Extended Abstracts

The development of Korean modern economy is heavily influenced by labor union activity. Many large Korean companies, except in a few rare cases, are unionized, attributed greatly by the 1987-1989 *Great Labor Offensive* period. The basic question in this paper is how do unionized companies with higher labor costs survive in the market? This classical question has been investigated for a long time. Freeman argued the union with higher labor cost compensated companies' competitiveness by higher productivity with active participation in workplace decision-making processes. One of evidences to the question above is many unionized companies have survived for over a century; this means unionization is not necessarily a burden for management.

Researches on unions in Korea have focused on their effects on wages, employment, job security and working conditions. However, this kind of research does not explain directly why unionized companies with higher labor cost survive in the product market in Korea. To test the arguments mentioned above, the Human Capital Company Panel Data (HCCP) in 2006, which was collected by the Ministry of Labor and Korea Research Institute of Vocational Education and Training (KRIVET) are used. The number of sample is 303 companies: 169 are unionized ones and 134 not unionized.

Based on simple statistics, unionized companies show higher and statistically significant per capita labor cost while the difference in education and training cost is not statistically significant. Now, the main argument is tested while other factors controlled. Table 1 below shows the effect of unions on training and development. The effect of unions on training cost is positive and significant in Model I when minimum number of variables is controlled, but becomes

insignificant when size dummy and other control variables are included in the Model III although the sign of the effect is positive. This result implies that training cost is higher in unionized companies not because of unionization, but the size of the companies.

<Table1> Regression on Education and Training Investment
(Dependent variable: log (Per Capita Training and Development Cost)

Independent Variables	Model I			Model II			Model III		
	coeff.	s.d.		coeff.	s.d.		coeff.	s.d.	
trade union dummy	**0.50**	**(0.24)**	******	**0.42**	**(0.26)**	*****	**0.13**	**(0.26)**	
labor-mgmt relations	-0.10	(0.14)		-0.15	(0.14)		0.02	(0.12)	
training as CB issue				0.53	(0.52)		-0.29	(0.39)	
training as WC issue							0.54	(0.45)	
subcontractors							-0.24	(0.25)	
size dm between 100~299	**no**			**no**			**-1.33**	**(0.47)**	*******
size dm between 300~999							**-0.91**	**(0.45)**	******
size dm between 1000~1999							**0.03**	**(0.51)**	
cons	4.93	0.61	***	4.99	0.62	***	4.41	(0.93)	***
R-squared	0.056			0.060			0.276		
Sample size	293			293			291		

Note:
1) Three organization variables, 3 size dummy, 9 industry dummy, 4 ratio of export dummy, and 3 foreign ownership dummy variables are controlled in the Model III but not presented in the table.

The next <Table 2> is about the effect of training on firm performance variables from the Korea Investors Statistics (KIS) data. Training cost is significantly related with per capita value-added and per capita sales but not with net revenue. While union is not related none of the performance variables.

<Table 2> Effect of Union and Training on Company Performance
(Dependent variable: Measured Firm Performance Variables form KIS data)

Dependent Variables	per capita value-added			per capita sales			per capita net revenue		
Independent Variables	Coef.	Std.		Coef.	Std.		Coef.	Std.	
log(per capita training cost)	**0.09**	**(0.03)**	*******	**0.45**	**(0.19)**	******	**0.02**	**(0.02)**	
trade union dummy	**0.18**	**(0.11)**		**-0.35**	**(0.76)**		**0.02**	**(0.08)**	
labor management relations	**0.13**	**(0.05)**	******	**0.43**	**(0.36)**		**0.03**	**(0.04)**	
ownership only	-0.18	(0.17)		-3.36	(1.04)	***	-0.15	(0.11)	

high professional intervene	-0.23	(0.17)		-2.99	(1.05)	***	-0.10	(0.11)	
low professional intervene	-0.21	(0.20)		-3.44	(1.24)	***	-0.22	(0.13)	*
subcontractors	0.02	(0.11)		-0.75	(0.75)		0.00	(0.08)	
_cons	-0.07	(0.48)		1.31	(2.92)		-0.16	(0.30)	
R-squared	0.513			0.2798			0.235		
Number	178			290			290		

Note:
1) Three organization variables, 3 size dummies, 9 industry dummies, 4 ratio of export dummies, and 3 foreign ownership dummy variables are controlled in the regression but not presented here.

What does this result imply to Korean industrial relations in the 21st century? Union seems to be a burden to the management although this result is based on only one statistical analysis. Union need to bargain not only wages, job security, and working conditions, but also company's competitiveness to help the company survive in the market. One simple but strong way of helping the company to be competitive in the market is upgrading skills and knowledge of union members. Without this skill and knowledge upgrading, union is going to have stronger resistance by the management in the near future.

One promise if this abstracts is accepted for the presentation is that the 2nd HCCP data is available soon for further analysis.

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