

Kindai Chosen no Koyo Shisutemu to Nihon: Seido no Ishoku to Seisei (Modern Korea's Employment System and Japan: Transplantation and Evolution into Institutions). By Sun Jae-Won. Tokyo: University of Tokyo Press, 2006. 190 pp., 5,800 Yen (hardcover).

Woo Jongwon

The convergence problem, which means institutions of employment in the developing countries would converge with those in the developed countries, is evoking considerable controversy around the world. One aspect to consider on this issue is that institutions should be understood as being embedded in the society. Hence the characteristics of each country's employment system are original.

For instance, the Korean wage system is a typical seniority system. As of the wage profile, it is a well known fact that in advanced countries most white-collar jobs has a wage raise system based on seniority and even blue-collar jobs would have seniority wage profile when getting promotion based on seniority. However, the Korean system is distinctive in that it is typically based on age and length of service, and it covers both blue-collar and white-collar workers equally.

Among advanced countries, only Japan has a wage system similar to that of Korea. The similarities between the two countries' employment systems would be the result of Japanese influences during the colonial period and/or Japanese influence on Korea's economic growth since the 1960s. However, there are differences between the two systems. While the seniority based wage system is linked to the long-term employment practice in Japan, the wage system based on seniority coexists with mobility of labor in Korea (Akira Ono 1989). The Japanese case shows that the internal labor market was established in the early time. On the contrary, the Korean case indicates that the formation of internal labor market was inefficient and delayed.

It is by no means an easy task to explain the universality and peculiarity of a country's employment system, but it is possible only through extensive historical research based on the socioeconomic viewpoint. Actually, there have not been such successful researches done to explain the reasons for the differences between the Japanese and Korean employment system. However, in *Kindai Chosen no Koyo Shisutemu to Nihon: Seido no Ishoku to Seisei* (Modern

Korea's Employment System and Japan: Transplantation and Evolution of Institutions), Sun Jae-Won provides an excellent introduction to the subject, which should be referred to for future investigation.

As stated in the preface "Tasks and Methods," the goal of the text is to verify whether the employment system of colonial Joseon had an organization-oriented characteristic like that of Japan. Since there is a limit to the existing economic analysis, Sun tries to solve this problem by focusing on institutions. But analyzing institutions causes another difficult problem. As shown in *Industrial Relations Systems* written by J. T. Dunlop (1958), the analysis of institutions is often premised on the stability of institutions. But there are many difficulties when analyzing the unstable institutions of colonial Joseon with this methodology. Therefore, Sun utilizes the methodology of Kazuro Saguchi (1991). That is, he analyzes institutions on the assumption that the thought of each actor of labor, management and government composing the employment system can differ from one another and this can cause the instability of the employment practice rules. He doesn't draw the formation of institutions lineally from actual conditions of the labor market but understands that the behavior of labor, management and government with their opposing ideologies had an influence on the structure of the labor market and ultimately formed unique institutions in colonial Joseon.

In Chapter I, Sun Jae-Won reveals that since World War I Korean workers strongly criticized the traditional thought of contempt for labor and pursued "self-reliance" through labor. "Self-reliance" means to realize that each worker is a man indispensable for a society and having ability to maintain such character. Chapter II explains that though Japanese managers and bureaucrats generally had a negative perception of "laziness, irresponsibility and blind follow" toward Korean workers, they thought these defects would be improved through education and discipline. Sun maintains that Japanese managers and bureaucrats who thought reasonable management would be possible through training Korean workers shared a modern view of labor with Korean workers who tried to realize self-reliance based on a new view of labor. On the basis of this shared recognition, the employment system in colonial Joseon could be formed since World War I. However, Sun argues that Japanese managers and bureaucrats considered Korean workers the objects of "assimilation" while Korean workers pursued "self-reliance." He asserts that their intentions were different and this discrepancy of ideology caused instability within the employment system.

In the next two chapters, Sun Jae-Won analyzes how the labor market was formed and changed in colonial Joseon. First of all, he pays attention to the fact

that the workforce in the secondary and tertiary industries gradually increased in spite of the importance of the primary industry. In the process, there was a rapid shift of population to cities and an interregional movement of population from the southern regions that had an oversupply of workforce to Gyeonggi and the northern industrial regions which had a rising demand for labor. He argues that during this period the nationwide labor market was formed in colonial Joseon, but the problem was that this labor market had a racially dual structure. Though the majority of the population was Korean, a lot of Japanese made inroads into the profitable labor market. These Japanese were distributed in the secondary and tertiary industries, the position of higher qualification, the group of higher age and the group of higher education. However, it is necessary to understand that this dual structure was not an absolute one. In the case of larger firms, labor conditions were not lower than those found in Japan. In the case of racial wage disparity, the differential partly reflected the level of education and the rank of job position. It is difficult to conclude that all the differentials were caused by racial discrimination. Above all, an important fact is that the original dual structure was slowly mitigated. It resulted from the relative importance of Korean workers in the heavy and chemical industries and the position of higher qualification. And it resulted from the policy of Japanese managers to replace Japanese higher wage workers with Korean lower wage workers. It also resulted from Korean workers' efforts to accumulate human capital through general education and in-house training. However, discrimination wasn't eradicated.

Chapter V clearly elucidates the characteristics of the then legal system, focusing on the controversy over the enactment of the factory law in colonial Joseon. According to Sun Jae-Won, the factory law's function was not only to protect the minority, such as underage persons and women, but also to prescribe that labor and management should be equal counterparts with same rights and obligations through the establishment of office regulations. The factory law in imperial homeland Japan basically showed the process of accomplishing such a function of modernization; however, the situation was different in colonial Joseon. Though the discussion about enacting the factory law began with the March 1 Movement, the Bureau of Police and the Bureau of Internal Affairs which emphasized social stability were in opposition to the Bureau of the Promotion of Industry which represented Japanese capitalists advancing into Joseon. Beginning in the mid-1930s when the colonial policy changed into a policy promoting together agriculture and industry, the Bureau of the Promotion of Industry's argument dominated. Consequently, the factory law was never

enacted and in 1939 when the war became serious, the discussion was completed with only restricting the working hours. The office regulations in colonial Joseon were never legally institutionalized. It means that Japanese managers and Korean workers were never established as legally equal counterparts.

The case study of Onoda Cement Co. illustrated in Chapter VI provides an excellent example of the institutions formed between Japanese managers and Korean workers through the work organization and the personnel system. The institutions established at the corporate level was the combined principles of universal “incentive” and the unique colonial “inequality.” Japanese managers applied the same rules of bonus, welfare, promotion and pay raise to Japanese workers and Korean workers alike. They intended to realize rational management by giving an appropriate incentive to Korean workers. However, Japanese managers discriminated against the Korean workers in two ways. First, the promotion of Korean workers to administrative and supervisory positions was prohibited. This was the result of maintaining a managerial policy of managing Korean workers by Japanese workers. Second, there was no open discussion about working conditions with Korean workers because Japanese managers didn’t recognize Korean workers as an equal counterpart. Such “inequality” caused labor disputes between the Korean workers and the Japanese management.

This book makes an important contribution to revealing the origin of Korea’s unique characteristics. Based upon the findings in this book, the formation of the wage system based on seniority in Korea resulted from the habitual practice of promotion and pay raise used by large corporations like Onoda Cement Co. during the colonial period. And the formation of the fluid labor market resulted from the behavior of Korean workers who tried to realize self-reliance through the mobility in the labor market escaping from the arbitrariness of Japanese managers.

One topic that attracts interest but is not fully examined by Sun is the relation between the “origin” and the “present situation.” Since 1945 when Korea was emancipated from Japan, Korean managers replaced Japanese ones and Korean bureaucrats replaced Japanese ones. The racial “inequality,” which caused Korean workers’ mobility, was basically eliminated. However, the mobility of labor was maintained throughout the era of economic growth. This means that further investigation on the factors of mobility is needed (Woo Jongwon 2007).

In the meantime, *Kindai Chosen no Koyo Shisutemu to Nihon* has made a meaningful contribution to finding and interpreting new facts, and among them

the discussion of the factory law during the colonial period is outstanding. Discussion about the labor policy during the colonial period and the labor law and policy after liberation will be tasks for future research, but Sun Jae-Won has provided us with an excellent starting point.

References

- Dunlop, J. T. 1958. *Industrial Relations Systems*. New York: Holt.
- Ono Akira. 1989. *Nihonteki Kōyō—kankō to Rōdō-shizyo* (Japanese-Style Employment Practices and Labor Market). Tokyo: Tōyō -Keizai-ShimBun-Sya.
- Saguchi Kazuro. 1991. *Nihon ni Okeru Sangyo-minsyusyugi no Zentei* (Precondition for Industrial Democracy in Japan). Tokyo: The University of Tokyo Press.
- Woo Jongwon. 2007. “Rōshi-kankei no Nikkan Hikaku” (A Comparative Study of Industrial Relations between Japan and Korea). *Shakai-seisaku Gakkai Shi* (The Journal of Social Policy and Labor Studies) 18 (coming soon).

(Woo Jongwon, Professor,
Faculty of Economics, Saitama University)

