

THE RISE OF THE LABOR MOVEMENT AND THE DEVELOPMENT OF INTERNAL LABOR MARKET IN THE KOREAN MANUFACTURING INDUSTRY

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The object of this paper was to examine whether the rise of the labor movement brought about the segmentation of the blue collar labor market and the development of the firm internal labor market(FILM) in Korea after 1987. We found that it did. The employment stability of workers in large firms has increased and wage differential by firm size has been enlarged. The male blue collar workers in the large firms prefer to stay in a firm rather than to move among firms. One of the factors that resulted in segmentation is that Korean labor unions are enterprise unions.

This paper also tried to figure out the characteristics of the Korean FILM by analyzing employment practices. One of the important characteristics is the high stability of employment and low use of temporary workers. This causes some rigidity in labor force utilization. However, employers can adjust the size of employment to some extent by such practices as transfer of workers and the adjustment of working hours. The pursuit of functional stability or flexible specialization by multi-skilling is not common in Korea.

INTRODUCTION

The study of the internal labor market(henceforth ILM) and labor market segmentation is one of the major subjects of industrial sociology. And there are several theories concerning what are the major factors that bring about the development of ILM. One of the most important factors mentioned by these theories is the rise of the labor movement. The 'radical theorists' such as Edwards(1979), Gordon *et al.*(1982), and Stone(1975) maintained that the control strategy of capitalists reacting to the rise of a strong labor movement resulted in the development of ILM and the segmentation of the labor market. Rubery(1978), from a different perspective, argued that the activity of a worker organization to protect the interest of its members plays an important part in shaping labor market segmentation. Even Doeringer and Piore, who focus on workers' skills(Finley 1983), acknowledged the role of workers' collective action such as the strike in preserving the customary rules of ILM(Doeringer and Piore 1971, p.24).

The Korean labor market was not a segmented market but a competitive market until the mid-eighties(Song 1989). This was especially so in the case of the blue collar labor market. The firm internal labor markets(henceforth

FILM) were not well developed even in large corporations and, accordingly, the labor market was not segmented between large firms and small firms. There were several firms with highly developed ILMs for blue collar workers such as the POSCO(Pohang Iron and Steel Co.). But, the cases like the POSCO's were not common. So, blue collar workers were regarded as a quite homogeneous social stratum.¹

And, it was generally argued that this situation was due to the absence of a strong labor movement. In the light of the economic structure, there were conditions that tend to develop the FILM in Korea. As the economic development in Korea was led by the government and large corporations supported by the government, major industries were dominated by oligopolistic large corporations. These large corporations enjoyed much greater resources than small firms in many respects, and therefore, had ability to pay higher wages to their workers than small firms. But, employers of the large corporations didn't feel it necessary to pay much higher wages than those of the outside market to their workers or develop the FILM. They reckoned that workers did not dare to go on strike under the situation that the labor movement was harshly oppressed by the state. Moreover, as the working conditions of large corporations were better than those of small firms, even to a slight degree, employers of large corporations did not have much difficulty in finding applicants who wanted to be employed.

However, Korea witnessed an upsurge of the labor movement from 1987 on. According to the above mentioned theories, this change is expected to bring about the development of the ILM and the segmentation of the labor market.

But the relation between a strong labor movement and labor market segmentation is not the same everywhere. The change in the labor market and the development of the FILM depends on the structure of trade union and industrial relations. A strong industrial union can resist the segmentation of the labor market as has been the case in Sweden(Shin 1988; Esping-Anderson 1985). Therefore, the effect of the labor movement on the labor market should be studied empirically. This is the first subject of this paper.

The second subject of this paper is to investigate the characteristics of the structure of the FILM in Korea. The structure of the FILM can be various according to the specific country, industry, and individual firm. And, it can be studied in several perspectives. One is focusing on the homogeneity

¹ This homogeneity was confined to the same gender. The Korean blue collar labor market was segmented between male and female workers and the wage differential by sex was very large.

/heterogeneity of workers. Radical theorists such as Edwards and Stone maintained that the development of the FILM made workers heterogeneous within a firm. On the contrary, Freeman and Medoff(1984) suggested that union wage policy can decrease the wage inequality within establishments. The other perspective focuses on seniority/ability in determining the rule of the FILM. By Doeringer and Piore, the determinants of the internal movement of workers in the FILM can be ability or seniority. Workers prefer seniority while employers prefer ability. The structure of the ILM reflects the compromise of the interests of management and workers(Doeringer and Piore 1971, pp.56-63).

In this paper we will study the structure of the FILM from the viewpoint of the flexibility/rigidity of the labor force. As far as the FILM is a set of rules which the employer cannot change deliberately, it will cause some rigidity in the use of the labor force. But how much rigidity it causes depends on the structure of the FILM. For example, the Japanese FILM is more flexible than that of Britain's while Japanese workers enjoy a higher stability of employment.

And we will concentrate on the employment practices of many sides of the FILM in this paper. We choose it because we can understand the characteristics and, especially, the flexibility/rigidity of the FILM better from the study of employment practices.

It seems necessary to define the concept of the FILM before we try to describe the characteristics of it. In Western countries, it is generally defined as something like port of entry, job ladder and promotion. But we think this definition is not always appropriate. There can be a FILM without a job ladder(Ryan 1981). We think the above definition is especially inappropriate to Korea. In Korea, there is no socially defined classification of jobs for blue collar workers. Workers do not get promoted to higher jobs unless it is to foreman. But workers' wages generally increase with the increase of duration of service although they do not get promoted to higher jobs.

In this paper, we follow the definition by Doeringer and Piore that the ILM is "an administrative unit within which the pricing and allocation of labor is governed by a set of administrative rules and procedures." The ILM is distinguished from the external labor market where economic variables govern(Doeringer and Piore 1971, pp.1-2). Therefore, we can argue that there is a FILM if wage and allocation of workers in a firm is determined independently from the outside market regardless of the existence of a port of entry or job ladder.

The stability of employment also becomes a vital aspect of the FILM, for the rules of the FILM are developed to enhance the stability of employment.

We can not say socially significant ILM exist even if wages are determined within firms independently from the outside labor market, unless the stability of employment is high in those firms. So we use wage differential and employment stability as two indices in order to figure out the existence of the FILM.

DATA AND METHOD

We use two major research methods in this paper. The one is the analysis of the sample data of national surveys made by the Ministry of Labor. The sample data of national surveys used in this study are the 'Occupational wage survey' and the 'Survey on circulation conditions of labor force' in 1981, 1984, 1987, and 1990. The 'Occupational wage survey' is the annual survey about workers' wages of firms employing more than 10 employees. We use this to see the wage differential by firm size and by year. The data we use in this paper are randomly sampled 5-8% samples of the 'Occupational wage survey'. And the size is about 25,000 cases each. The 'Survey on circulation conditions of labor force' is the biennial survey about entrance and exit of workers in firms employing more than 10 employees. This is used to investigate the characteristics of the FILM by analyzing the structure of employment practices. The data we use in this paper are randomly sampled 10-20% samples of the 'Survey on circulation conditions of labor force'. We also use survey reports of the Ministry of Labor. The 'Report on monthly labor survey' is used to see the turnover rate of workers. And the 'Survey report on establishment labor conditions' is used to see the number of temporary workers.

Another research method we use is interviewing with managers and union officers of major firms in the manufacturing industry. The number of firms we visited is seven. They are the first or the second largest corporations in industries such as shipbuilding; automobile manufacture; machinery; woods and furniture; petroleum production; non-metallic mineral products; and fabricated metal products. In these interviews we tried to discern the detailed features of the FILM and the attitude of employers and unions on the FILM and industrial relations.

THE RISE OF THE LABOR MOVEMENT

Until the mid-eighties the independent labor movement had been harshly suppressed by the state to maintain low wages in Korea. There existed the infamous labor law which prohibited strikes and made it almost impossible

to organize a union. The government even violated laws to break independent unions. Though there were more than 2,500 unions with almost a million members, most of these unions were as good as non-existent. They were dependent on employers and nearly helpless in representing workers' discontents and demands.

The 'big struggle of 1987' has totally changed this situation. From then on, workers are not passive anymore. The number of unions has increased from 2,675 in December 1986 to 7,698 in December 1990. And, the number of union members also has almost doubled. Now unions are organized in almost all the major firms of the manufacturing industry. Moreover, unions have become quite independent of employers to be an important factor in determining working conditions.

Strikes also proliferated. The number of strikes, which was only 276 in 1986, increased to 3,749 and 1,873 in 1987 and 1988 respectively. From 1990, the number of strikes suddenly diminished to below 500 a year due to the government's repressive intervention. But, this does not mean that the labor movement has been greatly weakened. Unions in major firms of the manufacturing industry are still quite strong and generally antagonistic to employers and government.

By the way, one important characteristic of the Korean labor movement is that unions are enterprise unions organized by each firm. This situation has an historical origin. The industrial union had been banned until 1987 by the labor union law. The government banned the industrial union to weaken the labor movement. Though the article which banned the industrial union has been abolished with the revision of the labor law in 1987, the industrial or occupational union is still almost non-existent. This means that working conditions including wages are determined in each enterprise by collective bargaining between the individual employer and enterprise union. Unions say it is desirable for them to consolidate into industrial unions. And some union leaders are trying to carry on the plan of organizing an industrial union. However, there are little results until now.

Under the system of the enterprise union, it is quite difficult to organize and maintain a union in small firms. Accordingly, the union organization rate is very low in small firms. The percentage of firms with unions is only 4.9% in firms employing less than 300 workers, while that of firms employing more than 300 workers is 68.5%.²

² Korea Labor Institute, *Quarterly Labor Review* 4, No. 2(1991), p.47.

SEGMENTATION OF THE LABOR MARKET

In this section we will see whether the FILMs were developed in the large corporations and the blue collar labor market was segmented by firm size after the rise of the labor movement in Korea. As we regard wage differential and employment stability as the most important indices of segmentation, we will see whether the wage differential by firm size has been enlarged and stability of employment has been enhanced in large firms since 1987.

Wage Differential by Firm Size

Table 1 presents the wage differential of male blue collar workers by firm size after controlling human capital variables such as level of education,

TABLE 1. HOURLY WAGE* OF MALE BLUE COLLAR WORKERS IN THE KOREAN MANUFACTURING INDUSTRY (WON)

Year	Firm size	Wage A(Eta)***	Wage B(Beta)
1981	small**	732(100.0)	814(100.0)
	medium	771(105.3)	801 (98.4)
	large	885(120.8) (.15)	841(103.3) (.04)
1984	small	964(100.0)	1,115(100.0)
	medium	1,048(108.7)	1,091 (97.8)
	large	1,224(126.9) (.18)	1,183(106.1) (.08)
1987	small	1,266(100.0)	1,463(100.0)
	medium	1,381(109.1)	1,442 (98.6)
	large	1,557(123.0) (.15)	1,505(102.9) (.04)
1990	small	2,222(100.0)	2,661(100.0)
	medium	2,734(123.0)	2,835(106.5)
	large	3,427(154.2) (.33)	3,259(122.5) (.18)

* The figures in the table represent total wages per hour(including bonus).

** 'Small' means the firm employing less than 100 regular workers, 'medium' means the firm employing more than 100 and less than 500 workers, 'large' means the firm employing more than 500 workers.

*** Wage A is the wage without controlling the human capital variables, and wage B is the wage after controlling the human capital variables by MCA method.

Data: Ministry of Labor, 'Occupational Wage Survey' data, each year.

duration of service and career in the 1980s. We can see in this table that the wage differential by firm size has been significantly enlarged after 1987. Until 1987, the wage differential by firm size had been small. The wage differential between the firm employing less than 100 workers and the firm employing more than 500 workers after controlling the human capital variables in 1981, 1984, and 1987 were 103.3, 106.1, and 102.9 respectively. This means that workers in large firms had received only 3%-6% higher wages than the workers in small firms before the rise of the labor movement.

But in 1990, this differential has been enlarged to 100 : 122.5. Therefore, workers of large firms receive much higher wages than workers of small firms even if their human capitals are the same. This shows that wages in large firms are determined by rules of the firm and independently from the outside labor market. And, this means in turn that the FILM is developed in large firms and the blue collar labor market is segmented by firm size.

This widening of wage differential is partly due to the fact that the Korean unions are enterprise unions. The annual wage increase is negotiated and determined within a company. Unionists say it is necessary to organize an industrial joint bargaining to equalize wages by firm size and to enhance the solidarity of all workers. But, joint bargaining is not being organized easily because of such factors as the government's intervention, employers' reluctance, and big unions' egoism. Even in some industry where the industry based bargaining is organized, participants are confined to unions and employers of large firms. There is no joint bargaining in which large and small firms participate together. So, employers of large firms are almost free to pay higher wages than small firms to their employees to escape strike. It also means that Korean unions have failed to do the role of equalizing working conditions across firms.

Turnover Rate

Turning to the turnover rate in Table 2, two facts are to be noted. Firstly, the turnover rate of male blue collar workers in large firms has decreased significantly in the 1980s. In 1984, the turnover rate of male blue collar workers in the firms employing more than 500 workers was 3.6% per month. This means that, on an average, more than 43% of all male blue collar workers quit their jobs in a year in large firms. The high turnover rate was due to the lack of the development of the FILM, and also it was said to be one of the major causes which hamper the improvement of workers' skills. But in 1990, this rate has dropped to 1.76%. Now more workers of large firms choose to stay in the firm than to move between firms. In other

words, they are using the strategy of 'voice' or 'loyalty' than 'exit' (Hirshman 1970).

Secondly, in contrast to the turnover rate of large firms, the turnover rate of small firms hasn't changed significantly. The turnover rate of male blue collar workers in the firms employing less than 100 workers in 1984 was 7.9% per month. This rate is still 7.37% in 1990. Consequently, the difference of turnover rate by firm size has been enlarged since the mid-eighties. In contrast to workers in large firms, workers in small firms still suffer from low stability of employment. This difference in employment stability also is a feature of labor market segmentation.

We can say from the trend of wage differential and the turnover rate that the economic conditions of workers have become heterogeneous by the firm size since the rise of the labor movement in 1987. This heterogeneity can, in turn, be a factor that weakens the labor movement. With the development of the FILM, the possibility that unions in large firms become more moderate has gotten greater.

One more fact to be noted is that the increase of the stability of employment and development of the FILM since 1987 is found mainly in male blue collar workers. As can be noted from Table 3, the turnover rate of female blue collar workers in large corporations is still quite high. It is 4.01% per month in 1990, which means that about half of female blue collar workers quit their jobs in a year. And, though the turnover rate of female blue collar workers has decreased since 1987, the difference is not large. It was 5.9% in 1981 and still 4.01% in 1990. This high rate of turnover is partly due to the fact that female workers generally quit their jobs after marriage.

TABLE 2. MONTHLY TURNOVER RATE OF MALE BLUE COLLAR WORKERS IN THE KOREAN MANUFACTURING INDUSTRY (%)

Year	Total	Size 1*	Size 2	Size 3	Size 4	Size 5
1980	5.8	7.4	7.8	6.6	5.6	4.2
1982	5.1	6.4	6.8	6.9	4.9	3.3
1984	5.9	7.9	7.7	7.4	5.4	3.6
1986	4.3	6.3	6.3	4.9	4.1	2.5
1988	5.0	8.0	8.1	6.6	3.6	2.1
1990	4.11	7.37	7.08	5.11	3.16	1.76

* The number of employee in 'size 1' is 10-29, 'size 2' is 30-99, 'size 3' is 100-299, 'size 4' is 300-499, 'size 5' is more than 500 each.

Source: Ministry of Labor, *Report on Monthly Labor Survey*, December, each year.

TABLE 3. MONTHLY TURNOVER RATE OF FEMALE BLUE COLLAR WORKERS AND MALE WHITE COLLAR WORKERS IN THE KOREAN MANUFACTURING INDUSTRY (%)

Year	Total	Size 1	Size 2	Size 3	Size 4	Size 5
Female blue collar						
1981	6.7	7.2	7.6	7.6	6.6	5.9
1983	6.4	6.3	7.1	6.8	7.3	5.9
1985	5.8	6.4	6.3	6.9	5.3	5.1
1987	5.3	5.8	6.0	5.8	5.0	4.9
1989	4.66	5.18	6.57	5.15	4.37	3.62
1990	4.70	5.39	5.75	5.14	4.41	4.01
Male white collar						
1981	2.3	3.4	3.2	2.3	2.2	1.6
1983	2.0	2.7	2.7	2.1	1.7	1.5
1985	2.1	4.0	2.8	2.0	1.9	1.4
1987	1.8	2.6	2.4	2.0	1.5	1.3
1989	2.03	3.58	3.19	2.06	1.51	1.19
1990	2.09	3.75	3.17	2.26	1.49	1.25

Source: Ministry of Labor, Report on Monthly Labor Survey, December, each year.

But, it also reflects the fact that the FILM is not well developed for female workers.

The turnover rate of male white collar workers has not changed much through the 1980s either. For example, the turnover rate of male white collar workers in large corporations employing more than 500 workers is 1.6% in 1981 and 1.25% in 1990. One more characteristic is that the turnover rate of white collar workers had been quite low even before 1987. This is because the FILM for white collar workers was developed before 1987 while the FILM for blue collar workers was not.

EMPLOYMENT PRACTICES

In this section, we are going to see the characteristics of the FILM by analyzing the structure of employment practices in the Korean manufacturing industry. The typical features of employment practice in a firm with the FILM are port of entry and employment stability. But, the features of employment practices of a firm with the FILM can be various. In the USA, the characteristics of employment practices for blue collar workers are port of entry and application of seniority rule in lay off. In Japan, it is life-long employment. What is the characteristics of employment practices

in Korea? We will try to answer it by looking into the structure of port of entry and employment stability in Korea. Also we will see how employers try to enhance the flexibility of employment.

Port of Entry

If there is a port of entry, workers are employed in the lowest grade job and those who moved beyond entry ports enjoy shelter from outside competition. All jobs within the FILM are filled internally through transfer or upgrading from the entry job. However, the ports of entry in a firm with the FILM can take different forms. According to Doeringer and Piore(1971), the port of entry can be 'closed' or 'open'. In the closed market, all jobs are filled internally. And, in the open market, all job classifications are filled directly from the external labor market.

In Korea, it is not easy to know the structure of the port of entry because there is no clear distinction of jobs among blue collar workers. But, we will be able to say the port of entry is 'closed' if a firm mainly employs inexperienced(low skilled) workers, or treats any newly employed worker as a beginner regardless of his career.

It is generally agreed that the port of entry was 'open' in Korean firms, especially for blue collar workers, until the mid-eighties. When an employer hired workers, he considered their outside careers in determining wages. This became an important factor that made the rate of inter-firm mobility high, as we can see in Table 2.

We can see the details of port of entry by analyzing the data of the 'Survey on circulation conditions of labor force'. Table 4 presents the outside career of newly employed workers of the first half of 1984, 1987, and 1990 analysed from the 'Survey on circulation conditions of labor force' data. What we can find from this table is as follows.

Firstly, the percentage of the workers with careers in the same occupation out of the body of newly employed workers is generally more than 50%, that is, more than half of newly employed workers have careers in the same occupation. Therefore, we will be able to say that the port of entry is 'open' in Korea.

Secondly, as can be seen by year, there is no trend indicating that port of entry has become more 'closed' since 1987. The percentage of workers without careers in the same occupation in large firms is higher in 1987 than in 1990.

Thirdly, as can be seen by firm size, the percentage of workers without careers in the same occupation is higher in larger firms. In 1990, for example, this percentage is 49.7% in large firms and 41.0% in small firms.

TABLE 4. OUTSIDE CAREER OF NEWLY EMPLOYED WORKERS BY ESTABLISHMENT SIZE IN THE KOREAN MANUFACTURING INDUSTRY (MALE BLUE COLLAR WORKERS; %)

Year	Years of career	Small	Medium	Large
1984	total	100.0	100.0	100.0
	none	39.8	48.1	47.4
	less than a year	17.5	19.5	16.3
	1-3 years	18.4	14.1	16.9
	3-5 years	12.1	9.5	11.8
	more than 5 years	12.2	8.8	7.6
1987	total	100.0	100.0	100.0
	none	37.5	43.2	54.6
	less than a year	23.8	17.7	17.1
	1-3 years	18.4	18.0	14.7
	3-5 years	11.1	11.5	7.2
	more than 5 years	9.3	9.6	6.5
1990	total	100.0	100.0	100.0
	none	41.0	43.9	49.7
	less than a year	17.1	18.7	12.8
	1-3 years	16.1	19.4	18.8
	3-5 years	11.4	8.7	11.1
	more than 5 years	14.5	9.1	7.6

Data: Ministry of Labor, 'Survey on Circulation Conditions of Labor Force' data, the first half of 1984, 1987, and 1990.

So, we can say that the ports of entry in large firms are more 'closed' compared to those of small firms. But, the ports of entry of large firms also have the characteristic of 'open' entry because this percentage is less than 50%.

Turning to the starting wages of newly employed workers, we can see that employers do not pay much higher wages to the workers with outside careers after 1987. Table 5 presents the starting wages of newly employed workers after controlling the workers' level of education.

Firstly, the wage premium of workers with outside careers has been diminished considerably after 1987 in large firms. For example, the workers with 5-9 year' careers received 53% higher starting wages than the workers without outside careers in 1984. But, in 1990, they receive only 17% higher wages. The workers with 1-3 years' careers, who received 16% higher wages than the non-career workers in 1984, receive only 2% higher wages than the non-career workers in 1990. They have come to be treated almost like the non-career workers. This means that port of entry has become more closed

TABLE 5. STARTING WAGE RATE OF NEWLY EMPLOYED WORKERS BY OUTSIDE CARRER (MALE BLUE COLLAR WORKERS)

Year	Years of career	Small firms*	Large firms
1984	none	100.0	100.0
	less than a year	115.4	102.5
	1-3 years	130.9	116.2
	3-5 years	139.9	140.8
	5-9 years	175.6	153.5
	more than 10 years	176.1	165.4
1990	none	100.0	100.0
	less than a year	107.9	99.6
	1-3 years	120.9	102.1
	3-5 years	133.8	112.9
	5-9 years	149.2	117.5
	more than 10 years	147.3	141.9

* 'Small' and 'large' mean the same as in Table 1.

Data: Ministry of Labor, 'Survey on Circulation Conditions of Labor Force' data, the first half of 1984, 1987, and 1990.

in Korea. But, workers' careers are reflected in their wages, though by smaller degree. Especially the wage premium of workers with more than 10 year careers in large firms is still about 50%. So, port of entry still has the characteristic of an open market.

Secondly, the wage premiums of workers with outside careers are still large in small firms. The workers with 5-9 years' careers receive about 50% higher starting wages than the workers without outside careers in 1990. This also shows that the FILMs are not well developed in small firms.

In sum, though the port of entry in large corporations has become more closed since 1987, it also has the characteristics of an open market in that a high percentage of workers with outside careers are employed with a wage premium.

These characteristics relate to unions' policies. We could find from interviews with union leaders and firms' staffs that unions generally do not intervene in employers' decisions on whom to employ. This is because the workers' wages are not directly related to their jobs in Korea. The Korean wage system is similar to the Japanese 'nenko' system. The workers' wages increase with the increase of their durations of service or ages even if they do not get promoted on the job ladder. Therefore, the workers' chance of wage increase does not diminish even if someone with a longer career is newly employed and receives a higher wage. However, workers complain if

a newly employed worker receives a much higher wage than them unless it is quite clear that his skill is much better than theirs. This is one reason why the wage premium reflecting workers' careers has diminished since 1987.³

Dismissal of Workers

Workers in a firm with the FILM enjoy stability of employment. Employment stability stems from two sources. First, employment stability is enhanced when workers do not want to quit their firm because of better working conditions than the outside market, such as higher wages, expectations of promotion, the firm's welfare facilities, etc. Second, if workers are protected from the deliberate dismissal of employers, they will enjoy employment stability. We are more interested in the latter item. The Japanese 'life long employment' which is applied to regular workers, especially in large firms, is a case where workers enjoy a very high stability of employment. Workers are expected to work until retirement age and the firing of workers is regarded acceptable only in exceptional cases (Tsuda 1973; Cole 1971). In Korea, employers had had the right to dismiss workers until 1987. Although it was forbidden for employers to dismiss workers 'without due reason' by labor law, many workers were dismissed by various reasons without any protection, especially in the period of economic recession.

But, the strengthening of labor unions from 1987 made it very difficult for employers to dismiss workers deliberately especially in large firms. The staffs of almost every company we visited for interview said that "now it is almost impossible for the company to fire a worker unless he quits himself." Moreover, there is no general practice of lay off in Korea, which also enhances employment stability. Unions generally offer very strong opposition to the dismissal of their members. One reason for it is that Korean unions are enterprise unions, and the decrease in the number of employees directly results in the decrease in the number of union members, and, accordingly, union resources including budget. Many unions succeeded in forcing employers to sign a collective agreement which makes it necessary for employers to get an agreement from the union or consult with the union before dismissing a worker. In this sense, blue collar workers in large firms in Korea enjoy almost 'life-long' employment like in Japan. However, it is difficult to say that life long employment has become a social norm yet. The employment stability is guaranteed by the power of the

³ Another reason is the enlargement of wage differential by firm size. Employers of large firms can hire experienced workers with a smaller wage premium reflecting their careers, because the average wage of large firms is much higher than that of small firms.

unions rather than by employers' own volition. Employers are trying to revise labor laws to facilitate lay off in time of recession. Moreover, many union leaders are dismissed in spite of the opposition of unions by employers who want to weaken the labor movement.

And, in small firms, the power of unions to regulate the deliberate dismissal of workers is generally weak, and dismissal policies are comparatively freer for employers.

By the way, long term employment like Japanese life-long employment will diminish the flexibility of employment. Therefore, employers will try to have flexibility in using the labor force. Flexibility of employment is generally divided into 'numerical flexibility' and 'functional flexibility'. The major means of gaining numerical flexibility is the use of temporary workers who can be easily laid off in the period of economic recession and the major means of functional flexibility is transfer of workers within a firm.

Use of Temporary Workers

It is not easy to know the exact size of the body of temporary workers in Korea because one can not get detailed information on the non-regular workers by government statistics. The most general statistics which contain information on non-regular workers is the 'Survey on economically active population' by the Economic Planning Board. In these statistics, the number of daily workers who are employed by less than a month is available. However, the number of daily workers by industry or by firm size is not available. According to this survey, the ratio of daily workers out of all non-farm workers is 15.9% in 1990. This percentage has been almost the same throughout the 1980s. So we can say that the size of the body of temporary workers is not small and it has not increased throughout the 1980s.

The 'survey report on establishment labor conditions' also contains some information on non-regular workers, and the sizes of temporary and daily workers by firm size and by industry are available. But these statistics have some limits. The temporary and daily workers who have worked over 45 days during the last 3 months from the survey date are regarded as regular workers. Therefore, it is not possible to know the exact size of the body of temporary or daily workers. However, we can know the employment trend of non-regular workers by firm size and by year. Table 6 presents the size of temporary workers by firm size in the manufacturing industry. What we can see from this table is as follows. First, the percentage of temporary and daily workers is not so large. The percentage of temporary and daily workers in firms employing 500-999 workers in 1989 is only 1.06%. Second, the percentage of temporary and daily workers get smaller with the increase

of firm size. Seeing the statistics of 1985, it is 4.37% in firms employing 50-99 workers and 0.75% in firms employing more than 1,000 workers. This trend is the same in 1989. So, we can conclude that numerical flexibility is smaller in large firms. Third, this percentage has not increased since 1987. It has rather decreased since 1987 as is clear in Table 6.

This shows that Korean employers have not pursued the strategy of increasing the employment size of temporary workers since 1987. There are several reasons for this.

First of all, employers did not feel the necessity to use temporary workers before 1987. Wages had been low and turnover rate had been high. When employers wanted to reduce the size of employment in the period of recession, they had only to stop recruiting workers. Soon, the suspension of recruitment resulted in the decrease in the number of workers. They could dismiss workers also. Moreover, as it was usual for workers to work overtime, employers could reduce production without reducing employment by curtailing overtime work. After the rise of the labor movement in 1987, employers are now trying to use regular workers more intensively and reduce the size of temporary workers in conjunction with workers' wages being swiftly raised and it being difficult to lay off workers.

The shortage of the labor supply also becomes a factor in decreasing the size of temporary and daily workers. It is difficult for employers to use

TABLE 6. THE PERCENTAGE OF TEMPORARY AND DAILY WORKERS BY FIRM SIZE IN MANUFACTURING INDUSTRY

Firm size (number of employees)	Both sex	Male	Female
1985			
50-99	4.37	3.09	6.12
100-199	3.71	2.61	5.08
300-499	2.24	1.91	2.62
500-999	1.22	1.38	1.01
1,000 and over	0.75	0.54	1.01
1989			
50-99	2.92	1.90	4.36
100-199	2.09	1.38	3.14
300-499	1.51	0.94	2.39
500-999	1.06	0.88	1.35
1,000 and over	0.58	0.68	0.41

Source: Ministry of Labor, 'Survey Report on Establishment Labor Conditions', 1985 and 1989.

temporary workers while a labor shortage is going on because workers prefer to be employed as regular workers.

Aside from the use of temporary workers, there is another method of increasing numerical flexibility. It is the use of inside (sub)contracting.⁴ Inside contracting can be a better method of increasing numerical flexibility because employers of ordering firms do not have to directly manage the workers of subcontracting firms. When employers want to reduce the labor force, they need only to suspend the contract with contracting firms without worrying about a dispute with workers who are laid off. By the way, there are no official statistics on inside contracting. So we will use the informations from interviews to see the features of inside contracting.

First of all, we could see that only a few temporary or daily workers were hired in the firms we visited. In contrast to this, the number of workers employed in the inside contracting firms is much larger. On an average, it is about 10% of workers employed in the ordering firm. And employers are trying to increase the use of inside (sub)contracting, especially after 1987. They plan to hand over parts of their operations to sub-contractors gradually. But, the size of inside contracting has not significantly increased since 1987. The most important obstacle to the increase of inside contracting is the opposition by the union. Unions strongly oppose the increase of inside contracting because it results in the reduction of the number of union members. However, it is expected that the size of inside contracting will be increased gradually because employers have a strong interest in increasing the size of it.

In sum, the size of non-regular workers is not so large, nor has it increased much since 1987. Therefore, we can say that Korean blue collar workers in large firms in the manufacturing industry are mainly composed of 'core' workers in Atkinson's term (Atkinson 1987). This situation causes some rigidity in employment. But, as the working hours in Korea is still quite long, employers can have the flexibility in labor use to some extent by adjusting working hours to market conditions.

Transfer of Workers

The transfer of workers within the firm can be a major method of increasing functional flexibility. Workers can be multi-skilled by transfer within firm.

Korean employers could transfer workers within the firm or among firms

⁴ By 'inside contracting', we mean contracting in which a firm delegates a part of production and provides major facilities such as floor space, main machinery, raw material, etc. except its labor force to the (sub)contractor.

before 1987 because unions did not demonstrate strong resistance. And, workers did not have strong notions of job rights. However, this transfer of workers was used as a minor means of adjusting the size of employment, not as a means of increasing functional flexibility.

The transfer of workers has become a more important means of labor force utilization since 1987. This is especially so in a firm which ceased recruiting to minimize the increase of labor cost. We could find it from our interviews.

The Hyundai Shipbuilding Company ceased recruiting workers after 1987 because of wage increase. Instead of it, the company began to take measures to enhance the efficiency of labor force utilization. One of them is to make each worker able to do more than one job. The company organized 'multi-skill training' for this. After this, if there is a need to hire more workers for job A, the company could transfer workers of job B to job A instead of recruiting new workers. Thus, Hyundai Shipbuilding Company is pursuing the increase of functional flexibility.

Nevertheless, the case like Hyundai's is an exceptional one. The practice of multi-skilling of workers is not common in Korea. We could not find multi-skilling programs in any company we visited except Hyundai. There is no periodic transfer of workers to enhance their skills, which we can see in the Japanese employment system. And, the skill training programs for blue collar workers in large corporations are generally poor.

For example, the Daewoo Heavy Industry Company, one of the companies we visited, almost stopped recruiting blue collar workers after 1987, and supplemented personnel by inter-factory and intra-factory transfer. But, there is no multi-skilling program for blue collar workers. In this company, the transfer of workers is being practiced to meet the change of the volume of production. Generally speaking, the transfer of workers is not a means of having functional flexibility, but a means of having numerical flexibility in Korea.

Workers tend to complain and even resist transfer. Especially, workers tend to oppose the transfer among factories in different regions. This opposition becomes an important obstacle for employers in redeploying workers. However, employers manage to succeed in the transfer of workers within a firm in spite of workers' complaints. The reason why transfer is implemented relatively easily in spite of workers' resistance is that the transfer causes little disadvantage to workers since their wages are not directly related to their jobs.

SUMMARY AND CONCLUSION

This paper tried to find whether or not the rise of the labor movement brought about the segmentation of the blue collar labor market and the development of the FILM in Korea. We could see that it did. The employment stability of workers in large firms has increased and wage differential by firm size has been enlarged. Male blue collar workers in large firms prefer to stay in a firm rather than to move among firms. One of the factors that resulted in the segmentation is that Korean labor unions are enterprise unions.

This segmentation and development of the FILM, which is one of the effects of the rise of the labor movement, is expected to have some influence on the labor movement in turn. It is expected that the unions in large firms become more moderate, and even egoistic. As the wage and employment stability of workers in large firms are higher than those in small firms, large unions do not feel a strong necessity to share solidaristic activities with small unions. Also, it is expected that the system of enterprise unions will be solidified in Korea.

This paper also tried to figure out the characteristics of the Korean FILM by analyzing employment practices. Of the important characteristics are the high stability of employment and the low use of temporary workers. This causes some rigidity in labor force utilization. However, employers can adjust the size of employment to some extent by such practices as transfer of workers and the adjustment of working hours. The pursuit of functional stability or flexible specialization by multi-skilling is not common in Korea. It can be said that Korean employers still depend on the Fordist method of labor use and control.

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