

Contract Labor and the Limits to Worker Representation: The Case of Hyundai Automobile Plants

Jong-Woon Lee

Associate Professor, Hanshin University, South Korea

ABSTRACT

The employment status of contract workers is generally characterized by precarious work and limited workers' rights. Based on a case study of Hyundai automobile plants, this article demonstrates contradictions inherent in in-house contracting practices, which involve the deployment of contract workers alongside user firm employees. The use of contract workers has not only carried with it considerable changes in employment relationships, but also has great potential to undermine the rights of workers. Worker representation constitutes an important part of the changes in the workplace. By revealing structural constraints faced by contract workers in attempts to advance their interests in the user firm complex, the present study addresses the 'representation gap' between regular and contract workers and the associated problems. The findings of the study also shed light on tensions associated with the diversity of interests among workplace actors with respect to the union participation and representation of contract workers.


KEY WORDS

Contract Labor, Employment Relationships, Enterprise Unionism, In-house Contracting, Non-standard Employment, Union Representation, Workers' Rights

* This article has been developed from part of the author's DPhil thesis, which was undertaken at the Institute of Development Studies, University of Sussex.

Corresponding Author:

Jong-Woon Lee, Associate Professor and Director of the Peace Education Center, Hanshin University, Osan, South Korea. Email: jwlee@hs.ac.kr

 <https://orcid.org/0000-0002-9640-0281>

Received: August 14, 2020; Reviewed: August 26, 2020; Revised and Accepted: September 2, 2020

1 | INTRODUCTION

The employment relationship is seen as the key to defining the organizational affiliation and identity of workers as traditional notions of employer-employee relations underline their rights and responsibilities. Such a bilateral relationship is thus regarded 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). Employment entitlements of workers are granted under the regulatory framework underpinning a bilateral employment relationship (Deakin, 2002: 193). However, the kinds of relationships that were typical in the traditional employment model are called into question when contract workers hired by labor intermediaries are deployed alongside regular employees on the premises of the user firm. The use of contract workers does not only involve the restructuring of work done by employees of the user firm and the erosion of the internalized employment system. Unlike off-site subcontracting arrangements, the promotion of organizational flexibility through the in-house operation of contract firms also involves ‘the fragmentation of organizations and work’ (Marchington et al., 2005). Contract workers are likely to be subject to the dual managerial control system of the user firm and contractors (Coe et al., 2010) and their attitude to these employing organizations differ from those of workers hired by a single employer (Broschak & Davis-Blake, 2006; Liden et al., 2003). Consequently, considerable ambiguity prevails in terms of workers’ rights and obligations, as employment relationships in which contract workers are engaged with the user firm and its contractors are more complex than those attached to bilateral employment relations (Barrientos, 2013; Broschak et al., 2008; ILO, 2003, 2006; Marchington et al., 2005; Van Eyck, 2003).

For the user firms, greater organizational flexibility and reduction of costs are attained through the utilization of contracting firms as this creates a shift from regulatory employment relationships and internal organizational bureaucracy to commercial relations between firms, which are associated with less formal arrangements in the deployment of the workforce. Thus, the use of flexible work arrangements, including subcontracting and outsourcing of workers, is often shown in management-oriented research to be a corporate strategy to promote firms’

capability of dealing with the rapidly changing market environment efficiently (Abraham & Taylor, 1996; Bonazzi & Antonelli, 2003; Purcell & Purcell, 1998).

However, as far as workers are concerned, firms' pursuit of organizational flexibility and associated labor market restructuring tends to lead to the expansion of non-standard jobs in tandem with the increasing flexibilization of labor (Van Eyck, 2003). This trend particularly pertains to in-house contracting arrangements whereby contract workers with fewer employment benefits perform their duties on the user firm site. It is recognized that contract workers' wages and job security are much lower than employees of user firms can expect (Lee & Frenkel, 2004; Mather, 2004). Although some contract workers gain a relatively stable remuneration, the organizational circumstances under which contracting firms operate on the premises of the user firm are likely to promote the recruitment of non-standard workers. Regardless of the required qualifications, in-house arrangements with contracting firms tend to be terminated when the assigned tasks of the user firm are completed. Contract workers are thus likely to be hired for a limited time. In this regard, the employment status of contract workers is generally characterized by precarious work and limited workers' rights (Barrientos, 2013).

Along with the inferior employment conditions experienced by contract workers, a major problem associated with such non-standard employment is that workers are likely to lack an adequate voice mechanism at work (Healy et al. (eds.), 2004; ILO, 2006). As Marchington et al. (2005: 249) argue, a "fragmented and divided employment system" that arises from the utilization of different contractors in a user firm complex poses a constraint on contract workers in the representation of their interests in employing organizations and across the workplace. Given the disjuncture of workers' employment attachment to the user firm, not only are legal and structural constraints imposed on contract workers in terms of union participation and representation in the user firm complex, labor contracting also poses a challenge to the organizational ability of the trade union (Marchington et al., 2004: 100-101). At the firm level, active trade union strategizing during collective bargaining with management and its efforts for representation of non-standard workers have been found to be important factors in determining how effectively the employment and social security rights of non-standard workers are promoted (Heery et al., 2000; Jin, 2012; Mather, 2004; Pulignano, 2005).

However, it is also apparent that the reality experienced in many workplaces in terms of protective measures afforded to non-standard workers is more complicated and extending union membership to non-standard workers is invariably a subject of contention among different interest groups (Marchington et al., 2005). Due to their irregular employment status, contract workers often find it difficult to join the unions at their workplaces. Therefore, in order to understand the source of the vulnerability faced by contract workers, it is necessary to examine the rights and representation of contract workers, and the inherent limitation to the protection of non-standard employees.

This article takes a case study of Hyundai Automobile plants in Ulsan to draw out the implications for the representational rights of contract workers. A distinctive feature at factories of Hyundai Motors in the 2000s was the emergence of a contract workers' organization alongside the regular workers' trade union. However, it was found that the capacity of the contract workers' organization was weak and the union representation of contract workers very limited. There was also a large discrepancy in grievance resolution between contract and regular workers. Thus, it can be seen that a dividing line was drawn between two groups of workers that can be described in terms of employment status and union representation (Lee & Frenkel, 2004). Given the complexity of the relationships in which contract workers engage, however, it is apparent that the representation of workers is shaped by interaction between and within workplace actors. Therefore, it is necessary to examine contract workers' struggle in their individual and collective interests on user firm sites and the related challenges.

This article begins by exploring the institutional context of trade unionism as it has developed in South 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' organization at Hyundai automobile plants for membership recruitment and managerial recognition of collective bargaining, the paper undertakes a detailed analysis of the fragmented representation structure of contract workers on the premises of the user firm. It also compares the representation

of contract and regular workers at Hyundai, which reveals a significant disparity in union mechanisms for the resolution of workplace problems.

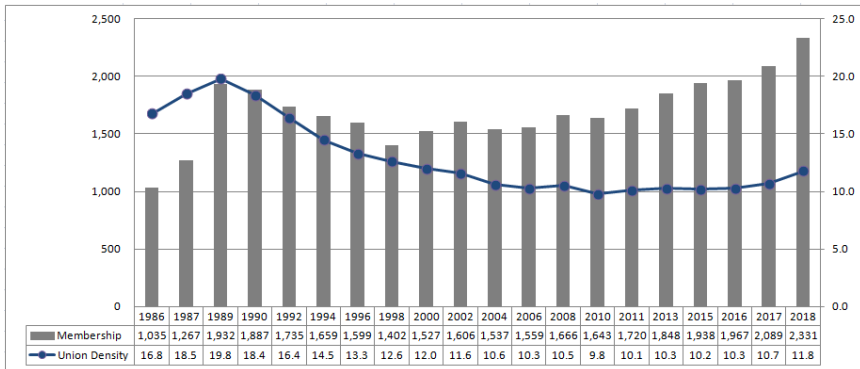
2 | ENTERPRISE UNIONISM AND NON-STANDARD EMPLOYMENT IN SOUTH KOREA

Trade unions play an important role in regulating the labor market and employment relationships (e.g. Bradley et al., 2000; Hamann & Martinez Lucio, 2003). Given the hierarchical structure of organizations 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 organizations, trade unions and organized workers managed to improve labor protection legislation as well as governmental and employers' social security contributions (Deakin, 2002).

Recently, the organizational role of the trade union and its capacity to represent the workforce has been weakened in most parts of the world (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 (Bradley et al., 2000: 151-155; Frege & Kelly, 2003: 8). Bearing strong similarities with the increased flexibility of employment and changing industrial relations elsewhere in the world, South Korea has also experienced the deterioration of trade unionism. As illustrated in Figure 1, the level of union density has decreased since the beginning of the 1990s. It reached a peak of 19.8 percent in 1989 following the development of the democratic trade union movement, but twenty years later the unionization rate of workers in 2009 had dropped to 10.1 percent. After reaching its lowest point

of 9.8 percent in 2010, this declining trend was arrested and it grew to 10.7 percent in 2017 and 11.8 percent in 2018. However, this increase took place in the context of continued stagnation of the private sector with a 9.7 percent unionization rate in 2018. Union membership exceeded two million workers in 2017 for the first time, but this was attributed to the expansion of union members in public enterprises and government sectors (Korean Ministry of Employment and Labor, 2019: 9-13).

Among the various causes of the above phenomena 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 organizational restructuring of corporations; and the deregulation of the labor market in conjunction with the economic liberalization policies of the government. According to a Ministry of Statistics’ survey of the economically active population conducted in August 2018, the number of non-standard workers in South Korea was 8.21 million, which accounted for 40.9 percent of the total wage-earning workforce (Kim, 2018: 1). The unionization rate of wage-earners engaging in non-standard work was then as low as 2.1 percent, compared to 19.6 percent for regular full-time workers. Of the total number of union members in South Korea, approximately 175,000 were estimated to be non-standard workers (Kim, 2018: 31). These data clearly imply that the problem of the representation



Units: thousand persons, %

Source: Modified from Korean Ministry of Employment and Labor (2019: 9)

FIGURE 1. Trends in Union Density and Membership in South Korea

gap in respect of non-standard workers is much greater than it is with regard to regular workers.

However, although the growth of non-standard jobs has been a major concern for Korean trade unions, they have not functioned effectively in the representation of non-standard workers. One of the major reasons for these shortcomings lies in the form that trade unionism in Korea has taken - enterprise unionism. 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 decentralized 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 - those belonging to the Korean Confederation of Trade Unions (KCTU) and the Federation of Korean Trade Unions (FKTU) - to expand their industry-level network, 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 decentralization 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 (Frege & Kelly, 2003; Heery et al., 2000). However, the key characteristic that differentiates Korea from these nations is that enterprise-based unionism in the former is a legacy of the repressive labor policies of an authoritarian state and the product of a democratic trade union movement (see Lee & Yi, 2012: 480-481). Despite political democratization in 1987 and the subsequent relaxation in direct state intervention in the workplace relations of private enterprises, labor 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 labor legislation on the emergence of industry-level bargaining, trade union and managerial interests during the period of democratic transition contributed to the substantive features of South Korea's enterprise unionism.

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. 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 (Cho, 2006). The management of Korean firms also preferred enterprise-based rather than industry-level bargaining, as it was 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 made attempts to promote so-called 'pragmatic and cooperative' trade unionism in the workplace. Therefore, based on a compromise of interests between trade union and management, enterprise-based unionism was firmly institutionalized in Korean industrial relations (Lee & Kuruvilla (eds.), 2006).

The 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 1 shows that the majority of workers employed by firms with less than 300 employees remain non-aligned; whereas the unionization rate of workers in firms with 300 workers or more is 50.6 percent as of 2018. This rate is much higher than general union density in South Korea (11.8 percent in the same year). Moreover, major trade unions are mainly located in *Chaebol* companies like Hyundai Motors. The number

TABLE 1. Unionization of Workers in South 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	11,753,000	3,891,000	2,008,000	2,494,000
No. of unionized workers	12,846	87,500	216,781	1,261,634
Unionization rate	0.1%	2.2%	10.8%	50.6%

Note: Figures for December 2018.

Source: Korean Ministry of Employment and Labor (2019: 15)

of firms with over 300 unionized workers was only 793, accounting for 13.7 percent of all trade unions. However, these large-size entities took a share of 87.5 percent of the total union membership in South Korea (Korean Ministry of Employment and Labor, 2019: 15).

The union system in South Korea has several implications for the representation of non-standard workers. 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-unionized firms and, even though they may work in a unionized 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 unionized workplaces is probably better than that of those employed at non-unionized firms. An empirical study by Sook Kyung Jin (2012) demonstrates that some regular workers' trade unions negotiated employment entitlements with management on behalf of non-standard workers and shop stewards took 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, as pertinently acknowledged by Heery et al. (2000, 2004), enterprise unionism is not suited to the representation of non-standard workers. As mentioned earlier, such a movement in South Korea 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 mobilize workers in large-size manufacturing firms, including the automobile 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 labor-related issues associated with recent socio-economic changes. The concentration of unions on

organization 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 organization of workers and their support within the confines of the employing organization, 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 (Heery et al., 2000: ix-x). Indeed, although they have expressed concern about the negative impact of the growth in the use of non-standard workers and the urgent need to organize them, labor 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 (Lee & Yi, 2012: 488-489).

Thirdly, with respect to the problems faced by contract workers, a fragmented and decentralized 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 (see Pulignano, 2005) In contrast, given the fragmented industrial bargaining in South Korea, the utilization 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 evident in the case of Korean automobile companies, the differences in pay between regular and contract workers are therefore substantial. Contract workers' employment conditions also vary, even in with regard to those of employees deployed in the same workplace.

The persistence of this enterprise unionism in South Korea has negatively affected the representation of non-standard workers on the user firm site. Unless existing trade unions at firm level open the door to them, the establishment of

an independent organization 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' organization at Hyundai established itself as a separate local branch of the Korea Metal Workers Union, to which the Hyundai regular workers' trade union was also affiliated. Having examined the distinctive features of trade unionism in South Korea and the institutional constraints on non-standard workers' representational rights, the following section considers the experience of contract workers at Hyundai automobile plants and the inherent obstacles to the operation of a contract worker's organization on the premises of the user firm.

3 | THE INHERENT LIMITATION TO CONTRACT WORKERS' UNION ORGANIZATION

There was a rapid increase in non-standard employment and greater recourse to workforce outsourcing amongst South Korean firms after the 1997 economic crisis. In-house contracting arrangements in Korean automobile manufacturers also flourished over the 2000s, and the scope within which labor intermediaries operate widened to include the main production and service activities of user firms. Consequently, the number of contract workers placed on the premises of automobile plants increased considerably and they were found engaging in work similar to that performed by the employees of the user firm (see Lee, 2011). The percentage of contract workers as a proportion of the employees of the user firm accounted for between 20 and 30 percent in all regional plants of Hyundai and Kia Motors in 2010, and as much as 40.4 percent in Incheon Plant at GM Daewoo (Korean Ministry of Employment and Labor, 2010: 4). As one of the world's largest automobile production sites, Hyundai's Ulsan complex employed approximately 21,000 regular production workers throughout the 2000s. After reaching peak volume of about 8,000 in 2005, in the latter half of the 2000s, roughly 7,000 contract workers were estimated to be employed by about 100 primary contracting firms that had direct service contracts with Hyundai. Indeed, there was considered to be far more contract workers on the factory premises of Hyundai as approximately

1,700 to 2,000 of non-standard workers were reportedly hired by the so-called 'secondary' contracting firms that were utilized by component suppliers (Lee, 2014: 456).

Contract workers were not only excluded from membership of Hyundai's trade union, but also from collective bargaining activities regarding pay and working conditions with individual in-house contractors until the early 2000s. However, the rapidly increased number of contract workers in the direct production areas and mixed deployment of contract and regular workers created conditions conducive to the emergence of contract workers' self-organization. At Hyundai Ulsan complex, after much internal debate among union organizers with regard to the launch date and form it should take, the contract workers' union organization was officially established with 127 members on July 8, 2003. It also joined the Korea Metal Workers Federation under the KCTU (Lee, 2011: 1260-1261). The immediate challenge to the contract workers' organization at Hyundai Ulsan complex was expansion of membership. Forming a union organization within the user firm complex was certainly an arduous task, but it was even harder for an established union organization to maintain its presence and strengthen organizational capability. Unlike the regular workers' trade union, which was based on the closed shop principle that demands automatic membership on joining a company, membership of the contract workers' organization was voluntary. Since its inception in 2003, membership of the contract workers' organization normally remained, on average, at approximately 10 to 15 percent of workers.

Grievance might be an important factor in contributing to the union participation of workers. Andy Charlwood's study (2002) 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 Hyundai to join the organization 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 utilization of contract workers (Lee & Frenkel, 2004).¹⁾ However, dissatisfaction with one's job does not necessarily

1) Several major demands made by the contract workers' union at Hyundai Ulsan plants during the initial stages of its operation reveal contract workers' precarious employment situation and

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.

Recognition by management as a counterpart for collective bargaining was important for the contract workers' organization at Hyundai if it was to play a role in improving employment conditions and other benefits of union membership. However, constraints to the contract workers' organization collective bargaining process arose in the 2000s due to the nature of the multiple and ambiguous employment relationships in which contract workers are engaged with both user firm and contracting firms. Such ambiguities of employment relationship to which contract workers on the premises of Hyundai plants were subject were particularly manifested as a consequence of the tight control that Hyundai management exercised over the operation of contracting firms, the intervention of the regular workers' trade union, and the brokerage role of contracting firms.

Given structural limitations in terms of the collective bargaining arrangement, since its inception in 2003, the contract workers' organization attempted to set up a bargaining framework with Hyundai management and a group of contracting firms. However, the response of Hyundai management to the emergence of the contract workers' union was non-recognition as a representative body. Along with the suppression of contract workers' leadership, measures - including names of contracting firms and changes of owners - were taken by management to put pressure on contract workers to withdraw their union membership. To avoid any claim of an employer's obligation, the management of Hyundai plants refused to participate in any official dialogue with the contract workers' union to negotiate pay and fringe benefits. Instead, Hyundai management negotiated the contract workers' annual pay rise with the regular workers' trade union (Jin, 2012: 67-68).

discriminatory treatment. These include (1) the abandonment of short-term employment contracts and the repeated renewal of employment contracts, (2) the abandonment of clauses in employment contracts that are disadvantageous to workers, (3) equal supply of equipment (e.g. uniforms, safety shoes and gloves) to contract workers as to Hyundai workers, (4) paid annual holiday at a time convenient to contract workers, (5) the provision of medical and other living expenses for workers sustaining workplace injuries, and (6) no management suppression of contract worker union participation or the activities of elected representatives.

Protection by the regular workers' trade union from suppression at the hands of Hyundai management and the contracting firms was critical to the establishment of a contract workers' organization. Nevertheless, in spite of this positive aspect, since contract workers' rates of pay and working conditions were shaped by trade union negotiation with user firm management, some workers doubted the efficacy of the contract workers' organization. Indeed, since contract workers were aware of the power of the trade union and its shop stewards, they were likely to expect improvement in their working conditions through the help of the regular workers' trade union. Such great recourse of contract workers to the regular workers' trade union has hindered the strengthening of their own organization. A notable incident at Hyundai Ulsan complex in 2006 was when the contract workers' organization 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 (Jin, 2012: 71; Yoo & Jo, 2017: 18).

Having encountered repeated failure in its attempt to engage in collective bargaining with Hyundai management, the contract workers' organization considered extending the scope of collective agreement across the contracting firms operating at Hyundai. However, a formal bargaining arrangement for contract workers was not established with non-union (or unorganized) contracting firms either, nor was the contract workers' organization able to shape contract workers' employment conditions in firms where individual agreements had been reached. This was because contracting firms did not have the capacity to decide the rate of pay and fringe benefits of their employees; both the contract workers' organization and the owners of contracting firms were obliged to simply endorse whatever Hyundai management and the trade union had agreed. Non-aligned contract workers received the same pay rise and any additional benefits as union members, which reduced the motivation of ordinary contract workers to join their own organization.

This examination of the struggle for union recognition of the contract workers' organization at Hyundai shows the structural limitations of the former in its effort to expand organizational capacity. It also reveals a disparity in the representation of contract workers in the union structure. Membership of the contract workers' organization was generally low and fluid throughout its existence. Starting in 2003 with about 130 contract workers, membership peaked at roughly 1,800 in June

2005, when a recruitment campaign was launched with the aid of the Hyundai trade union and its shop stewards. Major strike activity of the contract workers' organization took place in 2005. However, 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, by looking at the registered number of voters for the organization leadership election in May 2008, the actual membership of the contract workers' organization at Hyundai was judged to be 730. This figure indicates that the rate of unionization of contract workers at Hyundai in the late 2000s was about 10 per cent of the contract workers hired by primary contracting firms (Lee, 2011: 1261; Yoo & Jo, 2017: 14).²⁾

Our analysis of in-house contracting arrangements at Hyundai automobile plants confirms the works of Marchington, Rubery and 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 experience of the contract workers' organization at Hyundai suggests that the extent to which contract workers were able to represent their collective interests - even if they formed a union-type organization - was very limited. The emergence of the contract workers' organization at Hyundai created an opportunity for non-standard workers employed at the complex to join a union, but its membership has generally been rather low. The limited success of attempts to enhance the capacity of the contract workers' organization 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.

4 | THE REPRESENTATION GAP BETWEEN CONTRACT AND REGULAR WORKERS IN THE WORKPLACE

An examination of the problems confronting the contract workers' organization brings us closer to the heart of the analysis of the modifications that have occurred

2) For details on the rise and fall of the contract workers' organization at Hyundai Ulsan plants and contract workers' union membership trend, see Yoo & Jo (2017).

in the nature of worker representation in Hyundai's production areas. In-house contracting arrangements for promoting organizational flexibility generate tensions between the internalized employment of regular workers and the externalized employment of contract workers in the workplace. Of prime significance to this phenomenon is the disparity between contract and regular workers in the representation of individual and collective interests. 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 had a very low status. The unfavorable conditions under which they were obliged to operate can be evinced through a comparison with those of the regular workers' union. Management staff at the headquarters of Hyundai's trade union were appointed by the elected union leadership and, based on an agreement with company management, engaged in full-time positions. During periods of leave from factory work, the salaries of these officials were paid by the company. In contrast, the contract workers' organization 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' organization was to obtain management's recognition of full-time union positions for the leadership. In 2006, two elected organization officials were granted some leave of absence from their employing contracting firms. However, unlike the case for full-time officials of Hyundai's trade union, organization leaders' payment in lieu was not remunerated by their employers but came out of members' subscriptions. Similar problems appeared on the shop floor. In contrast to regular workers' union shop stewards,³⁾ contract workers' representatives had little influence on the shop floor, as their numbers and the

3) Shop stewards are elected from groups of 100-150 regular workers in each plant production unit. Thus, there are about 30 to 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. They have been involved in a wide range of workplace governance issues, including the determination of manning level and the deployment of workers.

entitlements they enjoyed were extremely limited. This deterred representatives from meeting rank and file contract workers and monitoring daily workplace issues during normal working hours.

The efficacy of contract workers' representative was also constrained by the activities of regular workers' shop stewards in the same workplace. There is much discussion 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 & Rainbird, 2004: 156-157). Accordingly, having established a considerable degree of control over the workplace, shop stewards at Hyundai plants had a strong influence on the operations of plants and production schedules. Shop stewards at Hyundai were 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 contract workers was by comparison insignificant. The presence of contract workers on user firm sites created little space in which their representatives were able to develop their own roles and activities on the shop floor where regular workers' shop stewards were responsible for union administration of workplace issues. For example, health and safety inspection was 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 contract workers' representative was confined to narrow issues within contracting firms. Meaningful discussion or bargaining between firm owners and contract workers was rare, since neither of them were permitted to become involved in the decision-making process with regard to workplace governance and/or work arrangements; even when they were directly related to the employment and working conditions of contract workers (Lee, 2014: 460-463).

The representation gap between contract and regular workers at Hyundai plants becomes more apparent with examination of 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 allowed regular workers' shop stewards leverage in negotiation with plant-level managers, and the former used their bargaining power to ensure favorable consideration of the demands of rank and file union members. In many cases, the resolution of individual workers' grievances was used by shop stewards as a means of gaining the support and loyalty of their colleagues. Not surprisingly, production workers tended to discuss personal work issues with shop stewards in their production units rather than going to Hyundai managers when something needed resolving. Through awareness of power relations between shop stewards and plant managers, and union politics in the workplace, rank and file regular workers were also able to take advantage of the shop stewards' role to maximize their own interests, including the granting of sick leave, changing of duties and/or shifts, and favorable overtime allocation.

For contract workers, however, there was little opportunity to resolve individual grievances with the help of union representatives. Given the weak capacity of contract workers' representatives, many contract workers preferred direct intervention of the regular workers' union in contracting firms' issues (Jin, 2012: 70). Other than obvious acts of misconduct by firm owners and/or the violation of labor codes, however, shop stewards were generally reluctant to intervene directly in the internal affairs of contracting firms and were disinclined to meet owners of contracting firms to deal with the grievances of individual contract workers. Although 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 this could potentially jeopardize the interests of regular workers. For example, given the mixed pattern of labor deployment that resulted in a heavier workload for contract workers (Lee & Frenkel, 2004: 516-517), shop stewards were not able to negotiate with firm owners for the rearrangement of assigned jobs if they were requested to do so by contract workers suffering from heavy workloads. This was because the allocation of work in the production area was based on the preferences of regular workers and agreements between shop stewards and plant-level managers. These findings indicate that union support for contract workers on the shop floor is inherently limited. They also suggest that contract workers experienced difficulty in finding an adequate union mechanism for the

resolution of individual or collective grievances, which reveals a considerable 'representation gap' between regular and contract workers in the workplace.

5 | CONCLUSION

This article investigated the effects that utilization of contract labor on the site of a user firm has on worker representation and the collective nature of employment relations. Emphasis was placed on the examination of the limited representational rights of contract workers and the problems they faced. The presence of contract workers in the main production areas of Hyundai automobile plants in the 2000s brought about the greater involvement of the regular workers' trade union with contract workers' employment conditions and the emergence of the contract workers' organization. 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 were very limited. The findings demonstrate that the representation of contract workers is circumscribed by structural constraints 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; Marchington et al., 2005). It was also shown that the representation problem of contract workers is compounded by conflicting interests and compromise between workplace actors.

Tensions between coexisting internalized and externalized employment relations in the context of in-house labor contracting are reflected in the paradoxical approach of the user firm in dealing with contract workers' representation. For instance, Hyundai's management refused to have any official dialogue with the contract workers' organization and did not recognize collective bargaining arrangements with contract workers, but virtually played an employer's role in determining contract workers' pay and other employment benefits. Ambivalent practice was also found in Hyundai's trade union. Despite its implementation of a more inclusive policy for contract workers, it was disinclined to pursue changes to the discriminatory treatment of contract workers in both workplace practices and union membership. Such an ambivalent position was related to the deployment

of contract workers in the main production areas, which removed the demarcation of duties between the two types of workers.

This case study suggests that the representation of contract workers on the user firm site is inherently limited regardless of the types of duties undertaken by these external workers (Marchington et al., 2004: 183-84). The problem for contract workers is that they have no bargaining mechanism they can use to protect their jobs under circumstances in which the user firm decides to utilize contracting firms. Given attempts of the user firm to abdicate employer responsibility to contract workers and the brokerage role of contractors, contract workers are unable to engage in adequate negotiation with their employers. It was found that in the case of Hyundai automobile plants, the need for union representation grew amongst contract workers in the early 2000s and, as an outcome, the contract workers' organization was formed. However, the experience of the contract workers' organization at Hyundai suggests that that there was weak ability to expand membership and a fragmented organizational structure among contracting firms. Indeed, contract workers' union participation was inhibited by structural obstacles that were rooted in their presence at the user firm. The limits to contract workers' rights and protection were also revealed in barriers between contract and regular workers, as well as a disparity between the two groups in terms of union channels for the resolution of workplace problems. Such a representation gap between regular and contract workers and limited union support was a major source of contract workers' grievances. Herein lies the risk and vulnerability that contract labor is subject to, reflecting the very limited space available for many contract workers to exercise their representational rights on the premises of the user firm.

REFERENCES

- Abraham, K. G., & Taylor, S. K. (1996). Firms' use of outside contractors: Theory and evidence. *Journal of Labour Economics*, 14(3), 394-424.
- Bain, P., Taylor, P., Gilbert, K., & Gall, G. (2004). Failing to organise - or organising to fail? Challenge, opportunity and the limitations of union policy in four call centres. In G. Healy et al. (Eds.), *The Future of Worker Representation* (pp. 62-81). Hampshire: Palgrave Macmillan.
- Barrientos, S. W. (2013). 'Labour Chains': Analysing the role of labour contractors in global production networks. *The Journal of Development Studies*, 49(8), 1058-1071.
- Bonazzi, G., & Antonelli, C. (2003). To make or to sell? The case of In-House Outsourcing at Fiat Auto. *Organization Studies*, 24(4), 575-594.
- Bradley, H., Erickson, M., Stephenson, C., & Williams, S. (2000). *Myths at Work*. Cambridge: Polity Press.
- Broschak, J. P., & Davis-Blake, A. (2006). Mixing standard work and nonstandard deals: The consequences of heterogeneity in employment arrangements. *Academy of Management Journal*, 49(2), 371-393.
- Broschak, J. P., Davis-Blake, A., & Block, E. S. (2008). Nonstandard, not substandard: The relationship among work arrangements, work attitudes, and job performance. *Work and Occupations*, 35(1), 3-43.
- Charlwood, A. (2002). Why do non-union employees want to unionize? Evidence from Britain. *British Journal of Industrial Relations*, 40(3), 463-491.
- Cho, H-R. (2006). Industrial relations and union politics in large firms in South Korea. In C. Lee & S. Kuruvilla (Eds.), *The Transformation of Industrial Relations in Large-size Enterprises in Korea: Appraisals of Korean Enterprise Unionism* (pp. 83-130). Seoul: Korea Labor Institute.
- Coe, N. M., Jones, K., & Ward, K. (2010). The business of temporary staffing: A developing research agenda. *Geography Compass*, 4(8), 1055-1068.
- Deakin, S. (2002). The evolution of the employment relationship. In P. Auer & B. Gazier (Eds.), *The Future of Work, Employment and Social Protection: The Dynamics of Change and the Protection of Workers* (pp. 191-205). Geneva: International Institute for Labour Studies.

- Dickens, L. (2004). Problems of fit: Changing employment and labour regulation. *British Journal of Industrial Relationships*, 42(4), 595-616.
- Frege, C. M., & Kelly, J. (2003). Union revitalization strategies in comparative perspective. *European Journal of Industrial Relations*, 9(1), 7-24.
- Gray, K. (2008). *Korean Workers and Neoliberal Globalization*. London and New York: Routledge.
- Hamann, K., & Lucio, M. M. (2003). Strategies of union revitalization in Spain: Negotiating change and fragmentation. *European Journal of Industrial Relations*, 9(1), 61-78.
- Healy, G., Heery, E., Taylor, P., & Brown, W. (Eds.) (2004). *The Future of Worker Representation*. Hampshire: Palgrave Macmillan.
- Heery, E., Conley, H., Delbridge, R., & Steward, P. (2000). Beyond the enterprise? Trade unions and the representation of contingent workers. *The ESRC Future of Work Programme Working Paper*. Cardiff: Cardiff Business School.
- Heery, E., Conley, H., Delbridge, R., & Steward, P. (2004). Beyond the enterprise: Trade union representation of freelancers in the UK. *Human Resource Management Journal*, 14(2), 20-35.
- International Labour Office (2003). *The Scope of the Employment Relationship*. (Report V of the 91st Session of the International Labour Conference). Geneva: ILO.
- International Labour Office (2006). *The Employment Relationship*. (Report V(1) of the 95th Session of the International Labour Conference). Geneva: ILO.
- Jin, S. K. (2012). The impact analysis on irregular workers' unions by supports of labor union with regular workers. *Korean Journal of Industrial Relations*, 22(3), 53-85. (in Korean)
- Kim, Y-S. (2018). The volume and status of non-standard employment: The outcome of the Economically Active Population Survey (August 2018) by the Ministry of Statistics. *KLSI Issue Paper*, no. 101. Seoul: Korea Labor and Society Institute. (in Korean)
- Korean Ministry of Employment and Labor (2010). *Survey Report on In-House Contracting Situations*. (Press Briefing Document, November 24), Seoul: Ministry of Employment and Labor. (in Korean)
- Korean Ministry of Employment and Labor (2019). *The National Labor Union Organizational Status*. Sejong: Ministry of Employment and Labor. (in Korean)
- Lee, B-H., & Frenkel, S. J. (2004). Divided workers; Social relations between contract and

- regular workers in a Korean auto company. *Work, Employment and Society*, 18(3), 507-530.
- Lee, B-H., & Yi, S. (2012). Organizational transformation towards industry unionism in South Korea. *Journal of Industrial Relations*, 54(4), 476-493.
- Lee, C., & Kuruvilla, S. (Eds.) (2006). *The Transformation of Industrial Relations in Large-size Enterprises in Korea: Appraisals of Korean Enterprise Unionism*. Seoul: Korea Labor Institute.
- Lee, J-W. (2011). The restructuring of labour in the automobile industry in South Korea. *Development and Change*, 42(5), 1241-1268.
- Lee, J-W. (2014). Labour contracting and changing employment relationships in South Korea. *Development Policy Review*, 32(4), 449-473.
- Liden, R. C., Wayne, S. J., Kraimer, M. L., & Sparrowe, R. T. (2003). The dual commitments of contingent workers: An examination of contingents' commitment to the agency and the organization. *Journal of Organizational Behavior*, 24(5), 609-625.
- Marchington, M., Rubery, J., & Cooke, F. L. (2004). Worker representation within and across organisational boundaries: A case study of worker voice in a multi-agency environment. In G. Healy et al. (Eds.), *The Future of Worker Representation* (pp. 82-102). Hampshire: Palgrave Macmillan.
- Marchington, M., Rubery, J., & Cooke, F. L. (2005). Prospects for worker voice across organizational boundaries. In M. Marchington et al. (Eds.), *Fragmenting Work: Blurring Organizational Boundaries and Disordering Hierarchies* (pp. 239-260). Oxford: Oxford University Press.
- Mather, C. (2004). *Contract/Agency Labour: A Threat to Our Social Standards*. Brussels: ICEM.
- Munro, A., & Rainbird, H. (2004). The workplace learning agenda - New opportunities for trade unions?. In G. Healy et al. (Eds.), *The Future of Worker Representation* (pp. 151-166). Hampshire: Palgrave Macmillan.
- Peck, J. (1996). *Work-Place: The Social Regulation of Labor Markets*. New York and London: The Guilford Press.
- Pulignano, V. (2005). Union responses to 'Multi-Enterprise' factories in the Italian motor industry. *Industrial Relations Journal*, 36(2), 157-173.
- Purcell, K., & Purcell, J. (1998). In-sourcing, outsourcing, and the growth of contingent

labour as evidence of flexible employment strategies. *European Journal of Work and Organizational Psychology*, 7(1), 39-59.

Van Eyck, K. (2003). Flexibilizing employment: An overview. *SEED Working Paper*, no. 41, Geneva: ILO.

Verma, A., Kochan, T. A., & Wood S. J. (2002). Union decline and prospects for revival: Editors' introduction. *British Journal of Industrial Relations*, 40(3), 373-384.

Yoo, H-G., & Jo, H-J. (2017). 'Becoming regular employees': A variation of the struggle and bargaining of irregular workers at Hyundai Motor company, 2003-2016. *Korean Journal of Labor Studies*, 23(1), 1-45. (in Korean).

국문초록

사내하도급과 노동자 권리의 제약 : 현대자동차 사례 연구

이종운

한신대학교 평화교육센터 센터장 / 부교수

사내하도급의 증가는 기업의 생산방식 및 작업조직의 변화와 함께 고용관계 전반에 영향을 미친다. 본고는 현대자동차 울산공장 사례를 통해서 사내하청이 주요 생산공정에 도입되면서 나타나는 작업장 변화를 고용관계와 노동자의 권리 측면에서 조사하였다. 또한 전통적인 양자 간의 고용관계와는 다른 원청기업과 하청업체의 관리적 통제를 받는 하청노동자의 고용에 따른 기회와 취약성을 파악하고, 사내하청에 내재된 고용관계의 모순적 본질을 분석하였다. 사내하도급을 통한 간접고용의 활용은 제한된 고용기간 및 차별적 임금, 근로조건에 더불어 양자간 고용관계에서 형성되었던 법적, 제도적 규제에서 벗어난 노동자 권리와 의무의 불명확성을 야기한다. 따라서 사내하도급이 도입된 작업장에서 비정규직 근로자들은 간접고용 및 분절된 고용체계, 노사관계로 인해 노동조합 가입과 권리 대변이 제약되는 구조적 문제에 처해있다. 본고는 사내하청의 활용과정에서 나타나는 노동조합 조직의 변화, 정규직 노조의 대응, 정규-비정규 근로자 간의 갈등구조에 대해 살펴보았다. 기업별 노조형태에서 비정규직 근로자가 직면하는 노조 참여의 어려움과 정규직-비정규직 노조의 협력 및 대립, 갈등문제를 구체적으로 밝히면서, 본고는 비정규직 노조 제약요건과 권리보호에는 다양한 작업장 행위자의 역할과 상호 간의 역학관계가 밀접히 연관되어 있음을 제시하였다.

주제어: 사내하도급, 고용관계, 기업별 노조, 비정규직 고용, 하청 노동자, 노동자 권리

