

Chapter Three. Research Methods

3-1 Research Methods and Targets

Historical documentary is practice in the process of material gatherings while case studies are utilized in the analysis.

In-depth interview is used in the case study, which maybe useful to extravagate the truth out of cases. The proper use of exploratory research is also helpful as well. The present research depicts and analyzes events and activities of labor management of Korean enterprises.

Based on literature review and the case studies, the present research then arrives at several findings, conclusions and suggestions at the end, which may provide the reference for government and Korean enterprises in China, laying basis for the related research afterwards.

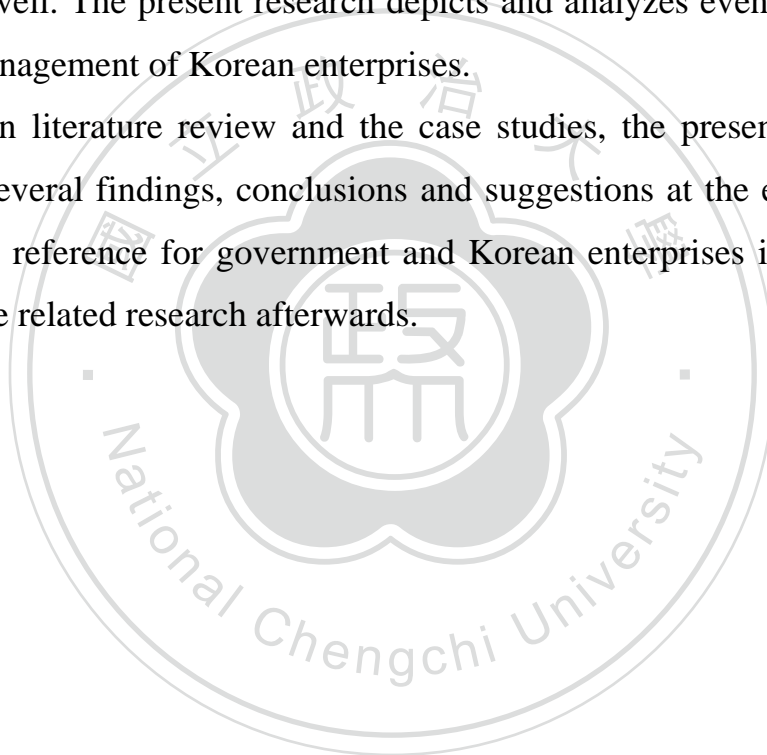


Table 3-1 Research Targets

classification		Name	Interviewee
Government organization (1)		Korea Trade Center in Qingdao	Chairman Yang, Jang-Seok
Non-governmental organization (2)		The Korean Chamber of Commerce in Qingdao	Vice President Kim, In-Cheol
Firm (6)	Manufaturing	large	JD METAL Personnel Manager La, Moon-Sung
		small	Dae dong Co., Ltd Chairman Kim, Dae-hwan
	IT	large	LG Digital Mobile Communications Co.,Ltd. Personnel Manager Wang, Xiao ying
		small	Topton Co., LTD Personnel Manager Lim, Young-Chul
	Service Industry	large	Kyoungbokkung Restaurant and Hotel. Vice President
		small	Seoljukmae Restaurant President Song, Kyung-Sun
Academia (1)		Qingdao University	International Business School Professor Xu, Yong hui
Chinese worker(1) Chinese worker (2)		current employee of a Korean enterprise (1) former employee of a Korean enterprise (2)	Undisclosed

Table 3-2 Policy on Trade and Investment Promotion in Chengyang District¹

Tax Policy	Foreign-funded enterprise income tax rate is 24%. Any productive foreign-invested enterprises scheduled to operate for a period no less than 10 years, from the year profitable, shall be exempted from enterprises income tax in the first and second year and allowed a 50% reduction from the third to the fifth year. Foreign invested enterprises with advanced technology will enjoy the 50% reduction of enterprises income tax for a further extended three years, upon the expiration of the legal period of reduction and exemption of enterprises income tax. The tax at the rate of 10% is to be levied if the favorable tax rate is below 10%. If the foreign investors are scheduled to operate for no less than five years, reinvest their profits obtained from their enterprises in setting up or expanding export-oriented enterprises or advanced technology enterprises, 40% of the enterprises income tax levied on reinvested amount shall be refunded. For foreign investor directly reinvest in setting up on expanding export-oriented enterprises or advanced amount shall be refunded. For foreign-invested enterprises purchasing domestic equipment within the projects' total investment, the value-added tax related to equipment shall be refunded and 40% of investment due to the equipment can be setoff from the increased amount of enterprise income tax computed from the previous year.
Land Policy	The duration of the assigned right to use state-owned land ranges from 50 to 70 years according to different usage of the land. With respect to the land for real estate, the assignment thereof shall be conducted through bid invitation or auction from the State. With respect to the land for projects in industrial development districts proved by the central and provincial government, the assignment shall be conducted through bid invitation, auction or quotation.
Policy for Talents	Favorable recruiting and retaining policies is been worked out to encourage talents from home and abroad to come to Chengyang, with favorable working and living conditions ready.

¹ 城陽區人民政府 <http://www.chengyang.gov.cn>

The fast development of the economy of main China brings about a huge increase in the minimum wage in Chengyang District, which heavily burdens the mid to small sized, labor-intensive Korean manufacturers. Data from the local government reveals that the minimum wage was 370 RMB in 2001, but more than doubled to 760 RMB in 2008 with sharp increase in recent years. In addition, the appreciation of Chinese currency also resulted a loss for Korean firms.

Table 3-3 Minimum Wage and the Rate of Increase (Unit: RMB)

Year	2001	2002	2005	2006	2008
Minimum Wage	370	410	530	610	760
Rate of Increase	-	10 · 8%	29 · 2%	15 · 1%	24 · 6%

Source: Qingdao Government

Chengyang District is nicknamed “Korea Town” for a large number of Korean inhabitants, with Korean population exceeding 30,000. Both the number of Korean firms and the accumulated invested amount top the region.

Table 3-4 Situations and Living Conditions for Korean in Chengyang (2007)²

Number of Korean	More than 30,000
Number of Korean Firms	2 · 803
Number of Korean Students (elementary school, junior high)	More than 500
Number of Korean Restaurants	About 270

² 資料來源：城陽區人民政府，<http://www.chengyang.gov.cn>

Others	Korean Hospital, Korean Cinema, Whole Class of Korean pupils
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Table 3-5 Facts of Chengyang District³ (June, 2006)

District	Chengyang, Qingdao
Administrative Level	District Level under Sub-provincial Government
Location	Bohai Sea Surrounding Area
Area (square kilometer)	553 · 2
Population	468,800 / 300,000 inhabitants
GDP (RMB)	40.08 bln
GDP per capita (2006, RMB)	16 , 200 RMB 6 , 800 (rural area)
Rate of Economic Growth	25 · 6%
Major Foreign Investor	Korean Firms
Foreign Manufacturers	2 , 803 (registered) , 1,763 in operation (2007)
Accumulated Foreign Invested Capital	About 2.29 bln USD (paid-in overseas investment , 2007) (0.2 bln in 2007, 235 projects)
Industrial Structure	electron , machinery 52% spinning , costuming 40% (majority are mid to small sized)
Export Processing Zones/Development Zone/ Tariff-Free Zone	24-hour customs clearance facilities processing factory with export licence proved in March 10 th , 2003
Major Firm	1 · LangChao LG Digital Mobile Communications Co.,Ltd. 2 · POSCO Steel

³資料來源： <http://www.qingdaonews.com/big5/node/node.7524.htm> ,
<http://www.chengyang.gov.cn/col6/article.html?id=9669>

Table 3-6 The History of South Korea Companies' Investing in Qingdao

Stage	Content
<p>Stage One</p> <p>Before the Establishment of Diplomatic Relations between South Korea & China</p> <p>(1989 ~August.1992)</p>	<ul style="list-style-type: none"> - In 1989, “Samyang Food, Co.,LTD” of South Korea and “Topton Co.,LTD” established factories, etc.,. - 71 South Korea merchants established factories during this period. - “China Chamber of International Commerce” was set up in order to promote the development of nongovernmental transactions.(“China Chamber of International Commerce, Qingdao Branch”) - Investing consisted of mostly minor enterprises. - The average investing amount ranged from around hundred thousand to three million. - Investing consisted of mostly labor intensive industries.
<p>Stage Two</p> <p>From the Establish of Diplomatic Relations between South Korea & China to Asia Financial Crisis</p> <p>(1992 ~1996)</p>	<ul style="list-style-type: none"> - 846 South Korea merchants established factories during this period. - Investing contracts of 1.54 billion US dollar. - Stable developing of South Korea merchants. - South Korea’s cloth firms began to invest. Investing amount of more than 10 companies was up to 90 million US dollar. - Toy, electronic, shoemaking and plastic industries began to invest. - Capital and technology intensive industries began to invest. - Most South Korea merchants were running in good shape.
<p>Stage Three</p> <p>During the Asia Financial Crisis Period</p> <p>(Beginning of 1997 ~End of 1998)</p>	<ul style="list-style-type: none"> - Great economic recession of South Korea from 1997. - Both investing amount and numbers of companies decreased dramatically - The number of investing company is 1209, which accounted for 54% of the whole Qingdao city. - Investing contracts of 1.28 billion US dollar.
<p>Stage Four</p>	<ul style="list-style-type: none"> - South Korea economy recovered rapidly. - Companies started to invest abroad actively.

<p>The Recovery Period after Asia Financial Crisis</p> <p>(Beginning of 1999 ~2007)</p>	<ul style="list-style-type: none"> - The number of investing company of 1999 was 72.6% more than that of 1998. - After 2003, the investing amount in Jiangsu Province overtook that in Shandong Province. - Service industry increased, and some companies opened the domestic market of China. - The remuneration of labor increased rapidly, and labor intensive industries began to withdraw.
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(Resource: Kim, Sung-Hun , **Merchants Weekly** , December. 2003)



3-3 Process of Research and Framework of Analysis

The range of research is determined, followed by a comparison between relevant researches conducted by Korea, mainland China and Taiwan. Materials regarding human resources management and localization of mid to small sized Taiwanese enterprises are also collected.

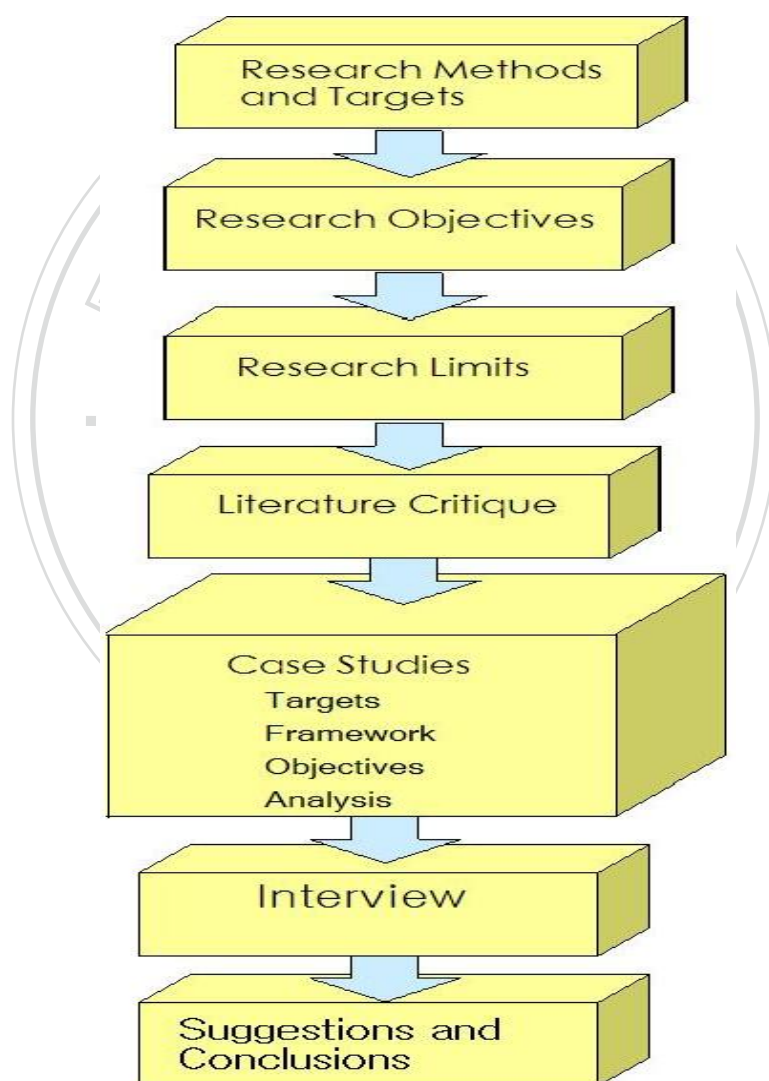


Figure 3-2 Process of Research

The paper strives to utilize theories, conduct interview to Korean enterprises, governmental and non-governmental bodies, in order to illustrate the situation and problem of labor management in Chengyang district. Degree of trust and compensation are then added in to contribute to the operations in the personnel management. In addition, the type and scale of Korean enterprises are also taken into considerations.

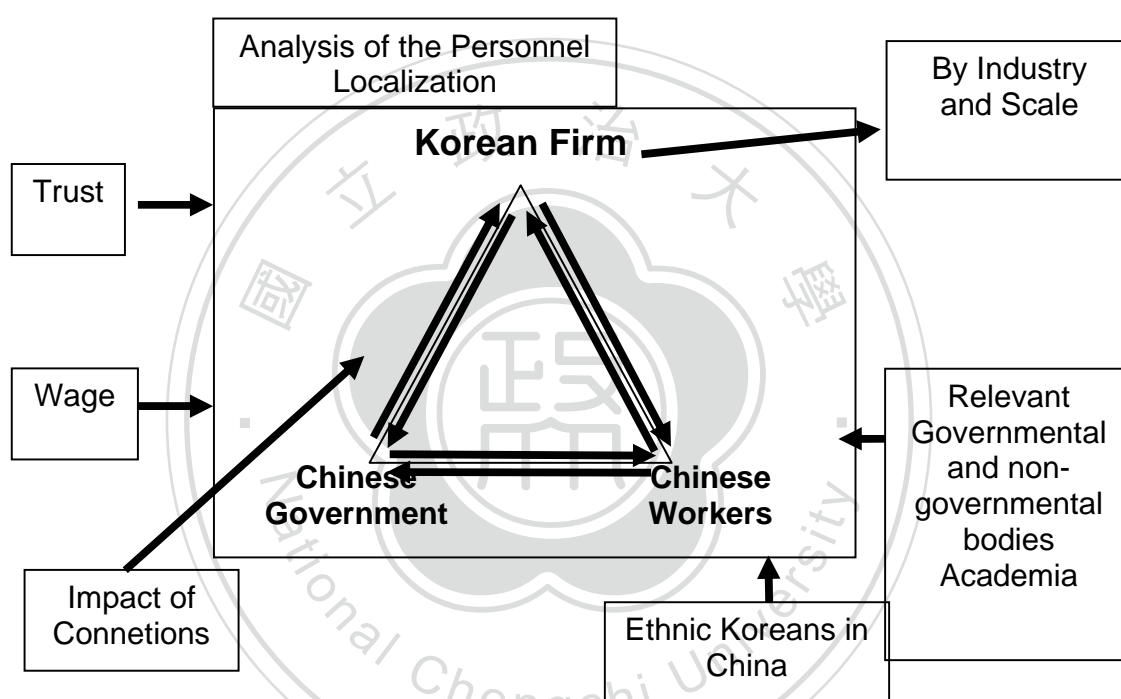


Figure 3-3 Framework of Analysis

Framework of analysis reveals that the labor management involves not only Koreans, but Chinese government and the Chinese workers as well. It is, therefore, important to consider other factors when conducting the research. In particular, those ethnic Koreans in China play a critical role in the labor management for the sake that they assumed the position as translators and managers in the firm. Compensation packages of ethnic Koreans are way higher

than ordinary Chinese workers, in which research is conducted. The impact of connections between the Chinese government and the Korean enterprises are also parts of the investigation. Apart from those mentioned above, the paper tries to analyze judgments of local Korean government, non-governmental bodies, and academia from an objective angle.

Having said that, we propose the following assumptions to guide the field work and in-depth interview:

The first assumption: the disparity in hierarchy and salary between Korean and Chinese workers affects localization of talents in Korean companies

The second assumption: the trust between companies and work forces differs across industries and scale

The third assumption: the interaction among Korean companies, Chinese government and the work force would draw great influence to the labor management in Korean companies.

