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Comparative Industrial Relations:

China, South-Korea and Germany/Europe

Rudolf Traub-Merz and Junhua Zhang (eds.)



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Foreword

The College of Administration of Zhejiang University and the Friedrich-Ebert-Stiftung's Office in Shanghai held an international workshop in Hangzhou on 9–10 March 2009 on the theme of 'Comparative Industrial Relations: China – South-Korea – Germany/Europe'. The aim of the event was to expand on experiences from other countries and economies so that they could be used in the Chinese development debate.

When the organisers met to consider the topics four blocs rapidly emerged which henceforth determined the workshop's structure. 'Collective Bargaining' and 'Dispute Resolution' are standard features of every discussion of industrial relations. The two areas are also gaining significance in China in parallel with the retreat of the state from labour planning and wage setting. In the meantime, the government is encouraging the state-organised trade unions to play a bigger role here.

The two other sets of topics suggested themselves equally rapidly. In many industrialised countries a neoliberal rollback has been discernible since the mid-1980s, calling into question trade union achievements of previous decades and attempting to realign labour market policy with classical labour market doctrines. The new, atypical employment relationships which have arisen as a consequence represented a separate thread in the workshop, making it possible to address the development of unprotected employment relationships with the exclusion of trade unions.

The workshop was held at a time when the world economy was in the

throes of the ‘global financial crisis’ and employment was falling dramatically in many countries. Here we wanted to initiate a debate on how trade unions were reacting to the economic crisis and how they adapted their strategies in enterprises faced with the dilemma of safeguarding employment or wages.

The joint event aroused considerable interest. There were lively debates in particular on the tasks of the trade unions in shaping industrial relations and the interaction between trade unions and the state. The organisers came to two conclusions; they declared that they were willing to continue the dialogue under the title ‘Hangzhou Industrial Relations Forum’ and to organise further workshops. And with the present publication they are responding to the participants’ desire that the presentations be made available to a wider audience.

The College of Administration and the Friedrich-Ebert-Stiftung would like to thank all the authors for their willingness to cooperate in this publication. It should also be mentioned that some of the contributions are by authors who did not participate in the workshop (Qiao Jian and Reinhard Bahnmüller), but whose analyses take up key issues of the discussion.

No bilingual volume is possible without translators. Ms. Wu Xiaozhen translated into English the contributions originally written in Chinese and Dr. Chunrong Zhen translated the German and English articles into Chinese. James Patterson rendered the German texts into English and revised all the English articles for publication. We much appreciate their professional efforts.

Hangzhou/Shanghai, February 2010

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Industrial Relations in China, South-Korea and Germany

Rudolf Traub-Merz

The present volume contains the revised versions of the presentations given and debated at an international conference, arranged by the University of Zhejiang and the Friedrich-Ebert-Stiftung in March 2009 in Hangzhou, on the development of industrial relations in China, South Korea and Europe (with a particular emphasis on Germany). The contributions and debates concentrated primarily on three main topics which form the basis of all discussions of industrial relations, namely collective bargaining, conflict resolution and the reactions of key industrial relations actors to economic crises.

The choice of topics and how they were framed was oriented towards making available the experiences of other countries or economies for the Chinese development debate. The selected examples of South Korea, China and Germany, as well as comparisons within Europe, do not, of course, cover the entire spectrum of industrial relations practices of international significance. For example, the USA and Japan, the two largest economies, are not considered.

Furthermore, countries in which the informal sector utterly eclipses the formal sector – for example, India and Indonesia – and where industrial relations may have to be addressed from a quite different standpoint than

the one adopted here, are left out of account.

Nevertheless, the cases presented offer striking examples which serve to illustrate many internationally important industrial relations processes. They are also eminently useful for both the Chinese and the comparative debate in that they reflect different levels of economic development and different social constitutions.

Unfortunately, among industrial relations experts, national or regional approaches tend to dominate and few researchers have devoted themselves to an international comparative perspective. For example, it was not possible to set a comparative view of Asia alongside Thorsten Schulten's comparisons of different European countries in two contributions to this volume. To be sure, this is the result of the much greater heterogeneity of Asian societies and their wide range of socio-economic and political formations, but it is to be hoped that a comparative perspective will gain ground in Asia as well and contribute to a better understanding. This is a matter of some urgency. The expansion of multinational companies has long since breached the national borders of industrial relations. While in many places research is still lacking on how national industrial relations practices develop, transnational enterprises have for some considerable time been exploiting market liberalisation for their own purposes and imposing new rules and practices in accordance with their own interests. By means of their investments they link up previously isolated national labour markets to a global labour market and are able to replace the workers of one country with those of another by relocating. This has set in motion a new kind of standardisation process which undermines national standards and forges a new path. Since industrial relations historically were formed mainly by trade unions operating at national level they will be the major losers from the emergence of transnational industrial relations, unless the collective actors on the workers' side are able to come up with new strategies which will enable them to exert some influence on the new situation.

The present volume is mainly intended for those who take the view

that strong trade unions are needed to improve the living and working conditions of dependent employees. It is published in Chinese and English in the hope that this will ensure a wider readership and in China in particular arouse more interest in the topics addressed. With regard to many socio-economic development processes China has set out along its own path, which has also led to enormous changes in the area of industrial relations in recent decades. However, with a few exceptions – for example, the China Institute for Industrial Relations or the Institute of Industrial Relations of Renmin University of China – there has been little research into industrial relations and in the universities basic subjects, such as labour law, industrial sociology or labour market economics, have been introduced only recently. The present book hopes to stimulate discussion in these areas.

To provide some orientation with regard to the country studies in this volume, we shall first offer some introductory remarks on key industrial relations issues and concepts.

What Are Industrial Relations?

The term ‘industrial relations’ (frequently also ‘labour relations’) describes the relations of exchange between capital and labour. This includes the forms of cooperation and conflict relations which exist between capital and labour or their representatives in the shaping of employment relationships at company, sectoral, national or, more recently, transnational level. These relations are formed on a unilateral, bilateral or trilateral basis, depending on whether one actor (mainly capital) has enough power to engage in one-sided decision-making, two actors (capital and labour) seek agreement through compromise or the state enters the scene as a third party. The legal regulation of bilateral relations between capital and labour by the state or its attempts at political and institutional control are a component part of these relationships of exchange. At the centre of industrial relations, therefore, lies the

concrete organisation of the employment relations of dependent employees via collective regulations.

The emphasis on collective regulation is explained by the structural asymmetry of power between capital and labour. Workers can limit the disadvantage they suffer due to their lack of ownership of the means of production in negotiations on their labour contracts only by getting together in trade unions. Where there are no or only weak trade unions, state regulation – minimum requirements with regard to labour contracts, minimum wages, social protection and so on – must temper the effects of the power asymmetry in favour of the workers.

The ways in which trade unions and the state, in the establishment and safeguarding of collective regulations, relate to each other, work together, merge into one another, substitute one another or come into conflict constitute one of the most significant indications of how industrial relations practices differ between countries.

Trade Unions as Labour Market Cartels

Alongside employers' associations, trade unions are the key collective actors in the industrial relations system. They are organisations of workers formed in an attempt to improve the living and working conditions of their members. Just as there is no unified theory of industrial relations, there is no definition of trade unions which covers all the historical variants and the international variety of forms of trade union organisation. In the early stages of Western industrial capitalism trade unions were primarily benevolent societies providing assistance in the event of social or personal emergencies (for example, unemployment). Only later – in England, for example, in around 1880 and in Germany at the end of the First World War – were they recognised by capital as negotiating partners in the conclusion of collective agreements. Today, trade unions are to be found in many developed industrialised societies as mass organisations with centralised-bureaucratic structures, involved in socio-

political governance and included in government decision-making.

Regardless of the various historical variants, forms and functions, in a market economy a core area of activity can be identified for trade unions which is frequently described as the formation of a labour market cartel. Trade unions can be considered to be successful labour market cartels when they develop the ability to temporarily withdraw a relevant number of essential workers from the labour market, and to restore them again only when enterprises agree to improve general working conditions and wages. The principal task of trade unions is clear-cut in these terms: they attempt to dissolve or limit competition between workers in order to prevent a 'race to the bottom' in the individual pursuit of employment. Trade unions can be regarded as successful, therefore, when they achieve a monopoly of supply in the labour market.

In societies characterised by a comprehensive command economy, in which there are no labour markets and the allocation of workers is centrally planned, this function is inherently redundant and trade unions cannot operate as distribution cartels. Insofar as they do exist in planned economies, they have other roles, primarily the mediation of access to social security benefits (allocation of housing, pensions, health care and so on). In a socialist market economy, such as China, in which elements of a planned economy and a market economy intertwine, and a significant and growing private economy exists alongside a strong state sector, trade unions are undergoing something of a transition. Where the labour market has not yet asserted itself, they must continue to play the traditional role of socialist trade unions, while in places where labour and capital are drawn together via labour contracts which have to be negotiated they must assume the role of establishing a sellers' cartel.

Employers' Associations as a Reactive Development in the Formation of Collective Actors

Trade unions in Western industrialised societies not only represent a

collective reaction by the workers to the economic preponderance of capital on the labour market, but were historically the midwife of employers' associations. In the normal course of capitalist development the trade unions come into being first and the employers' associations emerge in response. This does not rule out the employers' associations catching up with or even coming to play a more dynamic role in governing the labour market later on, for example, if their membership density is such that it surpasses the level of organisation of the trade unions. The historical sequence, however, sees employers' association as a political answer to trade unions gaining strength, a temporal course of development which appears to be interrupted only when the state interferes.

The genesis of this relationship in German history has been described in plain terms by Gerhard Kessler: 'The trade union is everywhere the primary phenomenon, the employers' association secondary. It is in the nature of the trade union to attack and in that of the employers' association to defend itself. In its infancy, the trade union is principally a strike organisation, the employers' association an anti-strike organisation. The sooner a strong trade union emerges in an industry, the sooner a distinct employers' association develops' (Gerhard Kessler, *Die deutschen Arbeitgeberverbände* [German Employers' Associations], Leipzig 1907, quoted in Gerhard Erdmann, *Die deutschen Arbeitgeberverbände im sozialgeschichtlichen Wandel der Zeit* [German Employers' Associations in the Perspective of Social History, Luchterhand: Neuwied 1966: 53).

This historical sequence is confirmed today in the context of the European Union (EU), in which European trade unions are ready to regulate labour market conditions EU-wide via collective agreements but cannot find a European employers' organisation with a mandate to negotiate from its national member organisations.

This is also confirmed in South-Korea, as shown in this volume by Yoon Youngmo's contribution on collective bargaining. In recent years, industry-wide trade unions have formed there; only at their instigation and, as a result, only partially are enterprises now willing to join together

in employers' organisations in order to negotiate on a branch-wide basis, on equal terms.

Forms of Trade Union Organisation

Trade unions' prospects of success with regard to reducing competition between workers also depend on their form of organisation. In relation to the form in which trade unions try to govern the labour market, we can distinguish four main types, historically and internationally: (i) professional trade unions, which in many countries were often dominant at the outset of trade unions and survive today as individual professional sections – in Germany, for example, for pilots, doctors, police officers and engine drivers; (ii) company trade unions, which try to establish uniform conditions for the same activities in an enterprise and are the general rule in many countries today, such as the USA and Japan; (iii) industry or branch trade unions, which go one step further and try to eliminate competition between the workforces of different companies by attempting to impose uniform minimum standards across the whole branch – this type is found mainly in Europe, but recently also in South Korea; and (iv) general unions, which try to organise all occupational groups in all branches – this all-embracing type of association is often found in industrially underdeveloped regions, but also in Anglo-Saxon countries.

But even if trade unions seek to restrict the substitutability of workers, this does not necessarily mean that they themselves are not in competition with other trade unions. In fact, today we find trade union movements in most countries which, to varying degrees and for different reasons, are fragmented into rival blocs, while the so-called *Einheitsgewerkschaftsprinzip* [principle of unitary and non-partisan unionism] (only one trade union at all three levels: company, branch and national) is rather the exception. In Europe, this so-called 'unity unionism' applies in, for example, Germany and Austria, while in Western and Eastern Europe trade union pluralism tends to be the order of

the day. Scandinavian trade unions represent a kind of intermediate type, in that there is no political or confessional separation, but they have separate trade union organisations for blue-collar workers, white-collar workers and professionals.

But even in countries committed to unity unionism there are (growing) demarcation conflicts concerning organisational domains, as well as considerable differentiation with regard to the level of collective agreements (wage arbitration). Companies can exploit these differences by shifting to 'cheaper' collective bargaining sectors, which only serves to stoke up the wage competition between trade unions even further.

The reasons for the competition between trade unions lie mainly in the (survival) interests of individual trade unions or trade union leaderships – the latter explains the often mushroom-like proliferation of trade unions in industrially underdeveloped countries – but most are based on political or ideological differences (unions with particular ideological or party political links) or different assessments of the right strategy for organising the workers (a recent example is the split in the US trade union movement).

Unity in trade unionism can rely on a legal or a political monopoly. The All-China Federation of Trade Unions (ACFTU) has a legal organisational monopoly and company trade unions are required by law to become members. The Deutsche Gewerkschaftsbund (DGB) (German Confederation of Trade Unions), by contrast, is a unified trade union on the basis of a political amalgamation. Membership is the voluntary choice of individual trade unions and exit is possible at any time. The third country under consideration here – South-Korea – in contrast is characterised by trade union pluralism. Two umbrella organisations – the Federation of Korean Trade Unions (FKTU) and the Korean Confederation of Trade Unions (KCTU) – compete with one another and differ in terms of strategic direction and also in how radical their approaches to conflict are. The FKTU stands rather for company trade unions, while the KCTU is more in favour of industrial unionism.

It is a matter of dispute whether competition between trade unions boosts or weakens the workers' bargaining power. Unified trade unions have greater organisational power and the ability to bargain strategically, while trade union pluralism may give rise to more radical strategies, due to organisational competition, and the success of one group of trade unions can lead to redoubled efforts on the part of others.

The different forms taken by trade unions can be illustrated particularly clearly through a historical account of their development in Germany. Four main phases can be distinguished with regard to German trade union history: a first period, from 1848, dominated by professional associations, followed by a second period, from 1890, in which industry trade unions became the dominant organisational form. Both periods were based on the principle of unions with particular ideological or party political links. Since 1949 the principle of unity unionism has applied. On this basis, from 1949 the trade unions joined together in industry trade unions. Against the background of serious membership depletion and a dire financial situation in the 1990s there was a trend towards trade union mergers in Germany, as in many other European countries, and the fourth – and current – phase is characterised by multi-branch trade unions.

Collective Agreements: Regulation at Enterprise or Sectoral Level?

If trade unions are associations which seek to eliminate or stem competition between workers in the labour market, a marked hierarchy of degrees of regulatory scope appears to impose itself. National collective agreements are preferred to sectoral agreements, while the latter are preferred to regulations that apply only to a single company. In Europe, especially in the Scandinavian countries, there have been periods in which national collective bargaining, encompassing all branches, was prominent. For several decades, however, a process of decentralisation has been under way, and today regulations applying to the national labour market

as a whole are instigated almost exclusively by the state, by law or decree, and no longer negotiated bilaterally by the social partners. Agreements between employers and trade unions today are concluded almost exclusively at sectoral or enterprise level.

Europe is generally considered as the region in which sectoral bargaining is practiced, while in other regions of the world company bargaining dominates. However, as Thorsten Schulten shows in his contribution, in Europe five models of collective bargaining can be discerned, which are arrayed in a kind of geographical order, of which only the 'Nordic', 'Central' and 'Southern' types are dominated by sectoral agreements. His typological comparisons are interesting: only where sectoral agreements dominate is bargaining coverage high. If collective agreements are largely concluded at enterprise level, however, not only does the regulation of the labour market take place at a lower level, but most companies seek to evade collective arrangements and their workforces are not protected by trade unions.

An interesting project is currently under way in South-Korea. In recent years, company trade unions have combined to form branch trade unions. While trade union reorganisation is proceeding successfully, replacing enterprise agreements with branch agreements is creating considerable difficulties. Individual companies are (at the moment) largely unwilling to give an employers' association a mandate to negotiate branch agreements. With regard to the three examples presented by Yoon in this volume, in which progress seems to have been made (metal, banking and health care), the historical principle seems to apply: first, trade unions have to achieve a 'higher' form of organisation and only when they are strong enough to compel the employers to come together are negotiations at branch level possible.