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**HIDDEN ON THE LINE: LABOUR CONTRACTING
IN THE KOREAN AUTOMOBILE INDUSTRY**

Thesis submitted for the degree of Doctor of Philosophy

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June 2010

I hereby declare that this thesis has not been, nor will be, submitted in whole or in part to another university for the award of any other degree.

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Doctor of Philosophy in Development Studies

**HIDDEN ON THE LINE: LABOUR CONTRACTING
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Summary

Not only is there an increase in the use of contract workers in some of today's workplaces, but a qualitative shift has also taken place in the nature of labour contracting, as the operation of labour intermediaries has expanded from peripheral services to the main production activities of companies. This new phenomenon implies the greater integration of labour contracting into the production process, together with changes in employment practices and the rights of workers. This thesis aims to better understand how the changing nature of labour contracting affects employment relationships by undertaking an empirical investigation of in-house contracting arrangements in the South Korean automobile industry. In so doing, it examines roles and relationships between workplace actors involved in labour contracting; namely, user firm management, contractors, labour organisations, user firm employees, contract workers and the state. This analysis sheds light on the process of change in labour contracting and the consequences of increased labour contracting in the workplace.

The thesis argues that the coordination of workplace changes brought about by increased flexibility attained through the use of contract workers is fraught with tension, which influences the ways in which employment relationships are shaped in the context of any particular firm. The essence of such tension lies in the pursuit of organisational flexibility and quality control in the production process, both of which are considered to be necessary to ensuring the performance of firms. Contradictions arise from the attempts of user firms to avoid employment-related responsibility for the labour force, while at the same time exerting managerial control over contract workers. Such tensions and paradoxes are associated with conflicts of interest, and compromise between and within workplace actors. A case study of the Korean automobile industry is provided that explores the contradictory nature of the labour contracting system, as contract workers with fewer employment entitlements are brought into core production processes; and investigates the manner in which inherent tensions play out in shaping employment relationships and the orientation of labour contracting practices. The findings of this thesis could help in the further understanding of the implications of change in labour contracting practices, and contribute to overcoming the current limits of thinking with regard to labour flexibility and employment relationships in the context of in-house contracting.

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Table of Contents

Acknowledgements	i
Table of Contents	ii
List of Tables	iv
List of Figures.....	v
Abbreviations	vi
 CHAPTER 1 INTRODUCTION.....	 1
1.1. Problem Setting	1
1.2. Research Questions	6
1.3. Analytical Arguments.....	9
1.4. In-House Contracting in the South Korean Context	13
1.5. Thesis Outline.....	18
 CHAPTER 2 CONCEPTUAL FRAMEWORK AND METHODOLOGICAL CONSIDERATIONS	 21
2.1. Conceptual Understanding of Labour Contracting and Employment Relationships	21
2.1.1. Flexible Work.....	21
2.1.2. The Informal Economy Approach	30
2.1.3. Protection of Workers.....	35
2.2. Conceptual Framework.....	38
2.3. Methodological Considerations.....	43
2.3.1 Research Area.....	44
2.3.2 Fieldwork Process and Research Challenges	45
2.3.3 Research Methods and Data Analysis.....	49
2.3.4 Reflections on the Research Process.....	63
 CHAPTER 3 THE INCREASED INTEGRATION OF LABOUR CONTRACTING IN THE PRODUCTION PROCESS AND CHANGES IN THE WORKPLACE	 66
3.1. Introduction	66
3.2. The Expansion of In-House Contracting in Automobile Companies.....	67
3.2.1. The Peripheral Nature of Contract Workers.....	67
3.2.2. The Economic Crisis and Employment Adjustments	72
3.2.3. Moving from Peripheral to Main Production Areas	77
3.3. Contracting Arrangements in the Flexible Production Process: Trends and Incidence	83
3.4. Reorganisation of the Workplace	91
3.4.1. Work Arrangements in Assembly Plants and Cooperation at Work	92
3.4.2. Inherent Contradictions in Work Organisation	96
3.5. Conclusion.....	101
 CHAPTER 4 MANAGEMENT OF LABOUR CONTRACTING AND EMPLOYMENT	 106
4.1. Introduction	106
4.2. Managerial Problems with the Expansion of In-House Contracting.....	108
4.2.1. High Labour Turnover.....	109
4.2.2. Inefficiency in the Deployment of Contract Workers.....	112
4.2.3. The Unionisation of Contract Workers and the Labour Dispute	116
4.3. Managing In-House Contracting Arrangements: Changes in Management Measures and Greater Control over Labour	120

4.3.1. Restructuring of Contracting Firms	121
4.3.2. The Redeployment of Contract Workers.....	124
4.4. Tightening Contract Processes and Relations.....	127
4.5. Improving the Employment Conditions of Contract Workers	137
4.6. Conclusion.....	143
CHAPTER 5 CONTRACTING ARRANGEMENTS AND CONTRACTOR PRACTICES.....	148
5.1. Introduction	148
5.2. The Hidden Employment of the Contract of Work.....	149
5.2.1. Contractual Relations between User Firms and Contracting Firms.....	149
5.2.2. Labour Brokerage of Contracting Firms.....	152
5.2.3. Contradictions in the Contract.....	157
5.3. The Involvement of the Trade Union in Contracting Arrangements	160
5.4. Employment Practices of Contracting Firms within the User Firm Workplace.....	163
5.5. The Organisational Affiliations of Contract Workers.....	168
5.5.1. Work Responsibility and Contribution	170
5.5.2. Material Rewards and Choice of Job	173
5.5.3. Workplace relationships	178
5.6. Conclusion.....	181
CHAPTER 6 THE IMPACT OF INCREASED LABOUR CONTRACTING IN WORKER REPRESENTATION AND EMPLOYMENT RELATIONSHIPS.....	184
6.1. Introduction	184
6.2. Trade Unions and the Representation of Contract Workers in the Korean Context	186
6.3. Contract Workers' Struggle to Represent Collective Interests	193
6.3.1. Struggle for Union Recognition	193
6.3.2. Disparities in Union Membership and Influence	198
6.4. The Representation Gap between Contract and Regular Workers in the Workplace.....	206
6.5. The Dilemma Confronting the Regular Workers' Union	211
6.6. Conclusion.....	220
CHAPTER 7 CONCLUSION.....	223
7.1. Principal Findings of the Study	224
7.1.1. The Move towards Greater Organisational Flexibility and Changing Employment Relationships.....	224
7.1.2. The Contradictory Nature of Labour Contracting.....	229
7.1.3. Limits to Workers' Rights and Protection.....	233
7.2. Wider Implications of the Case Study	236
7.3. Future Research	243
BIBLIOGRAPHY.....	246
Appendix 1 Research Framework and Data Collection	259
Appendix 2 Questionnaires Used for the Survey of Contract Workers at Company A	262
Appendix 3 Questionnaires Used for Semi-Structured Interviews with Contractors	267

List of Tables

Table 2.1 Characteristics of Contracting Firms	52
Table 2.2 Characteristics of Contract Workers at Company A	59
Table 3.1 The Extent and Status of In-House Contracting Arrangements at Company A.....	90
Table 4.1 Numbers of Employees in Contracting Firms at Company A	123
Table 4.2 Previous Careers of Interviewed Contractors at Company A	132
Table 4.3 Contractors' Duration of Business at Company A	133
Table 4.4 Average Monthly Wages of Company A's Contract Workers in Comparison with Regular Workers	141
Table 5.1 Types of Business Initiation by Contractual Relationship	152
Table 5.2 A Breakdown of the Monthly Cost of Contracted Work.....	155
Table 5.3 Contract Workers' Perceptions of Work Responsibility	171
Table 5.4 Contract Workers' Perceptions of Material Rewards	173
Table 5.5 Contract Workers' Perceptions of Choice of Job.....	174
Table 5.6 Contract Workers' Perceptions of General Job Satisfaction and Remuneration.....	177
Table 5.7 Contract Workers' Perceptions of Workplace Relationships with Colleagues	179
Table 5.8 Contract Workers' Perceptions of Relationships with Managers of Contracting Firms and Company A	179
Table 5.9 Organisational Affiliation with Company A and the Contracting firm as Perceived by Primary Contract Workers.....	180
Table 6.1 Unionisation of Workers in Korea by Size of Firm	190
Table 6.2 Union Density in Contracting Firms.....	200

List of Figures

Figure 1.1 In-house Contracting Arrangements in the Korean Automobile Industry	15
Figure 2.1 Types of Worker in In-house Contracting Arrangements.....	33
Figure 2.2 In-house Labour Contracting: Framework of Analysis.....	40
Figure 2.3 Research Schedule	49
Figure 3.1 Production Trends of Major Korean Automobile Companies.....	74
Figure 3.2 Employment Trends and Number of Workers at One of Company A's Assembly Plants (1996–2007).....	81
Figure 3.3 Flexible Production and Personnel Readjustment of Contract Workers.....	85
Figure 3.4 Example of Recent Work Arrangements on the Assembly Line	95
Figure 4.1 Contract Processes and Procedures	130
Figure 6.1 Union Density and Membership in Korea (1986-2008)	187
Figure 6.2 Types of Collective Bargaining Arrangement.....	197

Abbreviations

CKD	Complete Knock Down (export operation)
FKTU	Federation of Korean Trade Unions
ILO	International Labour Organisation
JIT	Just-In-Time (production/delivery system)
KCTU	Korean Confederation of Trade Unions
KD	Knocked-Down (assembly plant)
KMWF	Korea Metal Workers Federation
KMWU	Korea Metal Workers Union
NICs	Newly Industrialising Countries
PDI	Pre-Delivery Inspection (of export vehicles)
UPH	Units Per Hour

CHAPTER 1

INTRODUCTION

1.1. Problem Setting

Labour contracting is reportedly on the rise in most countries, as evinced by the rapid increase in private employment agencies and labour contracting firms, in spite of diverse economic and political situations, and varying levels of development (Carre et al. Eds. 2000; Theron and Godfrey 2000; Ruckelshaus and Goldstein 2002; ILO 2003, 2006; Mather 2004; Kuptsch Ed. 2006). The trend for increased labour contracting has certainly been controversial, as it has played a role in changing patterns of work and employment. For the management of user firms, the utilisation of contract workers could be seen as a way to bring about employment flexibility and to reduce labour costs, thereby enhancing firms' market competitiveness. It is argued that the growth in flexible forms of employment has contributed to lower rates of unemployment and has particularly helped to increase job opportunities for the less skilled and disadvantaged groups in the labour market, including women and ethnic minorities (McKinsey and Company 2000). However, it is evident that contract workers' wages and job security are much lower than employees of user firms can expect (Estevao and Lach 2000; Theron and Godfrey 2000; Storrie 2002; Van Eyck 2003). Although contracted work carries with it positive aspects for some workers, a considerable proportion of contract workers have little access to fringe benefits and social security programmes, which are tied to standard employment arrangements. In many cases, contract workers have also reportedly experienced difficulty in exercising their right to engage in workplace representation or collective bargaining. In this light, the employment status and working conditions of contract workers are generally characterised by precarious work with fewer employment benefits, limited workers' rights and/or little social protection.

In recent years, issues around labour contracting have received increased academic attention. Research has been conducted into the working conditions of contract workers, particularly those in industrial sectors where labour contracting is prevalent including construction, garment manufacture, hotel and tourism, transportation, and IT industries. Some issues surrounding labour contracting, such as protection for migrant workers hired by labour intermediaries (Kuptsch Ed. 2006) and the impact of state policy and legislative changes reflecting the growth of temporary employment agencies, have been discussed in some depth in the literature. In a recent work, Coe, Johns and Ward (2007) provide new insight into the internationalisation of

the temporary employment industry, which is associated with the diversification of its service areas and changes in labour market conditions. Barrientos (2007, 2008) also sheds light on the effects of global contracting arrangements and related changes in production processes on the increased use of labour contracting and the risk and vulnerability faced by contract workers, especially in export industries.

A growing body of literature is contributing to our knowledge of labour contracting and the problems that workers face. However, little attention has been paid to the changing nature of labour contracting as it has expanded from the peripheral to main production activities of firms.

Labour contracting refers to a work arrangement in which contract workers are engaged to work for the user firm through a contract of employment with an intermediary. Labour contracting is not a new phenomenon: it can be traced back to the so-called gang master and craft systems that came to prominence in 19th century Europe and North America (Gordon, Edwards and Reith 1982, 92; Schmidt 2006, 192). Indeed, the use of contract workers mobilised by labour brokers or contracting firms has long been a common employment practice in several industrial sectors that rely on seasonal or project-based production, including construction, mining, agriculture, shipping and fisheries (Cobble and Vosko 2000; Williams 2002). Some forms of labour contracting have also been used in manufacturing enterprises; a good example of this is the outsourcing of certain company operations, such as security, facility maintenance, repairs, packaging and trucking. Nonetheless, until recently, when subcontracting occurred, the number of contract workers involved was usually small and their work was limited to non-core functions. Work contracted out to labour intermediaries in the past typically comprised auxiliary services and those tasks less likely to affect product quality or the main operational flow of the plant (Kalleberg and Marsden 2005). Duties undertaken by contract workers were treated as sub or separate tasks, since regular and contract workers' job descriptions were usually quite different and, in some cases, the work of the latter was undertaken in a different location. This limited use of labour contracting has changed, as the availability of jobs through employment agencies and contracting firms has altered accordingly (Mather 2004; Coe, Jones and Ward 2009).

Although available empirical data remains limited, anecdotal evidence suggests that in some workplaces, increasing numbers of contract workers are being deployed alongside employees of the user firms in order to carry out the same or similar types of work (Smith 1998; Gramm and

Schnell 2001; Davis-Blake et al. 2003; Broschak and Davis-Blake 2006; Nesheim et al. 2007). It has also been found that the tasks performed by contract workers are no longer merely as temporary replacement for regular workers, but that they are involved in long-term engagement. The deployment of contract workers alongside regular workers in the main production areas of companies implies the greater integration of labour contracting into the production process of the user firm, and functional changes in the utilisation of labour contracting and the organisation of activities in the workplace.

Therefore, this thesis considers that there is not only an increase in the use of contract workers, but that a qualitative shift has also taken place in the nature of labour contracting, as contract workers are brought into the heart of the production process. Such a shift means that the role of labour contracting now differs from that found in traditional employment systems. It seems that the transfer of labour contracting practices to main production activities leads to changes in the organisation of production, as well as the reconfiguration of previously established roles and relationships between workplace actors.

This new phenomenon raises questions that can only be answered through research of the changing nature of labour contracting. One significant issue that should be examined is that of employment relationships occurring in the context of labour contracting and the effect that the increased utilisation of contract workers has on workplace practices. The potential significance of an appreciation of recent changes in work and employment relationships notwithstanding, issues concerning how the workplace is affected on a daily basis once a firm begins to utilise labour contractors in its main production areas still need to be better understood. In other words, although we are aware of some of the mechanisms of labour contracting and the direction in which the practice is heading – i.e. the casualisation of the workforce – our knowledge of what actually happens in the workplace when employees of different firms with various kinds of status work together is still lacking. For example, we know little about how management–worker relations at the user firm alter when labour contractors come on the scene, or how user firm employees position themselves in relation to the managers and workers of contracting enterprises. Moreover, little appears to have been established in respect of the relationships that contract workers have with user firm management, or with labour organisations and their representatives. As emphasised in several recent studies (Carre et al. Eds. 2000; Barrientos and Ware Barrientos 2002; Kuptsch Ed. 2006), the role of the contractor, its labour management, and its relations with the user firm and its employees are all areas that are under-researched. In

this regard, the present study seeks to explore the changing employment relationships that result from the increased number of contract workers.

There is a need to appreciate the dynamic interaction between workplace actors, i.e. user firm management, contractors, labour organisations, user firm employees, contract workers and the state; and to incorporate this interaction into the analysis of employment relationships in the context of labour contracting. Such an analytical framework is not only necessary in order to examine the roles of and relationships between actors, but is also required for the development of a conceptual tool that may be used to better understand labour contracting practices and changes in employment relationships.

This thesis considers that the limitation of previous studies in conceptualising the employment dimension of labour contracting lies in the narrow interpretation of employment relationships according to an individual's affiliation with an organisation and his or her status as an employee of that organisation (ILO 2003, 2006; Marchington et al. Eds. 2005). In much of the literature on flexible work and employment flexibility, which has dominated business/management-oriented research in recent years (Bradley et al. 2000, 4), the primary focus has been on the user firm's management strategy and the relative dimension of organisational form (e.g. Matusik and Hill 1998). There has been little attempt to differentiate between labour contracting and off-site subcontracting, because managerial reasons for externalising employment and the client-subcontractor relationship in both forms of contracting are considered to be similar.

For example, the 'make-or-buy' choice analysis – a notion used for interpreting corporate decision-making in terms of whether to internalise or externalise production operations and associated employment practices – is found to have been applied to the examination of the management choice to 'buy' (utilise) the labour services of contracting firms (e.g. Bonazzi and Antonelli 2003). As such, labour contracting tends to be conceptualised as a contractual arrangement between firms and the subsequent provision of a service by the contractor. The use of labour intermediaries is seen as a management strategy of the user firm for the 'externalisation' of work and employment-related responsibility beyond its organisational boundary (Streeck 1987; Pfeffer and Baron 1988). This approach tends to view the employment practices of labour contracting firms as dislocated from employment relationships within the user firm.

However, in contrast to the normal usage of the term, ‘contracting out’ or externalising work in the context of labour contracting does not refer to a reduction of the workforce on the premises of the user firm, but rather, implies the ‘in-sourcing’ of workers hired by intermediaries to substitute for user firm employees (Purcell and Purcell 1998; Pulignano 2005). The location of labour contracting firms on the site of the user firm creates a certain type of labour process for the employees of the former (the contract workers), lending itself to complex relationships with the management and employees of the user firm that lie beyond the boundary of contract workers’ employing firms (ILO 2003, 2006; Rubery et al. 2003; Marchington et al. Eds. 2005). Therefore, employment relationships in which contract workers are engaged with the user firm and labour intermediaries call into question the role of management, and the relationships that workers forge with management and colleagues that were typical in the traditional employment model, which were ones based on bilateral employer–employee relations (Marchington et al. Eds. 2005).

Moreover, the presence of contract workers in main production areas is likely to change labour processes, work organisation, management style, employment practices, and/or extent of worker representation. It can be assumed that although user firm employees and contract workers are hired by different employers, operating alongside each other causes the roles and responsibilities of the workers and management of these firms to become interwoven, which leads to tension between the externalisation and internalisation of employment relationships. Such tension is combined with both cooperation and conflict between and within workplace actors. New employment practices and work arrangements emerging from the use of external workers are likely to affect the working conditions of regular employees. Indeed, contracting firms’ routines as well as the conditions and working lives of contract workers might actually be shaped by the user firm’s rules and norms, which combine formal and informal practices that are largely influenced by the decisions and policies of user firm management and employees (Rubery et al. 2003).

Thus, we can argue that a number of workplace issues arising from the daily operations of user and contracting firms, and interplay between the workers of these firms on the production site add complexity to employment relationships. Such relationships between workplace actors have the potential to engender new problems and unintended consequences for managers and employees, which could influence labour contracting arrangements in the workplace of the user firm and the employment practises of contracting firms.

In this regard, the management and labour issues confronting user and contracting firms cannot be considered separately. This thesis argues that labour contracting cannot simply be seen as a contractual arrangement between firms, or merely as the provision of a service. Rather, labour contracting should be understood in terms of employment relationships (ILO 2003, 2006). Relationships that are forged in the context of labour contracting are complex, as they involve a broad set of work activities and social engagement between management and employees of both user and contracting firms. Thus, interactions between workplace actors should be taken into consideration in our analysis in order to develop an adequate understanding of changing employment relationships in the context of labour contracting.

The move away from the traditional contracting arrangement and the accompanying workplace changes provide an opportunity to rethink the employment aspect of labour contracting. This new phenomenon reveals gaps in our knowledge in terms of the implications for employment practice, and workers' rights and relationships. There is thus a need to understand the qualitative shift in the use of labour contracting better both empirically and analytically.

This thesis addresses the importance of investigating the issue of employment relationships and analysing the respective roles played by workplace actors in order to better understand the shift brought about by the expansion of labour contracting to the main production areas of firms. The findings of the present study allow us to grasp the manner in which employment relationships are shaped and, in turn, influence the changes in labour contracting practices that have resulted from the dynamic interplay between actors. We thus gain an insight into the particular employment relationships generated by labour contracting and the related problems associated with workers' rights.

1.2. Research Questions

This thesis aims to better understand how the changing nature of labour contracting affects employment relationships through an analytical and empirical examination of the relationships between and within workplace actors involved in labour contracting, namely, user firm management, contractors, labour organisations, user firm employees, contract workers and the state. The objective of the thesis is advanced by undertaking an empirical investigation into in-house contracting arrangements in the South Korean automobile industry. The study focuses on the process of change involved in labour contracting in order to explore how the practice has

become internalised and institutionalised at company level, and the consequences its increase has had on employment relationships. This focus allows a systematic examination of the cooperation and conflict embedded in the complex relationships between workplace actors, as well as that of the strategies they have adopted to deal with changes in their internal and external environments. Our examination thus sheds light on the roles of and relationships between workplace actors in shaping the process of change, and on the tensions inherent in the coexistence of internalised and externalised employment relationships in the context of in-house contracting. The objective of the thesis focuses on three interrelated research questions that are used to examine labour contracting in the South Korean automobile industry:

- 1. How have employment relationships changed as a result of increased labour contracting in the main production areas?**
- 2. What are the roles of and relationships between workplace actors in shaping labour contracting practices, and what contradictions and dilemmas are found in such relationships?**
- 3. What are the implications of these changes for the representation and rights of workers?**

Guided by these questions, and based on a case study of the Korean automobile industry, the thesis tackles two structural dimensions found in in-house contracting: (1) changing employment relationships as a whole on the site of the user firm; and (2) the employment practices of in-house contracting enterprises. Unlike off-site subcontracting arrangements, which maintain a physical distance between user firm and contracting enterprises, and which incorporate direct employment relations between employers and workers of both companies, in-house contracting creates a situation in which a few smaller organisations (the contracting firms) operate within the sphere of a larger existing organisation (a user firm).

Firstly, the study examines how work and employment practices on the premises of the user firm (the automobile company in this case) have changed as a result of integrating the operations of in-house contracting firms into the direct production activities of the former. Such an examination requires a detailed empirical investigation into the ways in which contract workers engage in their jobs and the impact that the increasing number of contract workers has

had on user firm employees' working conditions. In this regard, the study explores the ways in which the user firm manages work and employment practices in the context of the increasing adoption of a flexible production system. In highlighting changes in work processes, employment practices and related labour management strategy, the thesis also examines contract workers' relations with their employers (both contractors and user firm management) and with user firm employees. This examination helps to shed light on the sources of conflict and tension that these complex relationships produce, revealing the hierarchies and power relationships within the workplace.

Secondly, our analysis addresses the practices of in-house contracting enterprises. The study explores the manner in which in-house contractors deal with the demands of the user firm and how they manage their workers in the context of multiple employment relationships. It also considers the working and employment conditions of contract workers by drawing attention to the multiple organisational affiliations they are subject to; the nature and source of workers' grievances; and the different attitudes and stances that contract workers have taken in dealing with workplace issues. Since developing union representation for non-standard workers is regarded as an important factor in determining working conditions, it is necessary to explore issues surrounding contract workers' attempts to form their own organisations, the types of collective bargaining they have adopted, and the inherent problems in, and limitations of union alliances representing the interests of contract workers.

In an effort to place the aforementioned issues in a socio-economic context, the study examines the ways in which institutional changes reflected in the development trajectory of the Korean automobile industry and industrial relations have influenced labour contracting arrangements, and the interplay between management and workers in terms of work and employment practices.

Through such an examination of in-house contracting arrangements and employment relationships in the Korean automobile industry, the study contributes to scholarly efforts to create a more comprehensive understanding of the nature of labour contracting, and furthers the current discussion on the 'decent work concept' of the International Labour Organisation (ILO) and its associated policy agenda. It is hoped that it provides us with a chance to appreciate the implications of the expansion of labour contracting for both the individual and society in the contemporary era.

1.3. Analytical Arguments

A fundamental issue underlying any discussion on change in work and employment associated with labour contracting is the flexibility of the company. The use of in-house labour contracting creates a particular work arrangement whereby workers hired by contractors perform duties on the premises of the user firm. The relationship between the user firm and the contracting firms is based on the contract of work, and contract workers do not engage in an employment contract with the user firm. It has therefore been assumed that flexibility and informality within the organisational structure of the user firm arise from the substitution of regulatory and bureaucratic employment contracts for relaxed commercial relations between firms, and less formal arrangements in the deployment of the workforce and the organisation of production. The use of labour contracting is also viewed as a market-orientated response from management in an attempt to resolve internal control problems with the workforce; described as “market-mediated work arrangements” (Abraham and Taylor 1996, 394) or “market-mediated employment relationships” (Cappelli 1995, 595). In this vein, much focus in the literature – e.g. recent publications of the ILO (2002a, 2003) – has been on one dimension of labour contracting: as a means of enhancing organisational flexibility and “increasing flexibilisation and informalization of production and employment relationships” (ILO 2002a, 2). Consequently, the other dimension – the control required for the utilisation of labour contracting – has largely been neglected, and insufficient attention has been paid to management and labour issues in relation to the coordination of labour contracting.

The argument advanced in this thesis is that labour contracting does not simply create greater flexibility in organisational structure, but that it also necessitates coordination of the changes that the use of contract workers brings about in the workplace, as increased flexibility is not an end in itself. Evidence suggests that organisational flexibility attained through non-standard employment practices is not always beneficial to the operations of the firm (Moss et al. 2000; Ward et al. 2001; Michie and Sheehan 2003; Broschak and Davis-Blake 2006). Moreover, it has been suggested that a firm’s pursuit of a more flexible system of production and organisational elasticity does not mean a reduction in the significance of stability in the process or organisation of production (Pulignano and Stewart 2006). Indeed, without appropriate control over workers and contracting firms, the increased use of labour contracting risks creating high levels of uncertainty and instability in the workplace.

An examination of the labour contracting coordination mechanism is important not only in order to explain employment relationships, but also to analyse the empirical and theoretical implications of the research findings. This thesis considers that the internal coordination of labour contracting is developed through the interaction of workplace actors and related institutional arrangements in response to workplace changes that are driven by the increased flexibility associated with the use of contract workers.

The coordination of labour contracting involves inherent tension. The essence of this tension lies in the pursuit of organisational flexibility and quality control in the production process, both of which are considered necessary to ensure the performance of the firm. Such tension is a reflection of the use of an external workforce with fewer employment entitlements in production activities, which is compounded both by collaboration and conflict between workplace actors. The thesis puts forward the argument that the tensions associated with coordination problems in the workplace influence the ways in which employment relationships are moulded in the context of any given firm. Furthermore, these tensions also shape the orientation of labour contracting practices, including the manner and extent to which contract workers are deployed in the workplace.

For user firm management, the increased utilisation of contract workers not only helps to reduce labour costs but also provides greater flexibility in the production process and work organisation. The increased job security and reduced workload resulting from the trade union or regular workers' concession on the managerial attempt to deploy contract workers in production areas also helps to ease the grievances of existing regular workers that might otherwise give rise to potential resistance to management-led flexible production strategies. In this context, the utilisation of contract workers is positively correlated to the promotion of flexible production strategies and the improvement of plant productivity.

However, the implications of greater recourse to in-house contracting are double-edged. The promotion of flexibility based on the use of labour contracting tends to mean that the user firm is exposed to risks associated with the performance of contractors and their employees (MacKenzie 2000, 2002). Challenges for user firm management might include quality control issues and communication problems between regular and contract workers. Considering that critiques of the 'lean production' debate (MacDuffie 1995, Moody 1997; Bradley et al. 2000) highlight the fact that the fragile aspects of the 'just-in-time' production system should be

considered in relation to the performance and resistance of workers, and the potential logistical bottleneck, vulnerability to a firm's production system might be caused by contract workers in terms of comparative levels of skill and commitment, turnover rate and the extent of their grievances, for example. In particular, contract workers' attempts to form their own union alliances (and cooperate with the user firm's trade union) and engage in collective bargaining pose challenges to the labour utilisation strategy of the user firm. In this case, a paradoxical consequence of the use of labour intermediaries is that the increased deployment of contract workers becomes the main source of workplace tension and dispute.

Thus, we must consider that the user firm might need to develop the organisational structure and managerial strategy to enable it to exercise either direct or indirect control over its contract workers and their work performance (MacKenzie 2000, 2002; Pulignano and Stewart 2006). This proposal contradicts the popular assumption that contracting arrangement shifts the focus of labour control from the user firm to the contractors (e.g. Pfeffer and Baron 1988, 266). Such an assumption is based on the notion that the use of labour intermediaries leads to the replacement of employment contracts with commercial relations between firms, such that managerial responsibility for the supervision of workers and employment relationships is transferred to the contracting firms.

This notion has been used to legitimise the disjuncture of workers' employment attachment to the user firm and the disadvantages associated with contracted work, including lower wages and job insecurity in comparison with the regular employees of the user firm. This is observed most notably in the flexible firm model (Atkinson 1987). However, in the context of in-house labour contracting, the notion underpinning the devolution of employment relationships and coordination problems to the contracting firm is questionable. The deployment of contract workers on the premises of the user firm creates conditions under which any given contract worker is subject to the dual managerial control structure of the user firm and his or her employing firm (Coe et al. 2009).

Although the control measures employed and the extent to which the user firm intervenes in the employment practices of contracting firms are diverse, depending on the individual workplace environment, the user firm needs to coordinate the work of contracting firms, as well as that requiring the cooperation of contract and regular workers (MacKenzie 2002; Pulignano and Stewart 2006). It may thus be argued that the move towards the greater use of labour

contracting in direct production areas is likely to lead to increased managerial control over the employment and work of contract workers, since the role played by this external labour force in the production process has become more critical in terms of both flexibility and quality control. Contradictions arise from the desire of the user firm to maintain workplace stability and the expectation that contract workers will perform to a similar standard as that of its regular workers, while the employment relationships of contract workers with fewer employment entitlements are marginalised. As Rubery et al. (2003, 2005) point out, the attempt of the user firm to achieve managerial control over contracting firms and contract workers is a potential source of tension. For example, erosion of the contracting firm's role and authority as an employer creates further confusion and ambiguity within "triangular employment relationships" when workers exercise their rights (ILO 2003; Davidov 2004). Although jurisdiction over such elements of the employer–employee relationship as recruitment, pay and dismissal is in principle held by the contracting firm, in practice, the intervention of the user firm in the externalised employment practices of contracting firms has a very direct influence on the working conditions, pay and other employment benefits of contract workers. This could incite further grievance amongst contract workers, as it questions their employment status in spite of the fact that they work side by side with regular workers and that employment conditions are determined by the user firm.

In the light of the above discussion, this thesis argues that the coordination of workplace changes brought about by increased flexibility attained through the use of contract workers is fraught with tension. Such tension is manifested in the contrast between the pursuit of greater organisational flexibility through the disjuncture of employer attachment to workers, and the need to retain managerial control over employees hired by labour intermediaries in order to ensure quality and consistency of production. Thus, as Barrientos (2008) argues, labour contracting must be understood as a contradictory process that involves both cooperation and conflict between workplace actors.

The thesis advances the arguments that the direction of labour contracting and the experiences of workers are shaped by the coordination of labour contracting and its associated tensions. It is therefore necessary to explore roles and relationships between and within workplace actors, and the manner in which their interactions affect the practices of in-house labour contracting and employment relationships at the firm/industrial level. This examination sheds light on the contradictory nature of the labour contracting system as the utilisation of contract workers with

fewer employment entitlements is expanded from peripheral services to main production activities. Thus, the findings of this study help us to overcome current limits in thinking with regard to labour flexibility and employment relationships in the context of labour contracting.

1.4. In-House Contracting in the South Korean Context

This study conducts an empirical analysis of labour contracting through the case of the South Korean automobile industry. Therefore, an understanding of the situation surrounding in-house contracting arrangements in South Korea is necessary in order to chart an appropriate research course.

A far-reaching transformation of the workplace has occurred in the South Korean automobile industry in recent years, as contract workers have been brought into the main production areas of companies and many of their compound suppliers. In-house contracting is widespread throughout the South Korean manufacturing sector, especially in large and medium-size plants in heavy industries such as shipbuilding, iron and steel, automobile manufacture, chemicals, and machinery. Contract workers were reportedly first utilised in the 1960s when Korea underwent the initial stages of industrialisation. The use of in-house contracting arrangements increased after the rise of the trade union movement, which followed the transition to democracy in 1987 (H.K. Song 1991, 81; J.S. Park 2001, 310). There was little recourse to labour intermediaries for staff procurement before the 1997 East Asian economic crisis. However, the downturn served as the watershed for a rapid increase in non-standard employment and greater recourse to workforce outsourcing amongst South Korean firms. Thus, in-house labour contracting has flourished over the last decade, and the scope within which labour contractors operate has widened to include the main production and service activities of user firms. Consequently, the number of contract workers placed on the premises of user firms has increased considerably, and they are often found engaging in work similar to that performed by the employees of the user firm.

The automobile industry makes extensive use of labour subcontracting. Although there is no official data on the number of contract workers in the automobile industry, interviews with members of staff of union confederations and a review of several documents produced by labour organisations (e.g. the Korea Metal Workers Federation 2004) suggests that the percentage of contract workers as a proportion of the employees of the user firm is over 30 per cent in all five major Korean automobile manufacturers. It was also found that in recent years,

the operations of in-house contracting firms have increased in number and size within companies producing automobile parts.

In-house contracting arrangements in the automobile industry take many forms. Diversity of operations is found in terms of organisational characteristics, including the size of the firm, main type of work, geographical location, and the kind of business/service contract entered into. For example, some contracting firms appear to engage in indirect production activities or auxiliary services, including cleaning, packaging and trucking. However, a considerable number of workers hired by in-house contracting firms are located in direct production areas of assembly plants and related production units of major car manufacturers.

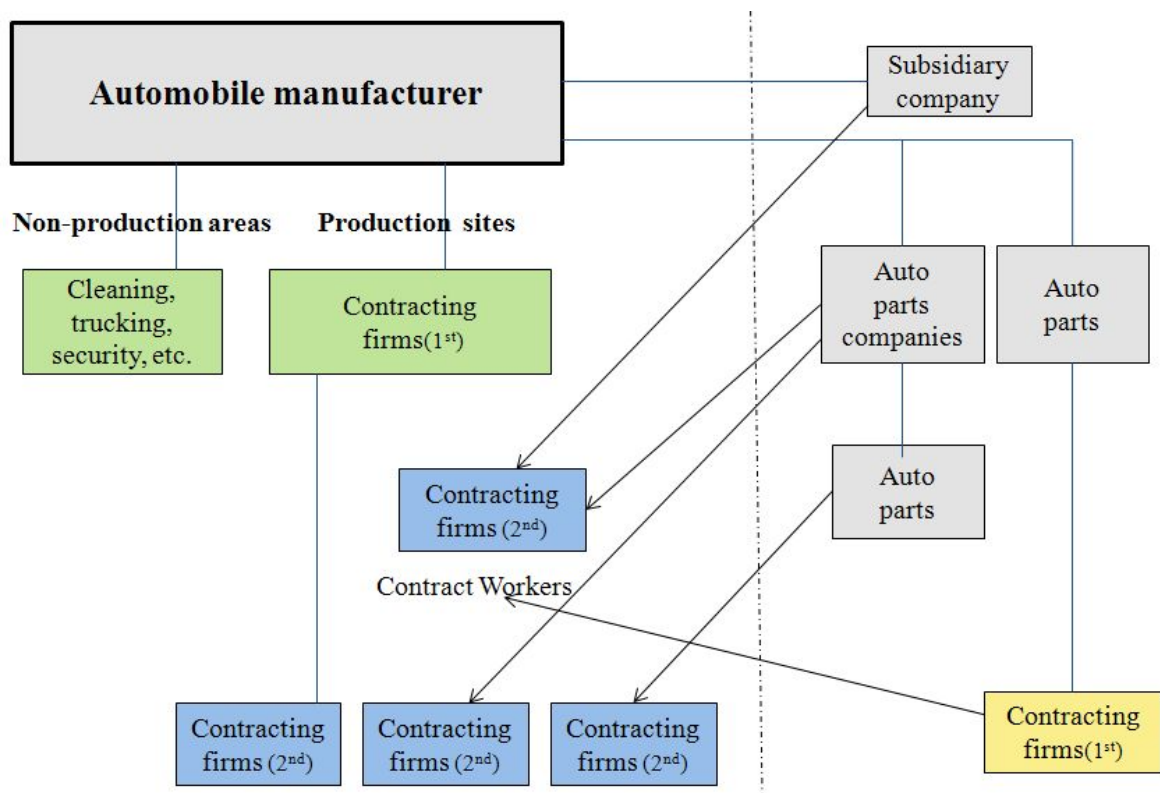
With respect to the direct production type of operation, contracting firms may be divided into two groups according to the contractual agreement with the user firm: primary contracting firms and secondary contracting firms. As shown in figure 1.1, primary contracting firms have a direct service contract with an automobile manufacturer. On the other hand, secondary contracting firms receive their work details from a single auto parts company or engage in service contracts with several component suppliers. Although probably not common, the subcontracting of work by primary in-house contracting firms reportedly occurs at some automobile companies.

Given such a diversity of in-house contracting arrangements in Korean automobile companies, as will be examined in the empirical chapters of this thesis, there is great variation in employment status and working conditions of contract workers. For example, some individuals are employed on relatively secure long-term contracts, while others are reported to be working on a temporary or casual basis. Additionally, it was observed that despite doing similar types of work, there was considerable disparity in terms of wages and employment benefits between employees of user firms and contract workers, as well as among workers hired by different contracting firms.

An examination of labour contracting in South Korea – a country that has undergone economic development as well as rapid changes in labour management and employment relationships in a relatively short period of time – will help demonstrate the various labour issues and problems that arise in the workplace during political and economic transformation. Such an analysis may thus shed light on similar issues experienced by other newly industrialised countries.

South Korea's transformation over the past two decades illustrates a growing disparity in the employment conditions and workers' rights experienced by different groups, thus accelerating the socio-economic fragmentation of the workforce (J.J. Choi Ed. 2005). The escalation in the utilisation of contract workers started at the same time as the state and the private sector began to rely more and more on formal regulations and practices for labour management; and when industrial relations – particularly those concerning large enterprises – became increasingly institutionalised. During this time, collective bargaining was legitimised, wages increased considerably and company welfare programmes for workers were implemented. However, at the same time as employment conditions and rights for regular employees of large and medium-size enterprises were improving, many firms began to utilise labour contracting more extensively, leading to an increase in the number of contract workers.

Figure 1.1 In-house Contracting Arrangements in the Korean Automobile Industry



The above-mentioned discrimination in the employment conditions of contract workers became evident following the increase in labour contracting. Nevertheless, in spite of this noticeable imbalance, issues regarding in-house labour contracting received little public attention or academic interest until the late 1990s. Indeed, during South Korea's sustained period of

economic growth, the problems experienced by contract workers were less apparent, due in part to a high rate of employment. However, in the period of slow economic growth following the 1997 crisis, diminishing job opportunities have prompted more workers to turn to non-standard employment. In recent years, this increase in the volume of non-standard workers, including contract workers, has become a source of socio-economic polarisation that has the potential to create instability in both the workplace and society in general.

In spite of the fact that the number of workers hired by in-house contracting firms has significantly increased in recent years, and many such employees reportedly face poorer working conditions than regular employees of the user firm, no particular legislation has been implemented to regulate the use of contracting firms, or contract workers' rights and relationships with the user firm.

It is thus necessary to distinguish the operations of in-house contracting firms from the business activities of temporary employment agencies in the South Korean context. Two typical forms of labour intermediaries in recent times are temporary employment agencies and contracting firms. The different way of supervision over workers is considered as a key feature distinguishing them: temporary workers are hired by employment agencies and placed in and supervised by the user firm, whereas workers employed by contractors carry out the assigned task of the user firm under the supervision of their own employers and managers (Kalleberg 2000; Kalleberg and Marsden 2005). However, as Kalleberg and Marsden point out, in recent years, some agency temporaries are found to have been supervised by managing staff of employment agencies. There is also empirical evidence that some user firms exercise managerial control over workers of contracting firms. Another distinction between these two labour intermediaries might be the degree of legal restriction. Although many countries in both developed and developing regions have eased restrictions on the use of agency temporaries, most countries still apply certain statutory regulations on temporary agency employment (Betcherman et al. 2001; Coe et al. 2009a,b). These regulations include conditions placed on the hiring and dismissal of workers (restricting, for example, the duration of temporary contracts) and the business activities of temporary employment agencies. By contrast, legal restrictions concerning the use of contracting firms in the user firm site are rarely found in many countries.

In South Korea, the dispatching of labour by temporary employment agencies is subject to legislation. As one of the policy measures for the deregulation of the labour market and

promotion of employment flexibility, the Korean government enacted the ‘Worker Dispatch Law’ in February 1998, bringing the use of so-called ‘dispatched workers’ within the parameters of the law. Nevertheless, labour protection measures have been applied to limit the scope of labour dispatching, the business activities of temporary employment agencies, and the employment conditions of agency temporaries. For example, under current legislation, the use of agency temporaries is allowed in 32 categories of occupation, and the maximum period of service for a temporary worker in the same workplace is two years. The deployment of agency temporaries in the production areas of manufacturing firms has basically been prohibited; and the short-term deployment of agency temporaries for less than six months is only permitted in cases of seasonal change in labour requirements for production. However, unlike the labour dispatching of temporary employment agencies, there is no labour legislation to limit the terms of employment of workers hired by contracting firms on the premises of a user firm. Thus, contracting firms can operate in any location at the user firm and at any time they are required.

The Korean government tends to treat in-house contracting in the same manner as off-site contracting. In response to several legal appeals from contract workers raising the contentious topics of disguised employment relationships and the actual role of the user firm, government departments – including the Prosecutors’ Office – have identified commercial relations between firms and the provision of service by independent business organisations as the key characteristics of in-house contracting arrangements. Consequently, statutory regulations are only resorted to when contractual terms between user and contracting firms are violated, or if the latter fail to comply with labour legislation.

Considerable ambiguity prevails in terms of the rights and obligations of the user firm and contract workers respectively, including the employee status of the latter at the former. Consequently, there is an urgent need to set up more adequate protection measures for contract workers. However, the issue of in-house labour contracting has been largely missing from the agenda in discussions between the government, the business community and labour organisations. A good example of this is the absence of debate between these parties during the three-year preparatory period for the last amendment to the ‘Non-Standard Worker Protection Act’ (enacted in July 2007). Currently, there is no significant move towards legislative change to in-house labour contracting or any sign of improvement in the legal and social protection of contract workers. In this regard, undertaking an investigation into the issues surrounding labour contracting and employment relationships would appear to be a timely undertaking.

1.5. Thesis Outline

This thesis is organised in seven chapters. Following this introductory chapter, which sets the research agenda for the study, chapter 2 is devoted to a conceptual understanding of labour contracting and employment relationships. This chapter reviews the diverse literature surrounding our three thematic approaches: flexible work, informal employment, and protection for workers, in order to obtain a good working knowledge of the research topic. Conceptual gaps in previous studies and significant issues that may shed light on the research questions and our argument ground the analytical framework of the thesis. The last part of this chapter describes the methodology employed in carrying out a case study of the Korean automobile industry. It discusses the selection of automobile companies for examination, the fieldwork process and the challenges encountered in undertaking the research.

The empirical part of the thesis is composed of four chapters. Chapter 3 includes an overview of recent changes in labour contracting arrangements and employment relationships in Korean automobile companies. The remaining three empirical chapters draw more specifically on the analysis in order to answer the three key research questions of changing employment relationships, the roles of workplace actors, and the representation and rights of workers.

Chapter 3 discusses how the use of contract workers has expanded from peripheral services to the main production activities of automobile plants, and the consequences for workplace practice of the greater functional integration of labour contracting into the production process. It details changes in the organisational structure of Korean automobile companies and employment practices, demonstrating the inauguration of new types of work arrangement following the deployment of contract workers alongside regular employees. Attention is paid to the role of in-house contracting in the promotion of organisational flexibility.

This chapter discusses the ways in which labour contracting arrangements have been shaped by labour–management relations and the bargaining process between management and trade union at both company and shop-floor level. Such analysis explains the shift in labour deployment in relation to managerial production strategy and trade union response. By revealing the necessary cooperation and conflicting interests between contract workers and regular employees at work – as well as among other workplace actors – the analysis in this chapter highlights the sources of tension and contradiction associated with changes in labour contracting arrangements and the

subsequent restructuring of the workplace. It highlights some of the grievances experienced by contract workers at the user firm, together with the associated problems faced by regular workers.

Chapter 4 is concerned with the management aspect of labour contracting. It examines managerial policy for the governance of labour contracting arrangements, and the changes it has implemented in its strategy for addressing new developments and challenges arising from the increased use of contract workers. An analysis of managerial problems caused by the expansion of in-house contracting is conducted in order to explore the tension between organisational flexibility and quality control in production processes of automobile plants. This examination illustrates that the control function of user firm management over the employment of contract workers has been enhanced in order to better coordinate the operations of contracting firms and the work performed by contract workers in production areas.

The analysis in this chapter shows that the managerial shift towards greater control over in-house contracting arrangements involves dynamic interaction with other workplace actors such as union organisations, user firm employees and contract workers. An exploration of the extent of managerial control over the employment practices of contracting firms in recent years sheds light on the close involvement of the user firm in the employment relationships of contract workers, as well as the changing forms of labour contracting practice.

In chapter 5, the examination of the tensions and contradictions associated with the utilisation of contract workers in main production areas, and the intervention of the user firm in the terms and conditions of contract workers is continued, while shifting the focus of the analysis to the function of contracting firms in in-house contracting arrangements and the experiences of contract workers at work. This chapter also explores the manner in which the employment practices of contracting firms have been affected by the shift in the use of labour contracting, and the effects that changes in the employment conditions of contract workers have had on labour contracting practices and the contract workers themselves.

Emphasis is placed on problems associated with the brokerage role of contracting firms and the actual function of the user firm as an employer in the utilisation of contract workers. The direct involvement of the trade union in contracting arrangements is also examined in depth. This reveals the dilemma that contractors and their employees face, as the intervention of user firm

management and the trade union brings both advantages and disadvantages. In exploring emerging contradictions associated with contract workers' organisational affiliation with both the user firm and their employing contracting firms, this chapter highlights the consequences of changes in contract workers' attitude to their jobs, as well as the opportunities and vulnerabilities they are subject to.

Chapter 6 considers the effects that the use of labour contracting in main production areas has on worker representation and the collective nature of the employment relationship. Thus, this chapter examines the changes that have occurred in the structure of worker representation and the collective bargaining framework by comparing the experiences of contract and regular workers in this regard. The analysis reveals not only the structural constraints faced by contract workers in their attempts to advance their individual and collective interests in the user firm complex, but also the considerable disparity in grievance resolution between the two types of worker.

This chapter also sheds light on tensions associated with the diversity of interests among contract workers, and the conflicts of interests between and within workplace actors with respect to the union participation and representation of contract workers. The chapter examines the strategies of union organisations in response to the increased use of labour contracting and their attempts to protect the interests of contract workers. It highlights the dilemma inherent in the regular workers' union position and strategy, which affects both contract and regular workers. In addition to the empirical findings of the previous chapters, the analysis of worker representation in this chapter helps us to assess the implications a qualitative shift in labour contracting have for changing employment relationships and the rights of workers.

In chapter 7, the findings of this study are summarised and conclusions are drawn. This chapter includes a discussion of the theoretical and empirical implications of the research findings of our case study of the Korean automobile industry.

CHAPTER 2

CONCEPTUAL FRAMEWORK AND METHODOLOGICAL CONSIDERATIONS

The purpose of this thesis is to understand better the changing nature of labour contracting in terms of its association with the use of contract workers in the main production areas of firms, and its impact on employment relationships. This chapter presents the conceptual framework and methodology that have guided this study.

In the first part of the chapter, the diverse literature on the subject is reviewed, which suggests that the conceptual issues surrounding labour contracting can be categorised into three thematic approaches: flexible work, informal employment and workers' protection. Previous research on these themes has contributed to our understanding of the issues of labour contracting, but there is a considerable discrepancy between conventional analyses and the recently emerging phenomenon of the move towards the use of labour contracting in main production activities that has been identified in some of today's workplaces. This study identifies important conceptual issues that require further investigation, and develops a conceptual framework for analysing the shift in the use of labour contracting and changing employment relationships. The last part of the chapter is devoted to a discussion of the research methods and strategies employed in order to undertake our case study of the Korean automobile industry.

2.1. Conceptual Understanding of Labour Contracting and Employment Relationships

2.1.1. Flexible Work

Labour contracting could be analysed as one of the flexible work arrangements adopted by companies to increase the numerical flexibility of the organisation. In contrast to functional flexibility and other types of adaptability (such as wage scale flexibility), which management adopts in order to adjust the organisational structure and system of work through changing tasks and schedules (e.g. working hours and shift rotation) of employees internally, numerical flexibility is based on restructuring employee numbers and making changes to the employment status of staff in the workplace (Meulders and Wilkin 1987; Standing 1999a; Michie and Sheehan 2003; Van Eyck 2003).

In terms of labour management strategy, it is generally accepted that firms either employ a combination of numerical and functional flexibility or – to a certain extent – alternate between the two (Kalleberg 2001, 484). As far as the theoretical aspect is concerned, the core–periphery model of workforce utilisation has been widely used in the analysis of the relationship between the employment position of workers with different job qualifications and a firm’s strategic use of functional and numerical flexibility. Atkinson’s analysis of the ‘flexible firm’ (1987) and Pfeffer and Baron’s (1988) research into the American labour market are well-known studies of this analytical framework in practice.

Functional flexibility is generally applied to a company’s so-called ‘core workers’ – those employees who carry out jobs that are considered to be crucial to the firm’s operation and performance. According to the flexible firm approach, these regular workers are likely to possess firm-specific skills that they have acquired on the job. As such, management assures them some degree of secure employment, providing training and other opportunities afforded by an internal promotion ladder. Although functional flexibility often involves the intensification of work (Parker and Slaughter 1988; Lewchuk and Robertson 1997), managerial attempts to promote functional flexibility are known to be associated with the desire for improvement in workers’ performance and maintenance of quality control through such methods as teamwork and multi-skilling.

On the other hand, numerical flexibility is seen as being achieved through the utilisation of low-skilled “peripheral workers” and external staff who engage in “low-productive jobs” (Atkinson 1987, 99–104). This work practice is typical of employers who have little regard for the job security of workers they engage on short-term contracts. Thus, the use of contract workers in a firm’s operations is viewed as a managerial strategy to promote greater concentration on the company’s core activities (Harrison and Kelley 1993; Kalleberg 2003, 56). It is argued that a firm engages such peripheral workers in order to protect its core regular workers, as well as to maintain their organisational commitment in the midst of changes in market demand that might require redundancies (Pfeffer and Baron, 1988, 274; Harrison and Kelley 1993; Gramm and Schnell 2001). In this light, Michie and Sheehan (2003) refer to these two types of labour management strategy as ‘high road’ and ‘low road’ flexible work practices.

Although the terms applied, the research focus and the intellectual tradition all vary, our literature review reveals that the core–periphery model is an important element of several

influential approaches that analyse employment patterns and the division of labour. Such approaches include the labour market segmentation theory and the human-capital theory, which highlight the division between regular workers with better education and more training, and low-skilled workers employed on a non-standard basis. Discussions found in previous studies are helpful in forming a general picture of labour contracting arrangements exercised at the firm level. In particular, although the core–periphery concept has been criticised for its dualistic framework (Standing 1999a, 101; Kalleberg 2001, 487), it helps us to grasp the labour utilisation strategies that management employs in subcontracting arrangements; the employment status of contract workers in the user firm; and the segmentation of the workforce.

However, the move towards the use of contract workers in main production areas challenges the conventional view that a firm normally limits the use of its external workforce to peripheral operations and seasonal production activities, whereas the main tasks are assigned to its own employees. The more or less clear division of labour between regular and contract workers by skill level and other qualifications, assignments and duties, and organisational identity has until recently been the key empirical indicator that grounded the analysis of influential labour market theory and thematic debate, most notably in the flexible firm model. Although qualified professionals were sometimes brought in to carry out specialised tasks (Abraham and Taylor 1996, 399; Matusik and Hill 1998), the skill level and job commitment expected of contract workers were considered to be lower than those required of user firm employees. Accordingly, the variation in compensation between the two types of employment was seen as a reflection of the different roles played by regular and contract workers. The conceptual analysis of the core–periphery model was useful for explaining the distinction between regular employees and contract workers in terms of their roles and status, as well as their respective characteristics. Yet, the new phenomenon in the workplace associated with the deployment of contract workers alongside user firm employees performing the same type of work is not well suited to a core–periphery analysis of labour utilisation and organisational structure. Such a conventional analytical framework is not able to fully explain the shift in the use of labour contracting and its effects on employment relationships. Consequently, important issues that could shed light on the research questions of this study still need to be addressed.

One issue that requires further investigation is the management of labour contracting. The deployment of contract workers in the main production areas of Korean automobile companies opens up an area of study that may address the ways in which a user firm manages its

externalised contract workers in this specific environment, and the workplace changes that arise through the increased use of such an arrangement. Our point of entry is the assumption that the enhanced control of the user firm over contract workers and their work performance is necessary in order to sustain in-house contracting as such employees are engaged in main production activities, and the role of labour contracting in the production process subsequently becomes more pronounced.

Several previous studies have attempted to examine the benefits and drawbacks experienced by firms when they utilise non-standard workers in different categories. For example, Standing (1999a) suggests that the main advantage of engaging agency temporaries is that supervisory and administrative costs are reduced; whereas the disadvantages of using these workers are lower levels of commitment and lack of company-specific training. This argument is supported to a certain extent by Polivka, Cohany and Hipple's (2000) study of the characteristics of non-standard workers in the United States, which indicates that the turnover rate (job insecurity) of agency temporaries is much higher than that of direct-hire temporary workers. It has been found that there are differences in the use of contracting arrangements (including off-site subcontracting) across firms and industrial sectors, and the reasons underlying a managerial decision to utilise contract workers are diverse. Cost reduction is frequently cited in the literature as a major reason behind employers' engagement of non-standard workers. It is widely recognised that the implementation of contracting arrangements is one way that management endeavours to 'buffer' its organisational structure and workforce so that fluctuations in production level can be dealt with more efficiently (e.g. Gramm and Schnell 2001; Van Eyck 2003). The disadvantages of the utilisation of contract workers are also highlighted in the literature. These include high turnover problems; the lower morale and organisational commitment of contract workers (Moss et al. 2000); opportunistic behaviour on the part of subcontractors (Harrison and Kelley 1993); the decline of regular workers' company loyalty and deterioration in labour-management relations (Davis-Blake et al. 2003); and a negative impact on the innovative activities of the user firm (Michie and Sheehan 2003).

Given the benefits and drawbacks of non-standard employment practices, it is clear that the expansion of labour contracting to main production areas is accompanied by an increasing number of managerial issues and problems for the user firm. The potential risks of greater recourse to in-house contracting are largely rooted in an underlying motive to expand an

external workforce with fewer employment entitlements; i.e. the promotion of organisational flexibility in tandem with a reduction in labour costs.

As is well highlighted in the lean production debate (MacDuffie 1995, 60–62; Moody 1997, 106–110; Bradley et al. 2000, 45–47), one weakness inherent in enhanced flexible operation and the accompanying ‘just-in-time’ production strategy is that a stoppage in one section of the production flow is likely to lead to disruption in other areas, due to enhanced in-sequence production and reduced tolerances in the time taken to complete designated jobs at work stations, and, indeed, throughout the entire production process. In this regard, it is not difficult to envisage that if a contract worker in a main production area fails to accomplish his or her assigned task within a given period of time, such a shortcoming will interrupt subsequent processes in the chain. Moreover, further serious incidents are likely to occur if a contracting firm fails to meet the operational requirements of the user firm.

A related issue in the increased use of labour contracting is the quality of work carried out by non-standard workers. Evidence from several case studies of the flexible production system (e.g. Humphrey 1993, 1995) reveals that quality control is a key requirement in the realisation of flexible production and just-in-time operation. Quality control in the production process is important in terms of the company’s reputation for product reliability. Thus, it is evident that varying degrees of employee involvement notwithstanding, many firms worldwide – including automobile companies – are placing great emphasis on quality improvement and employees taking greater responsibility for their work, including self-inspection and the quality circle (Kochan et al. Eds. 1997; Freyssenet et al. Eds. 1998; Pulignano 2002).

The significance of quality and consistency of production in the course of a company’s pursuit of greater flexibility suggests that the deployment of contract workers in main production areas requires managerial effort on the part of the user firm to ensure workplace stability and the requisite level of skill and responsibility from contract workers. This implies that user firm control over the performance of its contract workers is an essential part of the management of labour contracting when an external workforce that has a greater influence on day-to-day operations and product quality is brought into the production areas of the company (MacKenzie 2002; Pulignano and Stewart 2006).

Therefore, with regard to our case of the Korean automobile industry, important questions are raised about the kind of problem that emerged after the introduction of contract workers to the direct production areas of car manufacturers, and how management has dealt with the consequences of its active pursuit of in-house contracting. It thus appears necessary to examine the strategies and measures that have been implemented in the management of contract workers, whose level of organisational commitment and morale is known to be lower than that of regular employees.

The assertion of managerial control over externalised contract workers by the user firm has important implications for the employment relationship. Such a relationship has traditionally been regarded as a reciprocal arrangement between the workers who are willing to subordinate themselves to managerial authority in order to perform given tasks, and an employer that provides job security and benefits for a specific period of time (Streeck 1987, 293; Supiot 2002, 153). Thus, employment relations require a certain level of organisational commitment from the workers and responsibility for the well-being of its staff on the part of the employer. In this regard, employment relationships have been seen not only as reflecting legal obligations but also as representing “a social contract, endowed with tacit expectations and embedded in the relations of trust” (Peck 1996, 33).

However, rights, obligations and responsibilities that are underlined in the bilateral employment relationship are called into question when contract workers are placed on the user firm site and management exercises control over the work of these external workers (Marchington et al. Eds. 2005). The engagement of in-house contracting firms in the production areas of the user firm is likely to lead to the direct involvement of their employees in regular workers’ areas of operation, and close interaction with the management and staff of the user firm. Consequently, the employment conditions of contract workers are affected by the user firm’s production system and the involvement of its management and employees in the day-to-day activities of such non-standard workers. Thus, the employment status of contract workers is characterised by “triangular (or multiple) employment relationships” in inter-firm settings (ILO 2003; 2006).

Therefore, an exploration of user firm control over contract workers is necessary because it sheds light on contradictions in the labour contracting system. It also points out the tensions between the user firm’s pursuit of organisational flexibility and its desire to keep quality and consistency of production. Under the regulatory framework underpinning a bilateral

employment relationship, an employee's contract with a contractor means the severance of the employment attachment between the contract worker and the user firm. The inferior employment conditions to which contract workers are subject – including lower wages and greater job instability than regular employees – are manifested as a consequence of such terms of employment.

In spite of the recent assertion on the part of the ILO (2003, 2006) and some researchers (e.g. Davidov 2004) of the existence of a 'triangular employment relationship' in which a contract worker is engaged with the user firm and his or her employing contracting firm, the labour laws of many countries do not yet recognise the legal responsibilities of the user firm with respect to employment relationships and the rights of contract workers (ILO 2003, 50). The main reason behind the non-recognition of labour laws on the contract workers' employment relationship with the user firm lies in the assumption that contracting leads to the devolution of labour control and employment-related issues from user firm to contracting firms, and, subsequently, contractors as employers have control over the employment conditions of contract workers. This notion may be relevant to the situation in which contract workers are engaged in peripheral or auxiliary work, as the tasks given to external workers are comparatively insignificant to the production process and user firm management pays little attention to the employment practices of contracting firms.

However, the deployment of contract workers alongside regular employees in main production areas of firms calls into question such a concept, underpinning the 'externalisation' of work and shift in the focus of labour control from the user firm to the contractors. Thus, this thesis considers that the user firm's move towards greater flexibility based on the use of labour contracting in production areas is likely to result in a push for greater managerial control over externalised contract workers in order to sustain quality and consistency of production. Furthermore, contract workers' rights and obligations to their employers (the user firm and the employing contracting firms) become ambiguous and complex when user firm management intervenes in the work and employment conditions of contract workers (Rubery et al. 2003; Marchington et al. Eds. 2005).

Moreover, contradictions in labour contracting arise from the user firm's attempt to break its employer's link with the workforce while at the same time retaining managerial control over contract workers. It is therefore important to recognise the tensions and contradictions inherent

in the labour contracting system in order to better understand the shift in the use of labour contracting and its impact on employment relationships.

These considerations suggest that there is a need to examine the particular forms of employment relationship that exist in the in-house contracting arrangement; the multiple organisational affiliations of contract workers; and the impact of the user firm's intervention in the externalised employment systems of contracting firms. It also appears necessary to examine the ways in which the user firm exercises managerial control over contract workers and their work performance, and the associated tensions and contradictions that arise when contract workers are engaged in main production activities.

A related area that should be examined is the role of the contracting firm in a jointly supervised workplace. As mentioned in chapter 1, little light has been shed on the employment practices and work arrangements of labour intermediaries. Given the nature of in-house labour contracting, it is not difficult to conceive that the business operations of in-house contracting enterprises are realised through contractors' efforts to accommodate the desire of the user firm to take advantage of an external workforce, and through the capacity of in-house contractors to channel workers who receive comparatively few employment benefits and entitlements into their firms.

However, in-house contracting firms are by no means homogeneous. Although a contractor has little room to manoeuvre in the terms of its service contract with the user firm, as an independent enterprise it has some flexibility in how it pursues the promotion of its business and seeks to make a profit. Indeed, the business strategies of contractors are diverse and their labour management styles are equally numerous. Various factors – including the pressure it is able to apply to the user firm to reduce costs, the type of service contract it signs, and the competition among contractors – could affect the kind of business strategy the contractor employs, as well as its employment practices.

In considering the great variation in the extent to which small-size firms and micro-enterprises in developing countries comply with regulations (Portes, Castells and Benton Eds. 1989; Tokman and Klein Eds. 1996), we might reasonably assume that such a variation also applies to the compliance of in-house contracting firms with the wide range of labour and social security regulations. It is also doubtless that the kinds of employment benefit and entitlement that

workers receive from contracting firms are diverse, even among those in the same workplace. This indicates the importance of exploring the employment practices and labour management styles adopted by in-house contracting firms. Accordingly, a detailed investigation into the roles played by contracting firms and the characteristics they reveal when they operate in the main production areas of Korean automobile companies is necessary.

The final issue that requires further investigation is the position of regular workers and the strategies of trade unions with regard to the increased use of labour contracting in main production areas. The employment relationship has been seen as the key to defining the organisational affiliation and identity of workers, as well as the traditional structure of union organisations. In this light, the use of labour contracting does not only involve the restructuring of work done by regular workers and the undermining of the internalised employment system. The use of labour intermediaries also has the potential to erode the organisational capability of the trade unions. Given such negative effects of non-standard employment practices and contracting arrangements, in the past, workers and trade unions generally opposed the use of non-standard employees (Heery et al. 2004; Mather 2004). However, in recent years, various internal and external forces – including new technology and the intensification of competition in the international market – have put trade unions and regular workers in a passive position as they deal with the managerial pursuit of greater flexibility based on the use of non-standard workers and/or the outsourcing of certain company operations (Locke, Kochan and Piore Eds. 1995). Consequently, standard employment relationships have begun to break down and the numbers of non-standard workers, including contract workers, have increased.

Yet, the passivity of regular workers and trade unions in response to the implementation of labour contracting does not mean that their role is a minor one. The success of a flexible production system requires workers' cooperation (e.g. Babson Ed. 1995). Moreover, the attempt to make use of an external workforce in main production areas involves negotiation with trade unions, since such labour utilisation directly affects the working conditions of regular employees. This implies that the trade union continues to be a mediator, influencing labour contracting arrangements and employment relationships regardless of the firm's move to a greater use of contract workers.

This consideration indicates the importance of examining the position of regular workers and the strategies employed by trade unions in response to the increased use of contract workers in

Korean automobile plants. It is necessary to explore the changing positions and interests of regular workers as the deployment of contract workers expands. It is also essential to explore the ways in which trade unions' involvement in contracting arrangements and the employment conditions of contract workers have affected user firm policy and the employment practices of contracting firms.

2.1.2. The Informal Economy Approach

Informal employment is a research area of which the issue of labour contracting has increasingly been linked. Recent discussion on the informal economy (e.g. Canagarajah and Sethuraman 2001; ILO 2002a, 2002b; Lund and Nicholson 2003; Chen 2004b) has shed light on the relationship between subcontracting arrangements and the informal employment in which an increasing number of workers are engaged. It demonstrates that a substantial number of contract workers are employed on a casual or temporary basis (thereby lacking employment benefits and workers' rights) at various points in the production systems of major manufacturers and in service firms. A trend involving the flourishing economic activities of small-size firms and micro-enterprises, whose degree of compliance with labour legislation is known to be low, together with their growing reliance on contracting arrangements, is also documented in the literature.

It has been demonstrated that the expansion of non-standard employment and an increase in the engagement of labour intermediaries have blurred the boundary between the formal and the informal economies in recent years (ILO 2002a, 2002b; Chen 2004b). Moreover, although more people are now wage earners than ever before, employment relationships have become increasingly flexibilised and informalised (Standing 1999b; Barrientos and Barrientos 2002). By drawing attention to this phenomenon, recent studies from the ILO and other research into the informal economy have expanded the analytical focus of the so-called 'urban informal sector' to include unprotected non-standard workers.

With regard to this thesis, an understanding of the fact that there are various types of employment status among contract workers, and that some of them are hired without proper contracts or employment entitlements, raises the necessity of examining the issues surrounding informal employment practices and their relation to labour contracting. It is therefore essential to explore the conceptual issues of informal employment and the shortcomings of previous studies.

The evolution of the debate around informal employment has been accompanied by an enquiry into the concept of the informal economy (sector) and an overhaul of the analytical tools used to probe it. In fact, an attempt to conceptualise informal employment could create substantial confusion because of the diverse definitions and types of job included in the context of this sector in the available literature. Indeed, various views on informal employment have emerged in the literature since the ILO Kenya Mission (1972) introduced the concept of the informal sector. Nevertheless, as informality is conceptually identified with regulations and/or the size of business units, the economic activities of individuals who voluntarily or involuntarily deviate from the legal framework have typically been referred to as falling under the umbrella of informal employment (e.g. Castells and Portes 1989; de Soto 1989; Smith Ed. 1990; Rakowski Ed. 1994; ILO 2002a).

Furthermore, as informal enterprises are defined as unregistered small business units operating outside the usual regulations, small business operators and employees engaged in the business activities of micro-enterprises are also treated as informal workers. In this regard, Portes and Sassen-Koob (1987, 31) define the informal economy as “the sum total of income-earning activities with the exclusion of those that involve contractual and legally regulated employment.” In their work on micro-enterprises in Latin America, Tokman et al. (1996) view informal workers as those with small-size firms employing fewer than ten people. Thus, in the literature on the informal economy, the analysis includes various types of job ranging from small manufacturers to those engaged in subsistence income-generating activities such as street vending.

Previous studies have contributed to our understanding of the heterogeneity of informal workers and the complex nature of informal employment, including the vulnerabilities and opportunities experienced by these workers. For example, along with the emphasis placed by Hart (1973) and the ILO World Employment Programme in the 1970s on the income-generating and employment opportunities available to rural migrants and urban dwellers, De Soto (1989) describes informal activities as ‘productive’ and ‘entrepreneurial’, arguing that the proliferation of urban informal workers and micro-enterprises resulted from excessive state regulation. In reviewing relevant studies published after the late 1980s (e.g. Portes and Sassen-Koob 1987; Castells and Portes, 1989; Rakowski Ed. 1994; Tokman and Klein Eds. 1996), it is observed that researchers are in agreement that a considerable number of workers in developing countries prefer to remain in the informal sector of the economy in order to increase their

earning potential, in spite of the fact that they lack long-term job security and the benefits of social programmes. In contrast to such voluntary and dynamic aspects of informal employment, it is also evident that a great many informal workers engage in marginal and unproductive survivalist economic activities (ILO 2002a, 21; Nurul Amin 2002, 24-27), and that considerable numbers of them suffer hazardous working conditions.

However, in addition to the diversity of economic activities that are considered informal, the use of various alternative concepts and criteria for the classification of informal workers – which different researchers and institutions have employed in the particular sectoral and national contexts they were investigating – has created conceptual confusion, making the use of the key analytical concept of the informal economy of debatable value (Nurul Amin 2002; ILO 2002a).

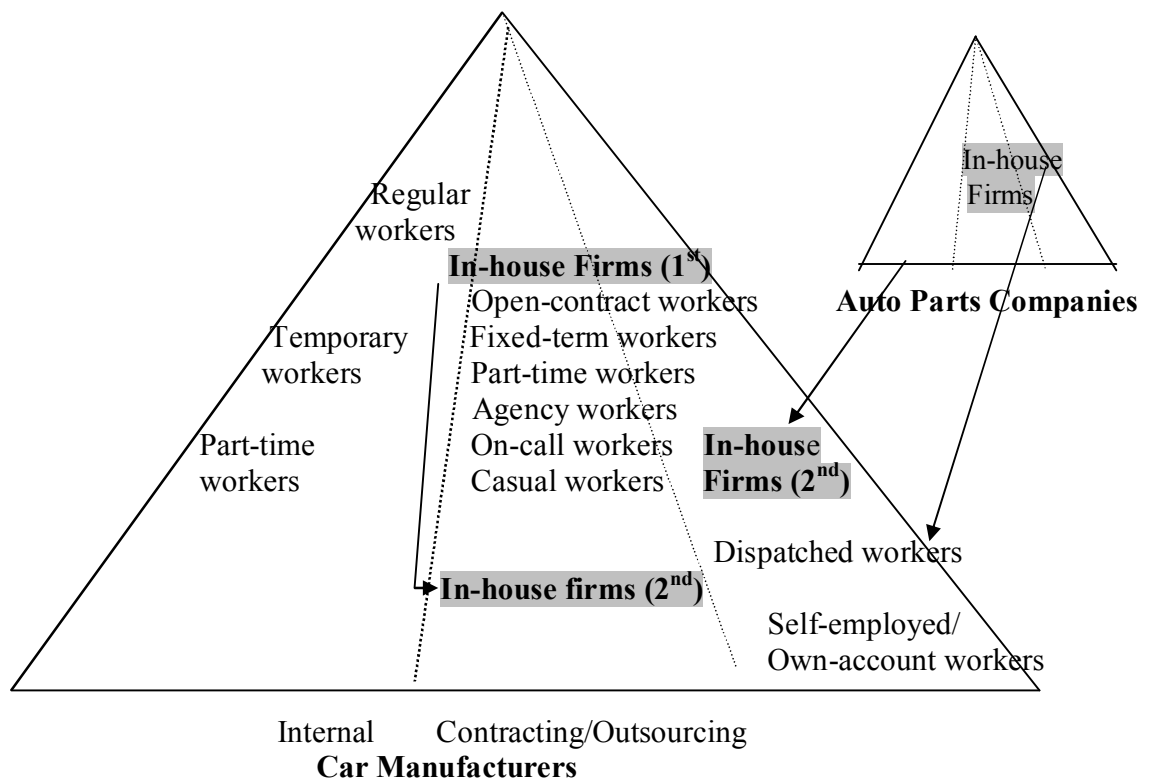
In this regard, the ILO's redefinition of informal employment, which was ratified by the 90th Session of the International Labour Conference (ILC) in 2002, is useful in understanding employment practices associated with in-house labour contracting. Along with enhanced emphasis on the continuum notion, which highlights the interrelationship of the formal and informal economies, the ILO 2002 definition includes unprotected temporary and part-time work in formal enterprises in the category of informal employment (ILO 2002b; Chen 2004b). According to the ILO amendment, workers whose employment status is “not recognized, registered, regulated, or protected under labour legislation and social protection” are classified as informal workers (Paragraph 9 of the resolution concerning decent work and the informal economy of the ILC, included in ILO 2002a). By shifting focus from an analysis of the activities of enterprises to one regarding the employment of workers (Chen 2004a, 2004b), the ILO's new approach puts more emphasis on aspects of labour protection in terms of workers' livelihoods.

In taking into account recent debate on flexible work and informal employment – as illustrated in figure 2.1 – we may suppose that, as in other firms in the manufacturing and services sectors, there are several terms of employment in in-house contracting firms. These include open-ended contract work, temporary work, part-time work, staffing agency work, casual work and on-call work. By drawing on the continuum notion of formal and informal employment (ILO 2002b), we can assume that some contract workers are engaged on a short-term basis (with or without an employment contract), whereas relatively long-term contracts and secure employment

benefits are enjoyed by other contract workers – those located closer to the formal end of the employment continuum.

In this regard, two points should be emphasised. First, contract workers are subject to diverse employment relationships, as their status varies and labour contracting arrangements take many different forms (Barrientos 2007). Such variation is reflected, for example, in the patterns of recruitment that contracting firms adopt; the type of contract that workers are offered (including its duration); and the type of job they are assigned. In this connection, it is likely that conflicting interests develop among workers of different statuses within and among contracting firms, as well as between management and employees.

Figure 2.1 Types of Worker in In-house Contracting Arrangements



Second, the organisational circumstances under which in-house contracting firms operate on the premises of the user firm are likely to promote the recruitment of a large number of non-standard workers. As highlighted in the previous section, in addition to reducing costs, obtaining the numerical flexibility to deal with changes in the user firm's production system and market demand is a major reason why labour contractors are more flexible in hiring staff. Given the uncertainty of the user firm's production volume and schedule, contracting firms

need to create their own buffers in terms of organisational structure and employee numbers. Thus, contract workers' employment conditions are largely determined by contracting firms' relationship with the user firm and the need to continue servicing user firm contracts.

This highlights the fundamental source of the vulnerability faced by contract workers, as their job security is likely to be jeopardised by user firm adjustment in its use of contracting firms and the overall number of contract workers it requires. It is thus worth noting that contract workers employed on a formal contract (even those with substantial employment entitlements) cannot be considered to be employed on an equal footing to regular workers.

In recognising these issues, the present study explores the varying types of employment status of contract workers, as well as the related employment practices and work arrangements adopted by contractors. It also appears necessary to explore the manner in which contracting firms deploy and manage contract workers in relation to the production activities and labour management strategies of the user firm.

The informal economy approach has advanced our understanding of the differing employment conditions of contract workers and the problems faced by unprotected non-standard employees. However, research into the informal employment sector has hitherto tended to focus on the peripheral activities of labour contracting in the user firm's overall operation, which mainly consist of non-production and auxiliary services, together with economic activities outside the regulatory framework. Similar to the way in which the debate around flexibility has been limited in capturing the changing nature of labour contracting, the literature on the informal economy lacks an adequate discussion of the expansion of labour contracting in the direct production activities of firms and the problems associated with this practice, owing to its focus on non-standard workers' engagement in peripheral services and their precarious employment conditions.

Although research into contract workers' engagement in peripheral work and the protection offered to these workers is still valuable, the fact that the use of labour contracting in Korean automobile plants has increased in recent years prompts us to consider expanding the debate from the informal economy perspective to include contract workers placed in main production. In this respect, research into in-house contracting firms and their employees should now include

an analysis of the effects that changes in labour contracting arrangements have on the employment conditions of contract workers.

It is hoped that such an analysis will shed light on the changes to informal employment practice that labour contractors have made through the expansion of labour contracting to include main production activities. It will also help us to better understand the influence of the user firm on the employment conditions of contract workers, and the implications for employment relationships and workers' rights. Our consideration of conceptual issues next turns to the contemporary discussion on protection for contract workers.

2.1.3. Protection of Workers

A central concern emerging from the issue of increased labour contracting is that the existing labour protection mechanism for workers does not apply to many contract workers (ILO 2002a: 2003; 2006). A quick look at the evolutionary process of employment relationships in Western countries suggests that employment laws and labour regulations have historically leant towards managerial prerogative and, given asymmetrical employer–employee power relations, the unionisation of workers and subsequent espousal of collective bargaining have been used to redress this imbalance of power (Cobble and Vosko 2000; Deakin 2002). Moreover, the employment contract was used by the state as a mechanism for “channelling the risks of insecurity throughout the workforce as a whole through the social insurance system, and using social security contributions and income tax to support the public provision of welfare services” (Deakin 2002, 191). Consequently, employment entitlements became linked with social protection measures managed by the state, so that having a full-time job guaranteed workers a certain level of economic and social protection under labour regulations and social security laws (Supiot 2002, 149).

This overall picture of the linkage between employment relationships and the protection of workers demonstrates the risks associated with non-standard employment in developing countries, particularly those pertaining to labour contracting. As many contract workers' jobs are unstable and short-term, a major hazard they face is income insecurity. Indeed, when workers are not enrolled in public social security schemes, they are particularly vulnerable in times of illness and unemployment, or when work-related risks, including industrial accidents, occur. Such hazards reduce contract workers' opportunity to advance their education and training – and thus their income-earning potential – throughout their working lives. Given their

lack of coverage under pension programmes, maintaining a reasonable living standard after retirement is difficult (Canagarajah and Sethuraman 2001, 18–19; Lund and Nicholson 2003, 17). The unfavourable situation that contract workers find themselves in within the labour market and their position in respect of labour organisations also make it problematic for these workers to have their interests represented and improve their employment conditions.

With regard to the question of promoting legal and social protection for non-standard workers at a time of increased employment flexibility, observing that the traditional notion of the employee (and/or employer) in terms of labour regulations and social security programmes does not reflect changing employment relationships, some scholars highlight the need to broaden the scope of labour laws and social security coverage (e.g. Dickens 2004; Davidov 2004, 738). In examining the problems faced by contract workers (including higher levels of occupational risk, disguised employment relationships, and the ambiguity of multiple employment relationships), the ILO (2003, 2006) in particular stresses the need for an institutional approach to the mitigation of social exclusion resulting from loopholes in the law. Moreover, the concept of ‘flexicurity’, which is based on a trade-off between the promotion of employment flexibility and an increase in social protection programmes (including generous unemployment benefits), has been suggested by scholars such as Madsen (2002) as a way of simultaneously increasing employment rates and protecting non-standard workers from lower levels of job security.

The literature also shows that social dialogue and collective agreement between labour market institutions such as the government, employers’ groups, and trade unions at national and industrial levels are crucial in improving the employment conditions of non-standard workers (Ozaki Ed. 1999; Auer Ed. 2001). At the firm level, active trade union strategising during collective bargaining with management; its representation of non-standard workers; and its cooperation with regular workers have all been found to be important factors in determining how effectively the employment and social security rights of non-standard workers in several developed countries are promoted (Ozaki Ed. 1999; Auer and Daniel Eds. 2002; Pulignano 2004, 2005).

In observing the policy discussions of previous studies, we note that the options open to the state and other social partners at the national level have in the main been well addressed, as has the role of regular workers and their trade unions in improving the working and employment

conditions of non-standard workers, including contract workers. Nevertheless, it is also apparent that the measures suggested for improving the protection of non-standard workers are mainly based on cases of industrialised countries. The reality observed in many developing countries in terms of the protective measures afforded to non-standard workers is more complicated; and extending legal and social coverage to non-standard workers is invariably a subject of contention among different interest groups. Indeed, in this respect, the challenge in any given country is associated with multilayered issues that range from the individual level to the state level.

For example, in some developing countries that were once subject to repressive labour policies under previous authoritarian regimes, confrontational industrial relations between the state, large-size corporations, and trade unions have hindered the evolution of a situation conducive to social dialogue and bargaining that might improve the employment conditions of non-standard workers. Although a few countries have recently confirmed that some non-standard workers have formed self-organisations or found a place within the trade union movement, thereby increasing their influence (ILO 2002a), due to their irregular employment status, such workers often find it difficult to join the unions at their workplaces. Moreover, the priorities of most trade unions are still employment stability and the work-related issues of their existing members.

In addition, our literature review suggests that the risks and opportunities faced by non-standard workers take diverse forms across workplaces and industrial sectors. In a similar vein, as the motives for and conditions under which people engage in contract work no doubt differ, the outcomes of jobs that have fewer benefits and limited security may also vary considerably. The desirability of engaging in non-standard work and the satisfaction found therein also depends on each individual's needs and situation. For example, it could be assumed that young workers with low educational levels take advantage of temporary jobs in contracting firms in order to gain work experience. We might also surmise that contractors offer certain incentives to some workers in order that they might submit to close supervision. In this regard, it seems likely that both the vulnerabilities and the opportunities of contract work affect the interests and attitudes (towards both user and contracting firms) of contract workers employed on the premises of the user firm, as well as their representation in the workplace.

This leads to the argument that there is an intricate connection between the interests of workplace actors in terms of the enhancement of protection for contract workers. Therefore, in order to understand the implications of the use of external workers in main production areas with regard to their rights and protection, it is necessary to conduct an empirical analysis that examines the conflicting interests as well as collaborative efforts between and within workplace actors. Such an investigation could shed light on the consequences of increased labour contracting in main production areas in respect of the rights and representation of contract workers, and the inherent limitation to the protection of non-standard employees in the context of labour contracting. It will also help to advance our knowledge of the experience of contract workers placed in main production areas of the user firm, and such related issues as their interest in and concerns about engaging in contract work.

2. 2. Conceptual Framework

In the previous section, the conceptual issues surrounding the research themes of this thesis were explored by conducting a literature review in the areas of flexible work, informal employment and the protection of workers. This survey demonstrates that while certain issues related to labour contracting and changes in the workplace have been discussed in some depth, the scope of these previous studies was limited in its explanation of the use of labour contracting in main production areas of firms and its impact on employment relationships. Thus, while employing the conceptual findings identified through the literature review as our point of departure, this thesis seeks to broaden our understanding of the qualitative shift in the nature of labour contracting.

The practices of labour contracting are structured around dynamic interactions between and within workplace actors – user firm management, contractors, labour organisations, user firm employees, contract workers and the state – such that the cooperation and conflicts effected between them are intertwined. The thesis thus develops a framework for analysing in-house labour contracting in Korean automobile companies based on a conceptual understanding of the structures by which labour contracting arrangements are made. As one of the key arguments it posits, this thesis emphasises the need to examine the interaction between and within workplace actors, and to place this interaction at the heart of our analysis of employment relationships arising from the use of labour contracting in production areas. The complex relationships between workplace actors exist in the context of tension between coexisting internalised and

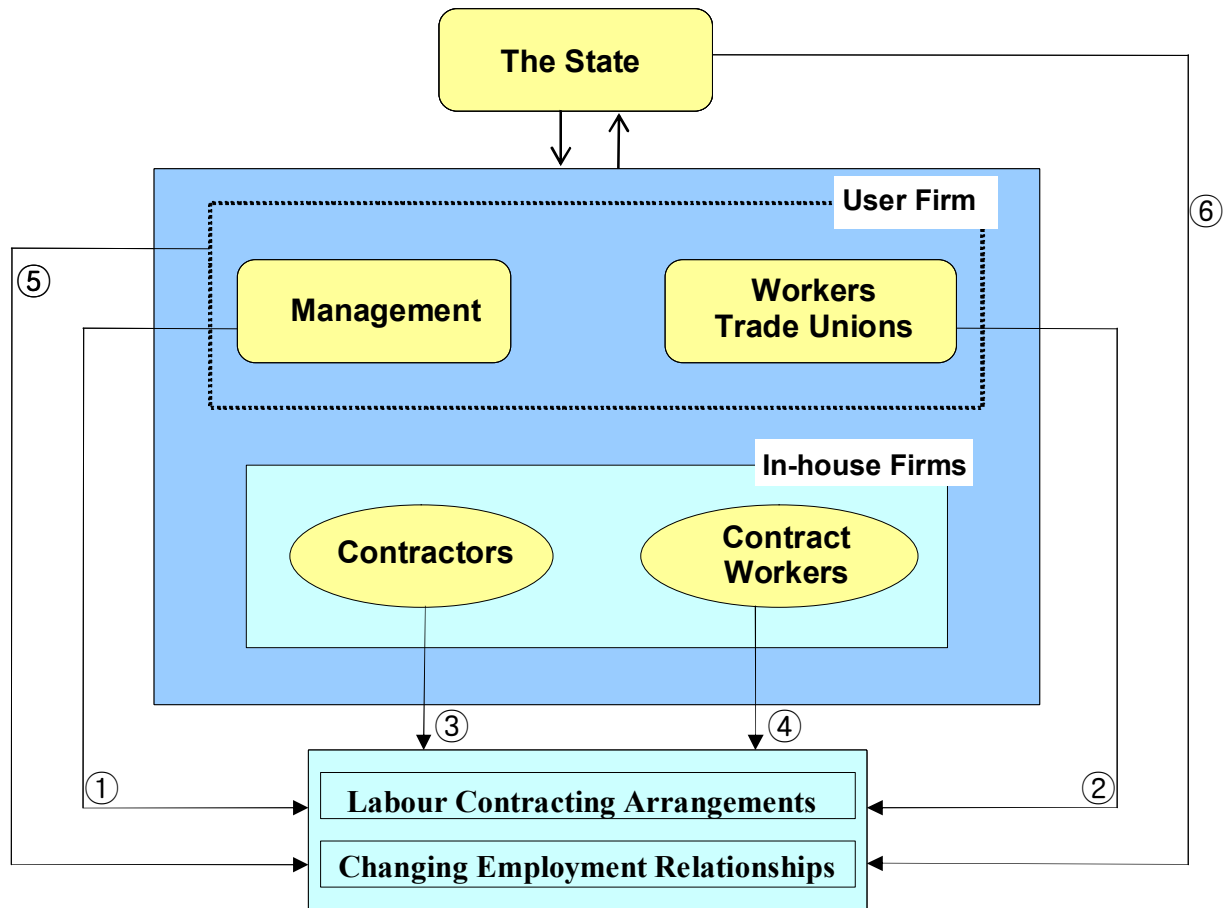
externalised employment relationships. Therefore, it is necessary to explore the roles and relationships between workplace actors involved in labour contracting. As illustrated in figure 2.2, the analytical framework of the thesis comprises six vital elements that warrant further exploration: (1) user firm labour management strategies; (2) trade union strategies and the position of regular employees; (3) contractors' employment practices; (4) the opportunities and vulnerabilities to which contracted work is subject; (5) industrial relations and collective bargaining structures at company and national levels; and (6) government policies and regulations.

Given the deployment of contract workers on production sites alongside user firm employees, it can be assumed that each actor's position and strategy affects those of other actors involved; and that, in turn, changes occurring in the workplace influence the conditions under which management and employees of the user firm and its contracting firms engage in their work. There are different interests among the various groups and individuals that comprise each discrete workplace actor – for example, union representatives at different levels and contractors involved in different production processes – and the diverse interests and positions of each of them directly or indirectly influence the ways in which the collective actions and strategies of workplace actors evolve.

In particular, given the varying forms of work and employment status of contract workers (for example, those hired by primary or secondary contracting firms; those employed on long-term or temporary bases; and those on casual or informal contracts), the conditions under which such employees engage in their work are so diverse that levels of job satisfaction and behaviour patterns vary considerably. A review of the literature addressing informal employment and workers' protection highlights the importance of exploring the working conditions and characteristics of contract workers with different employment statuses, and the opportunities and vulnerabilities that they experience. With respect to the firm's move towards the use of labour contracting in main production areas, it is of particular importance to examine the change in the ways in which the user firm management and contracting firms manage contract workers and to explore the changing employment status and working conditions of contract workers as a consequence. One of the arguments put forward in this regard is that the intervention of user firm management and/or the trade union in the employment practices of contracting firms shape contract workers' terms and conditions as well as their workplace

relationships, and that the changes in the employment conditions of contract workers affect the job attitudes of contract workers themselves and the practices of labour contracting.

Figure 2.2 In-house Labour Contracting: Framework of Analysis



- ① User firm labour management strategies
- ② Trade union strategies and position of regular workers
- ③ Contractors' employment practices
- ④ Opportunities and vulnerabilities of contract work
- ⑤ Industrial relations and collective bargaining structures at company and national levels
- ⑥ Government policies and state regulations

Indeed, the positions and attitudes of user firm employees towards the deployment of contract workers are diverse. It can thus be argued that the individual needs of regular workers and their working conditions have to a large extent shaped their specific responses to the involvement of a trade union in the welfare of contract workers. The varying positions and perspectives of regular workers and contract workers sometimes create dilemmas for labour organisations (trade unions and contract workers' organisations), particularly when the strategies they choose to employ lead to adverse consequences. Thus, the complexity of relationships resulting from

the increased use of in-house labour contracting in production areas creates conflicting interests and compromises between and within workplace actors, as well as dilemmas that actors must confront when their strategies are implemented. Such relationships are also manifested in problems related to the improvement of protection measures for contract workers.

Therefore, this thesis supports the argument that labour contracting must be understood in terms of employment relationships (ILO 2003, 2005) and a contradictory process involving the cooperation and conflicts between actors (Barrientos 2008). The interaction that takes place in the context of labour contracting not only includes the bilateral relationship between employers and workers that is based on a contract of employment within contracting firms, but also the work activities and relationships that management and workers of both the user firm and its contracting firms experience during the day-to-day operations of the workplace. It is thus necessary to analyse dynamic interactions between workplace actors in order to understand the employment relationships resulting from the increased use of labour contracting. Such an analysis can provide us with a useful tool for capturing the process of change involved in the labour contracting arrangements of Korean automobile companies.

It is not only necessary to examine the roles and relationships between workplace actors in shaping the practices of in-house labour contracting at the company level; it is also of critical importance to identify the intrinsic tensions and contradictions in the deployment of contract workers with fewer employment entitlements in main production areas if we are to reach a better understanding of this fundamental shift in the nature of labour contracting and its implications for employment relationships and the rights of workers.

This thesis considers that the user firm's simultaneous pursuit of greater flexibility and greater control over contract workers is the key source of tension when labour contracting is expanded to include main production activities. In a context in which contract workers are deployed alongside regular employees, the emerging challenge for user firms is how they manage and control an external workforce to the degree that still maintains quality and consistency of production and workplace stability. Tensions and paradoxes associated with the coordination of labour contracting are compounded by conflicts of interest and attempts at compromise between and within workplace actors. In this regard, there is a need to examine how tensions inherent to in-house contracting arrangements are managed and mediated in the workplace in order to adequately understand the shift in the use of labour contracting in the production

process. This analytical focus allows a better grasp not of only the ways in which such tensions play out in shaping the orientation of labour contracting and employment relationships, but also helps to reveal the different outcomes of such practices across company environments.

The following sub-questions have been developed in order to examine the analytical issues outlined above. These help us to answer our three main research questions and to conduct an empirical analysis of labour contracting in Korean automobile plants. A detailed discussion on the analytical dimensions of the sub-questions and the data gathered for the investigation is to be found in appendix 1.

User firms (car manufacturers and auto parts manufacturers):

- Why has management pursued the policy of in-house labour contracting, and how has it secured the cooperation of its contracting firms?
- What strategies and measures are employed to manage contract workers and their work performance as they engage in main production activities?

In-house contractors:

- What different types of in-house contracting firm are there, and what is the role of the labour contractor in a jointly supervised workplace?
- How do contractors manage their employees in the particular context of multiple employment relationships?

Labour organisations:

- What policies towards labour contracting have labour organisations (trade unions and contract workers' organisations) adopted, and what dilemmas and constraints are their strategies subject to?

Regular workers:

- How do user firm employees perceive contract workers, and what impact has the increased number of contract workers had on the working and employment conditions of the former?

Contract workers:

- What vulnerabilities as well as opportunities are in contract work, and what significant differences are there between it and regular work in terms of employment conditions?

- What is the nature of the multiple affiliations that contract workers have with the user firm and their employing contracting firms, and what types of working relationship are there between contract workers and regular employees?

The state:

- How and to what extent do state regulations affect the utilisation of contract workers by automobile companies, and what is the government's position on issues regarding in-house contracting?

2.3. Methodological Considerations

This study consists of an empirical investigation into the Korean automobile industry in order to examine the shift in the use of labour contracting and the employment relationships that have subsequently arisen. The research strategy this investigation has adopted is a case study approach that mainly utilises qualitative methods. Case studies are useful in exploratory work (Robson 1993, 43; Frankfort-Nachmias and Nachmias 1992, 142); and accordingly, the case study this investigation undertakes is instrumental in obtaining information on our subject (Stake 2003, 135–137). Since there is limited knowledge about what really happens when contract workers are deployed alongside regular workers in main production areas, case studies of specific automobile plants are required in order to collect the primary data that constitutes the body of this thesis. Given the problems associated with researching the automobile industry – due in part to the large size of companies, both physically and in terms of numbers of workers – a case study approach is an appropriate method for conducting a detailed analysis. As Stake (1994, 2003) points out in his work on the methodological considerations of case studies, researchers who perform such studies tend to learn a great deal from each case. Likewise, as discussed below, undertaking case studies of selected automobile companies and confronting the challenges experienced during the research process, I gained insight into the nature of labour contracting, as well as the opportunity to make improvements in data collection and analysis methodology.

This section is organised in four parts. After providing a brief background to the Korean automobile companies selected as a case study, my field research process and the problems encountered at the study sites are discussed. The next part describes the research methods used

for exploring the employment dimension of labour contracting. Finally, the last part is devoted to my reflections on the research process and the methodological limitations.

2.3.1 Research Area

This study investigated a major South Korean car manufacturer (hereafter known as Company A) and three auto parts manufacturers that supplied components to the former. Twenty-eight in-house contracting firms operating within these automobile companies (24 at Company A and 4 located in the auto parts companies) were examined in order to obtain data. Of the three regional plants owned by Company A, its headquarters production complex was selected because of the large numbers of contract workers deployed there and the relatively long period in-house contracting firms had been in operation. This helped to better determine the evolution of labour contracting and the shifting nature of work and employment relationships.

Although my study primarily focuses on labour contracting practices at Company A, auto parts manufacturers were included in the investigation in order to explore the correlations between Company A's flexible production system and the increasing use of labour contracting by large and medium-size auto parts manufacturers. The data collected from the auto parts companies is also useful in examining and comparing the employment conditions of contract workers located at different levels of a contracting arrangement, including employees hired by primary and secondary contracting firms operating in major car companies, and contract workers with auto parts manufacturers.

My selection of Company A's car manufacturing plants for an in-depth case study is based on the significance of Company A to the Korean automobile industry; the practical consideration of available time; and accessibility to the factory site, which is critical to any field research and the gathering of data. Of the five car manufacturers currently operating in Korea, Company A has played the leading role in terms of production capacity and market share. A review of the development trajectory of Company A, which began its operations at the beginning of the 1970s as a knocked-down (KD) assembly plant with technical assistance from a foreign partner, suggests that it has made impressive progress in production and technological development in a relatively short time (Bae 1987; Lansbury et al. 2007). Despite several business setbacks, including financial trouble and a decline in sales during the 1997 Asian economic crisis, production at Company A soared rapidly from about 100,000 units in 1980, to 650,000 units in 1990, to 1.5 million units in 2000. In 2006, in addition to the 885,000 units sold from its four

overseas plants, Company A's domestic factories produced 1.6 million units. Its total production of 2.5 million vehicles has made Company A the 9th largest car producer worldwide.

The production site I investigated is located in Ulsan (in the south-eastern part of South Korea and five hours' drive from Seoul). Company A's Ulsan plant has five independent automobile assembly factories and several related production facilities – including engine and transmission factories – all situated within one complex. As one of the world's largest automobile production sites (4.8 million square metres), it produces about 1.3 million vehicles per year. The complex has approximately 30,000 official employees, including about 21,000 production workers.

Following the closed shop principle, most regular production workers are members of Company A's trade union. With its large membership base and militant tendency, this union is a key player in the Korean trade union movement and a major actor in industrial relations. At the time of the investigation, about 7,000 contract workers were estimated to have been hired by about 100 primary contracting firms that had direct service contracts with Company A. However, there were considered to be far more contract workers deployed within Company A's complex, since many employees with secondary contracting firms utilised by component suppliers also worked on the premises. It was thus estimated that the total number of contract workers was closer to 10,000. The contract workers' organisation was established in 2003 and is affiliated to the Korea Metal Workers Union (KMWU). However, in recent years, unionised contract workers have amounted to less than ten per cent of their total number in the Company A complex.

2.3.2 Fieldwork Process and Research Challenges

This section outlines the process of the fieldwork, which was undertaken between October 2006 and October 2007, and the strategy employed in carrying out the investigation. For researchers working on workplace issues at the firm or industrial level, one of the most important preparatory tasks is to organise their field research and gain access to the plants they have chosen to investigate. However, gaining access to the factory sites of automobile companies and relevant informants is not an easy undertaking thanks to the tight security surrounding production activities; private companies' lack of interest in external research; and the highly politicised environment that obtains between (and even among) management, union representatives and workers.

Although I anticipated some obstacles before embarking on my fieldwork through a review of the literature on automobile companies and other manufacturers (e.g. Humphrey 1977; S.W. Shim 1997), conducting empirical research on the premises of a car plant proved to be much more difficult than expected. It was necessary to adopt a pragmatic approach to the gathering of data, reflecting the sensitivity of labour contracting in automobile companies and the constraints to my role as an outside researcher.

Based on a research proposal prepared during the first year of my DPhil programme, the original plan for my field research was to investigate one production complex in each of two major Korean car manufacturers. In addition to the company in which I eventually managed to conduct in-depth research for seven months, Company B (another major Korean car manufacturer located in the north-west of the country, an hour's drive from Seoul) was included in my original research plan. Thus, at the beginning of my fieldwork in October 2006, I attempted to utilise my personal network in order to gain managerial support at both Company A and Company B.

However, my requests to both these automobile manufacturers for permission to conduct research on their factory sites were promptly rejected. Owing to the confidentiality of company data on production technology, and the fact that they had each deployed a large number of contract workers in their factories, the automobile companies showed little interest in academic research into their operations.

My next strategy was to turn to the car manufacturers' trade unions for support in my fieldwork. However, it soon became apparent that my research was no more welcomed by the union leadership of either company than it had been by management. Union refusal of my research request was most unexpected, as these unions have been symbols of the democratic trade union movement since the late 1980s, and they have previously assisted some established researchers and postgraduate students in investigations of management and industrial relations. However, it became apparent during the later stages of my fieldwork that company-level trade unions are generally reluctant to support external investigations of the sensitive question of in-house contracting. They do not want the disclosure of details about the working conditions of contract workers and the union's collusion with management in discrimination against these employees. These issues are revisited in chapter 3.

Since a research permit from management or the organisational support of the trade unions were highly unlikely to be procured in the near future, from early December 2006, I began to conduct interviews with contract workers with the help of several key members of the contract workers' organisation and former officials of the regular workers' trade union at Company B. The main reason for starting my fieldwork at Company B was that it was located closer to Seoul and it was easier to organise interviews with relevant government officials and staff of national-level institutions.

Interviews with Company B's contract workers were useful in the initial stages of the investigation in order to appreciate the working conditions and problems faced by such workers. However, since I could not gain access to the heavily guarded compound of Company B, the interview process was slow and my research into labour contracting practices in this automobile plant proved inefficient. Due to the heavy security and the daily schedule of the workers, my interviews had to be held either at meeting points outside the front gates or at restaurants in the evening, thereby allowing me to conduct only one interview per day at best. Meeting workers off factory premises was also difficult since most of them (both contract and regular workers) were reluctant to give up their free time after a long shift (10 hours on weekdays and 14 hours at weekends).

Another problem was that it was impossible to make arrangements to interview owners of contracting firms since their offices were located inside the plant. As they did not respond to my phone calls or emails, there was no possible way to meet with them. Given these difficulties, the outcome of my research into Company B from December 2006 to mid-February 2007 was not fruitful. Although I managed to secure about 20 interviews with contract workers and several meetings with regular workers, I was not able to interview any contractors or any managers of Company B. There was certainly no chance of conducting direct observation at work sites inside the assembly plants.

In early March 2007, I moved to Ulsan to investigate Company A and its auto parts manufacturers. Drawing on my experience with Company B, I put great effort into carrying out full-scale empirical research into Company A's plants. I decided not to make any further requests to management or union leadership for their organisational support. Rather, I came up with other ways of gaining access to the premises of the company.

Among my strategies, securing the support of Company A's labour-management committee was a crucial prerequisite to my subsequent assessment of its factories. This committee was established in January 2007 following an agreement between senior management and the trade union to conduct a policy study of changes to the day-night shift system at Company A. It consisted of ten experts (university professors and researchers) and several research assistants. Although the committee did not work on labour contracting issues, I contacted the chairperson and other committee members with a request for affiliation. My application was successful and I was thus able to enter the production complex and use the committee's office.

Although official permission to conduct research within the company compound was never received from either management or the trade union, relevant managers of the industrial relations department at Company A and several union officials were aware of my investigation and status as a DPhil student; thus, I gained tacit consent to carry out my study. Even so, my position was precarious and my activities were in danger of being cut short several times during my time at Company A. Nevertheless, I was able to maintain semi-insider status for seven months, completing my research in mid-October 2007.

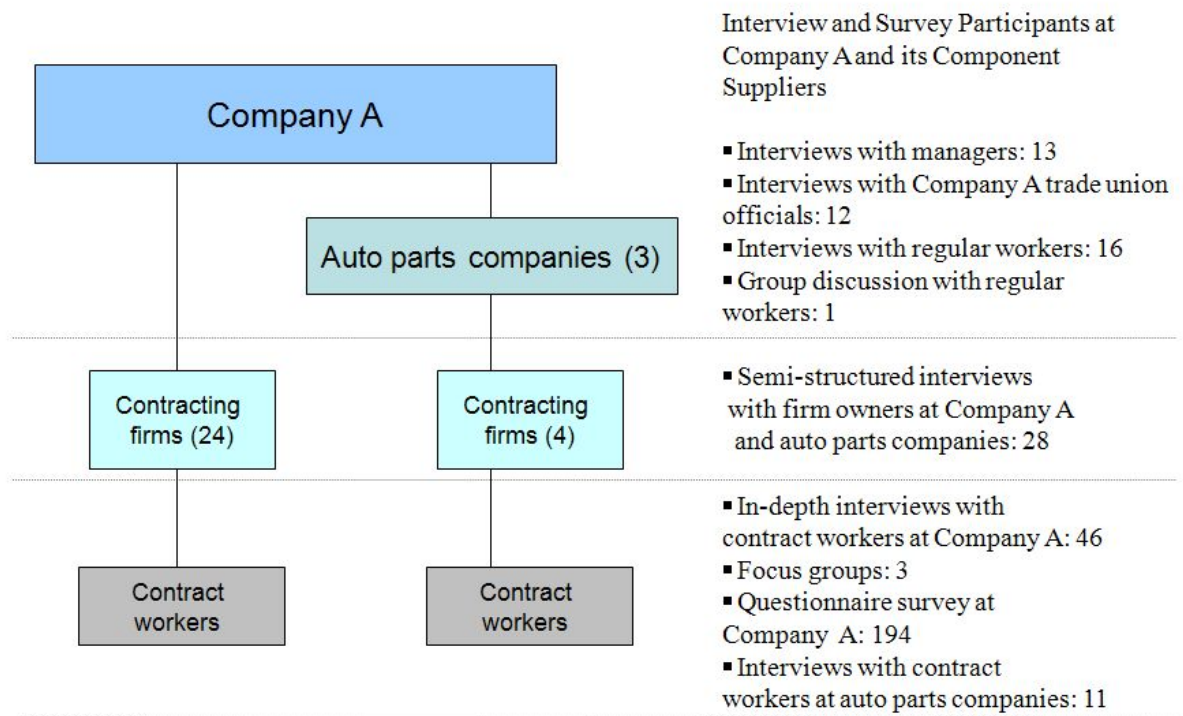
Obtaining access to the factory compound gave me the chance to conduct direct observation of work sites at Company A. When it was necessary to observe production activities and work processes, I asked the relevant shop steward or plant manager in the production area to give me a plant tour and then asked to stay behind to observe the activities of these production units. Indeed, my presence on the factory premises was helpful not only in that I was able to make arrangements for interviewing workers, but also in terms of my encounters with contractors and other workplace actors, including union representatives and managers of Company A.

Given such a comparatively favourable research environment, I decided to take advantage of my access to the company premises and perform an in-depth analysis of Company A's automobile plants. Therefore, this thesis is primarily based on a case study of Company A, using the data from my research into Company B as supplementary information on labour contracting practices in the Korean automobile industry. Consequently, the following empirical chapters contain some findings from my investigation of Company B.

By the end of my seven months' fieldwork, I had conducted 24 semi-structured interviews with contractors (along with several open-ended interviews as follow-up to initial meetings); 12

interviews with union representatives; 16 interviews with regular workers; and 46 in-depth interviews with contract workers. In addition to these scheduled in-depth interviews (normally lasting about two hours), dozens of informal interviews with contract workers were carried out on the premises of Company A in order to conduct a survey of contract workers. Interviews with contract workers, regular workers and contractors were also conducted during approximately 15 visits to three auto parts manufactures associated with Company A. The field research carried out at Company A and its component suppliers is summarised in figure 2.3.

Figure 2.3 Research Schedule



2.3.3 Research Methods and Data Analysis

Since my research questions address the relationships and interactions of several discrete groups as they shape labour contracting practices and employment relationships, this study comprises an empirical investigation into major workplace actors in the automobile industry. Accordingly, multiple research methods were used, the manner in which they relate to the research questions and dimensions of the analysis being highlighted in appendix 1.

Interviews (key informant, focus group, semi-structured and open-ended) were the principal means of gathering data. Direct observation, secondary data analysis and a survey of contract workers at Company A were used to complement interview findings. It must be noted that

although one or two methods are highlighted in the section on each of the actors below, information gathered by means of a single method was used to interpret and analyse issues relevant to the other actors. Keeping this in mind, the research methods used in data collection and analysis were as follows:

User Firm Management

Six senior managers at Company A were interviewed in order to reach an understanding of corporate strategy for the use of in-house contracting, and managerial policy on flexible production systems and labour contracting arrangements. Four of them were posted at factory headquarters and the other two were with on-site management departments in the plants. In addition to these formal interviews, several evening social gatherings led to conversations with managers at Company A.

The central focus of the interview with managers was to determine how and to what extent Company A intervened in the operations of its contracting firms, and to shed light on the extent of its engagement with the employment of contract workers. However, data obtained through such interviews proved to be extremely limited because the managers often pretended not to have any knowledge of certain contentious issues and were careful not to leak information on corporate labour contracting practices or factory operations.

Given such reluctance amongst senior management to share information, seven interviews with front-line managers of various production units proved to be useful in exploring managerial attitude to labour contracting. As front-line managers described their experiences and roles in their respective workplaces before and after the deployment of contract workers in direct production areas, there was an opportunity to explore the ways in which plant-level management supervised contract workers. Information obtained from Company A management on the wage levels and employment benefits of regular workers was also useful as it could be compared with those of the contract workers.

In-house Contractors

At the time of the investigation, little reliable data on the numbers and characteristics of in-house contracting firms utilised by Company A and the auto parts manufacturers was available, due to the operation of contracting firms within the user firm complex; and, in particular, the diverse forms they took, including secondary firms contracted to component suppliers.

The examination of in-house contracting firms was based on purposive sampling procedures. The original target number of firms to be investigated was about 30. However, I was conducting my research at a sensitive time, when contract workers at Company A and other major automobile manufacturers were attempting to form their own union-type organisations, and when their working conditions were gaining increasing public attention. This was due in part to several disputes involving contracting firms that had occurred in the mid-2000s, and the fact that labour organisations at the national/industrial level were calling attention to the questionable aspects of disguised employment practices. Ideally, interviews should have been conducted with anyone willing to meet with a researcher, but it was clear that few owners of contracting firms were prepared to talk about their businesses with me.

Nevertheless, since an empirical investigation into the functioning of in-house contracting firms and their employment practices was a main focus of my study, I made considerable effort to meet with firm owners. Semi-structured interviews were arranged in two ways. Initial meetings were set up through the help of a Company A manager and the relevant union staff; and about two-thirds of my interviewees were identified through the snowball effect, whereby research participants introduced me to other firm owners. By these means, I met about 35 contracting firm owners whilst conducting my research at Company A and its component suppliers. All interviews with owners of contracting firms were conducted during normal working hours, either in their offices or in nearby meeting rooms.

However, several firm owners who had initially been persuaded to meet with me due to obligations to trade union staff or other firm owners refused to answer most of my questions. Two firm owners terminated the interview shortly after I began it. These incomplete interviews were excluded from my data source. Thus, the analysis of 28 sample contracting firm owners was included in the study.

The questions addressed in the semi-structured interviews were designed to extract details of the characteristics of contracting firms, as well as employment practices and labour management. Such information included the procedure for employee recruitment and the contracting process with user firm management (see appendix 3). Although interview data underwent qualitative analysis, some of the findings were also quantified. As indicated in table 2.1, data was collected from diverse groups of contracting firms based on three criteria: the location of the firm; type of work engaged in; and contractual relationship with Company A.

Since little data could otherwise be gathered about secondary contracting firms, I placed great emphasis on information obtained from these interviews.

Table 2.1 Characteristics of Contracting Firms

Classification	No. of Contractors
Total	28
Contractual relationship with Company A	
Primary contractor	17
Quasi-primary contractor	2
Secondary contractor	5
Contractor to component supplier	4
Type of work and location	
Main assembly-line work in assembly shop	9
Sub-assembly line work in assembly shop	3
Paint shop work	3
Press and body shop work	3
Indirect production work	10

Labour Organisations

The first stage of my field research at Company A was to establish contacts in union organisations (company-level trade union, the committee of shop stewards at plant level, labour factions, and the contract workers' organisation) and to identify people willing to participate in my research. Members of these union organisations helped me to arrange interviews with some owners of contracting firms and workers (regular and contract) during this early phase of my fieldwork.

In addition to being in a position to help me with my fieldwork, labour organisation and union representatives were also the subjects of my study. In order to obtain the necessary information on trade union policy and the position of regular workers on the use of labour contracting over the previous decade, in-depth interviews with 12 union officials and shop stewards were conducted. Several interviews with the former and current leadership of the contract workers' organisation were also conducted in order to explore the strategies it employed and the problems faced by contract workers in their attempt to advance representation on the user firm site.

The experience and knowledge of union officials and labour organisers was useful not only in their provision of a better understanding of contracting practices, but also because I obtained details about recent workplace restructuring and changes to the employment system. In

particular, interviews with representatives of different union organisations helped me analyse the relationship between regular and contract workers, and the tensions that arose from a disparity in employment status and worker representation. In addition to meetings with Company A union officials, key informant interviews with trade union members at auto parts manufacturers were also occasionally conducted.

Contract and Regular Workers

One effective qualitative research method that is used to investigate the activities of workers, their behavioural patterns, and their work and social interactions is participant observation. A good example of a study that employs this as its main data-gathering tool is Burawoy's *The Politics of Production* (1985), in which the author obtains empirical data by working as a machine operator for ten months at a Chicago-based enterprise whilst studying for his doctorate. In this regard, participant observation as the main data-gathering technique was given careful consideration before beginning my fieldwork.

However, my preliminary visits to automobile manufacturers and discussions with informants led me to conclude that this method would be problematic for two reasons: firstly, it would be difficult to obtain a temporary position at a contracting firm due to the owners' probable unwillingness to hire a student researcher as an employee; and secondly, managers of the user firm and, in some cases, union officials would be suspicious of such an investigator.

Therefore, after gaining access to Company A, three data-gathering methods were used: the in-depth interview, the group interview and the survey. Accordingly, I conducted in-depth personal interviews with about 15 rank and file regular production workers, in addition to 1 group interview with them. About 90 percent of interviews with union officials and regular employees of Company A were held in the factory during normal working hours. During their one or two-hour interviews, regular production workers' duties were covered by relief staff. The aim of interviewing regular workers was to obtain information about their attitude towards the escalation in the recruitment of contract workers, and its impact on the working conditions of the former. Interview data was used to examine changes that had occurred in the duties assigned to regular workers and deployment patterns over the previous decade, and to learn how they positioned themselves in relation to contract workers.

As noted in figure 2.3, I conducted in-depth interviews with 46 contract workers at Company A. These were arranged in three ways. Firstly, I asked key research participant members of the contract workers' organisation to introduce me to individuals who might participate. Subsequently, meetings with about 20 contract workers were held outside the factory compound after work or during their weekends off. Secondly, interviews were scheduled by regular workers' union staff representing particular production units. A total of 17 interviews were held during working hours in private meeting rooms or rest areas of the factory. Lastly, interviews with nine contract workers were arranged with the owners of their employing firms, and were also held in meeting rooms or rest areas. Three group interviews were also carried out, each consisting of four or five contract workers. My main purpose in interviewing contract workers was to obtain information on their employment conditions. Accordingly, particular attention was paid to an exploration of daily work arrangements and operations. Interviews with contract workers were also used to cross-check data obtained from their employers (contracting firm owners).

The reason for arranging my interviews through the aforementioned three different channels was to investigate various forms of in-house contracting arrangement and to meet contract workers with different employment status and working conditions. The diversification of informants and the people who might act as intermediaries was also necessary in order to reduce the data bias that could result from reliance on one particular group of informants in gaining access to interviewees.

At the beginning of my fieldwork at Company A, although I did not enjoy any official support from the contract workers' organisation, I established a rapport with several former and current members of its staff after the initial interviews. In showing an interest in my research, they introduced me to other contract workers, but I soon realised that the personal network of my informants at this large automobile factory complex was limited and subsequently I was introduced to contract workers with whom key informants had close personal relationships. Many of them were colleagues employed by the same contracting firms, mainly primary contract workers assigned to the assembly shops and/or fellow members of the contract workers' organisation.

Therefore, I made attempts to include interviews with contract workers that could be arranged by regular workers' union officials and firm owners. Nevertheless, some of the shop stewards I

asked did not want to spend time introducing me to contract workers that were working in their production areas. Moreover, not surprisingly, most owners of contracting firms I interviewed were reluctant to allow an outside researcher to meet their employees in order to obtain details of their employment and working conditions, their relationship with management, or the actual practice and management style of contractors. Although gaining the help of regular workers' shop stewards and firm owners was a challenge, diversifying the categories of contract workers interviewed through this method was useful in widening the scope of the information I was able to obtain. I asked regular workers' shop stewards to introduce me to different sub-groups of contract worker in their production units, which were determined by type of work, age and gender. This helped me to carry out in-depth interviews with contract workers from various workplaces and with different employment status, including secondary contract workers.

In my interviews with individual contract workers, neither the informant nor anyone else was present at the meeting so that interviewees might feel at ease in expressing their opinions, and also to ensure confidentiality. In conducting the interviews, I followed a checklist, using it as a mechanism to facilitate conversation with the respondent.

During the interview process, in addition to contract workers' perspectives on their jobs, the realities of their everyday lives at Company A were reflected in the different attitudes to those of regular workers. In general, regular workers and union officials tended to readily disclose their personal stories and workplace experiences. A relatively well-paid and secure job at Company A – one of the largest manufacturing companies in South Korea – seemed to be a source of pride for the regular workers.

Although many of Company A's ageing production workers reportedly suffered from arduous conditions at manufacturing workstations, their employment status as regular workers and the accompanying benefits played a positive role in forming perspectives on work activities and everyday social lives. Regular workers interviewed often provided personal details such as level of income and, for example, an account of how and why they went to work at the company.

On the other hand, many contract workers interviewed were reluctant to discuss their personal lives and were wary of expressing subjective opinions on workplace issues; particularly with regard to relationships with other workplace actors – including contracting firm management and regular workers. Although interviews were conducted cordially, contract workers did not

seem to be at ease with an outside researcher in discussing their inferior employment status or grievances. The answers contract workers gave to questions about personal background, for example, past work experience and level of income, were often very brief. I found that many of them considered themselves to be ‘second-class’ employees. This perception seemed to shape their wariness towards being interviewed by an outside researcher. Realisation of such circumspection prompted me to stop asking personal questions at the beginning of the interview, as this seemed to embarrass to them. Instead, I adopted the approach of opening with enquiries about their jobs and the labour process.

As will be discussed in later chapters, as many contract workers had considerable professional knowledge of the daily operation of automobile plants, they were able to discuss in considerable detail the duties they and their colleagues performed, as well as their work arrangements (e.g. tasks and positions on the assembly line and other parts of the production process). This made it easier to move the discussion on to other related issues, such as contract workers’ relationships with regular workers; roles played by managers of user firms; and the employment practices of contracting firms.

Virtually all my interviews with regular and contract workers were tape-recorded with the permission of the interviewee. It should be noted that participants are not identified in the qualitative analysis of this study in order to maintain confidentiality.

I carried out a survey of contract workers in parallel to my in-depth interviews with them. From the start, neither Company A’s trade union nor the contract workers’ organisation showed any interest in assisting with the distribution of questionnaires; thus, a relatively small-scale survey was undertaken, conducting the questionnaire after the scheduled interview. As I was able to move freely about the complex (with the exception of the production plants), in addition to these formally arranged meetings, I also had the chance to arrange short, informal interviews to facilitate my survey, which were conducted inside the production complex, in the daytime or after working hours, for about 20–30 minutes at a time.

I located most of my survey respondents in rest areas near production plants; since the company’s regular workers’ uniform differed from that of its contract workers, it was not difficult to identify them. I approached contract workers by asking if they would agree to participate in the questionnaire. Although my request was sometimes turned down due to lack

of interest or a busy schedule, most of those I asked showed some curiosity as a survey of contract workers in Company A's production complex by a doctoral student was a very unusual occurrence. They often enquired how I had managed to enter the heavily guarded factory compound. I told them about my affiliation with Company A's labour-management committee. By stating that I was conducting the survey for my doctoral project alone, I was able to reassure prospective participants that data acquired from them would neither be shared with Company A's labour-management committee, nor with trade union organisations or management at user or contracting firms.

The questionnaires were completed by the interviewees after I had read out each item and clarified it as necessary (e.g. terms such as 'monthly wage structure' and 'actual working hours'). During my seven-month field study at Company A, I was able to collect 194 questionnaires during both scheduled and casual interviews. Since the purpose of the survey was to obtain data on the employment and working conditions of contract workers, my questionnaires were designed to cover four main issues: employment characteristics of contract workers; experience at work; level of job satisfaction; and workplace relationships and representation. The data obtained through these questionnaires was analysed using the Statistical Package for the Social Sciences (SPSS) programme. The demographic characteristics of surveyed contract workers are presented in table 2.2 as background information for the following empirical chapters.

Although detailed discussion on the features of the workforce is undertaken throughout the thesis, it is necessary to note here that the automobile companies under study are dominated by men. In South Korea, there has been an increase in the employment of women since the 1970s, and the undermining of traditional male-dominated occupations and gender discrimination in the workplace has been apparent in recent years. Nevertheless, the preponderance of men in large-size automobile manufacturing firms is still widespread. Such a characteristic is largely engendered by the working conditions of production workers.

The production process of an assembly plant involves the sequential operation of the press, body, paint and final assembly workshops. Company A's compound also contains several facilities that support assembly plant operations, including a forge/foundry, and seat, engine and transmission plants. Many manual jobs on assembly lines and in other production units require considerable physical exertion on the part of workers. In addition to the repetitive tasks

involved in machine-paced assembly operation, lengthy working hours – including evening overtime and weekend work – and the day and night shift system also make jobs physically demanding for production workers. Over the last two decades, the mechanisation and rationalisation of the production process at Company A and other South Korean automobile manufacturers has led to improvements in the quality of products as well as better working conditions, particularly for those working in the assembly plants. For example, several phases of the painting and assembly process are now unmanned. Robots are used to spray most parts of the vehicle body, a process that once put considerable strain on workers on account of its application to the underpart of the vehicle. However, the considerable progress made in the mechanisation of Korean automobile companies notwithstanding, the use of an automated system in the assembly operation is limited since the quality of robotic work is still low and associated investment costs are high. Therefore, assembly plant operations still depend largely on manual work.

Given the strenuous working conditions of production workers, Company A has traditionally had a policy of recruiting young men in their early 20s with a high school education. Consequently, opportunities for women to enter Company A as production workers have been virtually non-existent.

There are both similarities and differences between the demographics of regular and contract workers. As contract workers have been deployed in the production areas of automobile plants in recent years, the duties they perform are basically the same as those undertaken by Company A employees. Similar to regular workers, contract workers were found to be engaged in various types of job in both direct and indirect production areas. Consequently, the workforce brought by contracting firms onto the premises of Company A is also predominantly male.

In particular, primary contracting firms tend to hire young men in their 20s or early 30s, since the majority of workers hired by these contracting firms are assigned to work in direct production jobs such as assembly line work and the paint shop sealing booth operation. As can be seen from table 2.2, such a recruitment pattern indicates that about 85 per cent of contract workers surveyed (163 out of 194) are in the age range 20–40, which further indicates the fact that contract workers are comparatively younger than Company A's production workers. The vast majority of regular production workers were hired in the 1980s and early 1990s when

production capacity was in the ascendancy, such that the average age of Company A's own workforce at the time of the investigation was early 40s.

Table 2.2 Characteristics of Contract Workers at Company A

Classification	No. of workers
Total no. of workers surveyed	194
Job type	
Direct production	132
Indirect production	62
Contractual status of employing contracting firm	
Primary	167
Secondary	27
Sex and marital status	
Single male	98
Married male	71
Single female	7
Married female	18
Age range	
20–29	83
30–39	80
40–49	27
Over 50	4
Total duration of employment with current contracting firm	
Less than 1 year	11
1–2 years	48
3–4 years	45
5–6 years	68
7 years or more	22
Total duration of employment on the premises of Company A (with one or more contracting firms)	
Less than 1 year	6
1–2 years	28
3–4 years	40
5–6 years	72
7–9 years	35
10 years or more	13
Highest level of education attained	
Middle school	9
High school	145
Vocational college (2 years)	37
University (4 years)	2
Work area	
Assembly shop	86
Paint shop	29
Body and press shop	21
Materials handling	26
Quality inspection	11
Other	19

Although the male-dominated workplace remains essentially unchanged and female recruitment tends to be very low in the automobile plants under study, it is notable that the increased use of in-house labour contracting arrangements has brought about an increase in jobs held by women. At the time of investigation, the percentage of female workers in proportion to the total workforce employed by contracting firms at Company A (including secondary contract workers) was estimated to be approximately ten per cent. In the 1990s, some female workers were already undertaking ancillary activities in production areas, including cleaning equipment and packing. Subsequently, as a consequence of the increased use of contracting firms at Company A, the tasks assigned to some female workers in assembly plants have been upgraded to those involving training or organisational integration with regular workers.

For example, female workers hired by two primary contracting firms were found to be engaged in quality inspection work in assembly plants. In the case of the inspection work observed in one body shop, seven female workers were examining car body parts for defects. Similar cases of tasks performed by female contract workers alongside male workers were found in materials handling and delivery in assembly shops. Although there were fewer female workers engaged in these tasks than those involved in quality inspection, they conducted the same tasks as male contract and regular workers.

Nevertheless, it was observed that virtually all female contract workers at Company A were hired to carry out auxiliary services or indirect production tasks at manufacturing plants. In a general sense, there is a division between male and female contract workers in terms of task and skill level. Thus, although the demand for female workers in automobile plants has increased recently, they are generally assigned to perform those tasks that are considered to be simple and peripheral manual jobs, while male workers are likely to engage in more highly skilled work.

A good example of this is the sanding process, in which a few female workers are engaged in smoothing the surfaces of car bodies to remove contaminants and flaws in order to maintain a high quality of finish during the several stages of paint coating. Similar types of work include applying and removing masking tape in the final paint application. Since such work is carried out by a small group of female contract workers or, in a few cases, individually, direct interaction with regular workers on the shop floor is limited. In this regard, we can see that while more female workers are hired by contracting firms to work in the production areas of Korean automobile plants than in previous decades, employment trends and workplace culture

are still male-dominated, and women remain at the bottom of the organisational hierarchy in the automobile manufacturing industry.

The present examination of contract workers shows that contracting firms operating at Company A and large-size component manufacturers mainly recruit their labour force from the urban areas of Ulsan, a major South Korean industrial city whose population is about 1.1 million and in which such companies are based.

Migration plays an important role in labour supply and industrial development in developing countries experiencing urbanisation and industrialisation. Given the significance of rural–urban relations in the development process, issues related to migration, including the role of the agricultural sector in industrial development; the causes of migration; and problems associated with urbanisation, attract a good deal of attention from development scholars. Contributory factors in rural–urban migration are diverse, with patterns varying according to the country or region concerned. In some countries, violent conflict caused by political, ethnic and/or religious discord sometimes forces rural populations to seek new places to live. The typical pattern of migration in some regions is characterised by temporary or seasonal movement, whereas in many developing countries the majority of migrants are likely to become urban dwellers (Thomas 1992).

In the case of South Korea, the early stages of export-oriented industrialisation brought about wholesale rural–urban migration and rapid urbanisation. With the expansion of the manufacturing sector, and the construction of infrastructure and an industrial base in cities like Ulsan, a large number of rural migrants and city dwellers engaged in informal employment – including women – become waged industrial workers. Along with better income and employment opportunities, the concentration of public services – including education and health – in urban areas also drove many farmers and landless agricultural labourers to cities in search of work. Thus, many of the older regular production workers at Company A and other manufacturing firms who had started work in the 1970s and 1980s have migrant experience.

Rapid economic growth and industrialisation resolved the problem of surplus labour and reduced the size of the urban informal sector in South Korea. However, similar to the structural changes in the labour market that Western industrialised countries had undergone earlier, South Korea began to experience a labour shortage in certain manufacturing and service industries

from the early 1990s. In addition to the wage increase, the labour shortage phenomenon, which was associated with rapid economic growth; expansion of the service sector; and slower population growth, prompted many Korean companies in labour-intensive industries, such as textiles and consumer electronics, to reduce (or shut down) production in domestic factories and relocate their production bases abroad to countries such as China and Vietnam. Where production has continued in domestic factories, since the early 1990s, some manufacturing firms have utilised low-paid foreign migrant workers. Thus, it can be said that foreign workers – including those subject to irregular entry – constitute a substantial proportion of the workforce in many manufacturing companies in South Korea, especially small-size firms. A similar trend can also be identified in the small auto parts manufacturers that supply components to Company A and/or its large-size component manufacturers.

In contrast to many small South Korean manufacturing firms that have experienced the difficulty of recruiting production workers from the local labour market, contracting firms operating on the premises of Company A and the three major component suppliers under study have hired their workforce from the urban area of Ulsan. Few young contract workers in their 20s and 30s have an agricultural background. Some of the older contract workers – those over 40 – originally came from rural areas, but many of them are long-term residents of Ulsan or other cities, having been previously employed in other factories and/or service industries. Interviews with managers and union officials, as well as my field observations suggest that Company A's contracting firms do not employ foreign migrant workers.

Company A's steady recruitment of contract workers from the regional labour market is partly related to the wages and employment benefits they command, car manufacturing firms and large-size component companies having traditionally paid relatively good wages to production workers. Although contract workers' income is considerably lower than that of regular employees, it was found that wages paid to primary contract workers at Company A were above average for the region. Indeed, some contract workers prefer working at Company A or large-size manufacturing firms rather than small plants because those employed by the latter are more likely to be assigned arduous dirty or hazardous work. The comparatively high wages and better work environment at Company A compared to production jobs in small manufacturing companies have facilitated the recruitment of labourers by contracting firms, particularly young workers from the regional labour market. The salient features of contract workers characteristics; the employment and working conditions of contract workers in automobile

companies; and the workplace problems faced by such workers will be discussed in greater detail in the empirical chapters.

2.3.4 Reflections on the Research Process

This part of the thesis has addressed my research methods and strategies for conducting a case study of in-house labour contracting in Korean automobile companies; and some of the problems I encountered were discussed. The challenges to my empirical research reflect the reality of life inside an automobile plant and my role as an outside researcher. As mentioned earlier, despite the widespread deployment of contract workers in automobile plants, the topic of labour contracting was an area that neither management nor the trade unions were keen for outside researchers to investigate in detail, as their main concern was to avoid negative publicity about labour contracting on their sites.

Given the tight control management exercised over labour contracting and contractors' operations, the latter were extremely sensitive about the prospect of being interviewed; and even when meetings were organised, they appeared merely to defend the interests of user firm management. Thus, information on the actual practices of labour contracting was withheld by the workplace actors themselves.

It should be noted that there was a risk that my research on several actors involved in labour contracting in the same workplace (including user firm management, contractors, labour organisations and workers with differing employment statuses) might create a low level of trust in me during my time on the premises.

In order to examine the changes that had taken place in labour contracting and employment relationships, it was necessary to investigate the roles of all workplace actors, and conduct interviews with managers and workers of different groups. This allowed me to capture dynamic interactions between and within workplace actors, and the associated tensions in the workplace. However, it also prompted a few of individuals to doubt my integrity and assurances of confidentiality. For example, meeting contractors and managers of automobile companies in the course of my research caused some contract workers to prejudge my personal background, which prevented them from giving me their subjective opinions of working conditions and their

relations with management. As many of them questioned who I claimed to be as well as the true intention of my research, they were reluctant to talk about their personal situations.

Through confronting such challenges, I gained awareness of several methodological issues that the researcher must be aware of in such an empirical study of in-house labour contracting. Given the sensitivity of this practice to the workplace actors of the firms under study, flexibility in the field was critical, as was a pragmatic approach to data collection. In this connection, the case study method was useful, as it enabled me to take an open approach to the selection of automobile companies and factory sites, and to gaining access to informants and research participants. The case study was also of great help in shaping and developing the research agenda and analytical framework, in that it enabled me to reflect on my experience in the field and the research problems that were encountered.

Establishing a certain level of rapport with participants from different groups of workplace actors is also crucial in order to gain their support, or at least benign neglect. Contract workers are deployed in a much greater variety of locations than is the case with a single employing organisation. It is highly unlikely that an outside researcher's aims will be realised if such a significant group of workplace actors opposes his or her presence inside the factory. Thus, effort must be made to enhance personal relationships with participants through frequent meetings in the early stages of the fieldwork. Utilising a personal network of informants will help prevent targeted participants from turning down requests for interviews. Nevertheless, it is important to appreciate the limitations of such individuals in their support for an outside investigation, and the researcher should not press for information beyond that which interviewees are prepared to give.

A diversity of informants and interviewees is necessary in order to increase the quality of the data. The assistance of informants is essential to information collection and for arranging interviews; but reliance on a small number of informants or interest groups creates a risk of data bias. As the practice of labour contracting is associated with conflicting points of view and compromise between workplace actors, the managers and workers I interviewed tended to articulate and defend their own interests. It was also found that the knowledge of some contract workers, and their employing firm managers, was limited to their immediate areas of work.

In this regard, an effort was made to research a variety of workers and contractors. This helped me to meet contract workers and firm owners of various work units, including assembly shops and indirect manufacturing units, and to gain access to contract workers with different kinds of employment status and work experience. Interviews with contract workers were arranged not only with the help of key informants amongst them, but also through contracting firm managers, regular workers and union officials. This use of different avenues enabled me to collect data from diverse groups of interviewees, increasing the quality of my research.

The field research and data collection process has made me realise that the ways in which empirical research into workplace issues is conducted depends on the specific company and factory under study. The research methods and strategies adopted for this investigation certainly have their limitations. Nevertheless, conducting a detailed case study of the factory sites of these Korean automobile companies provided me with the opportunity to log the particular workplace environments in which contract workers are utilised in main production activities, and to examine under-explored aspects of labour contracting. The findings of this study provide insights, which contribute to the enhancement of our understanding of the changing nature of labour contracting and its implications for work and employment relationships.

CHAPTER 3

THE INCREASED INTEGRATION OF LABOUR CONTRACTING IN THE PRODUCTION PROCESS AND CHANGES IN THE WORKPLACE

3.1. Introduction

At both Company A and its component suppliers, at first glance it is obvious that workers hired by several different contractors are deployed alongside regular employees on the production sites of user firms in order to engage in the everyday activities of these automobile plants. As such, there can be little doubt that the organisational structure, which was built on the basis of bilateral employer–employee relations, has now been transformed, leading to changes in the work processes and relationships experienced by workers and managers on the shop floor. Central to this recent transformation are changes in the utilisation of in-house contracting that involve the expansion of workplace function to incorporate the main production activities of automobile companies.

This chapter discusses a new phenomenon in the workplace that is associated with recent changes in labour contracting arrangements, as well as the effects that the increased use of contract workers have had on workplace practices. To assess the changes in in-house contracting, a case study is provided that explores how such a shift in labour utilisation and production processes has evolved in relation to modifications to employment practices in automobile companies. This examination will demonstrate that the function of labour contracting in the Korean automobile industry has moved beyond a means of reducing labour costs to become a key mechanism for the adjustment of workforce volume. The findings reveal that contract workers are utilised and managed in the workplace according to changes in production volume and the work schedules of the plants.

This implies that the practice of in-house contracting is an important element of the flexible production strategies and methods employed by Korean automobile companies. The analysis of findings in this chapter will suggest that the recent utilisation of contract workers in the main production areas of automobile plants has involved attempts by management to promote organisational flexibility under circumstances in which the rigid employment/work conditions existing regular workers are subject to have been retained. This paradox reflects the interests of both company management and employees. The argument to be developed in this regard is that

collusion between management and the trade union has led to a rise in the deployment of contract workers in the main production areas, and to the subsequent reorganisation of the workplace in automobile plants.

It is therefore suggested that shifting employment relations in the context of labour contracting should be understood within the wider context of the employment practices of user firms (automobile companies), since labour contracting arrangements are shaped largely by labour–management relations in user firms. An appreciation of this point will help us to understand better the contradictions embedded in the flexibility attained through in-house contracting.

This chapter is organised into three sections. The first part provides an overview of the evolutionary process of in-house contracting and changing employment practices in Korean automobile companies. This research contextualises changes in the utilisation of contract workers with a significant event in the Korean automobile industry, i.e. the adjustment in employment patterns in the wake of the 1997 economic crisis. The discussion in this section will shed light on the processes which in-house contracting has expanded in the main production activities of automobile companies. The second section will explore the ways in which organisational flexibility has been pursued by Company A and the role of in-house contracting in the accomplishment of a flexible work arrangement. It will also illustrate the extent to which contract workers have been utilised in recent years and the nature of the pattern that has emerged. In the last section, a detailed investigation is undertaken in order to explore organisational changes that have taken place on the shop floor and the contradictions and problems that are associated with such changes. This exploration will reveal the high level of integration of labour contracting into the automobile manufacturing production process, as well as some of the grievances held by contract workers in the user firm workplace.

3.2. The Expansion of In-House Contracting in Automobile Companies

3.2.1. The Peripheral Nature of Contract Workers

The employment restructuring process of the Korean automobile industry following the 1997 economic crisis was a turning point for in-house contracting, as it was then that the use of contract workers became widespread and that functional changes to in-house contracting in production activities occurred. Before exploring the impact of the 1997 economic crisis on the employment practices of Company A and the changes that have occurred in labour contracting

arrangements, it is necessary to examine the utilisation pattern of contract workers in the previous decade.

As mentioned in the introductory chapter, the use of in-house labour contracting in the automobile industry reportedly began with the rise of the trade union movement in the wake of political democratisation in 1987. The establishment of trade unions and the unionisation of production workers led to rapid wage rises and improvements in the working conditions of production workers during the democratic transition period of the late 1980s and the early 1990s. In this regard, it can be said that the use of contracting firms emerged as a managerial response to the increase in labour cost and contentious industrial relations.

Nevertheless, although the use of contract workers increased in the years immediately preceding the 1997 economic crisis, their numbers remained steady at approximately 10–15 per cent of Company A's production workers; and in-house contractors were utilised only in the peripheral areas of production. In the case of the local production plants investigated at Company A, a previous study by Shim (1997, 128) cites company data showing that the total workforce in December 1994 was 26,404, comprising 3,232 contract workers and 23,172 regular production workers. Therefore, the percentage of contract workers in proportion to the total workforce in 1994 was 12.2 per cent, demonstrating gradual growth from 1990 numbers, when contract workers made up 7.6 per cent of employees.¹

With regard to the three component manufacturers under study, in-house contracting was not common until the late 1990s, since these manufacturers were faced with their own labour shortage thanks to relatively low wages and poor working conditions in comparison to larger companies in the region. It was found that only one in-house contracting firm (engaged in the preparation of materials for the instrument panel pads produced at one of the component suppliers under study) – hiring about 25–30 workers – was in business before the late 1990s.

An assessment of in-house contracting arrangements and workplace environments in the 1990s suggests several variations with recent in-house contracting practices. One distinct difference

¹ A similar trend was identified in a local assembly factory at Company B, another major Korean car manufacturer. The initial utilisation of in-house contracting at Company B began with approximately 200 contract workers in 1990. The volume of contract workers reportedly peaked at about 570 – approximately 10 per cent of the workforce – in 1997, just before the economic crisis (K.G. Nam and J.H. Jung 2000, 61).

was a clear boundary in terms of duties between regular and contract workers. Contract workers were brought into the plant to carry out simple, unskilled jobs and the majority of them were found to be engaged in tasks indirectly affecting manufacturing, such as materials delivery, facility maintenance and packaging; and in such peripheral jobs as cleaning, lorry driving and security. When contract workers were involved in direct production activities, their work was mainly hazardous and/or dirty, tasks that the unionised regular workers tried to avoid.² These jobs included the cleaning up of chemical sludge in paint shops and materials handling in foundry plants, as well as oiling and other maintenance work to conveyor belts and overhead hangers in the assembly plants.

With respect to the tasks assigned to contract workers in the 1990s, it should be noted that work intensity was not a subject of concern for either management or regular workers when contracts were drawn up. It was said that despite the strenuous working conditions on assembly lines and in other direct production units, regular workers and their shop stewards made few requests for difficult jobs to be outsourced to contracting firms. One reason for this absence of concern about work intensity was that regular workers largely consisted of a young workforce that had been recruited in the 1980s when Company A expanded its production facilities owing to the growth of domestic sales and exports. Indeed, although some managers at plant level reportedly made occasional failed attempts to bring contract workers into the main production areas (such as assembly work), management was principally interested in using contract workers in indirect production and for simple and/or hazardous tasks; work rearrangements that could easily be implemented without opposition from regular workers and their trade union.

² The paint shop is considered to be the production area in which in-house contracting was first introduced, and the setting in which there has traditionally been the largest proportion of contract workers in automobile manufacture. It is said that tasks in the paint shop are less repetitive and less physically arduous than those in assembly work; but a job in the paint shop has customarily been treated as undesirable due to the hazardous work environment, thanks to the odour and emission of harmful chemicals used for body coating and the high temperatures in secluded spray booths. Consequently, as early as the late 1980s, contract workers began replacing some regular production workers in non-skilled, but dirty and/or arduous tasks. A necessity for the prevention of contaminants in order to maintain a high quality paint coat has led to jobs for some contract workers involving the cleaning up of dust, paint sludge and equipment found in the paint shop. According to supervisors and production workers interviewed, more manufacturing operations – including the painting of recalled vehicles and of such components as bumpers – that were performed by external manufacturers from the early 1990s onwards were conducted in the paint shop, partly because the painting quality of component manufacturers did not meet the required standard. Thus, some contract workers were used to performing these sub-part operations in a separate area of the paint shop. As a result of the increasing use of in-house contracting arrangements in paint shops, the average number of contract workers used in the mid-1990s was about 200 in each of the five paint shops at Company A's production complex.

As a consequence of the various assignments between contract and regular workers, it was rare to find people with different employment statuses performing similar tasks alongside each other, a practice that has become more commonplace in recent years. Moreover, direct working relationships between contract and regular workers were very limited, as was interaction between the management and workers of user firms and their contracting counterparts.

Given the peripheral nature of contract workers in manufacturing activities, one could argue that the central objective of management in the initial utilisation of in-house contracting lay not in attaining a high level of flexibility, but rather in reducing labour costs through giving the less desirable jobs to contracting firms in response to the rapid wage increase of regular employees that followed unionisation. In this light, the initial use of labour contracting at Company A was characterised by the management's labour cost-cutting strategy.

The case of Company A confirms the finding of the previous research, namely that a user firm is more likely to contract out work that is considered to be less skilled and more peripheral to its operation (Kalleberg 2000; Kalleberg and Marsden 2005). It is obvious that the use of contract workers of up to about 10–15 per cent of the volume of regular workers helped to increase numerical flexibility in Company A's workforce. However, it did not bring about increased flexibility in the everyday operation of production units, neither in terms of the tasks each worker was able to perform nor in terms of worker number adjustments made in response to changes in production schedules and volume; since contracted work was, to a large extent, functionally separate from the work in which regular workers engaged.

The above argument is supported by observing the more or less loose management of in-house contracting arrangements in the 1990s. It is perhaps surprising to find that Company A's management did not have clear policies or management strategies at company level. In fact, even if policies did exist internally, they were not implemented in a systematic manner. Since issues regarding the use of contract workers were mainly dealt with by shop floor level management, company-level management was apparently limited in how much it could oversee and control in-house contracting in the individual plants of its production complexes. According to one manager interviewed at Company A, it was not until 1995 that headquarters at the production complex became involved in contract procedures with in-house contracting firms; at the time, the Purchasing Department was in charge of the process. In other words, the management of Company A treated in-house contracting arrangements and off-site

subcontracting arrangements with component manufacturers in a similar manner. As will be discussed in detail in the next chapter on the management issue of contracting arrangements, in the mid-1990s, the management mechanism that Company A used to deal with in-house contracting was to have the production departments of each plant make contract decisions for certain tasks and related procedures, and to have the Purchasing Department act as a contract partner with contracting firms. A department fully responsible for the management of in-house contracting issues at the company level was only established at the beginning of 2000.

In summary, an examination of in-house labour contracting in the 1990s demonstrates that the extent to which the practice was used was very limited and workers were restricted to peripheral work. There was generally a division between regular and contract workers in terms of skill level and type of work, since many contract workers were assigned mainly to simple or undesirable jobs. Indeed, since the work given to contracting firms was carried out by a separate group of contract workers or, as in a few cases, in remote areas of the factory compound, direct interaction with regular workers on the shop floor was not necessarily required.

In contrast to recent labour contracting practices in the main production areas, which requires the extensive involvement of the user firm management and trade union, the interference of the user firm management and trade union in the employment practices of contracting firms in the 1990s was minimal, since the function of labour intermediaries was insignificant in factory operation and the work or social association of contract workers with regular workers was rare. Under the circumstances, as will be discussed further in section 4.2, contract workers at the time were often employed on an informal basis with no employment contract and/or on a short-term casual work basis.

Nevertheless, the early form of in-house contracting in automobile companies, which was characterised by the use of contract workers in non-core functions of production operations, came to an end in late 1997, when Korea's strong economic growth was abruptly interrupted by the financial turmoil that swept through East Asia. The remaining parts of this section will therefore explore the modifications that occurred in the utilisation of contract workers in relation to the changes in Company A's employment practices. This examination will help us to understand the circumstances in which Korean automobile companies have pursued in-house

contracting arrangements, and how the use of the external workforce in the main production areas of automobile plants became institutionalised.

3.2.2. The Economic Crisis and Employment Adjustments

The 1997 economic crisis and subsequent recession was a watershed, not only in Korea's economic history but also in the development trajectory of the Korean automobile industry and its employment practices. From the early 1970s to the mid-1990s, five Korean *chaebol* (large conglomerates) established automobile companies, setting up 12 local production complexes across the country. In the mid-1990s, as a result of the rapid expansion of its automobile industry, Korea was producing about 2.9 million vehicles per year, making it the world's fifth largest car producing country (Korea Automobile Manufacturers Association 2008). However, the Korean automobile industry suffered a sharp downturn in the late 1990s as the debt-based expansion of the Korean conglomerates stalled during the East Asian financial crisis.

Although it has already been more than ten years since the outbreak of the East Asian financial crisis, there is still academic controversy over its underlying causes, the economic conditions of Korea at the time and the policy measures undertaken by the Korean government under the IMF structural adjustment programme. The examination of these issues is beyond the scope of this study. Nevertheless, with respect to the business downturn of Korean automobile manufacturers in the late 1990s, it is noteworthy that the foundations of these companies were basically unsound.

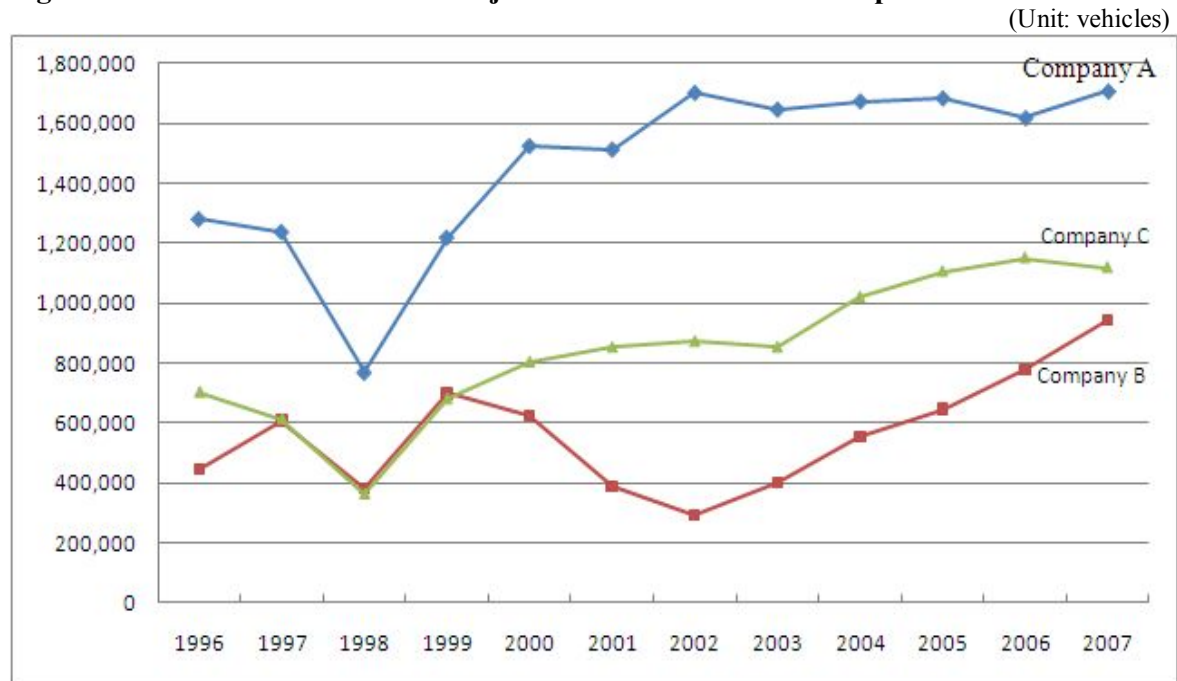
It is widely accepted that South Korea's entry into capital-intensive industry, including the automobile industry, and its "industrial deepening" during the 1970s and 1980s were largely attributable to the bureaucratic capacity of the authoritarian development state and the massive (and unbalanced) investment in heavy industries (Amsden 1989). The size of *chaebol* began to expand rapidly as they extended their business into the heavy industrial sector following the introduction of the Heavy and Chemical Industrialisation Plan in 1973. According to Hart-Landsberg (1993), the authoritarian regime provided *chaebol* with bank loans at low interest rates and with various types of tax incentive in order to accelerate heavy industrialisation. The government-controlled banks often bailed out large-size conglomerates and helped these companies merge with medium-size firms on very favourable terms. Consequently, the influence of large-size *chaebol* over the Korean economy increased rapidly. As the major beneficiary of the government's economic policy, the *chaebol* also cooperated with the

authoritarian rule of the military regime until the late 1980s. Despite the democratic transition process in the 1990s, a lack of transparency concerning the ties between the government and *chaebol*, and the debt-based business expansion of Korean conglomerates continued.

Automobile manufacturers proved to be a typical case, demonstrating structural problems in the *chaebol* business system in the 1990s. For instance, the debt ratio of Company A in 1997 was 490 per cent, and considerable amounts (about 700 billion Korean won per year) were spent on servicing loans from banks and other financial institutions. Indeed, Company A made excessive payment guarantees (114 per cent of its total assets) for subsidiaries and sister companies within the same business group. As such, although Company A made profits in its product sales, it had large deficits in the non-business area such as debt repayments, which led to marginal corporate profits at the time (H.J. Jo 2005, 132). The problem of overcapacity has also contributed to the business difficulties faced by the Korean automobile industry (Lansbury, Suh and Kwon 2007). Although world demand had not grown, Korean automobile manufacturers ambitiously expanded the production of passenger vehicles during the 1990s. Moreover, the Samsung group – the largest Korean conglomerate – established an automobile company in 1994, which exacerbated the fierce competition in the domestic market. Consequently, in the 1990s, Korean automobile manufacturers experienced the problem of low investment profitability.

Four out of five major automobile manufacturers (with the notable exception of Company A) went bankrupt in the late 1990s as they suffered the effects of the serious decline in investment profitability and were unable to meet their debt obligations. Three of the bankrupt automobile companies were later taken over by foreign firms including General Motors and Renault.

Fortuitously, Company A avoided business bankruptcy and ownership changes, but it was also hit hard by the outcome of the financial crisis, namely the increased cost of servicing bank loans and a recession in the domestic market. Consequently, with a sharp fall in consumption and the government's fiscal austerity policy, Company A experienced a dramatic decline in vehicle sales at home and its production volume in 1998 declined to the level of 1991. It is reported that the average operational output of Company A assembly plants in the first half of 1998 fell to 44 per cent of capacity and the average working hours of production workers fell to a mere 25.6 per week (H.J. Jo 2005, 134).

Figure 3.1 Production Trends of Major Korean Automobile Companies

Source: Korea Automobile Manufacturers Association.

Faced with a decline in production and a business down turn, Company A's management decided to lay off workers for the first time in the firm's history. Following two incidences of early retirement and voluntary redundancy, on 21st May 1998, Company A's management notified the trade union of its plan to dismiss 8,189 employees, including managerial staff and non-production workers. From the perspective of Company A's management, the increase in mechanisation and the rationalisation of the production process attained during the 1990s left its automobile plants with a considerable surplus of manpower, which had become a source of employment rigidity and a labour cost burden.

However, the managerial plan for large-scale dismissals was met with strong resistance from the trade union and the production workers. Company A's trade union considered that the amount of surplus labour estimated by management was inaccurate and exaggerated. It also took the view that management had attempted to take advantage of the decline in production as an opportunity to initiate employment restructuring in the plants and to weaken union influence. The trade union offered an alternative proposal for the minimisation of dismissals, including a reduction of 37 per cent in wages, work sharing among production workers, a reduction in working hours, and job transfers to other production units (M.H. Joo 2003). The union proposal was seemingly based on the idea that an increase in functional adaptability attained mainly through flexible staffing and greater wage flexibility would increase the manning level and staff

efficiency; however, it was rejected by the management and in July 1998, the company informed 1,538 workers of their redundancy. The notification of dismissal triggered a massive protest by the union, which lasted for more than a month and resulted in serious management–union confrontation.

As Gray (2008, 111) points out, the workplace struggle at Company A in July–August 1998 was the first major incident under the enterprise employment adjustment, which was based on the new layoff registration enacted in February 1998, and was “representative of the broader labour–capital struggle” following the economic crisis. The initial deadlock between Company A’s management and the trade union resulted in the involvement of the relevant state authority (the Ministry of Labour), the ruling political party and upper-level union organisations in order to mediate the conflicting views of the parties concerned. Based on government arbitration, Company A’s management and trade union leadership reached a compromise on 24th August 1998. The number of redundancies was drastically reduced, leading to the official dismissal of a mere 277 workers; although a further 1,669 employees were granted unpaid leave.

In terms of actual redundancies, the achievement of Company A management in its attempt to reduce the workforce may seem minor; but employment volume was actually reduced by 17 per cent in 1998, when about 6,500 employees – including managerial staff – were forced to leave their jobs, accepting either early retirement or ‘voluntary’ severance (W.D. Lee and J.H. Lee 2002; M.H. Joo 2003). As will be demonstrated later, workforce reduction in the wake of the 1997 economic crisis clearly affected the behavioural patterns of Company A workers and their attitudes towards their employer and trade union. For instance, as the traditional concept of lifetime employment virtually broke down, the primary concern of Company A workers since then has become job security, which has been a key to influencing the increased utilisation of contract workers in main production areas in the following years. Concessions made to employment adjustment by the trade union led to internal disputes within the organisation, as some factions and individual members opposed compromises over dismissals. More importantly, the situation led to a decline in the loyalty of workers to both the trade union and the management of Company A, given that they had witnessed widespread redundancy amongst their colleagues.

Before making personnel adjustments to its own workforce, Company A terminated a considerable number of work contracts with contracting firms, so that workers engaged in jobs

under such contracts were automatically dismissed. At Company A's complex, about 1,600–1,700 contract workers out of a total of 3,600 were estimated to have been discharged in the second half of 1997. Indeed, numbers were continually reduced during the following year, reaching a minimum of about 800 in the first half of 1999. Some duties that had been carried out by contract workers in previous years were subsequently undertaken by regular workers as part of the personnel restructuring process.

The dismissal of contract workers was implemented unilaterally by management and, faced with their own job insecurity, union officials and regular workers consented to the managerial policy. At Company A, several interviewed owners and operations managers of contracting firms recalled being given one month's notice of contract termination, along with the tentative assurance that they would be offered more work when production volume increased. Some owners of contracting firms relinquished their businesses, but the majority persisted – despite making no profit – by maintaining a skeleton workforce. For instance, one contracting firm, which operated at the No. 1 Assembly Plant, just kept on a few maintenance workers after losing 90 per cent of its employees.

Unlike dismissed regular workers, who at least received some redundancy payment (although most of those who accepted early or 'voluntary' retirement package deals were forced to leave their jobs), contract workers were dismissed without any financial compensation. The difficulties experienced by contract workers at Company A in the late 1990s highlight a typical predicament of such employees; one in which the contract worker is exposed to job insecurity and the related vulnerability, including lack of unemployment benefits and union protection.

There are few documentary sources that reveal the problems faced by contract workers at that time. Nevertheless, a short letter from a dismissed worker found in a trade union newspaper provides a clue to the nature of the grievances of contract workers in the 1990s, as well as the conditions they worked under:

About 800 contracting firm employees were dismissed by August 31st and more than 500 contract workers have been informed that they will be laid off by December 30th this year... If [Company A] is not able to maintain its contract workers, it needs to provide us with severance pay instead of saying it has no legal responsibility. Severance pay is a way to help us to survive; as humans, we need to eat and live... There isn't even a place where I can go to complain about the situation. We did all the very difficult and dirty work, but we are going to be kicked out onto the street; I do not know what we did wrong (From the weekly trade union newspaper at Company A, 11th December 1997).

3.2.3. Moving from Peripheral to Main Production Areas

A new phase of in-house labour contracting in Korean automobile companies began with the recovery of product sales, together with some changes in managerial labour utilisation strategy for production, and the approaches of the trade union and regular employees to the use of contract workers. As a consequence of the reduction in the workforce during the economic recession, automobile companies were obliged to hire more production workers following increases in production and sales of vehicles. However, the majority of workers brought into the plants were contract workers and, once they had filled the vacuum left by regular employees, the function of in-house contracting expanded to the main production sites. Consequently, the automobile manufacturing workplace underwent profound changes, especially in terms of work processes and employment relationships. This section will highlight the fact that the bargaining that took place between management and trade unions in exchange for organisational flexibility and the employment security of regular workers has been a key factor in shaping the form and characteristics of in-house contracting in recent years.

At Company A, the increased use of contract workers began in late 1999, when the manufacturer's vehicle sales began to grow in both domestic and foreign markets. The Korean economy unexpectedly recovered from the financial crisis at a fast pace. Moreover, the devaluation of the Korean won and the subsequent increase in price competitiveness of its small and medium-size passenger cars in the international marketplace helped Company A boost exports. As illustrated in figure 3.1, Company A's production volume in 1999 returned to almost pre-crisis level.

The normalisation of production output led to an increase in the workload of regular production workers because the personnel volume on the shop floor had been lower since 1998. Consequently, the discontent of regular workers grew. As the recruitment of additional workers became inevitable in order to ensure the normal operation of its plants, management at the plant level began to utilise new contract workers in direct production areas from late 1999. Shop stewards and regular workers, who still faced an uncertain future, appeared to be unable to prevent plant managers from bringing contract workers into direct production areas, including the main assembly lines; however, the number of contract workers hired in late 1999 was relatively small. Moreover, negotiation between managers and union officials at the shop floor level was quite informal, since contract workers were assigned to jobs in production areas

requiring additional workers and official collective bargaining on the personnel volume of work teams and production units did not take place.

The most critical event for the increased utilisation of contract workers came in June 2000, when management and the trade union at company level reached an agreement on the so-called ‘full employment guarantee’ for existing regular workers. For management, which had experienced great difficulty in reducing the number of production workers at the outset of the recession in 1998, the main priority with regard to employment practices now lay in attaining an effective means of adjusting the volume of workers on the shop floor. By contrast, the trade union – which began to regain shop floor control from late 1999 when production normalisation took place – focussed on establishing a mechanism to prevent a recurrence of the wholesale dismissal of its members. From early 2000, as the production output began to exceed pre-recession levels, both management and the trade union came under pressure to bring new production workers into the plants.

The recruitment of contract workers at 16.9 per cent of the total workforce was settled on as a way of mediating the conflicting interests of management and the trade union. It must also be appreciated that after the massive dismissal of workers in 1998, which damaged regular workers’ company loyalty and trust in the trade union, management and the trade union needed to find a way to restore employee commitment. As such, despite the negative aspects of the deal for both parties – employment rigidity for regular workers was increased and an external workforce with poor employment entitlements was introduced – management and the trade union reached an agreement.

Since the trade union’s agreement with management in June 2000 on the use of contract workers in direct production areas is important to an understanding of the evolution of labour contracting at Company A, as well as to the discussion of several other issues that are addressed in the following chapters of this study, an exploration of the subject seems necessary here.

The full employment guarantee agreement that was signed by senior management and the union president did not include details of the utilisation of contract workers. It only included the provision for a “full employment guarantee,” whereby management could not lay off existing workers unilaterally, and other clauses regarding management–trade union cooperation in

production and in the deployment of the workforce.³ Nevertheless, a review of supplementary documents produced by the working group that drafted the agreement reveals points on which there was a consensus between the trade union and management. The rate of 16.9 per cent was decided upon on the basis of the average level at which contract workers were utilised in July 1997 at all of Company A's plants, including those in other regions. Thus, although the number of contract workers recorded by the production complex under study had previously been in the range of 13.5 per cent, the trade union conceded to management's demands for the hire of more such employees than previously.

The conditions under and extent to which contract workers could be deployed in "the direct production departments of the production plants" were also outlined as follows: (1) when temporary additional personnel are required; (2) when the workforce needs to be equalised (including instances in which regular workers are transferred) after the automation of certain production parts; (3) when extra workers are required for weekend work; (4) when regular workers take leave of absence; and (5) when absent union officials' duties need to be covered. As the agreement focussed on arrangements between Company A and in-house contracting firms, no restrictions were placed on the use of contract workers hired by secondary firms that had contracts with component manufacturers on the company compound.

Since Company A is one of the largest manufacturing firms in Korea and its trade union has been influential in the Korean trade union movement since the late 1980s, the union's formal endorsement of the managerial plan for the use of non-standard workers was criticised by factional union groups and labour activists within the company, as well as by some outside labour organisations and progressive academia, in the years following the agreement. Indeed, the workplace problems faced by precarious contract workers have been used by some conservative figures and the media to foment negative public opinion against the activity of trade unions in large-size companies, especially those affiliated to the radical Korean Confederation of Trade Unions and the Korea Metal Workers Union. For instance, when pay disputes have occurred in large-size automobiles firms, the conservative media has often used data comparing the level of regular workers' wages and fringe benefits with those of contract

³ The main document of the full employment guarantee agreed upon by management and the trade union contains the following clause: "The management runs the company on the basis of the full employment guarantee in accordance with the company principle of human-centred business. The trade union will do its best to ensure the promotion of production, product quality and the consumer's satisfaction in order to develop the company."

workers, labelling the former the “labour aristocracy”. The trade union at Company A has been a major target of criticism from the conservative media. However, when explaining why the conditions under which contract workers can be utilised was mentioned in the 2000 management–union agreement, one interviewed union official who had been involved in negotiations pointed out that there were two reasons: (1) to prevent the further expansion of contract workers in the plants, a trend that had begun in late 1999; and (2) to improve their working conditions. Nevertheless, hindsight suggests that the trade union’s formal agreement with management at the beginning of the current decade was a major contributory factor in the rapid expansion of contract workers at Company A; and in the problems that have emerged there since.

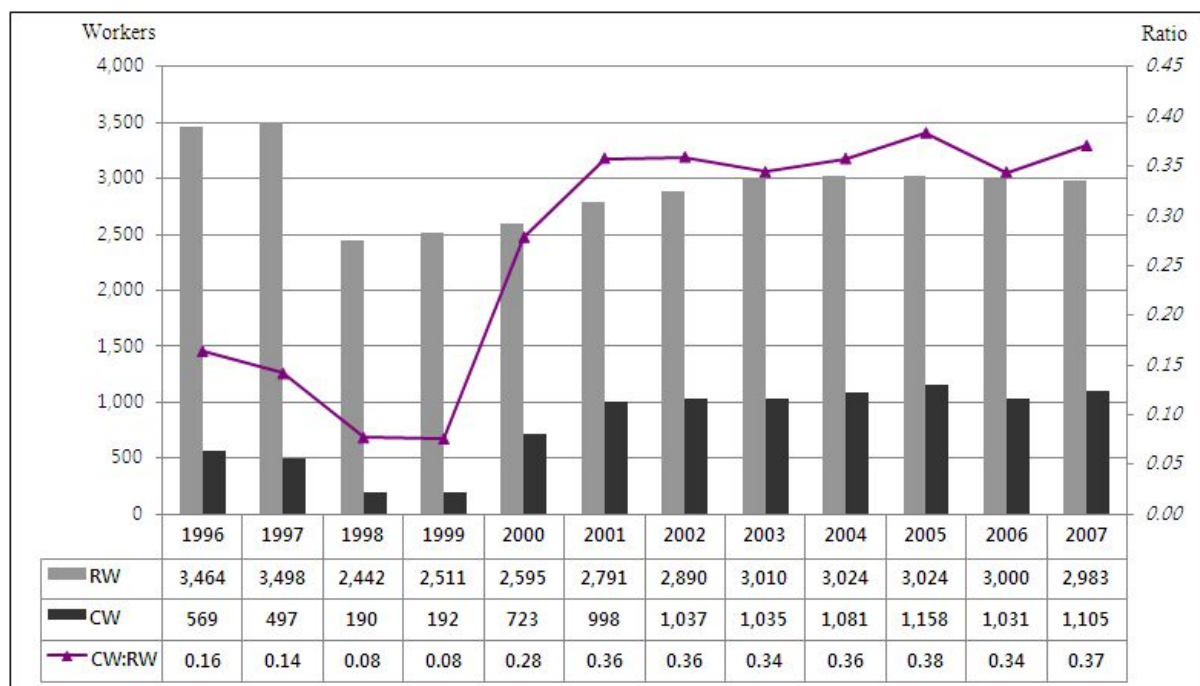
Once management’s plan to promote in-house contracting in direct production areas was endorsed by the leadership of the trade union at company level, the number of contract workers soared. Accordingly, more than 2,500 new contract workers were brought into all production units within a single year, increasing their total number to 3,500–3,800. After this, it is estimated that the number of contract workers at Company A increased by approximately 1,000 workers annually until 2004/05, when their number peaked at about 8,000.⁴ In contrast, the number of regular production workers has remained constant at about 21,000 since the end of the 1990s.

Unsurprisingly, contract workers at the beginning of the 2000s were deployed in place of regular workers, particularly in the assembly plants, since the recruitment of the latter had almost ground to a halt. Figure 3.2, which is based on the No. 3 Assembly Plant, demonstrates this employment trend. It seems likely that the guideline of 16.9 per cent as the maximum number of contract workers to be hired in the total workforce was no longer being adhered to as early as the first half of 2001, only a few months after the collective agreement had been signed.

⁴ These numbers refer only to contract workers hired by primary in-house contracting firms (excluding so-called secondary contract workers). It should be noted that the author’s request for data regarding employment trends for contract workers and contracting firms was refused by management. Several citations of company data on the number of contract workers at Company A are to be found in trade union newspapers and other reports, as well as in publications originating from labour organisations and individual researchers (e.g. KMWF 2003), but the reliability of these data sources is questionable. Indeed, there is no accurate method of assessing the changing employment trends of contract workers. In order to obtain relevant information on employment trends for contract workers and contracting firms over the last decade, great effort was made during fieldwork, which included the acquisition of company data in the possession of former and current union officials. Based on these data, an estimate of the number of contract workers at Company A in recent years was made. Statistical information on contract workers at the company level used in this chapter is based on the same sources.

As is revealed in several company and union documents, the estimated number of contract workers hired in 2001 ranged from 4,300–5,900. Even if these numbers – which vary depending on the source – are not taken into consideration, the rapid increase in the number of contract workers in the workshops was one of the most frequent topics mentioned by workers and shop stewards during the interviews. They affirmed that just one year after the agreement was signed, contract workers already accounted for about 20–30 per cent of the total workforce in many workshops, amounting to as much as 40 per cent in some cases.

Figure 3.2 Employment Trends and Number of Workers at One of Company A's Assembly Plants (1996–2007)



Source: Internal Company Data.

Notes:

- RW = regular workers; CW = contract workers; CW:RW = the ratio of contract workers to regular workers.
- Secondary contract workers and short-term workers are not included in the number of contract workers.
- Data for each year does not show changes in the number of contract workers within that year.

Of course, a major reason behind the rapid increase in contract workers far surpassing the quantity guideline agreed upon was that management acted strategically to ensure the greater utilisation of in-house contracting across the production complex. Management's forestalling in the provision of a job security guarantee to regular workers in exchange for the endorsement of the trade union lifted constraints on the use of in-house contracting in such main production areas as the final assembly lines, an arrangement that had been severely restricted in the

previous decade. Having established a department at headquarters responsible for the implementation of in-house contracting and the staffing of mid-level managers at plant level in early 2000, management proceeded to attempt to increase the number of contract workers across all production plants.

In contrast to these active managerial strategies, the trade union was passive in response to the increased use of contract workers at the beginning of the 2000s, and union representatives at shop floor level and their plant committees particularly lacked a coordinated approach. An appraisal of the collective bargaining on the use of contract workers in which Company A's trade union was involved in June 2000, might prompt one to think that the trade union had lost influence after the dismissal dispute and was unable to cope with managerial aggression. However, the bargaining power of the trade union at Company A was considerable, since the control that its organisations had over the shop floor had been dramatically regained in late 1999. In fact, the problems that the trade union had in dealing with the rapid rise of contract workers on the shop floor lay in its organisational structure and character. The decentralised bargaining system in relation to manning levels and other work-related issues can be considered a primary reason for the near uncontrolled influx of contract workers onto the union-controlled shop floor at the beginning of the 2000s.

In addition to company-level trade union laxity with regard to the issue of in-house contracting after its agreement with management and frequent changes in union leadership (e.g. union leaders involved in the agreement unexpectedly resigned three months after it was signed), the general preference of regular workers for having jobs on the shop floor filled by contract workers influenced union officials in their bargaining with plant management.

Moreover, in some respects, the utilisation of contract workers became the subject of shop floor politics. Accordingly, since plant managers had very limited authority over the recruitment of new regular workers under the no-hire policy imposed by top management, the provision of increased manning levels for work units through the use of additional contract workers was a measure used to break the deadlock in man-hours negotiations at plant level. Moreover, some shop stewards regarded the acquisition of more contract workers as a way of decreasing the workload of regular workers and increasing their job security. It was no secret at Company A that the standard manning level for its production units could be increased by up to 20–30 per cent through the utilisation of contract workers. As several interviewed union officials stated,

along with the lack of a consistent strategy and fragmented shop floor bargaining on the part of the trade union, union officials' limited understanding at both company and shop floor levels of the consequences of their decisions and actions concerning the use of contract workers at the beginning of the 2000s contributed to the widespread use of in-house contracting at the company.

The unintended consequences of the deployment of contract workers alongside regular workers on production lines – including the potential threat to job security, weakened union strength, and labour–labour conflict – were only realised in about 2003, when increasing numbers of regular workers became aware of the problems surrounding in-house contracting; and when several labour disputes involving contract workers and contract workers' union organisations broke out. Since then, the trade union at Company A appears to have become involved, albeit ambivalently, in the creation of a more active strategic response to managerial pursuit of in-house contracting.

3.3. Contracting Arrangements in the Flexible Production Process: Trends and Incidence

The expansion of contract workers in the production areas of automobile plants cannot be fully understood without exploring the ways in which flexible production has been pursued by the management in recent years and the role of in-house contracting in the production process. The following two sections will examine recent changes in work arrangements and organisation associated with the increased use of contract workers and the relationship with organisational flexibility. This examination sheds light on the greater integration of labour contracting into the production process and the close working relationship between regular and contract workers. It will also demonstrate the extent to which contract workers are utilised in Korean automobile plants.

At the time of the investigation, the number of contract workers engaged in production areas at Company A was found to have decreased after reaching peak employment volume in 2005. The number of contract workers hired by primary contracting firms, which can be estimated from data in company documents, fell from about 8,000 in 2005 to 6,500–7,100 in 2007. However, this reduction in contract workers does not mean that the role of in-house contracting in production activities has decreased, as management is still striving to utilise more contract workers. As will be discussed in later chapters, the recent decline in employment volume has

been affected by less demand for contract workers in work units by regular workers; union intervention to prevent the further expansion of contract workers; the emergence of contract workers' union organisations; and a rise in contract workers' pay levels and the subsequent lower turnover of staff.

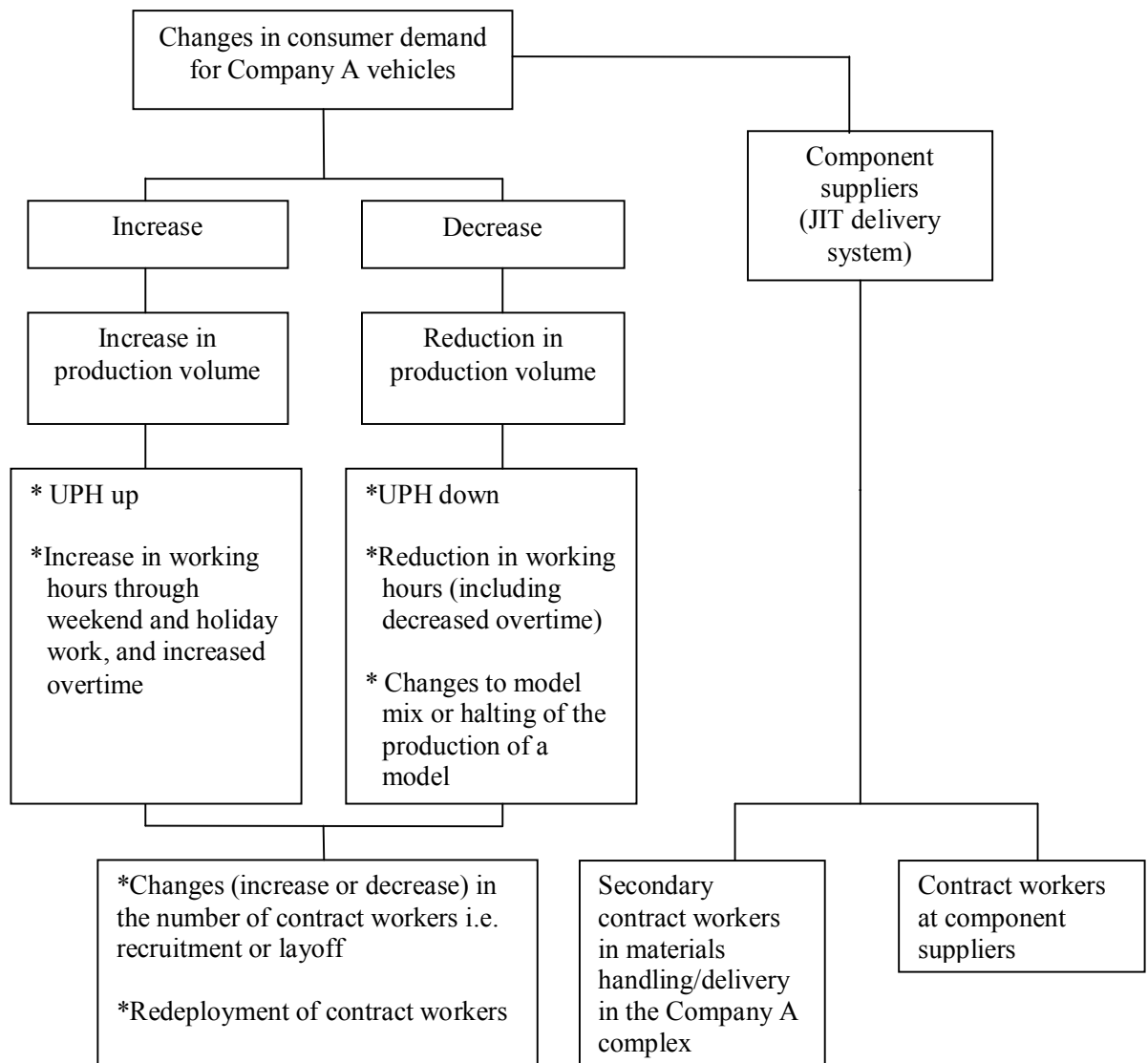
Nevertheless, the primary explanation for recent employment trends can be found in the way management has utilised in-house contracting within the broader framework of company strategy and production systems. A related issue is that vehicle manufacturing at the Company A production complex examined has stagnated in recent years – after reaching a peak of about 1.3 million units per year – which has led to no further demand for an increase in the workforce at most production plants. In dealing with year-to-year fluctuations in the volume of vehicle production at individual assembly plants, management has adjusted the volume of its workforce by changing the number of contract workers used.

Figure 3.3 illustrates how the utilisation of contract workers in its main production areas has enabled Company A to adapt manning level and work arrangement changes in the production schedule more easily. At the heart of flexible manufacturing lie changes in the market and customer demand, which require adjustments to the production volume of vehicles. In spite of disagreement on the nature of the flexible production system in the automobile industry and its impact on employees, it is generally accepted in the literature that greater efforts have been made by Company A and other Korean automobile manufacturers to increase product and model ranges and meet the demands of the consumer. The production process of vehicle manufacturing – along with improvements in manufacturing techniques, such as increased platform-sharing; the production of mixed vehicle models on the same assembly line; and the enhancement of the 'just-in-time' delivery system – has become more flexible in order to respond effectively to fluctuations in market demand (M.K. Chung 2004, B.H. Lee and H.J. Jo 2007; Lansbury, Suh and Kwon 2007).

Nevertheless, it can be argued that the key method that Korean automobile manufacturers employ in dealing with fluctuations in market demand is based on changes to the production volume during a given time and/or to the operating schedules of individual assembly plants. The use of such a method requires the readjustment of personnel volume in production units, changes in production workers' working hours (including overtime and weekend working), and/or the redeployment of staff. Consequently, man-hours negotiations between management

and the trade union take place when the production schedule of the plant needs to be changed in order to rearrange the manning level of the workplace and production workers' tasks. However, as one of the most contentious workplace issues in automobile plants (Jurgens, Malsch and Dohse 1993, 223), man-hours negotiation at Company A is often subject to confrontation between the management and trade union because it is related to job security, workloads, and labour costs and efficiency. Under the circumstances, adjustment in the number of contract workers in production units requiring manning level changes has emerged as the main strategy in mediating the conflicting interests of management and the trade union.

Figure 3.3 Flexible Production and Personnel Readjustment of Contract Workers



Source: Developed from a diagram drawn by a union official at Company A during interview.

Notes: UPH = units per hour. JIT = just-in-time.

It is also important to note that the recent use of contract workers at Company A is associated with the modularisation process that it is actively pursuing as a key production/technological strategy to reduce costs and improve product quality. The modularisation process at Company A involves the transfer of some manual assembly work to component manufacturers; however, in many cases, the assembly of module parts, e.g. the cockpit and front-end modules, is undertaken by in-house contracting firms located at component manufacturers.

This study found that some contracting firms that have contracts with component suppliers (hereafter known as ‘secondary contracting firms’) are engaged in module assembly work on the premises of Company A. In a similar vein, as will be discussed below, the delivery of assembled module parts or components is largely performed by contract workers located in the Company A complex. In this regard, the recent fall in the number of contract workers in primary contracting firms indicates the expansion of in-house contracting practices in component suppliers, as well as an increase in secondary contract workers at Company A.

Thus, the extent to which in-house contracting has been utilised at Company A is regarded as having remained largely unchanged in recent years; and, if contract workers at Company A’s component manufacturers are taken into consideration, the volume of such employees within its overall production network has certainly increased. One ramification of this development in in-house contracting arrangements is that there is now a considerable disparity in terms of employment benefits and working conditions, not only between regular and contract workers but also between contract workers hired by primary contracting firms and those employed by secondary contracting firms at Company A. This gap is particularly noticeable in the case of contract workers engaged by component manufacturers.

Although a detailed discussion of the experiences of workers will be conducted in later chapters, it is important to note here that the status and employment conditions of contract workers have become more diverse in recent years, as Company A’s labour contracting arrangements are profound and widespread throughout its complex, and across its component suppliers. It appears that the contract workers’ employment conditions are largely shaped by the type of contracting firm and its contractual relationship with Company A, such that contract workers with different employment statuses are subject to different terms and conditions.

Not only can a considerable number of secondary contract workers be found in various units of Company A's complex, they are also mainly engaged in the subassembly of module parts or materials handling and delivery, thus ensuring synchronised operations between the assembly plants and component suppliers; work that is very similar to that done by primary contract workers in the same task areas, as well as that carried out by regular workers.

Nevertheless, despite their close involvement in the production process, little detailed information on secondary contracting firms and their workers is available. One reason for this is that both Company A's management and trade union consider the operations of secondary contracting firms to be the responsibility of related component suppliers. Moreover, although the approximately 15 secondary firms at Company A – each hiring in excess of 50 workers – were easy to distinguish at the time of the investigation, a considerable proportion of secondary contract workers were employed by smaller-size contractors, or dispatched by outside companies to work in small groups or individually in separate plants. Thus, it is difficult to determine how many secondary contract workers currently work company-wide. However, an examination of two assembly plants from the perspective of secondary contracting firm deployment indicates that about 250–300 secondary workers are located in each plant. Thus, the volume of these workers at Company A is estimated to be in the region of 1,700–2,000.

By exploring the issue of secondary contract workers, it is possible to assess the extent to which in-house labour contracting is used at Company A. As is shown in table 3.1, 101–105 primary contracting firms hiring 6,500–7,100 workers operated in production-related areas at the time of the investigation. When the above figure for secondary contract workers is added, the number of contract workers involved in the production operations of Company A in 2007 is estimated to be in the region of 8,200–9,100.

Although neither contract workers nor temporary agency workers engaged in ancillary positions in non-production areas were intended to fall within the scope of this study, it appears that about 1,200 workers are supplied by 14 contracting firms, engaging in such support duties as security and company restaurant work, some of which was carried out by employees of Company A before the 1998 personnel adjustment.

In the light of these findings, the question arises as to the types of job many contract workers are currently involved in during the various production processes. A useful way of looking at

this is to classifying tasks and functions into three categories: (1) direct production tasks at manufacturing plants; (2) indirect production tasks at manufacturing plants; and (3) jobs in non-manufacturing units.

The first category includes a diverse range of jobs at five assembly plants and several related production units, such as the interior trim assembly works, stamping press works and material casting works utilised in the manufacturing of engine components. Seventy per cent of primary contract workers at Company A work in these areas. As will be examined in the next section, new methods of work practice and labour processes have been observed in these direct production areas, as many jobs are shared by contract workers.

With regard to the findings of previous studies, which suggest an increase in the responsibility given to individual production workers, and the importance of teamwork in relation to the flexible production systems of automobile companies (Humphrey 1993, 1996; Durand, Steward and Castillo Eds. 1999), there is little doubt that the roles and responsibilities assigned to contract workers are equal to those given to regular workers performing similar tasks. Moreover, their respective quality of work is also comparable.

Indirect production tasks in the second category refer to work performed by production workers in support of production plant operations, mainly in the areas of maintenance, quality inspection and materials handling. One of the differences between these jobs and those in the first category is that the interaction of contract workers with regular employees, as well as with contract workers at the same firm, is lower, since indirect production workers – with the exception of those in the quality inspection area – usually move from place to place in the compound to undertake their given tasks.

At Company A, the duties performed by maintenance workers hired by two in-house contracting firms range from simple tasks such as daily checks of plant facilities, to skilled jobs including the servicing of tools and machinery. Although major repairs are undertaken by either regular workers or independent specialist firms, contract workers can be found carrying out mechanical and electrical maintenance. About 130 contract workers are also located in the quality inspection sections of the assembly and paint shops. In addition to off-site road tests, these workers also ensure that components are correctly installed according to the standard assembly instructions and that doors function properly.

A significant finding of this study in terms of indirect production tasks in relation to changes that have taken place in in-house contracting in recent years is that the role of contracting firms in materials handling and delivery is more extensive than in the 1990s. The author was informed by several relevant interviewees that a few small-sized contractors hired a handful of casual workers mainly to carry out two tasks. The first task is the delivery of components to designated storage areas where regular workers then perform the next steps of sequence ordering and the delivery of the components to assembly lines. The second task is the collection of used material carts and boxes. It was observed in the assembly plants that contract workers undertook the same types of job as regular workers, but with more tasks than they had had in the previous decade. Similar to other automobile companies that have adopted the just-in-time delivery system (Freysenet Eds. 2003; Charron and Stewart Eds. 2004), the stock of components at each worksite is maintained at minimal levels, usually sufficient for an hour's work. Components are therefore delivered in sequence on a constant basis. Thus, along with the promotion of the modular production system, another consequence of just-in-time production is the considerable increase in personnel volume in the areas of materials handling and delivery. This increase is reflected in the fact that about 500 workers are hired by primary contracting firms and that the vast majority of secondary contract workers are also engaged in this type of work. In less than an hour, workers are expected to carry out all necessary tasks, including entry inspection, sequential ordering and delivery of components to related workstations on assembly lines.

Different jobs that contract workers carry out are in the areas of complete knock down (CKD) export operation, pre-delivery inspection (PDI) of export vehicles, and other export-related operations. Located away from the centre of the production complex at Company A, work activities in these non-manufacturing areas are more or less separate from production plant operations, which has led to different work schedules and organisation. In the CKD operation, contract workers undertake the packing of car body parts and interior trim components on a lot-vehicle basis, whereas regular workers deliver components and packed boxes. About 600 contract workers are also located in several areas related to export vehicles, engaging in pre-delivery inspection work and logistics. In an attempt by the company to improve the quality of its export vehicles and subsequent customer satisfaction, pre-delivery inspection has been enhanced to include tasks involving waxing and sealing the car body – especially the underbody of the vehicle – and paint touch-up work, both of which are carried out by in-house contracting firm workers. A particular feature of PDI and other export operations is that the

manual work is carried out entirely by contract workers, whereas regular production workers complete the requisite documentation or act in an informal supervisory capacity over the contract workers.

Table 3.1 The Extent and Status of In-House Contracting Arrangements at Company A

Production-related in-house contracting arrangements

Work Type and Location		No. of Contractors	No. of Contract Workers (Min–Max)	No. of Regular Workers
Direct production tasks at manufacturing plants	Final assembly shop	37–39	2,384–2,551	7,274
	Paint shop	14	904–1,030	1,716
	Body shop	4	223–262	1,319
	Press shop	1	73–73	543
	Engine/transmission plant	10	633–797	4,154
	Forge/foundry plant	5	298–322	1,121
	Seat production unit	5	297–301	502
(Subtotal)		76–78	4,812–5,336	16,629
Indirect production tasks at manufacturing plants	Quality inspection work	2	129–129	975
	Materials handling/delivery	8–10	456–535	1,413
	Facility maintenance/repair	2	161–165	572
	(Subtotal)	12–14	746–829	2,960
Indirect production tasks at non-manufacturing units	CKD operation (packaging/shipping)	4	302–305	167
	PDI of export vehicles	3	201–207	1,156
	Logistics; testing; label/document checks	6	449–453	
	Other			
	(Subtotal)	13	952–965	1,323
Total		101–105	6,510–7,130	20,912

Supporting tasks for complex production operations

Non-production tasks	Security/janitorial	1	260	N/A
	Telecommunications service	3	36	
	Cleaning	1	313	
	Restaurant	2	554	
	Document handling; vehicle driving	2	20	
	Clerical (staff supplied by temporary agencies)	5	50	
Total		14	1,236	

Sources: Company data and the author's interviews with contractors, union officials and contract workers.

Notes:

- The estimated figures for contracting firms and contract workers are for the period May–August 2007. These figures refer to primary contracting firms only.
- The figures for regular workers are based on numbers from the end of 2006, and include managerial staff and qualified technicians.

In conclusion, the importance of the work carried out through in-house contracting to Company A's production activities has clearly grown since the end of the 1990s, as such arrangements are now fully integrated into the everyday operation of its plants. The discussion in this section shed light on the reasons why Company A management has pursued in-house contracting, demonstrating the correlation between flexibility of production and the increased use of labour contracting. It was also found that there are differences in the duties and employment status of contract workers in the various automobile plant workshops. As will be discussed in detail in later chapters, the varying terms and conditions to which contract workers are subject have become an important factor in shaping working relations and the responses of these workers to a number of issues, including their involvement in unions and the relationships between workplace actors involved in in-house contracting arrangements.

3.4. Reorganisation of the Workplace

By drawing attention to the evolutionary process of in-house contracting in the context of the changing employment practices of automobile companies, the last section examined recent changes in employment structure and the level of labour contracting utilised at company level. An additional question raised concerned what changes have taken place in work arrangements and organisation at the shop-floor level as a consequence of the increased integration of contracting firms in the main production activities. This section examines the tasks that contract workers carry out and the impact of increased labour contracting on the deployment and work practices of regular workers. The investigation shows that contract workers are utilised in virtually all direct and indirect production areas, and that the distinction between regular and contract workers in terms of tasks and functions has to a great extent been blurred. Consequently, cooperation and conflict in the workplace have become more intertwined in recent years. An examination of recent changes to work organisation and labour processes on the shop floor will shed light on the resultant tension between coexisting internalised and externalised employment relationships in the context of in-house contracting.

As a large-size automobile production site, the Company A local complex operates five assembly plants. It also contains several facilities that support assembly plant operations, including a forge and foundry, and seat, engine and transmission plants. Assembly plant workshops are the prime concern of this section, since they are considered to be at the core of

vehicle manufacturing. As such, an examination of the assembly plant will highlight recent changes in the organisational structure of Korean automobile companies at shop floor level.

3.4.1. Work Arrangements in Assembly Plants and Cooperation at Work

With the expansion of assembly shop functions from such peripheral tasks as the liquid injection of fuel tanks and the subassembly of components, to direct production on main assembly lines – a process that began at the end of the 1990s – in-house subcontracting has become a common form of workforce utilisation. The process of automating the assembly shop is recognised as the most difficult among vehicle production processes because of technical/cost reasons and, therefore, manual work is still required to perform most assembly tasks (Fujimoto, Jurgens and Shimokawa 1997, 5). In keeping with other automobile manufacturers, there is very limited automation in Company A's assembly shops compared to its other production units. According to one senior manager, the level of automation on the assembly line was 15–20 per cent of that found in the most highly automated assembly shop at the company. As extensive mechanisation on the final assembly line was regarded as unfeasible from management's perspective, the best way to increase the flexibility of the existing system was considered to be through the engagement of contract workers on the main assembly lines. Accordingly, management started to pursue this strategy in the mid-1990s, but resistance from shop stewards and production workers in the assembly shops – groups considered to be the backbone of trade union militancy at Company A – hindered several of its attempts. Consequently, in-house contracting was confined to peripheral procedures, including simple materials handling or, at best, the operation of sub-assembly lines in which some contract workers were engaged in the assembly of such components as bumpers, fuel tanks and instrument panels.

However, since in-house contracting was introduced into the production activities of main assembly lines at the end of the 1990s, of all the production units, the assembly shop has had the lion's share of contract workers, which has led to significant changes to work arrangements.⁵ For example, in July 2007, in the assembly shop of the Number 2 Plant, which

⁵ In order to explore recent changes to work arrangements and the deployment of staff, an understanding of the work and layout of the assembly shops at Company A seems useful. Work tasks in the assembly shop can be divided into two broad categories: direct assembly-line work and indirect production tasks. The majority of assembly workers are allocated to three or four main conveyor belts, consisting of the interior trim, chassis and final component attachment sections; a few people carry out door and engine assembly on two separate inner sub-conveyor belts. Regular workers in the indirect production areas of maintenance, quality inspection and materials handling have their own work teams. Work teams of

employed about 1,400 personnel, there were 9 primary contracting firms employing a total of 660 production workers engaged in tasks on two main assembly lines producing three vehicle models. In addition to those contractors assigned to direct assembly line work, two primary contractors, employing 57 and 62 workers respectively, were responsible for component handling and delivery for the assembly lines. Approximately 40 other workers were employed by another firm specialising in quality inspection, whose tasks were performed at the end of the main assembly line and off the production site itself. Several secondary in-house contractors that had contracts with component manufacturers were also involved in materials handling operations and assembly work of components, including vehicle bumpers, on the premises of the assembly plants. If indirect production workers and secondary contract workers are considered as a whole, approximately 1,000 contract workers are estimated to have been engaged in the assembly shop. Although the number of contracting firms and contract workers varies according to the performance and size of the plant, an examination of the other assembly shops at Company A shows a common trend in terms of the use of contract workers involved in assembly line operations.

Figure 3.4 demonstrates an example of the recent pattern and structure of work in the assembly shop, highlighting the extensive use of in-house contracting at the workshop level and its impact on the redeployment of regular workers. Based on interviews, on-site observation and several internal trade union documents, this diagram illustrates the case of one main assembly line and two related sub-assembly lines.

Work is undertaken at about 160 manned workstations and about 10 unmanned stations, where, for example, seats are installed. During a typical shift, approximately 160–170 contract workers are utilised in addition to about 250 regular workers. Five contracting firms are involved in the operation of the main assembly line and the two door and engine sub-lines. These contracting firms also manage a similar number of workers for a second assembly line shift, meaning that each contractor hires about 30–40 additional workers.

Given the recent changes to organisational structure, assembly line operations are only possible if there is cooperation between regular and contract workers. It was observed that among more than 400 jobs on the main and related sub-assembly lines, no separate job classifications for

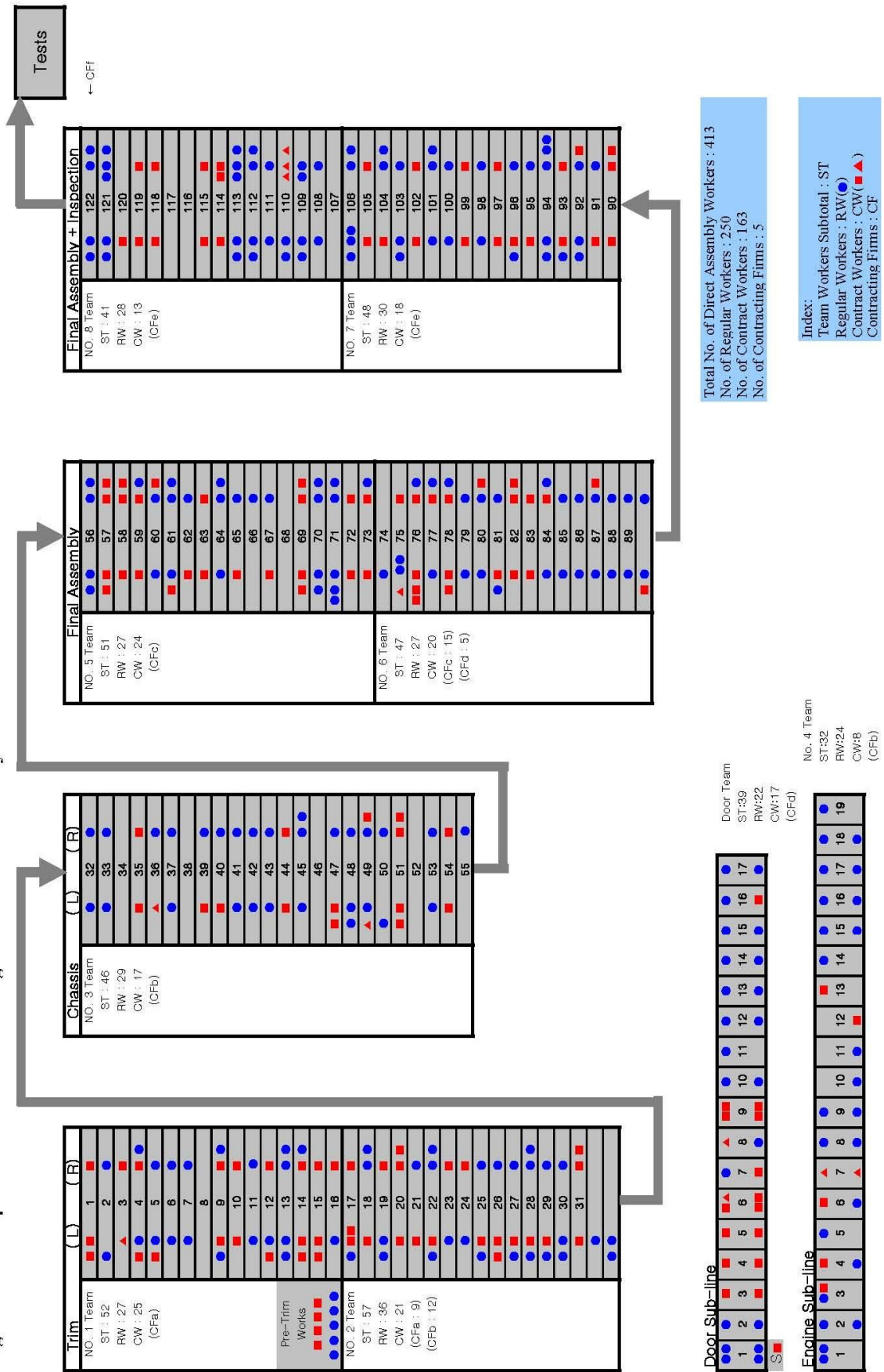
regular assembly line workers consist of about 25–30 members with one foreman and three or four assistant foremen.

assembly line workers existed, since neither management nor trade unions had any rules that differentiated skill level or wages. Thus, regular and contract workers were basically engaged in the same types of work. As a typical form of Taylorist job standardisation, assembly line work at Company A is highly fragmented. Based on the standard operation instruction sheet outlining work content and procedure for each job, staff carry out their assigned tasks repeatedly within a given cycle of about 60 seconds. However, the fact that they engage in standardised unitary work does not mean that regular and contract workers' jobs are distinct. Despite the high degree of job fragmentation, the sequential flow of assembly line work means that the individual tasks performed by regular and contract workers are closely related to each other. For example, a contract worker at the number 1 workstation – where the car body is moved down from an overhead hanger at the start of the trim line – first unravels a cable bundle and then puts it inside the car body. A contract worker at the number 5 station inserts these electric wires into several locations within the car body so that regular and contract staff further down the line can connect their components with them.

As shown in figure 3.4, many workstations are staffed by both regular and contract workers cooperating side by side. It was observed that in most cases assembly was undertaken on the conveyor belt in order to keep pace with other tasks in the one-minute cycle (a good example of such job is the tightening of bolts to different components of the car body at the same station). Contract workers hired by materials-handling contracting firms also continuously delivered and maintained stocks of components, usually by the hour – behind workers on the assembly line. Thus, because mistakes early in the assembly process affect work further down the line, it is clear that a high level of cooperation between workers on the assembly line is important, regardless of their employment status.

This observation of labour processes in the assembly shop demonstrates the extent of close work and social relations between regular and contract workers in recent years. However, it should be borne in mind that this pattern of work organisation was designed in the interests of user firm management and regular workers. The next part of this section will examine the problems that arise from new forms of work organisation.

Figure 3.4 Example of Recent Work Arrangements on the Assembly Line



3.4.2. Inherent Contradictions in Work Organisation

From an observation of the mixed pattern of labour deployment and integrated work processes involving regular and contract workers, there is little doubt that in the case of assembly line work, the roles of labour contracting and work arrangement have changed dramatically in recent years, enabling management to achieve a high degree of organisational flexibility.

A close look at actual workplace practice and culture reveals that that these changes have lead to conditions where the interests of regular workers and management are balanced. However, in the case of contract workers, while workplace reorganisation has meant that they are now fully incorporated into the production activities and work processes of assembly lines, their jobs remain subject to the organisational parameters of contracting firms. This phenomenon is the source of the contradictions that are associated with changes in work arrangements and organisation coupled with organisational flexibility. Such contradictions, which reflect power relations between user firm and contracting firms, as well as between regular and contract workers, are experienced by most contract workers engaged in production in the automobile companies examined.

After several years of in-house contracting practices on the main assembly lines, the following three characteristics have become apparent. First, although assembly jobs have been standardised in order to balance line speed, and although there is no official system for classifying differences in regular and contract workers' duties, in practice, contract workers' tasks are determined by intensity of work and the preferences of regular employees. Thus, the more arduous tasks on the assembly line are generally assigned to contract workers. Although regular and contract workers appear to work across the assembly line from each other and many of them are deployed alongside each other at the same workstations, the intensity of the tasks performed by contract workers seems to be higher than that for regular workers. In this context, in-house contracting is not only a buffer for job security but also a means of easing the workload of an ageing regular workforce.

How did this mixed pattern of labour deployment come about, and how did the implicit division of work tasks according to intensity form part of assembly line work organisation? One way of examining these questions is to take into account the labour–management negotiation process that takes place when workshop manning levels and contract workers' tasks are settled. A new basic total labour volume framework, and the content and placement of each worker's job is

reset when there is product reorganisation or a major change to production volume, which mainly occur when there is an input of new vehicle models or changes to the model mix on the assembly lines.⁶

When such changes take place, a committee of shop stewards engages with management in so-called man-hour negotiations to decide the overall level of personnel volume for all workshops and work teams. During the meeting, the number of contract workers to be officially deployed in the assembly shop and on each work team is determined; but the issue of which jobs will be allocated to contracting firms is not discussed at this time. This allocation only occurs after the foreman of each work team has assigned jobs to regular workers (taking seniority and preference into account) and informed management of the arrangements. In this process, the work tasks that regular workers have the lowest preference for among the jobs allocated to their work teams are given to contract workers.

If contract workers feel that their workload is heavier than that of regular workers, the question arises as to what types of assembly line jobs – whose composition and procedures are apparently standardised by means of the predetermined time and motion method – are considered more arduous, and how such a classification is determined. According to regular and contract workers interviewed, working posture, margin rate of work cycle and weight of materials handled are regarded as the main determinants of workload. In this light, we can see that tasks requiring workers to squat down inside the car body are mostly carried out by contract workers. It is also interesting to note that contract workers operate in many similar locations across all final assembly shops.⁷ For example, as shown in the diagram, 4 contract workers in numbers 3 and 4 workstations are responsible for removing each door from the car

⁶ In the case of the assembly line illustrated in figure 3.4, the recent shape of labour deployment was formed in 2004, when the current vehicle model was introduced. Since reorganisation of tasks on the shop floor has been made several times through man-hour negotiations since contract workers were first introduced on the main assembly lines, the resultant mixed labour deployment has become entrenched at all of Company A's assembly plants.

⁷ Work in paint shops involving the sealing booth operation, which is undertaken by about 30 contract workers alongside a similar number of regular workers, also demonstrates the integration of labour contracting into the main production processes of assembly plants, as well as the unequal status of the two types of worker. As with the work organisation observed in the assembly shop, contract workers also operate alongside regular workers in painting sealant on the edge of car body and door panels. My visits to three of Company A's body shops did not reveal much difference between them in terms of either the number of contract workers involved in the sealing operation or their organisational integration with regular workers. The only difference between the two groups was that contract workers were mainly engaged in painting sealant on the inner surfaces of the car body, a task considered to be more difficult.

body, work that entails considerable physical exertion. The same situation was observed on other assembly lines.

Two consequences of this type of work assignment are apparent. Demographically speaking, given the strenuous working conditions of contract workers, they tend to consist of young men in their 20s or early 30s; and a reversal of task assignments, in terms of skill level and qualifications, sometimes also occurs, with the result that the older regular workforce (on average in their early 40s) performs comparatively light tasks. During factory tours, some contract workers were witnessed engaging in the installation of components in workstations labelled 'security process', suggesting that the tasks performed there were important either in terms of product quality or for security reasons. The author was later told by key informants that contract workers performed these tasks because of the heavy workloads involved.

Second, with respect to organisational changes to work teams, it should be noted that although work arrangements and processes for regular workers have undergone changes as a result of contract workers being assigned tasks within the work group, the organisational integration of contract workers is somewhat limited. As illustrated below, this leads to a large discrepancy between the high degree of contract worker involvement in production activities and the low level of their organisational involvement.

Following the restructuring of labour deployment, contract workers were located in the work areas of regular workers' teams. In the case of the assembly line under study, there are nine work teams per shift and contract workers carry out part of the group work designed for a team organisation of regular production workers. Thus, it is hardly surprising that the working conditions of contract workers and their contracting firm supervisors were observed to be in the main subject to the performance of teams of regular workers and the decisions made by foremen and the rest of the team. It was also found that personal assistance of contract workers to regular workers – and vice versa – is quite common.

However, despite considerable changes to work arrangements and the functional integration of contract workers into the work processes of regular workers, the management structure and organisational function of regular workers' work teams remain intact. Consequently, the routine practices involved in organising regular workers' team activities do not allow for the participation or involvement of contract workers.

A good example of such a routine practise is the job rotation system practised on the assembly line. In cooperation with other team members, regular workers rotate their jobs within their work teams, spending one day or one week performing each task, whereas contract workers are either limited to their assigned jobs or engaged in job rotation within their own contracting firms. In the assembly shops, it was observed that most contract workers do not participate in job rotation, although they do witness the job rotation of regular workers.⁸ On several occasions, the author was told that one reason why regular workers show little interest in engaging in job rotation with contract workers is the different work intensity of the tasks the latter perform (as explained above). The separate rotation systems for regular and contract workers can be considered to be a new form of work practice that has emerged in the particular context of mixed labour deployment on the shop floor.⁹

Third, a significant change that has taken place in labour utilisation on the shop floor is that the temporary shortages and absences of regular workers that occur on an everyday basis are largely filled by in-house contracting firms. There are three major situations in which contract workers are required to substitute for regular workers. The first is in the case of medium and long-term absenteeism, ranging from a month to a year and due, for example, to illness, industrial accidents, additional training, job transfers, union work, etc. As contracts for such absentee cover are short and unpredictable, in-house contracting firms either take on rotating existing employees or hire short-term contract workers. In the case of the assembly line exemplified in the diagram, at the time of the investigation, eleven absentee positions were being filled by contract workers (each contract worker being indicated by the symbol ▲).

The second situation in which contract workers fill in for regular workers is when short-term absences are due to scheduled days off and holidays; reserve army training; uninformed absenteeism; late arrivals and/or early departures, etc. According to internal data at Company A, the annual average daily absenteeism rate in the assembly shops was 6.13 per cent in 2006. In

⁸ Despite the limited participation of contract workers in job rotation and the formal group activities of regular workers, since they are deployed side by side, it appears that contract workers engage in informal work practices with regular workers on the shop floor. For example, on occasion, an informal small group activity takes place between regular and contract workers when two or three workers cover someone's duties while one worker takes a break. This informal work practice demonstrates not only the close working relationships between regular and contract workers, but also the contradictory situation experienced by contract workers in the user firm workplace.

⁹ Not only is there a wide disparity in work group activity between regular and contract workers, there is also a discrepancy in workplace representation between them. The issue of the representation gap faced by contract workers on the shop floor will be discussed in detail in chapter 6.4.

order to cover for absentees, a group of so-called relief workers – consisting of about 15 regular workers per shift – is available in each assembly shop, all of which run two main assembly lines. However, there are insufficient relief workers on most days and contracting firms are asked to make up the difference. It is common for two or three contract workers from the contracting firms located in the assembly shops to be assigned as relief workers in order to respond quickly to demand when the shift changes. If there is still not enough cover to meet demand, the contracting firms bring casual workers onto the assembly lines.

The third situation in which contract workers fill in for regular workers occurs at weekends or on public holidays. At Company A, weekend work is normally scheduled four–five times per month for running assembly plants and related production sites. It was observed at the time of the investigation that the two assembly plants in which vehicles sales were highest operated on most Saturdays and Sundays, resulting in six–eight days' weekend work per month. In spite of the fact that the hourly rate of pay and overtime premiums are much higher on these days than on normal working days, fewer regular workers report for the 14-hour shift on weekends and public holidays. Although shop management has announced its intention to recruit regular workers from other plants that do not have weekend commitments, it is normal for contracting firms to have to replace some regular workers at weekends or on public holidays. Since the number of contract workers hired by contracting firms is tight, due to reasons of cost and their own employee absence, some contract workers on other shifts are forced to work extra hours.

These cases show that both the numerical and functional flexibility of the day-to-day operation of the assembly plant is obtained with the use of labour contracting. They also show that the extent to and manner in which contract workers are deployed in the assembly shop varies slightly from day to day. This observation helps us to understand more fully the work arrangements of regular and contract workers, and the changes that have taken place in work practices on the shop floor in recent years. As explained earlier, the basic framework for labour deployment on the shop floor is set up at the time of man-hours negotiations, when tasks are assigned to regular workers and contracting firms; this framework applies until the next round of negotiations. Under such an arrangement, a few contract workers are used to cover for absent regular workers and the deployment pattern in the workshop thus changes daily. In this respect, it should be noted that figure 3.4 reflects the basic work arrangement in the assembly shop at the time of the investigation. As such, the deployment of workers has no doubt changed to some degree since then.

In summary, the case of the assembly plant shows that there have been substantial changes in the organisational structure of the workplace, as well as in the types of work that contract workers perform when regular and contract workers are deployed together in workstations. This case also shows that the tasks to which contract workers are assigned are largely influenced by the interests of regular workers, which reflects the power relations between them in the workplace. With respect to the new work systems that have emerged in the course of workplace reorganisation, it should be emphasised that the function of contract workers and the corresponding level of job control have been incorporated into the ways in which user firms operate, but that the dual (or multiple) organisational structures of which regular and contract workers are elements lead to a disparity in terms of their involvement in production and organisational activities on the shop floor. Thus, considerable contradictions can be found in the new work organisation that has followed in-house labour contracting.

3.5. Conclusion

This chapter showed that a qualitative shift has taken place in the nature of labour contracting in Korean car production. Focusing on the workshops in Company A's assembly plants, it examined recent changes that have taken place in in-house contracting practices and the impact of the increased use of contract workers on work arrangements and organisation. This sheds light on the far-reaching organisational changes that occurred when in-house labour contracting expanded to the main production activities of automobile companies.

Substantial differences were found between in-house contracting utilised for peripheral work in the previous decade, and the contracting arrangements that emerged in the aftermath of the 1997 economic crisis and subsequent employment adjustments in the automobile plants under study. Such variation includes the conditions under which contract workers are utilised in the workplace, particularly in relation to the production process of automobile manufacturing and the types of task assigned to contract workers; the extent to which regular and contract workers interact; and the impact of in-house contracting on the work practices and deployment of regular workers. It was shown that although a few contract workers can still be found performing simple tasks in indirect production areas and non-manufacturing units, the tasks assigned to them in the assembly plant have generally been upgraded to those involving direct production processes. It was also found that regular workers have been reorganised in production areas as a consequence of the increased deployment of contract workers.

In the light of these findings, the present study emphasises the fact that the nature of labour contracting in assembly plant operation has changed considerably over the last decade, and that contract workers have been increasingly integrated into the work patterns of regular workers on the shop floor.

By exploring the deeper integration of labour contracting into the production process, we are able to reveal some implications of the changes in employment relationships that have taken place in Korean automobile companies, and associated problems resulting from the mixed deployment of contract and regular workers in the same workplace. At the heart of managerial motivation for the use of contract workers in the main production area is the achievement of greater organisational flexibility. Unlike labour contracting practised in the 1990s, which was characterised by a division between contract and regular workers in terms of skill level and type of work undertaken, in recent years, contract workers with no clear job classification have been utilised. This chapter clearly illustrated that the demarcation of duties between the two types of workers has become blurred as more contract workers have been allowed to work in key direct production areas.

The advantages of such flexible use of labour are considerable for user firm management. The increased utilisation of contract workers has contributed to the enhanced ability of Company A and its component suppliers to adjust production volume and schedules, and facilitate the 'just-in-time' production method required to deal effectively with consumer demand. As shown in section 3.3, based on deals with auto parts manufacturers, labour contracting has been extended in scope across a few large and medium-size auto parts manufacturers through the use of secondary contracting firms operating at Company A. Such contractual arrangements help to promote synchronised operations between assembly plants and component suppliers. Moreover, it was demonstrated that in-house contracting firms not only engaged in assigned tasks based on a fixed contracts but also covered for temporary labour shortages, which increased flexibility in both employment volume and daily labour utilisation in the workplace.

However, the expansion of labour contracting to encompass main production activities reflects the short-termism of Company A's management and trade union – and their collusion. Management brought a large number of contract workers into the main production areas after redundancy among the company's own workforce in the wake of the 1997 economic crisis without seeking an increase in the functional flexibility of its existing regular employees. Such

employment restructuring undermined the company loyalty and trust of regular workers, as they witnessed the widespread dismissal of colleagues only to be substituted with an external workforce. Moreover, it should be remembered that Company A's move towards the increased use of labour contracting was not associated with the innovation of employment practices or work arrangements for its regular staff. Indeed, the employment structure became much more rigid as the company's management made employment guarantees for its existing regular workers.

The reorganisation of the workplace following the deployment of contract workers in production areas was not linked to the promotion of jobs for – or the performance of – regular workers. Rather, in some cases, it led to a reversal of task assignments for the two types of employee in terms of skill level and job qualification. Regular workers became more reluctant to be involved in internal flexible job reallocation such as temporary rearrangement within a work team or transfer to another work unit. This reflected the preference of regular workers to engage in production tasks with lower work intensity by taking advantage of the subordinate position of contract workers. In this regard, the use of labour contracting can be regarded as a “low road” work practice in the interests of increasing organisational flexibility (Michie and Sheehan 2003).

An important point that should be addressed here is that in-house contracting has significantly affected the performance of Company A's automobile plants and the recent pursuit of greater organisational flexibility has been based on the expansion of contract workers in the main production areas. It seems paradoxical that the corporate strategy that Company A – one of the world's leading car manufacturers – adopted in order to strengthen its competitiveness has largely depended on the engagement of an external workforce instead of upgrading the skills of its own employees and organising their work more effectively.

This chapter also revealed the involvement of Company A's trade union with the increase in the external workforce through the bargaining process that occurred during the employment restructuring after the 1997 economic crisis and labour-management negotiations to deal with the manning levels of the workplace. In prioritising the job security of regular workers, the union placed itself in the concessional position of endorsing management's attempt to increase the use of contract workers. Such a response from the union paved the way for the institutionalisation of in-house labour contracting in the main production activities of

automobile plants. Moreover, a paradoxical consequence of union approval of the managerial plan is that a discriminatory employment arrangement has prevailed on the union-controlled shop floor; and the division between regular and contract workers – and the dispersal of the latter according to employment status – has been enhanced, even though many of them work side by side.

An exploration of the recent changes in employment practices and work arrangements at Company A suggests that the in-house labour contracting utilised in Korean automobile plants in recent years differs remarkably from traditional forms of labour contracting based on the allocation of contract workers to the peripheral parts of a user firms' operations. As stated in the introductory chapters, the empirical observation of contract workers' peripheral status formed the conventional conception of the core-periphery model in the firm's utilisation of the workforce. For example, when we look at Atkinson's analysis of labour management in the "flexible firm" (1987, 103–104), conceptually, contract workers and their employers are located on the margins of the external labour market that surrounds the user firm's 'core' employees. The utilisation of labour intermediaries was traditionally seen as a managerial strategy for decoupling the operation of certain production processes from employment-related responsibilities. Such analysis was useful in the past for explaining firms' labour utilisation patterns and the distinction between regular and contract workers in terms of their respective roles and status. However, the recent workplace changes in Korean automobile plants associated with the engagement of contract workers in the direct production areas do not sit easily with the conventional core-periphery analysis that has informed much labour market theory and discussion.

The case of Company A exemplifies the workplace environment in which the activities and work/social relationships of workers and management of both user firms and contracting firms intersect in diverse manners. This trend is more obvious on the shop floor, where a mixed deployment of regular and contract workers prevails, as this enhances the complexity of the relationships between workplace actors.

Finally, given the fact that contract workers are utilised alongside regular workers to perform the same or similar tasks, legitimacy questions arise about the discriminatory employment status of contract workers and the problems they face in the workplace. The utilisation of contract workers to undertake peripheral areas has not been strongly contested either in the

workplace or in the social arena (Kalleberg and Marsden 2005). To some degree, discrimination associated with the different employment statuses of regular and contract workers received less attention in the past than other ethical employment issues such as gender, age and ethnic background. This was in part because there was a demarcation of jobs according to qualifications, and the management of Company A and other automobile manufacturers basically contracted out work that did not require particular skills or cooperation with their regular employees. However, despite the functional integration of contract workers, there is still a large disparity in employment benefits between the two types of worker. This chapter revealed the discontent of contract workers and argued that the problems they face have originated not only from different employment benefits, but also from their day-to-day work experiences such as job rotation. There is little doubt that the recent structure of labour deployment and the different levels of work intensity have become a source of grievance for contract workers.

In this regard, it is clear that the coordination of activities associated with the reorganisation of the workplace – which were brought about by increased organisational flexibility – is fraught with potential tension arising from the necessary cooperation but conflicting interests of regular and contract workers as well as among the different workplace actors. The discussion in this chapter has revealed some tension and contradictions associated with the presence of an external workforce in the main production areas and the coexistence of internalised and externalised employment relationships. Having explored widespread workplace reorganisation at Company A following the increase in contract workers, it is now necessary to examine how the user firm management coordinated the changes in labour contracting arrangements and their effects on the workplace. Thus, in the next chapter, this study will focus on Company A's management of in-house contracting and the changes that have occurred in managerial measures for dealing with new developments and problems arising from the increased use of contract workers.

CHAPTER 4

MANAGEMENT OF LABOUR CONTRACTING AND EMPLOYMENT

4.1. Introduction

It is now widely recognised in the relevant literature that work and employment practices have changed following the use of labour intermediaries. There is considerable knowledge about the motivation of employers for the use of contracting arrangements and the benefits to user firms (Purcell and Purcell 1998; Matusik and Hill 1998; Houseman 2001; Houseman et al. 2003; Gramm and Schnell 2001; Ward et al 2001). However, research into exploring the ways in which user firms manage contracting firms and contract workers has been limited. This is largely because many of the previous studies of the subjects of flexible work and employment flexibility have been based on the assumption that a contractual arrangement leads to the handover of managerial responsibility for the supervision of workers and employment relationships to the contracting firm. It is assumed that in user firms, organisational efficiency is accompanied by the use of labour intermediaries, as it creates a shift from regulatory employment relationships and internal organisational bureaucracy to commercial relations between firms, which are associated with the flexible supply of an external workforce. These assumptions are the basis of the notion that work and employment practices are mediated by market forces embedded in contractual arrangements (Cappelli 1995; Abraham and Taylor 1996; Bonazzi and Antonelli 2003). The key implication of this notion is that the movement towards the use of a flexible workforce – including contract workers – and the subsequent employment/organisational restructuring are unavoidable if the rapidly changing market environment is to be accommodated. The consideration of a market-oriented interpretation of labour contracting brings this study to pose the question of whether labour contracting works as a mechanism for the resolution of the managerial ‘burdens’ of labour control and employment-related problems through the devolution of responsibility to contracting firms.

The evidence of the empirical research into Company A indicates that these market-based assumptions are valid to some extent when labour contracting is mainly utilised in the peripheral areas of a firm’s operations and in its auxiliary services. However, the findings of the study suggest that the control user firm management has over the employment and work of contract workers has increased as the function of in-house contracting is integrated into

Company A's production activities. It was also found that market elements embedded in labour contracting arrangements – including competition among contractors and the supply of labour on the basis of market-set price –diminished significantly as a consequence of managerial shift towards greater control over in-house contracting firms and contract workers. It was further observed that there have been negative consequences of management's heavy involvement in the employment of contract workers.

The analysis of the management aspect of labour contracting in this chapter underlies the overall research theme of the thesis with regard to the impact of labour contracting on employment relations and coordination of the workplace changes brought about by the increased presence of contract workers in the main production areas.

Two issues need to be noted at this point. Firstly, heightened managerial control over the work of contract workers at Company A reflects an attempt to cope with the workplace problems associated with the operation of contracting firms and the employment of their workers. The utilisation of contract workers brings the advantage of increased flexibility for user firm management, but it also undermines the organisational stability attached to the traditional system of two-party employer–employee relations. The facilitation of organisational flexibility is likely to damage performance unless appropriate control systems for labour and production are set up (Peck 1996, 128). Thus, new institutional arrangements and regulations for contractual relations between the user firm and contracting firms and for the workforce need to be implemented by the user firm in order to ensure the requisite level of performance from contracting firms, and cooperation between user firm employees and contract workers in the workplace (Mackenzie 2002; Pulignano and Stewart 2006).

Secondly, user firm management's shift towards greater control over the work of contract workers implies the closer involvement of the former in employment relationships between the latter. It can be assumed that the interference of user firm management in the employment practices of contracting firms directly influences the welfare of contract workers. Indeed, the user firm's assertion of control over the engagement and work of contract workers means that roles and responsibilities of management and workers in both user firms and contracting firms become more entangled (Marchington et al. Eds. 2005).

In this regard, it can be argued that the management of in-house contracting is affected by changes in the utilisation of contract workers and subsequent workplace reorganisation, which, in turn, influence employment relationships and the orientation of labour contracting practices. Because labour contracting arrangements and employment relationships do not remain static, it can also be assumed that the coordination mechanism for labour contracting alters and develops specific features that are subject to a particular firm's environment.

In recognising these shifting coordination dynamics, this chapter will explore the process of change involved in the management of labour contracting, and how modifications in managerial methods have affected contracting firms and contract workers. Such an examination is vital, as it highlights the changing form of labour contracting practices that result from interaction between workplace actors. It also helps us to grasp the tensions and contradictions arising from the user firm's move towards greater flexibility based on the use of an external workforce in main production activities.

In order to explore the management of labour contracting at Company A and its involvement in the employment relationships with contract workers, the first part of this chapter is concerned with the kinds of problems that emerged after the increase in the use of contract workers in direct production areas. It will be shown that such problems are related to the quality of work carried out by contract workers and workplace stability. Throughout the following three sections, the thesis is devoted to an exploration of change in managerial methods and the ways in which Company A has increased its control over the operation of contracting firms and the work of contract workers. This exploration will shed light on the impact that managerial control over in-house contracting arrangements has on employment relationships of contract workers and its consequences in the workplace. The theoretical and empirical implications of user firm control over contract workers will be addressed in the concluding part.

4.2. Managerial Problems with the Expansion of In-House Contracting

The impetus for changes in the use of in-house contracting at Company A at the end of the 1990s came from a managerial aspiration to achieve organisational flexibility. What is striking in this attempted shift to flexible labour utilisation is that the process whereby contract workers spread throughout all the main production areas happened so quickly. In view of the fact that the volume of staff hired by the primary contracting firm rose to more than 7,000 in just 5 years

(late 1999–2004), the company's priority seemingly lay in employing as many contract workers as possible with little thought of limiting the type of work they were engaged in. The passive response of the trade union, coupled with regular workers' desire for workload reduction and job security, limited the influence of regular workers on the shop floor to be served as a constraint on such widespread deployment of an external workforce at the time.

The number of contracting firms operating at Company A increased under this new regime, many new employees being recruited daily. This huge influx of contract workers into all the workshops led to profound changes in workplace practice and culture, particularly amongst those involved in a mixed pattern of labour deployment. In this regard, one might think that the management's attempts at workplace transformation in such a short space of time would have been accompanied by meticulous preparation for controlling these developments. However, as will be discussed below, the empirical evidence casts doubt upon this assumption.

During the initial period of workplace reorganisation, Company A was quite unprepared for the adverse consequences of deploying contract workers alongside regular workers in the main production areas, while, for the most part, retaining managerial methods of the 1990s for administering in-house contractors in peripheral tasks. Consequently, management was confronted with unforeseen problems, which had the potential to severely impede its flexible production strategy. Managerial problems that appeared with the rapid expansion of in-house contracting in the early 2000s centred around the following three issues: the high turnover of labour in contracting firms; the inefficient deployment of contract workers and resulting coordination problems; and the emergence of the self-organisation of contract workers and subsequent labour dispute.

4.2.1. High Labour Turnover

An immediate problem arising from increased in-house contracting was the rise of instability in assembly operations caused by the deployment of new and inexperienced workers in direct production areas. In addition to the engagement of a substantial number of new workers in a short period of time – as exemplified by the increase in employment volume by more than

2,500 in a single year in 2000¹⁰ – the high labour turnover resulted in a continual influx of inexperienced workers into the plants.

According to company survey data cited by a manager interviewed for the study, the average monthly turnover of workers in primary contracting firms in the period 2000–2002 was estimated to be about 7–8 per cent. Although accurate data was not provided, much higher turnover rates were also mentioned by several interviewed owners of contracting firms and workers, whose recalled accounts highlight how easily and frequently contract workers moved in and out of contracting firms. An extreme case of previous labour turnover problems often mentioned by interviewees was that some contract workers abruptly “ran away” from the workshop during working hours. It was also a common occurrence for workers to leave their jobs after only a few days – or even just one day – after being hired.

At this juncture, it should be noted that despite the surplus in regional labour markets created in the aftermath of the 1997 economic crisis, the high turnover of contract workers put great pressure on in-house contractors. At a time when they were already struggling to meet the rapidly growing demand from Company A to fill the vacuum created by the dismissal of regular workers, they were also striving to recruit new workers quickly in order to replace members of their own workforce who had resigned.

The answer to the question of the reason behind the high labour turnover in contracting firms is quite simple; at the time, the problem was attributed to low wages and poor working conditions. One of the main reasons for contract workers’ low wages was that Company A maintained low contract worker cost utilisation. Indeed, it was reported that contract workers endured a wage freeze for four years following the 1997 economic crisis. While regular workers’ wages recovered in late 1999, it was only in early 2001 that Company A began to raise the basic hourly rate for contract workers. In addition, contractors’ frequent violation of labour regulations and the prolonged assignment of some employees to arduous jobs contributed to the grievances listed by contract workers. It was also reported that contract workers felt considerable personal humiliation in their mistreatment by some regular workers and suffered

¹⁰ In the previous chapter, it is stated that contract workers at Company A increased by about 2,500 in 2000. For the sake of clarity, it should be noted that this volume does not mean that a similar number of workers was hired. Instead, it refers to the number of jobs created and assigned to contracting firms based on an increase in manning level. Thus, when we consider the high labour turnover and engagement of contract workers on a short-term/casual basis, we can see that far more new contract workers were brought onto the premises of Company A in the same year.

daily discrimination in the workplace, including different types of uniform and limited access to company restaurants.¹¹

The increased difficulty of contractors in recruiting new workers worsened the quality of the workforce in Company A's contracting firms, as contractors were unable to recruit through a proper selection process. Consequently, a considerable proportion of contract workers tended to be transient jobseekers, many of whom were recent high school graduates or young people in their early 20s in need of short-term work before or after completing mandatory military service. Thus, their temporary job-seeking status further aggravated the labour turnover problem.

High labour turnover and an influx of inexperienced workers were not new elements in the practice of contracting firms at Company A. Before the late 1990s, when contract workers were restricted to peripheral production areas, this was not considered to be a problem for either user firm or contractor, but as a way of maintaining low wages. Since simple tasks were assigned to contracting firms, workers could easily carry out their jobs upon arrival in the workplace. Even if a work mistake was made, its impact on plant operations was relatively insignificant since their tasks were only loosely connected with the main operation of vehicle manufacturing.

However, with the deployment of contract workers in direct production areas, high labour turnover became far more problematic. The operations of contracting firms engaging a large proportion of inexperienced workers undermined the stability of the production process and product quality. In the case of the assembly shop, for example, production line stability problems were often caused by assembling and materials supply errors, slip-ups in assembly work along the conveyor belt, and little quality checking/repairing by contract workers for upstream work done in the area of the work team.

Accordingly, slip-ups in work due to the unfamiliarity of new workers with tasks and short-cycle operations often disrupted downstream work. Moreover, errors on the part of contract workers, such as omission or assembly of wrong components, led to more temporary stoppages on parts of the assembly line than there had been previously. These tended to provoke complaints from regular workers since their work was often interrupted. In particular, quality

¹¹ For a discussion on the poor working conditions contract workers experienced in some Korean automobile companies during the initial period of in-house contracting, see Lee and Frenkel (2004) and the Korea Metal Workers Federation (2004).

controllers – known as ‘keepers’ – who were usually assigned at the end of a work team, reportedly had to repair more defects than before.

Although managers interviewed at Company A did not confirm the emergence of quality issues, a review of union documents and interviews with workers reveals that problems related to the production process and product quality increased following the expansion of contract workers and the subsequent high labour turnover in the early 2000s.

The following two examples illustrate the past situation at Company A:

Under the circumstance [high labour turnover], there is a great deal of contract workers’ movement in the workplace... New recruits are immediately brought in [as replacements] on the production sites and this is our reality in the manufacturing of cars. It is natural that the high turnover of contract workers and insufficient mastering of work by them have resulted in many problems, including quality problems and work safety issues... This kind of labour utilisation will lead to further serious quality problems in our products and it is expected that in future customers will not want to buy our cars... Even though at present, [Company A] could save labour costs and use contract workers in the way that the management want to do, such a way of running the factory is a shortcut to business failure (From an occasional bulletin of the trade union at Company A, 23rd August 2002).

Dozens of contract workers are recruited every working day in all plants. On the day of recruitment, even several minutes later, these workers are placed in workstations to carry out assembly work with tools. They must be unfamiliar with conveyor belts and find it difficult to understand work instructions. Machine tools, like impact drivers, are not handled as they should be. Conveyor belts move quickly down before work is completed. While observing these situations, all those around new contract workers spend days full of anxiety. Contract workers do not know how to carry out unfamiliar work in unfamiliar environments, and regular workers and assistant foremen need to stand by to train and supervise contract workers... Stress and complaints from regular workers increase due to mistakes made by these contract workers (A regular worker in No.1 Assembly Shop, from the letters section of the weekly trade union newspaper, 3rd January 2002).

4.2.2. Inefficiency in the Deployment of Contract Workers

The next major problem Company A’s management faced was the lack of organisation in the deployment of workers within and between contracting firms. The unorganised pattern of labour deployment at the beginning of the 2000s limited the ability of Company A to supervise and monitor the work of the contracting firms and their employees. It also led to an increase in the cost of managing in-house contracting.

In order to help grasp this issue, we need to take another look at the structure of work arrangements illustrated in figure 3.4 in chapter 3. This diagram shows that workers from the same contractors are placed quite close together along the assembly lines. It is also noticeable that one or two contracting firm work groups are to be found in a team of regular workers. This

empirical observation indicates that the managerial principle with respect to the deployment of contract workers on the shop floor is based on the proximity of workers from the same contractor, which is apparent across all five assembly plants.¹²

However, the picture in the early 2000s was completely different from the one we see in the recent deployment pattern of contract workers. Accordingly, workers of a contracting firm were often scattered throughout a workshop. Therefore, employees of different contracting firms commonly worked in close proximity; and work areas in which regular workers' teams operated were filled with contract workers hired by a more diverse range of contracting firms than has been the case in recent years.

Moreover, the author was informed that employees of several contracting firms used to be deployed in different production units of a plant and/or different plants. In contrast to recent practices at Company A, in-house contracting firms were previously assigned to different types of work in various locations. For example, one contracting firm under study, which now focuses exclusively on paint shop work, assigned their employees to the areas of trim assembly and materials delivery in an assembly shop in the early 2000s. Therefore, Company A's commissions to contractors and the organisational structure of contracting firms seem to have once been much more complex than of late, which indicates the rise of administration and coordination issues at Company A.

The emergence of a less organised pattern of labour deployment in the early 2000s was related to the piecemeal way in which the increase in contracting arrangements occurred across production units and the loose control of company-level management in administering the use of contract workers. When these employees were first utilised in direct production areas in late 1999, decisions on the outsourcing of certain tasks, and the number of contract workers to be

¹² This is not to say that workers from a given contracting firm are all organised as one work group in the same workplace. It was observed that a few contract workers were assigned to temporary regular worker absentee positions. Therefore, they were deployed separately from colleagues of the same firm to work in areas in which contract workers from other firms were deployed alongside regular workers. Indeed, contract workers who engaged in such indirect production tasks as quality inspection and maintenance were usually divided into pairs or small groups. My visits to the assembly plants also suggest that a few contract workers hired by secondary contracting firms are located in various areas of the plants. It should also be noted that the extent to which contract workers from the same firm are organised in terms of proximity is somewhat different from plant to plant. This is because alterations in labour deployment implemented at different times and general workplace reorganisation took place under differing conditions including changes to product models and shifting industrial relations at the plant level.

engaged, were taken via formal and/or informal negotiation between managers and shop stewards at plant level.

With respect to the utilisation of contract workers in production areas, one thing that must be borne in mind is that work allocation to contracting firms was not made overnight. It involved a great deal of bargaining between managers and shop stewards ranging from those of work teams to production plants, since the need and timing for the use of contract workers varied. Thus, work allocation to contracting firms took place across production units on a case-by-case basis.

In late 1999 and 2000, when senior management and the trade union reached an agreement on the increased use of contract workers, commissions were first made to those contracting firms that had maintained a few employees on site throughout the recession; and, as demand rapidly increased, new contracting firms were brought into the production areas. At this juncture, work tasks for contracting firms were assigned in a piecemeal manner and newly hired contract workers were engaged merely according to the work that was available. Consequently, as mentioned earlier, they were scattered throughout the workplace and, in some cases, deployed to separate production units to perform different types of work to that for which they were originally hired.

The widespread utilisation of contract workers across production units with less organised labour deployment coincided with a diversification in contracting firms in terms of numbers of employees and type of work speciality. A few contracting firms that before the late 1990s had operated in peripheral work areas expanded to areas such as the main assembly lines. Consequently, these firms tended to be involved in both types of contracted work. For example, one contracting firm retained their previous commission to supply workers for facility construction in Company A's compound while also starting to provide labour for the assembly shops.

Unlike the old contractors, those engaged at the beginning of the 2000s were located mainly in production. While some concentrated on a single area of work, a few new contractors engaged in two or three different jobs within the plants. These different ways in which contracting firms were involved in in-house contracting arrangements could explain the variations in terms of number of employees and business activities. Internal company documents relating to the lists

of contractors in late 2000 show that there were then about 110 in-house contractors engaged in commissions with Company A. At the time, in-house contracting firms reportedly operated in several forms, including micro-enterprises and small-size firms with fewer than 30 employees (about 40 firms), and large-size contractors hiring more than 100 workers (about 5 firms). According to interviews with several owners of contracting firms and their employees, these small-size firms were likely to be involved in business activities with manufacturing firms other than Company A in order to increase their profit margins. This study also found that, although most contractors appeared to have engaged in single business operations within the company, some owners of primary contracting firms ran subsidiary enterprises that had service contracts with either Company A or component suppliers.

A brief look at the diverse forms of contracting firms at the beginning of the 2000s provides us with a sense of the complexity involved in in-house contracting arrangements at Company A. The loose control of company-level management over the utilisation of contract workers at the plants was reflected in the less organised pattern in which contract workers were deployed and the diverse ways in which contracting firms engaged in work at Company A. As the number of contract workers increased by about 1,000 workers annually throughout the first half of the 2000s, the less organised deployment of contract workers and work assigned to contracting firms seemed likely to add to the managerial burden of coordinating in-house contracting practices.

As contract workers were deployed in different areas and in some cases mixed with employees of other contracting firms, communication among workplace actors – including plant managers, contracting firms, regular workers and contract workers – was more complex in comparison to that found in the work organisation of Company A by the time of the study.

A simple example of this is that when assembly contents were changed as a result of alterations to the attached component parts, plant managers at Company A needed to determine the identity of the employers of contract workers assigned to the relevant workstations, which is not usually necessary now as any given area of the workplace is largely staffed by employees of the same contracting firm. A similar situation was to be found in the detection of product defects and the monitoring of the quality of work performed by contract workers. Within contracting firms, supervision of employees and work performance was previously likely to be limited because workers were deployed in different places. In this regard, the “chaotic spread of

contract workers in the workplace,” an expression that several union officials and regular workers interviewed used to describe workplace conditions at the beginning of the 2000s, was accompanied by problems associated with the oversight and coordination of contracting firms and their employees. The managerial measures undertaken to resolve these problems will be discussed in the next section.

4.2.3. The Unionisation of Contract Workers and the Labour Dispute

There is broad agreement in the relevant literature that – along with limited employment benefits – a major problem associated with non-standard employment is that workers are likely to lack an adequate voice mechanism at work (Healy et al. Eds. 2004; ILO 2003, 2006). As Marchington, Rubery and Cooke (2005, 249) aptly argue, a “fragmented and divided employment system” that arises from the utilisation of different contractors in a user firm complex poses a structural constraint on workers in the representation of their interests in their employing organisations as well as across the workplace. At Company A, not only did collective bargaining regarding pay and working conditions not exist, but a procedure for dealing with workers’ grievances was not established until the early 2000s.¹³ Thus, the problems contract workers experienced in terms of workplace representation reflected a climate in which terms of employment were imposed unilaterally by management.

The advantage to management of engaging workers hired by non-unionised contracting firms seems to be three-fold. Firstly, although the regular workers’ trade union became involved in negotiations for a rise in contract workers’ wages in 2001, their rates of pay and employment entitlements were determined by simple negotiations with the trade union after the settlement of regular workers’ wage increases, and little pressure was placed on management to engage in collective bargaining with contract workers.

¹³ Although the establishment of a works council in a non-union firm hiring more than 30 workers had long been a requirement of the Korean labour law, this type of worker representation in contracting firms was virtually non-existent since the works council simply existed on paper and, even if it were established, employee representatives consisted of managers and workers appointed by company owners. Consequently, contract workers were not only excluded from worker representation with regard to Company A, but also from bargaining activities with individual in-house contractors. The only way in which contract workers might resolve individual grievances was by relying on the favours of owners or managers of contracting firms. However, this informal method was limited to such minor issues as changes in work tasks and working hours. Pay increases and issues regarding employment benefits were non-negotiable. When contract workers were faced with job dissatisfaction or workplace problems, they were inclined to resign rather than engage in organised attempts to resolve these issues in the workplace. Such a behavioural pattern by contract workers at the time seems to have been an obstacle to any protective union action or attempt to organise the contract workers.

Secondly, given the extensive influence of the trade union and explicit employment guarantees for regular workers, as far as the management of Company A was concerned, an increase in non-unionised labour with little organised resistance to managerial decisions helped to extend its power over labour utilisation on the shop floor. Without the need to engage in any negotiations with worker representatives, management was therefore able to redeploy contract workers following the adjustment of the production schedule and changes to the regular workforce. Indeed, it was a fairly straightforward matter to dismiss contract workers when necessary.

Thirdly, the deployment of non-unionised contract workers in direct production areas included a pre-emptive strategy for maintaining the workforce capacity needed for continuous plant operation during labour disputes that involved regular workers. Although in order to avoid the acceleration of labour conflicts they have never been fully executed, there have been several attempts by management to get contracting firms on standby to substitute regular workers with contract workers. Nowadays, union officials generally agree that assembly plants can be run with reduced line speed during the strikes by regular workers, by utilising contract workers along with frontline managers and regular workers who are critical of union militancy

However, the rapidly increased number of contract workers in the direct production areas created conditions conducive to the emergence of contract workers' self-organisation. Closer interaction among contract workers and between regular and contract workers on the shop floor compared with that which had existed in the 1990s helped to promote the organisational efforts of labour activists from contracting firms, the union participation of some rank-and-file contract workers and the involvement of the regular workers' trade union in the issue of contract workers' collective activities.

Full details of the issues surrounding the unionisation of contract workers in the Korean automobile industry; the representation gap; and the conflicting interests among contract workers and between regular and contract workers will be discussed in chapter 6. Nevertheless, it seems necessary to briefly review the process by which contract workers' organisation was established at Company A. The unionisation of non-standard workers is multi-dimensional, but it can be argued that contract workers' organisation in a user firm requires the combination of three contextual factors: (1) the effort and initiation of organisers from contracting firms, (2) the

support of rank and file contract workers, and (3) the involvement of the trade union and regular workers in order to protect organisers and contract workers who become union members from managerial suppression, at least in the initial stages of unionisation.

The contract workers' organisation at Company A was established in July 2003 and joined the Korea Metal Workers Federation. This means that two unions – one for regular and one for contract workers – were formed at the same industrial level (and national level under the Korean Confederation of Trade Unions). The new union branch was initiated by about 20 organisers and 100 rank and file contract workers. Because the number of contract workers increased rapidly from the beginning of the 2000s, the situation at Company A – as one of the largest workplaces in the country in terms of total workforce and utilisation of contract workers – came to the attention of labour activists for non-standard workers. These labour organisers, who had backgrounds as student agitators or former union officials at other manufacturers in the region, infiltrated Company A through jobs with contracting firms during the period 2002–03. It was reported that thanks to the high labour turnover, these people had not been screened at recruitment. There was disagreement among the organisers when the contract workers' union was established. Some would have preferred to amalgamate it with the regular workers' union when it opened membership non-standard workers, so they opposed the launch of a separate union in the summer of 2003. Others wanted to form an independent organisation since trade union support was not guaranteed. In spite of such discord, a new organisation was set up in June 2003. About 120 rank and file contract employees working with organisers at the same contracting firms joined the union. These workers were largely located in two of the five assembly plants. Starting with about 200 contract workers in late 2003, membership peaked at approximately 1,800 in June 2005; but about 700 contract workers left the union the following autumn and membership fell to roughly 1,000 in 2006.

There is little doubt that contract workers' grievances stemmed from discrimination in pay and working conditions – in spite of the fact that they held the same or similar jobs as regular workers – and this is what motivated some contract workers to join the union. Since its inception in 2003, the membership of the contract workers' union has never exceeded about a quarter of the total workforce (in terms of workers of primary contracting firms) and has normally remained, on average, at approximately 10–15 per cent of contract workers. However, as the largest and one of the first non-standard workers' unions in Korea, it has affected the

collective nature of employment relationships and the way in which the management and trade union at Company A deal with contract workers.

The effect that the emergence of a contract workers' union has had on Company A can be seen in the following aspects. As the contract workers organisation took steps to hold collective bargaining with Company A and the contracting firms, pressure was placed on management to deal with the demands of the contract workers. The initial response of Company A and the contracting firms to the emergence of the contract workers' union was non-recognition as a representative body.¹⁴ Along with the suppression of its leadership, measures – including changes of the owners and names of contracting firms – were taken by management to put pressure on contract workers to withdraw their union membership. The management of Company A has refused any official dialogue with the contract workers' union. However, as the contract workers' union used such legal measures as appealing to the regional office of the National Labour Relations Commission, contracting firm owners had no choice but to engage in negotiations.

Moreover, contracting firm labour disputes became a potential source of workplace instability. It was reported that the first strike that caused a stoppage in production was held in July 2004. Although small in scale and only involving workers from a few contracting firms, the strike shut down two assembly plants for four hours. This proved that a minor labour dispute by contracting firms could exert influence over production activities. Major strike activity of the contract workers' union took place in 2005 and 2006. For example, in January 2005, contract workers refused to work overtime and assembly plants were halted for one or two hours on each of several working days. A serious result of this incident was that about 100 union leaders

¹⁴ The following are the major demands made by the contract workers' union at Company A in 2003–2004, which reveal their initial precarious employment situation and discriminatory treatment.

- The abandonment of short-term employment contracts (ranging from three months to one year) and the repeated renewal of employment contracts.
- The abandonment of clauses in employment contracts that are disadvantageous to workers.
- No change to the employment entitlements (e.g. allowances and paid holidays) of contract workers at the time of changes in ownership of contracting firms or the transfer of workers to other firms.
- Equal supply of equipment (e.g. uniforms, safety shoes and gloves) to contract workers as to Company A workers.
- Paid annual holiday at a time when contract workers need.
- The provision of medical and other living expenses for workers sustaining workplace injuries (payment of wages and medical expenses for less than three days' medical treatment and entitlement to industrial accident compensation for more than four days' medical treatment).
- No management suppression of contract worker union participation or the activities of elected representatives.

and members who had been dismissed due to strike involvement staged a long-term sit in at a plant for nine months. Although labour disputes causing stoppages in production did not recur at the time of the investigation, there still remains a potential threat of industrial action related to contract workers at Company A.

4.3. Managing In-House Contracting Arrangements: Changes in Management Measures and Greater Control over Labour

Changes in the utilisation of in-house contracting at the end of the 1990s helped Company A to gain greater flexibility in the workplace. However, in order to sustain efficiency of labour contracting in production, management needed to resolve problems arising from the increased use of contract workers and the subsequent workplace reorganisation. This challenge was not restricted to Company A. There is a growing body of literature demonstrating the benefits and drawbacks of utilising non-standard workers. Several previous studies include accounts of managerial response to the disadvantages of subcontracting (including off-site arrangements). For example, Moss, Salzman and Tilly's (2000) study of four US firms in the insurance and electronics industries shows that these companies began to limit their use of temporary workers, and the subcontracting of production and service activities, when management was confronted by innovation and technical problems. In the case of Company A, management did not choose to reduce the role of in-house contracting in production activities; rather it shifted its approach towards much greater involvement in the operation of in-house contracting firms and the employment of contract workers.

Shifts in management strategy have occurred in three interrelated directions: (1) the restructuring of contracting firms and rearrangement of work for contracting firms and contract workers; (2) the tightening of contract process and procedure; and (3) direct managerial input into the terms and conditions of contract workers. Central to these changes in managerial measures is the emphasis on the control of the user firm over contract workers and their work performance.

In an attempt to incorporate the role of contract workers more closely into the production process of Company A, management changed its methods for governing in-house contracting practices through constructing a control and incentive mechanism in the interests of its pursuit of flexible production. Thus, the shift towards greater control over in-house contracting firms and contract workers inevitably brought about the direct engagement of Company A's

management in contract workers' conditions of employment, which contradicts the notion of "market-mediated employment relations" with contracts between user and contracting firms (e.g. Abraham and Taylor 1996). What becomes apparent from the investigation into Company A's management of in-house contracting in recent years is that control over the employment and work of contract workers has increased as labour contracting has correspondingly grown more widespread in the production process. Contradictions arise from Company A's attempt to loosen its employer attachment to the workforce through the use of labour intermediaries, while simultaneously retaining managerial control over contract workers in order to maintain quality and consistency of production. The empirical evidence in the following three sections will demonstrate these points.

4.3.1. Restructuring of Contracting Firms

As in-house contracting expanded to the direct production areas of Company A, changes became necessary in the labour utilisation and management style of contracting firms. The restructuring of contracting firms operating in the complex can be viewed as a managerial attempt to adjust the practices of these firms and the employment conditions of contract workers, and adapt them to the new working arrangements and labour processes that had been evolving since the end of the 1990s.

The sense the author obtained from interviews with managers and reviews of company documents is that in the early 2000s Company A's management increasingly recognised that the organisational structure of the contracting firms and their administrative style was problematic. Management was well aware of the lack of transparency in the business activities of contractors, the profiteering of some firms, and the frequent violation of labour regulations. There is also some evidence of awareness that these problems played a partial role in the high rate of labour turnover and engagement in union activities of some contract workers. The reorientation of managerial strategy for the governance of in-house contracting arrangements reflected this awareness.

The direction of restructuring contracting firms was to enhance the governance structure so that management effectively oversaw the performance of contracting firms in order to ensure control over contract workers and their work via these labour intermediaries. Up to the mid-2000s, the most significant method implemented for the achievement of this objective was to standardise contractors' operations and employment practices. Thus, the employment volume

of contracting firms was adjusted to a similar level and contract workers were redeployed such that each firm engaged mainly in a specific production job in one workshop. Accordingly, management set a guideline for the size of a contracting firm of 60–80 workers. As to the question of why the number of workers hired by an in-house contractor was decided at such a level, the answer lies in management thinking that a contracting firm with about 60-80 employees functions best in terms of supervision of workers while providing the appropriate level of profit margin used for the income of the firm's owners.

As discussed previously, from a managerial point of view the operation of many small-size contracting firms in direct production areas creates coordination problems as well as increased administration costs. One additional factor that led management to restrict the use of small-size firms at Company A lay in the fact that violations of labour regulations were more likely to occur in small-size firms, since some owners – especially those who ran their businesses solely on the Company A site – tended to squeeze their profit margin from wages and employee benefits. In order to avoid coming to the attention of the trade unions and inspection by the relevant government institutions, management appears to have taken action to limit the operation of small-size contractors.

On the other hand, interviews with managers reveal that Company A has a negative attitude towards the idea that the utilisation of fewer contracting firms with more workers in each firm makes supervision easier. This is partially because as the number of workers increases, the extent of control owners and contracting firm line-managers have over their employees – both inside and outside of the workplace – is considered to become less effective. It was also confirmed that management has concerns about the increased union participation of contract workers and potential labour disputes, since the more workers employed by a contracting firm, the more likely it is to become a target of union organisers and the effect that such firms' labour disputes have on the production process is much greater.

A survey of 24 contracting firms operating at Company A suggests that the majority of them conform to managerial guidelines by hiring between 60 and 80 workers. Among five firms having either a greater or smaller workforce, three are secondary contracting firms (with 12, 20 and 51 production workers respectively) and two of them are primary contracting firms, engaging in the indirect task areas of quality inspection (47 workers) and maintenance (96

workers). This indicates that primary contractors operating in direct production areas are strictly subject to managerial guidelines.

As shown in table 4.1, the total average number of employees (including managerial staff) in 17 of the primary contracting firms under study is 76.7. Two quasi-primary contractors¹⁵ have slightly fewer employees. Two secondary contracting firms engaging in the sub-assembly of front-end modules (assigned by component manufacturers) hire 53 and 75 workers respectively. This is an indication that the size of even secondary contracting firms is influenced by Company A's policy if their operations are closely connected with the main production processes. The author was told by two secondary contractors that their firms had been split on the 'recommendation' of Company A when the number of employees exceeded about 100–120.

Table 4.1 Numbers of Employees in Contracting Firms at Company A

Contractual relationship with Company A		Total No. of employees	Long-term	Short-term	Operations manager	Foreman	Assistant foreman	Other (clerical)
Primary contractors (n=17)	Mean	76.71	59.53	8.77	1.00	2.18	4.18	1.06
	Std. deviation	12.19	10.51	3.38	0.00	0.64	3.75	0.24
Quasi-primary contractors (n=2)	Mean	74.00	63.00	5.50	1.00	1.50	2.00	1.00
	Std. deviation	7.07	7.07	0.71	0.00	0.71	0.00	0.00
Secondary contractors A (n=2)	Mean	64.00	59.00	0.50	1.00	1.50	1.00	1.00
	Std. deviation	15.56	12.73	0.71	0.00	0.71	1.45	0.00
Secondary contractors B (n=3)	Mean	34.00	27.00	1.67	0.67	1.67	0.68	2.34
	Std. deviation	29.10	26.06	2.89	0.58	0.58	1.16	3.26

Notes:

- a. Secondary contractors A refers to contracting firms whose work is carried out under a single contract with a user firm (a component manufacturer); whereas secondary contractors B refers to those engaged in multiple service contracts with user firms (mainly materials handling and delivery).

Two important changes have been brought about by managerial control over the size of contracting firms. Firstly, compared to about 110 contractors in 2000 – when approximately

¹⁵ The term 'quasi-primary contracting firm' refers to an in-house contractor whose activities are carried out under the supervision of Company A, while being involved in commercial contracts with two subsidiaries of Company A (a logistics enterprise and a module component manufacturer). Contractual obligations to subsidiaries make such firms secondary contractors, but their contracting processes and operations are actually the same as those of primary firms. There are about 10 quasi-primary contractors on the premises of Company A, which operate in the areas of pre-delivery inspection, CKD export and materials handling.

3,500–3,800 contract workers were utilised – in recent years, the number of primary contractors operating at Company A has been reduced to a steady figure of about 100 firms. Given that the total number of contract workers increased considerably throughout the first half of the 2000s, it seems likely that reduction through the removal of small-size firms has helped management coordinate and supervise the practices of contracting firms and their employees more effectively. It was also observed that changes (both increases and decreases) in the total volume of contract workers at Company A occurred through readjustment of the workforce in about 100 primary contracting firms. An example of this is the declining trend in the use of contract workers (about 900–1,500 workers) since 2005–06 coupled with the decrease in the size of several contracting firms. This changing pattern of employment size in Company A's contracting firms reveals managerial intent to frame the operation of contracting firms with a similar size of workforce within the desired number of contractors.

The second change that should be emphasised is that considerable organisational similarities have evolved across all primary contracting firms, which include the employment pattern of production workers, number of managers, and work organisation. Table 4.1 shows that the average number of production workers in a primary contracting firm is about 68. About 15 per cent are hired on short-term or casual bases to cover for absentee regular workers. Managerial positions, which are appointed by the contracting firm's owners, generally comprise four assistant foremen, two foremen and one operations manager. The ratio of managers to production workers is about 1:10.

Operating under a two-shift system, each contracting firm supplies about 30 production workers for a typical shift, with supervision provided by three or four managers (although the main role of the assistant foreman is to cover for absentee contract workers). It is therefore apparent that the work organisation of contract and regular workers has become quite similar in terms of numbers of production workers and managers (there being about 25–30 production workers per team of regular workers). This would seem to be a characteristic feature of the readjustment to the workforce of contracting firms at Company A.

4.3.2. The Redeployment of Contract Workers

In respect of the two modifications discussed above, it is important to note that the implementation of these changes was coupled with the redeployment of many contract workers and changes in the work allocated to some primary contractors so that they should concentrate

on a specific production area. Thus, we can see that the processes involved in the restructuring of contracting firms were quite complex and evolved gradually over several years. Although the employment impact of changes to labour deployment will be examined in detail in the next chapter, it seems useful to take a brief look here at the ways in which contract workers were redeployed in the context of managerial attempts to restructure contracting firms and the workforce. The following are four examples of such change:

- (1) When a small-size firm's contract was terminated, its work was assigned to other contract firms engaging in the same type of business or operating nearby. Contract workers with the redundant firm were principally redeployed to the newly appointed firms.
- (2) When a contracting firm was engaged in different types of work (for example, assembly and quality inspection), it was obliged to opt for a single specialism. The work it gave up was reallocated to other firms and, in some cases, it received additional work in its chosen area. Contract workers who had previously engaged in duties that had been transferred were either redeployed in the same firm or transferred to other firms.
- (3) A contracting firm was sometimes established at Company A either by splitting a previously existing firm by or combining two firms. Changes in the employers or work tasks of contract workers of the original firm were then correspondingly made.
- (4) Major changes in the work of contracting firms and labour deployment took place at times of product reorganisation. Following the man-hours negotiations between management and trade union, regular workers' positions were determined first and then contract workers were assigned to their new duties. In this case, contract workers were redeployed mainly within the same firm.

With the aid of these measures, the new deployment pattern for contract workers at Company A has evolved into its current form, and the majority of contracting firms are confined to carrying out one specialised task in a given production area. It would be no exaggeration to say that almost all contract workers employed at Company A up until the mid-2000s experienced changes to their work positions at least once, due to managerial efforts to resolve problems caused by the initial pattern of labour deployment as well as an attempt to enhance Company A's control over contract workers. It is clear that some contract workers did not recognise the

changes to their job descriptions as a managerial initiative related to an attempt to gain greater control over them. As discussed above, this was because some redeployment overlapped with changes to the work assignments of their employing firms and the rewriting of job descriptions in the wake of product reorganisation.

Some light can be shed on the great incidence of changes in labour deployment and work awarded to contracting firms at Company A by examining workers' experiences of job transfer following the merger or division of firms and the reallocation of work among contractors. Out of 167 primary contract workers surveyed, about a third (56 individuals) said that they had experienced a change of employer for the aforementioned reason. It can be safely assumed that redeployment within the same firm was much more extensive than that which occurred through a change of employer.

In summary, changes in the deployment pattern of contract workers, coinciding with adjustments to employment size of contracting firms, have affected the ways in which contracting firms operate and their employees perform their duties. A review of previous studies of labour contracting, which mainly focus on the outsourcing of auxiliary service activities, suggests that the restructuring measures taken by Company A might be unusual. Indeed, it seems extraordinary that – along with a few secondary contractors – about 100 primary contracting firms, employing similar numbers of workers and concentrating mainly on a single specialism, operate in the production complex of one user firm.

There are several ways in which the advantages to Company A may be interpreted. Nevertheless, with respect to the focus of this study, the most important aspect of the restructuring processes is that the operations of contracting firms are deeply integrated into the organisation and hierarchical structure of Company A. Consequently, the extent to which the employment and working conditions of contract workers are influenced by the control function of Company A's management becomes much larger. As contract workers are organised in a similar manner to that of regular staff, employees of both types carry out their work in virtually the same way. Moreover, particularly in the case of direct production areas, the restructuring process means that most contracting firm workers carry out their jobs in one or two regular workers' team production areas. Given the mixed pattern of labour deployment at Company A, this has led to a situation in which contract workers work closer with particular work teams of regular workers and the relevant managers of workshops.

Thus, the dual function of managerial control over contract workers in the workplace is underpinned. On the one hand, as contracting firm workers are deployed closely to one another, the extent of control their managers exercise in order to supervise employees and to monitor the quality of their work becomes more intense. On the other hand, the work of a contracting firm becomes subject to more consistent supervision from front-line managers and regular workers in the same production areas, as these staff of Company A are expected to direct workers and managers belonging to the same contracting firms.

This observation unveils management's desire to obtain a high degree of control over contract workers, without engaging in direct employment contracts, through structuring the organisation of contracting firms closely in ways that the work organisation of regular workers operates. Our examination of the case of Company A suggests a situation contrary to the assumption that increased recourse to contracting arrangements leads to the decentralisation of organisational structures and the subsequent transfer of responsibility and coordination problems related to the workforce to the contractors (e.g. Pfeffer and Baron 1988, 283). Further discussion of the heavy involvement of Company A's management in the employment and work of contract workers follows in the next section.

4.4. Tightening Contract Processes and Relations

Along with the restructuring of contracting firms and the redeployment of contract workers, the key to changes in managerial strategy for the governance of in-house contracting is the tightening of contract processes and related procedures. This involves the development of a company-wide management structure and the implementation of new rules and norms in relation to the operation of contracting firms and the employment of contract workers.

There is little empirical research demonstrating the labour contracting management systems in other automobile manufacturers. Nevertheless, Pulignano and Stewart's (2006) study indicates that although there are differences in form, the experience of Company A in its move towards greater control of the contract processes is similar to that of three international company plants (Fiat in Italy, Renault in France and VW in Brazil) in their management of component suppliers with regard to in-house module assembly. While highlighting "the persistence of bureaucratic domination in the process of organisational transformation" following the increased production activities of component suppliers at these companies, Pulignano and Stewart (*ibid*, 92) argue that sophisticated managerial tools have been developed for governing "the decentralized parts

of the new organisation.” Similarly, in the case of Company A, a set of rules and standards put in place for governing the broader range of contracting issues, including the selection of contractors and the evaluation of their work, appears to have enhanced the bureaucratic mechanism for the management of in-house contracting. An effort has been made to centralise the administration of in-house contracting by the establishment and expansion of a relevant department at company headquarters. Indeed, coordination in company-level administration units and between management at different levels – including the workshop, the plant and the company – has been strengthened.

As will be discussed below, the shift towards much greater bureaucratic control over contract processes has helped initiate changes in the overall conduct of contracting firms at Company A. Subsequently, changes in the practices of these labour intermediaries have had an effect on the terms and conditions of contract workers. They have also been influential in reshaping roles and relationships between workplace actors. Not surprisingly, new problems, for example, contractors’ lack of autonomy, have also emerged from the extension of managerial control over in-house contracting.

In order to grasp more fully how management has exercised control over contract processes and procedures, it is useful to explore some of the major phases of contractual relations between user firm and contractor. The diagram in figure 4.1, which is based on interviews with managers and a review of several company documents, illustrates four important phases of a contractual arrangement:

- (1) Selecting contractors and terminating business contracts.
- (2) Assignments and contracts awarded to contracting firms.
- (3) The payment process.
- (4) Evaluating the performance of contracting firms.

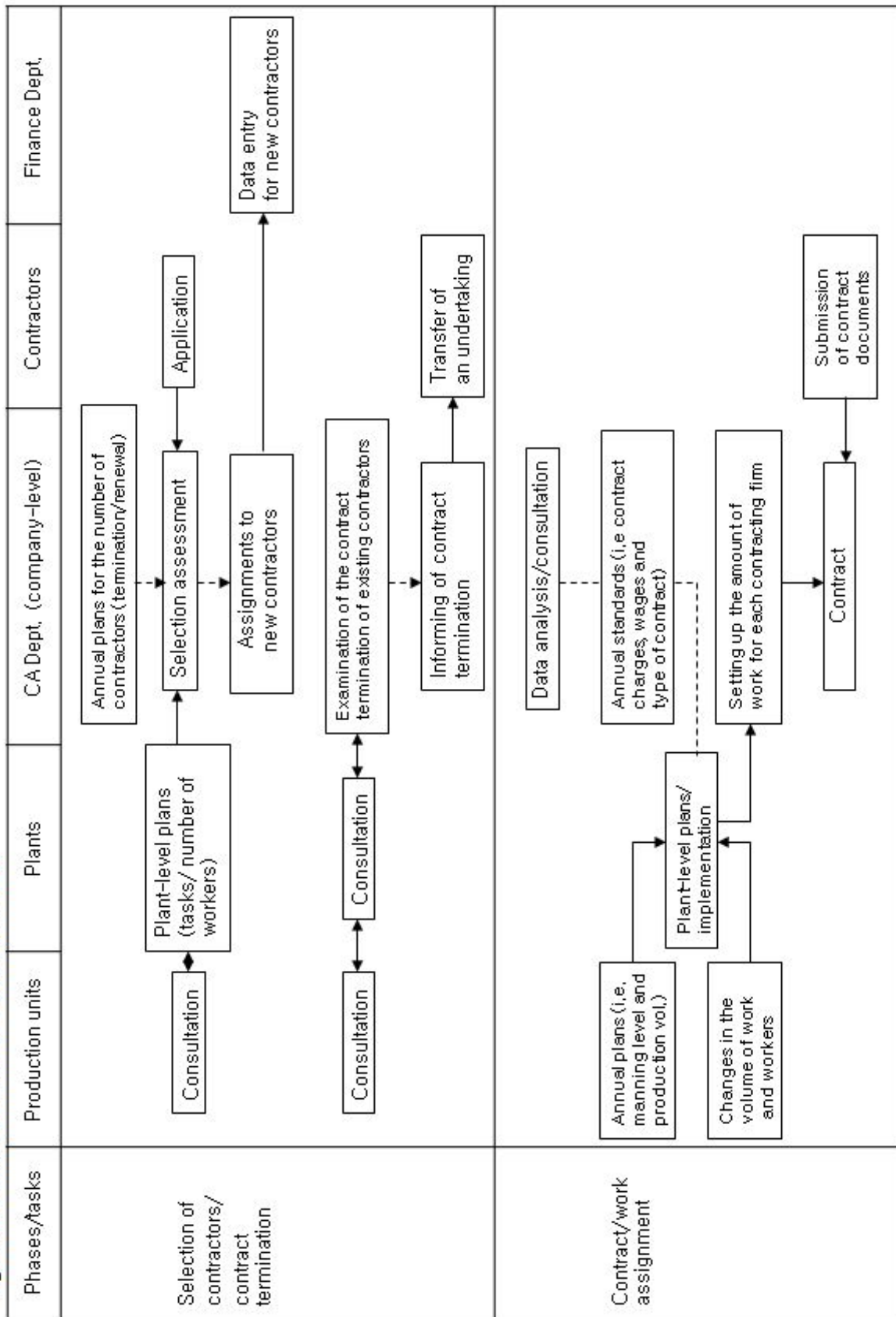
Although in practice, both issues of greater complexity and informal measures are involved in these phases, the diagram sheds light on the managerial hierarchy that has developed at Company A for the purpose of directing in-house contracting arrangements. This suggests that the whole range of contract processes and associated procedures is supervised and monitored by

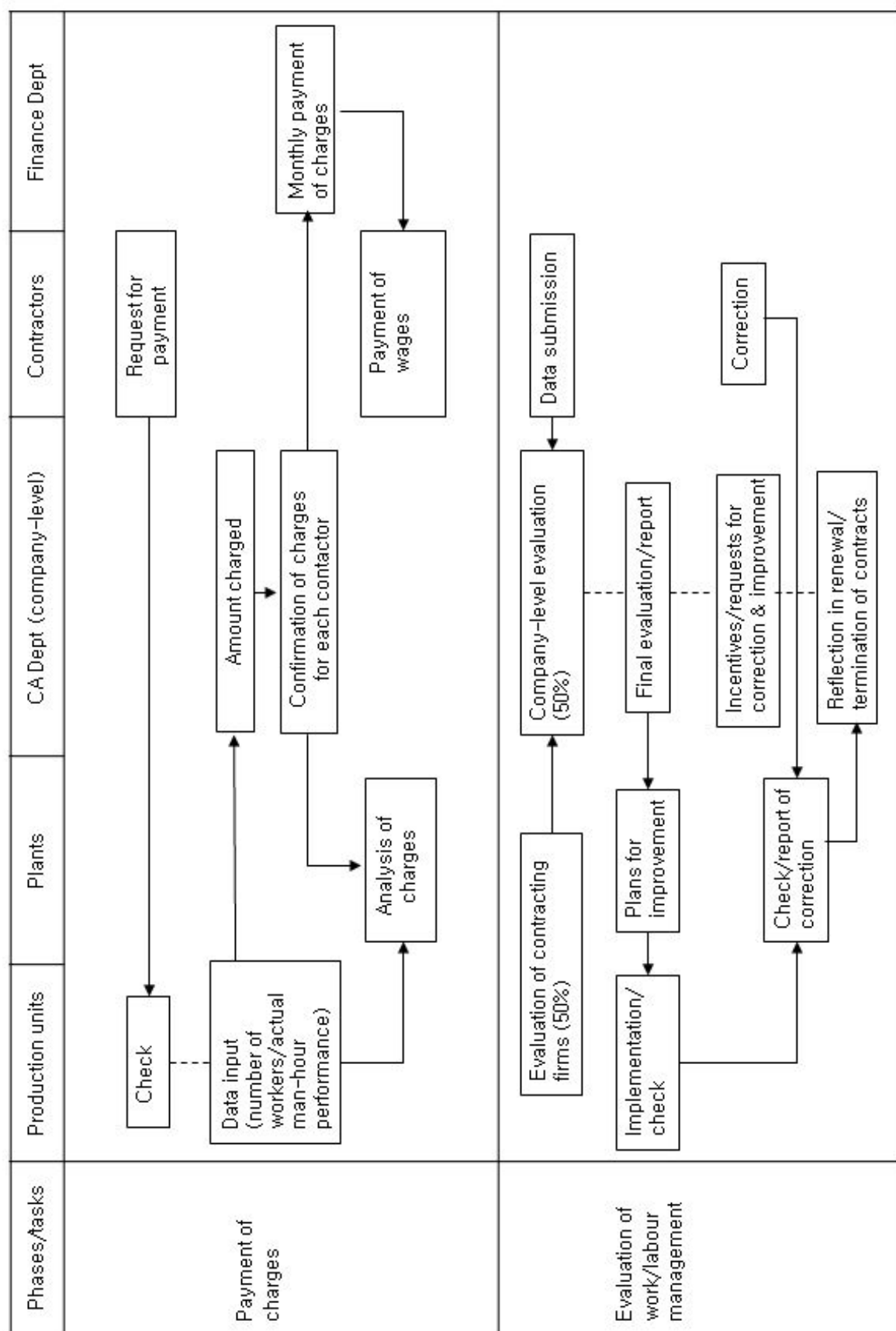
company-level management, particularly the Department of Cooperation and Assistance (hereafter, called ‘the CA Department’) at headquarters.¹⁶

For instance, decisions on the selection of new contractors are largely made by company-level management. As illustrated in the first part of the diagram, Production Department managers at each plant are responsible for assessing what work is to be outsourced. Following consultation and negotiation with workshop managers and shop stewards, they draw up plant-level plans for the scope of the work to be assigned to contracting firms and the number of contract workers needed to undertake it. However, plant-level managers have no longer had the authority to bring in additional contractors to carry out new work, which practice prevailed until the beginning of the 2000s. Nowadays, when it is necessary to engage a new contractor, the selection process is administrated by the CA Department, which also makes decisions on the termination of business relations with certain contractors. As mentioned earlier, company-level management oversight of these processes has helped keep the number of primary contractors at about 100 in recent years, while having contributed to the concentration of contracting firms into specific tasks in plants.

¹⁶ The key administrative unit for the management of in-house contracting at Company A is the CA Department. This office was established in early 2000 and, with the increase in the use of contract workers in the production areas, its function has expanded to the supervision of in-house contracting practices. Responsibility for administrative tasks related to auxiliary services, such as janitorial work and telecommunications, is held by other departments. It was reported that about ten departments, including personnel, product quality and manufacturing units, are linked with the CA Department. In addition, there is a unit at plant level that directly manages contracting issues, which works closely with the CA Department.

Figure 4.1 Contract Processes and Procedures





An interesting feature of greater managerial control over the selection process of contractors and the termination of business contracts is that owners of contracting firms without a managerial background have largely been replaced by former managers of Company A. The selection of a potential contractor is followed up with an assessment of qualifications on the basis of a points system and several other criteria; but the terms of the assessment are weighted in favour of current and former Company A managers. It was reported that emphasis is placed on an applicant's record of achievement with Company A, ability in human resource management and relevant work experience. As table 4.2 shows, 13 out of 19 interviewed owners of primary and quasi-primary contracting firms are former managers of Company A, some of whom had been senior managers at headquarters; all the remaining owners except one had some work relationship with Company A before starting their own contracting firms. One result of the replacement of contractors with Company A staff is that it has acted as a means of increasing the compliance of contracting firm owners with Company A's policies and decisions; it appears to enhance the capacity of contracting firms to deal with the growing labour issues.

Table 4.2 Previous Careers of Interviewed Contractors at Company A

Contractual relationship with Company A	Company A manager	Company A production worker	Employee of Company A sister firm	Manager of contractor at Company A	Manager of component supplier	No career background at Company A
Primary contractor (n=17)	11	1	2	2		1
Quasi-primary contractor (n=2)	2					
Secondary contractor A (n=2)				2		
Secondary contractor B (n=3)				1	2	

It is also notable that, according to company rules, business activities operating outside the Company A complex have not been permitted to act as primary contracting firms since the early 2000s, a policy aimed at encouraging contractors to focus on the management of their staff employed within the company. Thus, it was found that almost all primary and quasi-primary contractors that were surveyed (18 out of 19) simply ran a single business on the premises of Company A; whereas 3 secondary contracting firms (of a total of 5) have hired workers to other manufacturing companies. The only primary contractor running another business off the premises of Company A undertakes facility maintenance. Its off-site operation has been permitted as an exception to the rule, since it also engages in the small-scale manufacture of industrial equipment, some of which is used by Company A.

While strict restrictions on the operations of primary contractors have been imposed, the business activities of those contractors within Company A are virtually guaranteed for six to seven years once they have been selected by the CA Department. Table 4.3 illustrates the service period of interviewed contractors at Company A. As it shows, half the firm owners surveyed (12 out of 24) have maintained their businesses for more than five years (i.e. they started before 2003); and the remainder had been contracted to the user firm on a continuous basis at the time of the investigation. This survey demonstrates the fact that Company A's management has gradually replaced primary contractors beginning their association with the company in the 1990s with former Company A managers. It also shows that secondary contractors are less likely to have been affected by Company A guidelines on the termination of business contracts. There is no official guarantee of the exact period of continuous business with Company A. Nevertheless, an internal management guideline drafted for the termination of business relations with primary contractors emphasises two conditions: no more than 5 years' contracting work by a firm's owner over 58 years of age; and no more than 10 years' business operation. This guideline was originally adopted in the early 2000s to facilitate the elimination of small-size firms and the replacement of contractors with former Company A managers; it has recently become the norm to determine the business period of primary contractors. Thus, in a normal business arrangement with Company A, it is considered that owners of primary contracting firms sustain business for six to seven years unless – as will be discussed below – they are caught up in serious labour disputes.

Table 4.3 Contractors' Duration of Business at Company A

Contractual relationship with Company A	1998	1999	2000	2001	2002	2003	2004	2005	2006
Primary contractor (n=17)			3	1	3	3	2	2	3
Quasi-primary contractor (n=2)					1			1	
Secondary contractor (n=5)	1	1	2						1

A notable consequence of the changes that have been implemented through the tightening of contract processes at Company A is that competition among primary contractors has very much lessened and the pressure on these contractors to reduce costs has been reduced. As the period of business that contractors can expect to enjoy is virtually guaranteed, and all contracts are very much the same in their terms and conditions, it appears that the functions of price and competition – the two factors that are considered to be the key determinants of market

regulation – have been curtailed to a large extent in the practices of Company A’s in-house contracting.

This observation of a relaxation of market forces in contractual relations between Company A and its primary contracting firms is further supported by the results of a survey of the firms’ owners. In response to the question, “How much competition do you feel you have from other contracting firms that already operate or would like to operate at Company A?” more than two thirds of primary contractors surveyed (14 out of 19) responded that they sensed very little competition (4 respondents), or little competition (10 respondents). Moreover, even those contractors who sensed a certain level of competitive pressure explained that this did not arise from potential loss of work through the securing of contracts by competitors, but because their term of operation at Company A had almost come to the end of its ‘guaranteed’ period of business.

In the same vein, with the exception of one, none of the primary contractors had considered implementing plans to expand its workforce or begin operating in other workshops at Company A. While most interviewees simply responded that they had no such plans, several contractors stated that although they would like to expand the size of their firms, it would be very difficult because work assignments were determined by Company A’s management, and business with other user firms was not allowed.¹⁷

¹⁷ In contrast to primary contractors, interviewed owners of secondary contractors at Company A and contracting firms operating in component suppliers expressed much concern regarding business uncertainty and the potential loss of contracts, since their operations depended on the performance of component suppliers and the cost reduction pressure in component manufacturers was greater than that at Company A. In particular, secondary contractors engaging in the indirect tasks of materials handling and delivery on the basis of contracts with a few component suppliers (e.g. 12 user firms for one secondary contractor under study) have reportedly had lost a comparatively greater number of contracts. The reasons for this include the takeover of contracts by other contractors; the change in component supply method (e.g. direct delivery of components from manufacturers to assembly shops); and the termination of business between component suppliers and Company A. The author was also told by a secondary firm’s operations manager that some fixed-term contracts with component suppliers were terminated by the contractors because the service budgets offered by component suppliers could not meet the operational costs (mainly wages of contract workers) of contracting firms. Consequently, these secondary firms seem keen to diversify their work at Company A and other user firms as a way of reducing business uncertainty. It was found that three out five secondary contractors surveyed, and two out of four contracting firms operating in component manufacturers engaged in labour contracting in other user firms at the time of the study. The survey indicates that secondary contractors’ business activities at Company A and contracting firms at component suppliers are affected by competition and subsequent cost pressure. The examination of secondary contracting firms provides some clues to an understanding of the conditions under which primary contractors at Company A operated before management began to exercise tighter control over contractors and contract workers.

Moreover, as one firm's owner remarked, primary contractors were reluctant to pursue business expansion at Company A through taking the risk of jeopardising personal relationships with other contractors who were mainly former company colleagues. This was because, given the more or less equal employee volume among contracting firms (as previously noted, approximately 60–80), if some contracting firms at Company A obtained more workers, the employee volume of certain other contractors was likely to be reduced.

The survey of owners' perceptions and behavioural patterns indicates that the way in which Company A's management disciplines contracting firms is not enshrined in the promotion of competition, but rather in the enhancement of subordination. Restriction of the off-site operations of primary contracting firms means that the business success of firms' owners depends entirely on work secured at Company A and managerial assessment of performance. The implicit guarantee of six or seven years' business and the subsequent income opportunity has proved to be enough of an enticement to elicit the increased commitment of primary contractors to Company A.

Moreover, the current jobs of some interviewed contractors are perceived to be an extension of their past careers or a reward for previous hard work for Company A. At least on the surface, they exhibit considerable loyalty to and concern for their former employer, although some of them complained about their lack of business autonomy. In this respect, the author was sometimes told by contract workers that, in the eyes of their employees, the owners of firms were regarded as semi-employees of Company A instead of independent business persons, as they acted like middle-level managers who were responsible for supervising production activities.

Being highly subordinate, contractors at Company A are kept under tight disciplinary control by management, which it regards as a more effective way of managing in-house contracting than the creation of a highly competitive environment. This reflects the particularity of the work process in the assembly operations of automobile manufacturers, which requires the steady work of contract workers and a high level of coordination between user firm management and contractors.

A feature of Company A's new managerial methods is the development of a company-level evaluation system for the performance of contracting firms and the exercise of the so-called

‘three strikes’ system. This refers to the practice of terminating a business contract if a primary contractor receives three consecutive warnings from the CA Department. Accordingly, the criteria for the application of penalties for the misconduct and unsatisfactory performance of contracting firms include violation of labour laws and other state legislature; production damage caused by such problems as line stoppages; the frequent occurrence of industrial accidents; employee misconduct; and a poor evaluation in the bi-annual audit. These evaluation and penalty systems were initiated at the request of the trade union in late 2000, after management had officially agreed to the use of contract workers in direct production areas. According to one former union official, union leadership wanted to set up an institutional tool to limit the widespread violation of labour laws and social security arrangements at contracting firms in order to help improve employment conditions for contract workers. Accordingly, a penalty system was used by the trade union to maintain and increase its influence on the practices of contracting firms. However, these systems were fully implemented as a managerial instrument to control the performance of contracting firms and labour disputes in the mid-2000s.

As illustrated in figure 4.1, evaluation and feedback procedures with regard to contracting firms are systematically carried out by Company A management. During the bi-annual audit, plant-level management is responsible for assessing shop floor administration issues, including workers’ compliance with rules of conduct, work quality, safety issues, and labour–management relations. The CA Department at headquarters focuses on oversight of the broader issues of contractors’ business management, including the payment of wages to workers and social security contributions to the relevant institutions.

Along with tighter managerial control of other contracting processes, these evaluation and penalty systems have made a considerable impact on the employment practices of contracting firms. On the positive side, the study found that contractors were much more inclined to adhere to labour regulations and user firm set guidelines, at least for contract workers hired on a fixed-term basis; but it is also found that the discretion of contractors with regard to employment and work issues had been markedly reduced. Consequently, contract workers have become highly dependent on the policies and decisions of Company. Moreover, it was reported that there was little room for negotiation between employers and employees of contracting firms with respect to wages and employment benefits. The capacity of contractors to deal with the individual grievances or demands of contract workers has become severely limited.

Furthermore, since the emergence of the contract workers' organisation in 2003, the evaluation and penalty system has been largely used by management to put pressure on contractors to minimise the union participation of their employees and to prevent potential production damage caused by labour disputes. This situation may be illuminated by reference to Company A's contract guidelines. The section on reasons for cancellation includes a clause stating that, "contracts can be terminated without any advance notice in cases subject to the following conditions: ...When the assigned work is incomplete or possibly incomplete due to employees' refusal to work; the reputation of Company A is damaged by contracting firms' labour problems..." It is well known at Company A that several owners of contracting firms were discharged as 'show cases' during the contract workers' bitter dispute of 2004–05. The threat of contract termination has also been used as a tool to force contract workers to withdraw their union membership, and has led to division between contract workers in some contracting firms. A detailed analysis of the problems surrounding the lack of business autonomy of contracting firms and workers' experiences in relation to managerial control over the contracting process will be made in Chapters 5 and 6. The next section is concerned with the managerial approach to dealing with contract workers' wages and employment benefits in order to acquire and maintain their work commitment.

4.5. Improving the Employment Conditions of Contract Workers

Many of the changes in the employment and working conditions of contract workers through the restructuring of contracting firms and the tighter control over contracting processes examined in the last two sections were driven by managerial imperative. The ways in which Company A's management intervened in the employment and work of contract workers with such measures was indirect since it mainly dealt with contractors and the contracting process. In contrast, the new measure taken by Company A's management to deal with wages and employment benefits have been implemented in the context of direct managerial engagement in the welfare of contract workers. It has also had a very direct influence on contract workers' general perceptions and attitudes, and their employment relationships with the user firm and employing contracting firms.

One of the most important aspects of the new managerial approach to the employment conditions of contract workers has been the abandonment of its previous strategy of low cost labour utilisation, and the subsequent rise in the earnings of contract workers, which reportedly

surpass those of regular workers hired by medium-size manufacturing companies in the region. One result of the wage increase for contract workers at Company A has been the decline in voluntary labour turnover that began in 2003. At the time of the investigation, it was found that the average annual turnover rate of the primary contracting firms under study was 6 per cent; and even secondary firms appeared to be maintaining a low turnover, ranging from 13 to 30 per cent per year. The decline in labour turnover in secondary contractors reflects the wage increase that followed that in the primary contractors; and the fact that there are few job openings with primary contractors, which has limited the migration of secondary contract workers to primary contractors in the hope of earning higher wages, a tactic often previously used.

Coupled with the lower labour turnover, the employment duration of contract workers at Company A has been extended substantially in recent years. Data obtained through a survey of both contract workers (54 months) and primary contracting firms (52 months) show that the average term of service with the current employing firm is about four and half years. If we consider the total duration of employment of contract workers at Company A (taking into account voluntary or involuntary changes of employer), the workers surveyed held jobs on the premises of Company A for an average of 5.9 years. These figures reveal something of the different working conditions experienced by contract workers in recent years compared to those of the 1990s and the early 2000s, and some alterations to the mechanism for determining the wages and employment benefits of contract work. In order to understand the characteristics of the changes in employment conditions better, it seems necessary to take a look at the previous wage level of contract workers at Company A.

The problem of low earnings that contract workers were subject to until the early 2000s derived from two sources: (1) the low basic hourly rate and (2) discrimination in terms of allowances and special bonuses. Under the hourly-paid wage system, the basic hourly rate is important not only in order to determine the level of the basic wage in a monthly salary, but also for the calculation of workers' earnings from overtime and work on holidays/weekends. One of the common traits of unionised workplaces across Korean automobile manufacturers is that a premium rate for overtime, night work and holiday/weekend work is subject to collective bargaining, and the company-set premium rate is normally much higher than that recommended by labour legislation guidelines; as such, production workers – both regular and contract – take the opportunity to enhance their low basic wages with earnings from overtime. However, at the beginning of the 2000s, basic hourly pay for contract workers at Company A were set at a

slightly higher rate than the official minimum wage. The premium rate for contract workers' overtime work was also set in a discriminatory manner. For example, regular workers received 3 times their normal basic hourly pay when they carried out weekend night work, whereas contract workers only earned 1.5–1.7 times their basic wage. More seriously, allowances and annual business performance bonuses, which both constituted a considerable proportion of regular workers' income, were not paid to contract workers.

Consequently, contract workers' gross income remained considerably lower than that of Company A employees. According to union data sources, the average monthly wages of a first-year contract worker in 2001 only accounted for 59 per cent of that of a regular worker with the same length of service, since the former received only 1.24 million won (approximately USD 1,200) whereas the latter earned 2.09 million won. If we take into account special annual bonuses and several other allowances paid only to regular workers, the earnings of contract workers were less than half those of regular workers, and the disparity in income widened with longer service.

Under conditions of limited job security and with little access to fringe benefits, low wages appeared to be a major source of contract workers' grievance and lack of work commitment. There is no doubt that the remarkable difference in earnings between regular and contract workers, in spite of the performance of similar tasks in the same places, certainly aggravated contract workers' negative feelings towards their jobs. As discussed in section 4.2, the typical behavioural pattern of discontent amongst contract workers was to resign from the contracting firm in the hope of securing a better job. The few financial advantages of working at Company A made it easy for contract workers to decide to look for more lucrative employment. If they failed in their search for a better job, the high turnover in contracting firms at the time meant that they could easily return to their old positions at Company A. The following comments from contract workers and foremen of contracting firms highlight the above points:

The main complaint of contract workers was certainly wages. With such low income, if a contract worker got married, he could not earn enough to pay his necessary living expenses. Because of day–night shift work on a weekly basis, I had a health problem. I knew that I could earn a similar amount of money while just engaging in daytime work outside.

If wages had not been bad, I would not have left Company A. My wages were at the lowest level. My earnings at the time were not enough to sustain the family.

There was nobody working here who thought that a job in a contracting firm was their real career... The disparity in wages between contract and regular workers was too much. We were not able to

earn more than half of the regular workers' wages in spite of hard work. The wages that workers earned here were worse than that of assistants in coffee shops or Chinese restaurant deliverymen.

Many of them came here for a temporary job before or after military service. Due to the low level of hourly pay, when young workers are assigned to physically hard work, particularly in the assembly shops, they just quit their jobs... There was not much difference whether one worked or not, particularly for new young workers.

As mentioned earlier, the picture of contract workers' recent rate of pay and turnover at Company A is completely different from the situation several years ago. Management increased the basic hourly rate for contract workers in 2001, but the scale of wage rises in the following two years was not very encouraging. A major step towards the improvement of earnings for contract workers was taken in 2003 through the introduction of several allowances and the provision of a special bonus. In particular, Company A's award of a special business performance bonus (which was established as a monetary incentive for regular workers in the mid-1990s, and the amount of which is decided in annual collective bargaining between management and the trade union) has contributed to a substantial rise in contract workers' annual earnings. Paid two or three times a year, the special bonus is reportedly equivalent to about three months' wages for a contract worker. Consequently, it has provided the stimulus for a drastic decline in labour turnover.

At this juncture, it is important to note that a contributory factor to the decline of labour turnover was Company A's selective recruitment of contract workers into positions as regular workers. Late in 2002, when one of Company A's assembly plants was reopened after factory rationalisation, about 500 new production workers were hired to work in the expanded production facilities. Based on an agreement with the trade union, management filled 40 per cent of the new positions from an applicant pool of contract workers. As will be discussed later, until 2005, when the trade union made a request for the abolition of this recruitment system, some contract workers – though small in number – were promoted to the status of regular workers in several rounds of appointments. It was reported that an increasing number of young workers joined contracting firms after the implementation of such a recruitment, aiming to become regular workers; and the turnover in young contract workers subsequently decreased.

As shown in table 4.4, the average monthly salary of contract workers in primary contracting firms was about 2.07 million won (approximately USD 2,000) at the time of the investigation. Although this data does not include the special annual bonus, it demonstrates several aspects of the current pay level for contract workers at Company A. Their basic wage is about 44 per cent

of the monthly salaries of contract workers, whereas overtime accounts for about 29 per cent. If we make a simple comparison between regular and contract workers' salaries, the pay rise for contract workers seems to be less meaningful. The disparity is still substantial, contract workers' earnings only being about 55 per cent of the average monthly salary of regular workers. The main reason for the consistent wage gap is that regular workers' salaries have also steadily increased and their longer service (17.1 years on average) also means a larger proportional increase in their basic hourly rate and fixed monthly bonuses.

Table 4.4 Average Monthly Wages of Company A's Contract Workers in Comparison with Regular Workers (Units: 1,000 won)

Monthly wage structure	Company A contract workers	Company A regular workers		Component supplier 1 regular workers		Component supplier 2 regular workers	
	Amount	Amount	Percent	Amount	Percent	Amount	Percent
Total monthly wages	2,068	3,730	55.4	2,866	72.2	2,151	96.1
Basic wage	909	1,466	62.0	1,233	73.7	973	93.4
Fixed allowances	101	281	36.0	183	55.2	169	59.8
Overtime	591	866	68.2	652	90.6	453	130.5
Fixed monthly bonus	467	1,117	41.9	794	58.9	556	84.0

Notes:

- The average monthly earnings for Company A's contract workers are based on the author's survey of 17 primary contracting firms. Salary data for regular workers at Company A were sourced from trade union documents. The data for the two component suppliers were obtained directly from union officials at each company.
- Component supplier 1 hires about 700 regular workers whose salary level is reportedly much higher than the average wages at medium-size manufacturers in Korea. Component supplier 2 employs about 400 workers.

However, if we take a look at the data for two of the component manufacturers under study, we note that recent pay rises for Company A contract workers prove to be substantial. Even though contract workers' wages are lower than those of one of the component manufacturers – one of the largest component suppliers in the region, hiring about 700 production workers – the monthly wages for contract workers at Company A are quite close to those of regular workers with the other component supplier. If we consider that contract workers receive more special annual bonuses than regular workers with the second component supplier, the annual income level the former does not appear to be lower than that of the latter. This comparison leads us to accept the claims of interviewed managers and workers that primary contract workers at Company A earn more than regular workers in medium-sized manufacturing companies in the

region. Contract workers' higher pay increases during the last few years have led to a reversal of wage levels. Thus, we can see that the decision by Company A's management to increase the pay level of its in-house contracting firms has affected not only the earnings of contract workers in its factory complex, but also changes to the wage level in the supply chain of the automobile manufacturing industry and even the regional labour market.

It is perhaps not a common occurrence that the rate of pay of non-standard workers hired by contractors is higher than that of many regular workers in the region, or that the service of non-standard workers is as lengthy as that found in the case of Company A. Nevertheless, it is not surprising to observe that the management of Company A has used wage increases and improvements to certain aspects of its employment benefits as a means of resolving labour turnover problems and workplace issues caused by the mounting grievances of contract workers. Wage increases have become routine at Korean automobile manufactures since the rise of the union movement in the late 1980s. Relatively high pay and better company-level fringe benefits compared to production jobs in other manufacturing industries could be the major reason that regular workers in Korean automobile companies are happy with their jobs despite the lengthy hours and arduous working conditions. Documented reviews of the worldwide trajectory of the automobile industry (e.g. Shiomi and Wada Eds. 1995; Babson Ed. 1995) also suggest that monetary incentives and/or employment guarantees in exchange for the concessions of trade unions and workers on workplace issues have long been used by foreign automobile manufacturers.

In this context, it appears that a similar approach to that which Company A used in dealing with the grievances of its regular workers has also been applied to contract workers. Confronted with quality problems and growing instability in production areas in the aftermath of the great utilisation of contract workers in the main production areas, management needed to take action to resolve the problem of high labour turnover and to improve the quality of work performed by contract workers.

Given the low level of organisational commitment that contract workers showed to their own employers, some incentives needed to be offered in order to motivate them to at least maintain the commitment to work at Company A with a certain degree of cooperation in the workplace. Unless proper action was taken, it seemed likely that the contract workers would deteriorate into a conglomeration of malcontents within the complex, which could have potentially

undermined workplace order and subsequently damaged management's pursuit of a flexible production strategy.

In this regard, the wage increase and the enhancement of several employment benefits can be seen as an attempt by management to bring about a more stable workplace environment and production process. Hindsight suggests that the wage increase might not have been the best option as far as management was concerned, as it reduced flexibility in the utilisation of non-standard workers and increased the cost of in-house contracting. Nevertheless, it had the great advantage of helping the company to achieve a stable supply of experienced contract workers. The experience of Company A demonstrates the importance of quality and consistency of production in the course of a firm's pursuit of flexibility based on the use of external workers. It highlights how managing and negotiating inherent tensions between these two contrasting trends shape the outcomes of labour contracting practices and the employment conditions of contract workers.

4.6. Conclusion

The control of Company A management over contract workers and their work performance has been enhanced as a consequence of the increased integration of labour contracting in direct production activities. The case study of Company A has demonstrated that the utilisation of contract workers has a two-fold effect on both production and work organisation, as it increases flexibility but also creates the potential risk of organisational instability and quality control problems.

It has provided considerable evidence to show that the use of contract workers in main production areas can generate managerial problems for user firms in areas including labour turnover; inefficiency in labour deployment and work arrangements; communication between regular and contract workers; and union interference. These kinds of issues might not occur or be tolerated when contract workers are utilised for the peripheral activities of user firms, as the influence of labour contracting on such operations is not substantial.

The evidence presented in this chapter suggests that shifts in managerial strategy are accompanied by changes to the utilisation of labour contracting and its roles in the production process. At Company A, managerial attempts to cope with workplace problems associated with

the increased use of contract workers were implemented in the form of direct and bureaucratic control over the operation of contracting firms and the employment of contract workers. Company A's focus on heavy intervention in labour contracting arrangements reflects its need to maintain workplace order and stability in the production process. In this context, it can be concluded that the organisational flexibility attained through modifications in in-house contracting and the resultant benefit to the daily operations of automobile plants in recent years largely rest on the exercise of greater managerial control over contracting firms and contract workers.

The changes that have occurred in managerial strategy following the utilisation of contract workers in main production areas, and the shift to greater control over labour contracting arrangements at Company A, suggest theoretical and empirical implications for our understanding of employment relationships in the context of labour contracting. The findings in this chapter offer a contrary account to the concept of 'market-mediated work arrangements'. As stated earlier, this popular notion implies that the increased use of labour contracting switches managerial control over work and employment from the user firm to contracting firms, and that market forces emerge to mediate relations between user firms and contracting firms, and the work of contracted employees. However, the case of Company A indicates that the increased use of contract workers and subsequent workplace reorganisation has been coupled with the enhanced control of the user firm over labour contracting practices. It was found that the market elements embedded in contractual arrangements were largely dismantled as the management of Company A increasingly intervened in the employment practices of contracting firms and the welfare of contract workers.

For example, competition among contracting firms appears to have largely disappeared since Company A's management placed restrictions on the business activities of contracting firms and their employment practices such as task assignments and employment volume. Contrary to the popular assumption that workers' wages are determined by employing contracting firms, management and its bargaining with the trade union have largely taken control of the wage level of contract workers at Company A. It was also observed that rapid pay increases for contract workers at Company A in recent years have engendered a distortion in the regional labour market, since their rate of pay has surpassed that of many regular workers in medium-size manufacturers. There is considerable evidence to suggest that the price mechanism for the work of contracting firms and the wages of contract workers was no longer effective at

Company A after it tightened its control on in-house contracting practices.

The analysis of the findings in this chapter cast doubt on the assumption that the use of labour contracting is a solution to the effective management of the workforce and organisational efficiency since the firm's move towards the utilisation of contract workers in main production areas involves the tensions between flexibility and quality/consistency of production. An examination of Company A's experience suggests that it is necessary to take into consideration the types of work assigned to contractors and the role of contract workers in the operations of user firms in order to understand the management of contracting arrangements.

It is perhaps true that the market functions by promoting competition and pricing mechanisms when contract workers are mainly utilised in auxiliary service and/or short-term work. As shown in the previous chapter and the early part of this chapter, contracting firms were brought into the peripheral operations of Company A in the 1990s in line with a managerial strategy for labour cost cutting. Therefore, the cost of implementation was a key criterion for the user firm's selection of a contractor and for the contracting firm's decision to undertake the contract. Along with the causal hiring practices of contracting firms, contract workers normally pursued temporary jobs at Company A. Given the absence of direct intervention from management or the trade union in the business operations of contracting firms, the employment of non-standard workers was not well regulated and the informal employment practices of labour intermediaries were reportedly prevalent at Company A.

However, the study found that the recent management of labour contracting associated with the use of contract workers in main production areas contrasts with that found in the operation of labour contracting in peripheral jobs in the 1990s. It is certain that the utilisation of more contract workers in production activities exposes the employment and work systems of user firms more readily to market forces. Nevertheless, there has been greater user firm control over contracting arrangements in order to reduce workplace problems associated with the increased presence of contract workers and to ensure the company's pursuit of flexible production (Mackenzie 2002).

In this regard, the evidence from the research into Company A lends support to Pulignano and Stewart's (2006, 91) argument that the utilisation of less regulated contracting arrangements does not necessarily lead to a decline in the importance of bureaucratic regulations and

institutional arrangements in the user firm workplace. As discussed in this chapter, at Company A, the greater integration of labour contracting into the production activities of its automobile plants has led to an increase in the bureaucratic control of user firm management.

The examination of Company A's in-house contracting practices leads us to conclude that the coordination of labour contracting involves dynamic tensions between market forces that contracting arrangements bring about in the workplace and bureaucratic control and workplace regulations associated with the management of labour contracting (Rubery and Earnshaw 2005; Grimshaw and Rubery 2005). It can be argued that the orientation of a company's labour contracting practices is shaped by these tensions. The management of labour contracting is important to user firms as it involves the effectiveness and cost of the practice (Ward et al. 2001). For example, if the cost of coordinating and/or the drawbacks of labour contracting exceed the advantages of using an external workforce, user firms may decide to make less use of contracting arrangements, as exemplified in Moss et al.'s (2000) case study. In the light of this, research into labour contracting and its impact on employment relations must examine the process of change it involves and the interactive relationships between workplace actors.

This chapter has demonstrated that control over the work and employment of contract workers is an essential aspect of the user firms' management of labour contracting in its main production areas. It has been shown that the managerial shift to greater control over contracting firms and contract workers has resulted in the closer engagement of the user firm with contract workers' employment relationships.

It is recognised that contract workers are engaged in a triangular (or multiple) relationship with the user firm and their employing agencies (e.g. ILO 2003, 2006). Nevertheless, it may be argued that contract workers feel little organisational affiliation – a quality that is considered to be an important element in any meaningful employment relationships – to the user firm when they are assigned peripheral jobs or short-term work. At Company A, it was reported that contract workers frequently moved in and out of contracting firms and that the length of service of many of them was brief up to the early 2000s. Indeed, contract workers normally performed their duties in separate locations, and direct interaction with regular workers on the shop floor was not required. Under the circumstances, contract workers' employment relationships were closer with their employing contracting firms, and many of them did not seem to perceive that they had any meaningful employment relationship with Company A. However, the direct

intervention of Company A's management in the employment practices of contracting firms and the employment conditions of contract workers clarified the actual employer's role at Company A. Rapid improvements in pay and other working conditions have had a great influence on contract workers' perception and attitude towards their work at Company A, and on their relations with Company A and their contracting firms.

A contradiction arises here, as Company A management wants its contract workers to carry out similar duties to those of regular workers and exercises great control over the employment conditions of contract workers while avoiding direct employment contracts with them. Although Company A has overcome some of the managerial problems that arose during the initial period of labour contracting in the last decade, and still pursues organisational flexibility based on the use of contract workers, there is little doubt that this contradiction remains at the heart of contract workers' grievances and a source of potential instability in the workplace.

CHAPTER 5

CONTRACTING ARRANGEMENTS AND CONTRACTOR PRACTICES

5.1. Introduction

The contradictory nature of in-house labour contracting associated with the organisation of production and the employment system is revealed in Company A's move to deploy an increasing number of contract workers. The closer integration of labour contracting in the direct production areas of plants requires more control by the user firm in order to coordinate the performance of contracting firms and workers. The greater the intervention of user firm management, the less discretion the contractors have in managing the engagement of their employees and the work they do. The increased proportion of contracted work has led to greater union involvement, which has a significant influence over changes in the employment practices of contracting firms. Improvements in contract workers' wages and other working conditions have also contributed to the shift in the attitude towards contracted work. A reflection of this can be seen in the longer employment duration of contract workers at Company A.

The last chapter examined the shifts in Company A's management of in-house contracting and its involvement in employment relationships with contract workers. In this chapter, the analysis focuses on the function of the contracting firms when they operate in the main production areas of automobile plants. More specifically, it will explore how the employment practices of contracting firms have been affected by the intervention of user firm management and the trade union, and the impact on contract workers of changes in the practices of contracting firms.

It is thus necessary to investigate the employment aspect of in-house contracting arrangements. Relations between the user firm, the contracting firms and contract workers are basically built up through the contract of work. Simply put, the contract of work is a formal arrangement whereby contracting firms undertake the assigned work of the user firm. The work contract enables the contracting firm to provide its staff with employment contracts so that can enter the user firm workplace and carry out the stipulated work. As will be examined in this chapter, the user firm attempts to avoid an employer's responsibility or employment relationship in which contract workers engaged with the user firm are hidden behind the work dimension of the contract. However, in the current discussion on labour contracting, a great deal of attention has been paid to business relations between firms and the provision of service. Consequently, as

pertinently acknowledged by Rubery, Earnshaw and Marchington (2005), little consideration appears to have been given to an analysis of the employment aspect of contracting arrangements and the intervention of the user firm in the externalised employment practices of contracting firms. In order to better understand the qualitative shift in the use of labour contracting at Company A and changing employment relationships, this chapter is therefore concerned with the relatively neglected employment aspect of in-house contracting and its inherent problems.

The present study sheds light on the brokerage role of contracting firms and the actual function of Company A as an employer, which confuse and complicate contract workers' employment relationships. The discussion in this chapter corroborates our analysis of tensions and contradictions inherent in the firm's pursuit of greater organisational flexibility based on the utilisation of contract workers in main production areas. It reveals the fact that, due to their greater integration into the production system, contracting firms are more likely to become subordinate to user firm management and the trade union at Company A. Nevertheless, this is not to say that contracting firms do not play any role in in-house contracting practices. As the employment conditions of contract workers have improved in recent years, their willingness to continue to work at Company A has also increased, indicating that contracting firms exercise a certain influence over contract workers. In this regard, after exploring the issues surrounding the employment practices of contracting firms at Company A, this chapter examines the nature of contract workers' multiple organisational affiliation with Company A and their employing contracting firms. Such analysis will draw out contradictions associated with the consequences of tight managerial control over contract workers by the user firm and the recent changes occurring in the employment conditions of contract workers.

5.2. The Hidden Employment of the Contract of Work

5.2.1. Contractual Relations between User Firms and Contracting Firms

In addition to the longer service of contract workers in the user firm compound, the relatively stable relationships that contracting firms have forged with the user firm is one particular feature that has resulted from the utilisation of contract workers in the main production areas of Company A. It should be remembered that such relationships did not arise from changes in market conditions or the internal efforts of contractors to reform workforce management, but rather from the tightened control of Company A's management over its labour contracting

arrangements. As discussed in the previous chapter, Company A's attempts to coordinate workplace changes arising from increased flexibility provided the impetus for shifts in managerial strategy and the user firm's relations with contracting firms and contract workers. In this light, an examination of contractual relations is necessary in order to understand changes in the use of labour contracting and the employment practices of contracting firms at Company A.

Recent studies (e.g. Kalleberg 2000, 347–348) recognise that the use of such labour intermediaries as temporary employment agencies and contracting firms is not necessarily merely a short-term measure, and increasing numbers of workers hired through these labour intermediaries are staying with user firms for longer than was previously the case. Nevertheless, as the term indicates, temporary employment agencies are engaged in providing a service of limited duration. Even though their contracts may be extended to allow the maintenance of business relations, in many countries there are legal restrictions on the duration of employment of agency temporaries with the same user firm (Betcherman et al. 2001; Storrie 2002).

Moreover, evidence from several previous studies suggests that client firms frequently change employment agencies and that there may be an unstable working relationship between them. It implies job insecurity for agency temporaries. For example, the work of Purcell and Purcell (1998) demonstrates that client firms often attempt to take advantage of their ability to offer short-term contracts to temporary employment agencies. It shows how temporary employment agencies have lost their service contracts due to “the cost reduction efforts” of user firms in several UK industries, and have been forced to compete for new clients. Anecdotal evidence provided by this study (ibid, 53-54), which relates how temporary employment agencies sign new contracts with the same clients a few months after the termination of the previous one, demonstrates the recent trend towards intensified competition in the temporary employment industry, and how the user firm takes the opportunity to shop around for the best deal in hiring external workers.

Contracting firms find themselves in similar situations when their staff are mainly utilised for auxiliary services such as security, cleaning and catering (e.g. Zlolski 2000). Indeed, regardless of the required qualifications (e.g. skilled engineers and IT professionals or unskilled construction workers), in-house arrangements with contracting firms for seasonal production and project-based work tend to be terminated when the assigned tasks are completed. Workers

are thus reportedly either hired for a fixed period only or else transferred to another user firm as contractors secure new assignments.

Clearly, the massive utilisation of contract workers in the main production areas of automobile plants that began at the end of the 1990s has contributed to a contrast in the experiences of contracting firms at Company A, and temporary employment agencies and contracting firms engaging in peripheral or seasonal work. As discussed in chapter 4.4, business for Company A's primary contractors is virtually guaranteed for six or seven years. The investigation found that a contracting firm operating at one of the component manufacturers under study has been in continuous in-house operation since the mid-1990s, expanding its work from materials handling to module parts assembly.

It was also found that the business of contractors in automobile companies was not based on the winning of contracts by bidding or the successful completion of the previous contract. Along with the evidence provided in the previous chapter, a survey of different types of business initiation indicates how the engagement of in-house contracting firms differs from that of other labour intermediaries.

As table 5.1 shows, primary contracting firms at Company A and component suppliers have been engaged, either through the allocation of new work, or by means of the acquisition of jobs and workers from previous firm owners under contract to the user firm. Moreover, once a contracting firm has started its operations, it has tended to maintain a secure contractual relationship with the user firm.

The results of the survey also suggest that the process involved in the business takeover of contracting firms at Company A is different from that found in a normal change in operations, which occurs mainly when work is transferred from one firm to another. In the case of the normal transfer of business, a change of contractor or service contract takes place between two existing firms, and the relevant procedures regarding change of ownership and related employment issues are carried out by the two parties. However, at Company A, when company-level management decides to terminate business with a contractor, a newly-selected individual establishes a registered firm and engages in the transfer of assigned tasks and contract workers from the previous firm. As shown in table 5.1, the majority of business takeovers at Company A have involved a simple change of owner and name of firm, since the employees remain in the

same workplace. However, in spite of this simple procedure, the effects of the change of employer are considerable, as it can potentially lead to changes in the job security and employment entitlements of contract workers.

Table 5.1 Types of Business Initiation by Contractual Relationship

Contractual relationship with Company A	Newly established	Acquisition from previous owners			Transfer of ownership from a family member
		Acquisition of the entire firm	Acquisition by the division of an existing firm	Acquisition by the combination of contracting firms	
Primary contractor (n=17)	4	10	2	1	
Quasi-primary contractor (n=2)		2			
Secondary contractor (n=5)	1	1			3
Contractor at component supplier (n=4)	2	2			

In general, contracts are drawn up to determine the terms and conditions of work-related issues, including the period of service provision. All primary and quasi-primary contracting firms at Company A appeared to have fixed-term contracts of six months. The six-month contracts awarded to contracting firms seemed to be shorter than those secured by temporary employment agencies, which were known to be normally for one or two years. The reason for awarding such short-term contracts lies in Company A's need to adjust working arrangements and the number of contract workers deployed in response to changes in production volume and schedules. However, given the implicit guarantee of contract length and sufficient work to ensure the firm's profits, the fixed period of six months has little to do with the continuation of contractors' business operations. Accordingly, new contracts awarded in January and July of each year are almost automatically renewed. Thus, not surprisingly, interviewed firm owners and operations managers of contracting firms stated that they treated the periodical renewal of contracts as little more than an administrative or procedural process when engaging in business relations with Company A.

5.2.2. Labour Brokerage of Contracting Firms

As noted above, the contract between Company A and a contracting firm formalises an undertaking to carry out the assigned tasks and itemises the service charges for such work.

Details comprising the period of service, place of work and actual operational procedures are listed in the terms of the contract; however, few clauses stating the labour supply are found in contract documents. The problematic issues of the hiring of labour through intermediaries and the user firm's direct intervention in the employment of contract workers are buried beneath the terms and conditions of contracted work.

This problem can best be understood by analysing the way in which service charges are calculated, and how the setting of costs in contracted work is related to the employment entitlements of contract workers and the 'business' operations of the contracting firm. An examination of the employment aspect of the work contract brings us closer to an understanding of the problems associated with the labour brokerage roles of contracting firms, the user firm's engagement in the operation of contracting firms and the function of the user firm as an employer in its use of contract workers. It sheds light on contradictions inherent in the user firm's pursuit of enhancing organisational flexibility through the disjuncture of employer attachment while asserting its managerial control over contract workers in order to maintain quality and consistency of production.

Table 5.2 gives a breakdown of the monthly cost per item for a contracted work assignment. It reveals the great extent to which the user firm intervenes in the practices of contracting firms and determines the employment conditions of contract workers. Firstly, we can see that the service charges for contracted work include all the labour costs and other expenditure required for the employment of contract workers. In addition to wages, redundancy payments and fixed bonus instalments (which are not paid to workers on a monthly basis) are provided by Company A when it settles its monthly remuneration to the contracting firms.

Moreover, Company A provides contracting firms with statutory employer contributions to social security schemes and business-related taxes. Although the employee benefits and workplace welfare that contracting firms provide for contract workers are much lower than that of regular workers, Company A's monthly service charge payments include the costs of work-related allowances and incentives for workers, such as meals, performance encouragement bonuses and workers' equipment.

The provision of all such labour and operational costs paid to contracting firms confirms 'the pay-rolling service' of labour intermediaries (Davidov 2004). The situation at Company A

shows that the terms of the payroll for contract workers are governed by user firm management, while contracting firms act as agencies for the handling of payment and the management of related processes.

This argument is supported by a close look at an example drawn from one contracting firm that was investigated in order to explore how contracted work service charges are actually calculated at Company A. As shown in table 5.2, the user firm's payment for contractors' work is calculated on the basis of the labour input of individual contract workers. Monthly wages of contract workers are calculated according to the user firm's set hourly rate for the given year and the number of hours worked on the assigned jobs. Workers' wages appear to be a platform for determining the level of other labour costs and operational expenditure of contracting firms. This reflects the particular characteristics of the wage system at Company A, in which workers' earnings correspond with the changing production requirements (operational hours) of plants; and overtime rates represent a large proportion of the total sum of workers' income. Thus, it is not surprising to find that contracting firms' monthly charges for work differ according to the varying number of total working hours undertaken by contract workers.

It is also interesting to note that costs for the compliance of contracting firms with labour laws, social security legislation and other statutory regulations – including the payment of the premium overtime rate – are met by Company A. Considering the fact that the observation of labour regulations and the provision of contributory social security schemes are essentially the responsibility of the employer, Company A's provision of the exact amounts contracting firms are required to pay their employees and the relevant state institutions demonstrates the efficacy of the payroll service of in-house contractors on behalf of user firm management.

One of the reasons given for the high level of contractors' fulfilment of state regulations at the time of the investigation seemingly lay in the user firm's provision of the total payments on the basis of its assessment of workers' wages and closer monitoring of contractors' actual payments at the time of a company-level audit.

Table 5.2 A Breakdown of the Monthly Cost of Contracted Work

Cost components		Method of calculation	Cost of item per worker (Korean won)	Related labour regulations and user firm's set rules
① Basic monthly wage and overtime payment	Normal working hours	Hours of work × 100% × hourly rate	654,500	Although not to a large extent, Company A calculates contract workers' average hourly rate firm by firm on an ad hoc basis, according to the type of job, mainly to differentiate between direct and indirect production work.
	Daytime overtime work/ Night shift premium-rated work	Hours of work × 150% × hourly rate	381,375	
	Additional day work (weekends /public holidays)	Hours of work × 200% or 250% × hourly rate	384,320	
	Weekend payment	8 hours × days × hourly rate	184,800	
Sub-total			1,604,995 (51.7%)	
② Additional payment	Fixed bonus	Monthly wage × annual payment (600 %) ÷ 12 months	479,000	The bonus rate is set at 600% in Company A's primary firms, as opposed to 400–500% in secondary firms.
	Statutory paid annual leave entitlement	8 hours × 10–20 days × hourly rate ÷ 12 months	38,500	The minimum holiday entitlement increases with years of service.
	Redundancy payment	Basic monthly wage + paid annual leave + bonus + other company benefits ÷ 12	194,499	Contractors are required by Company A to deposit a certain percentage of redundancy payments in the bank.
Sub-total			711,999 (22.9%)	
③ Costs of legal obligations (e.g. compliance with labour code; tax)	National pension contribution	Monthly wage + paid annual leave + bonus × 4.5%	96,412	The contribution of employers is matched by that of workers.
	Health insurance contribution	Ditto × 1.97%	42,207	Ditto.
	Employment insurance	Ditto × 0.7%	14,998	Ditto.
	Industrial accident insurance	Ditto × 1.4%	29,995	One of the four compulsory social security schemes (employer's contribution).
	Enterprise registration tax	(Monthly wage + bonus) × 0.5%	10,420	A municipal tax regulation applicable to firms with more than 50 employees.
	Workplace safety and public health management tax	5,650 Korean won per worker	5,650	Workplace Safety and Public Health Act.
Sub-total			199,682 (6.4%)	

④ Employee benefits	Work equipment (e.g. footwear, protective gloves, uniforms)	Annual payment by user firm ÷ 12 months	17,782	Amount and quality of equipment are set according to Company A's guidelines for regular workers.
	Transport allowance		36,000	
	Meal allowance		116,947	Number of meals per month × Company A set price (2,818 won).
	Performance encouragement allowance		58,700	Calculated according to Company A's job rating (three categories).
	Hazardous job allowance (if applicable)		3,986	
	Other allowances		63,527	Includes gifts for New Year's Day and Autumn Festival.
Sub-total			296,942 (9.6%)	
⑤ General management fees (contracting firm's profit + overheads)		A worker's monthly wage (①) × 8–9%	144,450 (4.7%)	
⑥ The use of additional labour (for daily relief)		The above five categories (①②③④⑤) × 5% or 3%	147,903 (4.8%)	5%: direct production areas such as assembly shops and engine production units. 3%: materials handling and quality inspection.
Total monthly cost of a contracted work			3,021,971	
Hourly cost of one work		Total cost ÷ hours of work per month (230 hours)	13,139	

Sources: Company A internal records; trade union data, including the occasional bulletin of the contract workers' organisation (e.g. the one-page document distributed on March 25th 2003); and the author's interviews with owners of contracting firms and contract workers.

Notes:

- The USD to Korean won exchange rate was about 1:1,000 at the time of the investigation. The total monthly cost of engaging a worker (3,021,971 won) was thus equivalent to approximately USD 3,000.
- The contracting firm cited in this table was located in one of the five assembly shops at Company A.
- The average hourly rate at this contracting was 3,850 won, which was found to be slightly above the average of the 17 primary contracting firms (3,817 won) surveyed at Company A.
- Based on an interview with the owner, the total number of monthly working hours attributed to this contracting firm was taken as 230 for the purposes of the calculation of this breakdown. Differing premium rates – ranging from 150 to 250 per cent – have been applied to overtime, night and weekend work.

The brokerage role of the contracting firm becomes more apparent when we turn our attention to the way in which its profits are generated from specific services. The service charges for contracted work can be divided into three major categories: (1) pay-related costs of workers; (2) business expenditure (e.g. taxes); and (3) the contracting firm's so-called 'management fees'. In the case of primary contracting firms at Company A, the first two categories are estimated to constitute about ninety five per cent of Company A's expenditure and management fees account for the remaining five per cent.

A contracting firm's profit depends on an assessment of its employees' wages. As indicated in circled item 5 in table 5.2, Company A and other user firms grant contractors certain profit margins in the service charges of contracted work. According to interviewed owners of contracting firms, at the time of the study, the guaranteed profit margin for an assignment was equivalent to eight to nine per cent of the monthly payroll. Thus, a contracting firm's profit is based on the collective profit margin of all the work carried out by its employees. Although referred to as 'the management fees' in the automobile companies under study, this sum is actually the contracting firm's profit. Additionally, it is evident that all profits are transferred to the income of the firm's owners, since financial investment in facilities or the development of products is not needed.

5.2.3. Contradictions in the Contract

Our examination of the nature of the contract suggests that the contract of work is perhaps the most important concern for contractors and contract workers, since it is a source of profit for the former and a provider of jobs and a determinant of working conditions for the latter. In spite of the significance of the contract in relation to the operations of the contracting firms and the welfare of its workers, structural constraints have been placed on the involvement of both employers and employees of contracting firms in the contracting processes.

These constraints are associated with two interrelated areas: (1) the assignment of work and the deployment of contract workers, and (2) service charges for work, and workers' wages and employment benefits. With respect to the mechanism by which work is allocated to contract and regular workers, the importance of man-hour negotiations between management and shop stewards at plant level and the priority given to regular workers have already been highlighted in chapter 3. As the number of contract workers required and their engagement in jobs are determined through the man-hour negotiations with respect to regular workers, there is no room

for contractors to influence changes in the amount of work (the allocation of new assignments or termination of work) or deployment of their workers. The following comment from an interviewed operations manager of a contracting firm illustrates this point:

There are meetings with managing staff of the plant for discussing changes in work following the agreements between the management and the trade union. Even though the name of it might be 'negotiation' or 'consultation', the meeting with plant managers is no more than the receiving of orders. Due to our relationship with such a large automobile company and our business location inside the company, it is impossible to take issue with what managers and the trade union decide. It is impossible for us to attempt to change aspects of the work assigned by Company A.

Neither is it feasible for the contractor to negotiate its work arrangements, as is also the case with its service charges. As to the question of why the cost of an assignment is non-negotiable unlike ordinary contracting firms and other labour intermediaries, the clue to the answer lies in the above finding that the contracting firm's service charges and profit are measured in terms of workers' wages. It was observed that the hourly rate applied to similar jobs across Company A's plants is set annually. Thus, the contract workers' pay rise for a given year allows the contracting firms to have the price of assigned work increased accordingly.

However, the level of the annual wage increase is not decided through business negotiations between Company A and the contracting firms. Nor has the formation of an organisation of contract workers at Company A had the organisational capacity to affect the extent of the pay rise. It is based on the annual wage bargaining of company-level management and the trade union of regular workers.

A consideration of the limitations imposed on the involvement of contracting firms in the contracting process reveals the contradiction inherent in the employment relationships of contract workers and their representation on the premises of the user firm. Since its inception in 2003, the contract workers' organisation has continuously petitioned Company A for collective negotiation, but management has no desire to act as the counterpart to a non-standard workers' organisation in any industrial relations or workplace issues, since it wishes to avoid the potential legal obligations of employment relations with such employees.

Having confronted the non-recognition of user firm management, the contract workers' organisation took steps to engage in collective negotiations with individual firm owners. However, given the absence of the contractors' own capacity to deal with their employees'

benefit issues, such meetings proved to be unfruitful. Rather, the contract workers' pay rise was tabled during annual collective bargaining between Company A management and the trade union, even though the issue had never officially been put on the agenda. Nevertheless, after reaching agreement on an increase in the rate of regular workers' wages, they determined the level of the annual pay rise for contract workers. Based on the decision reached by Company A's management and the trade union, the representatives of firm owners and the organisation of contract workers come together to sign the official agreement. Although the procedure was informal, the key to contract workers' pay increase and improvement in employment benefits has proved to lay in negotiations between Company A management and the trade union.

This refers to the process of determining primary contract workers' increase in pay at Company A since 2003. The increased rate of contract workers' wages decided by annual pay bargaining has been applied to all primary contracting firms at Company A. However, as issues appertaining to secondary contract workers are not included in the negotiations, secondary firms are not subject to the outcome of annual wage bargaining. Nevertheless, the mechanism for determining primary workers' increase in pay has been influential in setting the rates of pay in secondary firms. Although secondary workers' fixed and special bonuses are lower than those of primary workers, the owners of secondary firms appear to have provided their employees with an increased hourly rate of pay similar to that of primary workers. This is because the payment of considerably lower wages is likely to increase secondary workers' grievances, which, after a wage increase for primary workers, caused labour disputes in several secondary firms in about 2003–2004. It is also important to note that the increase in wages in secondary firms is linked to the engagement of Company A management in the employment conditions of secondary workers. According to several Company A managers and firm owners interviewed, after the primary workers' wage increase, the engineering and procurement departments of Company A granted an increase in the prices of products and services supplied by relevant component suppliers. Consequently, component suppliers included the increased proportion of workers' wages in their payment of service charges to secondary firms operating at Company A. It was not possible for the author to check whether all secondary contracting firms demonstrated a similar pattern. However, we can apprehend the ways in which Company A coordinates the employment practices of secondary firms through component suppliers, and how secondary workers' wages are influenced by negotiation between Company A's management and the trade union.

In summary, our examination of the function of the contract and contractual relations between the user firm and the contracting firm at Company A reveals the brokerage role of the contracting firm and the problems associated with contract workers' employment relationships in the context of in-house contracting. It also demonstrates the structural constraints to the involvement of contracting firms in the contracting process. Such an assessment sheds light on the dilemma contractors and contract workers face as the greater intervention of user firm management and the trade union brings them both advantages and disadvantages. As to loss of business autonomy, the owner of the contracting firm is guaranteed a considerable level of business stability for several years, generating continuous profits for the firm; but it becomes almost impossible to increase the level of profit beyond that designated by user firm management. In its analysis of the cost element of contracted work, this section has shown that the operations and profit of the contracting firm depend on the number of workers deployed for its assignment by the user firm. In this connection, the phrase often used by interviewed contract workers – “head count business” – seems to sum up best the nature of in-house contracting.

5.3. The Involvement of the Trade Union in Contracting Arrangements

The discussion in the previous section shed light on the influence of the regular workers' trade union in processes related to the assignment and costing of contracted work. An understanding of the ways in which Company A's trade union has been involved in determining contract workers' wages and employment benefits also illuminates the problems of the limited employer role of contractors and contract workers' employment relationships.

Although it is widely recognised in the literature that trade unions play an important role in a company's decision to use the services of labour intermediaries and in shaping the extent of the protection non-standard workers can expect (e.g. Healy et al. Eds. 2004), little appears to be known about trade union involvement in contracting arrangements, or in determining contract workers' everyday activities and employment entitlements. An observation of the role of shop stewards in man-hour negotiations at plant level, and the involvement of company-level trade union into the wage negotiations of contract workers at Company A, illustrates the great extent to which the trade union affects the operation of contracting firms, as well as the pay and working conditions of contract workers.

In addition to the empirical evidence demonstrated in chapters 3 and 4, the findings examined in this chapter call into question the simplistic assumption of some management-oriented studies, which view labour contracting practices as belonging principally to the territory of managerial decision-making and the commercial relations between client firms and labour intermediaries. In this light, it is important to take a look at the consequences of trade union involvement in the contracting arrangements and daily operations of contracting firms.

Firstly, the owners and managers of contracting firms have been prone to subordination not only to user firm management, but also to the union officials and regular workers of Company A. Given the strong control over the shop floor exercised by the trade union, the influence of shop stewards in the production process and work arrangements is substantial, and their power was found to surpass even that of line managers at the company (M.K. Chung 2004, 110). Thus, the managers of contracting firms appear to be careful not to confront shop stewards and regular workers.

Secondly, since contract workers are aware of the power of the trade union and its shop stewards, they are likely to expect improvement in their working conditions through the help of the regular workers' trade union. In particular, although it is acknowledged that there have been fewer cases recently, when contract workers are faced with actual or perceived mistreatment at the hands of their firm's managers, they prefer to make contact with shop stewards or regular workers rather than the comparatively weak contract workers' organisation.

Although the shop steward's priority is the welfare of the company's regular workers, some of them were found to meet with contracting firms' owners or put pressure on them via plant managers. From the perspective of the firm owners, the negative effects of union involvement in their firms and employment relationships represent the undermining of their authority. The following comments from two firm owners and a contract worker illustrate this situation:

Since the power of the trade union is enormous, the influence of managing staff of contracting firms in the workplace has disappeared.... Employees [contract workers] go to speak with shop stewards about their personal problems. Shop stewards relate the problems to the relevant departments in the plants to resolve issues. In fact, we have no power. The internal rules of [contracting] firms now become useless.

In response to the request of union officials, the managers of Company A ask us to resolve the problems quickly... The important thing for plant managers is not to make trouble in the workplace or with union officials.

In the rest rooms, there are phone numbers for shop stewards. When we inform them of violations of labour codes by contracting firms or workplace safety issues, they come to the workstations or the firms' offices to check the issues.

Thirdly, the owners of contracting firms interviewed – many of whom were former Company A managers – generally expressed a negative attitude towards union intervention. However, a closer look at the way in which contract workers' jobs are arranged, and the profit structure of the contracting firm, reveal some areas in which the interests of contractors and the trade union overlap. A good example of this is when pressure is applied to shop stewards and contracting firms to reduce staff at the plant. At times of such product reorganisation as the introduction of new vehicles, the objective of the company is normally to reduce the manning level. However, in contrast to the interests of company management, shop stewards and owners of contracting firms want to maintain the numbers of contract workers. Shop stewards make an effort to minimise the number of contract workers laid off, as a decline in contract workers would potentially lead to a heavier workload for regular workers. Indeed, it was found that some of them felt obliged, as labour activists, to protect contract workers from such dismissal. The opposition of the trade union to management's plans to reduce the volume of workers is of help to contracting firms in minimising the loss of their own employees, whose numbers are important to the firms' profits. A similar situation was found in the efforts of the trade union in company-level annual pay bargaining. As discussed earlier, owners of contracting firms have benefited from their employees' wage increase, the extent of which was determined through negotiation between the trade union and Company A management.

Lastly, union intervention is considered to be a positive contribution to the improvement of contract workers' welfare. However, it has had some negative effects on the development of the contract workers' organisation. Protection by the regular workers' trade union from suppression at the hands of Company A management and the contracting firms was critical to the establishment of a contract workers' organisation, especially during the early stages. Nevertheless, in spite of this positive aspect, since contract workers' rates of pay and working conditions are shaped by trade union negotiation with user firm management, some workers doubt the efficacy of the contract workers' organisation. The great recourse of contract workers to the regular workers' trade union has hindered the strengthening of their own organisation. A notable incident at Company A in 2006 was when the contract workers' organisation made a formal request to the regular workers' union asking it not to deal with contract workers' pay and employment benefit issues in the annual round of collective bargaining, even though the

attempt of the former to engage in collective bargaining with Company A' management had ended in failure. The issue surrounding trade union involvement in contract workers' employment conditions and problems related to workplace representation will be discussed more fully in the next chapter.

The above examination of trade union engagement in contract workers' interests illustrates the role Company A's trade union has played in labour contracting arrangements and recent changes concerning the operation of contracting firms. It has been demonstrated that the intervention of the trade union in the practices of contracting firms involves cooperation and conflict between and within workplace actors. For example, this section has shown that some overlap of interests between the trade union and the contractors – and the conflicting interests of user firm management and contractors – has emerged in the process of changes to the utilisation of labour contracting, especially following Company A's shift to greater control over contract workers. Indeed, there are tensions caused by the existence of two union organisations operating in the interests of regular and contract workers respectively in the same workplace. The findings of this study thus suggest that the interests of workplace actors are further entwined as a consequence of the use of contract workers in the main production areas of the plant. This supports our argument that interactions between workplace actors should be taken into the analysis in order to develop a fuller understanding of the qualitative shift in the nature of labour contracting and changing employment relationships.

In this connection, it is necessary to examine what changes have taken place in the management of contract workers in contracting firms following the greater intervention of user firm management and the trade unions in recent years. In focusing on this question, the next section will examine the employment practices of contracting firms at Company A.

5.4. Employment Practices of Contracting Firms within the User Firm Workplace

One of the core issues regarding the employment practices of contracting firms is their attempt to accommodate the demands of the user firm in terms of the recruitment of contract workers and workforce management. For the contractor, recruitment is one area in which it is able to exercise authority over workers, as the employment contract is the responsibility of the contracting firm. Although user firm management exerts substantial influence on the employment practices of contracting firms, there is little direct intervention of the former in the

recruitment process of the latter. The owners of contracting firms appear to exercise full discretion over the selection of their employees. This hiring practice was cited in interviews with the management of automobile companies and contractors in their argument against the claims of labour organisations that user firms are the actual employers of contract workers.

At Company A, the basic recruitment system of in-house contracting firms has not changed much since the introduction of contract workers in the early 1990s. Unlike the highly formalised recruitment of regular workers, which is handled by the relevant personnel departments and requires a certain level of negotiation with and monitoring of the trade union, there are no official recruitment guidelines and few union restrictions on the hire of contract workers. The selection of such employees is based entirely on the personal decisions of contracting firm owners. However, given their own lack of capacity to generate jobs, contracting firms are not in a position to hire workers in advance, as this would exceed the official number of employees on the payroll; nor is it possible for them to take on workers for a period of pre-service training before they start work. Thus, the recruitment of contract workers takes place at very short notice when existing employees leave or when the user firm assigns additional work. Accordingly, following a simple interview procedure, new workers are swiftly assigned to their jobs.

The basic characteristics of contracting firms' recruitment practices associated with the unilateral decision of a firm's owner and the low level of formality in the selection of employees remain intact, but the ways in which contract workers are hired and contractors manage the workforce have changed considerably during the last few years as conditions under which contracting firms operate at Company A have changed.

Two significant changes in the employment practices of contracting firms at Company A are the sharp reduction in informal and illegal types of recruitment, and the limits that have been placed on the ability of contractors to dismiss workers arbitrarily. As demonstrated in chapter 4, the first development mirrors the fuller compliance of contractors with labour regulations and the set rules of the user firm; and the second is reflected in the extensive lengthening of contract workers' periods of service with the same contracting firm. These contextual developments can be seen as positive consequences of the changes in the employment practices of contracting firms. Although contractors in component suppliers have a relatively high labour turnover due to lower pay and poorer working conditions, Company A's contracting firms no longer

experience turnover problems, and have resolved the great pressure they were under to fill vacancies on virtually a daily basis in the early 2000s.

A glance at the situation at Company A up to the early 2000s shows that contractors' provision of insecure contracts and frequent violation of labour regulations were linked to their profiteering. The relatively few constraints on their employment practices helped to facilitate the attempts of firm owners to increase personal income through taking advantage of short-term and/or casual contracts and the easy replacement of the workforce. Consequently, contract workers at the time were highly vulnerable to the exploitative and authoritarian management style of contractors and the potential risk of arbitrary dismissal.

Although perhaps not all contracting firms treated their workers so badly, many reportedly provided recruits with contracts of an indeterminate duration. The period of employment was left blank or stated as being valid until the user firm completed its assigned tasks. Some contract workers were even reportedly hired without a written contract, engaging in production work for several weeks or months.¹⁸ In the absence of supervision or monitoring from user firm management or the trade union, having a written contract did not mean that workers enjoyed secure employment and working conditions. The length of employment specified in a fixed-term contract was by no means guaranteed and fair dismissal procedures simply did not exist. Indeed, employment contracts contained several problematic and even unlawful clauses. These included dismissal on such unreasonable grounds as uninformed absenteeism and production stoppages caused by workers' mistakes, charges for production damage, and the prohibition of involvement in collective action.

Under the circumstances, contracting firms were able to create conditions conducive to maximising their profit margins. For example, as might be found in other workplaces where the exploitation of non-standard workers prevailed, fixed-term contracts that were shorter than the period for which employees were eligible for severance pay (twelve months in the case of Korean labour legislation) were provided by some contracting firms, effectively

¹⁸ Even though oral contracts were not common, some non-standard workers began their employment on a casual basis and were only provided with a written contract after having worked for several weeks or months. Data collected from a Company A trade union survey in May 2002 show that about eight per cent of respondents were employed without a written contract at the time. The findings of the author's study corroborate this evidence: about 12 per cent of the contract workers surveyed had experience of working without a written contract during their period of employment at Company A.

misappropriating severance pay that had already been provided for by the user firm in the monthly payroll.

Given the past employment practices of contracting firms in relation to their profiteering, it is apparent that they had little interest in the retention of experienced staff. Contract workers with a longer period of service were more exposed to the risks of potential dismissal thanks to their higher wages. Nevertheless, job losses due to arbitrary dismissal by contracting firms were not common in the past. The major reason for this was that, given the low pay and instability of such employment, many contract workers left voluntarily to find better jobs. Interviews with contract workers revealed that even though they were aware of the problems associated with their working conditions, their status as temporary job-seekers (especially amongst young men) compelled them to focus on their earnings while at Company A, rather than attempt to resist contractors' violation of their rights. By taking advantage of such workers' employment patterns and encountering little resistance, contracting firms were able to keep the average employment duration of the workforce very short, while at the same time benefiting from the continuous replacement of staff.

In this regard, the involvement of user firm management and the trade union was crucial to arresting the exploitative management system of the contracting firms and the subsequent improvement to contract workers' employment conditions at Company A. Since 2003, such recruitment arrangements as the hiring of workers with indeterminate periods of contract have largely disappeared. Unfair and unlawful clauses contained in the employment documents, which made arbitrary dismissal possible whenever called for, were removed. More importantly, following changes in the workplace environment associated with the tight control of user firm management and the increased involvement of the union, contractors have found it difficult to exercise arbitrary dismissal unilaterally, in spite of the increase in the length of service of their workforce. These experiences at Company A in recent years show the possible tensions between the user firm and contractors.

Most firm owners were reluctant to express their dissatisfaction with the tight control over their businesses exerted by user firm management, and the limited opportunities for increasing their income. Nevertheless, interviews with several of them did reveal some frustration and reduced enthusiasm for in-house contracting, as demonstrated by the following comments:

In the past, we had autonomy. Nowadays, for the president [owner] of the firm, there is no autonomy any more. Just our title is the president of the firm.... Details of the firm's operations are decided by the user firm. Because of this, we cannot help but have problems in the relationship with employees.

...You seem to treat my opinions as defending the position of employers.... If I ran an independent enterprise, I could do much better to make my company excellent.

However, the greater intervention of the user firm in the operations of contracting firms and the subsequent decline in the business autonomy of contractors does not imply a reduction in the user firm requirement that contractors should manage contract workers and their performance. The demands that Company A management makes of contractors in the area of labour control seem to have increased as more and more contract workers are deployed in direct production. Additionally, although its capacity is still weak, the contract workers' organisation has been operational in the workplace since the mid-2000s.

It is important to note that a pay rise and improved working conditions have engendered the disciplining effect on contract workers at Company A and that owners of contracting firms take advantage of the change in the employees' attitude towards contracted work. Until the early 2000s, the high labour turnover and simple recruitment process at contracting firms allowed contract workers ease of access to jobs with automobile companies. However, improved employment benefits for contract workers at Company A have increased their willingness to continue working there, and the subsequent reduction in labour turnover has led to a decline in job opportunities with the company's contracting firms.

Contractors have used this situation as a means of asserting managerial control over the workforce, in recruiting staff according to their own agendas. When it is necessary to employ new workers, contracting firms now utilise a shrewder selection process, and screen for the propensity of potential employees to union activity and their personal loyalty to firm owners. Accordingly, contractors are more likely to utilise the private networks of firm owners and managing staff in hiring new workers. Interview data on recruitment paths indicate that the majority of workers hired by contracting firms in recent years have used their personal contacts with managers/employees of either Company A or employing contracting firms. In contrast, the recruitment of contract workers through advertisement – a popular method until the early 2000s – has declined markedly in recent years.

It was reported that contract workers who had personal ties with firm owners or supervisors were more likely to be supportive of the firm's management policy and that they tended not to join the contract workers' organisation. As will be discussed in chapter 6.3, some of these workers were found to have been used by firm owners to undermine the organisational efforts of union participants within contracting firms.

It was also observed that contractors retained employment flexibility and reduced labour costs by maintaining a certain proportion of contract workers on a temporary basis. As shown in chapter 4 in table 4.1, about 15 per cent of workers in 24 surveyed contracting firms appear to have had short-term contracts that ranged from several days to six months. Although contract workers' average length of service has lengthened considerably following the improvements in working conditions that began the mid-2000s, and many of them had worked within Company A for more than five–six years at the time of investigation, low staff turnover has led to the division of contract workers by employment status within the contracting firm. Given the limited number of positions with contracting firms, workers who have sought jobs within Company A in recent years have had little choice but to accept short-term contracts and have had difficulty in refusing to comply the wishes of their bosses. These workers normally join contracting firms on the lowest rung of the wage ladder regardless of previous work experience or skill level. Moreover, short-term contracts are likely to be simply renewed repeatedly as the availability of work demands. Thus, the picture that emerges with regard to the recent employment situation of contracting firms at Company A is that most temporary/casual workers are hired and then leave after a short time; whereas contract workers with relatively secure jobs have been with their firms for several years. Such recruitment and workforce management practices put firm owners in a strong position in their dealings with employees.

5.5. The Organisational Affiliations of Contract Workers

The discussion so far in this chapter has been concerned with how contract workers' employment conditions have been altered by the involvement of the user firm and the response of contractors to changing workplace environments. One of the implications of the alteration to contract workers' terms and conditions in recent years is that their organisational attachment to both Company A and the contracting firm has been enhanced. As will be discussed below, there is strong evidence to suggest that contract workers at Company A possess 'dual organisational commitment' (Liden, Wayne, Kraimer and Sparrowe 2003), since they engage in similar jobs

as, and work alongside user firm employees. Contract workers appear to identify themselves as relatively well-paid non-standard workers employed within a large-size automobile manufacturer. It can be argued that the escalation in the duration of employment has reinforced workers' sense of attachment to both Company A and their employing firms. The importance contract workers with several years' service attach to their jobs is different to those seeking temporary work or who are easily dismissed. It can be assumed that the longer contract workers sustain employment at the user firm site, the more their working lives and social relations are built around the non-standard jobs that are conditioned by both Company A and their contracting firms.

Therefore, in order to reach a better understanding of the qualitative shift in the nature of labour contracting and the changing employment relationships at Company A, it is necessary to examine how the use of contract workers in main production areas, and recent improvement to contract workers' status and working conditions, affect their attitude towards their jobs at Company A. It is important to explore the manner in which contract workers apprehend and treat Company A and their employing contracting firms.

A consideration that should be taken into account in this examination is the complex relationships that exist in contracted work and the way in which contract workers' perception of their jobs develops. Since contract workers are involved in the business of both user firm and contracting firms, their attitudes and commitment to these organisations are different from, and more complex than those of workers hired by a single employer (Benson 1998; Liden et al. 2003; Broschak and Davis-Blake 2006). In this regard, the present study pays attention to the effects of multiple organisational affiliations on contract workers' perception of their work and working relationships; and it examines the differences in contract workers' perception of Company A and their employing firms. The investigation will demonstrate some consequences of changes in contract workers' attitudes to their jobs following the greater managerial control over contract workers at Company A. Moreover, it provides us with additional evidence related to the contradictory nature of the employment relationships that occur in the context of in-house labour contracting.

Efforts were made to collect comprehensive data on the above-mentioned issues. Questions were raised during open-ended interviews with workers and managers of contracting firms. Several questionnaire items were designed to measure workers' perceptions of job satisfaction

and their attitudes towards work and organisations. In particular, contract workers' perceptions of Company A and their employing firms respectively were gauged with the use of five pairs of items. In a survey, contract workers were asked to respond to statements regarding 1) sense of responsibility; 2) material rewards; 3) choice of job; (4) relationships with contract and regular workers; and 5) relationships with contracting firm and Company A managers. Using a five-point Likert scale, the results are shown in the tables in the following section.¹⁹ These findings will shed light on the experience of contract workers and their multiple organisational affiliations following the proliferation of contract workers in the main production areas of the automobile plants under study.

5.5.1. Work Responsibility and Contribution

The analysis of the findings suggests that improvements in contract workers' employment benefits – especially pay rises – at Company A have positively influenced their sense of commitment and responsibility with regard to the quality of work they perform on the production line. Several previous studies in respect of arrangements of non-standard workers (e.g. Smith 1998; Connelly and Gallagher 2004) demonstrate that the provision of more employment entitlements and opportunities for career advancement by client firms and/or labour intermediaries is likely to improve levels of job satisfaction and work performance. For example, Broschak et al. (2008) found that the recruitment of new employees from a pool of existing non-standard workers motivated them to put additional effort into their temporary jobs. Furthermore, in their research into the dual commitment of agency temporaries to agencies and user firms, Liden et al. (2003, 610) emphasise the potential benefits to organisations when agency workers “reciprocate fair treatment and support” from their two employers. Similarly, there is evidence in the case of Company A that contract workers act in a responsive manner to the ways in which the user firm treats them.

¹⁹ It should be noted that there are limitations in accessing contract workers' attitudes towards the user firm and contracting firms. A literature review suggested a few well-established survey methods for examining the job attitude and commitment of workers employed with a single organisation. Nevertheless, given the particular employment arrangements of contract workers on user firm sites, it was difficult to directly apply conventional survey concepts and items to contract workers. In the case of the present study, more specific statements and questions that reflected their varying affiliations with two organisations were required in order to measure workers' perceptions and attitudes. Thus, the statements used in this study's survey were modifications. Owing to the difficulty in conducting a survey of Company A employees, the study did not attempt to make a comparison between contract and regular workers.

The improved employment conditions of contract workers accompanied by Company A's attempts to maintain production stability and product quality have served as an impetus for changing workers' attitude towards engagement in contract work. The exceptionally low levels of voluntary resignation and absenteeism across all contracting firms at Company A in recent years is a good indicator of the higher degree of interest amongst contract workers in maintaining their current jobs.

Indeed, the majority of contract workers interviewed perceived that their work was valued in relation to the performance of both Company A and the employing firms. As shown in table 5.3, the survey data show that a greater proportion of contract workers – primary and secondary alike – perceive a certain sense of responsibility for the quality of their work. Taken as a whole, it can be concluded that the recent improvements in contract workers' pay and working conditions have had a positive effect on the organisational performance of both Company A and the contracting firms.

Table 5.3 Contract Workers' Perceptions of Work Responsibility

Statements: "I feel that my mistakes at work affect product quality and the business performance of the firm."

"I feel that my mistakes at work affect product quality and the business performance of Company A."

Contracting firms

		① Strongly disagree	② Disagree	③ Neither agree nor disagree	④ Agree	⑤ Strongly agree	Mean
Type of worker	Primary contract workers (n=167)	4 (2.4%)	17 (10.2%)	54 (32.3%)	79 (47.3%)	13 (7.8%)	3.48
	Secondary contract workers (n=27)		1 (3.7%)	18 (66.7%)	8 (29.6%)		3.26

Company A

Type of worker	Primary contract workers (n=167)	6 (3.6%)	25 (15.0%)	64 (38.3%)	57 (34.1%)	15 (9.0%)	3.30
	Secondary contract workers (n=27)		3 (11.1%)	16 (59.3%)	8 (29.6%)		3.19

In terms of contract workers' sense of work responsibility in relation to the performance of Company A and their employing firms respectively, an interesting finding of the survey is that the average Likert scores with regard to the contracting firms (3.48 in the case of primary

workers) are higher than those with regard to Company A (3.30). It would be misleading to argue that contract workers have a stronger sense of commitment to the contracting firms than they do to Company A simply by evaluating the response to this question. What the survey data indicate is that contract workers are able to perceive the results of their work more directly through their involvement with the work organisation of the contracting firms.

This is closely related to the quality control process as it appertains to contracting firms and the penalty system for work errors. On the production lines of Company A, assembly and materials supply errors made by contract workers are discovered by regular workers or workers of other contracting firms located in later assembly work. Minor errors are normally rectified by the on-site workers who identify them; however, when major errors occur – such as assembly of the wrong components – a regular worker's line-manager calls the relevant manager and/or employees of the contracting firm over to rectify the mistake. Occasionally, the rectification work requires the temporary stoppage of the assembly line. Company A makes a claim for the loss of components or production damage caused by the line stoppage to the relevant contracting firms. The firm owners are reportedly required to present the production problems caused by work errors at a weekly meeting of the management at plant level. Under such a system, although regular and contract workers alike make mistakes whilst working, contract workers are more likely to be placed under stress.

Contract workers are also well aware of the potential damage caused by their errors to the production process and the quality of the vehicles manufactured on Company A's assembly lines; as well as the consequences of the user firm management's evaluation of the contracting firms. This awareness, which has been obtained through accumulated workplace experience, obliges the contract workers to feel responsible for the consequences of their work in terms of both the performance of Company A and the contracting firms.

When they carry out assigned tasks at their workstations, contract workers do not distinguish between their firm's work and the user firm's work. Consequently, there is no difference between their emotional or physical efforts to work according to the organisational boundary of Company A and the contracting firm. However, the outcome of their work – especially in the making of errors – becomes detached from that performed by employees of Company A. In a context in which the outcome of work is assessed on the basis of the individual employing firms by the user firm management, contract workers are more likely to be concerned about the

effects of their work upon the performance of their contracting firms, even though they are engaged in the assigned tasks of Company A. This could explain why the contract workers surveyed expressed a greater sense of responsibility to their contracting firms than to the user firm.

5.5.2. Material Rewards and Choice of Job

In order to apprehend contract workers' attitudes towards Company A and the contracting firms, the study examined their responses to the material rewards that were provided by employers. Contract workers' awareness of the brokerage role and the limited influence of contractors in the determination of wages were discussed in previous sections. In order to measure this aspect, workers were asked about their expectations of material rewards from Company A and their employing firms. Table 5.4 confirms that contract workers have a greater expectation of rewards from Company A than from the contractors. In the case of primary contract workers, about 60 per cent expressed negative opinions (strongly disagreed or disagreed) on the provision of employee benefits by contracting firms. It is hardly surprising that we find a substantial difference in the average scores of the scales that relate to Company A (2.86) and contracting firms (2.22) respectively.

Table 5.4 Contract Workers' Perceptions of Material Rewards

Statements: "If the business performance of the firm [Company A] is good, benefits (i.e. increased wages or welfare) for workers are expected."

Contracting firms

		① Strongly disagree	② Disagree	③ Neither agree nor disagree	④ Agree	⑤ Strongly agree	Mean
Type of worker	Primary contract workers (n=167)	43 (25.7%)	62 (37.1%)	45 (26.9%)	17 (10.2%)		2.22
	Secondary contract workers (n=27)		7 (25.9%)	15 (55.6%)	5 (18.5%)		2.93

Company A

Type of worker	Primary contract workers (n=167)	12 (7.2%)	42 (25.1%)	74 (44.3%)	35 (21.0%)	4 (2.4%)	2.86
	Secondary contract workers (n=27)	1 (3.7%)	5 (18.5%)	16 (59.3%)	5 (18.5%)		2.93

Responses to the question about workers' choice of job convey the same message. As shown in table 5.5, contract workers responded more positively about their status at Company A than that at the contracting firm. This implies that workers join contracting firms in order to gain employee benefits and working conditions that have largely been determined by Company A.

It can be argued that contract workers feel a stronger attachment to Company A than to their contracting firms in terms of motivation and organisational identity. It was found that even though they were not formal employees of Company A, many contract workers preferred to say that they "worked at Company A," one of the major automobile manufacturers in the country, rather than state that they worked for one of Company A's contracting firms, these businesses being recognised by few people outside the immediate environment.

Table 5.5 Contract Workers' Perceptions of Choice of Job

Statements: "It was a good decision to choose to work at this firm [at Company A]."

Contracting firms

		① Strongly disagree	② Disagree	③ Neither agree nor disagree	④ Agree	⑤ Strongly agree	Mean
Type of worker	Primary contract workers (n=167)	19 (11.4%)	42 (25.1%)	79 (47.3%)	27 (16.2%)		2.68
	Secondary contract workers (n=27)	1 (3.7%)	6 (22.2%)	17 (63.0%)	3 (11.1%)		2.81

Company A

Type of worker		10 (6.0%)	26 (15.6%)	92 (55.1%)	35 (21.0%)	4 (2.4%)	2.98
	Primary contract workers (n=167)						
	Secondary contract workers (n=27)		3 (11.1%)	18 (66.7%)	6 (22.2%)		3.11

Two important points emerge with respect to responses to the two questions about rewards and job choice respectively. The first point is that secondary contract workers are more likely to recognise the contractor's role as an employer in the area of wages and employment benefits. Although relatively few secondary workers were surveyed, table 5.4 shows that they expect similar material rewards from Company A and the contracting firm; and that they evaluate their employing firms more positively than do primary workers. Secondary workers' wages are much lower than those of primary workers, but some secondary workers expressed a greater expectation of benefits from their contracting firms than did primary workers.

This contradiction seems to reflect the particular contractual relationship in which secondary contracting firms are engaged with Company A and the component suppliers. As noted earlier, the operations of most secondary firms are based on service contracts with component suppliers. As there are several user firms, and managerial control over user firms in the business operations of secondary firms is less significant than it is over primary firms, secondary contract workers seem to have a weaker psychological attachment to user firms than do primary workers to Company A. This finding highlights the fact that the direct intervention of the user firm in the operation of contracting firms and the employment conditions of contract workers are critical in shaping contract workers' sense of their organisational attachment to and employment relationships with the user firm.

A good example of this concerns those engaged in the indirect production tasks of materials handling and delivery. As some secondary workers in this area deliver products supplied by several component manufacturers outside Company A, interviewed workers expressed little organisational involvement with component suppliers.

Although secondary contract workers are aware of the influence of Company A on the business operations of their contracting firms, a weaker organisational attachment to Company A and the component suppliers means that they feel more closely attached to their contracting firms. Indeed, as some indirect production tasks can be rescheduled within contracting firms and the cost of services sometimes renegotiated, some secondary workers perceive that their contractors are able to exercise a degree of influence over business operations. Therefore, their interpretation of the role played by the contracting firm in business operations might prompt secondary workers to express a more positive response to the provision of better employment benefits if the firm performs well.

The second point that needs to be addressed is related to the contract worker's feelings of satisfaction with their jobs. Although much of the literature has dealt with workers at a single organisation, many previous studies have documented the issues surrounding workers' attitudes, job satisfaction and organisational commitment. It is generally agreed that changes in employment conditions affect the level of job satisfaction, and that there is a correlation between job satisfaction and the organisational commitment of workers. Taking this conventional view, the recent improvement in contract workers' employment conditions and the sharp fall in staff turnover can be regarded as an indication of the increased level of contract

workers' job satisfaction at Company A. Several anecdotal accounts from interviewees indicated that the level of job satisfaction among contract workers had increased in recent years. The analysis of several items of the questionnaire affirms this tendency. For example, about 80 per cent of primary contract workers surveyed (131 out of 167) expressed their willingness to continue working at Company A for more than a further two years.

However, the findings of the survey reveal more complex effects of the recent improvements in working conditions on their attitudes and perception. They also shed light on the contradictions inherent in labour contracting from the point of view of the contract worker, and the problems confronting these employees. As shown in table 5.5, in response to the question about choice of job, more than half the workers surveyed chose the middle rating, a response that is consistent with the impression gained by the author from less structured interviews with workers.

A common response pattern to opinions about work and the working environment at Company A was, "working here is okay, but..." or, "not bad, but..." Thus, interviewed workers often assumed a vague stance in judging their level of job satisfaction. In many cases, they seemed to have complex feelings about their working conditions. Such patterns of response reflect the unusual contextual setting in which contract workers engage in work at Company A.

Job satisfaction of workers is often shaped by reference to comparison with other people's jobs and the kind of work they are qualified to pursue in the labour market. Contract workers at Company A seemed to be satisfied with their wages and working conditions at an automobile company in the context of a comparison with alternative jobs in the region. In particular, female workers and older workers in their 40s were more likely to view their employment at Company A positively. Even amongst young male workers – although some of them expressed dissatisfaction with their jobs – the immediate intention to resign was very weak. Contract workers were also aware that they had been engaged for the purposes of increasing flexibility, and that their work in direct production areas allowed Company A to pay relatively high wages in recent years – even by the standards of those earned by regular workers in several medium-sized manufacturing firms. Nevertheless, as contract workers were deployed in production areas alongside regular workers, they tended to compare their employment benefits and working conditions with those of Company A's employees.

When contract workers were mainly utilised in peripheral activities, it was difficult for them to compare their employment benefits with those of regular workers because of the difference in jobs, including skill levels and work intensity; but the deployment of contract workers alongside regular workers, and their work and social contact has made contract workers aware of the details of difference in pay and non-monetary benefits, which has served as a source of grievance.

Table 5.6 Contract Workers' Perceptions of General Job Satisfaction and Remuneration

Statements: "I am generally satisfied with my job."

"I am generally satisfied with my pay (including bonuses)."

Job satisfaction

		① Strongly disagree	② Disagree	③ Neither agree nor disagree	④ Agree	⑤ Strongly agree	Mean
Type of worker	Primary contract workers (n=167)	14 (8.3%)	22 (13.1%)	77 (46.4%)	48 (28.6%)	6 (3.6%)	3.06
	Secondary contract workers (n=27)		6 (22.2%)	10 (37.0%)	11 (40.7%)		3.19

Satisfaction with Remuneration

Type of worker		29 (17.3%)	48 (28.6%)	77 (45.8%)	12 (7.1%)	2 (1.2%)	2.46
	Primary contract workers (n=167)						
	Secondary contract workers (n=27)	1 (3.7%)	13 (48.1%)	12 (44.4%)	1 (3.7%)		2.48

As can be seen in table 5.6, the level of satisfaction with pay is generally low. About 45 per cent of contract workers surveyed (77 out of 167) expressed dissatisfaction, whereas less than 10 per cent (14 out of 167) were reportedly satisfied with their current rate of pay. The survey data show that the increase in wages in recent years has had a limited effect in raising contract workers' level of satisfaction. The issue is not the level of pay rise per se, as wage increases at Company A have been substantial; rather, the source of dissatisfaction is related to contract workers' comparison of their pay with that of regular workers.

Moreover, being conscious of the problematic nature of their employment status – including the risk of dismissal and their limited organisational participation – contract workers have complex and contradictory feelings about their work and job satisfaction. In this regard, we can appreciate that the effects of changes in employment conditions on contract workers' job satisfaction and organisational commitment are different from those of ordinary workers

involved in a bilateral employer–employee relationship. The presence of contract workers alongside employees of the user firm can be considered as a critical part of shaping contract workers’ attitudes towards and perceptions of their work.

5.5.3. Workplace relationships

In considering the mixed pattern of labour deployment in the production areas of automobile plants, this investigation examined contract workers’ perception of relationships with workers and managers of both user firm and employing contracting firms. The issues surrounding changes in work organisation on the shop floor and the associated problems faced by contract workers will not be repeated here. Nevertheless, as Barley and Kunda (2006, 49) point out, it should be remembered that no matter how much contract workers are integrated into the production system and work organisation of the user firm, they are still treated as ‘outsiders’ and, through their daily workplace experience, these workers are well aware of the situation. Table 5.7 shows that contract workers are more likely to be satisfied with relationships with employees of the same contracting firm than those with regular workers. More than half of primary contract workers (97 out of 167) agreed that their workplace relationship with other contract workers was cooperative, whereas only about 20 per cent (31 out of 167) expressed satisfaction with their relationship with regular workers. These perceptions reflect organisational barriers between regular and contract workers, even when they are deployed together and their work is closely related, an area that was examined in chapter 3.

In response to the question about perception of management support in the resolution of personal problems at work, contract workers show less negative opinions about the management of contracting firms than managers of Company A. However, the survey data also indicate that contract workers tend to experience difficulty in getting support from the management of either organisation. About half of the contract workers expressed dissatisfaction with managerial support, a survey result that is consistent with responses in semi-structured interviews. Because of the limited discretion of contracting firms over employment and work-related issues, the ability of firm owners and managing staff to resolve their employees’ workplace or personal problems is very limited. Moreover, although Company A line-managers have greater capacity to assist contract workers, and are responsible for the supervision of production areas in which both regular and contract workers are deployed, due to their employment status, contract workers experience difficulty in gaining the attention of user firm management in order to discuss personal matters.

Table 5.7 Contract Workers' Perceptions of Workplace Relationships with Colleagues

Statements: "My relationships with other contract workers are cooperative."

"My relationships with regular workers are cooperative."

Contact workers

		① Strongly disagree	② Disagree	③ Neither agree nor disagree	④ Agree	⑤ Strongly agree	Mean
Type of worker	Primary contract workers (n=167)	2 (1.2%)	10 (6.0%)	58 (34.7%)	88 (52.7%)	9 (5.4%)	3.55
	Secondary contract workers (n=27)		2 (7.4%)	12 (44.4%)	11 (40.7%)	2 (7.4%)	3.48

Regular workers

Type of worker	Primary contract workers (n=167)	14 (8.4%)	29 (17.4%)	93 (55.7%)	30 (18.0%)	1 (0.6%)	2.85
	Secondary contract workers (n=27)	2 (7.4%)	9 (33.3%)	13 (48.1%)	3 (11.1%)		2.63

Table 5.8 Contract Workers' Perceptions of Relationships with Managers of Contracting Firms and Company A

Statements: "The management of the firm I am employed with makes an effort to resolve my personal problems at work."

"Line managers at Company A make an effort to resolve my personal problems at work."

Management of contracting firms

		① Strongly disagree	② Disagree	③ Neither agree nor disagree	④ Agree	⑤ Strongly agree	Mean
Type of worker	Primary contract workers (n=167)	18 (10.9%)	49 (29.7%)	76 (46.1%)	21 (12.7%)	1 (0.6%)	2.62
	Secondary contract workers (n=27)	1 (3.7%)	6 (22.2%)	15 (55.6%)	5 (18.5%)		2.89

Company A Line-managers

Type of worker	Primary contract workers (n=167)	37 (22.4%)	57 (34.5%)	57 (34.5%)	14 (8.5%)		2.29
	Secondary contract workers (n=27)	8 (29.6%)	10 (37.0%)	9 (33.3%)			2.04

In summary, this section has examined the issue of contract workers' multiple organisational affiliations with user firms and contracting firms. Survey data gathered from contract workers at Company A were analysed in order to appreciate how perceptions of and attitudes towards the user firm and its contractors have been shaped by the long-term presence of this type of

employee on the premises of Company A and the recent shift in user firm managerial strategy and in the operation of the contracting firms. The findings of this section have implications for the relationships in which contract workers engage with the user firm and its contracting firms, which, in turn, reveal contradictions associated with the in-house contracting arrangements that have been implemented at Company A.

In a context in which contract workers are located in the direct production areas of the user firm, their expectation of employment benefits, obligations and workplace relations move beyond the organisational boundaries of individual firms. At Company A, given the limited capacity and influence of the contracting firms, contract workers are more likely to expect material rewards from the user firm than from their employing firms. Thus, Company A is treated as the effective employer that determines wages and working conditions. This is reflected in the survey of contract workers' perceptions about their choice of job. For Company A's contract workers, the significance of engagement with a contractor is not in working *for* this firm but rather in gaining the work status *at* Company A.

Table 5.9 Organisational Affiliation with Company A and the Contracting firm as Perceived by Primary Contract Workers

	Work contribution	Reward	Choice of job	Relationship with workers	Relationship with managers
Employing contracting firms	3.48	2.22	2.68	3.55	2.62
Company A	3.30	2.86	2.98	2.85	2.29

Note: Mean of Likert scale survey used to measure workers' perceptions.

Nevertheless, this does not mean that contract workers lack a sense of organisational attachment to their contracting firms. In order to acquire and maintain their status at Company A, contract workers need to gain employment contracts with contracting firms. As their employment opportunities and work arrangements are shaped by the performance of the firm, such workers are likely to feel a sense of employee obligation to it, which is expressed in the fulfilment of given tasks and in the quality of their work. This leads to concern about the effects of their work on the operation of the contracting firm and its evaluation by user firm management. Indeed, contract workers' sense of attachment to the contracting firm seems to grow stronger as they become more involved in teamwork and personal relationships with colleagues and managers at the same firm. These findings of the survey confirm that contract

workers have complex perceptions of and attitudes towards their jobs and employing organisations.

5.6. Conclusion

Through an examination of the function of contracting firms and the experience of contract workers following their deployment in the main production areas of automobile plants, this chapter demonstrated how the employment practices of contracting firms at Company A have changed as a result of the shift in the use of labour contracting, including the intervention of the user firm management and the trade union. It also explored how recent changes in the employment conditions of contract workers have affected their attitudes to jobs and organisations. Given the fact that contract workers are brought onto the premises of the user firm through the bond via which contractors are involved with the user firm, an effort was made to investigate the nature of the work contract in the context of in-house contracting and the relatively neglected employment dimension of contracting arrangements. This investigation reveals the brokerage role of contracting firms and the problems associated with employment relationships in which contract workers are engaged in the user firm and contracting firms.

The analysis in this chapter conveys the consistent message that the roles and relationships between workplace actors, as well as the workforce management strategy developed at Company A, are very different from those in use at contracting firms engaging in peripheral activities. For instance, contractors at Company A have experienced relatively stable contractual relationships with the user firm. Contract workers have engaged in longer service on the user firm premises. As was shown in chapter 4 and this chapter, the key aspect of these changes has arisen from the increased roles of contract workers in production and Company A's desire to maintain quality and workplace stability in the course of its pursuit of greater organisational flexibility. Through the examination of in-house contracting arrangements at Company A, it was found that the regular workers' trade union exerts a great influence in determining the rate of pay and employment entitlements of contract workers. In its influence over changes in the employment practices of contracting firms, the deployment of contract workers in the main production areas alongside regular employees has led to increased trade union involvement in contracting arrangements and contract workers' employment conditions as these require the user firm management to negotiate with the trade union. This highlights the mediating role that the trade union plays in the integration of labour contracting into the core of

the production process. Such an analysis of the union's involvement sheds light on the complex relationships occurring in the context of labour contracting associated with the cooperation and conflicts between workplace actors.

The findings of this chapter underpin our analysis of the contradictory nature of the labour contracting system as it has evolved in the main production areas of firms. An examination of the payroll service of in-house contractors and the service charge payment of contracted work provides additional evidence concerning the assertion of managerial control over contract workers by Company A in spite of its utilisation of contractors for the disjuncture of employer attachment to the workforce. This reflects the tensions embedded in the user firm's pursuit of organisational flexibility based on the use of an external workforce. The intervention of the user firm in the employment practices of contracting firms has brought about a two-fold effect on the management of contract workers within contracting firms. On the one hand, it led to the erosion of the contractors' autonomy and the limits to employer-employee relations within contracting firms. It can be seen that the contractors at Company A have very limited ability of using employer discretion in the engagement and work assignments of their employees, such that contract workers experienced more difficulty in resolving personal and work-related problems in negotiation with their employers. On the other hand, the managerial shift to greater control over contracting arrangements and the union involvement served to improve contract workers' wages and working conditions, which stimulated the contract workers' willingness to sustain their jobs on the Company A complex. Despite the declining business autonomy, contractors could exercise a considerable level of managerial control over their employees due to the discipline that the pay rise and improved working conditions has engendered in contract workers.

In this light, we can see some features of particular organisational affiliations in which contract workers engage with the user firm and their employing firms. Contract workers appear to possess complex and contradictory attitudes towards their jobs and organisations. It was found that contract workers' sense of organisational attachment to both the user firm and their employing contracting firms has been increased as a consequence of the pay rise and the increased length of employment. This is consistent with the findings of chapter 4 namely that dual managerial control of the user firm and the contracting firms over contract workers has been strengthened. This implies that the recent strategies of Company A's management have been successful in reducing the growing unrest amongst contract workers that peaked in the

mid-2000s. However, the findings of the survey suggest that due to contract workers' non-standard employment status, recent improvements in their employment conditions have not resulted in a significant increase in job satisfaction, nor organisational commitment to the user firm and their contracting firms. As long as the fundamental issue of the division in labour between regular and contract workers remains in place, the provision of greater material reward has a limited impact on the genuine enhancement of contract workers' job satisfaction.

Indeed, the analysis in this chapter shed light on the dilemma experienced by contract workers in recent years following the pay increase and improvements in working conditions. Even though they were dissatisfied with their non-standard employment status and were afraid of sudden dismissal, they were found to have little immediate intention of leaving the contracting firm nor have they recently been looking for a job outside Company A. One negative effect of the recent trend is that many contract workers are engaged at Company A without any career advancement prospect. Moreover, they are likely to become ever more vulnerable to dependence upon contract work and the growing risk of job loss the longer they remain at Company A.

The problems associated with the employment status of contract workers and their vulnerability to dependence on contract work are further compounded by conflicting interests between regular and contract workers as well as among the contract workers themselves. Tensions stemming from the deployment of contract workers alongside regular workers and discriminatory treatment still profoundly remain in the workplace, and cannot be resolved easily under the existing in-house contracting system. These issues need to be explored in detail. Therefore, the next chapter will focus on the issue of worker representation in the context of in-house contracting and the union strategies in dealing with 'divided' workers.

CHAPTER 6

THE IMPACT OF INCREASED LABOUR CONTRACTING IN WORKER REPRESENTATION AND EMPLOYMENT RELATIONSHIPS

6.1. Introduction

The expansion of contract workers in main production areas has carried with it considerable changes in employment relationships at Company A. The previous chapters demonstrated some of the changes that occurred in work arrangements, labour processes, work organisation, management practices and labour–management relations. Along with these aspects of employment relations, worker representation also constitutes an important part of the changes that have taken place in the context of in-house labour contracting. This chapter is thus devoted to an examination of how the increased use of labour contracting in production areas has affected the representation of workers.

A distinctive feature of worker representation at Company A and other major Korean automobile manufacturers is the emergence of a contract workers' organisation in the midst of increased labour contracting and the subsequent existence of two trade unions representing the interests of regular and contract workers respectively. However, it was found that the capacity of the contract workers' organisation has been weak and the union representation of contract workers is very limited. There is a large discrepancy in grievance resolution between contract and regular workers. Such a representation gap reflects the resultant tension between coexisting internalised and externalised employment relationships. Externalised contract workers are unable to engage in adequate bargaining with their employers on the premises of the user firm, whereas the employer-employee attachment based on the bilateral relations provides regular workers with opportunities for employee entitlements of collective negotiations and union involvement with day-to-day workplace issues. Thus, it can be seen that a dividing line has been drawn between regular and contract workers that is described in terms of employment status and union representation.

Nevertheless, this has not meant the emergence of a dual structure of discrete industrial relations. As has been demonstrated in previous chapters, the deployment of contract workers in main production areas has brought about the direct intervention of user firm management and the regular workers' trade union in the operation of contracting firms and the working

conditions of contract workers. The involvement of Company A's management and the trade union in the affairs of contract workers occurs at various levels of workplace practice, ranging from daily labour deployment to the payment of wages. Such intervention in the externalised employment systems of contracting firms has complicated the relationships of contract workers with user firm management and contractors as well as Company A's trade union and contract workers' organisation. Given the complexity of the relationships in which contract workers engage, it is apparent that their representation is not confined to the employing contracting firm. It could be argued that the representation of contract workers is shaped by interaction between and within workplace actors involved in in-house contracting arrangements.

Therefore, in order to understand the representation of contract workers on user firm sites and the related challenges, it is necessary to examine conflicting interests and compromises between workplace actors. Such an analysis will highlight the roles of management, workers and union organisations in shaping the scope of interest representation available to contract workers; and will illuminate contract workers' struggle in their individual and collective interests on the premises of the user firm. Thus, through this chapter's investigation of the issue of worker representation, the thesis intends to draw out the implications of increased labour contracting for the representation and rights of contract workers.

This chapter begins by exploring the institutional context of trade unionism as it has developed in Korea, and the constraints it has placed on the representation of contract workers. Particular attention is paid to the manner in which enterprise-based unionism has adversely affected the ability of Korean trade unions to respond to the increase in non-standard employment, including contracted work, and the union participation of such staff. In exploring the struggles of the contract workers' organisation at Company A for membership recruitment and managerial recognition of collective bargaining, this chapter undertakes a detailed analysis of the fragmented representation structure of contract workers among contracting firms and across workplaces. It also compares the representation of contract and regular workers at Company A, which reveals a significant disparity in union mechanisms for grievance resolution. This examination allows us to comprehend the diversity of interests among contract workers as well as the conflict of interests between workplace actors, including regular and contract workers. In the final section of the chapter, we will examine the strategies of the trade union with respect to the increased use of contract workers and the subsequent dilemmas faced by regular workers.

6.2. Trade Unions and the Representation of Contract Workers in the Korean Context

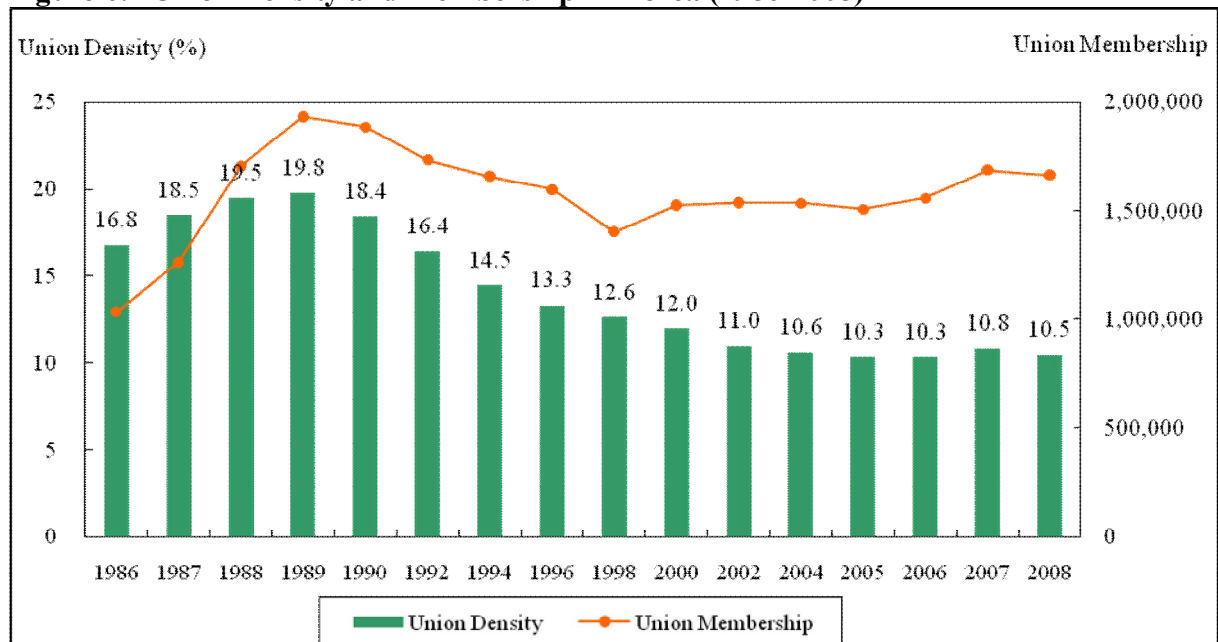
Trade unions play an important role in regulating the labour market and employment relationships (e.g. Bradley et al. 2000; Hamann and Martinez Lucio 2003). Given the hierarchical structure of organisations and their asymmetrical employer–employee relations, union representation and collective bargaining have been used to effectively narrow the power gap in the workplace. Workers affiliated to trade unions are in a better position to negotiate pay and working conditions compared to those who attempt to bargain with employers on a one-to-one basis. Moreover, the experience of European social democratic states and several countries in other regions of the world shows that the trade union movement in the post-war era had a considerable impact on social and economic policies at the national level. In allying themselves with political parties and organisations, trade unions and organised workers managed to improve labour protection legislation as well as governmental and employers' social security contributions.

It has been observed that currently, the organisational role of the trade union and its capacity to represent the workforce has been weakened in most parts of the world (Locke et al. Eds. 1995; Verma et al. 2002; Dickens 2004). As outlined in the relevant literature, this trend is mirrored in, for example, the fall in union membership; a decline in the popularity of collective bargaining; increased lack of recognition of unions by management; and waning union influence in socio-economic policy formulation. In common with many other countries, South Korea has also experienced the deterioration of trade unionism. As illustrated in figure 6.1, the level of union density has been declining since the beginning of the 1990s. It reached a peak of 19.8 per cent in 1989 following the development of the democratic trade union movement; but Korean union density in 2008 appeared to be about only 10.5 per cent.

The sources of the decline in union membership in Korea are diverse and complex. Among the various causes of this phenomenon is the growth in non-standard employment, which has been linked to other contributory factors including demographic changes in the workforce; changes to the industrial/occupational structure; the organisational restructuring of corporations; and the deregulation of the labour market in conjunction with the economic liberalisation policies of the government.

According to the Economically Active Population Survey conducted by the Korean Ministry of Statistics in March 2008, the unionisation rate of wage-earners engaging in non-standard work was then as low as 3 per cent, compared to 23 per cent for regular full-time workers. Of 1,666,000 union members, approximately 250,000 were estimated to be non-standard workers, accounting for 15 per cent of total union membership in Korea. These data clearly imply that the problem of the representation gap in respect of non-standard workers is much greater than it is with regard to regular workers, and that the organisation of the former is crucial if the declining trend in union membership is to be reversed and the trade union movement strengthened.²⁰

Figure 6.1 Union Density and Membership in Korea (1986-2008)



Source: The Ministry of Labour, South Korea.

Although the rapid growth of non-standard jobs has been a major concern for Korean trade unions, they have been largely unsuccessful in their attempts to check the expansion of non-standard employment and have not functioned effectively in their representation of non-standard workers, as will be discussed in depth later. One of the major reasons for these shortcomings lies in the form that trade unionism in Korea has taken – enterprise unionism.

²⁰ For some helpful discussion on the problems related to the representation of non-standard workers; the effects of increased non-standard employment on trade unionism; and union revitalisation strategies, see Walter (2002); Frege and Kelly (2003); Heery, Conley, Delbridge, Simms and Steward (2004); and Marchington, Rubery and Lee Cooke (2005).

With little industry-level bargaining and pattern-setting agreement at the national level, collective bargaining and its related procedures have taken place at the company level. Given the fragmented and decentralised bargaining structure in Korea, rates of pay and other working conditions for employees are largely determined through negotiation between the company-level trade union and management. Although efforts have been made by some unions – especially those belonging to the Korean Confederation of Trade Unions (KCTU) – to expand their industry-level network in recent years, collective bargaining still remains to a large extent at the enterprise level and union activities, including the recruitment of members and the election of representatives, are confined to the workplaces of individual firms.

A literature review suggests that there is a trend towards the increasing decentralisation of collective bargaining arrangements in many countries. The prevalence of enterprise unionism has now been identified in several developed countries, including the United Kingdom, the United States and Japan. However, the key characteristic that differentiates Korea from these nations is that enterprise-based unionism in the former is legacy of the repressive labour policies of an authoritarian state and the product of a democratic trade union movement.

During the period of military rule that remained in effect for almost three decades between the early 1960s and the mid-1980s, the authoritarian government, whose degree of economic intervention in the corporate sector was heavy, pursued export-oriented industrialisation. In order to suppress demands for an increase in workers' wages in the export industries, the Korean government imposed tough anti-labour policies, banning the right to collective bargaining and strike in foreign companies and state-owned enterprises. Indeed, there was a legal prerequisite of government approval for the establishment of a company-level trade union and the pro-government Federation of Korean Trade Unions (FKTU) was the only legitimate nation-level labour confederation. Along with banning the organisation of trade unions other than those that were management controlled, in order to prevent trade unions and workers from becoming major political actors, government based on repressive labour laws did not allow any trade union political activity or third party involvement – including that of national union associations and political/social groups – in the industrial relations of individual enterprises. Despite political democratisation in 1987 and the subsequent relaxation in direct state intervention in the workplace relations of private enterprises, labour legislation regarding the prohibition of union political activity and third party intervention remained in effect until its abolition in 1997 (Gray 2008, 63–64).

In addition to a reaction against the constraints placed by this authoritarian state policy and labour legislation on the emergence of industry-level bargaining and coordination by upper-level union associations, trade union and managerial interests during the period of democratic transition contributed to the development of enterprise unionism in Korea. The democratic trade union movement spread in the late 1980s and the early 1990s, and, through a number of workplace confrontations, replaced the management-controlled trade unions. Since rates of pay were very low due to government wage guidelines and the fact that production workers in many firms had suffered from the authoritarian (or military) style management of factory supervisors, the major task of the unions was now the improvement of employees' wages and working conditions, and the gaining of shop floor power.

Enterprise-based bargaining was an effective measure for the advancement of the interests of union members, as the rate of pay and other working conditions could be negotiated directly with the management of the employing firm, and union representatives could deal with specific workplace issues at the negotiation table. The mobilisation of workers was relatively easy as trade unions focused on the welfare of union members themselves. Although Korean trade unions have engaged in a few national socio-economic issues and social reform movements since the democratisation of 1987, their main priority has been to improve the economic welfare of their members. Consequently, union members largely perceived the trade union as an instrument for obtaining employment benefits, and the union leadership often used the pay rise and resolution of workers' grievances as a means of increasing their commitment to trade unions (H.R. Cho 2006).

The management of Korean firms has also preferred enterprise-based rather than industry-level bargaining, as it is concerned about the intervention of ideologically oriented national level union associations and the expansion of union influence across firms and industries. In particular, by providing their employees with substantial wage increases and fringe benefits, the management of large-size *Chaebol* companies have made attempts to promote so-called 'pragmatic and cooperative' trade unionism in the workplace. The collective bargaining agenda has largely been limited to the wages and working conditions of employees, while excluding management issues such as union participation in corporate decision-making, and broader social and economic matters. Therefore, based on a compromise of interests between trade union and management, enterprise-based unionism has been firmly institutionalised in Korean industrial relations.

Consequences of the development of enterprise unionism in Korea are an uneven union presence according to the size of the firm, and the concentration of union membership and resources in large-size firms. Table 6.1 shows that the majority of workers employed by firms with less than 300 employees remain non-aligned; whereas the unionisation rate of workers in firms with 300 workers or more is 45.4 per cent, which is much higher than general union density in Korea (10.5 per cent in 2008). Moreover, major trade unions are mainly located in *Chaebol* companies like Company A.

Table 6.1 Unionisation of Workers in Korea by Size of Firm

Size of firm	Less than 30 employees	30–99 employees	100–299 employees	300 or more employees
No. of wage earners	9,395,551	3,078,405	1,543,975	1,829,236
No. of unionised workers	20,473	94,605	210,342	831,048
Unionisation rate	0.2%	3.1%	13.6%	45.4%

Source: The South Korean Ministry of Labour.

The current state of the union system in Korea has several implications for the representation of non-standard workers, including contract workers. Four points are worth emphasising here. Firstly, the vast majority of non-standard workers have little chance of joining a trade union or gaining the support of one, since these employees tend to be hired by non-unionised firms and, even though they may work in a unionised workplace, the union involvement of non-standard workers is not accepted by existing regular workers' trade unions. In addition to poorer working conditions, the lack of union representation for non-standard workers is particularly significant in small and medium-size firms. With respect to workplace representation, the situation of non-standard workers in unionised workplaces is probably better than that of those employed at non-unionised firms. As we saw in the case of Company A, some regular workers' trade unions have negotiated employment entitlements with management on behalf of non-standard workers; and shop stewards take a certain representative interest in the complaints of non-standard workers. However, membership of enterprise-based trade unions is rarely open to non-standard workers, especially contract workers; and the advantages of collective bargaining are invariably limited to regular workers.

Secondly, a related argument, pertinently acknowledged by Heery et al. (2000, 2004), is that enterprise unionism is not suited to the representation of non-standard workers. As mentioned earlier, such a movement contributed to the strengthening of union influence in the workplace

during the period of democratic transition, and the rapid improvement in employees' wages and working conditions. Despite a lower level of general union density compared to many other countries, the strong shop-floor control of the company-level trade union and its ability to mobilise workers in large-size manufacturing firms – including the automobile and shipbuilding industries – has become the mainstay of the Korean trade union movement.

However, enterprise unionism has become increasingly ineffective in its response to the growth of non-standard employment and other labour-related issues associated with recent socio-economic changes.²¹ The concentration of unions on organisation in a few large-size firms has left the majority of those in small and medium-size firms together with non-standard workers with no union representation in the workplace. Given the fact that the strength of the enterprise-based union comes from its organisation of workers and their support within the confines of the employing organisation (Heery et al. 2000), it is unlikely that the leadership of the company-level trade union is prepared to be outspoken on matters related to non-standard workers, since it could potentially jeopardize the interests of existing union members. Indeed, although they have expressed concern about the negative impact of the rapid growth in the use of non-standard workers and the urgent need to organise them, labour associations at the industry and national levels have found it difficult to persuade their member unions to extend membership to non-standard workers, since the strength of Korean trade unionism is grounded in the enterprise-level union that mainly consists of regular workers.

²¹ As discussed above, the development of enterprise unionism in Korea reflects trade union interests during the period of democratic transition that began in 1987. However, problems associated with enterprise-based unionism escalated after the 1996 labour legislation amendment, which accelerated the deregulation of the labour market and employment flexibility, and the 1997 economic crisis. Changes in the labour market and in corporate strategy have brought challenges for Korean trade unions, as many labour-related issues – including increased outsourcing and subcontracting, and the growth of non-standard employment – cannot be resolved within the existing framework of company-level collective bargaining. Consequently, a movement towards the transformation of enterprise unionism into a more centralised industry and sector-level system has been taking place since the early 2000s. The Korea Metal Workers Union (KMWU) was established in 2005 with the reformation of its old organisational form of the simple association of enterprise unions. After severe internal debate, the KMWU decided to change the organisation of its member trade unions from independent enterprise-based units to branches of the regional union structure of the KMWU. Several trade unions in small and medium-size companies accepted the coordinating role assumed by the KMWU in order to set up industry-level collective bargaining. However, it has allowed trade unions in large-size companies – including Company A – to maintain organisational form as enterprise unions because they want to retain company-level collective bargaining and decision-making authority in matters of union activity and worker mobilisation. Thus, clearly, enterprise unionism still dominates the Korean automobile industry.

Thirdly, with respect to the issue of increased labour contracting and the problems faced by contract workers, a fragmented and decentralised bargaining system has impeded Korean trade unions in the voicing of a more coherent strategic response. Evidence with respect to the active role of trade unions – based on the strong coordination of national-level associations and sectoral agreement – in the regulation of the terms and conditions of contracting arrangements and the employment benefits of contract workers is found in the literature.

As Korczynski and Ritson's (2000) study demonstrates, based on a centralised collective bargaining framework (the National Joint Council for the Engineering Construction Industry) consisting of multiple unions and employers' associations, union officials at national and local/shop steward levels have jointly sought to restrict the use of labour-only contracting in the UK oil and chemical industries. There is also evidence of union attempts to provide contract workers with equal pay and fair working conditions in some European countries. Pulignano's (2004, 2005) research into the in-house contracting operations of component suppliers and contracting firms in Italian Fiat automobile plants emphasises the importance of trade union and sector-level collective bargaining in limiting discrimination in the employment conditions of contract workers. Although this study does not provide a detailed analysis of the consequences of organisational restructuring and the resultant problems faced by contract employees, it argues that the negative effects of labour contracting on employment conditions were ameliorated through the effective representation of trade unions in the interests of contract workers; and that increased solidarity between user firm employees and contract workers reinforced the capacity and influence of the union.

In contrast, given the absence of industrial bargaining in Korea, the utilisation of contract workers and their employment conditions are determined at company and/or plant level. Although some trade unions have resisted managerial attempts to increase the use of contract workers, company and plant-level bargaining tends to leave union leadership in a concessional position, as the use of contract workers is normally proposed by the management in exchange for the job security of regular workers. As has been shown to be the case in the Korean automobile companies studied, contract workers' employment conditions are varied, even in those of employees deployed to the same workplace; and the differences in pay between regular and contract workers are substantial.

Lastly, and related to the current union system in Korea, one obstacle to the establishment of union representation for contract workers on the user firm site is the legal prohibition of multiple unionism. The National Assembly decided to repeal this law – which was enacted during the period of authoritarian rule – in 1996, but the ratification of amended legislation has been delayed due to opposition from both the business community and the trade unions; consequently, the prohibition of multiple unions in a single workplace is still in force in Korea.

The persistence of this law has negatively affected the union representation of non-standard workers in two ways. Firstly, the lack of competition between trade unions at individual firms caused by the predominance of a single union has limited the incentive of trade unions to expand the membership base by recruiting new members from the pool of non-standard workers. Secondly, as new trade unions whose membership profile or collective bargaining activities would in any case overlap with those of the existing company-level union are not granted legality, union organisers have not been able to establish new trade unions with a mixed membership of regular and contract workers, and engage with them in collective bargaining with user firm management. Consequently, unless existing trade unions at firm level open the door to them, the establishment of an independent organisation whose membership is confined to non-standard workers appears to be the only feasible way for contract workers to join a union. This is the main reason why the contract workers' organisation at Company A has established itself as a separate local branch of the Korea Metal Workers Union, to which the Company A regular workers' union is also affiliated.

In examining the distinctive features of trade unionism that have emerged in Korea, this section has explored the problems faced by trade unions, and the legal and institutional constraints that contract workers are under in the advancement of their union representation. In the following two sections, we will consider the experience of contract workers at Company A, and the inherent obstacles to the operation of a contract worker's organisation on the premises of the user firm.

6.3. Contract Workers' Struggle to Represent Collective Interests

6.3.1. Struggle for Union Recognition

Forming an organisation within the user firm complex is certainly an arduous task, but it is even harder for an established union organisation to maintain its presence and strengthen

organisational capability. At Company A, after much internal debate among union organisers with regard to the launch date and form it should take, the contract workers' organisation was officially established with 127 members on July 8th 2003 (see chapter 4.2.3). The immediate challenge to the contract workers' organisation was expansion of membership. Unlike the regular workers' union, which was based on the closed shop principle that demands automatic membership on joining a company, membership of the contract workers' organisation was voluntary. With comparatively few members, the contract workers' organisation was unlikely to be able to carry out its own collective action or gain recognition as the legitimate representative body for non-standard workers at Company A, whose total number engaged in the production areas was estimated to be about 9,000 at the time.

Grievance might be an important factor in contributing to the union participation of workers. Charlwood's (2002) study of individual workers' decision-making patterns in the UK demonstrates that dissatisfied workers are more likely to join the union than satisfied ones. Taking such findings into consideration, it can be assumed that the motivation for contract workers at Company A to join the organisation in the hope of resolving their grievances should have been high, given that discontentment resulting from discriminatory treatment was widespread – especially during the initial period of increased utilisation of contract workers. However, dissatisfaction with one's job does not necessarily result in union participation (Bain et al. 2004). As Charlwood (op. cit.) points out, workers' union involvement is largely influenced by the perception that a union can advance the interests of its members and improve their working conditions and sense of protection that it can provide from a hostile management attitude towards them joining the union. Interviews with several officials of the contract workers' organisation revealed that labour organisers of contract workers at Company A were aware of such a propensity to union participation; and that efforts were made to provide benefits of union membership in order to attract new members.

For the contract workers' organisation, recognition by management as a counterpart for collective bargaining is important if it is to play a role in improving employment conditions of contract workers. However, constraints to the contract workers' organisation collective bargaining procedure have arisen due to the nature of the multiple and ambiguous employment relationships in which contract workers are engaged with both user firm and contracting firms. Previous chapters have examined the tight control that user firm management exercises over the operation of contracting firms at Company A, the intervention of the regular workers' trade

union, and the brokerage role of the contracting firms. Such analysis shed light on the influence of Company A management and the trade union on the determination of contract workers' pay and working conditions, and its adverse effect on the development of the contract workers' organisation. This chapter takes a closer look at the collective bargaining framework within which the contract workers' organisation has operated in order to appreciate the manner in which these employees are represented in the user firm complex.

Figure 6.2 illustrates three types of collective bargaining arrangement the contract workers' organisation has attempted to set up at Company A since 2003. As shown in part (a) of the figure, the organisation sought to establish collective bargaining with Company A management and a group of relevant contracting firms simultaneously. This was the way in which the organisation attempted to proceed during the initial stages of its operation, and it is still seen by labour organisers as the best approach to allowing the collective voice of the contract workers to be heard.

Being aware that subcontractors had little autonomy when it came to dealing with employee benefits, the contract workers' organisation hoped to negotiate pay and fringe benefits with Company A management, while at the same time discussing work-related issues that concerned contracting firms directly with the firm owners. Between 2003 and 2005, the organisation made some effort to establish such a bargaining framework, which included legal appeals to the relevant government agency (the National Labour Relations Commission). However, as discussed in previous chapters, the formal recognition of collective bargaining with the contract workers' organisation was denied by Company A's management. It negotiated the contract workers' annual pay rise and other employment benefits on an informal basis, with the regular workers' trade union instead.

Given the fact that bargaining between Company A management and the trade union over contract workers' employment conditions impeded the role of the contract workers' organisation, as depicted in part (b) of figure 6.2, the latter attempted to set up a round of multi-employer bargaining with the owners of contracting firms at Company A, and also requested the trade union to withdraw the contract workers from its annual bargaining agenda for pay and working conditions from 2006.

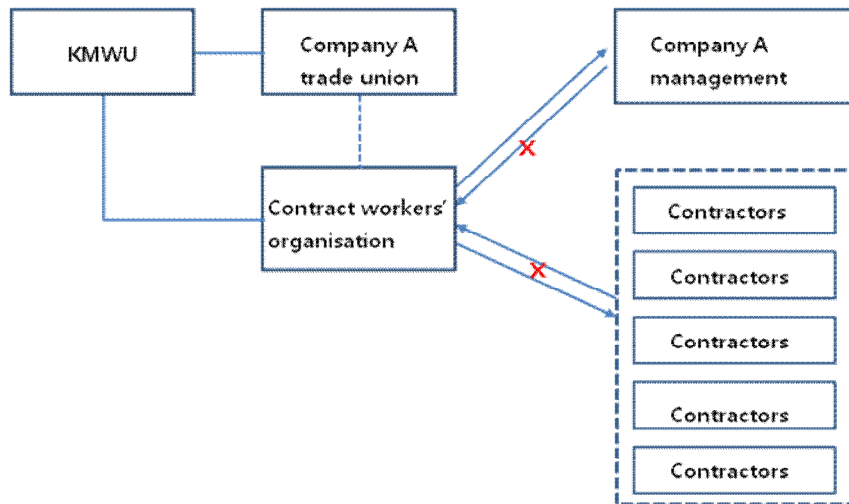
The leadership of the contract workers' organisation considered multi-employer bargaining to be a way of extending the scope of collective agreement across the contracting firms operating at Company A, and of recruiting more new members through being able to demonstrate increased organisational influence. However, many of the contractors refused to become involved in multi-employer bargaining. There is no legal precedent enabling the contract workers' organisation to put pressure on owners of contracting firms to engage in multi-employer arrangements, as existing Korean labour and industrial relations legislation is based on bilateral employer–employee relations. Repeated failure of such attempts to establish multi-employer bargaining have left the contract workers' organisation with no other option but to resort to annual engagement in individual agreements with 36–39 owners of contracting firms since 2006.

As shown in part (c) of figure 6.2, a formal bargaining arrangement for contract workers has not been established with non-union (or unorganised) contracting firms either, nor has the contract workers' organisation been able to shape contract workers' employment conditions in firms where individual agreements have been reached. This is because contracting firms do not have the power to decide the rate of pay or benefits of their employees; the contract workers' organisation and the owners of contracting firms are obliged to simply endorse whatever Company A management and the trade union have agreed. As mentioned earlier, a consequence of such a bargaining system is that the agreement reached by Company A management and the trade union is applied to all primary contracting firms. Non-aligned contract workers and those hired by contracting firms that are excluded from the contract workers' annual collective agreement thus receive the same pay rise and any additional benefits as union members, which has reduced the motivation of ordinary contract workers to join their own organisation.

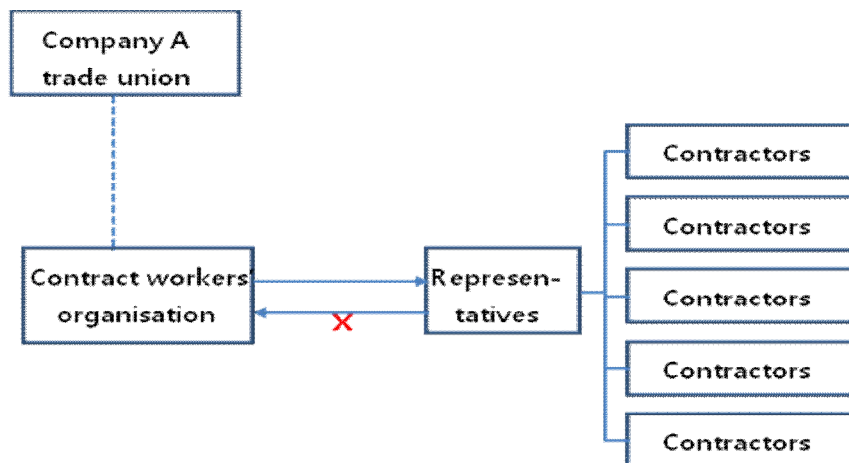
The above examination of the struggle for union recognition of the contract workers' organisation at Company A shows the structural limitations of the former in its effort to expand organisational capacity. It also reveals a disparity in the representation of contract workers in the union structure and across workplaces at Company A. A detailed discussion of this issue follows in the next section.

Figure 6.2 Types of Collective Bargaining Arrangement

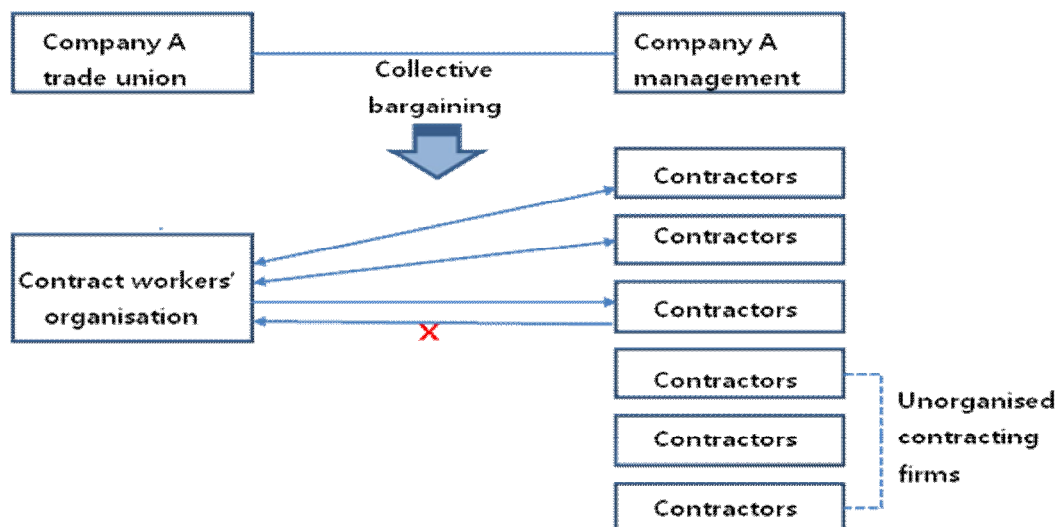
(a) Bargaining arrangements with Company A management and contracting firms



(b) Multi-employer bargaining with contracting firms



(c) Individual bargaining arrangements with selected contracting firms



6.3.2. Disparities in Union Membership and Influence

Membership of the contract workers' organisation has been generally low and fluid throughout the several years of its existence. At the time of the study, it reported that it was approximately 1,000 strong. Starting in 2003 with about 130 employees, membership peaked at roughly 1,800 in June 2005, when a recruitment campaign was launched with the aid of the Company A trade union and its shop stewards; but about 700 workers left the union in the autumn of 2005 soon after the end of the campaign, and membership fell to approximately 1,000 in 2006. Moreover, according to key informants, several members have recently been inactive, ceasing contact with the organisation and their payment of membership dues. By looking at the registered number of voters for the organisation leadership election in May 2008, the actual membership of the contract workers' organisation at Company A is judged to be 730. This figure indicates that the rate of unionisation of contract workers at Company A in recent times has been about 10 per cent of the contract workers hired by primary contracting firms.

It could be argued that the contract workers' organisation has gained a foothold at Company A as it has been in operation for several years; but the current state of its membership indicates that it has not been successful in recruiting workers in large numbers and in retaining members. During interviews with contract workers, such an observation prompted the author to enquire why some of them had not joined the organisation or had withdrawn their membership. Their responses may be summarised as follows:

- Although I am interested in the organisation's activities, becoming a member would be personally burdensome.
- I would stand to gain little personal benefit from becoming a member.
- The chance of being hired as a regular worker at Company A would probably be lost.
- My relationships with co-workers and managers might deteriorate.
- I have been put under pressure by my contracting firm not to join.
- I do not agree with the policy or strategies of the contract workers' organisation.
- I have personal problems with representatives or activists of the contract workers' organisation.
- Support for this organisation from regular workers and union representatives on the shop floor is too weak.

Interview data suggest that the efforts of the contract workers' organisation to stimulate membership have been constrained by its presence within the user firm compound, and the nature of the relationships through which contract workers engage with Company A and their contracting firms. As discussed earlier, the motivation of contract workers to join the organisation is weakened because their employment conditions and benefits are largely determined by Company A's management and the trade union.

Explanations interviewed workers gave for obstacles to their membership of the organisation suggest that there has been considerable hostility from Company A management to contract workers' union involvement. It was revealed that the measures taken by management to curtail the influence of the contract workers' organisation – including heavy pressure on contractors to minimise the participation of their employees and the exclusion of the organisation from negotiations of the contract workers' pay rise – has been quite successful.

Interestingly, the response of the contract workers' organisation to such managerial sabotage has led to the negative attitude of some contract workers towards union activity. For example, the formal request of the contract workers' organisation to Company A's trade union in 2005 to put pressure on the management to abolish the selective recruitment of contract workers as regular workers resulted in the opposition of some contract workers to their organisation's policy. The contract workers' organisation viewed the selective hiring of contract workers by Company A as a managerial strategy to clip the wings of young contract workers in their 20s and early 30s, and prevent them from joining the organisation. However, as one of the chief motives for many young contract workers in getting a job at Company A was to obtain a better chance of becoming a Company A employee, this strategy has prompted some contract workers to form a negative opinion of the activity of the contract workers' organisation and its leadership.

In a climate of low level participation in the contract workers' organisation, particular traits of worker representation in the context of in-house contracting have emerged at Company A. One of them is associated with a disparity in organisation membership and influence among contracting firms. According to the contract workers' organisation, it has expanded its membership to about 80 contracting firms (including secondary ones); but there are few unionised contract workers in half of these firms and, in some cases, only two or three workers have joined the organisation.

Our survey of 24 contracting firms confirmed the varying range of union density among contracting firms operating at Company A. As shown in table 6.2, one third of the contracting firms being studied (8 out of 24) were non-union companies. Among the 16 remaining firms, 12 had a unionisation rate of less than 30 per cent, and 3 varied between 30 and 49 per cent. In only 1 of the contracting firms surveyed was the proportion of unionised workers over 50 per cent of its total number of employees.

Table 6.2 Union Density in Contracting Firms

(a) By Contractual relationship with Company A

	None	Less than 10 percent	10–19 per cent	20–29 per cent	30–39 per cent	40–49 per cent	50 per cent or more
Primary contractors (n=17)	3		4	6	1	2	1
Quasi-primary contractors (n=2)	2						
Secondary contractors A (n=2)	1	1					
Secondary contractors B (n=3)	2	1					
Total (n=24)	8	2	4	6	1	2	1

(b) By Job Type and Location

	None	Less than 10 percent	10–19 per cent	20–29 per cent	30–39 per cent	40–49 per cent	50 per cent or more
Main assembly line work in assembly shop (n=7)			1	2	1	2	1
Sub-assembly line work in assembly shop (n=2)	1	1					
Paint shop work (n=3)			2	1			
Press and body shop work (n=3)	2			1			
Indirect production work (n=9)	5	1	1	2			
Total (n=24)	8	2	4	6	1	2	1

Notes: Indirect production work includes materials handling and delivery; quality inspection; facility maintenance/repair at manufacturing plants and complete knock down; export operations; and pre-delivery inspection in non-manufacturing units.

It is not surprising to find that bargaining activity is only feasible for contract workers employed in those firms with a high membership density. Collective negotiation between management and workers does not exist in non-union contracting firms; nor do contract workers in these contracting firms have a direct communications channel with union organisations (the contract workers' organisation and the regular workers' trade union) at Company A.

Such absence of union activity within the firm and the limited involvement in mobilisation campaigns and strikes initiated by the contract workers' organisation was also found to be the case in those contracting firms with a small union membership base. The author was told that the capacity of union members at these firms remained insufficient to establish functional union organs within the firm that would have enabled them to urge the firm owners to engage in collective bargaining with the contract workers' organisation. Moreover, organisation members with these contracting firms were not recognised by their employers as negotiation or dialogue partners at individual firm level. It was also observed that the contract workers' organisation had not revealed the identity of most members at firms with low unionisation due to concern about the pressure put on participants by owners/managers to withdraw their membership. This decision was made in the best interests of organisation members and for the protection from managerial suppression of union participants; but it means that the contract workers' organisation is unable to claim the rights afforded by collective bargaining with firm owners, since evidence of union membership in contracting firms cannot be provided. This is one reason for the limited scope of the annual round of collective bargaining, in which the contract workers' organisation at Company A has engaged with only 35–40 firms since 2006.

The above discussion suggests that where the contract workers' organisation is able to mobilise for collective action, activities are concentrated in about 30–40 contracting firms. Given the fact that about 130 contracting firms (101–105 primary and about 30 secondary firms employing more than 30 workers) were in operation at Company A at the time of the investigation, the study also indicates that workers hired by more than two-thirds of contracting firms exercise little or no internal union representation, as these companies are either non-aligned or have low membership levels.

The variation in union membership across contracting firms is related to the contractual status of non-standard workers at Company A, and the type of job and work unit in which they are deployed. Table 6.2 suggests that the majority of union participants work for primary contracting firms. It also demonstrates that contract workers engaging in direct production tasks such as assembly work are more likely to join the union than those with indirect production jobs like materials handling and delivery, and quality inspection. As indicated in the survey data, contract workers' union participation varies across different types of work. For instance, contract workers in the main assembly line area of the assembly shop are most likely to become active in the organisation. However, within the assembly shop, a very small proportion of

contract workers deployed in sub assembly line areas join the organisation. Such differences in activity lie in the fact that the firms located in sub-assembly line areas are secondary contracting firms.

The above analysis of a survey of 24 contracting firms is consistent with the findings of the author's interviews with organisation leadership and rank and file contract workers. The core of the current membership of the contract workers' organisation consists largely of those employees with primary contracting firms operating in the main assembly line areas. Only a few contract workers interviewed who were engaging in indirect production tasks in manufacturing plants or work remote from the assembly plants have joined the contract workers' organisation. Accordingly, none of the workers involved in such auxiliary services as security or cleaning have joined the organisation.

One consequence of such variation in contract workers' organisation participation is that collective bargaining and other activities have been confined to primary contracting firms in direct production areas, especially the main assembly lines. This implies that contract workers whose job status is more vulnerable in the Company A complex and the labour market in general are the most likely to be excluded from union support and opportunities for resolving individual grievances. A good example of this is the exclusion of secondary workers and those engaged in auxiliary services from the collective bargaining agenda of the contract workers' organisation. Consequently, discontent with union organisations at Company A has arisen among workers in these categories. They feel that their poorer employment conditions in comparison to primary workers are not only caused by the discriminatory treatment of management but also by union neglect (of both the contract workers' organisation and the regular workers' union).

The adverse effect of such disgruntlement is a reduction in contract workers' interest in union activity and, in some cases, withdrawal of union membership. This has further widened the disparity in union participation between primary and secondary contracting firms, as well as that between direct and indirect production areas. Although the concentration of union membership and activity in select workplaces of automobile plants is not the intended outcome of the contract workers' organisation, in recent years this has become a barrier to the expansion of its influence over unorganised contracting firms and work units with low unionisation, since

few workers in these areas feel that they have benefited much from the activities of the contract workers' organisation.

Our analysis of the disparity in membership of the contract workers' organisation among firms and across workplaces at Company A suggests that employee representation in the context of in-house contracting involves tensions caused by a diversity of interests among contract workers with respect to union involvement and the activities of the contract workers' organisation. This finding confirms the works of Marchington, Rubery and Lee Cooke (2004, 2005), which draw attention to a "fragmented and divided" system of worker representation and the difficulties faced by unions in advancing the collective voice of contract workers in a multi-employer workplace. The above examination has highlighted the different interests of contract workers operating in direct production areas, and those working in the indirect production and auxiliary services of Korean automobile plants. It also shows that a contracting firm's contractual status with Company A affects union participation and the attitude of contract workers.

It is important to realise that there is a gulf between organisation members and non-members in unionised contracting firms. Some interviewed union members criticised non-members for reaping the benefits of the struggles of participants, and also cited indifference as one of the major problems inhibiting the growth of the contract workers' organisation. Although many participants acknowledged that the organisation was weak and incapable of establishing direct bargaining relationships with Company A management, they also stressed that the very presence of a contract workers' union was helpful in protecting contract workers and putting pressure on management to improve their wages and working conditions.

This point of view was conceded by a few non-members interviewed; however, a positive opinion on the necessity of the contract workers' organisation has not prompted non-members to take up union participation. As mentioned earlier, the criteria that determine whether or not a contract worker will join the union are multifaceted. In particular, in an environment in which managerial hostility to the contract workers' organisation is strong, union activity is sufficiently risky to have deterred many ordinary workers from joining, and some participants have withdrawn their membership.

Moreover, Company A's policy with regard to the penalisation of contracting firms that have labour disputes or high unionisation – such as the cancellation of contracts – means that some contract workers are wary of the negative effects that the activity and mobilisation of union members in the same contracting firms might have on their jobs and employment benefits. Although they are well aware of the limited autonomy of firm owners, workers know that their affiliation to the contractor is crucial to the security of their jobs at Company A. Consequently, many non-aligned contract workers interviewed appeared to have an ambivalent attitude. On the one hand, they wanted the contract workers' organisation and activists in their firms to protect them from maltreatment or exploitation by firms' owners; whilst on the other hand, these non-aligned workers tended not to join in the activities of the organisation in challenging the authority of the firm owners on employment/work-related issues within the contracting firm.

Unsurprisingly, since the emergence of the contract workers' organisation in 2003, all the contracting firm owners have attempted to recruit more employees who are supportive of their management policies. Measures taken by firm owners include hiring through a personal network; the promotion of model workers to frontline management positions; and the provision of various forms of favourable treatment at work. Some non-aligned workers with close personal relationships with firm owners or managers also appear to speak on behalf of the latter in the workplace. They frequently come into conflict with organisation activists within the contracting firm.

This empirical finding shows that there are tensions between union activists and non-aligned contract workers who take the part of the firm owners and managers. Ordinary contract workers have not openly participated in confrontations between organisation activists and pro-management contract workers, but these two groups compete to enhance their influence within the firms through vying for the recruitment of ordinary contract workers. It was found that although there were a few contracting firms in which activists had succeeded in recruiting members and maintaining organisation influence within the firm, activists and members of other contracting firms had been isolated from the majority of pro-management and ordinary contract workers who remained indifferent to organisation activity. This indicates that the efforts of the contract workers' organisation to expand its membership base have encountered not only the attempts of management (both user and contracting firm) to undermine union influence, but also the conflicting interests of diverse groups of contract workers, including those who are close to contracting firms' management.

In summary, the experience of the contract workers' organisation at Company A suggests that the extent to which contract workers are able to represent their collective interests – even if they form of a union-type organisation – is very limited. The emergence of the contract workers' organisation at Company A created an opportunity for non-standard workers employed at the complex to join a union, but its membership has generally been rather low. This section has examined the reasons why the efforts of the contract workers' organisation have not been very successful, and has considered the constraints to the union involvement of ordinary contract workers. The limited success of attempts to enhance the capacity of the contract workers' organisation is rooted in the manner of the placement of contract workers on the user firm site, and in the complex employment relationships that occur in the particular context of in-house contracting. In spite of the fact that contract workers' employment conditions are shaped by Company A, the collective bargaining function of the contract workers' organisation has not been recognised by management. Moreover, its bargaining and organisational activity that has taken place remains limited to less than a third of the contracting firms operating at Company A. Such a narrow scope of organisation activity reflects the disparity in membership and influence among contracting firms and throughout the workplace. This can be seen in the variation in organisation membership between direct production and indirect/auxiliary service areas, as well as between primary and secondary contracting firms.

The examination of the disparity in union membership among contracting firms is useful as it reveals tensions associated with the diversity of interests among contract workers. Divergent views have emerged with respect to joining the organisation and the activities it engages in, as workers are employed by different firms and do different types of work. Consequently, there are divisions between contract workers, including organisation members and non-members, and within and across contracting firms.

The analysis in this section has shown that the disjuncture in contract workers' attitudes to union participation, and the tensions between different groups of contract workers are linked to managerial attempts to weaken the contract workers' organisation; the involvement of Company A's trade union; the strategies of the contract workers' organisation; and the organisation's influence on the attitudes of ordinary contract workers. Finally, it has been argued that the divided opinion of contract workers has adversely affected the ability of the contract workers' organisation to carry out a representative role.

6.4. The Representation Gap between Contract and Regular Workers in the Workplace

An understanding of the problems confronting the contract workers' organisation brings us closer to the heart of analysing the modifications that have occurred in the nature of worker representation following increased labour contracting in Company A's main production areas. Of prime significance to this phenomenon is the disparity between contract and regular workers in the representation of individual and collective interests. There is a natural correlation between the analysis of worker representation in this section and the empirical findings presented in previous chapters. We have examined the effect that the increased utilisation of contract workers has had on the organisational structure of the workplace at Company A. It was found that there were great disparities in employment practices, work arrangements and work group activities between contract and regular workers, in spite of the functional integration of the two types of employee within the same location and their cooperation at work. Thus, this thesis has argued that the use of labour contracting for the promotion of organisational flexibility generates tensions between the internalised employment of regular workers and the externalised employment of contract workers in the workplace. An investigation into the 'representation gap' between regular and contract workers and related problems provides additional support to our argument.

This section compares the representation of contract and regular workers at Company A. Our examination sheds light on the limited union representation of contract workers in their day-to-day work, and reveals a large discrepancy between contract and regular workers in the channels open to them for the resolution of workplace problems. Such a discrepancy has two aspects. Firstly, the role that representatives of contract workers play in the workplace of the user firm is inherently limited. Secondly, given the nature of enterprise-based unionism, the regular workers' trade union has limited scope for advancing the interests of an external workforce. The following evidence in this section will illustrate the foregoing points.

Representatives of contract workers suffer a very low status. The unfavourable conditions under which they are obliged to operate may be evinced through a comparison with those of the regular workers' union. Traditionally, the managing staff at the headquarters of Company A's trade union are appointed by the elected union leadership and, based on an agreement with company management, enjoy full-time positions. As one of the largest enterprise-level trade unions in Korea, there are about 90 full-time officials in Company A's trade union. During

periods of leave from factory work, the salaries of these officials are paid by the company. Having previously experienced representative positions in shop floor organisations during their careers, most union officials at Company A are quite well experienced in industrial relations issues.

In contrast, the contract workers' organisation has suffered from a lack of resources and administrators, all duties being carried out by a few officials. During the initial stages of its operation, one of the key demands of the contract workers' organisation was to obtain management's recognition of full-time union positions for the leadership. From 2006, two elected organisation officials – the president and the vice-president – have been granted some leave of absence from their employing contracting firms. However, unlike the case of full-time officials of Company A's trade union, organisation leaders' payment in lieu is not remunerated by their employers but comes out of members' subscriptions, since firm owners refuse to pay their employees whilst they are away from work on union business. Moreover, other than these two officials, staff members are not paid on a full-time basis for their tasks with the contract workers' organisation, so they are obliged to carry out union duties in their free time. Although some dismissed labour organisers help with the administration of the contract workers' organisation, their access to factory sites is restricted by Company A's management and they are not allowed to act as official representatives in the workplace.²²

Similar problems have appeared on the shop floor. In contrast to regular workers' union shop stewards,²³ contract workers' representatives have had little influence on the shop floor, as their numbers and the entitlements they enjoy are extremely limited. As mentioned earlier, there are two or three elected representatives of the contract workers' organisation in each assembly plant. In addition to these officials, some contract workers volunteer to act on behalf of

²² Most key members involved in the establishment of the contract workers' organisation in 2003 were dismissed after several labour disputes between 2004 and 2006. The dismissal of key union organisers and active participants is believed to have hindered the accumulation of experienced representatives with expertise and organisational skills. It was found that a few former organisation officials remained in the region after dismissal for supporting the contract workers' organisation, having been engaged in casual employment outside Company A. However, most dismissed rank and file members had not maintained close relations with the contract workers' organisation, as they had found other jobs or left the region.

²³ Shop stewards are elected from groups of 100–150 regular workers in each plant production unit. Thus, there are about 30–35 shop stewards in every assembly plant, who represent rank and file workers in their electoral areas such as the assembly and press shops. Shop stewards in most cases have to take time off for union work. As pointed out in previous chapters, they have been involved in a wide range of workplace governance issues, including the determination of manning level and the deployment of workers.

organisation members in their individual firms. Nevertheless, these plant-level representatives, of whom there are 20–30 in total at Company A, would appear to be insufficient in number to support organisation members, let alone the thousands of non-aligned contract workers on the premises of Company A. Unlike regular workers' elected shop stewards who are not normally expected to carry out their usual duties while engaged on union service, plant-level representatives of contract workers are not entitled to paid leave for performing their representative roles. The hostility of firm owners to the union activities of their employees is certainly one reason why representatives of contract workers are not granted paid time off for union duties. Another reason is the small workforce of the contracting firm, which means that owners need to find a relief worker when a representative is granted time off. This has deterred representatives from meeting rank and file contract workers and monitoring daily workplace issues during normal working hours. Consequently, some of the contract workers interviewed complained of the low levels of union activity in their workplaces and lack of regular contact with their representatives.

It should be noted that the efficacy of the contract workers' representative is also constrained by the activities of regular workers' shop stewards in the same workplace. Much has been known in the literature regarding the role of the shop steward in manufacturing companies. Typical responsibilities of the shop steward include representing workers in negotiations with managers; inspecting health and safety measures; liaison between company-level union leadership and rank and file workers; and mediating interests among workers, and between company managers and employees (Munro and Rainbird 2004, 156–157). Accordingly, having established a considerable degree of control over the workplace, shop stewards at Company A have had a strong influence on the operations of plants and production schedules. Chapter 3 demonstrated the role of the shop steward in man-hour negotiations with plant management, which affect tasks and employee workload. Shop stewards at Company A are also typically involved in such daily industrial relations issues as overtime arrangements, the redeployment of workers, skills training, and health and safety issues.

However, the role played on the shop floor by representatives of the contract workers is by comparison insignificant. The presence of contract workers on user firm sites creates little space in which their representatives are able to develop their own roles and activities on the shop floor where regular workers' shop stewards are responsible for union administration of workplace issues. For example, health and safety inspection is regularly conducted by regular

workers' officials without any involvement whatsoever of contract workers. Given the dominance of regular shop stewards in daily workplace matters, the role of the contract workers' representative has been confined to narrow issues within contracting firms. However, meaningful discussion or bargaining between firm owners and contract workers are rare, since neither of them are permitted to become involved in the decision-making process with regard to workplace governance and/or work arrangements; even when they are directly related to the employment and working conditions of contract workers.

The representation gap between contract and regular workers at Company A becomes more apparent when we examine the respective ways in which these two groups attempt to resolve their individual grievances in the workplace. Heavy union involvement in the daily operation of the plant allows regular workers' shop stewards leverage in negotiation with plant-level managers, and the former have used their bargaining power to ensure favourable consideration of the demands of rank and file union members. In many cases, the resolution of individual workers' grievances has been used by shop stewards as a means of gaining the support and loyalty of their colleagues. Not surprisingly, production workers tend to discuss personal work issues with shop stewards in their production units rather than going to Company A managers when something needs resolving. By being aware of power relations between shop stewards and plant managers, and union politics in the workplace, rank and file regular workers are also able to take advantage of the shop stewards' role to maximise their own interests, including the granting of sick leave, changing of duties and/or shifts, and favourable overtime allocation.

But there is little opportunity to resolve their individual grievances with the help of union representatives for contract workers. The great variation in union membership across contracting firms and production sites, and the weakness of the contract workers' organisation, which we examined earlier, are related to limited access to representatives. Indeed, employees at non-union contracting firms or those with low organisation density are remote from union officials and so have little chance of meeting them in the workplace.

Indeed, some non-aligned contract workers admitted in interview that they had encountered difficulty in making contact with representatives, even when they needed to consult them on personal matters, because they had not participated in organisation activity. Similar attitudes were observed in some employees at contracting firms with comparatively high organisation membership. Although interaction between contract workers and union representatives was

more frequent in these contracting firms, several contract workers felt that there was a barrier to building a close relationship with elected organisation representatives when they were not based at the same contracting firm or work unit. They were also aware that union representatives employed at other firms had little leverage in negotiation with firm owners in the resolution of work-related problems.

Given the weak capacity of contract workers' representatives, many contract workers seem to have a preference for the direct intervention of the regular workers' union in contracting firms' issues. Interviews with shop stewards indicate that some contract workers in the production areas for which the former are responsible come to ask them to put pressure on firm owners in order to resolve individual grievances. The author was told by a shop steward that he had met with a firm's owner on behalf of a contract worker to negotiate a sufficient period of sick leave with financial compensation when he was injured at the plant. However, this is not a common reaction from regular workers' union officials. Other than obvious acts of misconduct by firm owners and/or the violation of labour codes, shop stewards generally appear to be reluctant to intervene directly in the internal affairs of contracting firms. They are disinclined to meet owners of contracting firms to deal with the grievances of individual contract workers. This is partly because the protection of contract workers is not in the best interests of the shop steward. Although most shop stewards expressed considerable empathy with the poorer working conditions of contract workers, they found it difficult to adopt a protective role towards them as it could potentially jeopardise the interests of regular workers. For example, given the mixed pattern of labour deployment that has resulted in a heavier workload for contract workers, shop stewards are not able to negotiate with firm owners for the rearrangements of assigned jobs if they are requested to do so by contract workers suffering from heavy workloads. This is because the allocation of work in the production area is based on the preferences of regular workers and agreements between shop stewards and plant-level managers.

The above findings indicate that union support for contract workers on the shop floor is inherently limited in the context of in-house labour contracting. As shop stewards are likely to be favourable to intervention on behalf of contract workers when contracting firms violate labour codes or regulations set by the user firm, contract workers tend to approach shop stewards in order to rectify the mismanagement of their employing firms. However, there are clearly limits to the engagement of union representatives in the resolution of individual contract workers' grievances related to work arrangements or employment conditions. Although

contract workers are aware that their individual grievances are much more easily resolved with the involvement of shop stewards, the former tend not to discuss work-related problems with these union representatives, as they are well aware that the shop steward's priority lies in the interests of the regular workers. The above analysis suggests that in spite of the existence of two union organisations in the Company A complex, contract workers experience difficulty in exercising their representational rights and in finding an adequate union mechanism for the resolution of individual or collective grievances. This reveals a considerable disparity in workplace representation, even though regular and contract workers are deployed together in the same workplace.

6.5. The Dilemma Confronting the Regular Workers' Union

By exploring some of the workplace problems experienced by contract workers at Company A, it has been demonstrated that their employment conditions are influenced by the role of the regular workers' trade union. This raises the question of what strategies Company A's trade union has adopted in response to the increased use of in-house contracting and in its attempts to offer a degree of protection to contract workers. Then, an additional question concerns the dilemmas and constraints that feature in such strategies. The last section of this chapter is devoted to answering these questions.

In previous chapters, it was shown that Company A's trade union endorsed managerial attempts to increase the deployment of contract workers in the main production areas in return for a guarantee of employment for existing regular workers. It was also suggested that contract workers' grievances arose not only from discriminatory treatment at the hands of user firm management and the mismanagement of their own contracting firms, but also emerged out of the trade union's exclusive representation of regular workers and its subsequent discrimination against contract workers. In this regard, the endorsement of the increased use of in-house contracting by Company A's trade union and its collusive relationship with management has come to be blamed for the rapid growth in contract workers with comparatively poor employment entitlements. Nevertheless, it should be noted that the Company A trade union has played a positive role in improving contract workers' pay and working conditions in recent years. Although the strength of the contract workers' organisation has remained weak, it has gained a foothold on the premises of Company A. Given the high degree of management

hostility and repression, the activities that the contract workers' organisation has had been able to engage in might not have been possible at all without the support of the trade union.

Such practices illustrate the ambivalence in union response to the use of contract workers and the attempts of the latter to promote their representation. The work of Heery et al. (2004) on the union representation of non-standard workers in the UK develops a framework for the comprehension of the different types of trade union strategy employed in representing the interests of non-standard workers. Especially noteworthy in this study is the fact that some trade unions adopt the dual approach of both inclusion and exclusion in dealing with non-standard workers. A similar practice was found in the case of Company A's trade union. It shifted its position towards contract workers from neglect to engagement as the utilisation of in-house contracting expanded from peripheral to main production areas, and subsequently involved itself in negotiations with management on contract workers' working conditions. However, the union has made little effort to promote equal pay or treatment for them. Moreover, contract workers continue to be excluded from membership of Company A's union; thus they have found it difficult to obtain an adequate union channel.

The ambivalent response of Company A's trade union is related to the mixed deployment of contract and regular workers whereby they perform the same or similar types of work side by side. In order to understand the strategies of Company A's trade union and the dilemma it faced, it is necessary to return to the previous discussion on the tension between coexisting internalised and externalised employment relationships brought about by the use of contract workers in the main production areas.

As was seen in chapter 3, the utilisation of contract workers on production sites prompted regular employees to feel less anxious about job security and lightened their workload. However, the threat to regular workers' employment conditions has always been centred on the greater organisational flexibility in placing contract workers alongside regular ones. The mixed labour deployment removed the job and skill demarcation between the two groups of workers that had been the case in the past when labour contracting was used mainly in peripheral areas. In witnessing an escalation in the volume of contract workers with little recruitment of Company A employees, some regular workers became concerned by the possible situation that assembly plants could operate with increased numbers of non-standard workers. The former began to worry that when compelled to do so, management would decide to lay off regular

workers rather than contract workers, whose employment costs were much lower, when business adjustment was necessary, as in the case of the 1997 economic crisis. Indeed, although the initial policy position taken by Company A's trade union in allowing the use of an external workforce gained immediate and considerable support from rank and file members, the rapid expansion of non-unionised contract workers posed a potential threat of undermining the organisational capacity of the trade union and its bargaining leverage.

Moreover, since Company A management has exerted a high degree of control over the operations of contracting firms and their employees, some union officials and regular workers have begun to see the increased use of labour contracting in the main production areas as a managerial ploy to regain control over the shop-floor.

The greater intervention of the trade union in the regulation of contracting arrangements and the employment conditions of contract workers has arisen out of its concern about the adverse effects that the increased use of contract workers will have on the trade union and regular workers. From 2003, Company A's trade union began to pursue policies which opposed the further expansion of labour contracting in assembly plants. For example, the company-level union has protested against management utilisation of contract workers in excess of the agreed guideline of 16.9 per cent of the total workforce, and increased its monitoring and coordination of the use of contract workers across production sites. It also has adopted a resolution restricting the extent of shop stewards' bargaining power over the additional utilisation of contract workers; since the rapid proliferation of contract workers on the shop floor in the early 2000s was partly attributed to workplace politics between shop stewards and plant-level managers (see chapter 3.2.3). Furthermore, a union education campaign has been introduced to promote awareness amongst shop stewards and rank and file regular workers of the problems faced by contract workers, and the negative aspects of labour contracting. These initiatives have helped to reduce the demand of regular workers for the use of contract workers in their respective work units, and to alleviate the neglect and mistreatment by regular workers of contract workers, practices that were prevalent during the initial stages of increased in-house contracting (Lee and Frenkel 2004).

Ordinary regular workers' growing awareness of the poor employment conditions of contract workers deployed on the same production sites and the adverse impact of increased labour contracting have formed the basis of the trade union's pursuit of a more inclusive policy

towards contract workers. As shown in chapters 4 and 5, the union's negotiation with Company A's management helped contract workers to obtain a rapid wage increase during the mid-2000s, which led to a relatively higher rate of pay than even that of regular workers with some medium-sized manufacturers in the region. Union intervention also made it difficult for owners of contracting firms to continue the exploitative management style associated with frequent violation of labour regulations. Although their level of support for the contract workers' organisation has varied, some shop stewards and rank and file regular workers have aided the union activities of contract workers. It was also reported that several regular workers had come out in sympathy with the contract workers' organisation during industrial action in 2005 and 2006. The support of regular workers from the same production sites gave striking contract workers a greater sense of protection from managerial suppression, while also increasing the impact of the strike.

However, trade union involvement with contract workers has been restricted to action that will not damage the existing benefits to regular workers of any given in-house contracting arrangement. This reflects the ambivalent attitude of regular workers towards contract workers. In general, regular workers have a positive view of the increase in contract workers' pay and fringe benefits, and support the activities of their trade union in improving the welfare of contract workers within contracting firms. Nevertheless, there is considerable reluctance among regular workers to support changes to current workplace practices associated with the subordination of contract workers.

Many regular workers take the redeployment or dismissal of contract workers at times of manning level adjustment for granted. Additionally, a separate job rotation system for regular and contract workers has been retained since it helps to reduce the workload of the former. As the benefits generated from such workplace practices are considerable, regular workers tend to prefer the maintenance of current in-house contracting arrangements that are based on their mixed deployment with contract workers.

Such regular workers' perception of the subordinate position of contract workers in the workplace is reflected in the exclusion of contract workers from membership of Company A's trade union. In interview, a few rank and file regular workers appeared to be sympathetic towards the unionisation of contract workers in order to exercise rights of worker representation, but only through their participation in a separate organisation. Regular workers have been far

less supportive of attempts to include contract workers in the company union structure; and, in interview, expressed their concerns about the potential damage to their own employment conditions of contract worker membership inclusion.

For example, some regular workers believed that it would become more difficult to dismiss contract workers if they were accepted as members of Company A's trade union. It was also thought that any increase in contract workers' job security would adversely affect that of regular workers in the future. A similar concern expressed by some regular workers was that the separate job rotation system might not be maintained if unionised contract workers under the same union umbrella demanded job rotation with regular workers in assembly plants. Given the absence of strong support amongst rank and file regular workers, it is hardly surprising that Company A's trade union has found it difficult to pursue a proactive strategy for the integration of contract workers into the union structure.

An examination of the failed attempts of the trade union to allow the membership of contract workers is important as it highlights a general controversy within Korean trade unionism and the dilemma faced by Company A's trade union in particular. That contract workers should be permitted to join the trade union has been one of the key demands made by labour organisers of the contract workers' organisation since its inception in 2003, as it is believed to be the best way to organise non-aligned contract workers and improve their employment conditions. In principle, Company A's trade union is of the belief that regular and contract workers should cooperate under the umbrella of the same union. The slogan, "the solidarity of regular workers and contract workers" is commonly found in union handouts and documents, as well as being proclaimed at the trade union's official events.

The Korea Metal Workers Union (KMWU) also places emphasis on extending the membership provision of its participating trade unions to non-standard workers as a means of enhancing union strength and promoting the representation of such workers. However, up to the time of writing, the notion of cooperation between regular and contract workers within the same union structure has not been realised in practice. Since union rules limit qualification for membership to employees of Company A, an amendment would first be required before contract workers could gain admittance: Company A's trade union has tabled several proposals for such an amendment. In June 2006, the KMWU adopted a resolution underlying the principle of one union per company through combining alliances of regular and non-standard workers. Under

the official policy guidelines of the KMWU, the leadership of Company A's trade union submitted its proposal for the amendment of the membership rule at the annual meeting of the Committee of Union Representatives – the key decision-making body of Company A's trade union – on three occasions between 2006 and 2008. However, the motions were rejected each time due to more dissenting votes of union officials and shop-stewards. The amendment of Company A's trade union rules requires a two-thirds majority. In the case of the 2007 vote, for example, 153 out of 316 union representatives cast ballots for the membership extension, but 163 representatives opposed it.

During fieldwork, the author had a chance to observe a poll of the membership rule amendment and its workplace effects. Not only were there difficulties confronting Company A's trade union in its attempt to extend membership to contract workers, but tensions between and within labour organisations appeared.

Firstly, an internal struggle within Company A's trade union emerged out of the issue of contract workers' membership inclusion. As demonstrated in the outcome of secret ballots for the membership rule amendment in 2007, union representatives of regular workers at Company A were divided on the subject. It appears that union officials and shop stewards in general had a greater awareness of the workplace impact of increased labour contracting and the problems faced by contract workers than did rank and file regular workers. Union representatives who cast in favour of the membership rule amendment believed that they needed to take a lead in changing the discriminatory practice of membership exclusion of contract workers. These union representatives considered that although a union decision in favour of the inclusion of contract workers would be unpopular with regular workers, such a verdict would be a step to counteracting the negative impact of in-house contracting arrangements on the trade union movement, including the lack of solidarity between contract and regular workers. This view was usually taken by radical factions of labour activists at Company A.

In contrast, union representatives who cast dissenting votes tended to emphasise the limited support of rank and file members for the inclusion of contract workers. From their point of view, if contract workers were given equal membership status the union would be confronted with the opposition of rank and file regular workers, which might risk isolating the trade union from its grassroots membership. Although they agreed that the discriminatory membership rule was problematic, union representatives who associated with the moderate factions stressed that

elected union officials and shop stewards should focus on representing the views of union members, and that the inclusion of contract workers would be premature at Company A.

Company A's trade union seems to have learnt lessons from the leadership changes of several other trade unions caused by rank and file opposition and ignorance of union attempts to take a more inclusive attitude towards non-standard workers. Several union officials interviewed expressed wariness of a sudden shift in the support of rank and file members for the policies of the trade union concerning contract workers and union involvement in the improvement of contract workers' employment conditions. A good example is the change of leadership at the Changwon automobile plant at Company B in the mid-2000s. Union leadership, which was dominated by a radical faction, played a key role in the establishment of the contract workers' organisation. Thanks to the strong support of the regular workers' trade union, a contract workers' organisation was successfully launched with about 600 out of 1,000 non-standard workers joining during the month following its formal inception in April 2005. However, the active cooperation of the union leadership with the contract workers and the rapid unionisation of the latter raised the concerns of rank and file regular workers that the trade union was over occupied with the interests of contract workers. Although the initial response of most rank and file regular workers was supportive of the union's inclusive strategy towards contract workers, their support for the trade union leadership subsequently weakened markedly. Consequently, after defeat in union elections, the leadership was replaced by a moderate faction. The new union leadership shifted strategy with regard to contract workers from active engagement to neglect, while adopting a cooperative relationship with management in the use of an external workforce. Following the regular workers' trade union change of leadership, key labour organisers and active members were dismissed by contracting firms and membership of the contract workers' organisation rapidly deteriorated.

At the time of the study, the policy of Company A's trade union concerning the membership status of contract workers relied on the exclusionist stance. Nevertheless, the controversy over whether the trade union should provide membership to contract workers and how the interests of contract workers are dealt with in the union structure has remained on the agenda at Company A.

Secondly, the refusal of Company A's trade union to extend membership to contract workers engendered tension between Company A's union and the contract workers' organisation. The

failure of the trade union to amend the membership rule was regarded by the contract workers as the outcome of its pursuit of regular workers' interests. As far as the contract workers were concerned, obtaining membership of the powerful Company A trade union was a means of promoting job security and working conditions, even if it did not quite transform their employment status into that of regular workers. Consequently, there was great interest in the union ballot for membership inclusion amongst contract workers. Not surprisingly, the negative result disappointed them and reinforced their feelings of disenchantment with Company A's trade union and the attitude of the regular workers. One contract worker interviewed the day after the announcement of the ballot result expressed resentment over the union decision, stating that "although I did not expect the passing of the union rule amendment to a large extent due to the failure last year, I become so upset when I think that regular workers just care about their own benefits."

In interview, contract workers' organisation staff criticised the leadership of the trade union for lacking the will to pass its own proposals. Some of them commented that having a ballot was little more than taking a procedure to follow the resolution of the KMWU with regard to the principle of one union per company. There was evidence to show an ambivalent attitude amongst the union leadership. Although it submitted proposals for the membership rule amendment to the annual meeting of the Committee of Union Representatives, the union leadership did not organise any workplace campaigns to win over shop stewards and rank and file regular workers, and there was little attempt to take into account the different opinions about the amendment of factions or union representatives. Such passivity from the union leadership with regard to this issue contrasted markedly with many other situations in which it appeared to be actively involved in the promotion of shop floor support for its agenda. This convinced contract workers even more that the union leadership was merely conducting a poll in order to avoid external pressure from upper-level union organisations and internal criticism from radical factions of labour activists, as it could then use a typical reference that "rank and file members do not want it."

Most union representatives of the regular workers interviewed acknowledged the limited commitment of the trade union to the inclusion of contract workers. Nevertheless, several of them pointed out that the sheer scale of the potential new membership proposed by the contract workers' organisation was a major reason for the rejection of the amendment by Company A's trade union. The contract workers' organisation wanted to include secondary contract workers

and those engaged in peripheral services in the membership base if the contract workers' organisation were to amalgamate with Company A's trade union; such a demand was probably the last straw as far as many regular workers and their union representatives were concerned.

Given the diversity in employment status of the contract workers at Company A, a boundary in terms of organisation membership has been a constant source of a dilemma facing the contract workers' organisation. Although it was not discussed publicly, some officials of the contract workers' organisation admitted in interview that narrowing the membership criteria to primary contract workers was a strategic necessity if they were to be accepted as members of Company A's trade union. However, it is simply not acceptable for the contract workers' organisation to discriminate in matters of its own membership, since the reason for its establishment in the first place was to protect those workers in vulnerable positions on the user firm site. When the trade union proposed the membership rule amendment, the contract workers' organisation made the demand that all types of contract worker (including secondary workers) other than those on short-term contract (less than three months) should be eligible for membership of the union. However, as far as union officials and regular workers were concerned, the scope for membership inclusion demanded by the contract workers' organisation was too broad and unrealistic.

Thirdly, the continuing exclusion of contract workers from Company A's trade union means that it is out of step with KMWU policy. As discussed earlier, confronted with declining membership and problems associated with the growth of non-standard work, union organisations at the industrial and national levels have been under pressure to develop more proactive policies for representing non-standard workers. Under the circumstances, the inclusion of contract workers in member trade unions is seen by these senior union associations as an effective measure for organising non-standard workers and tackling the problems associated with contracted work. However, as an enterprise-based union of regular workers, the priority for the Company A trade union is to concentrate on the representation of current union members. Its focus on regular workers has led to a different approach to that of the national-level union organisations, which places more emphasis on worker solidarity discourse and the wider industrial relations implications of the increase in non-standard work. The refusal of Company A's union – a backbone of the Korean trade union movement – to conform to KMWU policy guidelines has made it difficult for the latter to implement its strategy based on

the principle of one union per company and to increase the unionisation of non-standard workers.

6.6. Conclusion

This chapter investigated the effects that increased labour contracting has on the worker representation and the collective nature of the employment relationships. Emphasis was placed on the examination of the changes that have taken place in the representation of contract workers following their deployment in main production areas and the problems faced by them. The increased use of labour contracting at Company A has brought about the greater involvement of the regular workers' trade union with contract workers' employment conditions and the emergence of the contract workers' organisation. However, it was found that in spite of the engagement of two trade unions in the affairs of contract workers, their union participation and grievance resolution are very limited. The findings demonstrated that the representation of contract workers is circumscribed by the structural constraints that are rooted in the presence of contract workers on the premises of the user firm and the complexity and ambiguity around contract workers' employment relationships (ILO 2003, 2006). It was also shown that the representation problem of contract workers is compounded by the conflicting interests and compromise between workplace actors.

The tensions between the coexisting internalised and externalised employment relationships in the context of labour contracting are reflected in the paradoxical approach of the user firm in dealing with contract workers' representation. For instance, Company A's management has refused to have any official dialogue with the contract workers' organisation and did not recognise the collective bargaining arrangements with contract workers, but it virtually played an employer's role in determining contract workers' pay and other employment benefits. It also engaged in the negotiations with the regular workers' trade union over contract workers' working conditions. An ambivalent practice was also found in the Company A's trade union. Despite its implementation of a more inclusive policy for contract workers in recent years, Company A's trade union is still disinclined to pursue the change to the discriminatory treatment of contract workers in both workplace practices and union membership. The findings of this chapter indicate that such an ambivalent position of the trade union and regular workers is related to the deployment of contract workers in the main production areas, which removes the demarcation of the duties between the two types of workers. The opposition of the trade union to the further expansion of contract workers and its involvement in regulating the

contracting arrangements and contract workers' employment conditions has arisen out of its concern regarding the potential impact that the increase in contract workers with the halt of the regular workers' recruitment could have on regular workers and the trade union. However, many regular workers and their union representatives prefer to continue the current in-house contracting arrangements and associated workplace practices as they take advantage of the non-standard employment status of the contract workers for staffing readjustment and the reduction in the regular workers' workload intensity.

The analysis of this chapter also shed light on tensions among workers and between labour organisations with respect to union participation and the representation of contract workers. The conflicts of interests exist not only in relations between regular and contract workers, but also among contract workers. By examining the propensity of contract workers to union participation and contract workers' organisation membership, this study demonstrated different interests among the various groups of contract workers – for example, primary and secondary contract workers; those engaging in direct production tasks or indirect tasks; and those employed on long-term or short-term/casual bases. There appears to be a disjuncture between contract workers, including union members and non-members, and variations within and across contracting firms. It was found that contract workers' attitudes to union participation are influenced by their employment status and conditions, including their relationships with the user firm(s) and the types of assigned work. Given the fragmented representation of contract workers among contracting firms and across the workplace, and the weak capability of the contract workers' organisation, there is a large disparity between regular and contract workers in the union mechanisms for the resolution of individual grievances and workplace problems.

Our case study suggests that the representational rights of contract workers on the premises of the user firm are inherently limited regardless of the types of duties undertaken by these external workers and the degree of their integration in the production process. Nevertheless, it was found that the positions and interests of contract workers are influenced by the strategies of the managerial policies of the user firm, the involvement of the regular workers' trade union and the responses of contract workers themselves to the changing workplace environments (including the employment conditions). As the increased number of contract workers was deployed in main production areas, the need for union representation was growing amongst contract workers and, as an outcome, the contract workers' organisation was formed at Company A. Indeed, despite the failure of the regular workers' trade union to allow contract

workers' participation so far, the issue of membership inclusion of contract workers still remains a key reform agenda for the Korean trade union movement, including Company A's trade union. The shifts in the perceptions/attitudes of regular workers towards contract workers' union status, the changes of the position of the union leaderships and the recent attempt of the Korean trade unions to transform enterprise unions into a more centralised industry-level system all have the possibility of reshaping the practices of labour contracting as well as the workplace representation. It is certain that the changes in the representation of contract workers and the problems faced by them will be altered as the use of labour contracting evolves in Korean automobile companies.

CHAPTER 7

CONCLUSION

Based on the case of the Korean automobile industry, this thesis set out to explore a qualitative shift in the nature of labour contracting that involves the expansion of its utilisation to the main production activities of firms. The presence of contract workers in the main production areas has a greater significance than simply an increase in the utilisation of non-standard workers. It implies a movement away from traditional contracting arrangements for firms' peripheral or auxiliary services. It involves changes in the organisation of production and employment practices, leading to a reconfiguration of roles and relationships between workplace actors in the context of the tension between coexisting internalised and externalised employment relationships. Indeed, this new phenomenon poses a challenge to our conventional understanding of labour contracting. In recognising empirical and conceptual gaps in the literature, this thesis sought to examine how the changing nature of labour contracting affects employment relationships. Data was drawn from an investigation into the diverse aspects of employment relationships, including work arrangements, labour processes, management practice, labour-management relations, and the organisational structure of trade unions and collective bargaining. This allowed us to explore the qualitative shift in the increased use of labour contracting and the cooperative and conflictive aspects of the relationships in which workplace actors are involved. The findings of the study addressed problems associated with the deployment of contract workers on user firm sites and its implication for their rights and representation.

The empirical analysis in this thesis centred on two arguments. Firstly, there is a need to appreciate the dynamic interaction between workplace actors and to incorporate such interaction into our analysis of employment relationships in the context of in-house contracting. This helps us to understand the complexity of employment relationships arising from the use of contract workers and the responses of workplace actors to changes in their internal and external environments. It also sheds light on the ways in which the interaction of workplace actors affects the practices of labour contracting.

Secondly, our study also put forward the argument that the coordination of workplace changes driven by increased flexibility attained through the use of contract workers is fraught with tension, the essence of which lies in the pursuit of organisational flexibility and quality control

in the production process. We examined the ways in which organisational flexibility has been pursued by automobile companies and the workplace problems that have arisen as a consequence. This examination revealed contradictions associated with the deployment of external workers with fewer employment entitlements in the core stages of the production process. It was found that such tensions and contradictions were compounded by both collaboration and conflict between and within workplace actors.

This finding reinforces the first argument, underlying the importance of investigating the issue of employment relationships and the interaction between workplace actors in order to advance our conceptual tools for analysing the qualitative shift in the use of labour contracting. Such an analytical approach helped this study investigate the manner in which inherent tensions play out in shaping employment relationships and the orientation of labour contracting practices. It also demonstrated how the management and negotiation of tensions in the context of a given firm could bring about diverse outcomes.

In this concluding chapter, the key findings of the study are summarised by drawing together material from previous parts of the thesis. It considers three pertinent issues: organisational flexibility and changing employment relationships in the context of labour contracting; the contradictory nature of the labour contracting system; and the limits of the rights of workers. The next section is devoted to the implications of the findings of our case study of the Korean automobile industry. Consideration is also given to areas for future research that could further improve our understanding of the labour contracting phenomenon and employment relationships in general.

7.1. Principal Findings of the Study

7.1.1. The Move towards Greater Organisational Flexibility and Changing Employment Relationships

There has been widespread reorganisation of the Korean automobile plant workplace through the utilisation of contract works in main production areas. In examining diverse aspects of employment relationships, this study shed light on recent changes in labour contracting procedures and the effects that the increased utilisation of contract workers have had on workplace practices.

It was found that the essential driving force behind the shift in the use of labour contracting and the accompanying transformation of employment relationships was the promotion of organisational flexibility. The case of Company A and its suppliers demonstrates that the utilisation of contract workers in main production areas has increased the ability of companies to adjust workforce volume according to production schedules and to facilitate a 'just-in-time' delivery system. In particular, a high degree of flexibility has been achieved by the greater integration of labour contracting into the production process and by deploying contract workers alongside regular workers.

The mixed labour deployment and integrated work process involving regular and contract workers has affected organisational structure and employment practices in many ways. It is important to note that new work systems and reconfigured work organisation have emerged in the course of the promotion of organisational flexibility. Contract workers are located within the work teams of regular workers as a matter of course, and as the former are hired to carry out similar duties to those of the latter, the demarcation of tasks has largely disappeared in recent years. These changes have led to close working relationships between regular and contract workers. In this regard, the study found that the role of labour contracting has changed dramatically as contract workers have been increasingly utilised in direct production areas of automobile plants.

There have been changes in the management of contracting arrangements and the employment of contract workers. Confronted with managerial problems arising from the increased use of contract workers and subsequent workplace restructuring, Company A adopted a new style of managerial policy in order to sustain efficiency of labour contracting. The managerial tools developed by Company A management were discussed in chapter 4. At the heart of these modifications is the assertion of greater control over the operations of contracting firms and their employees. The heavy intervention of user firm management has greatly influenced the employment practices of contracting firms and the working conditions of their employees, involving the loss of contractors' business autonomy and the erosion of discretion with respect to the employment and work of contract workers. In this regard, the thesis argued that heightened managerial control over contract workers led to the closer engagement of the user firm with contract workers' employment relationships. As shown in chapter 5, contract workers' perceptions and attitudes towards their work on the premises of the user firm were profoundly changed by the direct involvement of user firm management in their welfare. It was

thus argued that managerial strategy with respect to labour contracting was affected by changes in the utilisation of contract workers and the enhanced role of labour contracting, which, in turn, influenced labour contracting practices and the employment conditions of contract workers.

The increased utilisation of contract workers brings with it the greater involvement of the trade union, since another one of its consequences is that it necessitates greater labour–management bargaining. The findings presented in chapters 3 and 5 revealed how negotiations between Company A management and the trade union throughout the employment restructuring process following the 1997 Asian economic crisis played a key role in the integration of labour contracting into the core parts of the production process, which enabled the automobile plant to increase flexibility in its day-to-day operations. This study also shed light on the influence of the regular workers' trade union in determining the assignment of tasks; the deployment of contract workers on the shop floor; and in shaping the employment practices of contracting firms.

It was also shown that the contract workers' pay rise was not determined through negotiation between user firm management and its contractors, but incorporated in annual wage bargaining between Company A management and the trade union. In this regard, union intervention is considered to contribute to the improvement of contract workers' employment benefits and working conditions. However, this study revealed that collusion between management and the trade union was the basis for the expansion of contract workers in the main production areas. Indeed, the resultant mixed labour deployment and work organisation reflects the interests of regular workers with regard to job security and work intensity.

Given union intervention and collective bargaining in the employment of contract workers, the management-oriented view that a labour contracting arrangement is simply the result of a decision made by user firm management and the commercial relations between the client and its labour intermediaries is misleading. This study argued that changing employment relationships in the context of labour contracting need to be understood within the wider context of the employment practices of the user firm, since contracting arrangements and the experience of contract workers at work are shaped by labour–management relations in the user firm.

The increased use of contract workers in the main production areas has changed the organisational structure of the trade union and its representation of employees, which developed on the principle of a bilateral employer–employee relation in the past. The promotion of organisational flexibility through the use of labour intermediaries involves “the fragmentation of organisations and work” (Marchington et al. Eds. 2005). Given the fragmented labour contracting system, not only are legal and structural constraints imposed on contract workers in terms of union participation and interest representation in the user firm complex, but labour contracting also poses a challenge to the organisational ability of the trade union.

The impact of labour contracting on the collective nature of the employment relationship is demonstrated clearly by examining the ‘representation gap’ between regular and contract workers and the associated problems. Such an examination highlighted a substantial disparity between these two types of workers in terms of a union channel for grievance resolution. It also revealed the diverse interests of contract workers among contracting firms and across the workplace. In this regard, the increased use of labour contracting has had a negative impact on the representation and rights of contract workers, as well as on the organisational strength of the trade union.

Nevertheless, it was found that in the case of Company A, closer working relationships among contract workers and between regular and contract workers was likely to stimulate the interest of the latter in union representation, and the cooperation of some regular workers and their union in promoting the union activities of contract workers. The outcome of such an effort was the emergence of the contract workers’ organisation in 2003.

The experience of the contract workers’ organisation at Company A suggests that there is a limit to their union participation and the activities with which their organisation is able to engage in the context of a non-standard worker presence on the premises of the user firm. Indeed, contract workers’ union participation is inhibited by structural obstacles that are rooted in their very presence at the user firm. However, the growing need for contract employees’ workplace representation and recent attempts by the regular workers’ trade union to extend membership to non-standard workers indicates the potential for innovation in the organisational structure of the trade union. There is thus little doubt that the representation and rights of workers at Company A will continue to be subject to evolving modification.

Our empirical evidence suggests that a major transformation in employment relationships has taken place in Korean automobile companies, with the recent use of labour contracting in main production activities. Indeed, employment relationships that occur in the context of labour contracting are more complex than those found in traditional employment arrangements based on bilateral employer–employee relations (ILO 2003, 2006). In the case of Company A and its component suppliers, it was found that the duties of contract workers and regular employees have become blurred as a result of mixed labour deployment. Consequently, the roles and relationships of workers and managers of the user firm and contracting firms have become entwined, their expectations, demands and responsibilities moving beyond the organisational boundaries of the employing firms.

In this light, we found that the move towards greater flexibility based on labour contracting involves cooperation and conflict between and within workplace actors. This thesis argues that the interests of actors are bound together in complex ways when contract workers are brought into the main production areas of plants. Such a conclusion sheds light on conflicts of interest and compromise between workplace actors in the context of the resultant tension between coexisting internalised and externalised employment relationships.

Our investigation into the case of Korean automobile companies produced contrasting findings to those of previous studies (e.g. Atkinson 1987; Harrison and Kelley 1993) based on observation of the peripheral nature of contract work. The switch to an increased use of labour contracting in connection with jobs in the main production areas of Korean automobile plants means that a conventional conceptual analysis of the core–periphery model is unable to fully explain recent workplace changes and the commensurate shifting employment relationships.

The informal economy approach and the flexible firm model are useful for analysing the peripheral services of labour contracting, segmented labour, and the division of labour in the marketplace. However, these approaches are limited in their interpretation of the complexity of the relationships that arise from the increased use of labour contracting in main production areas and the roles workplace actors play in labour contracting practices. Accordingly, this thesis emphasised the need to examine the dynamic interaction between workplace actors. Such analysis helped us to better understand the change in in-house contracting arrangements and the impact that this has on employment relationships in Korean automobile companies.

There is no doubt that there has been a qualitative shift in the nature of labour contracting in Korean automobile companies in recent years. However, it is more difficult to foresee the results of such a shift, since it has engendered new workplace problems and unintended consequences for both management and workers. The use of contract workers in main production areas also has great potential to undermine the rights of workers, a phenomenon that has been built into the bilateral employment relations of the last several decades. This thesis has thus undertaken a cautious stance towards the recent trend in the Korean automobile industry, examining both positive and negative consequence of labour contracting, and the inherent problems in terms of employment relationships and workers' rights. Key findings relating to these points are summarised in the following sections.

7.1.2. The Contradictory Nature of Labour Contracting

The principal finding of this thesis is the contradictory nature of the labour contracting system as it expands its domain from peripheral services to the main production activities of firms. The study demonstrated a series of paradoxes inherent in the in-house labour contracting practices of Korean automobile companies. Central to these contradictions is the deployment of contract workers with fewer employment entitlements alongside user firm employees. The achievement of greater flexibility through the use of labour intermediaries implies the substitution of direct employment relations while maintaining an arm's length contractual obligation. However, workplace stability and quality control of the work performed by an external workforce remains crucial to management's pursuit of a flexible production policy, despite its attempt to circumvent an employer's responsibility to its non-standard workers.

In the case of Company A, when it was confronted with quality control problems and growing workplace unrest in the early 2000s, management enhanced its direct and bureaucratic control over contracting firms and their employees rather than limiting contractual arrangements. Such a shift towards greater control over in-house contracting reflects management's desire to obtain a similar level of work quality from its (externalised) contract workers as that performed by (internalised) regular workers.

At this point, a contradiction arose out of the uneasy relationship between the user firm's move towards the loosening of a close employer attachment to its workers, and the need for effective workforce supervision and control on the user firm site. This contradiction is a reflection of tensions between flexibility/low cost and quality/consistency of production. In this regard, we

can see that the emerging challenge to the user firm is the question of how to manage the tension between these two contrasting trends.

The evidence of this empirical research into Korean automobile companies has theoretical implications for the management of labour contracting and employment relationships. The heavy intervention of the user firm in the employment practices of contracting firms and the employment conditions of contract workers calls into question the concept of “market-mediated work arrangements” (Abraham and Taylor 1996). This notion is based on the assumption that a contractual arrangement leads to the devolution of managerial responsibility for the supervision of workers and employment-related problems from the user firm to its contracting firms (e.g. Pfeffer and Baron 1988). However, the case of Company A suggests that the greater the number of contract workers in production areas of firms, the greater the need for the coordination of workplace changes, managerial control and the involvement of the trade union. It was found that market forces embedded in the contractual arrangement were diminished following the increased use of labour contracting. For example, both competition among firms bidding for a contract and the labour market mechanism for the determination of contract workers’ wages were impeded by the enhanced control of the user firm over its contracting firms and contract workers.

These findings reveal the contradictory effects of labour contracting arrangements in main production areas: increased labour contracting brings into play greater market forces in the internalised employment structure of the user firm; but at the same time, bureaucratic and hierarchical forms of control are required for the coordination of the operations of externalised contracting firms and the performance of their employees (MacKenzie 2002; Pulignano and Stewart 2006).

In other words, although workers’ employment relationships are exposed to greater flexibility and the fragmented structure of organisations, which is inclined to undermine job security and employment benefits, contract workers’ terms and conditions are regulated through a bureaucratic management system, which means the greater involvement of user firm management and the trade union in determining the working conditions of the external labour force. This implies that the coordination of labour contracting takes place through the interplay of market mechanisms and institutional regulations.

As demonstrated in the case of Company A, the coordination of labour contracting involves a tension between market force pressure brought about by the contracting arrangement, and the managerial control and internal workplace regulation related to the use of an external workforce (Rubery and Earnshaw 2005; Grimshaw and Rubery 2005). This dynamic tension plays a role in shaping the orientation of a company's labour contracting practices, leading to diverse outcomes.

This thesis showed that the direct intervention of user firm management in the operation of its contracting firms and in the employment conditions of contract workers has served to reduce workplace instability and the quality problems that arose during the initial period of increased labour contracting. Given their enhanced control over contracting arrangements, Company A and its component suppliers have been able to overcome some of the accompanying managerial problems. Accordingly, the widespread deployment of contract workers on production sites has continued, and in-house contracting has become a key element of the flexible production strategy adopted by Korean automobile companies.

However, the continuation of in-house contracting in main production areas in the future is an open question. Without doubt, tensions and contractions are heightened when contract workers are brought into the main production areas of firms. The findings of the thesis suggest that the utilisation of contract workers carries with it benefits as well as costs for the workplace actors involved.

The use of labour contracting initially created a condition conducive to securing the support of the trade union and regular workers in general by helping to resolve employees' concerns in terms of job security. Nevertheless, dawning awareness of the adverse effects of the presence of contract workers in main production areas, including the potential threat to job security and weakened union capacity, caused the perception and attitude of growing numbers of regular workers to shift to opposition to the further expansion of labour contracting in the mid-2000s. This contributed to a change in the position of the regular workers' trade union, prompting it to adopt (albeit ambivalently) a more inclusive strategy towards improvements in the employment conditions of contract workers. Challenges to user firm management also arise from the greater intervention of the trade union in in-house labour contracting arrangements, which could potentially lead to a conflict of interests between management and the trade union, as well as among other workplace actors.

The findings of the thesis indicate that discontent amongst contract workers and its impact on the quality of the work they produce are important factors affecting the practice of labour contracting. Although contract workers at Company A have benefited from a recent pay rise, they continue to experience discriminatory treatment in their day-to-day work activities, in spite of the fact that they carrying out the same type of work as regular workers. Consequently, contract workers' grievances and the potential for labour disputes remain firmly entrenched in Korean automobile companies.

In this regard, we can see that the promotion of flexibility based on the utilisation of contract workers poses challenges to management, union organisations and employees alike. For user firm management, the continuation of in-house contracting in main production areas largely depends on its ability to maintain quality control in the production process and mediate conflicting interests between workplace actors. In the case of Korean automobile companies, managerial efforts to meet the commercial targets of flexibility and quality have led to greater control over contract workers and their work performance. But the direct intervention of user firm management in the employment conditions of an external workforce is not a long-term solution to the problems associated with in-house labour contracting. This strategy increases the overheads of coordinating contracting arrangements and the labour cost of contract workers, which together might undermine the interest of the company in the further expansion of in-house contracting.

More importantly, the contradiction inherent in the tight control of the user firm over the employment of contract workers while simultaneously abdicating its obligations as an employer creates new problems and tensions. A good example of this is the erosion of the employer status of the contracting firm, which, moreover, raises legal questions about the actual employer's role of the user firm and the covert employment relations of contract workers.

These findings support the argument that a firm's pursuit of organisational flexibility based on the use of labour contracting must be understood as a contradictory process with inherent tensions (Barrientos 2008). Thus, if we consider the fact that labour contracting involves both disadvantages as well as advantages, it would seem an obvious conclusion that Korean automobile companies should have less recourse to in-house contracting when the costs outweigh the benefits.

7.1.3. Limits to Workers' Rights and Protection

The thesis demonstrates the vulnerability and opportunities that exist for contract workers. At Company A, the recent employment trend and working conditions to which contract workers are subject are considerably different to those found in previous labour contracting used for peripheral services. It was found that applying for a job as a contract worker at Company A was not simply a casual consequence of unemployment and marginalisation. Although the motives for and conditions under which workers become involved in contract work are diverse, they tend to join a contracting firm in search of certain opportunities open to them in this kind of work. For example, some young people go to work at Company A in order to gain a better chance of becoming regular workers. Primary contract workers at Company A earn higher wages than workers engaging in standard employment in low-paid small and medium-size firms in the region. Moreover, the recent pay rise and improvement in working conditions have contributed to enhancing the level of contract workers' job satisfaction and work commitment, which is reflected in very low turnover and long-term employment.

However, although contract workers' discontent and resistance at Company A were ameliorated following their wage rise, endemic infringement of workers' rights persists in the in-house contracting system. Through our examination of the contradictions and tensions arising from the current deployment pattern of contract workers and the intervention of the user firm in the employment practices of contracting firms, this thesis demonstrated the risks and vulnerability that contract work was subject to. The fundamental problem lies in the limited space available for contract workers to exercise their rights and advance their individual and collective interests on the premises of the user firm. Such a problem reflects the hierarchy and power relations within the workplace.

Given the attempts of the user firm to avoid any employer's obligation to contract workers and the brokerage role of the contractors, contract workers are unable to engage in adequate negotiation with their employers. There is also virtually no room for contract workers to manoeuvre in the determination of employment benefits or work arrangements, or bargain over job security. Consequently, their wages remain on the lowest rung of the pay scale ladder at Company A. Moreover, risk of dismissal is a major concern for contract workers since they can be sacked at any time the user firm needs to reduce its workforce.

As shown in chapters 4 and 5, the managerial shift to greater control over contracting arrangements has served to improve wages and reduce the exploitative management style of contracting firms. However, the capacity of contractors to deal with issues of employment relations within their own firms has been severely constrained, and the dependence of contract workers on user firm management's decisions has become very high. This situation has further complicated contract workers' employment relationships with both their contractors and user firm management.

In chapter 5.5, the analysis of contract workers' organisational affiliation revealed that they have complex and contradictory feelings about their work and relations with the user firm and their contractors. It was shown that many contract workers obtain jobs with contracting firms in the belief that they will earn comparatively high wages and enjoy the improved employment benefits provided by Company A. Herein lies the dilemma facing contract workers in recent years, in which they treat Company A as the actual employer that determines working conditions, in spite of the fact that user firm management has clearly attempted to abdicate employer responsibility to contract workers.

Indeed, unlike regular workers, who become more skilled as the length of their employment is extended and their jobs are relatively well protected on the basis of the seniority rules at Company A, in recent years, contract workers have become more vulnerable to the potential risk of dismissal, as neither Company A management nor its contractors have much interest in retaining non-standard workers for long-term service due to the higher wages they would have to pay them.

The problem for contract workers is that they have no bargaining mechanism they can use to protect their jobs under circumstances in which user firm management decides to reduce the number of non-standard workers. The challenging nature of contract workers' employment status and the dilemma they faced following improvements in wages and employment benefits have underpinned our analysis of the tensions in the labour contracting system between flexibility/low cost and quality/consistency of production.

The limits to contract workers' rights and protection are also revealed in the organisational barriers between contract and regular workers, as well as a disparity between the two groups in the representation of individual and collective interests. By examining the impact of increased

labour contracting on the organisational structure of the workplace, the thesis demonstrated that limited organisational participation and discrimination in work arrangements constitute the main source of contract workers' grievances when they are brought into the direct production areas of automobile companies.

It was shown that there is a large discrepancy between the high degree of contract worker involvement in production activities and their low level of participation in work group activities such as job rotation. Such a contradiction involves the interests of user firm management and the company's regular workers. Given the priority provided to regular employees during collective bargaining between user firm management and the trade union, neither contractors nor contract workers have the opportunity to participate in decision-making related to the employment of the latter. It was also found that contract workers experience difficulty in gaining management support for the resolution of work-related problems.

Additionally, the discussion shed light on similar problems faced by contract workers when they try to advance their interests themselves. It revealed the limited union representation of contract workers and the extent of the disparity between regular and contract workers in union channels for the resolution of workplace problems. Our examination of the struggle of the contract workers' organisation at Company A and the representation problems of contract workers illustrated the constraints that contract workers are under, but also that the advancement of their union representation lies in the growing presence of contract workers on the premises of the user firm.

The thesis argued that the representation of contract workers involves tensions associated with conflicting interests among diverse groups of workers, including conflict among contract workers themselves, as well as between different workplace actors. Given the weak capacity of the contract workers' union and the limited involvement of regular workers' shop stewards in the resolution of contract workers' problems, the latter experienced difficulty in exercising their representational rights and in finding the opportunity to resolve individual and collective grievances. Such limited union support has been a major source of contract workers' grievances.

The analysis showed that although the use of labour contracting in main production has helped to improve contract workers' wages and employment conditions within their employing firms, neither user firm management nor the trade union have any interest in supporting improvements

in the rights and representation of contract workers, which could potentially damage the benefits of labour contracting for them, including the promotion of organisational flexibility and the job security of regular employees. This leads to the conclusion that in-house labour contracting poses a challenge to the rights and representation of contract workers. The problems faced by contract workers in protecting and advancing their interests on the user firm site thus provides evidence for our assertion of the contradictory nature of employment relationships in the context of labour contracting.

7.2. Wider Implications of the Case Study

This study focused on the question of how employment relationships have changed as a result of increased labour contracting arrangements in the main production areas of firms; the examination shedding light on the tensions and contradictions that labour contracting produces. The findings of the thesis addressed problems associated with the deployment of contract workers in user firms and the implications for their rights and representation. The case of the Korean automobile industry was utilised to conduct a detailed exploration of such pertinent issues, while contributing an empirical investigation into and theoretical discussion on the qualitative shift in the nature of labour contracting and the consequent impact on employment relationships.

The study began by recognising the trend in increased labour contracting in many parts of the world in recent years, and the accompanying changes in production, work and employment patterns associated with the pursuit of flexibility. Although empirical research into the employment aspect of labour contracting has been limited, the literature suggests that the use of contract workers has expanded beyond traditional occupations and sectors such as construction, transportation and clerical work. For example, the supply by labour intermediaries of nurses and medical professionals to hospitals, and teachers to schools has been observed to be on the rise in the United States, the United Kingdom and several other countries (Houseman et al. 2003; Purcell et al. 2004; Marchington et al. Eds. 2005). The utilisation of non-standard labour is prevalent in the garment industry, which in many countries relies on contracting arrangements with external production units, informal workshops and homeworkers. The vast majority of the workforce in this sector comprises low-paid female employees; and considerable numbers of contract workers in the clothing industry in developing countries are known to be employed on an informal basis. The work of Rubery et al. (2003) provides evidence of the increased utilisation of temporary staffing agencies and contracting firms in

airport operational activities, for example, baggage handling and equipment maintenance, which have traditionally been carried out by the airports and airlines themselves.

Production workers provided by labour intermediaries are not only found in South Korean automobile companies but also in several car plants located in other East Asian countries. For example, although there are differences in origin and characteristics, the increased use of labour contracting has been observed in major automobile manufacturers in Japan. The number of non-standard workers – including directly hired non-permanent staff, agency temporaries, and contract workers – in Toyota's plants in 2006 amounted to about 12,000, which accounted for 22 per cent of total production workers (S. J. Cho 2006, 5). It has also been found that the 2004 amendment to the Worker Dispatch Law, which removed restrictions on the utilisation of manufacturing labour hired by temporary agencies, has boosted the deployment of agency temporaries in Toyota's assembly plants (Coe et al. 2009b, 20). The engagement of contract workers has also reportedly increased over the last decade in Chinese automobile factories, as demonstrated in a recent study by Zhang (2008, 31), which contains anecdotal evidence that one Chinese company has hired 3,200 contract workers – approximately one third of its production workforce.

The trend towards increased labour contracting in automobile manufacturing is also found in other parts of the world. It is reported that although the utilisation of an external workforce in the production areas of automobile assembly plants in the United States is relatively limited due to the resistance of trade unions, increasing numbers of production workers hired by temporary employment agencies are engaged in assembly work in some auto parts manufacturing firms (Houseman et al. 2003; Kalleberg and Marsden 2005). As described in chapter 4.4, the adoption of the modular production system in several domestic and/or overseas plants of European car manufacturers has promoted in-house module assembly operation by component suppliers as well as contracting firms' support services on the premises of user firms. Such factories include Fiat's Mirafiori and Rivalta plants in Italy, and Volkswagen's Resende truck plant in Brazil. Moreover, some workers hired by component suppliers or contracting firms have been found to be engaged in work similar to these car manufacturers' formal employees (e.g. Abreu et al. 2000; Pulignano 2005).

This thesis does not claim that our findings from the study of Company A and its component suppliers in South Korea can be applied to all other car manufacturers. Indeed, there appears to

have been little empirical research into labour contracting and employment relationships in the automobile industry and other manufacturing sectors. Although anecdotal evidence in previous studies suggests that contract workers are increasingly deployed on the premises of some foreign automobile companies, information on the actual employment practices of car manufacturers and labour intermediaries is very limited; as is information on the characteristics and job descriptions of workplace actors involved in increased labour contracting at the industrial or company level.

Nevertheless, the evidence of the present empirical study of Korean automobile companies indicates that many workers in both the manufacturing and service sectors of today's workplace have experienced both an erosion of standard employment relationships and greater flexibility in employment and working practices. As far as workers are concerned, the central problem around employment flexibility and the subsequent expansion of non-standard jobs – including agency and contracted work – is that such employment tends to lead to the deterioration of working conditions and job security. Thus, there is an increasing pressure on workers to engage in flexible work arrangements together with a decline in employer attachment.

As far as the employers are concerned, the advantages of utilising contract workers are the reduction of labour costs and the promotion of organisational flexibility. Therefore, in management-oriented research, the use of labour contracting is mainly seen as a corporate strategy for promoting a firm's efficiency in dealing with changes in consumer demand. Much attention has been paid to exploring the avoidance of the transaction costs of supervision and monitoring, and changes in business relationships and organisation (often found in such concepts as the removal of boundaries, post-bureaucracy and networking).

As Bradley et al. (2002) germanely point out, in recent years, mainstream views in the study of work and employment relationships have been profoundly shaped by the perspectives of employers and managers. It has also been observed that the increased use of contract workers and other non-standard employees in many enterprises is driven by management theory that focuses on flexibility and core competencies. Thus, so far, there has been a strong tendency in management-oriented research to conclude that the implementation of labour contracting in production activities is vital for the promotion of competitiveness. Such a stance is also associated with the policy changes of many governments that have been designed to liberalise the labour market and relax employment laws regarding non-standard workers.

However, the mainstream interpretation of labour contracting in production activities is simplistic, and tends to ignore the contradictory and complex nature of changes in employment relationships and organisational structure occurring in the context of labour contracting. Evidence drawn from our investigation of Korean automobile companies reveals that the processes and outcomes of in-house contracting practices do not necessarily occur in the way that management intends; since the promotion of organisational flexibility through labour contracting is accompanied by unexpected events and obstacles that could potentially hinder the effective management of the production system and change the ways in which labour contracting is managed. The management and trade unions of user firms were found to intervene heavily in the employment practices of contracting firms and the employment conditions of external contract workers. The underlying reason for such management of contract workers lies in the desire for quality control in the production process together with workplace stability.

Our findings contradict the popular notion that the use of labour contracting is a means of handing over managerial responsibility and workforce coordination problems to labour intermediaries. Contradictions in the practice of labour contracting arise from the simultaneous pursuit on the part of the user firm of greater flexibility and retainment of managerial control over contract workers and their jobs. Thus, as is highlighted in the empirical chapters, the coordination of labour contracting involves inherent tensions between flexibility/low cost and quality/consistency of production. Such phenomena that arise in the workplace need to be conceptualised in any attempt to improve our understanding of the nature of labour contracting.

It is also important to emphasise that the move towards the increased use of contract workers in the main production areas of firms occurs on a largely ad hoc basis. Moreover, the vulnerability of employment and production systems associated with labour contracting could emerge from the roles adopted by workers as they go about their work. Such vulnerabilities are related to factors including level of commitment and morale, training and skills development, and quality of work.

The findings of this thesis address some of the outcomes of in-house labour contracting and the implications for both management and workers. Since the 1997 Asian financial crisis, the direct recruitment of employees by Company A and its component supplies has almost ground to a halt, and contract workers have filled the vacuum left by the resultant shortage of regular

workers. This reflects the short-termism of management and the trade union, and sheds light on the source of the collision of their deals. The labour management strategies of Korean automobile companies have focused on the enhancement of numerical and worker deployment flexibility through the use of contract workers. However, a steep decline in the recruitment of regular employees, their numbers only to be replaced by non-standard workers, holds great potential for damaging fundamental human resource development as well as the quality of the company's products and, in turn, its long-term business performance.

A critical problem that has arisen from the move toward greater organisational flexibility is that it has not been accompanied by any innovation in working practices or improvement of industrial relations. For example, it was found that regular workers' terms of employment had become more rigid following the increased use of contact workers. Neither has the employment guarantee agreement for existing regular workers between management and the trade union been directly reflected in the promotion of company loyalty, or mutual trust between the workforce and management. Not surprisingly, through witnessing the dismissal of a great many of their colleagues and the subsequent large-scale recruitment of contract workers over the last decade, regular workers have become increasingly sceptical about explicit employment guarantees.

Indeed, as the means of increasing organisational flexibility at Company A depends on the readjustment of contract workers' numbers and their redeployment, regular workers' functional flexibility has necessarily deteriorated. Furthermore, by taking advantage of the position in which contact workers find themselves, regular workers are likely to make fresh demands such as the reduction of workloads. Thus, they have become less willing to participate in what flexible work arrangements remain open to them within the plant, and opportunities for skills enhancement and extending job descriptions have dwindled.

In the light of this evidence, there is little doubt that the deployment of contract workers in direct production areas has led to the deterioration of organisational structure in terms of regular workers, whose work practices have become less effective as a result. Thus, our evidence highlights the fact that the effect of increased labour contracting on the organisational competencies of firms is a 'double-edged sword' (Moss et al. 2000; Ward et al. 2001; Michie and Sheehan 2003; Davis-Blake et al. 2003). The deployment of contract workers in main production areas promotes greater organisational flexibility, which enables the firm to respond

more quickly to changes in market demand; but it also adversely affects worker motivation, skills development and innovation in the organisation of work. Thus, there is an emerging challenge to Korean automobile companies inherent in the adverse consequences of labour contracting, which could potentially undermine the efficiency of enhanced organisational flexibility obtained through the increased use of contract workers.

Another problem in employment and organisational structure that has become apparent after about ten years of increased labour contracting is the virtual absence of regular employees in their 20s and early 30s, an age group that is far more common amongst contract workers. Such a demographic imbalance by age and employment status has had a considerable impact on work arrangements and organisation, as revealed, for example, in the implicit division of tasks between contract and regular workers according to work intensity. This presents a managerial challenge, as the number of young people gaining work experience as regular employees, and acquiring adequate skills and organisational knowledge, is rapidly dwindling. If such a trend is not arrested, the gap between young contract workers and older regular workers will grow wider and wider, meaning that an aging regular workforce will find it increasingly difficult to engage in strenuous tasks.

The irony of such a situation is that although the operation of Korean automobile plants is increasingly dependent on the manpower and skills of contract workers, the user firm pays little heed to their employment security or career prospects. Moreover, if car manufacturers continue to prioritise numerical flexibility based on the utilisation of contract workers, these firms are more likely to come under greater pressure to maintain the requisite level of work quality carried out by the external workforce.

Yet, as we saw in previous chapters, due to their non-standard employment status, contract workers' skills development and involvement in the organisational activities of the user firm are inherently constrained. Although their sense of responsibility has improved along with better employment benefits in recent years, the material rewards offered by the user firm have a limited effect on the advancement of contract workers' organisational commitment.

Moreover, given contract workers' limited potential for skills development or organisational commitment, as the practice of labour contracting is prolonged there is a growing risk of destabilisation in the production process and quality management of the product. Consequently, the failure of the user firm to maintain quality of production could damage its competitiveness

in the market. It is thus clear that the burden on the automobile company to manage its external workforce and its performance increases the more it relies on contract workers for the operation of manufacturing processes.

As I reached the final stages of writing this thesis, Toyota Motors was forced to recall more than 10 million units of 21 models from many countries, including the United States, Canada and China. This incident seems to have rung alarm bells for other automobile companies and manufacturers in terms of their greater recourse to labour contracting and non-standard employment practices within the production processes of firms and across the supply chain. By February 2010, the number of recalled vehicles had almost equalled the sales volume of Toyota's home market. In addition to the financial loss, the massive recall of vehicles has damaged the company's brand reputation, which it had gone to great lengths to secure, as encapsulated by the slogan 'Quality Toyota.' A mechanical fault in the accelerator pedal was officially revealed as the cause of the 2009–10 Toyota recall crisis. However, the quality and safety problems associated with vehicles are not simply a matter of technical and design flaws; potentially (although this has not formally been investigated or proven), it could be argued that they are also related to the drawbacks of automobile companies' non-standard employment practices, including the utilisation of contract workers. As mentioned earlier, in 2006, approximately 22 per cent of the production workers in Toyota's domestic plants were allegedly hired on an irregular employment basis. Since the amendment of the Dispatched Workers Law in 2004, agency temporaries have been brought onto the assembly lines. More seriously, in responding to cost-cutting pressure from car manufacturers, many component suppliers are known to utilise non-standard workers. Accordingly, there are some auto parts manufacturers that hire more non-standard workers than they do regular employees.

It is not difficult to imagine the damaging effect that the widespread use of non-standard workers in Toyota plants and their component suppliers has on quality control in the production process and on product reliability. In this regard, we can see that the potential risk in the pursuit of increased labour contracting arises from the quality of work performed by non-standard workers, an observation that sheds light on the inherent tensions between flexibility/low cost and quality/consistency of production.

Therefore, it would be a mistake to envisage labour contracting as a panacea for all employment-related issues and problems associated with a firm's organisational efficiency.

Rather, as repeatedly argued, the firm is highly likely to be confronted with the fresh challenge of managing emerging tensions and contradictions.

7.3. Future Research

This thesis has provided a detailed empirical analysis of in-house labour contracting found within the Korean automobile industry. Several important themes for further research have emerged as a result of our case study. In this last part of the thesis, consideration is given to discussing future research areas, followed by some concluding remarks.

One area that should be explored further is that of state regulation. A very good reason for examining labour contracting arrangements in relation to state regulation is that the evolutionary patterns and features of non-standard employment and employers' labour utilisation strategies and practices are influenced by macroeconomic policies, industrial relations, governmental labour and social security legislation, and its institutional capacity to enforce these regulations (Ozaki Ed. 1999; Betcherman et al. 2001; Auer and Daniel Eds. 2002). It is appreciated that the prevalence of different forms of non-standard employment arrangement (including varying proportions of agency temporaries, part-time workers and contracted workers) varies across regions and countries, and that a regulatory approach to labour flexibility depends on the particular socio-economic context of the individual state. In this regard, the examination of how and to what extent state policies and regulations affect the use of in-house contracting in different national and industrial settings is necessary. Such a comparative examination would thus be useful in understanding the evolution of labour contracting, and variations in contracting arrangements and employment practices in different contexts. It would also help to draw policy implications for the development of more effective labour protection measures for contract workers.

Secondly, there is a need to examine the links between the recent expansion of labour contracting in core areas of production and the intensified use of contract workers in traditional peripheral activities. This thesis is mainly concerned with the relatively new phenomenon of the use of contract workers in the main production areas of automobile companies. However, such a research focus does not intend to detract from the significance of investigating labour contracting with regard to the peripheral services of firms. Further research in this area is still necessary, since evidence suggests that the outsourcing of peripheral jobs, such as those involving logistics, facility maintenance and clerical work, has escalated rapidly in recent years.

A central problem of such a trend is that contract workers' employment conditions are particularly precarious and the informalisation of employment relationships in this context is significant. Indeed, the status and employment conditions of contract workers have become more diverse, and there is greater variation in employment practices and the management of labour contracting within the same workplace as well as across firms. Given the potential significance of understanding the changing nature of labour contracting, an adequate analysis of the dual incidence of an increased use of contract workers in main production areas and a growth in peripheral forms of labour contracting, together with the implications of this phenomenon, is necessary.

Finally, and in a similar vein, this thesis recognises the need to explore the growing diversity in contract workers' employment relationships within the complexes of Korean automobile manufacturers and across their component suppliers. The present study found substantial variation in the working conditions of contracted employees. Such differences arise from the type of contracting firm (i.e. primary or secondary); the contractual relationship with the automobile manufacturer; and the conditions under which production units utilise contract workers, particularly in relation to production process and type of job. Although many such findings were addressed in this thesis, further analysis is necessary in order to examine the varying employment statuses and conditions of contract workers. It is hoped that such investigation will continue to advance our understanding of the consequences of increased labour contracting for non-standard workers themselves and of the nature of their employment relationships.

Clearly, numerous issues surrounding this new phenomenon in the Korean automobile industry remain under-researched. Through an investigation of the realities of the increased practice of in-house labour contracting – features that were frequently masked by misconceptions, the difficulties of conducting a study inside factory walls, and the interests of various workplace actors – this thesis contributes to the advancement of our understating of this qualitative shift and its effect on employment relationships. It shed light on a far-reaching change and the associated problems in the Korean workplace. Such a shift in labour contracting arrangements also involves dynamic interactions within and between workplace actors, which have led to constant changes in labour contracting and employment relationships. Moreover, past experience suggests that in-house contracting and the associated relationships between workplace actors will continue to evolve, and that the consequent cooperation and conflict will

be reconfigured. There is also little doubt that management and workers in both user firm and contracting firms will continue to face tensions and contradictions as Korean automobile companies pursue organisational flexibility based on the use of contract workers. Thus, further research is required in order to advance our understanding as in-house contracting arrangements and employment relationships in the Korean automobile industry continue to develop.

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Appendix 1

Research Framework and Data Collection

Research Question 1: How have employment relationships changed as a result of increased labour contracting in the main production areas?			
Dimension of Analysis	Data Needs	Actors Investigated	Data Collection Methods
The process in which labour contracting has expanded to main production activities of automobile companies	<ul style="list-style-type: none"> - The underlying factors affecting the emergence and proliferation of in-house contracting arrangements - The evolutionary process of labour contracting - Changes in work arrangements and employment practice of automobile companies for regular workers and contract workers 	<ul style="list-style-type: none"> - User firm management - Contractors - Trade unions 	<ul style="list-style-type: none"> - Key informant interviews - Literature review
Forms of contracting firms operating in automobile companies	<ul style="list-style-type: none"> - The extent of the use of in-house contractors in automobile companies - Clarification based on categories: e.g. geographical location, size, types of business activities, kind of labour contracting undertaken - Forms of work/service contracts between user firms and contracting firms 	<ul style="list-style-type: none"> - Contractors 	<ul style="list-style-type: none"> - Semi-structured interviews with firms' owners and managing staff
Employment and working conditions of contract workers/ Changes that have occurred in employment conditions of contract workers	<ul style="list-style-type: none"> - Types of employment contracts (their duration and whether oral and written) - Level of wages and other employment entitlements (fringe benefits and social security) - Guarantees of workers' rights (i.e. collective bargaining) - The work tasks and labour process of contract workers in user firms' workplace and production activities - The level of discrimination they experience (i.e. earnings and work intensity) - Informal employment practices and work-related informality 	<ul style="list-style-type: none"> - Contract workers - User firm management - Contractors - Trade unions 	<ul style="list-style-type: none"> - In-depth interviews - Focus groups - Questionnaires
The impact of increased contract workers in the workplace on the employment conditions of user firm employees	<ul style="list-style-type: none"> - Changes to work assignments given to regular workers - Changes in the employment security of regular workers - Labour deployment patterns in the workplace - Difference between regular and contract workers in the areas of employment status/conditions and work activities - Changes in the organisational capability of trade unions 	<ul style="list-style-type: none"> - Regular workers - Trade unions 	<ul style="list-style-type: none"> - Interviews - Secondary data analysis
Management of labour contracting by user firms	<ul style="list-style-type: none"> - Corporate strategies regarding in-house contracting - Advantages and disadvantages of using contract workers in main production areas - Ways in which management secures cooperation from contract workers in production activities (i.e. incentives and penalties) - Methods used by management for controlling the performance of contracting firms - Kinds of workplace rules and discipline used 	<ul style="list-style-type: none"> - User firm management 	<ul style="list-style-type: none"> - Key informant interviews

Research Question 2: What are the roles of and relationships between workplace actors in shaping labour contracting practices, and what contradictions and dilemmas are found in such relationships?			
Dimension of Analysis	Data Needs	Actors Investigated	Data Collection Methods
Contract workers' relationship with employers (both contractors and user firm management)	<ul style="list-style-type: none"> - Contract workers' perception and attitudes towards their jobs and employers - Job commitment and level of trust in management - Contract workers' demands - Contradictions inherent in contract workers' multiple employment relationships with user firms and contracting firms 	<ul style="list-style-type: none"> - Contract workers - User firm management - Contractors 	<ul style="list-style-type: none"> - Interviews - Focus groups - Questionnaires
Contract workers' relationship with user firm employees	<ul style="list-style-type: none"> - Contract workers' attitudes towards regular workers - Power relationships within the workplace - Roles of contract workers in production activities - Types of cooperation and conflicts between contract and regular workers in each workplace - Contract workers' grievances 	<ul style="list-style-type: none"> - Contract workers - Regular workers 	<ul style="list-style-type: none"> - In-depth interviews - Questionnaires
Roles of contractors in a jointly supervised workplace	<ul style="list-style-type: none"> - Tasks that user firms require contractors to perform - Ways in which contracting firms maintain job commitment and skills in their employees - Relationships with the managers of user firms in the workplace - Mistreatment and/or mismanagement by contractors 	<ul style="list-style-type: none"> - Contractors - Contract workers 	<ul style="list-style-type: none"> - Interviews - Direct observation
Types of employment practices used by in-house contracting firms	<ul style="list-style-type: none"> - Process of worker recruitment and work arrangements - Incentives and penalties - Whether contractors help workers gain employment in user firms - Benefits and drawbacks that contracting firms experience - Similarities and differences in the employment practices used by contracting firms in different business environments - Level of compliance with labour regulations and social security and other state regulations - Informal measures used (i.e. tax/social security evasion) 	<ul style="list-style-type: none"> - Contractors - Contract workers 	<ul style="list-style-type: none"> - Semi-structured interviews - Focus groups - Questionnaires
Critical concerns of contractors in their relations with the management and trade unions of automobile companies	<ul style="list-style-type: none"> - Maintenance of business operations - Types of service contracts - Competition among contracting firms; pressure to reduce costs - User firms' pressure to suppress workers' attempts to establish/join labour organisations 	<ul style="list-style-type: none"> - Contractors - User firm management - Trade unions 	<ul style="list-style-type: none"> - Interviews

Research Question 3: What are the implications of these changes for the representation and rights of workers?			
Dimensions of Analysis	Data Needs	Actors Investigated	Data Collection Methods
Vulnerability and opportunities existing in contracted work	<ul style="list-style-type: none"> - Characteristics of contract workers - Workers' motivation for engaging in contracted work - Employment and working conditions of contract workers - Nature and sources for contract workers' grievances and problems experienced by contract workers in the workplace - Differences among the various types of contracted jobs 	<ul style="list-style-type: none"> - Contract workers 	<ul style="list-style-type: none"> - Interviews - Questionnaires - Focus groups
Strategies of labour organisations (trade unions and contract workers' organisations) in response to the increased use of labour contracting	<ul style="list-style-type: none"> - Trade unions' understanding of and approaches towards contract workers - Types of strategies employed by trade unions during collective bargaining with management on the issues of labour contracting - The position and interests of user firms' regular workers in response to the increased utilisation of contract workers - Cooperation and conflicts between union organisations for regular workers and those for contract workers - Tensions between regular and contract workers in the workplaces 	<ul style="list-style-type: none"> - Trade unions of regular workers - Contract workers' union organisation 	<ul style="list-style-type: none"> - Key informant interviews - Secondary data analysis
Contract workers' perceptions and understanding of their workplace representation	<ul style="list-style-type: none"> - The level of knowledge and understanding of labour protection and worker representation - Contract workers' understanding regarding the possibility of forming their own union organisations - Contract workers' propensity for union joining - Reasons behind contract workers' participation or lack of participation in labour organisations - Conflicts of interest between contract workers regarding union participation and activities 	<ul style="list-style-type: none"> - Contract workers - Contract workers' union organisations 	<ul style="list-style-type: none"> - Interviews
User firm management and contractors' concern about and strategies in relation to the emergence of contract workers' unionisation	<ul style="list-style-type: none"> - Managerial measures used in response to contract workers' attempt to form their union organisation - How workers' representation and rights are treated by user firm management and contractors - The reason why user firms pursue in-house labour contracting and why they want to continue using contract workers 	<ul style="list-style-type: none"> - User firm management - Contractors - Trade unions 	<ul style="list-style-type: none"> - Interviews - Secondary data analysis
Labour protection measures used by the state	<ul style="list-style-type: none"> - Government policies (industrial, labour and social security) - Types of labour regulations and state's intervention in industrial relations and labour issues - Government's position on issues regarding in-house contracting and rights of contract workers 	The state	<ul style="list-style-type: none"> - Secondary data analysis - Interviews with government officials

Appendix 2

Questionnaires Used for the Survey of Contract Workers at Company A

Company A Contract Worker Survey²⁴

Thank you for participating in this survey. This survey is being undertaken for my DPhil research on in-house contracting and employment relationships in the automobile industry. Therefore, the information that you give me on the employment and working conditions of contract workers at Company A will be very important for my research. This survey will ask questions regarding your own experiences and opinions as contract workers at Company A. It will take about 20 minutes. Neither you nor your employers will be identifiable in the analysis, and all information obtained during this interview process will be used for research purposes only. The information obtained from this survey will be invaluable in understanding the experiences of contract workers. As such, your active cooperation would be greatly appreciated.

I. The questions in this section are about your general experiences at work.

1. What type(s) of work do you engage in at Company A?
2. How long have you worked at your current firm?

_____ year(s) _____ month(s)
3. If your total working period at Company A is longer than that for your current employing firm, how long have you worked on the premises of Company A?

_____ year(s) _____ month(s)
4. How did you find your job at an in-house contracting firm at Company A?
 - ① I saw a job ad in a free newspaper or on a community notice board.
 - ② I saw a job posting on a website maintained by an Internet recruitment company.
 - ③ I used my personal contacts with managers/regular workers at Company A.
 - ④ I used my personal contacts with managers/workers at the contracting firm.
 - ⑤ I found out about it at my school or vocational training institution.
 - ⑥ I found out about it at a public employment agency.
 - ⑦ I found out about it at a private employment agency.
 - ⑧ Other (_____)
5. Had you ever been engaged in employment before beginning to work for an in-house contracting firm(s)?
 - ① Yes
 - ② No

²⁴ The questionnaire was originally in Korean. It should be noted that although an effort has been made to translate this questionnaire directly, some language differences in terms of expressions and word order made this difficult. It has been particularly difficult to translate questions and answers that reflect the feelings/attitudes of the interviewees. Nonetheless, it can be said that the translation provided here is sufficient to convey the information expressed in the original questionnaire. Finally, in the original questionnaires, the real name of the company, not 'Company A,' was given.

(1) If so, which of the following described your working situation(s)?

- ① Regular worker at a medium- or large-sized company (50 employees or more)
 ② Regular worker at a small company (less than 50 employees)
 ③ Non-standard worker (i.e. agency worker or short-term contract worker)
 ④ Casual worker ⑤ Self-employed ⑥ Other (_____)

6. What was the main reason that you took a job at one of Company A's in-house contracting firms?

- ① Opportunity to acquire additional skills or work experience
 ② Comparatively high wages (compared to those available for jobs at other companies)
 ③ Better working environment/conditions
 ④ Opportunity to become hired as a regular worker at Company A
 ⑤ Need for a temporary job (i.e. before mandatory military service or new job)
 ⑥ Difficulty in obtaining work elsewhere due to limited skills and abilities
 ⑦ Difficulty in obtaining work elsewhere due to sex or age discrimination
 ⑧ Relative ease with which the job was obtained (thanks to personal contacts)
 ⑨ Other (_____)

7. In general, what is your level of satisfaction with working at one of Company A's contracting firms?

- ① Very dissatisfied ② Somewhat dissatisfied ③ Neither satisfied nor dissatisfied
 ④ Somewhat satisfied ⑤ Very satisfied

8. If your current work environment remained more or less unchanged, how long would you continue working at Company A?

- ① Less than 6 months ② 6-12 months ③ 1-2 years ④ 2 years or more

9. What is your employment status at the firm currently employing you?

- ① Worker with no specific limit in terms of employment duration (a so-called permanent employee)
 ② Worker with a fixed-term (i.e. six-month or one-year) contract that is repeatedly renewed
 ③ Worker hired on a short-term or daily basis ④ Other (_____)

10. If you are employed under a fixed-term contract, what is your contractual period of employment?(_____) months

11. The following questions are related to your experiences regarding employment contracts and changes that your employing firm may have undergone. Please indicate the issues that apply to your situation.

Questions	Yes	No
1. I have worked without a written contract at least once.	①	②
2. All four social security programmes are provided to workers at my current employing firm.	①	②
3. My employing firm simply changed its name following a change in ownership.	①	②
4. I was transferred to a new employing firm following the merger/division of contracting firms or the rearrangement of work among them.	①	②
5. When my employing firm was changed, I experienced some disadvantages in terms of wages and benefits related with employment duration.	①	②

12. If you have had your employers change (both voluntarily and involuntarily) at Company A, how many times has this occurred?

.....() times

13. Have you ever voluntarily moved to another contracting firm at Company A? If so, how many times has this occurred?

- ① Once ② twice ③ 3 times ④ 4 times or more ⑤ Never

II. The following questions are about your income and working conditions.

1. Please state your basic pay per hour:() won

2. Please state the average amount of your monthly wages (excluding special performance bonuses):

.....() ten thousand won

3. Please state the average amount of overtime pay (from working overtime on weekdays, at night and on weekends) in your monthly wages:

.....() ten thousand won

4. If your company gave you a performance-based bonus (i.e. a target-achievement bonus or a production-improvement bonus) in 2006, how much did you receive?

.....() ten thousand won

5. In general, how many hours do you work per month? (Please do not include any hours for which you receive overtime pay.)

..... () hours

6. The following questions ask you how you feel about your current job. Please indicate the extent to which you agree with each statement.

Questions	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1. I know how to do my assigned tasks well.	①	②	③	④	⑤
2. I am generally satisfied with my work.	①	②	③	④	⑤
3. I am generally satisfied with my pay (including bonuses).	①	②	③	④	⑤
4. I am generally satisfied with my fringe benefits.	①	②	③	④	⑤
5. The work-related welfare facilities (i.e. rest facilities) are good.	①	②	③	④	⑤
6. I would like to be promoted to management.	①	②	③	④	⑤
7. I often think about changing my job.	①	②	③	④	⑤
8. I would quit my job now if I could be hired as a regular worker at a small/medium-sized firm.	①	②	③	④	⑤

7. Which of the following best describes your work arrangements in relation to user firm workers?

- ① Doing similar types of work in the same location
② Doing different types of work in the same location

- ③ Doing similar types of work in a different location
 ④ Doing different types of work in a different location

8. If you participate in a job rotation system, which best describes your situation?
 ① No participation ② Hourly basis (i.e. two or four hours) ③ Daily basis
 ④ Weekly basis ⑤ Monthly basis ⑥ Other (_____)
9. Have your work positions/tasks been affected by changes made to regular workers' working conditions (i.e. changes in man-hour levels or the return of absentee workers)?
 ① Yes ② No

III. The following questions are related to your experiences in the workplace.

1. Please indicate to what extent you agree with the following statements and supply some details about your relationships.

Questions	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1. My relationships with other contract workers are cooperative.	①	②	③	④	⑤
2. The management of the firm I am employed with makes an effort to resolve my personal problems at work.	①	②	③	④	⑤
3. I am aware of the activities of the contract workers' union organisation.	①	②	③	④	⑤
4. If the business performance of the firm is good, benefits (i.e. increased wages or welfare) for workers are expected.	①	②	③	④	⑤
5. It was a good decision to choose to work at this firm.	①	②	③	④	⑤
6. I feel that my mistakes at work affect product quality and the business performance of the firm.	①	②	③	④	⑤
7. My relationships with regular workers are cooperative.	①	②	③	④	⑤
8. Line managers at Company A make an effort to resolve my personal problems at work.	①	②	③	④	⑤
9. I am aware of the activities of Company A's trade union.	①	②	③	④	⑤
10. If Company A's business performance is good, benefits (i.e. increased wages or welfare) for workers are expected.	①	②	③	④	⑤
11. It was a good decision to choose to work at Company A.	①	②	③	④	⑤
12. I feel that my mistakes at work affect the product quality and business performance of Company A.	①	②	③	④	⑤

2. With whom do you usually discuss work-related problems or personal concerns?
 ① Co-workers at my contracting firm ② Line managers at the contracting firm
 ③ Owners of the contracting firm ④ Representatives of the contract workers' unions
 ⑤ Regular workers ⑥ Union officials/activists for regular workers
 ⑦ Line managers for regular workers ⑧ Other (_____)

- ① Assembly shops ② Paint shops ③ Body or press shops
④ Material handling/delivery ⑤ Quality inspection or maintenance
⑥ Other (i.e. CKD)

Appendix 3

Questionnaires Used for Semi-Structured Interviews with Contractors

Contractors' Survey²⁵

Thank you for agreeing to participate in this interview. This survey is being undertaken for my DPhil research project (at the Institute of Development Studies, The University of Sussex, UK) on in-house contracting and employment relationships in the automobile industry. In this context, interviews with the presidents [owners] of contracting firms operating at Company A and its component manufacturers are being carried out to record the business experiences and opinions of contractors. Information about your firm and its characteristics will not be given in this research, and please note that the data collected in this survey will be used for research purposes only. Once again, thank you for your time and cooperation. After this interview, the researcher can be reached for any questions and inquiries at: mobile: 010-8805-23[][], fax: 052-280-49[][], or email: jwlee@ids.ac.uk.

I. The questions in this section are about the general business activities of your firm.

1. What production areas has your firm been involved in at Company A, and where are your employees located?
2. What contractual relationship does your firm have with Company A?
3. Does your firm have any other business operations or hire staff off the premises of Company A?
4. When did your firm start business operations at Company A?
5. Which of the following best describes how your firm was set up at Company A?
 - (1) Newly established
 - (2) Took over from the previous owner
 - (3) Newly established by dividing a previously existing contracting firm
 - (4) Newly established by combining contracting firms
 - (5) Took over from a family member (family-owned firm)
 - (6) Other (_____)
6. What kind of career did you have before setting up an in-house contracting firm? If your previous career was related to a user firm(s) [Company A or its component suppliers], in what capacity was it related?

²⁵ This is the survey form used to interview in-house contractors operating at Company A. For those located in the auto part manufacturers examined, a similar type of questionnaire was used (although the name of the user firm was changed). At the beginning of the interviews, a copy of the questionnaire was given to the owners of the contracting firms, who referred to it during the interviews. The answers given by the interviewees were noted by the author; however, during each interview, in order to obtain accurate information on the employment and wage structure of contracting firms, the author asked the interviewed owners of the firms to let administrative staff fill in the tables for questions II-1 (which asks about the age range of workers and the duration of workers' employment), II-2 (the gender composition of workers at the firm) and II-9 (employee wage structure) based on information in the company database.

7. What were the main motivations for starting an in-house contracting business?

8. How many members of staff are employed at your firm?

Classification	No. of employees
Operation (general) managers	
Line-supervisors/managers	Foremen: Assistant foremen:
Permanent employees	
Temporary employees (short-term contract and casual workers)	
Other (clerical/administrative staff et al.)	
Total	

9. What is the normal contractual length of your firm with its user firm (Company A or its component suppliers)?

10. What do you think about the length of your firm's current contracts with the user firm?

11. What kinds of contracts do you have with the user firm?

II. The questions in this section are about your firm's employment practices.

1. How is the workforce in your firm composed in terms of age range and length of employment?

Age range	Number	Length of employment	Number
20-24	Person(s)	6 months or less	Person(s)
25-29	Person(s)	7-12 months	Person(s)
30-34	Person(s)	1-2 years	Person(s)
35-39	Person(s)	2-3years	Person(s)
40-49	Person(s)	3-4years	Person(s)
50 or over	Person(s)	4 years or more	Person(s)
Average age	Age(s)	Average length	Month(s)

2. How many male and female workers are employed in your firm, and what are their average ages?

Classification	Person(s)	Average age
Male workers		
Female workers		

3. What types of working-time arrangements (i.e. shift patterns) are practised at your firm?

4. How has the volume of the workforce in your firm changed over the last 2-3 years?

5. What was the turnover rate of your firm last year [2006], and what were the main reasons for workers leaving your firm?

6. If the workers at your firm have had the chance of being recruited by the user firm in recent years, how many workers do you think would have moved to the user firm?

7. Have you ever personally arranged for your employees to be hired by other in-house contracting firms when your company needed to reduce its worker numbers?

8. What percentage of your employees are currently members of the contract workers' union organisation at Company A?

- (1) None (2) Less than 10 per cent (3) 10-19 per cent (4) 20-29 per cent
(5) 30-39 per cent (6) 40-49 per cent (7) 50 per cent or more

9. The following table refers to the average monthly wage* that production workers at your firm receive. Please provide the relevant information regarding the pay structure of your firm. (The annual performance bonus is excluded from this table.)

Classification	Amounts
Basic hourly pay	() won
Basic monthly wage	() won
Fixed allowances	() won
Overtime pay	() won
Monthly fixed bonus	() won
Total monthly wage	() won

* Total monthly wage = Basic monthly wage + Fixed allowances + Overtime pay + Monthly fixed bonus

10. Have you increased the pay of employees who have longer employment duration, and if so, how have you done this?

III. The following questions are related to the work arrangements and work practices at your firm.

1. For how long do new workers receive job training, and what types of job training are provided for them? () day(s)

2. In your opinion, how long does it take for workers to obtain an adequate level of skill at their tasks?

3. What types of quality problems exist in the production operations of your firm? On average, how many times per month do problems related with product quality occur? What efforts are made to reduce quality-related issues?

4. If your firm acquired the claims related with quality problems from the user firm (Company A or component suppliers) in the last few years, how many times did you experience this? () time(s)

5. Does your firm use a job rotation system for workers? If so, what kind of system does your firm use?

6. What incentives are provided for workers in order to improve their work performance? What kind of penalties does your firm use to enforce workplace rules or product quality?

7. How would you evaluate the organisational commitment of the workers at your firm?

8. Have wage increases and the improved working conditions of contract workers in recent years helped the organisational management of your firm?

IV. The following questions are related to your firm's management issues.

1. In general, how satisfied are you with your job managing an in-house contracting firm?

(1) Very dissatisfied	(2) More dissatisfied than satisfied
(3) More satisfied than dissatisfied	(4) Very satisfied
2. Do you have plans to expand the size of your firm or begin operating in other user firms?
3. How much pressure do you feel you are under to reduce workforce costs by the user firm for whom you work?

(1) Very little pressure	(2) Little pressure	(3) Some pressure	(4) Great pressure
(5) Very great pressure			
4. How reasonable do you consider the personnel levels of your firm that result when contracts with the user firm are negotiated?

(1) Very unreasonable	(2) Unreasonable	(3) Neither reasonable nor unreasonable
(4) Reasonable	(5) Very Reasonable	
5. How satisfied are you with the amount of discussion that takes place with the user firm when the work assignments or manning levels of your firm are changed?

(1) Very dissatisfied	(2) Somewhat dissatisfied
(3) Neither satisfied nor dissatisfied	
(4) Somewhat satisfied	(5) Very satisfied
6. How much pressure do you feel you experience from the intervention of the trade union and shop stewards in employment issues at your firm?

(1) Very little pressure	(2) Little pressure	(3) Some pressure	(4) Great pressure
(5) Very great pressure			
7. How much competition do you feel you have from other contracting firms that already operate or would like to operate at Company A?

(1) Very little competition	(2) Little competition	(3) Some competition
(4) Great competition	(5) Very great competition	
8. Please state any other issues regarding concerns and problems with which you have been dealing in recent years.