical unions before and after 1987, the National Council of Trade Unions (NCTU) was formed in January, 1990, but is not still certified by the government as a legal trade union entity under current labour laws. This is because Korea's Trade Union Act assumes a single hierarchy and does not offer a legal status to any organisation intending to represent employees eligible for representation from an already established union (F. Park and Y. Park, 1990, page 8).

The existence of two national peak unions and other associations of unions like the Council of Large Enterprise Trade Unions, (CLETU), formed in December, 1990, has the potential to undermine the development of the Korean Trade Union movement due to the conflicts among them derived from the government's non-recognition of the NCTU and CLETU.

At the firm level, the lack of strong leadership in the unions caused inter-union conflicts, especially in large firms. It is common to find the union leadership being voted out as many as three to four times in one year, mainly because of the lack of experience in negotiations with management and the administration of their unions. These frequent changes of leadership at the firm level undermine the solidarity of workers.

Despite these difficulties, it is manifest that the Korean trade union movement has been substantially developed since 1987 and the development will be continued because the first civilian government elected in 1992 has no reason to repress the labour movement.

3.4.3 The Response of Management to the Change

The Korean government's changed labour policy and subsequent substantial growth of trade union power has forced management to squarely address the issues of efficiency and discipline within a new framework of industrial relations and working conditions. The old type of authoritarian control is no longer successful or acceptable, and new management strategies have to be devised.

In response to the changes in industrial relations and in international business conditions mentioned earlier, management has tried to develop new labour management and business strategies, the main thrust of which is directed at achieving harmonious relationships with the unions. For example, although there are marked diversities between firms in terms of working conditions, collective bargaining processes, labour management inter-relationships and the degree of employee participation, many companies try to involve the staff in the decision-making process of business strategies.

Besides the new labour management strategies, management has tried to establish new business strategies. As the wage increase from 1987 was substantial, management can no longer adhere to the notion that international price competitiveness can be incontrovertibly based on low or savagely-depressed wage levels. For example, the focus now is on the production of high-value-added products with the introduction and development of new technology and automation.

Additionally, the effective and efficient development of human resources is being recognised as a crucial element in the industrial relations context and fundamental to good labour management practices. Such changes clearly signal that management is seriously attempting to create the appropriate conditions in which peaceful industrial relations can be maintained and competitive business strategies can be developed.

CHAPTER FOUR

4.0 The Cause of Changes and Strategic Choice Perspective Theory as an Explanatory Tool.

The above chapter mainly focusses on changes in the three major industrial relations participants - government, trade unions and management - based on the changes in the environment since 1987. In this chapter, the relationship between the causes and effects of such changes will be examined via the principles of strategic choice perspective theory: and in so doing, the validity or applicability of this theory as an explanatory tool for the Korean situation will be briefly addressed.

4.1 Changes In the External Environment

There were certain external environmental factors which stimulated these changes. Although the effects of the changed environmental factors are interrelated, each of the factors and consequent changes will be examined individually.

The first, perhaps the single most important factor which contributed to these changes, has its foundations in Korea's changing social ideology. From the beginning of the Third Republic in 1962 to the end of the Sixth Republic in 1991, it is generally agreed that Korea had been governed by a rigidly-authoritarian military regime, and that, as such, the full and free exercise of basic democratic rights were denied to Korean society.

The repression of normal democratic processes meant that grievances against such authoritarianism could only accumulate and ferment, and public dissatisfaction in this regard reached its peak around the first half of 1987, resulting in patent anti-government activities by various social and labour movements. One of the most distinctive movements was the so-called 6.10 movement, which started on 10 June, 1987. This movement was led by opposition party leaders, with the support of Korean citizens, against the government's claim for a parliamentary system-based presidential election. After almost three weeks' pressure from this particular movement, Presidential candidate Ro announced that the government would permit the direct elections advocated by the opposition parties and most of the Korean people, plus the promise of political liberalisation and democratic reform within Korean society.

It is manifest that Presidential candidate Ro's democratisation reform statement and its widespread influence on Korean society was the major causal factor in the changes to Korean industrial relations after 1987. However, though Residential candidate Ro's democratic reform statement tends to steal the "casual glory", it is important not to lose sight of the fact it was pressure by Korean workers and their unions - a pressure emanating from the gradual accumulation of many grievances repressed until this time - which triggered the political announcement.

Social ideology in Korea moved in that moment from a state of passive acquiescence to one of eruptive and/or volatile participation.

Secondly, there had been gradual changes in the characteristics of the workforce before 1987. As described in the section detailing "Workforce Characteristics and their values in the pre-1987 period", it is generally accepted that the Korean workforce coped stoically with and patiently endured the climate of repressive authoritarian control which dominated their industrial relations activities. This characteristic is mainly confined to middle-aged and elderly workers who experienced Japanese colonialism and/or the Korean War, which events reduced Korea to a state of total poverty.

However, the younger generation, with relatively good economic conditions, did not accept the notion of unequivocal loyalty to their employers quite so graciously. Although it is difficult to prove such a subjective change with objective evidence, one of the outcomes of a study by the Korean Chamber of Commerce and Industry may provide some insights on the subject. Table 4.0 is the result of a study which surveyed employees in twenty large enterprises and clearly illustrates the different perspectives between the generations.

Table 4.0

Order of Priority Among Physiological, Safety, Social and Esteem Needs

Priority/ Age	Below 24	25 to 29	30 to 39	Over 40
1	Esteem Needs	Esteem Needs	Physiological Need	Safety needs
2	Social Needs	Physiological Needs	Esteem Needs	Social Needs
3	Physiological Needs	Social Needs	Social Needs	Esteem Needs
4	Safety Needs	Safety Needs	Safety Needs	Physiological Needs

Footnote: Physiological Needs (Wage level, less working hours, property level)
 Safety Needs (Job Security, Health and Safety)
 Social Needs (Personal Relationships, stability, social position)
 Esteem Needs (Job Satisfaction)

Source: The Korea Chamber of Commerce and Industry,
 Labour Management in Korea, 1998, Seoul, page 48.

While workers over the age of 40 place safety needs as their first priority, whereas the rest of them place safety needs as their last priority. Given that job security is the major safety need in the survey, it clearly indicates younger generations changed perspective. Therefore, at a firm level, as the numbers of younger workforce have grown, management has faced difficulties in controlling the workforce using traditional authoritarian methods.

Thirdly, noticeable from the early 1980's, shortfalls in the labour force gradually increased, mainly because of a general tendency amongst workers to enter the service industries during this period. This tendency was accelerated from 1986 and resulted in the shortage of blue collar workers at the end of the 1980's (S. Uh, 1991, pages 5-8). What this labour shortage meant to management, in particular, was that the exercise of authoritarian control of industrial relations based on the premise of labour surplus was no longer feasible.

Fourthly, as mentioned in an earlier section of this thesis, there had also been a fairly dramatic set of changes occurring in the international business environment since the early 1980's. The emergence of low-wage East and South-East Asian and Latin American countries produced standardised goods more cheaply than Korea. Moreover, advanced industrial countries invested in the development of new technology and human resources. That is, Korean products were in the position of losing both price and quality competitiveness in the world market. Although the impact of this trend was not seriously recognised by Korean employers until 1987, and given that rapid wage increase after made Korean employers consider the trend as a crisis in the Korean economy, the emergence of this trend from the early 1980's can be considered as a causal factor for changes in employers' business strategies after 1987.

4.2 Response to Changes in External Environment

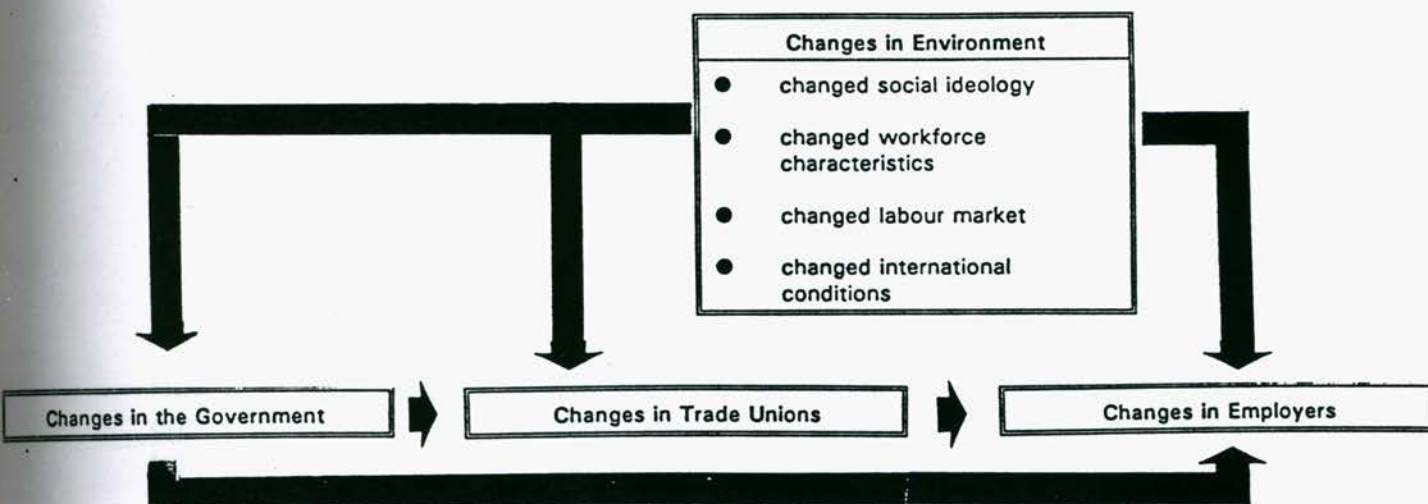
As one of the most important assumptions in the strategic choice perspective theory is that "industrial relations processes and outcomes are determined by a continuously-evolving interaction of environmental pressures and organisational responses", the organisational responses to the environmental pressures in Korea after 1987 will be briefly examined.

First of all, as a major impetus to these changes, changes in social ideology forced the government to change its industrial relations policy out of a rigid authoritarian mould into a more plastic democratic process. This, in turn, provided trade unions with an opportunity to expand their power.

Apart from the changes in social ideology which motivated the growth of trade union movements, changes in workforce characteristics and the labour market facilitated the growth of trade unionism. For employers, changes in the government's industrial relations policy and the rapid growth of trade unionism, in the context of all the environmental pressures, forced management to reconsider its labour management and business strategies. The process of changes in Korean industrial relations in this regard are shown in Figure 4.0 below.

Figure 4.0

Process of Changes in Korean Industrial Relations After 1987.



In Figure 4.1, the flows indicate causal factors of change. While changed social ideology is the only major environmental factor which led changes in the government, changes in trade unionism were influenced by three of the environmental factors and resultant changes in the government. On the other hand, changes in employers' attitudes and practices were induced by all the environmental factors and the changes in the other industrial relations participants. What this implies is that the pressures for change were most significantly transmitted to employers after 1987. Moreover, while environmental factors inevitably exerted significant pressures on the government and employers, they were also the major contributive factors in the growth of trade unionism. What this means is that the government (and

especially employers) had no choice but to respond to the pressures and become unavoidably involved in the change process. Trade unions, on the other hand, productively created changes with the assistance of the changed environmental factors. One interesting point is that after these changes, unlike Kochan et alii's findings from American industrial relations history, trade unions have led the change process more actively than employers in Korea.

Interaction between environmental pressures and organisational responses clearly appear to exist in the process of change in Korean industrial relations. As a result of changed environmental pressures, the government had to change its industrial relations policy and employers also tried to devise new employment methods, new labour management strategies and new business strategies. And trade unions had an opportunity to expand its organisational base and union membership. It would appear from this, therefore, that strategic choice perspective theory is a reliable explanatory tool, but it cannot be said to be conclusive unless it is applied and evaluated at the firm level of industrial relations activities post-1987.

As in the general framework for analysing industrial relations issues (Kochan et alii), a study of firm-level industrial relations will be undertaken to test the validity and applicability of Kochan et alii's theory of strategic choice, and to achieve this objective, the latter part of this thesis will seek to explore and examine firm-level industrial relations via a case study of Kia Motors.

However, before proceeding to the case study, two factors should be pointed out in relation to the credibility of strategic choice theory and the research framework.

First of all, concerning the notions of interactions between the external environments and the industrial participants, and of the interactions among the industrial participants in the strategic choice theory, the government's role during the pre-1987 period did not seem to fit into the notion of "interaction". As may have been evident from the previous chapter, the government was seen to be able to influence, unilaterally, the environment and the activities of the other industrial participants. As such, government influence was much closer to the notion of "imposition" than "interaction".

Secondly, there is the factor about the validity of environmental factors listed in the research framework (Figure 2.1). As already discussed, the major environmental forces which contributed to the changes in Korean industrial relations since 1987 were the changes in social ideology in relation to political, socio-cultural and economic aspects. However, the environmental factors listed in the research framework, such as the labour market, the product market, new technology, public policy and workforce characteristics, seem to be too narrow in scope to provide for a full understanding of changes in Korean industrial relations. As such, their validity will also be evaluated in the case study as part of the overall evaluation of strategic choice theory.

CHAPTER FIVE

5.0 A CASE STUDY OF KIA MOTORS

5.1 The Korean Automotive Industry

5.1.1 The Motive for a Case Study of Kia Motors

As can be seen in Appendix 11, if one notes the total numbers of cars produced and exported, the growth of the automotive industry in Korea seems to be stable and successful enough to be one of the most important and strategic industries in Korea. This, in fact, is the main reason for choosing Kia Motors as a case study to explore the changes in Korean industrial relations. Owing to the importance of the automotive industry in the Korean economy, industrial relations practices within this industry have a significant influence on other related industries. Moreover, during the pre-1987 period, the government involved itself assiduously in the automotive industry's industrial relations practices so that it could minimise or eliminate any potential damage - through ungoverned industrial disputes - to the effective and efficient development of this industry, which was a central pillar in their overall economic architecture.

The fact that the Hyundai trade union was only formed after 1987 is simple and clear testimony of the degree and extent of the government's authoritarian control over the industry's industrial relations practices and activities. But, despite such intervention, it should also be understood that the automotive industry's trade unions exercised considerable influence upon Korean industrial relations post-1987. This is another important reason for choosing Kia Motors, because a study of this company reveals a distinct contrast between pre-1987 and post-1987 industrial relations practices - which, bearing in mind the fact that the major objective of this thesis is to identify and describe changes in the industrial relations scenario post-1987 - makes it a useful example.

However, before proceeding to the actual case study of Kia Motors, the next two sections - which examine the Korean automotive industry - provide some pertinent background information.

5.1.2 The Importance of the Automotive Industry in the Korean Economy.

It is generally accepted that the automotive industries throughout the world have been the flagships of capitalism's development since World War Two - the dominant industrial symbol, in fact, of all industrial nations. The Korean automotive industry is no exception to this general tenet. For, as can be clearly observed from the data in Tables 5.1 and 5.2 and Figure 5.1, the automotive industry has assumed a position of increasing significance in the Korean

economy, being - as it is - the country's leading export industry. The average growth rate of the automotive industry during 1985-1987 period was almost three times higher than that of the manufacturing industries. Although ranking only fifth in the top five leading export industries in 1983, the automotive industry climbed to number three in 1987 and, since then, has established itself as one of the most prominent industries in the Korean economy (Sang Yong, Economic Research Institute, p.77, 1988; T. Kim and J. Park, p.211, 1992).

Table 5.1

Average Growth Rate of Automotive Industry

		1975	1976	1985	1986	1987
Manufacturing	Growth Rate of	33	36	9	16	22
	Sales Profit Rate	3.6	3.6	2.4	3.6	3.5
Automotive	Growth Rate of	30	32	25	52	57
	Sales Profit Rate	5.9	4.6	5.1	3.9	3.8

Source: S. Park et al, Industrial Relations in Automotive Industry, 1989.

After its 1987 peak, the Korean automotive industry's export levels steadily declined towards 1989, then entered a period of stagnation until 1991. Various factors combined to create this situation, but unstable industrial relations practices, increased labour costs, the rapidly-increased value of the Korean Won in the world financial market and Korea's inferior technology level (compared against the more advanced industrial nations) were the major ones. However, as can be discerned in Figure 5.1, in spite of such internal and external difficulties, total production actually increased as a consequence of enlarged domestic demands from the mid-1980's, and this enabled the Korean automotive industry to maintain its importance in the Korean economy. Projections for 1993 suggest that the automotive industry will regain its reputation as the country's leading export earner through the expected exportation of some 600,000 car units by the year's end, a volume which exceeds that of 1987, previously the most productive export period in the history of Korea's automotive industry (Dong - A Daily, 4/11/1993).

Table 5.2

Major Export-Leading Industries in Korea

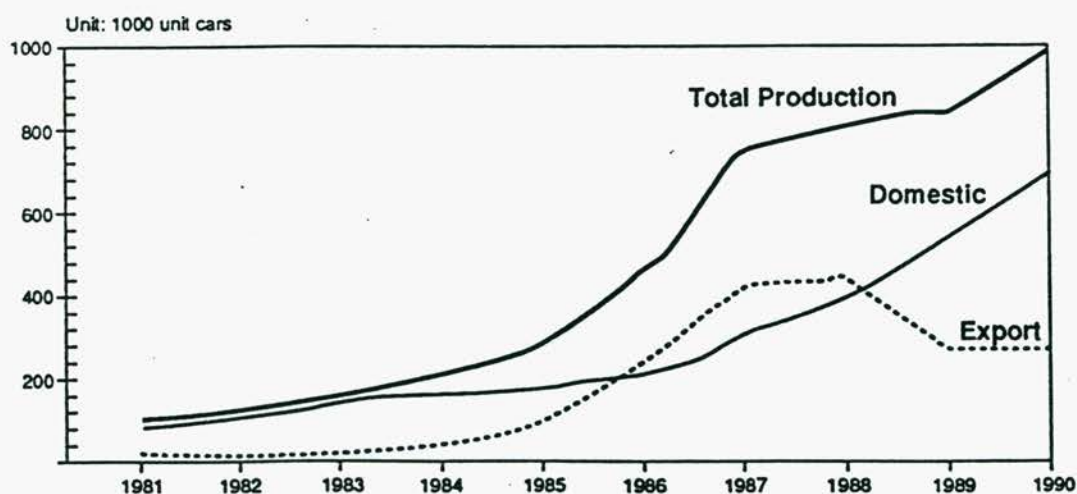
(Units: US\$ 1 million%)

	1983	1984	1985	1986	1987
TEXTILE	6,051 (25.0)	7,079 (24.2)	7,064 (23.1)	8,734 (25.2)	11,718 (24.8)
ELECTRONICS	3,021 (12.5)	4,160 (14.2)	4,286 (14.1)	6,639 (19.1)	10,144 (21.5)
AUTOMOTIVE	164 (0.7)	315 (1.1)	768 (2.5)	1,655 (4.8)	3,235 (6.8)
STEEL	2,473 (10.2)	2,661 (9.1)	2,582 (8.5)	2,489 (7.2)	2,751 (5.8)
SHIPBUILDING	3,735 (15.4)	4,684 (16.0)	5,039 (16.6)	1,815 (5.2)	1,138 (2.4)
TOTAL EXPORT	24,223 (100.0)	29,245 (100.0)	30,283 (100.0)	34,714 (100.0)	47,281 (100.0)

Source: Korean Economic Board, Korean Social Indicators, p.70, 1988

Figure 5.1:

The Annual Trend of Production and Sales in the Korean Automotive Industry



Source: Appendix II and the Korean Automotive Industry Association, 1991

Besides the importance of the automotive industry itself in the Korean economy, the fact that it is octopus-like in the way its tentacles stretch out, touch and link so strongly with other industries should also be taken into account. It has extremely close interrelationships with the metal, machinery, electrical, electronic, petroleum, chemical and textile industries. For example, when the amount of production in the automotive industry is increased by 1 billion Won, it has the flow-on effect in related industries of increasing their production output value to 85 billion Won (S. An, p.31, 1993). Therefore, the development of the automotive industry has been an essential component in the development of related industries in an emerging industrial nation like Korea. Its importance is such, in fact, that the Korean government has supported the development of the automotive industry because of its conviction that it is a key strategic industry which can contribute to the overall economic development of Korea.

5.1.3 The Process of the Korean Automotive Industry Development and the Role of Government

Owing to the importance of the automotive industry within the national economy, the government has been, from the very early stages of industrialisation in Korea, a major player in the industry's dramatic expansion. Table 5.3 briefly summarises the government-led development process of the automotive industry.

Given that the Korean automotive industry started in 1962 with the mere assembly of imported motor parts and rose above this primitive level within three decades, producing over 1,500,000 car units (Export:456,000; Domestic:1,267,000), and achieved a total production capacity of 2,391,000 car units by 1992 (Y. Park, p.80, 1993), there should be no doubt that the development of this industry has been a major success story.

And the Korean government has played an important role in this successful development. Its support for the industry's development is evidenced through both indirect and direct involvement. The government's indirect involvement occurred mainly via financial and taxation benefits and technological support, via car import prohibition (which minimised international competition on the domestic front), and via high tariff rates after the import-prohibition controls were revoked (S. Shin, pp.158-162, 1989). Moreover, their authoritarian control of labour also played a significant role during the pre-1987 period. Such indirect involvement was mainly based on the government's basic industry development policies. Until the Fourth Economic Development Plan (1977-1981), the government's main strategy was to shield Korea's fledgling automotive industry from exposure to international competition in the domestic

Table 5.3

The Process of the Automotive Industry Development

Economic Plan	Stage	Content
The first economic development plan (1962-1966)	KD assembly stage	<ul style="list-style-type: none"> * Initiation of the Development of the automotive industry * Automotive Industry Protection Law * Prohibition of car importation
The second economic development plan (1967-1971)	Early stage of the localisation of co-production development	<ul style="list-style-type: none"> * Establishment of basic plan for the development of the automotive industry * Localisation of parts production
The third economic development plan (1972-1976)	Development stage for the localisation of car development	<ul style="list-style-type: none"> * Establishment of long-term plan for the development of the automotive industry * Development of Korea's own brand of passenger car * First export of passenger cars * Construction of large-scale factories
The fourth economic development plan (1977-1981)	Preparation stage for mass production	<ul style="list-style-type: none"> * Enforcement of automotive industry rationalisation arrangements * Propulsion of the automotive industry development as a strategic export industry
The fifth economic development plan (1982-1986)	Preparation stage for the activation of export	<ul style="list-style-type: none"> * Establishment of mass production system * Development of front-wheel drive vehicle * Commencement of export to America * International division of production
The sixth economic development plan (1987-1991)	Large scale export stage	<ul style="list-style-type: none"> * Revocation of automotive industry rationalisation arrangement (free competition among domestic makers) * Revocation on the prohibition of car importation

Source: D. Cho, *International Competitiveness of the Korean Automotive Industry*, 1992, page 9.

marketplace, with a view to stimulating the domestic automotive industry to attain and match international standards, which, in turn, would give it the capacity to challenge international competition both at home and abroad. From the Fifth Economic Plan and onwards, the Korean government's policy was mainly to facilitate and support the export of Korean manufactured vehicles and, simultaneously, to open up domestic markets to competing world forces. Table 5.4 details the reduction of tariff rates for both imported cars and car parts during the 1980's and early 1990's, as the government steadily opened up the domestic market to international competition.

Table 5.4

Trend of Tariff Rates for Car/Car Parts Import

(Units: Average Tariff Rates %)

	1986	1987	1988	1989	1990	1991	1992	1993
Imported Cars	60	50	30	25	20	17	15	10
Imported Parts	30	30	20	15	13	11	9	8

Source: The Ministry of Trade and Industry, Handbook of the Automotive Industry, 1988, page 153.

Such indirect support mechanisms, based on the Korean government's changing economic development policies pre- and post- their Fourth Economic Plan, were, in fact, a common phenomenon during this period in newly-developing nations such as Mexico, Brazil, Argentina, Taiwan and Korea (Vid. D.C. Bennett & K.E. Sharpe, 1985; R. Jenkins, 1985; A. Lipietz, 1982, for more details on this).

As well as indirect government involvement in the development of the Korean automotive industry, there was also significant direct government involvement, which factor distinctively differentiates between the developmental role played by the Korean government and the typical roles adopted or employed by governments in other countries, especially those in the Western bloc. This is exemplified by the results of the oil crisis of the late 1970's, which pushed up the oil price in Korea quite dramatically: 59% in 1979, and 57% in 1980. As a consequence of this, the automotive industry was suddenly confronted by an equally-dramatic slump in domestic sales figures. But this was not the only problem. As Table 5.3 indicates, the establishment of long-term plans for the development of the automotive industry scheme drafted by the government during the Third Economic Development Plan had induced automotive companies to invest substantial amounts of money in the expansion of their production facilities. In 1972, the government announced a long-term plan to foster the automotive industry's expansion of total production capacity, seeking to increase the 1972 production level of 30,000 car units to over 500,000 car units in the future (Planning Board in Heavy and Chemical Industry Upbringing Committee, p.252, 1979). To attain this objective, the government had actively supported the industry through the indirect means and mechanisms already outlined. In return, the automotive companies, supported by the government, had obtained substantial loan and investment monies, on which they relied to expand their production capacities (Table 5.5 refers).

they relied to expand their production capacities (Table 5.5 refers). However, not long after they had made this substantial development investment, the automotive companies were faced with the recession created by the above-mentioned oil crisis, with the unavoidable consequence of having to maintain high interest payments - especially on foreign loans - in the context of hugely-declined sales figures (S. Shin, pp.179-187, 1989).

Table 5.5

Composition of Financial Resources raised by Korean Automotive Companies (1977-1981)

Units: 1 billion Won %

	Amount	Ratio
Companies' Own Capital	1,021	33.8
Domestic Policy Finance	633	20.9
Foreign Loan	1,374	45.3
TOTAL	3,025	100.00

Source: Korea Automotive Industry Cooperation Association, *Twenty Years of History on the Automotive Cooperation Association*, page 303, 1983.

NOTE: In this table, NORMAL domestic and foreign currency loans were excluded, consequently the ratio of companies' own capital see seems to be higher than it actually was.

Domestic Policy Finance refers to money provided on a long-term, low-interest basis by banks and public investment funding agencies owned by the government, for the specific purpose of fostering investment in and development of clearly-identified strategic industries.

Declining sales, in conjunction with increased interest repayments, impacted severely on management within the automotive industry with correlated serious company deficits from 1980. Not unexpectedly, this sudden and critical deterioration in what had been a buoyant industry led to bankruptcy for many small- and medium-sized part suppliers.

But the effects of the recession sparked off by the oil crisis were not

in the government's Economic Development Plans, especially the heavy and chemical industries, felt the recession's shock waves.

The Korean government's response to this business crisis was to initiate their so-called Investment Adjustment Policy in Heavy and Chemical Industries (IAPHCI). Earlier, the government had induced large enterprises to become involved in the heavy and chemical industries to foster and accelerate their development, which generated a healthy climate of high competitiveness between large enterprises during the late 1970's. Essentially, the aim of IAPHCI was to integrate insolvent enterprises with sound enterprises or to force enterprises to produce a limited range specialised products to minimise domestic competition between enterprises (S. Shin, pp.192-193).

Table 5.6

Automotive Industry Rationalisation Arrangements

The First Arrangement (20 August 1980)	The Second Arrangement (28 February 1981)
<p>A. Hundai was going to integrate Saehan (later Daewoo) and to monopolise the passenger car market. Additionally, Hyundai was also allowed to produce buses and trucks over 8-tonne capacity.</p> <p>B. Kia was prohibited from producing pasenger cars. Kia was allowed to monopolise the production of trucks under 5-tonne capacity. Kia could also produce trucks over 8-tonne capacity and all types of buses.</p> <p>C. Asia was allowed to produce military jeeps and armoured vehicles. Asia could also produce large-capacity buses.</p> <p>D. Dong-A was allowed to produce special-purpose vehicles, such as construction, agricultural vehicles, snow vehicles, trailers and other special-purpose buses.</p> <p>E. Kewha was allowed to produce Jeeps, excluding Jeeps for military purposes.</p>	<p>A. Hyundai's monopolisation of the passenger car market was changed to a dual system involving Hyundai and Saehan (later Daewoo).</p> <p>B. Integration between Kia and Dong-A was advised (but failed owing to strong opposition from both companies).</p> <p>C. All other factors remained as detailed within the First Arrangement.</p>

Source: T. Kim and J. Park, Industrial Case Study [1]: Large Enterprises in the Manufacturing Industry, Korean Labour Institute, p.216, 1992; S. Shin, Structure of the Korean Automotive Industry and the Role of Government Involvement in J. You et alii's Capitalism in Korea and the Automotive Industry, Pul-Bit Press, pp.192-196, 1989)

The Automotive Industry Rationalisation Arrangement (AIRA) - as part of the government's IAPHCI - was initiated on 20 August, 1980. A second AIRA was announced on 28 February, 1981, as a countermeasure to the problems instigated by the first AIRA. As Table 5.6 illustrates, the essence of the AIRA was to create a situation of non-competitiveness between automakers by specialised production legislation.

And the outcome of AIRA (summarised in Table 5.7) suggests that the government's strategy was successful, in that all the companies enjoyed large profits post-1983.

Table 5.7.

The Result of the Automotive Industry Rationalisation Arrangement

Year	1980		1983		1984	
	Profit	Rate of Fac.Op.	Profit	Rate of Fac.Op.	Profit	Rate of Fac Op
Hyundai	-193	38	257	88	184	96
Daewoo	-294	32	104	75	145	82
Kia	-237	33	291	88	234	94
Dong-A	- 41	44	15	80	14	81

Source: S. Shin, Structure of the Korean Automotive Industry and the Role of Government Involvement, in J. You et alii's Capitalism in Korea and the Automotive Industry, Pul-Bit Press, p.196, 1989.

One of the major platforms in Strategic Choice Theory is that industrial relations' processes and outcomes are determined by a continuously-evolving interaction between environmental pressures and organisational responses (Kochan et alii, p.13). Further, another important contention in Strategic Choice Theory is that, besides such interaction, there also exists a strategic interaction between three major players or dramatis personae - the government, management, and labour or trade unions.

However, the Korean government's AIRA clearly demonstrates that it was able, unilaterally, to effect change in the domestic automotive industry environment

without any interaction with any of the above-mentioned major players. It was able, in other words, to engineer artificially the domestic environment in response to the changing international economic climate created by the oil-driven recession without any reference to management and labour. As such, the Korean government's direct involvement seems to throw down the gauntlet to some of the major premises on which Strategic Choice Theory is based.

There are two factors worth considering concerning the Korean government's chosen economic and industrial development stance. Firstly, although its proven superior power base in comparison with that of the other major players (labour and management) seems to have changed considerably and has become far more balanced and conciliatory, it is transparently clear that both the government's actual capacity and decision to act unilaterally and artificially contour the domestic industrial scenario contributed immensely to the successful development of Korea's automotive industry. Secondly, a clear perspective of the Korean government's role may be useful not only in understanding industrial relations in Korea, but also in most of the newly-developing nations of Asia where, given some chronological differentials, government dominance in the industrial relations arena seems to have been a common feature.

5.2 Changes in Industrial Relations and Human Resources Management in Kia Motors

5.2.1 Characteristics of Kia Motors and its Industrial Relations Practices in general during the 1980's.

Kia Motors was founded in 1944 by Chul-Ho Kim as a bicycle manufacturing company. During the 1960's, the company produced three-wheeled transporters and started to produce passenger cars such as the Brisa from the 1970's.

As a result of constant efforts to develop Kia Motors, it grew and emerged as the seventh-ranking business group and second-largest automotive manufacturing company in Korea by the end of the 1980's.

Table 5.8**The Structure of Kia Motors**

Designation	Location	Main business	Note
Headquarters	Seoul		
Sohari Plant	Kyungki Province (near Seoul)	Pride Besta Ceres Bongo Titan	Since 1973
Asan Bay Plant	Kyungki Province (about 3 hours by car from Seoul)	Potentia Concord Capital Pride-B Sepia	Since 1990
Domestic Sales Networks	461 branches all over Korea	Sales	
Overseas Offices	Kia Japan and 7 others	Sales and developing markets	

Source: Kia Motors, Kia Motors Handbook, 1993

The headquarters of Kia Motors is located in Seoul. The company has two manufacturing plants in Kyungki Province near Seoul (the Sohari Plant and the Asan Bay Plant), 461 domestic sales branches directly managed by Kia Motors, and 8 overseas offices for sales and new-market development (Table 5.8 refers).

The production capacity of the Sohari Plant in 1993 stood at 350,000 car units, and that of the Asan Bay Plant at 300,000 units with production planned to expand to 600,000 by 1995. From 1995, the Asan Bay Plant will specialise in the production of cars for export markets.

As Tables 5.9 a,b,c indicate (adapted from Kia Motors Handbook, 1993), the rapid increase in production, sales and employment between 1987 and 1992 - more than 150% increase in production, 200% increase in sales and 100% increase in employment - paints a clear picture of Kia Motors' rapid success.

Table 5.9a

**Production by Kia Motors
(1987-1992)**

Year	Passenger Cars	Cargo Trucks and Special vehicles	Vans	Total
1987	90,615	63,989	33,354	191,598
1988	134,594	73,156	42,349	250,099
1989	183,238	93,821	40,496	317,555
1990	221,694	122,163	53,213	397,070
1991	260,619	117,359	53,069	431,047
1992	311,596	133,656	54,837	500,089

**Table 5.9b
Sales by Kia Motors
(1987-1992)**

Year	Million Won	Million U.S. \$\$\$
1987	1,052,995	1,316
1988	1,420,479	1,776
1989	1,837,110	2,296
1990	2,540,389	3,175
1991	2,744,777	3,431
1992	3,282,289	4,103

**Table 5.9c
Employment by Kia Motors
(1987-1992)**

Year	White and Blue-Collar Employees
1987	12,322
1988	14,994
1989	18,436
1990	20,035
1991	22,103
1992	23,549

5.2.2 The Kia Group of Companies as a Large Conglomerate in the Area of Car Manufacturing

Unlike most Korean large-enterprise groups (Chaebol), this group of companies is involved in the area of car manufacturing, as is displayed in Table 5.10. There are ten major companies in the Kia Group, including Kia Motors. All of them are engaged in manufacturing cars and auto parts, except for Kia Service, which handles after-service requirements.

Table 5.10

Kia Group Companies

Company Name	Business	Products
Kia Motors	Manufacturing and sales of automobiles and parts	Passenger cars, trucks, buses special-purpose vehicles
Asia Motors	Vehicle manufacturing and sales	Heavy duty trucks, medium and large buses, express buses and special- purpose vehicles
Kia Machine Tool	Manufacturing of autoparts and precision machinery	Auto parts including drive- train and ANC machine tools and robots and aircraft parts
Kia Steel	Manufacturing of steels and auto parts	Special steel for railcar wheels and auto parts.
Kia Service	Car maintenance auto parts and imported car sales	
Kia Precision Works	Vehicle and autoparts manufacturing	Brake, steering, suspension systems, propeller shaft, special- purpose vehicle
Seohae Industry	Auto parts manufacturing	mouldings, plastics
TRW Steering	Auto parts manufacturing	Hub casting, crankshaft, camshaft, steering knuckle
A-Ju Metal	Auto parts manufacturing	Moulds for stamped and formed products, (brake drum, hubs, transmission case)

Source: This data is based on personal interviews with staff of Kia Motors

The unique structure of the Kia Group has had a major influence on shaping the nature of industrial practices in Kia Motors. The company is generally considered to have a good reputation, maintaining a relatively-good industrial relations track record (Y. Park, p.36, 1993; T. Kim & J. Park, p.214, 1992). Between 1987 and 1991, there was a considerable number of strikes in the automotive industry, as the data tabulated in Table 5.11 illustrates, and the fact that Kia Motors had only one major strike in 1991 clearly indicates the company's capacity to maintain stable industrial relations. According to information gathered from interviews with management and union officials at Kia Motors, it is claimed that the actual structure of the company is a major factor in creating the appropriate conditions for such industrial relations stability.

Kia Motors is a holding company of the Kia Group of Companies, and both labour and management share responsibilities. As can be seen in Table 5.10, all the other companies which comprise the Kia Group of Companies have been established to develop Kia Motors. As most of them are auto-part suppliers and an after-service (A/S) agency, there is

Table 5.11

Trend of Industrial Strikes in the Automotive Industry (1987-1991)

Year	Number of Strikes	Value of Strikes in Billion Won	Number of Production Failures (cars) in Thousands	Export	Total - Domestic & Export
1987	141	5,442		43	85
1988	41	11,536		62	132
1989	116	11,310		45	115
1990	70	5,040		15	54
1991	67	11,130		25	95

Source: C. Kim, The Current Situation of the Automotive Industry in Korea, Kia Motors Press, p.19, 1992

widespread consensus among both labour and management of Kia Motors that any collapse or crisis in Kia Motors could well be transmitted to the whole Kia Group of Companies and, therefore, both labour and management in Kia Motors have to shoulder equally the responsibility for all the group's companies.

The claim by interviewees that the structure of the Kia Group of Companies markedly enhanced Kia Motors' capacity to maintain harmonious, or minimally-disruptive, industrial relations has some appeal. Other major auto manufacturing companies like Hyundai and Daewo are, unlike Kia Motors, only singular elements of each group conglomerate: the major companies in the Hyundai and Daewo Groups have participated in major strategic industries such as the electronics, heavy, shipbuilding and construction industries, and, as such, are horizontally interdependent with one another. So, for example, although one company in the Group could experience a business crisis and post a deficit, its unsatisfactory performance - given that the rest of the Group is in good economic shape - would not significantly affect the overall business management of the whole Group. As such, horizontal interdependence between companies seems to reduce considerably the notion of shared responsibility between labour and management, with perhaps a correlated weakening of potential industrial relations stability. In this regard, the vertical interdependence between the Kia Group of Companies and Kia Motors seems

to enhance the notion of shared responsibility between labour and management, with the consequent increased stability in industrial relations putting Kia Motors ahead of its competitors in this regard.

The cooperative performance within Kia Motors during the AIRA period is an excellent advocate for shared responsibilities between labour and management. As has been mentioned earlier, the economic recession was instrumental in driving Kia Motors to post losses of 2,317 billion Won in 1980 and 256 billion Won in 1981. But worse was to follow for Kia Motors, and that arrived in the form of the 1982 AIRA enforcement.

During the AIRA period, Kia Motors was prohibited from manufacturing passenger cars. Although the company had a monopoly on the production and sale of trucks below a 5-tonne capacity, the production and sale of passenger cars had been, up to this point in time, Kia Motors' predominant revenue-earner. The company was therefore plunged into a crisis of sheer survival. This crisis - because of the vertical interdependence between Kia Motors and other companies in the Kia Group - had severe repercussions throughout the total Kia organisation: the survival of the part became a matter of survival for the whole. And, because of its vertically-interdependent company structure, Kia Motors must have felt the impact of the AIRA legislation far more profoundly than its competitors.

If one refers again to Table 5.7, it can be seen that this crisis was successfully overcome by active cooperation between Kia Motors' labour and management. Their interrelated formulae for success can be summarised as follows:

the initiation of a separation between ownership and management;

the development of a new product (the so-called Bongo van) and a consequent increase in sales;

and a successful company cost-down and production-improvement movement via active cooperation between labour and management in the workplace.

It is worth examining each of the above elements in Kia Motors' anti-crisis "success formulae".

Firstly, there was the separation between ownership and management. The owner of Kia Motors at that time - the son of the company's founder - decided to relinquish his position as Group President. This decision resulted in Min Kyung-Jung, President of Asia Motors, and Kim Sung-Hong, President of Kia Motors, assuming joint responsibility for the management of the Kia Group of Companies. As Kia Motors was the holding company, President Kim took all responsibility for the decision-making and operational aspects of business management.

The primary outcome of this separation was that President Kim, who had been a Kia man since 1958 and who was an engineering graduate from Seoul National University, started to make practical and efficient decisions which immediately benefitted Kia Motors. Additionally, the Kia employees felt they could place more trust in him because he had no blood relationship with the owner (a common feature of Korean large-enterprise management structures), and this created a climate of company solidarity between labour and management.

Coupled with this, the discretionary powers of professional managers were increased, so that they could see they were exercising a significant practical role in the business management hierarchy: it was no longer a matter of a comfortable blood relationship with the owner which energised the power- or decision-making base. And, once it was realised that anyone could be elected to high executive management status, most of the managers threw themselves into active management cooperation with, not unexpectedly, a resultant transformation in managerial efficiency - a major factor in Kia Motors' survival during this period, as well as a critical ingredient for the company's ongoing entrepreneurial success.

The second vital ingredient in Kia Motors' triumph in a time of acute economic adversity lay in the successful development, marketing and sale of a new product. With the advent of the AIRA legislation, Kia Motors was forced to suspend its production of passenger cars. So, as an alternative, the company remodelled its old cargo van - the Bongo - into a multi-purpose vehicle capable of carrying both passengers and cargo by providing more passenger seats. As Appendix II illustrates, the successful marketing and sale of this multi-purpose vehicle resulted in a production increase of over 1,000 % - 1,022 units in 1981 became 11,330 units in 1982. As a consequence of this, Kia Motors was able to defray some of its expected losses created by the AIRA's prohibition of passenger car manufacture.

It is generally contended that the birth of Kia Motors' multi-purpose van was largely the result of professional management - an innovative, but calculated, remodelling of an existing product to coincide with the constraints imposed upon consumers by the AIRA legislation (The Korean Chamber of Commerce and Industry, p.226, 1985). This view is also substantiated through data emerging from interviews with Kia Motors' staff, most of whom asserted that the active cooperation of professional managers within the company - stimulated by the economic crisis and the new climate of solidarity created by the separation of ownership and management - was instrumental in the unchallenged success of Kia Motors' new multi-purpose Bongo van.

The third, and perhaps most important, element in Kia Motors' successful antidote to the recession was the cooperation which was fostered between labour and management in the workplace, with the voluntary workplace activities of workers being especially impressive.

With the support of professional managers, the workers in Kia Motors tried, voluntarily, to rebuild their company. In 1982, they voted to freeze their wage increases and returned all bonuses. Additionally, they decided to work overtime. The success of the cost-down movement and sales activity at this time was a direct outcome of effective cooperation between labour and management, creating the RCD-22 movement (Reasonable Cost Down of 220,000 Won) which aimed to reduce the cost of each product by 220,000 Won. Everyone at Kia Motors - including workplace employees - was involved in the sale of their new strategic product, the new multi-purpose Bongo van. Even their morning greeting was "Let's sell Bongo!" And this mood of cooperation between labour and management, created by the restrictions of the AIRA period, continued until quite recently. However, it was somewhat weakened by the influx of large numbers of young workers post-1987, a factor examined in some detail in a later section of this thesis.

As a result of this cooperative, integrated response to the economic crisis - a new relationship between owners and management, a new product and a new climate of labour/management participation - Kia Motors recorded a profit of 291 billion Won in 1983 and was ranked as the premier net profit company among 100 major Korean enterprises. Moreover, as a token of appreciation for the cooperative efforts of the workers, management granted 930-1,000 % bonuses during 1983-1985 and introduced a Labour Welfare Fund System (R. Park et alii, pp.84-85, 1989).

In short, the vertically-interdependent structure of the Kia Group of Companies, together with innovative, cooperative and responsibly-shared professional management and decision-making, combined to establish a beneficial climate of stable industrial relations which, in turn, enabled the company to survive the battering of a capricious crisis.

5.2.3 From Paternalistic Cooperation to Utilitarian Cooperation in Kia Motors

Although the above factors have contributed to the creation of stable cooperative industrial relations in Kia Motors, the actual characteristics of cooperation in the pre- and post-1987 periods differ considerably. Industrial relations in the pre-1987 period were management-driven and any cooperation was, therefore, characterised by a form of paternalism. However, such paternalism gave way to a utilitarian form of cooperation during the post-1987 period, and this trend has been intensified since 1990.

5.2.4 Paternalistic Cooperation during the Pre-1987 Period

As outlined previously, the Korean government's industrial relations policy during the pre-1987 Period favoured company management, in that any disputes which may have undermined the development of a company or threatened the nation's economy were suppressed by direct government

intervention. Such authoritarian control was especially evident and intensified in what the government had identified as strategic industries, and the fact that Hyundai and Kia Motors never had any major industrial disputes during the pre-1987 period underlines the government's determination to protect the automotive industry from what it considered to be unnecessary economic disruption.

Daewoo Motors is a clear example of the government's chosen stance. They had two major strikes in March, 1985, and April, 1987, both terminated by the government's strong-arm intervention. There was no Industrial Commission mediation; the government simply called in the police, arrested the workers and prosecuted the strike instigators (R. Park et alii, pp.82-83, 1989).

In addition to the Daewoo Motors case, it is worth noting that most of the major strikes during the pre-1987 period occurred in the small- and medium-size firms and in the light industry sector (The Korean Chamber of Commerce and Light Industry, pp. 55-56, 1988) which were outside the government's definition of "strategic industries". This suggests that the government was able exercise considerable influence on industrial relations practices in large-enterprise strategic industries such as the automotive industry.

In companies like Kia Motors, firm-level industrial relations were mainly in the hands of management, which contrived cooperation through paternalistic industrial relations practices during the pre-1987 period. Scrutiny of the respective employee welfare systems provides some insight into the workings of such paternalistic control. For example, Kia Motors offered a much better employee welfare system than its competitors, Hyundai and Daewoo.

Kia Motors offered two distinctive employee welfare systems in the pre-1987 period - the Labour Welfare Fund System, and the Business Development Fund System. And, although their establishment was initiated by management, they were cooperatively managed by labour and management - a situation not offered by any of the company's competitors.

The Labour Welfare Fund System (LWFS) was established in 1984 as a reward to the employees for their active cooperation during the economic crisis. Management injected funds to the tune of 1560 billion Won into the LWFS in 1984, and the fund increased to 6150 billion Won by 1989. Its main purpose was to provide employees with low-interest loans for the purchase or rental of houses and flats.

The Business Development Fund (BDF) was introduced in 1985. It, too, was an incentive award to workers for their part in the spectacular production, marketing and sales success of the company's multi-purpose Bongo van. The initial funding for the BDF was provided through special bonuses which would have normally been paid to the employees in 1985, and, after this, the BDF was increased through a monthly 1% employee wage contribution. As of 1989, the BDF stood at 213 billion Won, with the money mainly invested in Kia

Motors' stocks. As a consequence of this constant investment process, Kia Motors' employees have maintained control of between 8-10% of Kia Motors total stocks.

Such employee welfare systems reinforced the spirit of labour-management cooperation engendered by the crisis of the early 1980's, and enabled the company to maintain harmonious industrial relations during the pre-1987 period. And, given the fact that neither employees nor unions could exercise any significant influence on management decisions during this time, management's support of Kia Motors' employees via such employee welfare schemes reflects the company's commitment to a non-confrontational philosophy and practice in their industrial relations activities - a philosophy and approach which can be fairly described as one of paternalistic cooperation.

5.2.5 Utilitarian Cooperation post-1987.

After 1987, the paternalistic cooperation between management and labour began to change, began to shift towards what could be called utilitarian cooperation. However, it was a process of gradual evolution rather than one of sudden revolution, emanating from two interlocking factors: the enlarged role of the unions in labour-management relations, and the rapid increase in the numbers of young workers post-1987. The young workers, unlike the old company faithfuls, never experienced the labour-management bonding and voluntary cooperative climate created by Kia Motors' crisis-survival period of the early 1980's. They had no company tradition to look back upon. They had not the same company loyalty. So, not unnaturally, their demands were far more self-centred, more practical or utilitarian, more militant, and, because of their numbers, they had considerable influence upon the spirit of union-management relations (a scenario which will be examined in greater detail in a later section of this thesis).

As has been previously indicated, labour-management relations during the pre-1987 period were cooperative rather than confrontational and so the union's relationship with management was equally cooperative. Evidence of such cooperation can be clearly illustrated by the fact that all wage increases and agreements on working conditions in Kia Motors, from the early 1980's through to 1986, were determined by a joint Labour-Management Council (R. Park et alii, pp.103-104, 1987).

The Labour-Management Council Law, which was enacted on 31 December, 1980, constrained companies with more than 50 employees to establish such a Council, irrespective of whether or not a union pre-existed in that company. The declared intention of this law was to foster labour welfare and company development via labour-management consultation (for more details on this, see S. Kim, 1992). Whereas it can be said that collective bargaining is usually a formal consultative process focussing on wages and working conditions, the Labour-Management Council's modus operandum tended to be a rather more

informal consultative process concerned with the welfare of the labour force and a company's business management practices. In this context, the fact that agreements on wages and working conditions - normally derived through the formal process of collective bargaining - were reached by informal labour-management consultation in Kia Motors seems to be yet another excellent indicator of the spirit of harmonious cooperation which existed in the company's pre-1987 industrial relations practices.

Apart from those factors already identified as integral elements of Kia Motors' "cooperative chemistry" - the vertically-interdependent structure of the Kia Group of Companies, the separation of ownership and management, the AIRA crisis, and the paternalism of professional management - there is one other significant element which should be mentioned. Union management itself enjoyed considerable equilibrium during the pre-1987 period. There were only three union chairmen over a 28-year period (1960-1988) which provided both continuity and stability of management in union affairs. Senior workers were members of the union staff and labour committees. The Confucian Order - where the young respect the old - was still relatively well-applied in the workplace. So, all in all, the union's own stability was yet another salient factor which helped Kia Motors to maintain its climate of labour-management cooperation.

Proof of the importance of union stability in this regard can be seen in the intra-union conflicts which began to emerge in the post-1987 era. As indicated previously, the main reason for the shift from paternalistic to utilitarian cooperation was the large influx of young workers. As Table 5.12 illustrates, the bulk of these young workers was recruited between 1986-1991.

Table 5.12

Number of Employees in Kia Motors

Year	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Sex	M / F	M / F	M / F	M / F	M / F	M / F	M / F	M / F	M / F	M / F
Total Number	4,379 325	4,719 384	6,140 480	8,498 626	11,669 823	14,059 935	17,369 1,040	18,959 1,052	21,009 1,081	21,946 1,050
White Collar Employees	1,826 286	2,354 352	3,208 448	4,418 595	5,589 792	6,531 908	7,903 1,013	8,783 1,028	9,785 1,056	10,316 1,053
Blue Collar Employees	2,553 39	2,365 32	2,932 32	40783 1	6,010 31	7,528 27	9493 27	10,206 24	11,224 25	11,630 27

Source: This data is based on personal interviews with staff of Kia Motors

Kia Motors' re-entry into the passenger car market in 1987 meant that the company had to recruit a large number of additional workers for their car production lines, newly-established in 1986. Additionally, the proliferation of models offered by Kia Motors - such as Pride, Concord, Potentia, Sepia and Capital - created a recurring need to recruit a workforce capable of coping with the newly-installed, more sophisticated production lines.

The problem with the newcomers to Kia Motors was that they had not experienced the already-mentioned early-1980's crisis in Kia Motors, nor had they experienced the resultant voluntary cooperative efforts of labour and management, so they did not exhibit or embrace the same degree of loyalty to the company.

Further (Table 5.13 refers), these "new generation" workers made up over 70% of the workforce, and their value-systems and perspectives conflicted somewhat with those of the older school in Kia Motors when it came to discussing industrial relations. Consequently, these conflicts have been reflected in union management and operations and have affected both union stability and worker harmony. In fact, during interviews conducted with managers and union officials, both parties mutually concluded that intra-union conflicts, particularly between young and old workers, were the primary factor threatening to undermine the cooperative industrial relations climate in Kia Motors.

Table 5.13

Workforce Characteristics of Kia Motors

		1988	1988	1992	1992
		Male	Female	Male	Female
Education level (production workers)	Below high school level	1,367	15	N/A	N/A
	High school level	5,841	12	N/A	N/A
	Above high school level	320	--	N/A	N/A
Length of continuous service. (production workers)	Less than 2 years	5051	6	2,508	N/A
	From 2 to 5 years	892	2	5,201	N/A
		118	1	1,891	N/A
		4,617	18	1,898	N/A
		N/A	N/A	4.38	N/A

Age distribution (production workers)	Below 25 years old	3,841	7	N/A	N/A
	26 to 30	2,268	--	N/A	N/A
	31 to 35	598	--	N/A	N/A
	Over 36 years old	1,121	20	N/A	N/A
	Average age	N/A	N/A	28.56	N/A
Marital Status (production workers)	Married	4,649	7	5,265	N/A
	Not married	2,879		5,959	N/A

Source: Data is based on personal interviews with staff of Kia Motors

The first incident of intra-union conflict occurred on 16 December, 1988, when senior workers passed a vote of no-confidence in the newly-elected union administration body, which was mainly composed of young workers. The no-confidence motion was rejected, but, according to information gathered from interviews with managers from the Labour-Management Council, the conflict between the warring factions - though subterranean - intensified since this incident.

The first major strike at Kia Motors, which lasted from 28 June until 26 July, 1991, was due in some part to such intra-union friction. The actual process which the strike followed is worth detailing.

(a) After nine rounds of negotiation, union officials provisionally agreed to a range of terms - an increase of 45,385 Won for general wages; 7,595 Won for Family Allowance; and 10,000 Won for I.C.P. allowance.

(b) This agreement was subsequently rejected by a vote of the employees, so, after a tenth round of negotiation, the following terms were agreed to by the discretion of the union chairman - an increase of 36,684 Won for basic wages; 7,595 Won for Family Allowance; 10,000 Won for I.C.P. allowance; and 100,000 Won for TQC allowance (28 June, 1991).

(c) About 2,000 workers started to strike because of dissatisfaction with the agreement and organised a so-called Emergency Countermeasure Committee, excluding any union officials. There was unsuccessful bargaining between officials of this committee and management (28 June - 2 July, 1991).

(d) On 3 July, officials of the aforesaid Committee and management agreed to the following terms - an increase of 53,684 Won for general wages (an increase of 11.49 %); 150,000 Won for TQC allowance. The points of previous agreement detailed in (c) above remained the same (3 July, 1991).

(e) About 350 senior workers claimed that the agreement of 3 July should be rejected as invalid because the Committee had not been legally organised (4 July, 1991). Management therefore rejected those terms of agreement because of the alleged illegal and violent nature of the Emergency Countermeasure Committee (6 July, 1991).

(f) About 160 foremen attempted to act as conciliators in the dispute (11 July, 1991). The chairman of the union resigned (12 July, 1991). From the date of his resignation, the disputes gradually diminished and were completely settled on 26 July, 1991.

The strike cost the company 1,187 billion Won, and the terms of agreement with the Committee were adopted as a formal bargaining document.

As the above strike breakdown clearly reveals, intra-union conflicts surfaced during the strike. If there had been no challenge by the senior workers regarding the legality of the Emergency Countermeasure Committee, the bargaining could have ended on 3 July, after only 6 days of striking (compared with the 28 days of the actual strike), though there could well have been problems later with the legality or otherwise of the Committee's status. It was for this reason that most of the Kia Motors' interviewees blamed intra-union conflict as the major cause of the strike, even though there were also disagreements between labour and management at the time.

Whatever the reason, the strike starkly revealed that stable and sound paternalistic cooperation between Kia Motors' labour and management - a key feature of their industrial relations practices during the pre-1987 period - no longer existed. The age of utilitarian cooperation had well and truly arrived, perhaps inevitably, as a consequence of post-1987 events.

It is probably worthwhile at this juncture explaining the rationale behind the word "cooperation" in the phrase "utilitarian cooperation", especially because of the naked confrontational aspects of industrial relations practices which emerged during the strike. Even though there was more discord than accord during the strike, it is significant that the workers' performance after the strike was impressively unaffected. It was "business as usual", and, as such, it is felt that there is sufficient justification for contending that the spirit of cooperation lived on, albeit in a utilitarian context. Appendix III illustrates that Kia Motors' level of productivity increased rapidly after the strike and, as early as October and November, the productivity level exceeded the monthly target - the highest productivity level in the history of Kia Motors. Such productivity levels could not have been obtained so soon after a severe strike if a confrontationist mood had prevailed in the Kia Motors' industrial relations arena. Further, interview data provides strong evidence that, immediately after the strike, management and officials of both the union and the Emergency Countermeasure Committee cooperatively initiated and supervised the productivity improvement movement within the company.

5.2.6 The Importance of History

The mutually-perceived value of cooperation in industrial practices between Kia Motors' labour and management during the 1980's until quite recently has been extensively canvassed above, even though there was a shift in the nature of that cooperation - from what has been described as paternalistic to utilitarian - post-1987. And when the post-1987 confrontationism in the industrial relations of rival companies like Hyundai and Daewoo are cited as symbols of industrial disputes in Korea, it seems important that the reasons for a post-1987 mood of cooperation in Kia Motors' industrial relations practices should be scrutinised.

The answer appears to be quite obvious. The seeds for ongoing harmonious cooperation within Kia Motors were sown in the company's successful recovery from the brink of economic disaster in the early 1980's, during which time both labour and management shouldered their common responsibilities and actively and voluntarily worked to regenerate the company's fortunes. The need to survive overrode any potential labour-management divisiveness, and fostered mutually-beneficial as well as mutually-acceptable industrial relations practices. Coupled with this, after riding out the economic storm together, an admittedly-paternalistic management rewarded the workers with generous bonuses (920-1,000%), established the Labour Welfare Fund System and the Business Development System, which, as well as maintaining a high level of employee satisfaction, also significantly reinforced the jointly-derived spirit of industrial harmony and cooperation.

But there were other factors, too. Historically, Kia Motors had, from its inception, concentrated its business focus on the automotive industry. When the economic crunch came, therefore, the vertically-interdependent structure of the Kia Group of Companies - the significance of which has already been examined in some detail in an earlier section - placed it in a far more responsive, far more committed position than most of its direct competitors. And the separation of ownership and management in Kia Motors hugely facilitated a radical and speedy movement into professional, pragmatic and entrepreneurial management, sensitive to the needs and benefits of both the company and the employees.

The experiences shared by Kia Motors' labour and management during the economic and legislative rigours of the pre-1987 period welded together a great company team - "Let's sell Bongo!" - and the related practices became an inevitable part of the company culture, enabling it to combat hostile international economic conditions, draconian domestic laws enacted by government and disruptive industrial disputes.

From this, it would seem that Kochan et alii's notion that history has a significant bearing on the current status of industrial relations practices is amply borne out by the case history of Kia Motors.

5.3 Changes in the External Environment

This section will explore the conditions of the external environment with which Kia Motors had to contend and the influence of such conditions on the establishment of business strategy, human resources management, personnel management and/or industrial relations practices.

5.3.1 The Product Market

5.3.2 The Competitiveness of Kia Motors in the Domestic Product Market.

The changes in the competitiveness of Kia Motors are summarised in Table 5.14. The periodic division is based on the enforcement of the Auto Industry Rationalisation Arrangement (AIRA).

Table 5.14

**Competitiveness of Kia Motors in the Domestic Product Market
(strategic cars)**

		Pre-AIRA	AIRA (1982-1986)	Post-AIRA
Competitiveness	Passenger car	Inferior to Hyundai and Daewoo	Production prohibited	Inferior to Hyundai Superior to Daewoo
	Bus	superior to the competitors for light bus	Superiority of light buses	Continuation of superiority to the others
	Truck	Superior to the competitors	Absolute superiority	Continuation of superiority
Strategic Cars	Passenger car	Brisa, K-303, Fiat	- -	Pride, Concord, Potentia, Sepia
	Bus	Bongo	Bongo	Besta
	Truck	Bongo,	Wit, Taitan	Wit, Taitan

Source: This data is based on the analysis of Appendix II and personal interviews with staff of Kia Motors.

5.3.3 Passenger Car Market

During the pre-AIRA period, the domestic market for passenger cars was dominated by Hyundai. The strategic cars of Kia Motors during this time were Brisa, K-303 and Fiat, assembled by imported parts (called a Knock-Down [KD] production method). The economic recession of the early 1980's, and the consequent decline in the consumer market, plus related increased stock holdings in automotive companies, endangered economic viability of the automotive industry as a whole in Korea. This crisis led to the government's enforcement of Auto Industry Rationalisation Arrangement (AIRA) in 1982. According to the AIRA, as already mentioned, the production of passenger cars was allocated to Hyundai and Daewoo. Kia Motors was guaranteed a monopoly in truck production below 5-tonne capacity, but because of this AIRA edict, Kia Motors had to relinquish the production of passenger cars until 1986.

After the lifting of the AIRA ban, Kia Motors started to produce passenger cars from 1987 and secured second position in the domestic passenger car market in 1989 by producing 182,232 units of passenger cars (Daewoo: 147,944; Hyundai: 525,857). As can be discerned from Appendix II, the growth-rate of the passenger car section in Kia Motors during the post-1987 period was even higher than that of the commercial car section (bus and truck), which were superior that of other competitors during the AIRA period. This rapid growth and success enabled the passenger car section to emerge as Kia Motors' leading revenue-earner. The strategic cars in this success were the 1300cc Pride of 1986, the 2000cc Concord of 1987, the 1500cc Capital of 1989, the 3000cc deluxe car, Potentia, of 1992, and the 1500cc Sepia of 1992.

Because of an immediate need to enter the passenger car market, Kia Motors had to rely on the technical assistance of Mazda. Moreover, the necessity to establish a full production line-up, within a relatively short period of time, to meet various consumers' tastes (from small-capacity cars to deluxe cars), was also a major reason for Kia Motors' reliance on the technical assistance of the advanced auto makers, Mazda. In the case of the Pride model, when production first began, most of the major parts, such as engines and transmissions, were imported from Mazda.

However, owing to the constant efforts of the company to be technologically-independent, Kia Motors' importation of major parts was replaced by the production of those same parts made possible by blueprints provided, for substantial royalties, by Mazda. As a consequence, Kia Motors was finally able to produce with its own technology the Sepia (a passenger car) and the Sportage (a Jeep) in 1992, thus opening a new phase for the growth of the company. As technological dependence, relatively higher than that of other competitors (Joe, 1989, p.140), meant higher production costs - owing to the importation of parts and the restriction of export under the brand name of Kia Motors - the production of the Sepia and the Sportage with the company's own technology enabled Kia Motors to start its elimination of such economic impediments. When I interviewed staff from the Overseas Planning and Control

Department in early 1992, Kia Motors already had orders for 100,000 units of Sepia to North America until the end of 1993.

Owing to the rapid growth and success of the passenger car section within a relatively short period after the AIRA ban, the passenger car market emerged as Kia Motors' premier market priority.

5.3.4 The Bus and Truck Market.

In the case of the bus market, as Appendix II reveals, Kia Motors occupied the fourth position out of five bus makers in 1981, producing 1,022 buses. However, the company managed to establish absolute superiority over the other competitors during the AIRA period. As already mentioned, the so-called "Bongo miracle", Kia Motors' salvation during the AIRA period, contributed to their absolute superiority over other competitors. In 1986, the last year of the AIRA period, Kia Motors, for example, occupied 66 per cent of the market share, compared with Hyundai's 12.2 per cent (the company occupying the second position in the bus market). In 1990, these market share gaps in the bus market between Kia Motors and Hyundai have been reduced to Kia Motors' 50.2 per cent and Hyundai's 36.2 per cent. However, as Asia Motors, one of the Kia Group companies, had a 10 per cent market share in the bus market in 1990, the 60.2 per cent market share of the Kia family seems still to be high enough to maintain its superiority over the other competitors.

In the case of the truck market, Kia Motors enjoyed a superior position regardless of the AIRA enforcement. In 1981, this company had 62.4 per cent market share (Hyundai: 20.4 per cent, second position) and this market share increased to 78.39 per cent in 1986 (Hyundai: 14.5 per cent), mainly, of course, because it had a monopoly on the production of trucks below 5-tonne capacity. Even after the AIRA ban was removed, although the market share decreased to 54.8 per cent owing to a free competition saturation, Kia Motors still maintained its superiority over the other competitors.

5.3.5 The Competitiveness of Kia Motors in the World Market

Kia Motors' competitiveness in the world market is relatively unknown. This is mainly because, before the production of the Pride in 1987, the company had not concentrated on exports, owing to its primitive production technology and its low capacity for production. Therefore, Kia Motors was out of contention as a major competitor in the world market before 1987. Kia Motors started its export drive in 1987. Using the OEM method, this company exported 60,000 units of Pride as Ford Festiva in 1987, and has continued its exportation until quite recently. Although the Pride was projected into the world market, it was sold under the name of Ford Festiva and, as mentioned previously, its production was influenced by Mazda's technological assistance. Therefore, an evaluation of the Pride's competitiveness in the world market could be

misleading. Further, as the export of Sepia, developed by Kia Motors' own technology, started only in 1992 the evaluation of the real competitiveness of Kia Motors may only be measureable in the future.

5.3.6 Changes in the Product Market Strategy of Kia Motors

Changes in the product market strategies of Kia Motors can be explained across the following eras: the pre-AIRA, the AIRA and the post-AIRA periods.

During the pre-AIRA period, Kia Motors' main product-market-related strategy was concentrated in the localisation of the production of car parts. As was common to all Korean manufacturing companies during this period, Kia Motors had relied heavily on large overseas auto companies for its production requirements or levels. So, the production ability of Kia Motors had been determined by its assembly of imported car parts. To become an independent auto manufacturing company, Kia Motors had to concentrate on the localisation of auto parts as the first step which could also contribute to the reduction of production costs, with a corresponding reduction in the price of its products in the market place. Because the domestic market was relatively small and uninfluenced by consumer preferences during this period, and because Kia Motors had to overcome its high reliance on the technology of overseas' auto companies and its own correspondingly-low production capacity, the company's major strategy during the pre-AIRA period was to concentrate on the development of its production capacity and technology levels, rather than its marketing functions.

During the AIRA period, however, Kia Motors' production and technology initiatives were replaced by a marketing thrust, which was its only real option after the government AIRA legislation, stimulated by a chronic economic recession world-wide, prohibited the company from manufacturing and selling its passenger cars. Dire economic realities dictated Kia Motors' shift from development to sales.

After the AIRA period, Kia Motors has concentrated on the integrated development of production, technology and marketing functions. Before the post-AIRA period, owing to the embryonic nature of the domestic product market, the limited production capacity of auto-makers and imposition of government restrictions, Kia Motors had to develop its product market strategies in a selective way, prioritising product-market-related strategies. However, because environmental factors experienced rapid changes during the post-AIRA period, there has been a constant need to develop all the functions evenly in response to the changing product-market climates. The environmental changes related to product market during the post-AIRA period can be summarised as follows.

Firstly, as the end of the AIRA meant free competition among auto-makers in Korea, and the revocation on the prohibition of car importation during the sixth economic development period meant the participation of advanced overseas' auto-makers in the Korean domestic product market, there was an intensification of competition between Korean auto-makers. In the case of Kia Motors, the pressure from the intensified competition was a lot higher than for other competitors because, as this company re-entered the passenger market, the biggest part of product market, failure to obtain a reasonable market share in the passenger car market would have been directly related to the survival of the company. Consequently, Kia Motors had no choice but to develop new products (Pride, Concord, Capital, Potentia and Sepia); to boost production capacity for the newly-established production lines for such new products and, simultaneously, inject correspondingly-appropriate levels of technological sophistication; and, at the same time, to facilitate the marketing function, especially sales, in response to the increased production capacity.

Secondly, there were changes on the demand side of the product market during the 1980's. It is generally accepted that the growth of the automotive industry during the 1980's was firstly led by export during the mid-1980's, and then by the rapidly-increased domestic demand during the late 1980's.

During the mid-1980's, as shown in Appendix II, exports increased substantially from 52,326 units in 1984 to 576,134 units in 1988. However, given that Hyundai was responsible for most of the exports during this period, exporting 50,376 units in 1984 and 407,719 units in 1988, the benefits from the expansion of exports during the mid-1980's had relatively nothing to do with the business management of Kia Motors and did not affect any of the company's product market strategies. When the export-led automotive industry development went into decline owing to unstable industrial relations and a rapid increase in wages after 1987, followed by an appreciation in the value of the Korean Won - which resulted in the inability to compete effectively, price-wise, in the world market - a rapidly-increased domestic demand replaced the role of the export-oriented automotive industry development. This rapid increase in domestic demand during the late 1980's created a good relationship between mass production and mass consumption. As Appendix II illustrates, the constant increase in the volume of car production for domestic demand - from 288,251 units in 1986 to 954,277 units in 1990 - indicates a positive correlation between mass production and mass consumption, not only for Kia Motors but also for the other auto-makers. In this regard, it can be said that the rapid increase in domestic demand during the late 1980's enabled Kia Motors to develop all its functions evenly and successfully, until recently.

Although all three functions - production, technology and marketing - were developed fairly uniformly during the post-AIRA period in Kia Motors, between 1987-1990 and 1991 onwards, there has been a discernible shift from the coupled emphases of production-technology to that of technology-marketing. During the late 1980's, Kia Motors entered the passenger car market, which, from 1987, became their biggest revenue earner. They faced an urgent need

to develop new products and to enlarge their production capacity to cope with the manufacture of new products such as Pride, Concord, Capital, Potentia and Sepia. However, during the early 1990's, as Kia Motors reached a reasonable scale of economy in its production and the Korean car industry reached a production capacity of two million cars a year in 1992, the inevitable incapacity of the domestic market to absorb such volumes induced Kia Motors to concentrate not only on the strengthening of its sales function in the domestic market, but also on its export drives. It should be noted that, whereas the development of Kia Motors' technology functions during the late 1980's was mainly to improve production capacity and to develop new products (whilst minimising its dependence on the technology of overseas' companies), the company's development objectives from the early 1990's onward have been to create its own technological ability, because Kia Motors has had to face international competition in the world market owing to the changed product market conditions in recent years.

The importance of the influence of the changed product-market-related environments, mentioned above, on the changes in the product-market strategies of Kia Motors was well supported by an interview with managers from the Planning and Coordinating Department. According to the interviewees, there were three important environmental factors which affected the company's product-market strategies: the enforcement of the AIRA; increased consumer demand and tastes; and intensified competition, both in domestic and international markets. While the enforcement of the AIRA reflects the changes in product- market strategy from the pre-AIRA period to the AIRA period, the increased consumer demand and tastes reflect the conditions of the product-market during the late 1980's, as mentioned above. Moreover, intensified competition in domestic and international markets also reflects the motives for change in the product-market strategies of Kia Motors during the 1980's and recent years.

The manager also tabulated the most important considerations in establishing a product-market strategy. He ranked them as follows:

- i) changes in consumer tastes;
- ii) price of products;
- iii) quality of products;
- iv) age-level of target consumers and their occupations.

These factors also underscore the changed environmental conditions after the AIRA period, in that the order reflects the importance of the consumers' role in the product market and intensified competition, compared with the monopolistic production of the pre-AIRA and AIRA period with far less competition and the relatively small scale of consumer demand in the product market .

In general, it seems that Kia Motors performed well in the market place during the 1980's. The company successfully overcame the business crisis of the early 1980's and moved to second position in the ranks of auto-makers in 1989 within a mere three years after the withdrawal of the AIRA ban. As mentioned above, a major factor contributing towards this success was the company's constant effort to adapt to changing product-market environments during the 1980's by prompt responsive changes in their production market strategies. As will be discussed in a later part of this thesis, the changes in the product market strategies during the 1980's were some of the principal factors which affected three-tier industrial relations practices in Kia Motors.

5.3.7 The Labour Market.

Increasing labour shortage has been a general trend in the Korean labour market since the late 1980's. As Tables 5.15 and 5.16 reveal, while the unemployment rate consistently decreased from 7.3 per cent in 1965 to 2.4 per cent in 1992, the total labour shortage rate increased from 1.8 per cent in 1985 to 5.5 per cent in 1991. The shortage of production workers, compared with that of total employees and of office workers, has especially worsened.

Table 5.15

Unemployment rate in Korea, 1965-1992

(Unit:%)

	'65	'70	'76	'80	'85	'90	'91	'92
Unemployment Rate	7.3	4.4	4.1	5.2	4.0	2.4	2.3	2.4

Source: S. Uh, Employment Structure in Labour in Korea, Y. Park, Korea Labour Institute, Seoul, 1993, p.45.

Table 5.16
Labour shortage ratio in Korea, 1985-1991

(Unit: %)

	1985	1988	1989	1990	1991
Total employees	1.8	3.5	3.2	4.3	5.5
Office workers	0.9	1.2	1.1	1.3	1.3
Production workers	2.4	5.2	4.9	6.9	9.1
Skilled workers	2.0	3.9	3.6	5.3	7.3
Unskilled workers	4.9	12.3	11.8	16.2	20.1

Source: S. Uh, Employment Structure in Labour in Korea, Y. Park, Korea Labour Institute, Seoul, 1993, p.48.

The reasons for the above trends in labour shortages in production jobs can be explained as follows. Firstly, there were changes in the structure of education during the 1980's. The main phenomenon was the push to produce higher education levels and more concentration on academic high schools than technical high schools. This higher level of education predictably reduced the economic participation rates of young people between the ages of fifteen to nineteen years, and increased the reservation of wages in the market place, which eventually lowered the possibility of the people in this category entering manufacturing and production jobs.

The second reason for the above trend derives from the rapid increase in the level of family earning capacity since 1987 and the relatively tight labour market trend which provides relatively easy job opportunities. Apart from the accelerated levels of wage-earning capacity since 1987, workers placed more value than before on labour conditions – such as labour intensity, working conditions and the flexibility of working hours. Therefore, more people opted for jobs in the service sector than those in the manufacturing sector. This trend was also accelerated by the tight labour market conditions of the late 1980's and early 1990's (Uh, 1991, pp.80-84). Besides the above reasons, it is generally considered that the pervasive ideology of a Confucian society like Korea's, which respects white collar jobs and looks down on blue collar jobs, is also a factor which influenced the trend towards a shrinking pool of production workers since the late 1980's.

Despite such labour shortages, however, Kia Motors has not experienced any difficulties in recruiting a competent workforce. This can be largely explained by the fact that wage levels in the automotive industry have maintained a relative "high" compared with those offered in the other manufacturing industries. As in Table 5.17 illustrates, the average increased wage rates in the automotive industry always exceeded those of all industries, including the manufacturing industry, during the late 1980's and early 1990's. Moreover, as detailed in Table 5.18, wage differences based on the size of companies also confirms the relative superiority of large enterprises over smaller-sized firms during the same period. One interesting point in Table 5.18 is that the wage gaps between large enterprises and smaller enterprises have widened since 1987. What this implies is that, as trade unions' activities have not been subject to any strong governmental and management intervention since 1987, the larger and stronger the unions are, the more they can obtain. Therefore, as Kia Motors was in a relatively superior position (even among companies in the category of over five hundred employees), their employees have enjoyed not only higher wages, but also better labour conditions and welfare than the smaller Korean companies. Interviews with managers from the Labour and Management Cooperation Department, the Production Planning Department and union officials also confirm Kia Motors' high wage levels. All the interviewees pointed out that wages among auto companies were, with slight variations, relatively similar and Kia Motors' wage level was the highest among the manufacturing industries but slightly lower than some of the service sectors, like the banking industry.

Table 5.17

Average wage increase rate of automotive industry

(Unit: %)

Year	All Industry	Manufacturing Industry	Auto Industry	
			Auto Assembly companies	Part Suppliers
1987	10.1	11.6	26.3	21.5
1988	15.5	19.6	21.8	18.4
1989	17.8	19.7	23.3	26.4
1990	20.3	22.1	22.0	20.4

Source: D. Lee and S. Paeng, *Research on the Improvement of Wage Bargaining in Kia Group of Companies*, Kia Economic Research Institute, 1991, p.101.

Table 5.18

Wage structure by size of firm (1980-1992)

Firm Size	1980	1985	1987	1990	1991	1992
10-29	92.9	89.5	87.5	74.1	70.9	72.6
30- 99	99.1	91.4	90.7	74.2	75.7	78.0
100-299	97.1	89.6	89.9	81.4	82.5	82.5
300-499	102.3	98.8	98.0	94.2	90.1	90.3
Over 500	100.0	100.	100.0	100.0	100.0	100.0

Source: S. Lee, *Wages: The Levels, Structure and Criteria for their Determination in Labour in Korea*, Y. Park, Korea Labour Institute, Seoul, 1993, p.62.

Although changes in the labour market in Korea have not affected Kia Motors, the company's labour market strategy seems to have changed since the beginning of the 1990's. The essence of the change is that it started to rely more on the internal labour market during this period, rather than upon its previous source, the external labour market. As already mentioned, Kia Motors recruited a large number of workers during the late 1980's in response to the labour needs of its newly-established production lines. However, even when Kia Motors' production capacity reached an economy of scale, and the hugely-escalated wage levels of the late 1980's resulted in a loss of price competitiveness in the world market, the company had to maintain its workforce because the lay-off of workers had been prohibited by law and strong union power since 1987 also prevented management from laying off workers, even during the downturn of its business. Kia Motors has therefore tried to avoid recruiting a large number of workers from the external labour market and, as an alternative, invested in its own workers with the introduction of new technology and automation since the beginning of the 1990's. (This will be discussed in detail at a later part of this thesis.)

In this regard, it could be said that although the labour market strategy of Kia Motors has not been affected by changes in labour market conditions, it has been influenced by changes in other environmental factors, such as increased union power post-1987, increased competition both in domestic and international markets, and the enforcement of tough legislation concerning the laying-off of workers.

5.3.8 New Technology

5.3.9 The Importance of Industrial Technology and its Context in Korea.

The importance of the development of new technology has been recognised as a vital ingredient in the development of the Korean economy in recent years. As is well known, the Korean economy has been heavily reliant on the exportation of industrial products and the well-known success story of the Korean economy derived mainly from the relative superiority of its price competitiveness, coupled with a reasonable standard of product quality until the mid-1980s. As already mentioned in an earlier chapter of this thesis, this price competitiveness could be maintained mainly because of a well-disciplined, hard-working and cheap labour force.

However, owing to the changed industrial relations situations post-1987, which witnessed the exercise of strong union power combined with extensively-weakened intervention capacity of both government and employers, rapid wage increases have contributed to the decline of Korean price competitiveness in the world product market. As a result, Korea has been losing its share in the international market place, mainly because of lower wage structures in East- and South-East Asian countries such as China, Malaysia, Thailand and Indonesia, and in Latin American countries.

Although the phenomenon of decreased price competitiveness has also been evident in the case of advanced countries, these countries - because of their highly-developed new technologies - have been able to reduce labour costs through the automation of production facilities which contribute to the enhancement of price competitiveness, as well as develop high value-added and high-quality new products and/or specialised and customised products which assist the development of new product markets as an alternative strategy in response to losing their price competitiveness.

In the case of Korea, the importance of the development of new technology derives from the fact that it can contribute to the development of production efficiency with the reduction of labour costs, especially through the introduction of production automation, and it also enables Korean enterprises to develop high value-added new products which will provide them with a chance to enter and/or create new product markets mainly occupied by advanced countries. That is to say, as the Korean economy occupies a position somewhere between the lower wage countries and advanced countries in recent years, the development of new technology becomes a crucial element in Korea's capacity to compete effectively with both groups of countries in the international market.

Despite significant progress in the development of new technology in recent years, the level of industrial technology in Korea, as Table 5.19 indicates, is still not high enough to satisfy the urgent need to respond to changing international business conditions. According to the Report of the Ministry of Trade and

Industry in 1993, only one industry out of thirteen major industries is above the 50 per cent level, compared with the technology levels of advanced countries. The average industrial technology level in Korea as a whole is reported as 42.6 per cent. Moreover, while the amount of investment on Research and Development (R&D) in Japan and America in 1991 was \$US83.5 billion and \$US147.5 billion respectively, only \$US5.5 billion was invested in R&D in Korea in 1991.

The main reason for Korea's relatively low technology level seems to stem from the fact that the need for the development of new technology has been rather casually regarded by the government, employers and academics since the early stages of Korea's economic development. Prior to 1987, most Korean enterprises relied heavily on private competitiveness assisted by low wage levels, and preferred to invest on the short-term, safe-profit real property and money markets, rather than investing in the long-term, less-secure development of new technology. However, this reluctance started to change quickly from 1987, because, as mentioned earlier, escalating wages hindered their ability to maintain price competitiveness in the world market. They thus needed to explore options, such as reducing production costs through automation or developing new and high value-added products. Besides increases in wages, as outlined in Tables 5.17 and 5.18 above, the labour shortage trend emerged in the late 1980's and this was a significant causal factor in highlighting the need to recognise the importance of developing new technology, especially automated production technologies.

The main reason for Korea's relatively low technology level seems to stem from the fact that the need for the development of new technology has been rather casually regarded by the government, employers and academics since the early stages of Korea's economic development. Prior to 1987, most Korean enterprises relied heavily on private competitiveness assisted by low wage levels, and preferred to invest on the short-term, safe-profit real property and money markets, rather than investing in the long-term, less-secure development of new technology. However, this reluctance started to change quickly from 1987, because, as mentioned earlier, escalating wages hindered their ability to maintain price competitiveness in the world market. They thus needed to explore options, such as reducing production costs through automation or developing new and high value-added products. Besides increases in wages, as outlined in Tables 5.17 and 5.18 above, the labour shortage trend emerged in the late 1980's and this was a significant causal factor in highlighting the need to recognise the importance of developing new technology, especially automated production technologies.

Table 5.19

The level of industrial technology in Korean major industries in 1993

	(unit: %)
Medical facilities	56.1
Precision chemistry	49.6
Textiles	48.4
Computers	46.4
Electronic parts and materials	45.6
Semi-conductor and equipment	42.6
Telecommunications	42.3
Automotives	40.5
Electric home appliances	39.5
Shipbuilding	38.9
Automation	35.8
Iron and steel materials	21.6

Note: These figures are based on the calculation that the average industrial technology level in advanced countries is in the 100 per cent level.

Source: This data is based on the information in an article in Chosun Daily Newspaper on July 16, 1993 which summarises the analysis on the level of industrial technology in Korean major industries provided by the Ministry of Trade and Industry in 1993.

Table 5.20 clearly shows changed perceptions and the recognition of the value of new technology since 1987. As can be seen, the number of industrial robots increased from 227 units in 1986 to 707 units in 1987, and reached 1150 units in 1989. Despite this progress, however, Korea's technology was still at a relatively primitive level compared with advanced industrialised countries. Japan, America and West Germany were already utilising industrial robots far more extensively than Korea prior to 1987 (Japan: 116,000; America: 25,000; and West Germany: 12,400 units in 1986).

Table 5.20

Number of industrial robots in Korea (1984-1989) and other advanced countries (1985 and 1986)

		1984	1985	1986	1987	1988	1989
Korea	Local production	2	34	126	530	780	830
	Importation	46	123	101	177	210	320
	Total	48	157	227	707	990	1150
Japan			93,000	116,000			
America			20,000	25,000			
France			5,900	5,270			
West Germany			8,800	12,400			
Sweden			2,046	2,383			
England			3,208	3,683			

Source: Edited from G. Park and H. Joo, *The Development of Factory Automation and its Rational Direction*, Korea Institute for Economics and Technology, Seoul, 1989, pp.52 and 89.

High wage levels and labour shortage trends were major causal factors in bringing about a recognition of the importance of developing new Korean technologies, such causal factors being similarly evident in the economic development experiences of other industrial countries. As Table 5.21 indicates, in advanced industrial nations, there seems to be a positive correlation between wage and unemployment levels and high-level usage of industrial robots; Sweden, America, Japan and West Germany have high wages and/or low unemployment levels, and all have high-level utilisation of industrial robots.

Apart from rapid wage rises and labour shortages, there were other factors which had a direct bearing on the automotive industry's accelerated movement into new production technologies. Unstable industrial relations were another stimulus. Disruptive industrial disputes have a direct and negative effect on productivity level and targets, so employers speeded up their efforts to introduce automation of production lines to offset the effects of labour replacement and/or to improve working conditions. Additionally, the reluctance of advanced countries - in the context of increased international marketing and sales competition - to transfer their high technology forced Korean employers to invest more in the development of their own new technology to survive in the world market.

Table 5.21

The relationship between the level of the introduction of industrial robots and the level of wages and unemployment rates in advanced countries (1980)

(units: American dollars, thousand pounds, %)

	Sweden	America	W.Germany	England	Japan
Number of ind. robots	990	4,700	1,255	371	14,250
Hour wage in metal assembly sector	9.14	7.45	6.88	5.80	5.88
Unemployment rates	2.0	7.0	2.8	6.3	2.0

Source: Edited from International Labour Organisation, *Yearbook of Labour Statistics, 1985*, and Japan Industrial Robot Association, *Handbook for Industrial Robots, 1987*.

The actual application of newly-introduced technology merits some attention. According to a survey done by the Korean Institute for Economics and Technology in 1988, 78 per cent of the surveyed companies indicated their preference for utilising new technology to improve production efficiency rather than to develop high value-added new products or to produce small batches and/or individually-customised products (Park and Joo, 1989, pp.170-171).

So, summarising, the main reason for the relatively low level of industrial technology in Korea is that most Korean enterprises relied heavily on competitive pricing, made possible by a cheap, hard-working and plentiful labour force; they were thus reluctant to invest substantially in the development of new technologies, the returns from which are generally considered to be both long-term and potentially high-risk. The recent recognition of the importance of developing appropriate new industrial technology, especially after 1987, has been influenced by a climate of rapid wage increases, escalating trends towards labour shortage, unstable industrial relations and the difficulties of accessing or "borrowing" new technologies from industrially-advanced overseas companies. Further, the general trend in the introduction of new industrial technology has been, in the short term, to develop production-related technology to enhance production efficiency, rather than to develop design-related technology for a production strategy geared to outputting small batches and a widely-varied product range.

5.3.10 Development of New Technology and Automation in Kia Motors

The importance of the development of new technology was stressed by the President of Kia Motors in his speech at a New Year ceremony in 1992. In his speech he emphasised two major factors for the continuous development of Kia Motors:

- i) the constant development of new technology through investment in R&D;
- ii) the maintenance of a peaceful industrial relations climate.

The President of Kia Motors' reference to the importance of harmonious industrial relations was clearly triggered by the company's failure to allocate adequate energies and skills to the negotiation process in 1991. But, at the same time, given that the company's R&D policy enjoyed constant attention and nurturing since 1986, he was perhaps signalling where he saw the company's priority objective. The reasons for the emphasis on the development of new technology, based on the interviews, can be explained as follows.

Firstly, as mentioned earlier, changing competitive business conditions both in domestic and international markets, and changing customer tastes, drove Kia Motors to concentrate on the development of new technology.

Secondly, unstable industrial relations and a consequent trend towards rapidly-increasing wage levels since 1987 have forced Kia Motors to accelerate the automation of their production process to achieve the effects of reduced labour costs, improved production quality and the establishment of a flexible production system. Thirdly, advanced overseas auto companies have been avoiding the transference of high technology to Kia Motors. Moreover, when a certain type of technology is transferred, Kia Motors has to pay a large royalty. As Table 5.22 shows, the average royalty per single technology transference increased substantially in 1990 in spite of the decreasing trend of technology transference from overseas.

Finally, as a consequence of the difficulties and costs of new technology, Kia Motors have faced major impediments in the development of their own brands of cars: the company had to rely on the OEM and was thus confronted with problems of expanding its export levels/volumes and tolerating much-reduced profits. The combination of these factors resulted in Kia Motors investing heavily in R&D to create effective and efficient new technology and, as a result, they managed to produce their own brands of vehicles – the Sepia (a passenger car) and the Sportage (a Jeep) in 1992.

Although all these factors basically mirror those which generated the accelerated introduction of new industrial technology in Korea, Kia Motors was not affected by changes in the labour market; its introduction of automated production-line technologies was aimed specifically at reducing unit costs, rather than being a response to emerging labour short trends. Nevertheless,

the net result of such technological advancement was the same: effectively, it signalled a lessening reliance on the maintenance of workforce numbers and an increasing search for and investment in sophisticated production machinery.

Table 5.22

Trend of technology importation in the automation industry

	1986	1987	1988	1989	1990
Numbers of technology importation cases	88	78	77	57	57
Amount of royalty \$US	38.4m	27.3m	43m	30m	53m
Average amount of royalty per case \$US	0.46m	0.35m	0.56m	0.53m	0.94m

Source: Korean Automotive Industry, Trend of Technology Importation in the Automotive Industry, 1991.

As a result of the recognition of the importance of new technology, the function of R&D conducted by the Kia Central Technology Development Institute has been strengthened. As Table 5.23 indicates, there has been constant investment in the R&D function since 1986. The importance of the R&D function is expressed in an interview with one of Kia Motors' managers, as follows:

Table 5.23

Period of R&D investment in Kia Motors

	1983	1985	1986	1987	1988	1989	1990	1991	1992
Number of R&D staff	117	409	504	580	656	827	943	1032	1800
Invest. amount (billion won)	--	--	--	34.5	45.7	63.5	103.5	135.7	152.3

"Simple evidence of the importance of R&D can be understood from the fact that although there has been frequent information-sharing among auto makers, there has been no information-sharing on R&D. Moreover, although the information-sharing on R&D will be enforced by the government instruction soon, there is strong doubt about its successful implementation due mainly to each company's reluctance to share information".

If one refers to Table 5.24, it will be seen that, in 1992, Kia Motors was the second highest investor in R&D in Korea because of its recurrent investment policy. Given that Hyundai Motors was ranked in fourth position and Daewoo Motors in seventeenth position, this table clearly delineates Kia Motors' investment levels in R&D functions and also indicates the seriousness with which Kia Motors regarded the development of its R&D function. This seriousness seems to be inextricably interlocked with the nature of the Kia Group of Companies structure. As detailed in an earlier section of this thesis, the vertical interdependence of the company elements (all of which were engaged in the automotive industry) made Kia Motors - the flagship of the Kia Group of companies and the Kia Group of Companies - far more susceptible to sudden changes in the business environment or climate than its major competitors, whose company interests were diversified across several major industries. Consequently, Kia Motors has had to respond with considerable alacrity to sudden changes in external environments to protect its dependent companies.

Table 5.24

Top ten R&D investors in Korea in 1992

(unit: billion won)

Name	Amount
Samsung Electronics	412.76
Kia Motors	152.33
Goldstar	149.36
Hyundai Motors	126.47
Hyundai Electronics	69.55
Samsung Aerospace Ind.	67.64
Goldstar Electron	65.00
Korea Telecom	60.63
Lucky	55.93
Daewoo Electronics	54.97

Source: The Korean Economic Weekly, August 23, 1993.

A good example of Kia Motors' active response to the changing environment is the company's serial reactions to AIRA enforcements mentioned earlier. Their reactions - such as the separation of ownership and management, cooperative participation between labour and management, the development of the Bongo van and its success story, and plus management's incentive schemes and financial rewards to the employees - were active, responsive initiatives which other auto makers failed to emulate during that period. In this regard, it could be said that the recent recognition of the importance of, and consequent high investment in, the R&D function may be a good indication of future directions for Kia Motors' business strategy.

Kia Motors' business strategy in relation to the development of the R&D function seems to achieve a flexible production system which is essential to maintain the production strategy of small batches with various products in the long run. However, despite its long-term objectives, Kia Motors has had to rely on a mass-production system owing to impediments to its preferred programme rate for technological innovation, which would have created production flexibility options rather than simply increased volume capacity of the same product.

Three elements constitute the automotive industry's paradigm:

.....design technology;
auto parts development technology;
and production technology.

Each needs definition.

Design technology is the technology for designing new products, including the styling of products and an independent ability to design auto parts.

Auto parts development technology is geared to the quality enhancement of existing auto parts.

Production technology is self-explanatory: its function is, quite simply, to improve production efficiency.

If a flexible production system, capable of both high-volume output and the manufacture of varied, customised batches, is to be established there must be a total, high-quality integration of all three above-mentioned production technologies.

Profitable operation of customised small-batch manufacturing processes is only possible with production efficiency levels which effectively decrease production costs. When new products are designed, production processes should be capable of "sympathetic" flexible technological response, capable of accommodating the shift from pure mass-production processes: it is crucial, therefore, that design and production technologies enjoy an harmonious

balance. Besides this, the development of auto part development technology is equally essential for maintaining the competitiveness of existing products until new products hit the market place.

As Table 5.19 (above) indicates, the 40.5 per cent level of the Korean automotive industry's industrial technology level - compared with the technology levels in advanced industrial nations - is not sufficient to achieve this production strategy. Table 5.25 provides a relatively detailed picture of the Korean auto industry's technology level. It shows that the level of production technology is higher than that of design or auto part development technology. The levels of costing, machine-processing, and assembly-related technologies are relatively comparable with those of developed industrial countries, but - apart from those - the overall technology level seems inadequate for the efficient production of customised, small-batch product variety.

Table 5.25

The level of industrial technology in the Korean automotive industry

(unit: %)

Design technology		Less than 60%
Auto part development technology	Engine	50
	Power transmission parts	50
	Chassis parts	50
	Body	40
	Electric and electronic parts	50
	Safety parts	30
Production technology	Casting	80
	Machine processing & assembly	90
	Die building	70
	Heat treatment	70
	Painting and coating	60

Note: These figures are based on the calculation that the average industrial technology level in advanced countries is in the 100 per cent level.

Source: Ministry of Trade and Industry, Strategy for The Development of High Technology in Automotive Industry, 1990.

From this, it is evident that Kia Motors, like all other Korean auto manufacturers, were unable - despite their good intentions - of striking an appropriate balance between design, auto parts development and production technologies. The voracious mass-consumption market was matched by the simple expedient of mass-production technology, and this is underscored in the findings detailed in a prior section of this thesis which revealed a dramatic increase in the numbers of straight production car output during the 1980's. Owing to a constantly-escalating lift in consumer demand and a low level of technology, Kia Motors relied on the improvement of production technology to enhance its mass-production systems. In an interview designed to elicit the company's motives for the development and introduction of new automation technologies, managers were asked to rank what they considered to be the four most important factors from those listed below:

- (1) reduction of labour costs to respond to the rapid wage increase;
- (2) improvement of production facility operation rates;
- (3) improvement of product quality;
- (4) improvement of working conditions;
- (5) implementation of flexible production systems;
- (6) improvement of production process control;
- (7) accumulation of new technology;
- (8) reduction of industrial accidents.

From these, managers selected the following (ranked in priority order):

- (1) improvement of production facility operation rates;
- (2) improvement of product quality;
- (3) accumulation of new technology;
- (4) reduction of labour costs to respond to the rapid wage increase.

This again emphasises the dominance of mass-production technology over design technology in Kia Motors' development philosophy, even though the importance of innovative, flexible design technology in enabling the company to produce varied, customised product was openly recognised.

In an interview with managers from the Central Technology Institute the following classifications were tendered to explain and describe the level of automation in Kia Motors:

- (1) partial automation of a unit machine;
- (2) full automation of a unit machine;
- (3) production line automation;
- (4) factory automation.

The level of automation, according to the managers, lay somewhere between full automation of a unit machine and production line automation, and it was suggested that there would be a constant investment to improve the level of factory automation. And the indication by the managers that the indirect labour rate of 30 per cent in 1992 would be increased to 40 per cent in the year 2000 is a good reflection of Kia Motors' willingness to pursue the creation of a flexible production system. Table 5.26 shows a general mapping of the automation

level in Kia Motors. According to this table, the automation level of Asan Bay, established recently, is higher than that of the old Soha-Ri plant. This is another example of the seriousness with which Kia Motor's views the development and introduction of automation.

Table 5.26

Automation rate in Kia Motors

Process	Places	Automation rate	No. of robots
Press	Soha-Ri	44.7%	0
	Asan Bay	57.1%	0
Body assembly	Soha-Ri	42.9%	141
	Asan Bay	60.0%	274
Painting & coating	Soha-Ri	17.9%	0
	Asan Bay	42.0%	20
Plastics	Soha-Ri	50.0%	0
Final assembly	Soha-Ri	1.3%	0
	Asan Bay	5.0%	4
Engine assembly	Soha-Ri	42.2%	0
	Asan Bay	86.7%	0
Casting	Asan Bay	40.5%	0
Light alloy	Asan Bay	71.5%	6
Average	Soha-Ri	32.1%	141
	Asan Bay	52.7%	304

Source:This data is based on the information provided by the managers from the Production Planning Department.

In summary, as mentioned above, factors like changes in the business conditions, unstable industrial relations and rapid wage increases, advanced overseas auto companies avoiding the transference of new technology, and the need to develop its own brand of cars, all combined to force Kia Motors to recognise the importance of developing new technologies. Therefore, the development of new industrial technology itself has been a major business strategy of Kia Motors, especially since 1987. However, despite its willingness to embrace the introduction and/or development of new technology, Kia Motors has concentrated mainly on the development of production technology, as opposed to the desirable integration of design, auto parts development and production technologies mentioned above, via the introduction of automation in the workplace.

However, in the long term, it seems that the introduction of automation in the workplace will enable Kia Motors - once the design technology reaches a level comparable with that of the really well-developed production technology of the mass-production system - to convert easily to a responsive production system because of the flexible nature of its automated processes.

Given that the uses of new technology have a significant impact on employment levels, skills, work patterns, occupational boundaries, job designs and so on (Bamber and Lansbury, 1989, p.5), the effects of the development and introduction of new technology as a major business strategies in the industrial relations and human resources management practices in Kia Motors will be examined in detail in a later part of this chapter.

5.4 Other Environmental Factors

There have been no other environmental factors which have influenced Kia Motors' business strategies except for changes in government policies.

The changes in government policy after 1987 in relation to industrial relations have already been addressed in an earlier chapter of this thesis. Owing to the government's neutrality since 1987, although Kia Motors has enjoyed something of a honeymoon in the industrial relations sector in comparison with its competitors, the management has been forced to contemplate this aspect of their operation rather more carefully. Consequently, the changed industrial relations conditions have been reflected in the process of business strategy decision-making. The most clear evidence of this regard is the changes of labour market-related strategies in Kia Motors.

As already discussed, Kia Motors recruited a large number of new workers during the late 1980's and this rapid increase of new and young workers has contributed to the change from a paternalistic cooperative to utilitarian cooperative mood in Kia Motors. As a result, the management started to restrict the numbers of new recruits from 1992 to prevent a further worsening of industrial relations conditions between the company's old and new guards. This is firmly confirmed by an interview with managers in which they further indicated that the purpose of introducing new technologies, especially production technologies like automation, has been not only to meet the changes in the product market situations, but also to respond to changed industrial relations situations in Kia Motors as well.

As well as changes in government industrial relations policies, there have been changes in government economic policies. Their AIRA enforcement in the early 1980's was a good example of economic intervention in Korean enterprises, but this methodology has been more or less abandoned – mainly because of the policy-makers' belief that as international economic conditions are rapidly and unpredictably changing, government intervention and protection reaches a certain level beyond which the responsibility of response to such shifting economic conditions lies with the enterprises themselves. Therefore, the enterprises, not government, have to devise business directions and strategies appropriate for their individual business conditions (Korean Government, 1992, pp.34–35, pp.142-143; Joe et al., 1993, pp.34-52). As Kia Motors is no exception to such decisions, the changed government policies in relation to industrial relations - plus the economic scenario - have forced management to execute its business strategies with a lot more care.

5.5 Changes in Three-Tier Activities in Kia Motors

This particular section seeks to explore firm-level industrial relations at Kia Motors using the three-tiered model of institutional structure developed by Kochan et alii (Figure 1.1 refers). In the bottom tier, characteristics of change in work organisation and skills formation will be examined. In the middle tier, characteristics of change in compensation, employment security and staffing arrangements will be surveyed. And, finally, characteristics of change in corporate governance will be scrutinised to elucidate top-tier activities.

To be consistent with the main objective of this thesis - the examination of changes in Korean industrial relations, post-1987 - the chronological cut-off point for the study changes in industrial relations and human resources management practices at the firm-level in Kia Motors is pegged at 1987.

5.5.1 Bottom Tier Changes

5.5.2 Work Organisation

As Table 5.27 illustrates, the general trend of changes in work organisation has been to consolidate the mass-production system with so-called scientific management methods. The information contained in this table stems from data gathered from interviews conducted with staff at Kia Motors, and the degrees of change are measured across a 5-point scale: Very high; High; Normal; Low; Very low.

Table 5.27

Changes in Work Organisation

	Degree of job segmentation	Degree of separation between conception and execution	Degree of team- or group-based work allocation	Degree of autonomy in team or group-based performance
Before 1987	Normal	Very high	Very low	Very low
After 1987	High or Very high	Very high	Very low	Very low

Major Production Activities	Degree of changes in work organisation due to the introduction of automation	Degree of changes in workers' and unions' influence on workplace activities
TQC (1984)	Very low	Low
TPM (1991)	Normal	High

Source: This data is based on personal interviews with staff of Kia Motors

5.5.3 Degree of Job Segmentation

Interview data confirmed that, compared with the jobs scenario pre-1987, jobs in the workplace have been significantly segmented since that time. A general picture of the job-segmentation trend can be seen in Table 5.28.

Table 5.28

Changes in Task-Time

	1987	1988	1989	1990	1991	1992
Task-time	7 minutes	2 minutes	1.75 minutes	2.2 minutes	1.92 minutes	1.92 minutes

Source: This data is based on personal interviews with staff of Kia Motors

The term "task time" is used to identify or measure the interval of time required to produce a completely-manufactured vehicle after the first one reaches the end of the production line. As can be seen, the task time of 7 minutes in 1987 was reduced to 2 minutes - a major reduction - by 1988. Since then, task times have been relatively stable, varying between a low of 1.75 minutes in 1989 and a high of 2.2 minutes in 1990, with 1991 and 1992 tied at 1.92 minutes. According to workplace managers interviewed about this, the reduction in task time is clear evidence of intensified job segmentation. In order to reduce task time, workplace managers were forced to segment jobs into mini-tasks to maximise/enhance the work-speed of their labour force.

Another indirect example of intensified job segmentation can be discerned in the recruitment patterns of Kia Motors between 1986 and 1991 (Table 5.29 refers), reflected in the increase of total workforce numbers during this period to match productivity levels with rapidly-increased consumer demands.

Table 5.29

**Changes in the Number of Workers Based on the Job Structure of
Production Workers (1986 - 1991).**

CATEGORY	1986	1987	1988	1989	1990	1991
GENERAL PRODUCTION WORKERS	3596	5374	6469	8435	8925	9793
UNIT LEADERS (JO JANG)	306	410	586	707	883	1017
FOREMEN (JIK JANG)	187	221	271	327	345	365
SUPERVISORS (JUIM)	15	36	52	51	71	74
SKILL MASTER (KI JANG)	0	0	0	0	0	0
SUPER SKILL MASTER (KI GAM)	0	0	0	0	0	0
TOTAL	4104	6041	7378	9520	10224	11249

Source: This data is based on information provided by Kia Motors Human Resource Management Department.

However, if the six major recruitment drives between 1986 and 1990 are carefully examined, it transpires that only two of these - 1986 and 1990 - were committed to increased production capacity. The 1986 recruitment of workers was mainly a response to the free competition in the passenger car market after the AIRA restriction's were lifted: the 1989 recruitment was to supply the newly-established production lines at the Asan factory with workers.

The remaining four major recruitment drives were related to the increasing tendency of segmenting jobs. In the case of Kia Motors, improvements in productivity were seen to stem from subdividing jobs into a series of simple tasks. And, as this concept was formalised in the context of limited or controlled production capacity, the recruitment of more workers was essential to manage the segmentation of major jobs into mini-tasks.

The major grievances in relation to intensified job segmentation are workers' boredom, with simple but highly-repetitive tasks, and the pressure of labour intensification due to increased working speed.

Given that the period 1987-1988 reflects the most significant reduction of task time (from 7 minutes to 2 minutes), it is clear that job segmentation based on both extensive and intensive job analysis was 100% implemented by 1988. That is to say, according to one manager, the subdivision of jobs into mini-tasks reached its peak by this time, with production workers effectively eliminating any spare time with their increased task applications. Even minute increases in task times are immediately apparent to workers, and, as such, have the potential for instigating disputes.

One manager, in this regard, pointed out that if managers sought to reduce the current task time, (1.92 minutes), to the 1989 level, (1,75 minutes), without appropriate consultation with workers and union officials, there would be a significant confrontation with production workers.

What this implies is that workers and union officials exerted significant influences upon workplace industrial relations post-1987. And, in this regard, the major change - compared with the pre-1987 period - has been in the weakened leadership and influence of foremen and supervisors.

In general, as Table 5.30 illustrates, production workers are organised into basic production units, consisting of at least seven workers headed by the unit leader (Jo Jang). These production units are then clustered into sub-sections, and each foreman - the leader of the sub-section (Jik Jang) - is responsible for the production activities of two or three units. Sub-sections are then grouped into sections under the authority of production managers who usually belong to a non-production occupation.

In practice, however, the production activities of sections are usually headed by supervisors (Juim) who are supposed to assist managers and control foremen. This is mainly because job rotations for white-collar workers at Kia Motors are implemented every three years, which means managers have usually less knowledge and understanding of workplace production practices and industrial relations activities than supervisors, who have at least 12 years tenure in the workplace.

Table 5.30

Job Structure of Production Workers

CATEGORY	RESPONSIBILITIES/AUTHORITIES	QUALIFICATIONS
Unit Leader (Jo Jang)	<ul style="list-style-type: none"> ● Assisting foremen with performing production activities; ● Leading the base unit of TQC; ● OJT for new recruits. 	<ul style="list-style-type: none"> ● 3 years of tenure; ● High school certificate; ● Completion of vocational training or Class II skill certificate.
Foremen (Jik Jang)	<ul style="list-style-type: none"> ● Assisting supervisors with leading production activities of sub-sections; ● Assigning work; ● Recording absenteeism; ● Checking machinery and equipment. 	<ul style="list-style-type: none"> ● 4 years as team leader; ● Class III skill certificate;
Supervisor (Juim)	<ul style="list-style-type: none"> ● Assisting production managers with controlling; ● Performing general managerial work; ● Checking productivity and product quality; 	<ul style="list-style-type: none"> ● 5 years as foreman; ● No record of disciplinary punishment; ● Approval by an evaluation committee.
Skill Master (Ki Jang)	<ul style="list-style-type: none"> ● Equivalent to managers in terms of remuneration. 	
Super Skill Master (Ki Gam)	<ul style="list-style-type: none"> ● Equivalent to general managers in terms of remuneration. 	

Source: This data is based on information provided by the Human resources Management Department of Kia Motors.

However, post-1987, this leadership began to weaken. As mentioned earlier, the major change agent in the industrial relations scenario at Kia Motors was the emergence of a political majority of new, young workers. Their solidarity conflicted seriously with the crisis-imbued, cooperative perspectives and loyalties of the older company workers, and seniority-based work ethics were subjected to inevitable pressures and consequent weakening. Union officials ceased to be elected from the ranks of senior workers, and workplace labour committees began to exclude foremen as members. According to one interviewee, the absence of strong leadership by foremen and supervisors was highlighted even further after the major strike in 1991, mainly because of their ambiguous status as union members, with primary responsibility for the management of industrial disputes in the workplace.

As a result of this role-erosion, dual labour-management channels of communication emerged, which seriously compromised and complicated management's control function in industrial relations activities. During the pre-1987 era, the communication channel for such matters lay between management, foremen and supervisors. As foremen and supervisors were also union officials, formal meetings to resolve day-to-day disputes were unnecessary. Informal gatherings of management, supervisors and foremen handled such affairs. However, the growth of union power and the exclusion of the "old guard" from union activities post-1987 led to the transfer of such powers to union officials and labour committees. As a consequence, whilst managers have to maintain close relationships with supervisors and foremen for the effective implementation of production instructions, they must also now have continuous dialogue with union officials and members of labour committees with regard to any problems related to production instructions or other day-to-day industrial relations issues in the workplace. The replacement, therefore, of the pre-1987 "single-channel" communication which catered for the simultaneous coverage of production activities and labour management issues with the above "two-channel" mode has made workplace labour management more onerous and more complex.

Given the above, the issue of labour intensification by the increase of working speed - especially where jobs are minutely subdivided - has a relatively-high potential for severely aggravating confrontational situations in companies like Kia Motors.

5.5.4 Degree of Separation between Conception and Execution

The degree of separation between conception and execution has been very high and has not been changed at all in Kia Motors. According to interviews, job design has been done by the Production Technology Department and based on the overall job design framework provided by this department, production managers and supervisors (Juim) allocate jobs to workers and supervise work performance. There has been no participation by workers or workers' representatives in the processes of job design/redesign or job allocation.

It is worth noting, in this regard, that many of the managers who were interviewed emphasised the importance of flexible manufacturing systems and the need to introduce new technology and automation to the workplace as means of adapting more rapidly and responsively to changing economic conditions. However, given that the operation of complex technologies and the related changes in work practices by a skilled work force can only be implemented and sustained via the unification of the roles of conception and execution, the rigid separation between conception and execution elements at Kia Motors seems to be highly inappropriate, even a major impediment, in the development of flexible production systems. Such high-tech, innovative objectives, by definition, require constant investment in - not indifference towards - its human resources, and in this regard, Kia Motors seems culpable.

5.5.5 Degree of Team- or Group- Based Work Allocation and Degree of Autonomy in Team- or Group-Based Performance.

Even though the work organisation in Kia Motors is based on production units, the lines of demarcation between individual jobs are very clear: jobs are designed and allocated around individuals rather than teams or work groups. The degree, therefore, of a team's or group's work autonomy is a non-issue. If anything, there has been a tendency to reduce workers' autonomy via intensification of job segmentation. In other words, as jobs have been divided into a series of simplistic tasks - with a contingent pressure upon workers to perform repetitive tasks more quickly - the capacity for workers to exercise any autonomy in the workplace has been virtually eliminated.

In a major Australian study (R. Lansbury and J. Niland, 1992, page 8), surveying the importance of teamwork, the majority of the organisations canvassed considered the notion of team work a vital strategy in their operations. In fact, a team- or group-based approach to work practices/organisation seems to be widely recognised as a key component in improving a firm's performance via active worker participation, as well as enhancing its flexibility in the essential process of adaptation to changing external environments.

The JIT system has been recognised as an alternative to the Fordist production system, in that the high productivity and quality of products in the Japanese automotive industry is due not only to the effective utilisation of advanced high technology and automation but also to a unique production system different from the Fordist mass-production system (Schonberger, 1982; Sayer, 1986; Kaplinsky, 1988; Kenny and Florida, 1989; Kim, 1987). In fact, this system pursues the production strategy of small batches with variety of products to overcome increasing international competition and fickle changes in consumers' tastes. The key strategies in this regard aim both to reduce production costs through effective stock control and to facilitate and foster upskilling or multi-skilling via active job rotation with On The Job Training (OJT), via worker autonomy, and via worker responsibility for self-managed quality control in the Kaban system (Ohno, 1988).

The importance of team-work in the JIT system is derived from that fact that all the key activities mentioned above are undertaken by teams - the basic production units. Unlike the Fordist, individualistic production performances, this team concept - with broad job classifications and unification of the roles of conception and execution - facilitates the involvement of employees in production activities and, with the assistance of new technology and automation, creates production flexibility (Ohno, 1988, pp. 62-65).

As well as the JIT production system, Sweden and West Germany have developed the concept and practice of the group-working production system, which aims to integrate several clearly-classified jobs - such as product quality control, machine repair and maintenance and production - into a team. In addition, the autonomy and responsibility for integrated work performance are transmitted to the group, thus work allocation and methods are collectively determined by group members. Such group-working production practices - dominant in Volvo and Volkswagen - are in stark contrast to the individualised, repetitive job segmentation which characterise the Fordist mass-production system and are considered as effective alternatives to such production methodology (Kern and Schumann, 1984; Francis, 1986, pp. 79-103; Dankbaar, 1988).

The common characteristic of group-based or team-based production systems is the facilitation of employee participation in the workplace, whereby autonomy and responsibility for production activities are assigned to team or group members - which, as a significant consequence, enables employees to participate in the decision-making process concerning job allocations, job rotations, OJT, and - to a certain degree - job design. The net result of such voluntary participation is production flexibility via a multi-skilled workforce.

Understandably, these seemingly-contrastive production modes have excited considerable debate. Turnbull (1988), Hujimori (1989) and Omura (1990) have argued that the JIT production system is simply another version of the Fordist mass-production process, and Windolf (1984) and Jugens, Dohse and Malsch (1987) viewed the group-based working system similarly.

However, despite these controversial debates, it should be noted that team- or group-based production systems seem to cope better with or adapt more quickly to changing environmental conditions, such as increasing international marketing competition or changing consumer tastes. Whether these systems are simply a variant of the Fordist mass-production process or entirely new production concepts is immaterial: their importance, as far as this thesis is concerned, lies in the Korean automotive industry's constant efforts to adapt to changing environmental conditions via the effective development of efficient production systems like group- or team-based production methodologies - methodologies which have, in fact, emerged as both prominent and dominant trends in recent years.

In this regard, Kia Motors, by excluding team- or group-based work practices and organisation, seems flawed.

5.5.6 Degree of Change in Work Organisation Due to the Introduction of Automation

As mentioned earlier, Kia Motors has made a constant effort to develop and introduce automation in the workplace since 1987. As a result, compared with the pre-1987 period, there has been a steady change in work organisation. However, owing to the relatively low and uneven automation rates of work processes - as Table 5.26 indicates - the general trend in the introduction of automation in Kia Motors has been to integrate the flexible aspects of automation into the existing mass-production process. The characteristics pertaining to the introduction of such changes can be explained as follows.

Firstly, production managers interviewed pointed out that the introduction of automation had not affected much change in production skills. As mentioned in the section of this thesis dealing with technological developments, the level of automation in Kia Motors lies somewhere between full automation of a unit machine and production line automation. What this implies is that, until recently, the automation thrust has been towards the automation of unit machines, especially with regards to the conversion of single-purpose to multi-purpose machines. However, the introduction of multi-purpose machines to a production line which is not completely automated is self-defeating; the benefits of their flexibility should rather be applied to or integrated with single-product, mass-production oriented production lines. In this regard, one manager provided an excellent example of the current automation scenario

"In the case of fixing a tyre to the body job, workers had to bolt five times per tyre with a single bolting machine. But now, owing to the introduction of the so-called 'bolt-runner', which has the function of fixing five bolts at the same time, workers can do the job in just one move. Therefore, although the production skill itself is not changed - fixing tyres - the production efficiency is increased owing to the introduction of the bolt-runners."

Secondly, automation has contributed to the improvement of working conditions because automated processes have been mainly introduced to those contexts where operations are either dangerous or excessively laborious. For example, in the casting process, where excessive heat and injurious gases caused significant health and safety problems, the introduction of automation effected a dramatic improvement in working conditions. Similarly, many of the jobs in the laborious press process, chemical cleaning, painting and painting process, and dangerous welding jobs in the body-assembly process have been replaced by automation.

According to one manager, the improvement of working conditions via the introduction of automation has also been enhanced by increased worker and union influence in the workplace, in that, although issues relating to automation may not have been formally legislated/regulated in collective bargaining agreements, they successfully pressed for the introduction of automation - as a priority - to those production processes considered dangerous and/or

laborious. And, from a management perspective, the automation of such processes has had positive effects on production efficiency. Workers, traditionally and understandably, tend to shy away from or avoid dangerous or laborious jobs and, when they are allocated such jobs, the net result tends to be unsatisfactory levels of productivity and erratic levels of product quality. This problem, because of the nature of the jobs, cannot be easily solved via recruitment in the external labour market.

For management, therefore, the introduction of automated processes - and resultant improvement in working conditions - has two positive benefits: production efficiency is enhanced, and an equitable climate is created for cooperative relations between management, union and workers.

Thirdly, the introduction of automation has raised the problematical issue of job transfer. Surplus labour has been redeployed to other manufacturing or production processes, but workers have experienced considerable difficulty in adapting to either new jobs or new processes. Job transfers, initiated by the introduction of robotic technology to the body-assembly process, between the Sohari and Asan Bay plants are a case in point. Sohari Plant is located quite close to Seoul, but Asan Bay is in a relatively remote area, quite a distance from Seoul. And Sohari Plant workers with young families and homes near Seoul were not at all happy about transfer to the remote Asan Bay Plant.

The rapid, post-1987 expansion of automated processes exacerbated the issue of job transfers amongst workers and, as a consequence, the union pressured management to provide effective counter-measures. Negotiations ensued and the Personnel Justice Committee - jointly administered by management and the unions - was established in 1990 to deal with the issue of job transfers. The establishment of this committee reflects a significant increase in union influence in the workplace, because, up to this time, job transfers had been at the absolute and non-negotiable discretion of management. The fact that these same rights are not accorded to non-production workers - see Article 35, Rules of Employment in Kia Motors, and Article 18 in the collective agreements since 1990 clarifying the role of the Personnel Justice Committee - is further example of the union's increased powers in the workplace.

In addition to the establishment of the Personnel Justice Committee, Kia Motors management instigated an education system in 1991 to train surplus labour in the maintenance of automated machines, rather than transferring them to other jobs or locations.

Fourthly, the introduction of automation has not led to unemployment, mainly because Kia Motors has had to maintain a labour force commensurate with increased domestic products demand since 1987.

Fifthly, it has been observed that the introduction of automation did not always guarantee an inevitable improvement in a firm's productivity. It was pointed out, for example, that the introduction of automation to one unit of a production line was useless or self-defeating unless the related work units were able to process the product-volume flowing from the automated section. A further

reservation concerning automation was expressed in concern for workers' inexperience in both operating and maintaining newly-established automated plant. This observation seems to be particularly well-founded during the initial stages of any new machine installation process, when the malfunction of machines - and related loss of productivity - can be directly attributed to operational and maintenance inexperience on the part of workers.

5.5.7 Major Production Activities

There are two major production activities in Kia Motors. These are Total Quality Control (TQC) and Total Productive Maintenance (TPM). TQC was introduced in 1984 and has been the major production activity in Kia Motors. TPM was introduced in 1991 to improve the facility's productivity. As mentioned in an earlier section of this thesis, there has been no employee participation in workplace practices during working hours, such as team- or group-based production activities. However, there has been limited employee input in such matters through Q.C. Circles generally conducted after hours. One Q.C. Circle consists of seven or eight workers whose job roles/contents are similar, but it is an informal company work organisation. Out four people interviewed on the effectiveness of such Q.C. Circles, only one intimated it was useful: the others, especially one union official, expressed strong to severe reservations on their usefulness or impact.

According to one staff member interviewed, the well-known JIT (Just In Time) production system - although Kia Motors would like to develop it - has encountered certain implementation difficulties because of unstable industrial relations in Korean parts-supply companies. Given that the key feature of JIT is to manufacture and supply product against orders across a highly-specific timeline (which enables the production of small batch-sizes, reduces materials handling and reduces scheduling and inventory levels), any industrial relations uncertainties in parts-supply companies effectively precludes the successful implementation of the JIT system.

However, other major impediments to the effective introduction of the JIT system at Kia Motors are internal rather than external. There are some well-known key factors which facilitate maintenance of the JIT system.

Firstly, in the production-line context, there are factors such as multi-machine manning and production-line automation. However, jobs in Kia Motors are highly segmented, are oriented towards individual performance, and the levels of automation are relatively low and these factors constitute undeniable internal impediments to the JIT system.

Secondly, the JIT system is heavily dependent upon sophisticated information technology systems which synchronise the flow of goods in production with the flow of information from production management and other external organisations, such as parts-suppliers and dealers.

Toyota's strategic information system - the Toyota Network System (TNS) - exemplifies the importance of computerised information delivery and data management systems in the JIT context. The Toyota Network System (hereafter TNS) has six sub-systems, as detailed below (Monden, 1992, pp. 118-120):

1. TNS-D: Network between Toyota and domestic dealers;
2. TNS-B: Network between Toyota and body-makers;
3. TNS-S: Network between Toyota and suppliers;
4. Plant-level production level instruction computer network;
5. Dealers' information system;
6. TNS-D: Network between Toyota and its overseas' plants and dealers.

Via continuous and regular information-sharing amongst these sub-systems, the Toyota Company has been able to operate the JIT system very successfully. However, a similar system has, as yet, not been as effectively developed in Kia Motors and this is an internal, as opposed to external, impediment to Kia Motors successfully implementing its own JIT system.

5.5.8 Degrees of Change in Workers' and Union's Influence on Workplace Activities

The cooperative industrial relations practices and activities at Kia Motors during the pre-1987 period, motivated by the company's business crisis of the early 1980's, did not lead inexorably to an increase in worker and union influence in workplace activities. Although there certainly was voluntary cooperation with management from workers and the union, it was more a matter of how well they followed instructions from management, supervisors and foremen with any disputes. That is to say, rather than bilateral cooperation between management and labour, there seemed to have been more of a unilateral, downward imposition of management edicts or decision-making upon an obediently-passive workforce. It can be safely said, therefore, that there was not a great deal of worker or union influence on workplace activities in Kia Motors during the pre-1987 period.

Compared with the pre-1987 period, the influence on workplace activities since then by the workers and the union has been quite considerable. And the unseating of the previously-powerful supervisors and foremen and the institution of the Personnel Justice Committee clearly exemplify this change. Moreover, as mentioned previously, the business crisis of Kia Motors in the early 1980's served to create an aura of management-worker solidarity and cooperation as well as engendering a high degree of company loyalty, but this was gradually reduced by the large recruitment drives post-1986, which introduced a dominant majority of young workers to the company, less loyal

and less tolerant of traditional management practices. The massive strike in 1991 is perhaps a most serious indicator of the increase in worker influence on workplace activities. An interview with a Production Manager also confirmed this trend. According to Article 47 of the Labour Standards Act, workers in Korea are entitled to a certain period of paid monthly and annual leave. In interview, the Production Manager complained that the company had experienced some difficulty in operating the plant when workers exercised their leave entitlements, which was not the case prior to 1987.

5.5.9 Skills Formation

The general trend of changes in skill formation in Kia Motors is summarised in Table 5.31.

5.5.10 Degree of Employees' Acquired Skill Levels Before Entering the Company and of Employees' Adaptability to Skill Requirements.

Table 5.31

Changes in Skills Formation

	Degree of employees' acquired skill level before entering the company	Degree of employees' adaptability to keep up with skill requirements	Ratio of unskilled, semi-skilled and skilled workers	Importance of skill level for progression
Pre-1987	Low	High	10:60:30	Low
Post-1987	Low *After 1991: High	High	10:60:30	Low

	Importance of skill level for wage increase	Degree of government of union's influence in training schemes
Pre-1987	Low	Very Low
Post 1987	Low	Very Low

Source: This data is based on personal interviews with staff of Kia Motors

The skills levels of newly-recruited workers during the 1980's were quite low. Most of the new workers joined Kia Motors directly after graduating from high schools, none of which provided specific courses to fit their students for specific industries. A course in painting, for example, does not automatically confer upon a student the ability to spray-paint passenger cars: spray-painting is a specialised skill, part of a car manufacturer's product-quality guarantee.

Despite the low skill-level of new workers, the degree of employee adaptability to skill requirements was steadily high during the 1980's. This was mainly because more than 50% of jobs were simple, thus workers had no real difficulties in learning the required skills for these tasks at hand. Assembly, body, press and painting processes are generally classified as simple work. Workers in these particular processes can be semi-skilled after 3 months, and skilled after 1 year. As Table 5.31 illustrates, the level of semi-skilled workers was maintained at or about 60%, which, coupled with the 10% level of unskilled workers, more than hints at the fact that the required skills could be easily acquired via short-term, low-cost OJT programs.

Until 1990, the basic approach to training at Kia Motors for new workers was On-the-Job-Training. Newly-recruited workers were given OJT, with courses ranging from one week to a maximum of one month. After this relatively-short period of OJT, there was no major skill improvement regardless of OJT or Off-JT. Once workers had been trained how to work at their assigned tasks during the initial OJT, which were generally easy to master within a short period of time owing to the highly-segmented nature of work-organisation, the only duty they had was to be accustomed to their jobs and finish their jobs within the allotted task-time.

The lack of major skills-training programs in Kia Motors seems to stem from the fact that managers did not seem to see any need for such training during the 1980's. One manager, commenting upon the subject, remarked that one type of training which was really needed was training in work ethics, rather than training in work-skills. This was based in his belief that 50% of inferior products are the result of poor ethics, a lack of commitment to the job at hand.

This belief seems to be corroborated by a tour of the Japanese automaker, Mazda, which has a technological cooperation relationship with Kia Motors. Every year, one hundred workers from Kia Motors are sent to the Japanese plant for two months and work alongside Japanese workers. However, even though they work with the Japanese workers, it cannot be classed as an OJT program, because workers from Kia Motors are not placed in jobs they normally undertake at Kia Motors: they are randomly placed. According to managers, what Kia Motors hopes to gain from the program is a revelation of the two companies' comparative labour intensities. In fact, a union official who undertook the program admitted that the labour intensity in

Mazda was much higher than that in Kia Motors, which seems to support the notion that Mazda's ethics program works quite well. According to one manager in Kia Motors' Human Resources Management Department, about 12% of employees have been through the program and he expected that, once this figure reached about the 40% level, the commitment of Kia Motors' workers would increase substantially and management felt, as a consequence, that they would have slight difficulty in reducing task-times in the future.

Kia Motors' management's emphasis on the importance of work ethics education appears to be relatively persuasive. As Table 5.32 indicates, where the labour productivity levels of Japanese and Korean automakers are compared, the Japanese workers' productivity level in 1990 was almost double that of Korean workers in Hyundai and Kia Motors. Of course, job commitment is not the only factor in this difference: other factors, such as level of automation and work-skills, must also be countenanced. However, there is evidence at Kia Motors which strongly links job commitment to improvements in productivity levels.

Table 5.32

Labour Productivity per Worker in Japan and Korea

Nissan Honda Mazda Hyundai Kia Motors

	1990	1990	1990	1990	1991	1990	1991
Number of cars	42	44	45	20	22	26	25

Source: Kim, C., The Current Situation of the Automotive Industry in Korea, Kia Motors Press, 1992.

As described earlier, the level of productivity after the massive strike of 1991 was the highest recorded in the history of Kia Motors. If Appendix III is carefully examined, production performances which exceeded target-levels between 1988 and 1992 were only achieved after the strike. After the strike, the whole of Kia Motors' management - from top executives down to production managers in the workplace - once again tried, with the enthusiastic assistance of the union, to create a climate of business crisis to improve the productivity levels of production workers. Their efforts paid off: workers voluntarily worked hard again, and the result was an unprecedented increase in productivity.

Although an explanation for the increased productivity at Kia Motors can be

advanced in terms of increased overtime, it is not a persuasive argument. According to the collective agreements, the standard working week stands at 44 hours, with a further 12 hours available for overtime after due consultation between management and unions. However, in practice, the 12 hours of allowable overtime had been mostly used, prior to 1991, to raise productivity. After the massive 1991 strike, therefore, management had little real room to negotiate extra working hours with their labour force: 56 hours was already quite onerous.

As the Mazda experience indicates, whereby strong job commitment and effective work ethics program underpins expanding productivity levels, and as the worker performance at Kia Motors in the post-1991 strike also indicates, there seems to be some substance in management's belief that a work ethics program at Kia Motors would be beneficial in productivity terms. However, it is also believed that such a program will only be successful if it is bolstered by other systematic, integrated support programs which materially motivate workers. For example, a performance-related wage system, a progression system based on skill-levels, skills-training programs, and team- or group-based production units which foster employee participation and cooperation in production activities could all be beneficially implemented at Kia Motors.

The relative indifference of Kia Motors' management to the introduction of skills training programs underwent some change, however, after 1991. Significantly, managers discovered that many of the newcomers experienced some difficulty in adapting to production processes during their OJT program. Whereas the new workers may have known how to operate their machines during the OJT session, the OJT itself was patently too short a program for them to maintain their knowledge or proficiency when they arrived in their "real" jobs, and the plant consequently experienced some difficulties with product quality and productivity until the workers had arrived at a semi-skilled level.

As a result of this problem, a new recruitment system was introduced in 1991, whereby newly-recruited employees were hired as trainees and had intensive 8-hours-per-day training at the Kia Training Centre for six months. In the Kia Training Centre, four major training programs are provided: Assembly, Painting and Coating, Welding and Processing. The newly-recruited workers do not undergo all four major programs. Rather, specific jobs are assigned to workers at the beginning of the training program, in accordance with the tangible current demands of each production process in the plant. Once specific jobs have been assigned, the trainees have three months training at the Centre with a monthly wage of 290,000 Won (a regular employee with one year's tenure receives an average wage of 893,090 Won). After this training period, they undergo OJT at the plant for a further three months with a monthly wage of 400,000 Won. Then, after their OJT program, the trainees are hired as probationary employees for another three months. During this time, they receive 90% of the normal

permanent employee wage. Upon successful completion of their probationary period, they are then hired as regular employees.

In actual fact, this method of skills training at the Kia Training Centre is not much different to the OJT program which the company operated prior to 1991. In this program, once newly-recruited workers had been assigned to specific job categories, they underwent intensive training on singularly-specific tasks - the main focus of OJT being specific, not broad or multi-skilled, training. As previously mentioned, the main reason for introducing the Training Centre system was to address the problems of decreased productivity and erratic quality control caused by the inexperience of newly-recruited workers in the workplace. To achieve this target, therefore, the Kia Training Centre programs focussed exclusively on improving the specific skills of newly-recruited workers in the highly-specific tasks to which they would be assigned in the actual workplace. The notions of problem-solving or multi-skilling were not addressed. So the only difference between the pre-1991 OJT programs and the post-1991 Training Centre programs was, effectively, the length of the training programs for newly-recruited workers. Pre-1991, they had a short period of OJT (one week to one month, which eventually created the problems of productivity and quality control the Training Centre was established to solve); post-1991, they underwent a substantially-longer period of training in the specific jobs they would occupy as permanent employees.

The introduction of this system has four advantages for Kia Motors. Firstly, as the skills levels of the trainees - after the completion of 6 months training and three months probation - is high enough to adapt to production processes in the workplace, problems caused by inexperience, such as the decrease of productivity and quality, are substantially decreased. According to one manager, as Table 5.31 shows, while the skill levels of newly-recruited workers in the production processes prior to 1991 was about 10% - 20% of the expected level, after 1991 it climbed towards 90% plus.

Secondly, the Training Centre system effectively reduced labour costs. As previously mentioned, trainees receive substantially lower wages during their six-month training program, and 90% of the regular wage as probationers, so the system not only addresses the problems of decreased productivity and poor quality control but also achieves significant reductions in labour costs.

The third advantage accruing to Kia Motors lies in the fact that, since trainees who recognise that their aptitude for the work is inadequate actually leave during the training period, the company enjoys the benefit of recruiting only well-motivated workers.

Fourthly, the Training Centre system has the added advantage of acting as a screening process for potential trouble-makers during the extended training/probationary period. Although most of the trainees are eventually

hired as regular employees, it remains a management prerogative to dispense with their services after the completion of their probationary period if they are considered to be potentially dangerous trainees in relation to industrial relations disputes.

Besides the above advantages emanating from the introduction the Kia Training Centre system, and despite the unchanged, intense focus on job-specific training, it has to be recognised that the actual content of the training programs was far more advanced than in previously. As automation levels gradually diffused throughout the workplace, the level of skills required for the operation of automated machines also increased. And, although it was earlier noted that the introduction of automation did not significantly effect changes in production skills, it is also manifest that in those production processes where NC and CNC machines were introduced new skills-training programs are required for old and new workers alike. It seems that Kia Motors did not recognise the importance of training newly-recruited workers during the 1980's, mainly because jobs were segmented into a series of simple, repetitive steps to which newly-recruited workers could easily adapt after minimal OJT programs. However, increased automation in the workplace made such adaptation more and more difficult, so that management was forced to reconsider its training methodologies.

The new recruitment system and related intensive training schemes adopted in 1991 reflects Kia Motors' acceptance of the importance of training - after a long period of convenient indifference - in the context of rapidly-changing technology. The fact the company also started to train surplus labour, a surplus created by the introduction of automation, in the maintenance of automated machines rather than transferring them to other locations is another indication of management's changed realisation of the importance of intensified training of its workforce, especially in the area of newly-introduced automated processes. But the advent of systematic and relevant training programs was belated when one realises that the diffusion of automated processes in the workplace started in 1987.

According to one interview, general trends in training and education programs have required workers to be highly- or multi-skilled, mainly due to the introduction of automation in the workplace. However, there still seems to be a need to develop more systematic training and support programs to meet the specific requirements of Kia Motors, and three cases which exemplify the absence of such programs are offered for consideration.

Firstly, the current Training Centre mode of training - with its emphasis on specific-focus job-training - is inadequate for the development of a highly- or multi-skilled workforce. The concept of a highly-skilled workforce is, according to information emerging from interviews with Kia Motors' managers, almost synonymous with the notion of a highly **multi-skilled** workforce, in that a highly-skilled workforce is defined as a workforce which can "finish any jobs in a sub-section within a given task-time." Given that,

the Kia Motors Training Centre programs should not simply be directed at specific-task-job-training: rather, their training efforts should be concentrated on the provision of broader programs, designed to supply trainees with an appreciation and comprehension of various, related jobs and machines, which would markedly assist their capacities to adapt to and master the multi-skills implicit in the notion of job rotation they will experience as regular employees.

Secondly, the introduction of job-rotation at Kia Motors was designed to develop and effectively utilise a multi-skilled workforce and, simultaneously, to achieve an indirect improvement in productivity. However, because job-rotation can only be implemented within - as opposed to between - the same occupations or sub-section, it has only enjoyed limited success. It is management's considered opinion that workers in relatively-easy work processes resist any moves to more intensive work processes. For example, workers in the press plant usually resent being transferred to more demanding job situations, such as body-assembly lines. As previously mentioned, largely because of increased worker and union influence on workplace activities post-1987, worker resistance to job transfers became a major problem in the implementation of job-rotation between occupations or sub-sections. And, besides this, job-rotation has not been systematically or adequately organised. In Kia Motors, job-rotation occurs at the discretion of foremen (Jik Jang), usually based on the foremen's irregularly-scheduled interviews with workers over a 6-12 month period. When this is compared with Toyota's job-rotation system, in which workers are regularly and systematically rotated every 2 weeks, 3 months and 6 months (Kim, 1987, pp. 133-134), Kia Motors' irregular job-rotation, based on the subjective decisions of its foremen, seems to suffer from both unsystematic and inadequate implementation.

Additionally, it also seems that Kia Motors multi-skilled workforce falls far short of being effectively utilised. The production jobs in Kia Motors have been highly segmented and the demarcation between jobs is transparently clear. Moreover, once workers have been assigned to certain tasks, they usually discharge their roles for prolonged periods. For example, a manager remarked that one worker has not moved from the tyre assembly unit for ten years. So, even though workers may be multi-skilled, they do not seem to have the opportunity to apply such skills: instead, they seem locked into a situation of applying singular skills to singular tasks.

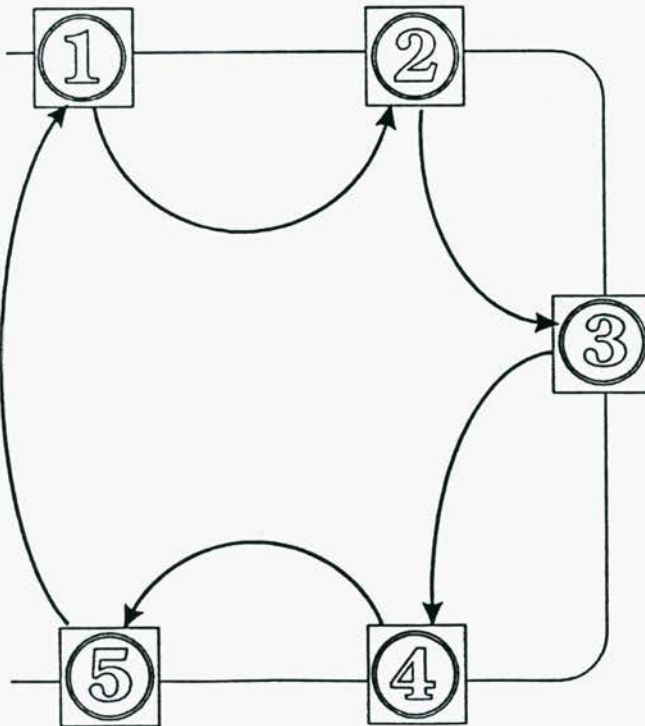
It is generally considered that the full and effective utilisation of a multi-skilled workforce can only occur in a context of flexible production practices. The group-based production activities in West Germany and Sweden and Toyota's team-based JIT system are excellent examples of this notion. One of the unique features of group-based work, as outlined earlier, is the group's autonomy in the decision-making processes relating to production activities, which enables the group members to flexibly determine their job-allocation in direct response to internal and external situations. Group

members do not necessarily undertake fixed, specific tasks, but engage themselves flexibly in various and varied tasks as truly multi-skilled operators.

Like the group-based work system, Toyota's team-based JIT system allows for similar production flexibility and this has the added facilitation of the well-known U-line production process. Unlike the traditional, straight-line production layout, Toyota's production lines consist of groups of U-line production layouts. As Figure 5.2 illustrates, a 5-machine layout enables a single multi-skilled operator to manage all five in a continuous loop. Of course, the U-line layout can - dependent upon production demands - be staffed with up to five operators. The U-line's obvious advantage is that its inherent flexibility of operation provides the synchronous elasticity of manufacturing capacity which is the essence of the JIT system (Kim, T., 1987, p.132; Park, J. and Lee, Y., 1991, pp.26-28; Singo, S., 1992, pp.234-240). The nurturing of a multi-skilled workforce is therefore essential for the smooth, ongoing efficiency and flexibility of the U-line production system.

Figure 5.2

The U-Line System in Toyota Motors



Source: Kim, T., The Essence of Just In Time, Korea Standard Industry Association, Seoul, 1987, p. 131

Since Kia Motors does not have team-based, group-based work systems or U-line production layouts, this effectively precludes the company from fully utilising a multi-skilled workforce.

The third problem confronting Kia Motors in establishing training programs in response to the introduction and implementation of automated production technologies emanates from the fact that there are no company-wide training programs. Individual departments have tended to instigate their own training programs as automated plant has been introduced into their particular domain, with a training content primarily focussed on machine operation. The Factory Automation Department in the headquarters of Production Technology has developed a course for workers offering more in-depth education in the sphere of automated production technologies, but it is departmentally-based again, it is non-compulsory, and suffers (according to one manager) from lack of cooperation from other production managers. Since course-attendance is voluntary, production managers in other sections are loathe to direct their staff to undertake the program for the simple reason that their absence could well affect productivity targets for which they, as managers, are responsible. Furthermore, production managers tend to husband their surplus workforce capacity as a buffer against absenteeism. As the manager of the Factory Automation Department pointed out, unless the training course is formally instituted as a company-wide, compulsory program, Kia Motors could well face severe difficulties in managing its production activities in the future when levels of automation are sufficiently advanced to establish a flexible production system, similar to that of Toyota.

Put simply, as most jobs during the 1980's were highly-segmented - and therefore simple, repetitive tasks - it was perhaps easy for management to overlook the importance of serious and relevant training programs. Despite the low skill-levels of recruits entering Kia Motors' workforce, their adaptability in keeping pace with increasing skill-requirements on the job was high, and adequate for the simple tasks they were assigned to. However, with the accelerated introduction of automation post-1987 and the failure of the short-term JIT programs to provide new recruits with skills capable of maintaining desired levels of proficiency in the critical areas of productivity and quality control, management began to reconsider the importance of relevant, systematic training programs. Despite this change, however, the development of effective training programs met with several major impediments, and how these impediments can be overcome remains uncertain at this point in time.

5.5.11 Importance of Skill Level for Progression and Wage Increase

The skill level for progression does not seem to be important in Kia Motors. According to an interview, although there are conditions for progression, such as examination, length of service and no record of penalties, the most important factor is a superior's nomination based on his judgment of a

candidate. The most important factor in the judgement concerns the leadership qualities of a nominated candidate. Moreover, as will be explained in the section dealing with compensation, there has been no relationship between skill level and wage increase because Kia Motors operates on a seniority-based wage system.

Given that there is not apparently any important relationship between the level of skills, progression and wage increase, there seems little incentive for workers to devote themselves to training. In the case of General Motors, the Pay-for-Knowledge system was introduced to foster a multi-skilled workforce through job-rotation and team-based work activities (Lee, D., 1991, pp.28-29). In so doing, General Motors introduced not only team-based production as a methodological approach to multi-skilling, but also an incentive system to induce the voluntary cooperation of workers. This combination - team-work and a monetary incentive system - contributed to the relative success of multi-skilling.

So, apart from severe methodological problems - such as specific, job-focussed training, limited job-rotation, failure to utilise fully its multi-skilled workforce in team-, group-based or U-line production layouts, and lack of company-wide training programs to respond to the introduction of automation - in training its workforce, Kia Motors also lacks any incentive systems to induce workers to participate voluntarily in its training schemes. Given that the combination of a relevant training methodology and an attractive incentive system ensures the relative success of multi-skilling, Kia Motors does not appear have appropriate systems in place for the fostering of a multi-skilled workforce, so essential in the complete utilisation of automated technologies for the derivation of flexible production processes and activities.

5.5.12 Degree of Government or Union Influence on Training Schemes

There has not been any influence from the government or union on any training-related issues in Kia Motors. Since 1976, there has been a training levy on private firms with a certain number of employees (as of now, establishments with 150 or more employees have become subject to a levy unless they provide a certain level of in-plant vocational training [Park, y., and Lee, B., 1993, p.34]), but Kia Motors, according to an interview, because it has been operating the Kia Training Centre, has not been affected by this as far as its major training schemes are concerned. And, despite its increased influence on workplace activities since 1987, the union has paid scant attention to issues such as skills formation, focussing instead on matters such as working conditions, job transfers and other grievances which negatively affect its members in day-to-day business. Since the extant training programs did not materially disadvantage its members, their inefficiencies were outside the union's areas of concern. However, the union's indifference to the issue of skills formation seems to support further

the importance of introducing an incentive system which would induce employees to participate voluntarily in training programs.

5.5.13 Characteristics of Changes in the Bottom Tier

The characteristics of changes in the bottom tier in Kia Motors can be summarised as follows.

5.5.14 Consolidation of Taylorist Mass-Production Systems

One of the general trends of changes in the bottom tier during the 1980's and the early 1990's is an apparent inclination towards the consolidation of the Fordist mass-production system. According to Braverman's interpretation of Taylorism, it has three key features. The first of these is the dissociation of the labour process from the skills of the worker, whereby management gathers together all the knowledge necessary to perform the production process. Secondly, it involves the separation of conception from execution, the mental-manual labour split. Rather than workers planning their work tasks and then doing them, the two aspects are divided as much as possible, so that workers carry out a simplified range of tasks planned for them by management.

Finally, it involves the use of management's monopoly over knowledge to control each step of the labour process and its mode of execution. This involves systematic pre-planning by management of all elements in the labour process through work-study or time-and-motion studies, in which the workers are told exactly how to complete a limited range of tasks in the production process. Workers thus have no responsibility for planning and initiating their own tasks.

Braverman's interpretation seems to describe perfectly the general trend of changes in work organisation at Kia Motors. The findings, such as the intensification of job segmentation, separation between conception and execution, very low degree of team- or group- based performance and no union or individual workers' participation in the job design, seem to be in total accord with Braverman's interpretation of Taylorism. Additionally, the introduction of semi-skilled labour by Kia Motors during the 1980's and the early 1990's consistently exceeded the 60% level. Given that a major prerequisite for effective mass production systems is a substantial - in excess of 60% - pool of semi-skilled labour, it would appear that Kia Motors' mass production systems conforms to the Taylorist theory. Moreover, Kia Motors' emphasis on work ethics education rather than skills training during the 1980's, mainly due to the highly-segmented, simple and repetitive nature of jobs, is another indication of Kia Motors tendency of favouring the Taylorist mass-production system.

The consolidation of this mode of mass-production started to accelerate from about the late 1980's. The fact that the task-time of 7 minutes in 1987 was reduced to 2 minutes in 1988 - a major reduction obtained from highly-segmented jobs by management's systematic pre-planning based on the results of work and time-and-motion studies - strongly supports this observation, and reflects management's constant and desperate efforts to respond to changing external environments. As mentioned in the section dealing with the product market, there were two major environmental changes in the product market which affected Kia Motors' business strategies - namely, the end of the AIRA enforcement from 1987, and the rapid increase in domestic product demand during the late 1980's.

The end of the AIRA enforcement meant the end of product protectionism and free and open competition amongst local automakers in the domestic marketplace, so Kia Motors had an urgent need to re-enter the passenger car market, previously its most lucrative money-earner, from which it had been prohibited during this time. This meant an inevitable and immediate move into large-scale production lines with an equivalent increase in productive workforce. This need was further pressured by the rapidly-enlarged domestic market at this time, which replaced the export-dominated drive of the mid-1980's.

Faced with these real production imperatives, the management of Kia Motors seemingly had no choice but to design production jobs as simple, repetitive mini-tasks. Such tasks, because of their simplicity, did not require extensive training across long periods which admirably suited both the skill levels of the large-scale labour recruitments and the company need to meet the dramatically-increased and varied production targets set by the domestic consumer boom.

Other outcomes from an examination of changes in the bottom tier - such as the separation of conception from execution, the very low degree of team - and group-based work, no union or worker participation in job design, a large pool of unskilled or semi-skilled workers and lack of relevant skill-training programs (all main characteristics of the Taylorist mass-production system) - seem to be the inevitable consequence of the design of highly-segmented jobs.

And, in this regard, it could also be said that the consolidation of a mass-production system, particularly from 1987 onwards, was the product of Kia Motors' management's consistent efforts to respond to changing environmental conditions.

5.5.15 Integration of Automation to the Taylorist Mass-Production System

According to Zuboff (1988), new technology has a dual potential for work organisation which is realised by human choices in the implementation of new technology. For, while new technology can provide workers with discretionary information on activities, events and objects, it can also provide management with ultimate control via its capacity to monitor and control of workers' production activities (Zuboff, 1988, pp.9-10). Changes in the nature of work organisation, which range between two ideal types - the Fordist mass-production system and post-Fordist or post-Taylorist production systems - are determined by the choices made by their implementors, choices which by definition are potentially conflicting, because they ultimately effect the eventual allocation of control between management and workers at the firm level (Cornfield, 1993, p.3).

In the case of Kia Motors, automation has been integrated into a Taylorist mass-production system - with all its basic characteristics - since 1987. And, given that the introduction of automation has been accelerated during this same period without affecting the consolidation of this production model, the trend of the integration of automation at Kia Motors into the Taylorist mass-production system is manifest. In Kia Motors, the introduction of automation did not greatly affect changes in production skills, and the motive for its introduction has been mainly to reduce ballooning labour costs caused by steeply-elevating wages, and this yet another indicator that the integration of automation into a Taylorist mass-production system rather than a post-Fordist system.

In addition to the above observations, as Table 5.33 indicates, Graverson's two-dimensional decision-making typology (Graverson, 1988, pp. 21-22) which illustrates the diversity of worker-participation forms specifically with decisions relating to the introduction of new technology, also confirms the integration of automation at Kia Motors into a Taylorist mass-production system rather than a post-Fordist production system. According to Cornfield (1993, p.5), the pure Taylorist, centralised bureaucratic firm is characterised by zero worker involvement in all phases of innovative technological introduction, and the total lack of such involvement by unions and workers at Kia Motors mirrors this scenario. One interview with a union official indicated that the unions had very positive attitudes towards the introduction of innovative technologies, mainly because automation substantially ameliorated working conditions and did not affect the company's major workforce recruitment programs post-1986. Despite this stance, however, the unions have not established any formal communication channels to discuss or be informed about the introduction of automation, mainly because such implementation has generally been regarded as managerial prerogatives (an issue which will be discussed in a subsequent section of this thesis). In this regard, Kia Motors conforms to the pure Taylorist production system model depicted in Graverson's two-dimensional decision-making typology.

Table 5.33

Graverson's Two-Dimensional Decision-Making Typology

The First Dimension	The Second Dimension
Five Degrees of Worker Involvement	Five Phases of Technological Change
1. No involvement	1. The idea and initiative phase
2. Information: management informs workers of impending technological changes	2. The planning phase
3. Consultation: management consults with workers prior to deciding about the introduction of new technologies	3. The selection phase
4. Negotiation: workers and managers bargain over technological change decisions	4. The implementation phase
5. Co-determination: both parties jointly decide on technological change	5. The running phase

Source: Edited from **LABOUR AND POTENTIAL OF THE NEW TECHNOLOGY**, Cornfield, D., a seminar paper for **Industrial Relations and Human Resource Management in an Era of Global Markets: An Asia-Pacific Perspective** (organised by the Korea Labour Institute, Seoul, 25-261, August, 1993, p.5).

Whenever the issue of integrating innovative technology is considered, Braverman and others would argue that work organisation is realised by human choice (Braverman, 1974; Cornfield, 1993). However, the relatively low level of technological advancement in Kia Motors has actually impeded the effective "human choice" factor, because its automated technology has been applied purely to the enhancement of mass-production systems.

Piore and Sabel (1984), Mathews (1989), Brown (1989), Bamburg and Lansburg (1989) all advance the theory that the introduction of new flexible automated technology is symbolic of the post-Fordist production system. And most Kia Motors' managers we interviewed strongly felt that the company's future lay in the creation of a flexible production system capable of reacting responsively to uncertain environmental changes. Despite a managerial stance that was apparently so supportive of such flexible productive capacity, a rigid mass-production system was established in Kia Motors during the late 1980's and early 1990's, largely because of the company's need to respond to the lifting of a post-AIRA product manufacturing ban and the rapid escalation of wage costs. However, functional flexibility, according to Bamber(1989), is dependent upon the reversal of the division of labour and the fragmentation of work organisation and skills-formation elasticity, factors engendered by education and training,

singularly non-evident in Kia Motors. However, another critically-important ingredient in this particular formula is a high level of independent, technological development, which again - according evidence offered in interviews with the Factory Automation Department - is lacking in Kia Motors, basically because the level of the company's design technology is unable to produce new product in the context of existing production processes. It cannot, as yet, create product style plus all the necessarily-contingent, supportive auto parts: that is to say, unless design technology can respond reflexively to the process of automation, automation will simply be absorbed into and expediently applied to rigid mass-production systems. This would appear to explain the apparent contradiction that Kia Motors wants, on the one hand, to institute flexible production modes but, on the other, cannot effectively do so because of its low level of technological development, coupled with external elements such as a hugely-increased, local mass-consumer demand after the lifting of the AIRA production ban and ballooning wage costs. The fusion of automation and extant Fordist mass-production techniques were, in this context, much easier and much simpler. As such, the capacity of the human factor to influence changes in work organisation potentially offered by the introduction of innovative technology was severely constrained by Kia Motors' actual level of technological development and its application to externally-conditioned production demands.

5.5.16 Problems Probably Caused by the Mismatch between the Current Fordist Mass-Production System and the Future Direction of a Flexible Production System

As mentioned earlier, many management interviewees felt that the future direction of work organisation in Kia Motors should be directed towards the establishment of a flexible production system, mainly because such production flexibility is the best possible counter to a climate of uncertain and unstable economic environmental change. Whereas Kia Motors' success in the late 1980's was somewhat influenced by the positive correlation between mass-production and mass-consumption, its performance in the 1990's, as described in an earlier section, was severely damaged by a dislocation of this correlation when the Korean automotive industry's pumped-up domestic production capacity of 2 million cars could not be absorbed by an unpredictably-faddy local market. Coupled with this, the increased competition of international auto manufacturers in the same marketplace after the introduction of the Sixth Economic Development Plan (1987-1991) further destabilised domestic production complacency.

Responding to this suddenly-changed economic scenario, Kia Motors began to strengthen its marketing strategies, and the establishment of a flexible production system was perceived as an especially important element - because of its capacity to produce varied product in small batches catering for shifting consumer tastes in the product market. Nevertheless, despite this consumer sensitivity, Kia Motors still experienced problems in

implementing its desired production flexibility. Despite introducing automated technology - such as numerically- and computer-controlled machine tools and robotics - and integrating them into its mass-production systems, Kia Motors failed to simultaneously introduce flexible production activities for its workers, both of which elements are generally considered to be essential for the establishment of a truly flexible production system (Piore and Sabel, 1984; Shaken, Herzenberg and Kuhn, 1986; Duche and Savey, 1987). Nonetheless, Kia Motors' extant automated processes suggest that this subsequent requirement - flexible worker production activities - can be easily implemented in the future. But, having said this, it is equally important to stress that the continuing exclusion of worker/union participation in the decision-making processes of production activities is a recipe for disaster. The enhancement of functional flexibility and the fostering of diverse worker skills via organisational and management methodologies such as skills-training programs, a simplified division of labour, the unification of conception with execution, and team- or group-based production activities - which amplify the discretionary roles and responsibility levels of workers and unions, as described in the successful JIT systems utilised by Japanese, Swedish and West German auto manufacturers - are crucial elements in the flexible production equation (Piore and Sabel, 1984; Jelinek and Goldhar, 1986; Sayer, 1986; Duche and Savey, 1987; Kern and Schumann, 1987; Bramble, 1988; Sorge and Streek, 1988; Smith, 1989; Cornfield, 1993). As yet, Kia Motors has failed to invest in the human production elements as heavily as it has the technological elements, and this is the combined future responsibility of management, unions and workers who must shed their previously-described indifference to skills training and worker production activities, and cooperatively establish meaningful incentive programs - such as performance- or skills-related remuneration or promotion systems.

5.5.17 Changed Industrial Relations Situations in the Bottom Tier after 1987.

The major characteristic of change in bottom tier industrial relations since 1987 has been the increase in union influence on workplace activities, reflected in the weakened leadership roles, previously described, of supervisors, foremen and production managers and the creation of the Personnel Justice Committee. And, in this regard, two factors attract comment.

Firstly, despite increased union influence, there has been no evidence of what could be described as traditional, American-style job control, whereby unions codify rules governing the deployment of labour on the shop floor and formulate local rules precisely specifying the rights and obligations attached to each job (Weinstein and Kochan, 1993, p.3). In the case of Kia Motors, neither unions nor workers have intervened in any production strategies in the workplace, mainly because, as already mentioned, of their indifference to management-initiated production decisions or strategies. The company's

seemingly-successful consolidation of a Fordist mass-production system since 1987, via the extreme division of labour and the separation of conception from execution, can be partially explained by the failure of the unions to intervene in the early stages of its implementation. However, despite such initial indifference and non-intervention, it must be said that the union has exercised its new-found industrial relations "muscle" in many subsequent issues. The Personnel Justice Committee is a good example of this, in that its establishment was the direct result of and an effective solution to job transfer problems created by the introduction of automated production processes. But, having said that, it remains equally clear that, despite its increased power and capacity to influence management decisions, the union still adopts a role that is more reactive than proactive in negotiating satisfactory outcomes for its members.

Secondly, despite increased union power, the relatively rational, stable and cooperative interaction between management and unions at Kia Motors sets it apart from the usual Korean labour-management relations scenario, generally depicted as extremely confrontational. Two examples are offered to support this observation. The first concerns the adjustment of task-time. As discussed earlier, the adjustment of task-time at Kia Motors, especially its downward adjustment, has been rendered more difficult post-1987 because of the union's enlarged influence on workplace negotiations. Further, owing to its critical role in affecting a company's capacity to respond flexibly to changing consumer demands or to changing productivity targets, it has been a major bone of contention between Kia Motors' management and the unions, but, according to managers interviewed, there have been cordial and reasonable outcomes, despite the inherent difficulties, because both parties have made appropriate concessions: the unions appear to have accepted as reasonable certain management arguments, and management has responded by establishing equitable mechanisms such as the Personnel Justice Committee. At Hyundai Motors, however, this same issue has created several major disputes (Park, 1992, pp. 121-122; Chae, 1993, p.122). Interview evidence from Hyundai and Daewoo Motors indicates that, although management has to consult with the unions about job transfers, neither company has established any formal mechanism such as Kia Motors' Personnel Justice Committee to administer union-management dialogue on job-transfer issues. This stance reflects the fact that one of management's most inalienable prerogatives is considered to be the right of personnel management, a right which these companies have not conceded, or will not concede, to the unions. As such, the establishment of the Personnel Justice Committee at Kia Motors reflects a company management willing to share such rights and responsibilities with unions and workers, which has promoted their comparatively cooperative and stable industrial relations climate.

Industrial relations at Kia Motors, outlined in some detail in an earlier section of this thesis, can be seen as two phases: phase one, the paternalistic cooperation of the pre-1987 period; phase two, the utilitarian cooperation

of the post-1987 period. Both phases are characterised by a climate of relatively stable and equitable industrial relations, the reasons for which are several but mutually reinforcing: the Kia Group of Companies' unique structure within the automotive industry, the cooperative mood generated by the business crisis of the early 1980's which contributed to the separation of ownership and management, and the establishment of the Labour Welfare Fund System and the Business Development Fund System, jointly operated by management and labour. And this cooperative atmosphere of the pre-1987 period seems to have carried over, uncorrupted, into the post-1987 era. However, it should be recognised that Kia Motors' management has, during this time, made strenuous and active efforts to accommodate union requests with a view to maintaining this climate of cooperation, exemplified by the improvement of working conditions through the introduction of automation and the establishment of mechanisms like the Personnel Justice Committee. Further, to maintain such cooperation at the workplace, Kia Motors' management has established various formal and informal communication channels between management, workers and the unions. One of the major formal communication mechanisms is the so-called "Communication with the Top" channel, which, although irregular, provides a meeting framework within which the company's top executives can not only discuss the company's business activities with production workers but also listen to and offer solutions for their personal and collective problems. In the same context, the Grievance Resolution Committee jointly operated by management and the unions has been evaluated and recognised as one of the most successful and active systems for the enhancement of management-labour cooperation.

So, summarising the labour-management situation at Kia Motors, it can be said that, despite an increase of union influence upon workplace activities post 1987, the company's industrial relations have been relatively stable and harmonious because of a combination of its past climate of cooperation and the active continuation and nurturing of rational labour-management interaction on industrial relations since 1987.

5.6 Middle Tier Levels

5.6.1 Compensation

Of the five factors examined in firm-level industrial relations and human resources management in the middle tier structure - work organisation, skills formation, compensation, employment security/staffing arrangements, and management governance - compensation emerges as the one exhibiting the most remarkable changes. These changes are summarised in Table 5.34.

Table 5.34

Changes in Compensation

	Degree of relationship between wage and individual performance	Degree of relationship between wage and the performance of a department or work unit	Degree of relationship between wage and company performance	Degree of relationship between wage and national economic performance
Before 1987	Very low	Very low	Normal	Very low
After 1987	Very low	Very low	Very low	Very low From 1992:High
Degree of pay differentials between the classes of workers (white & blue collar workers)	Degree of pay differentials between the classes of jobs	Degree of wage with companies in the same industry	Degree of wage differentials with companies in other industries.	
The wage of white collar was higher	High	Pay differentials exist	High	
The wage of blue collar was higher	Low	Not much pay differential	Very high	

Source: This data is based on personal interviews with staff of Kia Motors

5.6.2 Degree of Relationship Between Wage and Performance

As Table 5.34 reveals, there has never been any performance-related wage system in Kia Motors. The wage system has been primarily based on seniority especially for blue collar workers. According to statements made during interviews with Kia Motors' management, almost 80% of all wages are determined by a single factor - length of service. Other factors like level of education, job characteristics and level of skills are also considered, but, for the most part, they make little impact beyond tokenism on wage level received. The wage level of new company recruits is established against their level of education, but since they are almost all high school graduates the wage differentials are slight. The highest education level in the workplace is that of

college graduates, who numbered about 150 in 1992. After the wage level of the new recruits has been set, all subsequent wage increases are based on tenure. The work performance of an individual, a work unit or a department is irrelevant to any wage awarded.

However, pre-1987, there was indeed a correlation between company performance and wages. Kia Motors' successful survival of the early 1980's business crisis induced the company to give out, between 1983-1985, a bonus of between 930% and 1000%, based on annual performance figures. However, this bonus flexibility has been impossible since 1987, mainly because of the strengthened collective bargaining power of Kia Motors' trade union, which made it impossible for management to reduce the level of any bonus which had already been increased. Therefore, the concept of bonus has been regarded as one of fixed wage components in Kia Motors since 1987.

Kia Motors has, in fact, some problems with regards to the introduction of a performance-related wage system. When interviewed on the question of an individual performance-related wage-system, managers argued that extensive job analysis and evaluation are essential for the establishment of a flexible standard wage system in accordance with individual performances. They also argued that large-volume job analysis and evaluation was not a feasible proposition. With regards to a wage system geared around work-unit or departmental performance, it was considered that such a system could only be implemented if the practice of production activities centred on individual work performance was changed to one of team- or group-based activities. And the possibility of introducing a company-performance-based wage system is also considered to be fraught with difficulty because Kia Motors' management regards trade union participation in the company's business management and open access to the company's business performance data - both vital elements if such a scheme is to work successfully - as strictly management prerogatives. And, on the same subject, a union official expressed extreme reservations about the reliability of any such information tendered by the company's management under such an arrangement. The existence of such mutual distrust between unions and management, in a climate of relatively peaceful coexistence, demonstrates how important the wage issue is and perhaps goes some way towards explaining why the adjective "utilitarian" has been applied to the company's cooperative industrial relations since 1987.

Until 1991, there was no relationship between wage and National economic performance. Basically, wages in Kia Motors have been decided in relation to changes in wages in other companies in the same industry - such as Hyundai and Daewoo. However, the introduction in 1992 of an annual wage system recommended by the government paved the way for a much closer correlation between wages and national economic performance. One of the major components of the system is that the wage increase rate through collective bargaining, in large enterprises nominated by the government, should not exceed the rate of increase in consumer prices. (Kia Economic Research Institute, 1992, pages 1-7). Although much-debated between the government

and trade unions, this system was enforced by government from 1992 onwards and introduced as a component of wage-fixing in Kia Motors.

5.6.3 Degree of Pay Differentials Between the Classes of Workers and Classes of Jobs.

Changes in pay differentials are a good example of the increase collective bargaining power of the Kia Motors Trade Union after 1987. In the case of pay differentials between the classes of workers, the wage level of a white-collar office worker with a high school certificate was higher than that of a blue-collar production worker in Kia Motors before 1987. As an explanation of wage differentials between classes of workers, a manager pointed out the fact that, during the pre-1987 period, the lowest wage level of a white-collar worker with a university certificate was higher than that of a foreman (Jik Jang) who only qualified for his position after 7 years of tenure. However, this trend has been reversed post-1987. As Table 5.35 illustrates, although wage comparison data between white- and blue-collar workers within the same year is not available, the 1991 wage of a blue-collar worker with 4 years' tenure and high school certificate exceeds that of a white-collar worker with 1 year's tenure and a university certificate in 1992. Moreover, when the wages of two classes of workers with the same level of high school education and the same tenure are compared, the 1991 wages of blue-collar workers with less than 11 years' tenure are higher than those of white-collar workers in 1992. And, given that these comparisons are not based on same-year wages, it can easily be deduced that the real wage gaps are much wider than the above comparisons suggest. In fact, it was remarked during interviews with managers that the monthly wage of a blue-collar production worker with 1 year's tenure and a high school certificate is about 100,000 Won higher than that of a white-collar office worker with identical tenure and high school certificate. The wage superiority of the blue-collar worker over the white-collar counterpart is maintained until they have 15-18 years' tenure, at which point they become quite similar.

The main reason for this reversed trend in wage awards is mainly because of the increased collective bargaining power of Kia Motors Trade Union since 1987. According to one manager, whilst wage levels of white-collar workers have been frozen or only marginally increased since 1987, those of blue-collar workers have been substantially higher. Even with an annual wage bargaining arrangement, blue-collar workers sometimes enjoyed a couple of wage increases via extra allowances negotiated by the union. Largely because of the expansion of union influence, the wages of blue-collar workers have surged upwards and have overtaken those awarded to white-collar workers, which is a reversal of the pre-1987 situation, and this has also had the effect of reducing wage gaps caused by levels of education.

Table 5.35

Monthly Wages between Classes of Workers

Tenure (years)	BLUE-COLLAR WORKERS High School Certificate		WHITE-COLLAR WORKERS High School Certificate University	
	1990	1991	1992	1992
1	685,028	893,080	805,356	967,765
2	713,42	914,555	882,456	1,062,005
3	742,092	963,658	916,721	1,126,880
4	785,060	994,213	986,075	1,201,535
5	813,988	1,038,324	1,007,480	1,397,092
6	860,111	1,055,453	1,047,985	1,449,992
7	877,640	1,081,790	1,069,640	1,476,482
8	916,583	1,228,151	1,135,325	1,520,282
9	929,351	1,265,677	1,191,765	1,554,717
10	954,468	1,283,759	1,267,685	1,772,528
11	1,006,354	1,348,098	1,466,217	1,801,953
12	1,050,391	1,371,080	1,510,372	1,846,948
13	1,091,112	1,403,783	1,537,322	1,878,608
14	1,139,916	1,426,765	1,581,852	1,923,988
15	1,140,376	1,469,191	1,616,867	1,959,853
16	1,176,426	1,492,173	1,837,928	2,097,524
17	1,202,389	1,515,155	1,867,843	2,137,889
18	1,243,135	1,563,802	1,903,768	2,182,354
19	1,262,436	1,586,784	1,935,923	2,389,591
20	1,282,553	1,609,766	1,927,158	2,430,926
21	1,338,558	1,632,748	2,008,553	2,472,441
22	1,344,282	1,655,730	2,128,574	2,514,136
23	1,354,458	1,678,712	2,169,479	2,536,161

Source: Kia Motors' Internal Wage Data

Note: 60% bonus per year
 All allowances included
 50 hours of overtime work

Changes in pay differentials between the classes of jobs are another good example of how changes in workforce characteristics affect industrial relations in a firm. As the wage system in Kia Motors is based on seniority of workers,

workers with long service get higher payment than this with relatively short service. Although specific wages data from earlier years is not available, (interview evidence would support the contention), the pay differentials between the two categories of workers have been steadily decreased since 1987. This is mainly because, as the proportion of young workers among the total workforce increased, due to the large scale recruitments during the late 1980's and early 1990's, the influence of young workers on the collective bargaining function of the union increased and helped considerably to diminish the pay differentials between classes of jobs.

5.6.4 Degree of Wage Differential Between Companies in the Same Industry and in the Other Industries.

When it comes to comparing pay differentials between companies in the same industry, there was, pre-19987, a pay flexibility (already mentioned), related to Kia Motors' annual performance, but pay differential also existed between most other auto companies during this time, though these wage gaps were not too high. However, after 1987, there has not been much in the way of pay differentials between the auto companies, mainly because of changed wage negotiation patterns. Pre-1987, the management in auto manufacturing companies experienced no difficulty in determining the level of annual wage increases, owing to weak unionism, with pay awards - and, therefore, intra-company pay differentials - shaped by their own particular business performances. The growth of union power, however, has made the imposition of unilateral management decisions on pay increases impossible, and management's efforts have been focussed on moderating union pressures for high wage increases via collective bargaining processes, and striking reasonable compromises. The net result has been that auto companies have been watching each other's progress very closely, and they have tended to end up with quite similar wage increases. So, although there have been no formally-patterned bargaining styles in the auto industry, the unwritten law - so to speak - has been that each auto company usually follows the outcomes of wage negotiations of the others and the general trend in recent years has been that the result of wage negotiations in Hyundai usually affects the negotiations of other companies in the auto industry.

The pay differentials with companies in other manufacturing industries increased during the 1980's. This tendency has accelerated since 1987, and, as mentioned previously, the principle of "stronger unions get more" has been one of the characteristics of change in Korean industrial relations since 1987. As trade unions in the auto industry have been some of the most powerful organisation, the pay differentials between companies engaged in the auto industry and those involved in other manufacturing industries have widened (note Table 5.18).

5.6.5 Employment Security and Staffing Arrangements

There were no changes in employment security during the 1980's and the early 1990's in Kia Motors, mainly due to the increased demand for new recruitments between 1981-1991. However, there have been some changes in staffing arrangements since 1987. Findings on these issues are summarised in Table 5.36.

Table 5.36

Changes in Employment Security and Staffing Arrangements

	Importance of lay-off to control the changes of labour force requirements	Importance of job transfer to control the changes in labour force requirements	Degree of unions influence on employment security and staffing arrangements	Degree of the government's on employment security and staffing arrangements
Before 1987	Very low	Normal	Very low	Low
After 1987	Very low	Very high	Low	Low

Source: This data is based on personal interviews with staff of Kia Motors

5.6.6 Employment Security

Employment security was not an important issue during the 1980's because the demand for new recruitments has increased until 1991. The fact that Kia Motors has not had any experience of lay-off also provides an explanation for the insignificance of employment security issues. Moreover, the dismissal or laying-off of staff to accommodate shifting business conditions has been made a lot more difficult for management because of the enforcement of strong government legislation prohibiting dismissal or lay-off and growing union interventionism, especially post-1987. Article 27, Clause 1, in the Labour Standard Act in Korea spells it out clearly: an employer shall not dismiss, give temporary lay-off, suspend, transfer, reduce the wages of, or take other punitive measures against a worker without justifiable reasons. And, further, the Korean courts will countenance lay-offs for business restructuring purposes only if there are concrete reasons to suggest that the lay-off of workers is the only way to surmount the alleged business difficulties (Yoon, Lee and Kim, 1990, p.113).

During the pre-1987 period, mainly owing to the ambiguity of the term

"justifiable reasons" and lack of trade union powers, there were many cases of unfair dismissals or lay-offs (Jang, 1991, pp.18-19), but - since the growth of union strength and influence - this practice has been substantially reduced. Supporting the government legislation, many collective work agreements in Korea also incorporate specific clauses relating to permissible reasons for dismissal and lay-off. The research of Korean collective agreements by Yoon, Lee and Kim (1990) reveals that 81.2% of them had such clauses. Prior to 1987, however, owing to management's overwhelming unilateral powers in the industrial relations arena, such clauses were effectively ignored or only marginally complied with, but stronger trade union supervision of these matters has forced management to abide faithfully by both content and intent of such agreements.

Kia Motors clearly specifies reasons for dismissal in its collective agreements. According to Article 21, Clause 1, there are five reasons for the dismissal and lay-off of workers. They can be dismissed:

- (1) by the disciplinary committee, which is operated by equal numbers of management and union representatives;
- (2) if absent for more than 10 days continuously or for more than 15 days per month without any reasons or notification;
- (3) if they have a criminal record of more than one year in prison;
- (4) if sentenced as an interdict or a quasi-incompetent;
- (5) if disenfranchised by a decision of courts or laws.

In the case of an employee facing dismissal via the disciplinary committee, a majority of two-thirds is required, and, because of the composition of the committee, there is no chance that management can act unilaterally in such cases. And, in the other four instances, the reasons stipulated for dismissal are both reasonable and common, so again there is no hint of workers' rights being abused.

All in all, Kia Motors is fortunate. On the one hand, the company has never really experienced pressures occasioned by concerns over employment security (as its post-1986 recruitment drives illustrate), but, on the other, it has put in place mechanisms and agreements with workers and unions which minimise the issues of dismissal or lay-off.

5.6.7 Staffing Arrangements

Unlike the issue of employment security, issues on staffing arrangements have become important since 1987. As already mentioned, the introduction of automation from 1987 onwards and the large-scale recruiting drives between

1986-1991 led to a matching of employment and production capacities which peaked in 1992. As a consequence, management was forced to investigate innovative employment methods. In fact, the unstable correlation between mass-production and mass-consumption from the early 1990's, coupled with high labour costs - which, according to one interview, comprised 10-12% of total production costs - were also causal factors in management's drive to enlist innovative employment methods. So far, three major employment and staffing arrangement methodologies have been initiated by Kia Motors' management: recruitment levels were dampened down, part-time workers were hire, and the capacity to implement internal staff mobilisation was fully utilised.

As Table 5.12 clearly shows, the small scale of new recruitment in 1992 is ample evidence of the changed employment strategy. Moreover, according to interviews, Kia Motors' basic employment strategy from 1993 has been, quite simply, no recruitment combined with natural workforce attrition via retirement or employees quitting. Given the stringent conditions which surround any dismissal or lay-off, recruitment cutback is one of management's limited choices in controlling its workforce size.

Although the unions have not intervened in the area of dampened-down recruitment, the utilisation of part-time workers and internal staff mobility have attracted a lot of union attention and this has somewhat precluded management from maximising such methods. The company has actually hired 100 part-time workers and allocated them to very simple jobs, because the trade union prohibits the placement of part-time workers in any jobs occupied by union members, management's full utilisation of such workers is severely constrained. The trade union, as the establishment of the Personnel Justice Committee exemplifies - dealing as it does with the issue of job transfers - has also hampered the implementation of internal staff mobility, despite its increasing necessity in the context of diminished staff recruitment.

5.6.8 Characteristics of Changes in the Middle Tier

5.6.9 Rapid Increase of wages and Consolidation of Pay Rigidity since 1987.

There has been an undeniable and substantial increase in the wages of blue-collar workers since 1987, emanating from the increased collective bargaining power of Kia Motors' trade unions. An example is worth scrutiny. In 1988, the wage of a production worker - with 3-year tenure based on 50 hours of overtime and 600% bonus per month - was 609,358 Won (Park et alii, 1989, p.94). As can be seen from Table 5.35, the wages of a production worker in 1990 - 1991 with the same conditions were 742,092 Won and 963,658 Won respectively. This reflects a wage increase rate from 1988 through to 1990 of about 21.8%, and 29.9% between 1990 and 1991. Given that the average wage increase in all industries between 1985 - 1986 was 8.1% (Jeng,1991,p.10), it can be seen that wage increases at Kia Motors were substantially higher - a direct result of the increased collective bargaining power

of the unions. And there is another element worth noting: the wage increases for young workers at Kia Motors also shows how changes in the characteristics or composition of the workforce can directly affect a company's industrial relations.

In fact, wage negotiation is the most volatile post-1987 issue for workers at Kia Motors. This trend is clearly illustrated in Table 5.37.

The Kia Economic Research Institute undertook an extensive survey of employees in 10 of the Kia Group of Companies, and the data in Table 5.37 was extracted from the answers of production workers. As can be seen, the wage issue was nominated as the highest causal factor in industrial disputes, which underlines the fact that high wage increases at Kia Motors - because of union pressures - have been imperative since 1987.

Table 5.37

Kia Group Workers' Recognition of the Causes of Industrial Disputes in Kia Group

	High Causal Factor	Normal Causal Factor	Low Causal Factor
Wage	82.78	16.29	.093
Working condition	40.62	54.08	5.30
Oppression of the Management	42.83	39.57	17.60
Intra-Union Conflicts	11.65	54.14	34.21

Source: Kia Economic Research Institute, "Options for the Improvement of Wage Negotiation in Kia Group", 1991, page 111.

Besides wage increases, there has been a tendency to consolidate pay rigidity in Kia Motors during the 1980's. As previously described, their wage system was at this time based purely on the notion of seniority, thus there was no individual pay flexibility. However, during the pre-1987 period, there was a pay flexibility conditioned by the company's business, as the high bonus awarded to workers after the business crisis of the early 1980's exemplifies. However, such options became increasingly less flexible post-1987 when expanding union powers and the resultant climate of utilitarian cooperation made it difficult, if not impossible, for management to depress the levels of then-current wages.

According to Bamber (1989), pay flexibility is an essential element in a firm's capacity to adapt to changing external and internal business conditions. This pay flexibility includes the capability to adjust the general level of economic rewards in response to both macro-economic changes, (inflation and productivity) and micro-economic changes (supply and demand and/or the performance of an individual, team, department, division or company).

As can be seen in the relationship between wages and performance, there has been no such pay flexibility in Kia Motors. Such pay rigidity has resulted in an equally rigid, highly-segmented set of work organisation practices, relatively rigid skills development practices - all of which makes it less than easy for workers to participate in company issues.

5.6.10 Management's Changed Employment Strategy from the Early 1990's in Response to High Wage Increases during the Late 1980's.

It is manifest that the management at Kia Motors had to develop countermeasures against the rapid escalation of wages. One very clear trend, as described in the section dealing with changes in bottom tier activities, has been the introduction of automation since 1987. In the case of middle tier activities, management began to institute a series of strategies to combat the same issue, such as cutbacks in recruitment, the introduction of part-time jobs and full utilisation of internal staff mobility. Management's main intention in implementing these strategies seems to have been to establish a dual labour market. The basic premise of dual labour market theory is that workers in the primary sector enjoy high wages, good working conditions, employment stability and opportunities for advancement. On the other hand, workers in the secondary sector have low wages, poor working conditions, high labour turnover, little chance of advancement and arbitrary and capricious supervision (Whitfield, 1989, pp.46-47).

The advantage of establishing a dual labour market in a company is that management can lay off temporary and part-time workers in the secondary sector in times of economic downturn, and pick them up again if necessary when the market improves. In other words, a dual labour market gives a company a workforce flexibility and a consequent capacity to adapt responsively to shifting economic or business imperatives. Atkinson's "flexible firm model" (1985) illustrates this concept rather well. According to Atkinson, the "flexible firm" tends to divide its labour force into two categories. In the centre of such organisations, there is a small and numerically-stable core group of employees involved in the organisation's key activities and enjoying a high degree of employment security and other benefits. In contrast, and peripheral, is a larger, fluctuating number of workers. In the three peripheral groups in Atkinson's model, the first and second groups are still employed on a full-time basis, but their labour is subject to replacement by machinery or new forms of organisation. These groups are vulnerable to changing product and labour markets in the long term, but are safe in the short term. Outside these two

groups are the truly peripheral workers who can expect little more than short bouts of unemployment interspersed with work on temporary or part-time contracts at relatively-low wages, with little guarantee of job rights.

Summarising the above, therefore, it seems clear that Kia Motors' implementation of serial strategies in the middle tier from the early 1990's - such as restraints on further employment, the introduction of part-time jobs, and maximisation of internal staff mobility - was an attempt to create a dual labour market. This was perhaps an inevitable response to the difficulties of dismissing or laying off staff in adverse economic circumstances. In such a context, Atkinson's "flexible firm" model, with its categories of secondary sector and truly peripheral workers gives management a capacity to respond effectively to such factors as high wages and changing business conditions.

5.6.11 The Importance of the Union's Role in the Implementation of Management's Business Strategy in the Middle Tier.

As the above analysis of middle tier activities indicates, the collective bargaining power of the union at Kia Motors has substantially increased since 1987, a change which has effectively eliminated the pre-1987 trend of unilateral implementation of business strategies by management. This has been particularly evident in the middle tier. Whereas the unions and workers were generally indifferent to first-phase, management-initiated production strategies in the bottom tier, there is strong evidence to suggest that strong union involvement and influences in matters such wages, employment and staffing arrangements has created major problems for management in implementing business strategies in the middle tier. The clear opposition of the unions to the introduction of part-time workers, plus the unions' involvement in personnel management via the Personnel Justice Committee, signals the difficulties for Kia Motors' management of establishing a dual labour market. Further, this situation emphasises that the union has, across all three tiers, been at its most active and most participative in the middle tier and has - via its involvement in the implementation of the company's business strategies - consolidated its sphere of influence at this level.

5.6.12 The Importance of the Government's Influence on Middle Tier Activities.

Depending upon the issues, the degree of government influence upon middle tier activities varies. On the issue of wage increases, the government became involved in 1992 after its relatively-neutral stance in 1987 and this clearly reflects the government's basic perspective on Korean industrial relations. Basically, the government adopted the position that it should and could intervene in any industrial situations which, in its estimation, could be prejudicial to the development or stability of the nation's economy.

As mentioned in an earlier section of this thesis, the government's near-neutral, non-interventionist position on such matters in 1987 and 1988 was replaced in 1989 with active intervention in industrial disputes, with the aim of minimising the impact of such disputes - considered to be the major factor in the decline of Korea's price competitiveness in the international market - on the national economy. Such governmental intervention, however, could only be applied in the case of unlawful industrial disputes. In the matter of legally-binding, collective agreements on wage increases, the government could not similarly or directly intervene. Government response on this issue, considered equally damaging to the wellbeing of the national economy, took the form of legislation for a national wage system in 1992.

Despite intervention in such matters as wage increases, government's actual influence on employment security and staffing arrangements could be described as minimal during the 1980's and early 1990's, except for its enforcement of legislation prohibiting dismissals and lay-offs. Powerful though this legislation may have been, the capacity to enforce it was diminished considerably because of the ambiguity of the key term "justifiable reasons". It was only effective, therefore, when it was combined with effective union power.

5.7 Top Tier Changes

5.7.1 Corporate Governance: Characteristics of Changes in Corporate Governance

The main characteristics of corporate governance in Kia Motors can be described as a highly-centralised and rigid top-down style of management structure. Despite the increased importance of industrial relations and human resource management in Korea after 1987, the industrial relations and human resources management departments in Kia Motors have not played important roles, and any union or employees' participation in the decision-making process at the strategic level (top tier) has been denied by the management. Moreover, a recent government announcement and Seoul High Court decision in 1993, which support managerial prerogatives, have further strengthened management's adherence to the notion of managerial prerogatives. Findings of the firm's governance are summarised in Table 5.38.

Table 5.38**Changes in Firm Governance**

	Level of IR and HRM departments in the management hierarchy	Importance of IR and HRM departments participation in strategic decision making	Degree of IR and HRM departments discretion on their own policy decision makings	Degree of union participation in strategic decision making of management
Before 1987	Low	Low	High	Very low
After 1987	Low	Low	Low	Very low

	Degree of major stakeholders' participation in strategic decision making of management	Degree of the government's influence on employee or union participation in strategic decision making of management
Before 1987	Very low	Very low
After 1987	Very low	Very low

Source: This data is based on personal interviews with staff of Kia Motors

5.7.2 Highly-Centralised and Rigid Top-Down Style of Management Structure

According to interviews with the management of Kia Motors, there has been increased recognition of the importance of industrial relations since 1987, with stable industrial relations - after the major 1991 strike - the priority target of Kia Motors formal management objectives. And this priority was underlined in the New Year speeches in 1992 and 1993 of both the President of the Kia Group of Companies and the President of Kia Motors. However, despite increased attention to these matters, as shown in Table 5.38, the importance of industrial relations and human resources management departments in the management hierarchy was continuously low during the 1980's, until quite recently. Departments related to production were influentially dominant during the 1980's

and marketing-related departments assumed the ascendancy from 1992. Consequently, it can be safely concluded that Industrial Relations and Human Resources Management departments were far from actively engaged in strategic decision-making.

The main reason for the low level of IR and HRM departments in the business hierarchy - in spite of the increased attention to industrial relations issues - is not because the issues of industrial relations have not been important in Kia Motors, but because those issues have increased in importance, decisions on industrial relations were transferred from the departments into the hands of executive management. As can be seen from the data in Table 5.38, there has been a marked shift in the discretionary power of IR and HRM departments as it relates to their influence on policy decision-making.

In fact, post-1987, as industrial relations and human resources management issues emerged as contentious issues, IR and HRM departments seemed to become little more than conduits for executive management's information requirements, with subsequent decision-making determined by management but implemented by the "supply" departments. An interview with a manager in the Labour Management Cooperation Department clearly supports this trend. He worked as a production manager at the workplace for 15 years, and, during the major strike of 1991, he tried to persuade his fellow-workers to cease striking. During the informal negotiation processes with production workers, he had frequent discussions with managers from the Labour Management Cooperation Department about the demands of the production workers, and reached certain agreements. However, soon after relaying this back to the workers and reaching agreement, he discovered that the agreement struck with the Labour Management Cooperation Department had been overruled by Kia Motors' executive management, which led to yet another dispute with the workers. From this example, it can be concluded that a highly centralised top-down management methodology has been the persisting dominant characteristic of Kia Motors' decision-making style.

5.7.3 Management's Strong Adherence to Managerial Prerogative

Another significant characteristic of corporate governance seems to be driven by the notion of management's stubborn adherence to the principle of managerial prerogatives in the top tier. In interviews with managers and one union official, it was confirmed that the union had been excluded from any strategic decision making in the top tier.

One union official contended that, although he felt that partial involvement in management's strategic decision-making was necessary, it took second place to issues like wage increase and improvement of working conditions, as Table 5.37 confirms. One manager also indicated that union leaders who attended a company business-performance information-sharing meeting with management seemed unable to comprehend the data tabled for discussion,

seemed to be ill-prepared because of inexperience and lack of education in such matters and seemed also to be unprofessionally indifferent to the meeting's purpose or outcomes. Whatever the real reason, management has succeeded in maintaining its stance of managerial prerogative against union involvement.

The influence of major stake-holders, such as shareholders and banks, on management's strategic decision-making in business matters has been negligible. Reference to Table 5.39 reveals that there is no single, major, influential shareholder in Kia Motors. No shareholder in fact, holds more than 10% of total shares allocated.

Table 5.39

Distribution Rates of Kia Shares to Major Shareholders (1985-1992)

Shareholder	'85	'86	'87	'88	'89	'90	'91	'92
Mazda & Itoz	10	10	10	10	10	10	10	10
Ford	-	10	10	10	10	10	10	10
Executive Managers	-	-	-	-	-	-	-	-
Other Group Companies	-	-	3.13	2.27	-	-	-	-
Employees	5.41	5.78	9.58	8.19	8.60	9.40	9.56	9.18

Source: This data was provided by the Planning and Coordination Department

Prior to the business crisis of the early 1980's, and reflecting a general characteristic of most large enterprises in Korea, the founder of Kia Motors and his son (also the Presidents of the company during this time) were the major shareholders. However, as outlined in a previous section, the founder's son resigned during the company crisis and returned most of his shares to the company and there has been no single dominant shareholder since then. Kia Motors also restricts its overseas' partners, such as Ford and Mazda, to a 10% level of share ownership, thereby avoiding any intrusive influence by foreign auto manufacturers.

The above even share distribution has allowed the company to sidestep any problems that can emanate from dominant shareholding interests in the sphere of strategic decision-making and has accorded greater discretionary powers to Kia Motors' management in both establishing business strategies and also executing those strategies in practice.

5.7.4 The Government's Support of Management's Right to Maintain Managerial Prerogatives

There has been clear government support of management's right to maintain its managerial prerogatives in 1993 and 1994. The major reason for this was that, as Korean labour law does not specify the scope of bargaining issues between unions and management, trade unions have started to intervene in personnel and business management affairs and this has been adjudged undesirable because of its potentially-destabilising effect on a company's industrial relations (Park, 1993, pp.95-96). The government therefore announced in 1993 that managerial prerogatives should not be challenged at the bargaining table, and that strikes over these non-negotiable issues should be considered illegal (Park, 1993, p.96). This government stance was recently confirmed by the new Minister of Labour, who announced that unions could not intervene in matters of personnel and business management (Dong-A Daily, 7/11/1994). And the Seoul High Court handed down a decision on this issue in 1993, as follows:

"Concerning the issues on managerial prerogatives, issues, which are 'closely' related to labour conditions and do not restrict 'fundamental management rights', can be negotiable in the collective bargaining." (Seoul High Court, 12/3/1993, 92 GU 12096)

There is little ambiguity in this judgement: issues such as principles of personnel management and/or job rotation, which are closely related to employees' working conditions, can be discussed with the union, but the rights of management itself to arrive at decisions on these issues cannot be subject to collective bargaining. Besides these matters, however, other rights of management - especially strategic decision-making in the top tier - are not closely related to workers' labour conditions, therefore the High Court decision effectively blocks union participation in top tier activities. When this scenario is coupled with the government's support of managerial prerogatives, it is clear that any future union participation in Kia Motors' top tier management activities can only occur with the active and voluntary cooperation of the management.

6.0 CHAPTER SIX CONCLUSION

6.1 Synthesis of Findings from the Case Study and Options for the Future Direction of Kia Motors

As the main purpose of this thesis is to discern the patterns and processes of change in Korean industrial relations through a case study of Kia Motors, it is essential that the findings from this case study are synthesised to ascertain the integrity and validity of the hypotheses advanced as the stimulus for this thesis. Table 6.0 summarises the findings. As details of all factors in Table 6.0 have already been discussed or described in previous sections of this thesis, the major purpose of this particular section is to focus on the interactions between environments and the major players, and upon interactions between the major players in the three tiers, thereby elaborating upon and discovering the patterns and processes of changes in industrial relations in Kia Motors. Additionally, based on the evaluation of these changes, probable options for the future direction of Kia Motors will be evaluated.

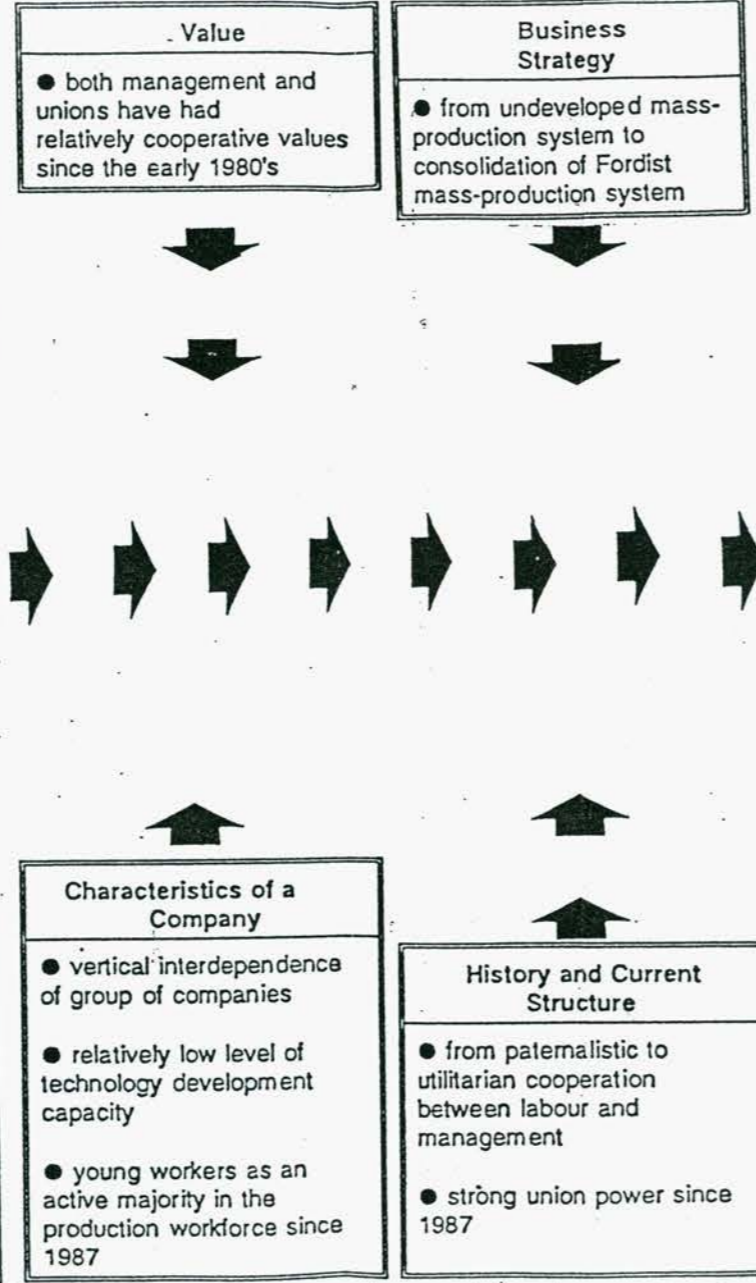
6.1.2 Complementary Factors to Kochan et alii's Research framework from the Findings of the Case Study

Before synthesising the findings of the case study, fully illustrated in Figure 6.0, it is important to explain factors and characteristics of the auto industry and a company which complement Kochan et alii's research framework. The main reason for analysing those factors complementary to the research framework is because of the belief that, when a case study is undertaken which focusses on a certain company in a certain industry, if the company and industry characteristics are not fully detailed, there is a profound risk of misunderstanding the pattern and processes of changes in a company's industrial relations. Put another way, the characteristics of an industry and a company affect the activities of the major actors or players, and, consequently, interactions between these players. This point has been well documented throughout this case study of Kia Motors.

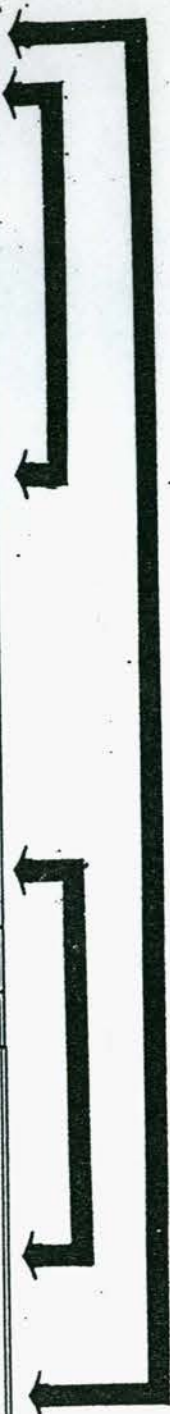
In considering the characteristics of the automotive industry in Korea, one exemplary case can be presented to explain its influence as one of the external environments which affect the major protagonists. The fact that the automaotive industry was one of the major industries selected by the Korean government as a major strategic national industry should be taken into account. Because of this status, direct and indirect government intervention in industrial disputes, wage increases, and Automotive Industry Rationalisation Arrangements (AIRA), especially pre-1987, was even greater than government intervention in industries **not** identified as "strategic". As can be deduced from the reactions of Kia Motors to the government's AIRA enforcement, government

Table 6.0: General Mapping of Changes in Kia Motors based on Kochan et alii's Research Framework

External Environment		
	Pre-1987	Post-1987
Product Market	<ul style="list-style-type: none"> ● limited competition by AIRA enforcement in domestic market ● increase of export during mid-1980's 	<ul style="list-style-type: none"> ● free competition ● rapid increase of domestic demand during late 1980's
Labour Market	<ul style="list-style-type: none"> ● stable labour supply 	<ul style="list-style-type: none"> ● labour shortage in Korea but not in auto industry
New Technology	<ul style="list-style-type: none"> ● relatively low level of industrial technology in Korean industries 	
Government Policy	<ul style="list-style-type: none"> ● prior emphasis on economic development ● authoritarian industrial relations control 	<ul style="list-style-type: none"> ● emphasis on both economic development and distribution of wealth ● lack of principles on the administration of industrial relations in 1987 and 1988 ● regains role, not as oppressive ruler, but as strong mediator
Workforce Characteristics	<ul style="list-style-type: none"> ● obedient ● confrontational to employers in general 	<ul style="list-style-type: none"> ● less obedient ● confrontational nature continues in general
Characteristics of auto industry	<ul style="list-style-type: none"> ● strategic industry chosen by the government 	



Institutional Structure of Firm-Level Industrial Relations			
Top Tier Activities (Post-1987)			
Characteristics	Labour and Union	Management	Government
<ul style="list-style-type: none"> ● highly centralised rigid top-down management structure ● no influence from stake-holders 	<ul style="list-style-type: none"> ● little participation 	<ul style="list-style-type: none"> ● strong adherence to managerial prerogatives ● pro-active participation 	<ul style="list-style-type: none"> ● support of managerial prerogatives since 1993
Middle Tier Activities (Post-1987)			
Characteristics	Labour and Union	Management	Government
<ul style="list-style-type: none"> ● rapid wage increase since 1987 ● rigid, seniority-based wage system ● no employment security problems ● trend to facilitate internal mobility from 1992 ● unions involvement in personnel management 	<ul style="list-style-type: none"> ● proactive participation through collective bargaining 	<ul style="list-style-type: none"> ● reactive but rational participation 	<ul style="list-style-type: none"> ● strong legislation enforcement about worker lay-offs ● began to control wage increases from 1992
Bottom Tier Activities (Post-1987)			
Characteristics	Labour and Union	Management	Government
<ul style="list-style-type: none"> ● highly-segmented jobs ● separation between conception and execution ● integration of automation into Fordist mass-production system ● lack of employee participation ● lack of incentive scheme for employee participation 	<ul style="list-style-type: none"> ● indifference to management's implementation of any production-related strategies ● only react when problems occur from the implementation ● overall active 	<ul style="list-style-type: none"> ● proactive ● introduction of automation since 1987 and of new skill training system since early 1990's 	<ul style="list-style-type: none"> ● training levy imposition



intervention did affect labour-management activities in the company. It can be said, therefore, that a study of the characteristics of an industry seem to be especially useful in a case study undertaken in a country where national economic development is driven by strong governmental forward economic planning, a feature, incidentally, of the newly-industrialised Asian countries. However, since the above contention is theoretical in basis and subject to situation-specific economic variables, it should be noted that various aspects of such study should preferably be empirical.

The singular characteristics of a company should also be examined carefully. In Kia Motors, there are factors like the vertical interdependence of elements in the company structure, the relatively low level of technological development capacity, and the majority grouping of young workers in the workforce post-1987.

The vertical interdependence within the Kia Group of Companies, as fully described in an earlier section of this thesis, has contributed to the maintenance of a fairly cooperative climate between labour and management. The relatively low level of the company's technological development capacity seems to have affected management's business strategy. The company's inevitable dependence upon advanced overseas' auto makers' technologies has limited the development of Kia Motors' production system, exemplified in the fact that, despite the introduction of limited job-rotation, the company has failed to design and establish efficient production lines capable of maximising a multi-skilled workforce. And, given the fact that the prerequisite for the establishment of a flexible production system is a company's continuous ability to design new models on a regular basis, Kia Motors design technology has not attained the necessary level, and, as such, it seems to be one of the major impediments to the company's capacity to establish a flexible production line. The post-1987 consolidation of a Fordist mass-production system at Kia Motors was perhaps the only choice its management had. The company's third particular characteristic mentioned above - the majority grouping of young workers in the labour force - was one of the main causes for the switch from paternalistic to utilitarian cooperation between labour and management and has therefore significantly affected industrial relations activities at Kia Motors.

The fact that the particular characteristics of both the auto industry and a company like Kia Motors have exercised considerable influence over the activities of both management and labour at Kia Motors suggests that they are suitably complementary to Kochan et alii's research framework and may therefore provide greater insights into any analysis of industrial relations activities in a case study.

6.2 Interaction Between External Environments and Major Players

The case study has revealed that, amongst the three major players - labour and unions, management, and the government - changes in the external environment listed in Figure 6.0 have mostly affected management, and that

management has therefore been most responsive to such changes. By comparison, the other major players were only marginally influenced, but they did respond to changes not listed in Figure 6.0 - changes in Korea's social ideology (as described in Chapters 3 and 4).

6.2.1. Environmental Pressures and Management Responses

Changing environmental conditions seem to have created major business management problems for Kia Motors, especially pressures post-1987. During the pre-1987 period, changes in the product market engendered by the government-initiated AIRA legislation to protect strategic industries were the most significant environmental pressures. To combat this embargo and the related business crisis, Kia Motors managed to excite the mood of cooperative industrial relations so necessary for its economic survival. There is fundamental irony here: the detrimental product-market conditions artificially created by government legislation actually stimulated the sound, harmonious industrial relations practices which led to the relative success of its business management during the mid-1980's.

However, multiple rather than singular environmental factors since 1987 have caused Kia Motors' management to reconsider its business management and industrial relations management situations simultaneously. Product market changes, such as free market competition after the end of the AIRA enforcement, changes in consumer demand, and increased international competition in both domestic and international markets combined to emphasise the urgent need to establish more competitive business strategies. In this context, wage levels post-1987 emerged as the major culprit in Kia Motors' decline in price competitiveness; because Kia Motors benefitted significantly from the relatively low wage levels of its workers, the rapid post-1987 wage increases delivered by unions' enlarged collective bargaining power have also exercised considerable influence on both the nature of the company's business management and its industrial relations strategies.

As a consequence of the above, Kia Motors' strategies in the areas of business management and industrial relations began to change post-1987. In relation to industrial relations' issues, mainly because of the cooperative mood fostered during the pre-1987 period and management's rational responses to union requests (which will be discussed in detail in a later section), management has been able to sustain the spirit of harmonious cooperation. And, in the sphere of business management strategies, Kia Motors' response to the changing economic scenario can be summarised as the consolidation of a Fordist mass-production system, the rapid introduction of automated processes, and the integration of this automation into a rigid mass-production system. These three factors seem to epitomise Kia Motors' difficulties in responding to the changing business environment post-1987.

In Chapter Four - which examined Fordist mass-production and flexible production systems - the flexible production system emerged as the most useful in adapting to continuously-changing and highly-competitive environments. As many interviewees in Kia Motors emphasised, management has always been aware of the advantages of establishing such a system in the long-term. However, despite this recognition, the company elected to consolidate a Fordist mass-production system during the late 1980's and early 1990's, because of the urgent need to re-enter the lucrative passenger car market and the company's relatively low level of technology development capacity. In these circumstances, the establishment of a flexible production system - requiring, as it does, a considerable "settling-in" period because of extensive investment in staff training, extensive conversion of staff attitudes to accept voluntary participation in training and production activities, and conversion of seniority-based to performance-based wage systems - seems to have been a non-option. Additionally, the company's low level of technology development, coupled with the reluctance of auto makers from advanced countries to transfer their highly-developed new technologies to, and share with, Kia Motors further restrained any development of a flexible production system desperately needed by the company.

Conversely, the comparatively-short establishment period of a Fordist mass-production system - via highly-segmented job practices and the separation of conception from execution, needing at most a semi-skilled workforce - was an attractive, pragmatic short-term option to service the new economic circumstances.

Summarising, then, the rapidly-accelerated programs of automation in the workplace post-1987 have failed to supplant the mass-production "style" or "mentality" which has been Kia Motors' primary traditional *modus operandi*.

Compared with its pre-1987 situation, it is manifest that Kia Motors' management has had to face more complex and more varied environmental pressures in relation to business management and industrial relations strategies post-1987, and has experienced commensurate difficulties in responding effectively to such pressures owing to internal and external impediments to the implementation and practice of such response strategies.

6.2.2 Environmental Pressures and Union Responses

In considering the interaction between environmental pressures and union responses, it is interesting to note that changes in the environmental factors listed in Figure 6.0 - based on Kochan et alii's research framework and mostly related to economic issues - have not significantly affected the trade union at Kia Motors. The major environmental force which has impacted upon the union has been the change in government industrial relations policies, emanating from changing social ideology. The rapid growth of trade unionism in Korea post-1987 did not pass Kia Motors by: its union shared in the increase of collective

bargaining power and, as the Case Study shows, its major achievement was a significant improvement in working conditions.

What this implies is that, apart from Kochan et alii's economically-related factors tabulated in Figure 6.0, a fuller comprehension of changes in the patterns and processess of industrial relations' practices would be possible if a wider range of environmental factors was to be considered.

6.2.3 Environmental Pressures and Government Responses

There is a stark contrast between government responses to environmental pressures in the pre-1987 and post-1987 periods. As outlined in earlier sections, the government was able during the pre-1987 period to control, rather than interact with, the domestic environment - as the AIRA enforcement in the early 1980's amply demonstrates. On the other hand, post-1987, the government began to respond to domestic changes instead of imposing unilateral decisions. This was largely as a result of the changed social ideology which permeated Korea (described in Chapters 3 and 4), rather than the environmental factors listed in Figure 6.0, and is yet another indication that the scope of elements in Kochan et alii's research framework needs to be enlarged to describe and understand fully any changes in industrial relations activities.

The reasons for the above changes in the Korean government's previous policy, based on an authoritarian and unilateral notion of "national economic development always comes first" is worth noting again. They can be summarised as follows: a recognition of industrial disputes in a legal framework, on condition that stable economic development can be sustained; and the maintenance of a more balanced or rational role as mediator in such disputes.

Despite government incompetence in controlling critical industrial relations issues such as industrial disputes and wage increases during 1987 and 1988, the adoption of their new stance led to the establishment of new policy guidelines which left effective resolution of industrial disputes in the hands of the unions and management, and only intervened when it was perceived that the carefully-nurtured national economic development conditions were under threat. The government's implementation of a national wage system in 1992, which materially affected the outcomes of wage negotiations at Kia Motors, and intervention in the unprecedented industrial disputes of the Hyundai Group of Companies in 1993 (described in Chapter Three) are excellent examples in this regard.

And the government's announcement after the Hyundai disputes that strong measures - such as the suspension of financial assistance, regular and rigorous tax investigations, and education on industrial relations issues by a Local Labour Relations Commission - would be taken against any company where chronic industrial problems persisted is a recognition of the fact that labour and unions are not the sole source of trouble in the industrial relations arena, and

that management must also share some of the responsibility for industrial relations problems. This position was reinforced by a further announcement, echoing near-identical sentiments, by the new Minister of Labour in January, 1994. These instances clearly delineate government's abandonment of its previous authoritarian role and its emergence as a strong and rational mediator in such industrial matters.

6.3 Interactions among the Three Major Players in the Three Tiers.

What the outcomes of this case study of Kia Motors reveal (detailed in Figure 6.0) is that the pattern of interactions post-1987 between the three major players in the three tiers closely parallels that of those in the so-called New Deal industrial relations systems in America. As mentioned in Chapter One, a major characteristic of New Deal industrial relations was the active cooperation between labour and management in the middle tier through collective bargaining. But that same collective process effectively established the notion that management should manage and that workers should negotiate, leaving managerial prerogatives in the hands of management, with the result that labour-union participation was almost zero in the top tier, and marginal - confined mainly to working conditions - in the bottom tier.

If one refers to Figure 6.0, it can be seen that - apart from 1987 - the most active interaction at Kia Motors has been occurring in the middle tier through collective bargaining, which has resulted in rapidly-increased wages, improved working conditions and union participation in personnel management issues. Managerial prerogatives in relation to top tier management activities are still in the hands of management, and this position has been strengthened by recent government policies. And, although labour-union influence on bottom tier activities has increased since 1987, the unions and workers have had scant involvement in management-initiated production strategies, tending to focus rather more on working conditions. These activities closely match the patterns of industrial relations of the traditional New Deal system in America.

In addition to the above, it is worth noting that, since 1987, this process of change in the interactions amongst the three major players at Kia Motors has been, for the stereotypically-volatile Korean industrial context, unusually peaceful. The main reasons for this may be found in the company's history, its unique company structure and the value that management and labour seem to place mutually upon each other. As has been detailed in Chapter Five, there was a climate of relatively harmonious cooperation between labour and management during the 1980's and early 1990's, which was characterised as paternalistic cooperation pre-1987 and utilitarian cooperation post-1987. The Kia Group of Companies' vertically- interdependent structure and the cooperative values engendered by the AIRA-initiated business crisis of the early 1980's have to be seen as the primary factors contributing to Kia Motors' peaceful transitional development post-1987. In this regard, it can be said that factors in Kochan et alii's research framework - like history, current structure, current values and even business strategies - are useful in a case study which

requires specific insights and analysis of changes in the patterns and processes of a company's industrial relations.

The changes in such patterns and processes in industrial relations at Kia Motors since 1987 can be summarised as follows.

First of all, these changes seem to be towards a consolidation of a traditional New Deal-style industrial relations strategy, combined with a traditional American-style Fordist mass-production system. In the top tier, the major managerial prerogative - decision-making on business management strategies - remains in the hands of management, and this right has been enshrined by the government's prohibition of union intervention on the grounds that a company's stability of business management leads the stable economic development of a whole society. As a result of this, there has been no labour-union participation in top tier activities. In contrast, the active interaction between management and labour in the middle tier through collective bargaining since 1987 has been the major feature of changed industrial relations practices in Kia Motors. Although government became involved from the early 1990's in wage increase disputes, it did not interfere with the well-consolidated collective bargaining process, and, indeed, government seems to have fostered sound interaction between labour and management via this process, unless, as has been mentioned, there is any possibility of such activities negatively impacting upon the national economy. In the case of bottom tier activities, there has been a consolidation of a Fordist mass-production system, with relative indifference on the part of labour and union to its implementation, characterised by highly-segmented jobs, separation of conception from execution, limited employee participation through TQM-type processes, lack of serious, relevant and effective training programs, integration of automation to a rigid mass-production system, and no union involvement in the process or implementation of any production-related strategies.

Korea's transformed social ideology, in particular political and socio-cultural changes, has been the major impetus in the changes detailed above, together with quick-silver shifts in the domestic and international economic milieu. Of those pressures affecting the pattern of industrial relations of all three major players, the most influential was the changing economic scenario - which mainly affected management.

The process of change can be encapsulated as follows. Firstly, the change in social ideology forced the Korean government to announce its famous "democratisation" on 29 June, 1987, which was the prelude to its shift from an authoritarian to a democratic approach to industrial relations issues. As a consequence of this socio-political equation, the unions emerged as far more powerful bargaining agents or brokers. Management was, as a result, forced to respond to such changes by admitting the unions to the collective bargaining process as negotiating partners. To complicate management's position, more competitive and unpredictable economic circumstances exerted further pressure on company management to adapt to changing environments.

6.4 Options for the Future Direction of Kia Motors.

Prior to considering possible future options for Kia Motors, it is important to contemplate how long the New Deal-style industrial relations activities and the Fordist mass-production system can be maintained. Although the New Deal system enjoyed quite a lengthy period of stability in America, it seems unlikely that it will be repeated in Kia Motors, mainly because the prevailing economic conditions are quite different from those shaping the hey-days of the New Deal industrial relations system.

As mentioned in Chapter Two, and according to Kochan et alii, the success of the New Deal system was mainly due to the relative stability of the economic environment which contributed markedly to the high growth rate in American industries. Kochan et alii also pointed out that changes in external environments from the 1960's - such as ongoing world-wide changes in increasing international and domestic competition - have played a vital role in the gradual collapse of the New Deal industrial relations system. The economic variables faced by Kia Motors in recent years closely parallel the New Deal context described above: but their highly-competitive and unpredictable nature have prejudiced any prospect of long-term stability. As such, it is worth considering potential options for the future direction of Kia Motors. They are listed below.

(i) The continuous development of a Fordist mass-production system:

(a) management will push hard on the wages issue against the unions to lower labour costs;

(b) production facilities will move to lower-cost countries;

(c) management will accept rapid wage increases of the workers and accelerate the introduction of automation and the establishment of a dual labour market in the company to offset labour costs;

(ii) A concentration on the development of a flexible, post-Fordist post-production system with investment in both human resources and new technology.

Because management has borne the brunt of environmental pressures related to industrial relations and business management, it is more than likely that any future changes in Kia Motors in response to such forces will be initiated by management. Based on this assumption, future management options seem to straddle a Fordist mass-production system and a flexible or post-Fordist system. Theoretically, the flexible or post-Fordist system, capable of adapting rapidly to changing economic circumstances, should be preferred. However, as previously discussed, there are many internal

impediments in Kia Motors which militate against such a choice.

Essential ingredients in the implementation of a flexible production system are functional flexibility, which includes the reversal of the division of labour, and skills-formation flexibility, which involves fostering a skilled workforce through effective education and training programmes. Additionally, employee participation in production activities and decision-making in the establishment of production-related strategies - cemented by the unification of the roles of conception and execution - are also vital in the bottom tier. Internal mobility, via job rotation or job transfers, is another important element.

In the case of middle tier activities, an individual performance-, team-, group- or nationally-based pay flexibility, plus an employment flexibility based in the establishment of core and peripheral work groups is also considered necessary, but perhaps not essential, for the institution of an overall flexible production system.

And labour-union participation in top-tier management decision-making may also provide a greater incentive to workers to become involved in the future development of a company.

Earlier sections of this thesis would seem to suggest quite strongly that Kia Motors fails to provide, currently, this desirable matrix of opportunities or future intentions. And, apart from this, the company also lacks another prerequisite for the establishment of a flexible production system - a highly-advanced technology development capacity, capable of absorbing sophisticated automated production equipment and fully utilising its varied production facilities. This particular impediment is compounded by the fact that overseas' auto makers have exhibited a general reluctance to share their high-tech secrets with their Korean partners.

So, although Kia Motors may have, in the short term, severe practical problems in introducing a flexible production system, there is no doubt that such a system, in the long term, is the most effective in responding to or coping with the changing and highly-competitive international and domestic economic conditions challenging the auto manufacturing industry in recent years.

Kia Motors' other option is to continue with the development of the current Fordist mass-production system, the greatest advantage of which lies in price competitiveness via mass-volume with greatly-reduced production unit costs - despite the rapid post-1987 increases in wage levels, a key consideration for the company.

Of the three possible paths indicated in (i) above, option (a) - management's push against wage increases - would be the most likely to fail, in that this issue was one of the primary causes of industrial disputes in the pre-1987 period, and the changed industrial relations scenario post-1987 would seem to suggest strongly that the pursuit of such a course could cause industrial chaos at Kia

Motors. Insofar as the company has other avenues open to it, it is therefore unlikely that Kia Motors' management would choose to compromise its relatively harmonious industrial relations climate.

Compared with the above option, options (b) and (c) are quite feasible. Option (b) offers major benefits to the management of Kia Motors. Since costs associated with escalating wage levels radically impact on the company's price competitiveness, the notion of relocating its production facilities in a country with lower wage levels is attractive. Apart from giving the company a new edge in price competitiveness, it also offers management a potential escape from union interference, especially if the country of relocation has either embryonic unionism or strong government controls over industrial relations practices. Despite such advantages, however, Kia Motors' existing workforce poses a potential problem for such a scheme. The Korean government has introduced stringent legislation which prohibits the capricious lay-off of workers, so, if Kia Motors wants to pursue this option, it will have to devise an effective method for dealing with this issue. Failure to do so could create severe problems within the company.

Option (c) - an acceptance of spiralling wage costs, but a simultaneous acceleration of its programme of automation with the introduction of a dual labour market to offset such costs - actually reflects a current trend within the company. Its advantage stems from the fact that it is a viable transitional strategy for switching from a Fordist mass-production system to a flexible, post-Fordist production system. Although Kia Motors has imperfectly integrated automated processes into its rigid mass-production assembly methodologies, high-level automation is a necessary prerequisite for the establishment of flexible specialisation. And, given that the other ingredients for flexible production can be put in place - such as multi-skilling via relevant and effective skills training and education programmes, a performance-related wage system, job-rotation, and a re-design of production processes and practices (like Toyota's U-line system) - the company's automation programme could easily be converted to perform in the flexible production mode. Moreover, the dual labour market, with its core group of workers supplemented by the secondary and peripheral pools of labour, would enhance and facilitate such a scheme. Finally, this option offers Kia Motors a means of maintaining its industrial relations equilibrium, of responding in a commercially-responsible manner to escalating wage levels and of putting in place the necessary elements for the creation of a long-term production system capable of responding to shifting environmental conditions.

Summarising the above, the ideal solution for Kia Motors would seem to be either a combination of options (b) and (c) from (i) in the short term, or option (ii) in the long term. Of these, option (c) has the advantage of being the most pragmatic, the most commercially responsible, and the most easily introduced.

6.5 Verification of Hypotheses

This section of the thesis will verify the hypotheses advanced as the stimulus for this thesis and will evaluate the outcomes of change studied in both macro-level and micro-level industrial relations in Korea. Further potential research directions will also be addressed as a final component of this thesis.

6.5.1 Has There Been a Transformation of Korean Industrial Relations since 1987?

The first hypothesis tested in this thesis is that **THERE HAS BEEN A TRANSFORMATION OF KOREAN INDUSTRIAL RELATIONS SINCE 1987.**

From the evidence which has emerged during the course of this investigation, it is considered that it is still too early to conclude that Korean industrial relations have been completely transformed and are now in a new phase. However, it is manifest that the **PROCESS OF TRANSFORMATION or TRANSITION** is well under way. Since 1987, there have been considerable changes in the patterns and processes of industrial relations activities between government, management and union participants, but, as yet, they have not settled down into their final shape.

This ongoing transformation has been evidenced from the study of changes in industrial relations at both macro- and micro-level in Chapter 3, through Chapters 4, 5 and the initial section of Chapter 6. The most evident changes in Korean industrial relations since 1987 derive their form from the changed industrial relations activities of the government, management and trade unions.

In the case of the government, the near-infamous authoritarianism of their approach to industrial relations underwent a radical transformation post-1987, and, despite some reluctance to intervene in industrial disputes during 1987 and 1988, the government began to emerge more as a mediator than a dictator, passing legislation which fostered more equitable industrial relations between management and labour, mainly via collective bargaining processes, and only intervened in disputes when they seemed likely to damage the national economy. Perhaps most significantly, government acknowledged that the persistence of chronic industrial problems was not caused solely by labour malaise, but was something to be equally and responsibly shouldered and resolved by both management and labour.

Unions have enjoyed perhaps the greatest benefits from changed industrial relations practices since 1987. Instead of being stereotyped as dangerously-militant organisations which need to be harshly controlled, they are now seen as legitimate negotiating counterparts to management, and the improved wages and working conditions of the workforce post-1987 reflects this value-shift.

However, of the three major protagonists, management has been confronted by the most serious problems since 1987. The changed industrial relations context, coupled with the ever-changing economic conditions, have forced management to establish effective strategies for industrial relations as well as business management.

As a consequence of the above changes, the general nature of interaction between government, management and unions seems to closely parallel that of the New Deal industrial relations system, with the top-down, unilateral and vertical interactions which typified the pre-1987 period being replaced by bilateral and balanced mechanisms such as collective bargaining in the middle tier.

Despite these evident changes, industrial relations problems have persisted, which strongly implies that changes in Korean industrial relations are a continuing, rather than a completed, phenomenon. There are four main reasons for this.

First of all, although many labour laws have been amended since 1987, the actual amendments on issues such as the prohibition of third party intervention, a union's political activities, and multi-unions in a company have excited heated debate between government, management and union factions. And, as amendments to these laws could result in a significant increase in radical trade union power of organisations like the National Council of Trade unions (NCTU), the conclusion of such debate could well have a potent impact upon the current Korean industrial relations scene. The fact that the Labour Ministry intended to amend these laws in 1993, then suddenly deferred such amendments because of strong opposition from both management and ruling party sectors, clearly reflects how controversially significant the issues are.

Secondly, the existence of dual labour movements in macro-level industrial relations activities and the government's steadfast refusal to approve the NCTU as a legal trade union entity have exacerbated the conflict between the Federation of Korean Trade unions (FKTU) and the National Council of Trade Unions (NCTU).

Thirdly, as labour laws do not accurately specify the actual scope of bargaining between management and trade unions, there is a potential for change in all three tiers when workers' economic needs have been satisfactorily addressed. That is to say, there could well be active union participation in each tier when issues other than economic ones emerge as important - issues like union-worker participation in strategic decision-making and production activities.

Finally, and close to the third point, management may try to change the current New Deal-style industrial relations system. This possibility emerges from the fact that the current economic conditions are not sufficiently stable, as they were in America, to perpetuate the system. The role of destabilising economic conditions, such as those confronting Korean management in recent years, in

the transformation of industrial relations is seen as a major causal factor by Kochan et alii. Therefore, any management response to these highly-competitive economic circumstances may effect changes in the current Korean industrial relations milieu.

Given the above, although it is evident that there have been substantial and beneficial changes in Korean industrial relations since 1987 (which could be described as a consolidation of the traditional New Deal-style system, featuring strengthened middle tier activities through collective bargaining), it is still too early to conclude that they have been completely transformed.

6.5.2 Is Strategic Choice Theory Credible in Explaining Changes in Korean Industrial Relations?

The second and third hypotheses advanced and tested in this thesis are about the credibility of strategic choice theory. The two hypotheses are that **THE TRANSFORMATION OF KOREAN INDUSTRIAL RELATIONS CAN BE PARTIALLY EXPLAINED USING STRATEGIC CHOICE THEORY** and that **OTHER IMPORTANT POLITICAL, ECONOMICAL AND/OR SOCIAL FACTORS NEED TO BE TAKEN INTO ACCOUNT IN ORDER TO EXPLAIN THE TRANSFORMATION OF KOREAN INDUSTRIAL RELATIONS.**

Strategic choice theory seems indeed to be quite useful for analysing the process and pattern of changes in Korean industrial relations. The dominant characteristics of strategic choice theory - interactions between environmental pressures and the strategic responses of major industrial relations participants (and the consequent interaction between such parties) - offers a theoretically-sound and practically-manageable framework for examining the causes and effects of change in Korean industrial relations. Moreover, Kochan et alii's "general framework for analysing industrial relations issues", based on the notion of strategic choice theory, is effective in relation to the mapping of changes in the process and pattern of industrial relations activities, both at the macro- and micro-levels.

The fact that research findings detailed in Chapters 3, 4 and 5 have been evaluated using the construct of strategic choice theory proves its effectiveness. As Figure 4.0 shows, the fact that various environmental pressures can be seen to affect government, management and trade unions in different ways and to different degrees is a valuable finding which throws light on the process of change in Korean industrial relations post-1987. The value of Kochan et alii's emphasis on the role of corporate business strategy and managerial behaviour has been effectively displayed through the case study. Moreover, the major finding in the thesis that the general trend of changes in Korean industrial relations since 1987 has been towards a traditional New Deal-style system - emphasising the importance of collective bargaining - has been analysed through Kochan et alii's research framework, especially the "three tier institutional structure of firm level industrial relations". It seems clear that the

notions of strategic choice theory - such as interactions between environmental pressures and responses of industrial relations participants - and its embedded research framework are invaluable in helping us understand changes in Korean industrial relations.

Despite its relative effectiveness, however, strategic choice theory is deficient in three significant areas. First, there is the analysis of environmental pressures. In strategic choice theory, as Figure 2.1 shows, the major environmental pressures which need to be examined are: labour markets, workforce characteristics and values, product markets, technology and public policies. However, the selection of environmental pressures seems to be too narrowly focussed, excluding elements essential to a complete comprehension of changes in Korean industrial relations. Findings on changes in Korean industrial relations at the macro-level reveal that the major environmental pressure which affected significant changes in Korean society was a shifting social ideology, which embraced political, economic and socio-cultural forces, rather than the environmental factors listed in Kochan et alii's research framework, which concentrates mainly on economic factors. The case study of Kia Motors confirmed the findings of the macro-level study, so it can be concluded that consideration of a broader set of environmental factors would facilitate analysis and research of changes in industrial relations, and would be especially useful for comparative international studies, which are necessary for understanding the outcomes of interaction between various environmental pressures and the major players.

The second reason concerns additional factors which need to be considered in a case study. As mentioned in an earlier section of this chapter, as a case study involves the study of a company or several companies in an industry or various industries, the notion that the characteristics of that company and related industry should also be taken into account was verified in the case study of Kia Motors.

The third reason concerns the role of government. As discussed in earlier chapters, the role of government in the industrial relations arena pre-1987 was authoritarian, with unilateral imposition of government determinations upon management and unions as opposed to mediation. Additionally, government proved it could manipulate the domestic scene to its own ends, and this suggests that government could be perhaps the most significant environmental force for both unions and management. Although this role has softened considerably since 1987, it could be worthwhile considering the flexible nature of government's role in the industrial relations sector, especially in the newly-developed Asian countries.

6.5.3 Further Considerations

The major motivation for undertaking this research was a belief that, although there is a broad consensus of opinion on the nature of change in Korean

6.5.3 Further Considerations

The major motivation for undertaking this research was a belief that, although there is a broad consensus of opinion on the nature of change in Korean industrial relations post-1987, scant empirical research had been undertaken concerning industrial relations practices at the firm level. Without such practical research and analysis, it is difficult for industrial relations policy-makers, scholars and practitioners to truly understand the direction of changes, and thus to respond effectively to such changes. Based on this belief, a case study of Kia Motors was undertaken.

However, it is equally clear that a case study of an isolated company cannot hope to cover fully all facets of change in the process and pattern of Korean industrial relations. In this regard, it is to be hoped that further empirical studies, coupled with extensive reviewing mechanisms, will be undertaken so that future changes in Korean industrial relations can be accurately and comprehensively charted.

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APPENDIX I

FIRM SURVEY QUESTIONNAIRE FOR CASE STUDY OF KIA MOTORS

1. External Environment

We wish to understand the conditions of the external environment with which your company is faced, and the influence of such conditions on the establishment of business strategy, human resource management, personnel management and/or industrial relations policies.

1. Product Market

1.1 Based on the periodic division of Pre-Auto Industry Rationalization Arrangement (Pre-AIRA), Auto Industry Rationalization Arrangement (Post-AIRA) periods, would you briefly explain your company's competitiveness in the product market in terms of the types of cars (passenger car, jeep, bus, truck) and strategic cars during each period?

1.1.1 Pre-AIRA

- 1) Competitiveness
- 2) Strategic Car

1.1.2 AIRA

- 1) Competitiveness
- 2) Strategic Car

1.1.3 Post-AIRA

- 1) Competitiveness
- 2) Strategic Car

1.2.1 If there have been changes in the competitiveness of your products and strategic cars, what do you think are the causal factors for the changed?

1.2.2 If changes have occurred, were there any changes in your company's product market strategies?

1.2.3 If so, what are they?

1.3 What are the prior factors to be considered for the determination of a product market strategy?

1.4.1 How long does it usually take to develop a new product in your company? (New Product Development Cycle)

1.4.2 What is the major role of the R & D department in your company?

- 1.4.3 How much do you think the R & D function contributes to the enhancement of product competitiveness?
- 1.5 Are there any interrelations between the product market strategy and the business, human resource management, and/or industrial relations strategy?
- 1.5.1 Between product market strategy and business strategy?
- 1.5.2 Between product market strategy and human resources management strategy?
- 1.5.3 Between product market strategy and industrial relations strategy?
- 2. Labour Market**
- 2.1.1 Have you ever experienced a sharp increase or decrease in the numbers of your labour force during the last ten years?
- 2.1.2 If so, when and why have things changed?
- 2.1.3 If so, how did you manage to control the demand for and supply of your labour force and what were the basic principles for the control?
- 2.1.4 If so, did the increase or decrease in the numbers of your labour force induce any changes in business and/or management strategies, human resource management and/or personnel management, and/or industrial relations?
- 2.1.5 If so, what were the changes that occurred?
- 1) Management and/or business strategies
 - 2) Human resource management and/or personnel management
 - 3) Industrial relations
- 2.2 Would you briefly explain your company's perspective on the future supply of and demand for the labour force?
- 3. New Technology**
- 3.1 In terms of the enhancement of competitiveness, would you briefly explain the effects and importance of the introduction or development of new technology and/or automation in your company?

3.2 In the following classification, which level of automation do you think is the best explanation for the level of your company's automation?

- 1) Partial automation of a unit machine.
- 2) Full automation of a unit machine.
- 3) Production line automation.
- 4) Factory automation.

3.3 In the following seven production processes, would you explain the rate of automation for each process in your company?

- | | |
|-----------------------|------|
| 1) Casting/Press | ()% |
| 2) Heating | ()% |
| 3) Machine processing | ()% |
| 4) Painting | ()% |
| 5) Assembly | ()% |
| 6) Body rigging | ()% |
| 7) Coating | ()% |

3.4 Would you explain the annual automation rate and related change rates of direct and indirect labour?

3.5.1 What do you think are the most important four motives for the introduction or development of new technology and automation?

3.5.2 Are there any motives which were not considered as important factors before 1987?

3.5.3 If so, why and how have things changed?

3.6.1 Have you ever experienced that the introduction or development of new technology and automation caused changes in business and/or management strategies, human resource and/or personnel management and industrial relations?

- 1) Business and/or management strategies
- 2) Human resources and/or personnel management
- 3) Industrial relations

4. Other External Environmental Factors

4.1 Besides the product market, labour market and new technology, are there any other external environmental factors affecting business and/or management strategies, human resource

and/personnel management and industrial relations?

II. Characteristics of Management

1. What is your company's founding ideology?
- 2.1 How much do you think the management and employees of your department know about the roles of other departments?
- 3.1.1 Would you explain the annual business and management objectives of your company from 1986?
- 3.1.2 What do you think are the most difficult factors to achieve your objectives based on the evaluation of your prior annual objectives?
- 4.1 Would you briefly explain the influence of big shareholders on management?
- 5.1.1 Does your company have short-term and long-term strategies?
- 5.1.2 What are the characteristics and objectives of those strategies?
- 5.1.3 Would you briefly explain the long-term and short-term business strategy decision cycles?
- 5.1.4 Which department (or departments) participates in the establishment of short-term and long-term business strategies?
- 5.1.5 What are the basic principles to set up the aims or objectives of business strategies?
- 6.1.1 Can you explain management's view toward the trade union of your company with any evidence which can justify management's view?
- 6.1.2 Are there any differences between the views of the pre-1987 and post-1987 period?
- 6.1.3 If so, why and how have things changed?

- III. Characteristics of Trade Unions
 - 1.1.1 When was the objective bargaining system introduced in your company?
 - 1.1.2 What have been the major factors to be dealt with in collective bargaining for the last three years?
 - 1.1.3 Would you explain the numbers, positions, and rights of representatives for collective bargaining?
 - 1.2 Would you explain the trends and causal factors of labour-management disputes from 1986?
 - 2.1.1 When was the work council introduced in your company?
 - 2.1.2 What have been the major factors to be dealt with at the work council for the last three years?
 - 2.1.3 Would you explain the numbers, positions, and rights of representatives for the work council meeting?
 - 3.1 Besides collective bargaining and the work council, what are other formal and/or informal labour-management communication channels in your company?
 - 4.1 Would you explain the financial condition of your trade union?
 - 4.2 What is the union membership eligibility?
 - 5.1.1 Have your trade union leaders ever experienced a no-confidence vote since the early 1980s?
 - 6.1.1 Can you explain the trade union's and/or workers' view toward management with evidence which can justify the view?
 - 6.1.2 Are there any differences between the views of the pre-1987 and post-1987 period?
 - 6.1.3 If so, why and how have things changed?

- IV. Industrial Relations and Human Resource Management
 - 1. Work Organisation
 - 1.1.1 How closely are jobs defined at the current time?
 - 1.1.2 Is this different from the pre-1987 period?
 - 1.1.3 If so, how and why have things changed?
 - 1.1.4 If there have been any positive and/or negative effects due to the changes, what are they?
 - 1.1.5 What are the reasons for the effects?
 - 1.2.1 How clear are the lines of demarkation between individual jobs at the current time?
 - 1.2.2 Is this different from the pre-1987 period?
 - 1.2.3 If so, how and why have things changed?
 - 1.2.4 If there have been any positive and/or negative effects due to the changes, what are they?
 - 1.2.5 What are the reasons for the effects?
 - 1.3.1 To what extent are those who design and/or supervise work different from those who perform most of the work?
 - 1.3.2 Is this different from the pre-1987 period?
 - 1.3.3 If so, how and why have things changed?
 - 1.3.4 If there have been any positive and/or negative effects due to the changes, what are they?
 - 1.3.5 What are the reasons for the effects?
 - 1.4.1 To what extent is work organised around teams or work groups rather than individuals?
 - 1.4.2 Is this different from the pre-1987 period?
 - 1.4.3 If so, how and why have things changed?

- 1.4.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 1.4.5 What are the reasons for the effects?
- 1.5.1 To what extent are the degree of team or group based worker' discretion different from individuals' discretion?
- 1.5.2 Is this different from the pre-1987 period?
- 1.5.3 If so, how and why have things changed?
- 1.5.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 1.5.5 What are the reasons for the effects?
- 1.6.1 To what extent are employees involved in decisions about the organisation of work?
- 1.6.2 Is this different from the pre-1987 period?
- 1.6.3 If so, how and why have things changed?
- 1.6.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 1.6.5 What are the reasons for the effects?
- 1.7.1 Do you have any strategic workplace production activities?
- 1.7.2 Is this different from the pre-1987 period?
- 1.7.3 If so, how and why have things changed?
- 1.7.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 1.7.5 What are the reasons for the effects?
- 1.8.1 To what extent does the introduction of new technology or automation at the workplace influence work organisation?
- 1.8.2 Is this different from the pre-1987 period?
- 1.8.3 If so, how and why have things changed?

- 1.8.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 1.8.5 What are the reasons for the effects?
- 1.9.1 Have you experienced any changes in the work organisation due to the trade union's requirement?
- 1.9.2 If so, how and why have things changed?
- 1.9.3 If there have been any positive and/or negative effects due to the changes, what are they?
- 1.9.4 What are the reasons for the effects?

2. Skill Formation

- 2.1.1 To what extent are the skills required by employees acquired before they are hired by the enterprise or while they are on-the-job?
- 2.1.2 Is this different from the pre-1987 period?
- 2.1.3 If so, how and why have things changed?
- 2.1.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 2.1.5 What are the reasons for the effects?
- 2.2.1 What is the proportion of skilled, semi-skilled, and unskilled workers at the workplace?
- 2.2.2 Is this different from the pre-1987 period?
- 2.2.3 If so, how and why have things changed?
- 2.2.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 2.2.5 What are the reasons for the effects?
- 2.3.1 To what extent is the importance of formal and/or informal training programs recognised?
- 2.3.2 Is this different from the pre-1987 period?

- 2.3.3 If so, how and why have things changed?
- 2.3.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 2.3.5 What are the reasons for the effects?
- 2.4.1 How do you supply necessary workers for the new jobs created by the introduction of new technology or automation?
- 2.4.2 Is this different from the pre-1987 period?
- 2.4.3 If so, how and why have things changed?
- 2.4.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 2.4.5 What are the reasons for the effects?
- 2.5.1 Do you implement a job rotation system at the workplace?
- 2.5.2 If so, to what extent is this system implemented at the workplace?
- 2.5.3 Is this different from the pre-1987 period?
- 2.5.4 If so, how and why have things changed?
- 2.5.5 If there have been any positive and/or negative effects due to the changes, what are they?
- 2.5.6 What are the reasons for the effects?
- 2.6.1 How long does it usually take for a worker to experience and master all the tasks in his/her work party?
- 2.6.2 Is this different from the pre-1987 period?
- 2.6.3 If so, how and why have things changed?
- 2.6.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 2.6.5 What are the reasons for the effects?
- 2.7.1 To what extent is progression to higher levels in the enterprise dependent on skills acquired by the individual through formal training on or off the job?

- 2.7.2 Is this different from the pre-1987 period?
- 2.7.3 If so, how and why have things changed?
- 2.7.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 2.7.5 What are the reasons for the effects?
- 2.8.1 To what extent are skill levels of employees keeping up with that which is required by the enterprise?
- 2.8.2 Is this difference from the pre-1987 period?
- 2.8.3 If so, how and why have things changed?
- 2.8.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 2.8.5 What are the reasons for the effects?
- 2.9.1 Are there any training programs implemented, changed or developed by the influence of a trade union or government?
- 2.9.2 If so, why and how have things changes?
- 2.9.3 In comparison to the pre-1987 period, to what extent is the influence of the trade union or government on the development of human resources through the training changed after 1987?
- 3. Compensation
 - 3.1.1 Referring to the table 4-9, which of them are used to determine the basic wages and what percentage of each factor is placed on the basic wage?
 - 3.1.2 Is this different from the pre-1987 period?
 - 3.1.3 If so, how and why have things changed?
 - 3.1.4 If there have been any positive and/or negative effects due to the changes, what are they?
 - 3.1.5 What are the reasons for the effects?

- 3.2.1 Referring to Table 4-10, based on the 1988 wage details calculated, would you fill out the other parts (1986, 1990, 1992)?
- 3.2.2 Are there any changes on the proportion of wage factors among those years?
- 3.2.3 If so, why have things changed?
- 3.2.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 3.2.5 What are the reasons for the effects?
- 3.3.1 To what extent is the compensation dependent on the performance of individuals?
- 3.3.2 Is this different from the pre-1987 period?
- 3.3.3 If so, how and why have things changed?
- 3.3.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 3.3.5 What are the reasons for the effects?
- 3.4.1 To what extent is the compensation dependent on the performance of groups or departments?
- 3.4.2 Is this different from the pre-1987 period?
- 3.4.3 If so, how and why have things changed?
- 3.4.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 3.4.5 What are the reasons for the effects?
- 3.5.1 To what extent is compensation dependent on the performance of your company?
- 3.5.2 Is this different from the pre-1987 period?
- 3.5.3 If so, how and why have things changed?
- 3.5.4 If there have been any positive and/or negative effects due to the changes, what are they?

- 3.5.5 What are the reasons for the effects?
- 3.6.1 To what extent is compensation dependent on the performance of the larger economy?
- 3.6.2 Is this different from the pre-1987 period?
- 3.6.3 If so, how and why have things changed?
- 3.6.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 3.6.5 What are the reasons for the effects?
- 3.7.1 Referring to Table 5.35, to what extent do pay differentials across classes of employees occur?
- 3.7.2 Is this different from the pre-1987 period?
- 3.7.3 If so, how and why have things changed?
- 3.7.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 3.7.5 What are the reasons for the effects?
- 3.8.1 To what extent do pay differentials across jobs of employees occur?
- 3.8.2 Is this different from the pre-1987 period?
- 3.8.3 If so, how and why have things changed?
- 3.8.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 3.8.5 What are the reasons for the effects?
- 3.9.1 To what extent does the pay differentials across firms in the same industry occur?
- 3.9.2 Is this different from the pre-1987 period?
- 3.9.3 If so, how and why have things changed?
- 3.9.4 If there have been any positive and/or negative effects due to the changes, what are they?

- 3.9.5 What are the reasons for the effects?
- 3.10.1 In comparison to the wages of the workforce of other industries, to what extent are the wages of your employees higher or lower than those of the workforce in the other industries?
- 3.10.2 Is this different from the pre-1987 period?
- 3.10.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 3.10.5 What are the reasons for the effects?
- 3.11.1 To what extent does your organisation introduce non-wage forms of compensation?
- 3.11.2 Is this different from the pre-1987 period?
- 3.11.3 If so, how and why have things changed?
- 3.11.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 3.11.5 What are the reasons for the effects?

4. Employment Security/Staffing Arrangements

- 4.1.1 In what proportion does the phenomena of leaving a job for a better job occupy the proportion of a whole external mobility of workers?
- 4.1.2 Is this different from the pre-1987 period?
- 4.1.3 If so, how and why have things changed?
- 4.1.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 4.1.5 What are the reasons for the effects?
- 4.2.1 What proportion of your workforce is currently regular and full-time or non full full-time?
- 4.2.2 Is this different from the pre-1987 period?

- 4.2.3 If so, how and why have things changed?
- 4.2.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 4.2.5 What are the reasons for the effects?
- 4.3.1 Into what categories is your non-regular and non full-time workforce divided?
- 4.3.2 Is this different from the pre-1987 period?
- 4.3.3 If so, how and why have things changed?
- 4.3.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 4.3.5 What are the reasons for the effects?
- 4.4.1 Has demand for your product or services here changed?
- 4.4.2 If so, what are the causal factors for the changes?
- 4.4.3 If so, how have you adjusted the labour force requirements?
- 4.5.1 To what extent does your organisation use internal mobility to adjust to changes in labour force requirements?
- 4.5.2 Is this different from the pre-1987 period?
- 4.5.3 If so, why and how have things changed?
- 4.5.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 4.5.5 What are the reasons for the effects?
- 4.6.1 What have been the labour market experiences of your former employees who have lost their jobs after 1987 due to cyclical and structural changes?
- 4.6.2 Is this different from the pre-1987 period?
- 4.6.3 If so, how and why have things changed?
- 4.6.4 If there have been any positive and/or negative effects due to the changes, what are they?

- 4.6.5 What are the reasons for the effects?
- 4.7.1 How much do you think the government or trade union influences your company's employment and personnel policies?
- 4.7.2 Is this different from the pre-1987 period?
- 4.7.3 If so, how and why have things changed?
- 4.7.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 4.7.5 What are the reasons for the effects?

5. Corporative Governance

- 5.1.1 How does the status or rank of industrial relations or human resources as a management function compare with other management functions such as finance, marketing, production, etc?
- 5.1.2 Is this different from the pre-1987 period?
- 5.1.3 If so, how and why have things changed?
- 5.1.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 5.1.5 What are the reasons for the effects?
- 5.2.1 To what extent is the industrial relations or human resource function involved in strategic decisions governing the enterprise as a whole?
- 5.2.2 Is this different from the pre-1987 period?
- 5.2.3 If so, how and why have things changed?
- 5.2.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 5.2.5 What are the reasons for the effects?
- 5.3.1 To what extent are unions or other employee representatives involved in strategic decisions governing the enterprise as a whole?

- 5.3.2 Is this different from the pre-1987 period?
- 5.3.3 If so, how and why have things changed?
- 5.3.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 5.3.5 What are the reasons for the effects?
- 5.4.1 To what extent are other stakeholders (shareholders, banks) involved in strategic decisions governing the enterprise as a whole?
- 5.4.2 Is this different from the pre-1987 period?
- 5.4.3 If so, how and why have things changed?
- 5.4.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 5.4.5 What are the reasons for the effects?
- 5.5.1 To what extent do the industrial relations and human resource management function have their own discretions on the determination of policies and strategies related to their function?
- 5.5.2 Is this different from the pre-1987 period?
- 5.5.3 If so, how and why have things changed?
- 5.5.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 5.5.5 What are the reasons for the effects?
- 5.6.1 What is management's view on employee participation related to managerial prerogatives?
- 5.6.2 Is this different from the pre-1987 period?
- 5.6.3 If so, how and why have things changed?
- 5.6.4 If there have been any positive and/or negative effects due to the changes, what are they?
- 5.6.5 What are the reasons for the effects?

- 5.7.1 Are there any employees participation programs implemented, changed or developed by the influence of a trade union or government?
- 5.7.2 If so, when, why and how have things changed?
- 5.7.3 Comparing with the pre-1987 period, to what extent has the influence of the trade union or government on employee participation changed since 1987?

6. Productivity

- 6.1 By what means, if any, do you measure the productivity of your workforce?
- 6.2 What are the main business performance indicators used in your enterprise?
- 6.3 At what levels of the enterprise do these apply?
- 6.4 What time frames are used when, measuring, performance?
- 6.5 How has the level of productivity within your enterprise changed during the past five years?

7. Other Important Changes

How important are each of the following factors as explanations for the degree of stability or change in your enterprise during the past decade?

- 7.1 **Product market pressures**
 - 7.1.1 International competition?
 - 7.1.2 Domestic competition?
 - 7.1.3 Markets requiring differentiated or specialised products or services?
 - 7.1.4 Markets requiring high quality products or services?

- 7.2 Pressures and/or opportunities generated by new technology?
- 7.3 Labour Market
 - 7.3.1 Lack of skilled workforce?
 - 7.3.2 External mobility?
- 7.4 Increase of the trade union influence?
- 7.5 Policies of the government?
- 7.6 Other political and/or social institutions or forces?
- 8. Relationship with Parts Suppliers
 - 8.1 Could you explain the ratio between an outside parts order and inside self-supply?
 - 8.2 Could you explain briefly on how to choose parts suppliers and to evaluate their record of performance?
 - 8.3 To what extent, are part suppliers are involved in a stage of parts development scheme of your company? (1,2,3,4 & 5, 1 indicates the most highly involved)
 - 8.4 Could you explain briefly on how to fix the price of outside ordered parts?
 - 8.5 Could you explain briefly on the method of quality examination?
 - 8.6 For the technical guidance, are there any technicians dispatched to a part suppliers company, or any workers dispatched from part suppliers in your company?

APPENDIX II

THE PRODUCTION PERFORMANCE OF THE KOREAN AUTOMOTIVE INDUSTRY (1981-1990)

Source: Kia Motors Internal Data

Year	Kia		Hyundai		Daewoo		Ssang Young		Asia		SUB	
	Production	Export	Production	Export	Production	Export	Production	Export	Production	Export	Production	Export
1981	4753	823	8888	155	52961	15199	2158	1044	-	1022	3635	6266
1982	4062	380	8783	114	78071	13573	1009	66	11330	3776	3878	3723
1983	132	-	27406	288	93015	16052	1430	66	17081	3232	268	2806
1984	-	-	33876	444	123110	48186	1517	47	17340	3329	433	3578
1985	-	-	36963	516	225970	118583	1683	111	18522	3625	351	4296
1986	26	26	47082	712	408194	297964	2098	177	24020	3431	159	4445
1987	30268	60366	149639	77601	544648	138845	3306	394	30464	3166	107	18422
1988	133602	73813	147744	85284	584339	404881	6389	533	33859	3390	211	20253
1989	182332	89981	147944	43215	525857	213639	15765	438	30126	3788	251	33628
1990	222125	140371	184795	33947	557683	225263	18426	605	54616	3452	276	39393
			131315	33947	332552	225263	18345	605	51777	3624	269	39340
			184795	33947	557683	225263	18426	605	54616	3452	276	39393
			147944	43215	525857	213639	15765	438	30126	3788	251	33628
			147744	85284	584339	404881	6389	533	33859	3390	211	20253
			77601	73813	138845	403419	2734	394	29156	3166	107	18422
			149639	71082	544648	403419	3306	394	30464	3166	107	18422
			47082	712	408194	297964	2098	177	24020	3431	159	4445
			36963	516	225970	118583	1683	111	18522	3625	351	4296
			46194	712	108367	297964	1902	177	23540	3431	157	4008
			47082	712	408194	297964	2098	177	18522	3625	351	4296
			33876	444	123110	48186	1517	47	17340	3329	433	3578
			33191	444	97546	118583	1492	1492	17340	3329	433	3578
			27223	288	72679	48186	1492	1492	16896	3255	364	3484
			27406	288	93015	16052	1430	66	17081	3232	268	2806
			14845	114	78071	13573	1009	66	160	3232	268	2806
			14477	114	63646	13573	967	66	17081	3232	268	2806
			27223	288	76079	16052	1353	66	160	3232	268	2806
			33876	444	123110	48186	1517	47	17340	3329	433	3578
			33191	444	97546	118583	1492	1492	16896	3255	364	3484
			27406	288	93015	16052	1430	66	17081	3232	268	2806
			14845	114	78071	13573	1009	66	160	3232	268	2806
			14477	114	63646	13573	967	66	17081	3232	268	2806
			27223	288	76079	16052	1353	66	17081	3232	268	2806
			33876	444	123110	48186	1517	47	17340	3329	433	3578
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			14845	114	78071	13573	1009	66	160	3232	268	2806
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			27223	288	76079	16052	1353	66	17081	3232	268	2806
			33876	444	123110	48186	1517	47	17340	3329	433	3578
			33191	444	97546	118583	1492	1492	16896	3255	364	3484
			27406	288	93015	16052	1430	66	17081	3232	268	2806
			14845	114	78071	13573	1009	66	160	3232	268	2806
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			27406	288	93015	16052	1430	66	17081	3232	268	2806
			14845	114	78071	13573	1009	66	160	3232	268	2806
			14477	114	63646	13573	967	66	17081	3232	268	2806
			27223	288	76079	16052	1353	66	17081	3232	268	2806
			33876	444	123110	48186	1517	47	17340	3329	433	3578
			33191	444	97546	118583	1492	1492	16896	3255	364	3484
			27406	288	93015	16052	1430	66	17081	3232	268	2806
			14845	114	78071	13573	1009	66	160	3232	268	2806
			14477	114	63646	13573	967	66	17081	3232	268	2806
			27223	288	76079	16052	1353	66	17081	3232	268	2806
			33876	444	123110	48186	1517	47	17340	3329	433	3578
			33191	444	97546	118583	1492	1492	16896	3255	364	3484
			27406	288	93015	16052	1430	66	17081	3232	268	2806
			14845	114	78071	13573	1009	66	160	3232	268	2806
			14477	114	63646	13573	967	66	17081	3232	268	2806
			27223	288	76079	16052	1353	66	17081	3232	268	2806
			33876	444	123110	48186	1517	47	17340	3329	433	3578
			33191	444	97546	118583	1492	1492	16896	3255	364	3484
			27406	288	93015	16052	1430	66	17081	3232	268	2806
			14845	114	78071	13573	1009	66	160	3232	268	2806
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			27223	288	76079	16052	1353	66	17081	3232	268	2806
			33876	444	123110	48186	1517	47	17340	3329	433	3578
			33191	444	97546	118583	1492	1492	16896	3255	364	3484
			27406	288	93015	16052	1430	66	17081	3232	268	2806
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			33876	444	123110	48186	1517	47	17340	3329	433	3578
			33191	444	97546	118583	1492	1492	16896	3255	364	3484
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			33876	444	123110	48186	1517	47	17340	3329	433	3578
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			27406	288	93015	16052	1430	66	17081	3232	268	2806
			14845	114	78071	13573	1009	66	160	3232	268	2806
			14477	114	63646	13573	967	66	17081	3		

			1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
T R U C K	Kia	Production	29137	29919	45283	55573	64016	77626	68744	79591	101634	110718
		Domestic	27791	29329	44673	54866	63945	76206	66995	76533	97468	108688
	Export	1519	457	395	578	553	1074	1645	2712	4148	4632	
	Daewoo	Production	7805	4073	4385	4784	4071	4691	8800	10586	8676	11273
Domestic		5972	3931	4320	4649	4016	4288	8501	10003	8456	10928	
Export	2060	336	53	156	236	141	308	477	164	164	96	
Asia	Production	257	1123	6283	642	1210	2418	1194	3515	3276	5037	
	Domestic	264	227	1310	583	468	893	1214	1298	2242	5020	
Export	1200	989	4956	56	710	1510	2162	2133	1030	1		
Hyundai	Production	9519	8590	10144	12043	8874	14394	41344	40786	52307	75002	
	Domestic	8794	4151	6815	9878	7320	7129	32774	38741	51202	74287	
Export	3713	3729	2448	2177	1454	3970	4342	2752	1432	2		
S P E C P U R P O S E C A R S	Kia	Production	1127	741	944	2094	2393	2335	2354	2421	2801	8866
		Domestic	1139	724	883	2010	2315	2278	2252	2228	2503	8865
	Export	3	21	45	44	141	52	15	211	167	-	
	Daewoo	Production	83	-	138	368	408	458	566	607	1335	1515
		Domestic	62	-	138	338	421	452	528	606	1203	1518
	Export	36	1	-	-	37	-	28	7	15	15	
	Ssang Young	Production	1733	1747	3820	2479	1964	3502	2249	2088	3300	3446
		Domestic	1835	1566	3583	2424	1860	3377	2013	2004	3057	3248
	Export	48	102	14	16	21	126	253	38	157	182	
	Asia	Production	-	-	-	-	-	-	-	-	-	3989
Domestic		-	-	-	-	-	-	-	-	-	5253	
Export	-	-	-	-	-	-	-	-	-	484		
Hyundai	Production	1305	599	2152	2140	1615	1918	2402	2009	2587	681	
	Domestic	1281	487	2130	2046	1584	1872	1788	1840	2573	4018	
Export	88	164	-	2	-	12	14	4	-	-		
Others	Production	-	407	291	181	63	435	530	1074	1475	5574	
	Domestic	-	260	263	65	42	413	435	769	705	686	
Export	-	137	2	59	3	-	-	411	548	125		

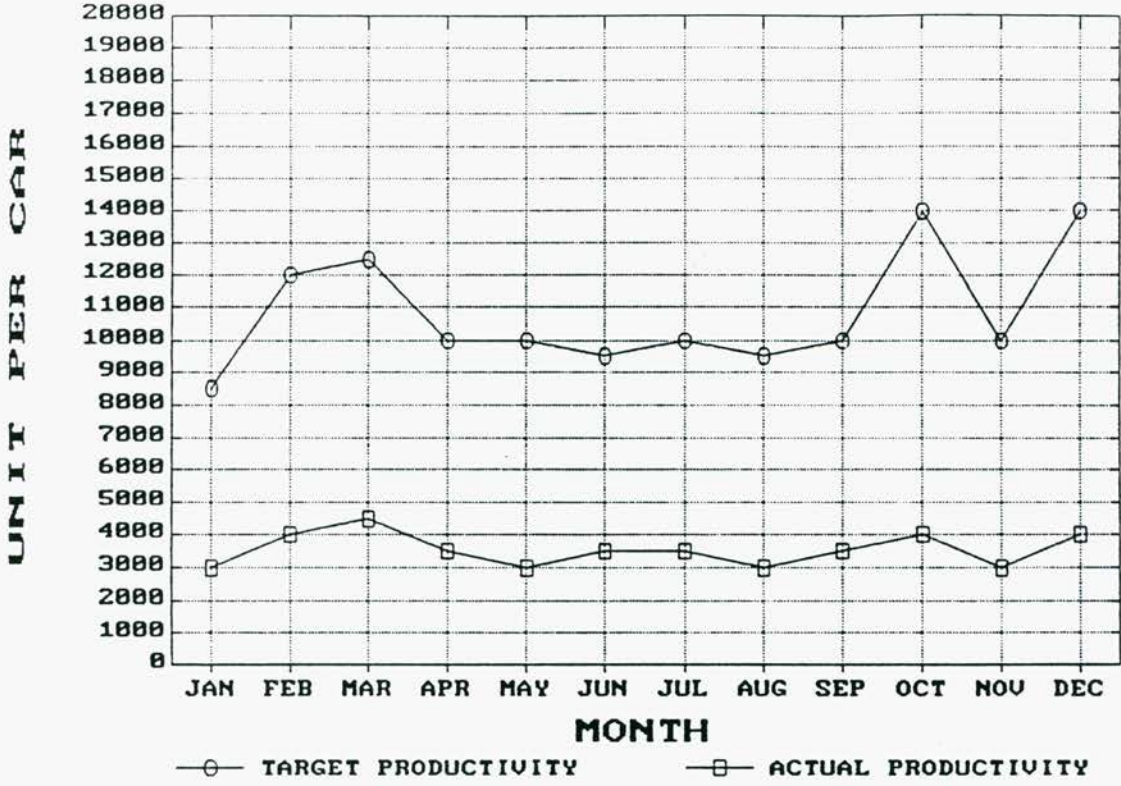
			1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
S U B - T O T A L	Kia	Production	36039	42525	63638	75007	84931	104007	197094	249473	316893	396325
		Domestic	34014	41743	62769	73772	84132	102024	128671	171754	222387	309701
		Export	2345	868	600	1072	1322	1476	63410	78340	95018	85823
	Daewoo	Production	20411	22796	35146	42357	44935	55826	162225	162788	161925	201035
		Domestic	18264	22184	34911	41433	45025	54365	89796	93394	119095	147385
		Export	2389	514	357	650	879	859	71533	86438	43497	34160
Ssang Young	Production	4454	3140	5518	4429	3998	5759	5662	8688	19316	22148	
	Domestic	3504	2857	5192	4280	3798	5436	4843	7757	17843	21861	
	Export	1128	219	86	70	132	305	658	574	599	794	
Asia	Production	2129	2739	8309	2516	3480	6585	7412	14245	15482	25374	
	Domestic	2156	1792	3300	2481	2675	4637	6645	11361	14357	24446	
	Export	1220	1003	4968	99	733	1595	2785	2652	1277	805	
Hyundai	Production	70051	90983	108117	140871	240755	428934	606816	647387	616107	676067	
	Domestic	51753	72106	88198	88087	110610	121376	189658	238441	388572	450197	
	Export	19201	17543	18500	50376	120041	302134	407924	407719	215101	225393	
Others	Production	-	407	291	181	63	435	530	1074	1475	681	
	Domestic	-	260	263	65	42	413	435	769	705	686	
	Export	-	137	2	59	3	-	-	411	548	125	
T O T A L	Production	133084	162590	221019	265361	378162	601546	979739	1083655	1129470	1321630	
	Domestic	109691	140942	194633	210118	246282	288251	420048	523476	762959	954277	
	Export	26283	20284	24511	52326	123110	306369	546310	576134	356040	347100	

APPENDIX III

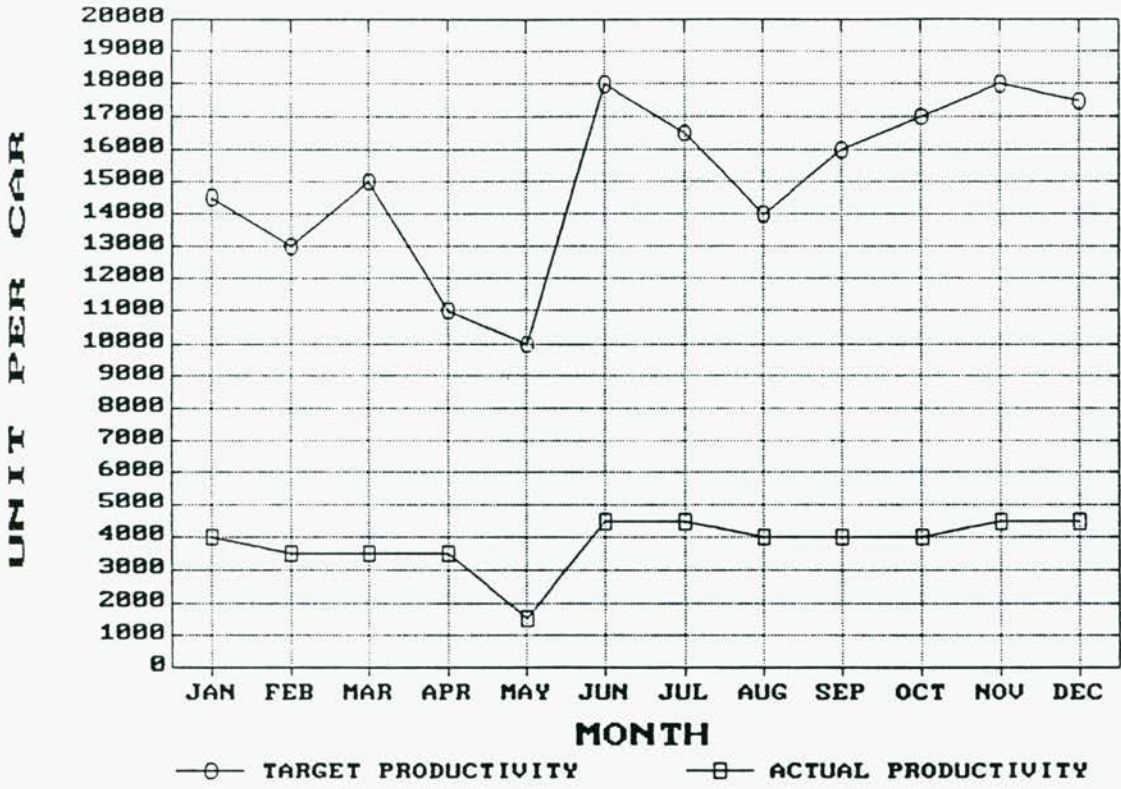
MONTHLY AND YEARLY PRODUCTION PERFORMANCE OF KIA MOTORS (1988-1992)

Source: Edited from the Korean Automobile Manufacturers' Association, Korean Automotive Industry in 1991, Korean Automobile Manufacturers' Association, 1991

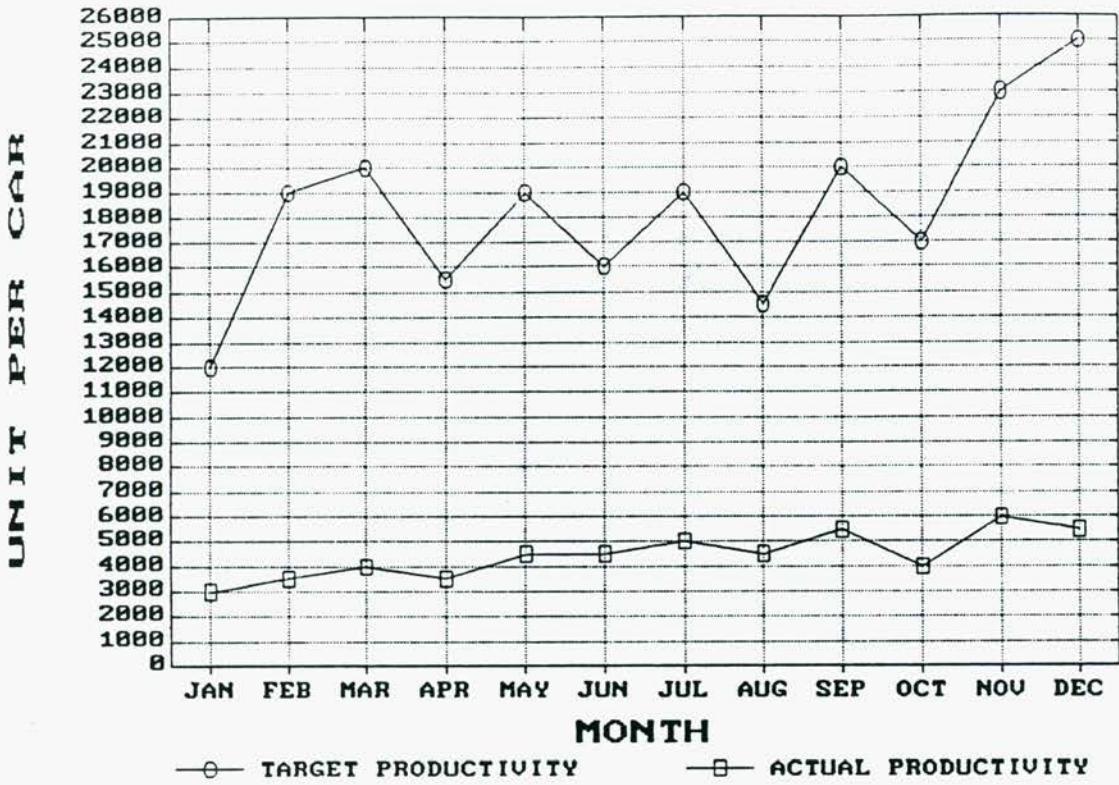
1988



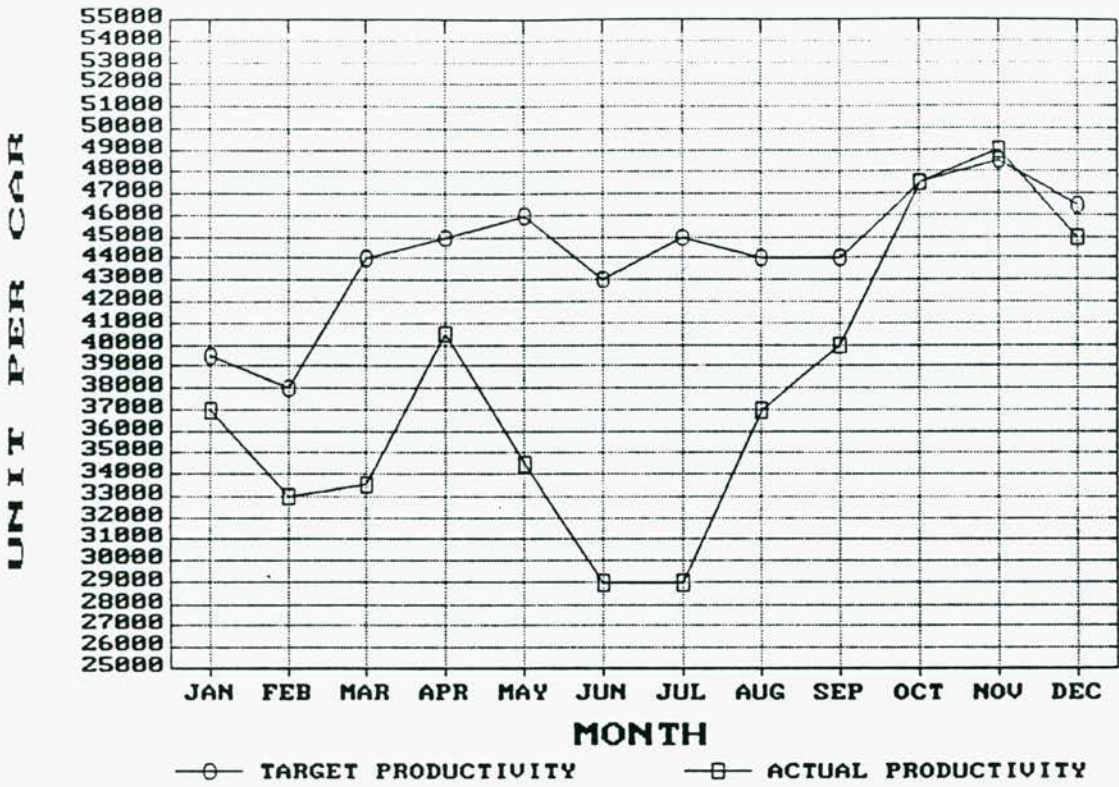
1989



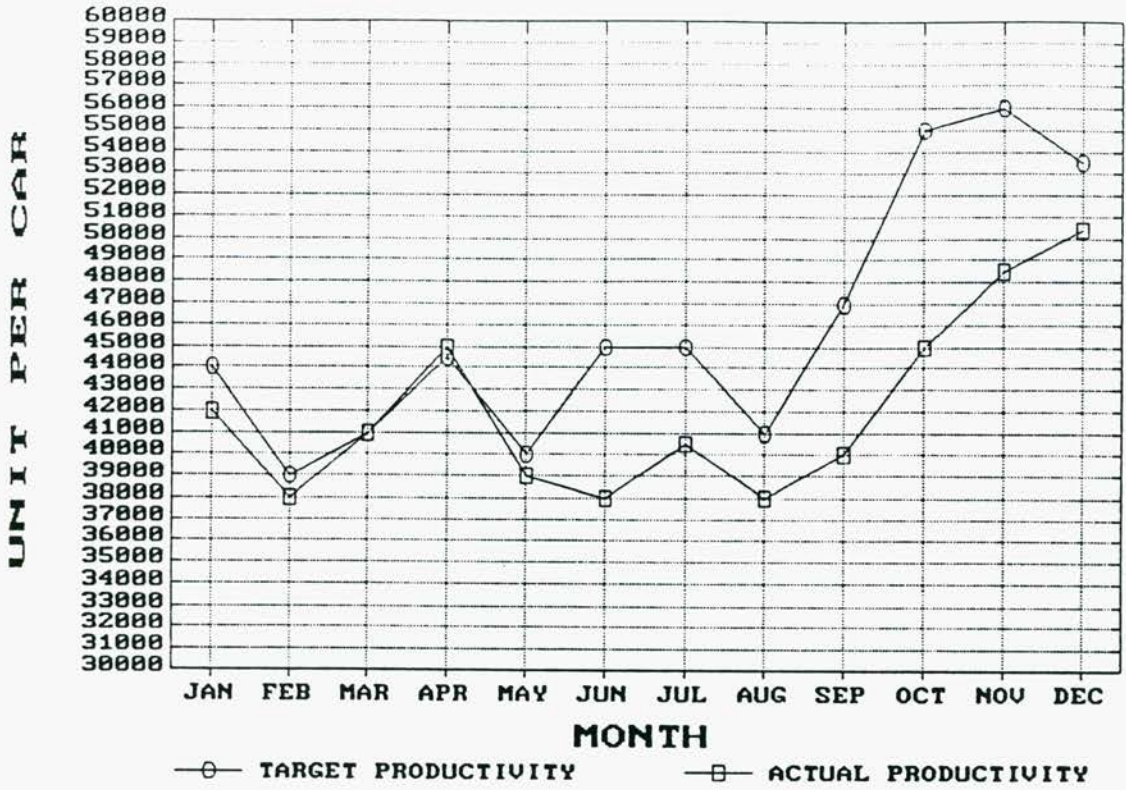
1990



1991



1992



APPENDIX IV:

THE LIST OF INTERVIEWEES FROM KIA MOTORS.

Name of Interviewees	Organization and Position	Date of Interview
Lee, Bang Hwa	Production Co-ordinating Dept. Manager	15.9.92
Yoo, Sang Keun	Labour and Management Co-operation Dept., Manager	15.9.92
Park, O.K.	Production Planning Dept. Manager	15.9.92
Kim, Ik Rae	Production Planning Dept. General Manager	15.9.92
Se, In Chul	Personnel Management Dept. Manager	16.9.92
Jo, K.W.	Personnel Management Dept. Manager	16.9.92
Kim, Do Hyeong	Planning and Co-ordinating Dept. Manager	16.9.92
Chung, Peel Kyung	Overseas Planning and Control Dept., Manager	16.9.92
Park, Kwan Yong	Kia Motors Trade Union Head Official	17.9.92
A	Kia Motors Trade Union	17.9.92
B	Kia Motors Trade Union	17.9.92
Kim, J.T.	Labour and Management Co-operation Dept., Manager	7.2.1993
Choi, Jong Gil	Labour Affairs Management Dept. General Manager	7.2.1993
C	Kia Motors	8.7.93
D	Kia Motors	8.7.93
E	Kia Motors	10.7.93
F	Kia Motors	10.7.93

Note: To protect personal security requested by some of the interviewees, the names, organizations and positions of six interviewees are not disclosed.