

Vogel, Ezra F. and Lindaur, David L.

- 1989 "Towards a Social Compact for South Korean Labour."  
Paper presented at the Harvard Institute for International  
Development (November).

Yamamoto, Kiyoshi

- 1981 *Industrial Relations of the Motor Industry*. Tokyo: Tokyo  
University Press.

Yoo Sangjin and Lee Sang M.

- 1987 "Management Style and Practice of Korean Chaebols." In  
*California Management Review*, 20/4.

## THE RECENT DEVELOPMENT OF LABOUR RELATIONS IN KOREA AND THEIR IMPLICATIONS FOR INTERNATIONAL INVESTORS

WON CHONG-KEUN

### Introduction

Although the history of Korea's labour relations goes back to the early 20th century, the nation's real labour movement, a movement directed by workers for workers, only began to appear after 29 June 1987. This was the date of a package of democratic political reforms, dramatically announced under the pressure of severe civil unrest against Chun Doo Hwan's [Chŏn Tuhwan's] oppressive regime. Prior to 1987, labour relations had been deliberately restricted, ostensibly to achieve the goal of economic development through the maintenance of artificially low labour costs and enforced workplace peace.

The pronouncement of liberalisation on 29 June marked a real and sensible milestone in the labour movement. Since then, every aspect of labour relations has begun to change. Unprecedented disputes and strikes have taken place in virtually all workplaces, reflecting the fact that the pronouncement gave labour movements tremendous momentum in their organisation and collective

bargaining roles. Real wages soared as new union movements formed outside the established government-controlled structure. Many major international investors were concerned by this rapid, explosive and radical change, but inside South Korea, liberalisation threw open many active debates about industrial democracy.

The purpose of my paper is to describe the recent developments and to consider the causes of labour unrest. First I will discuss the characteristics of South Korea's labour relations before 1987. The final section of the paper addresses future tasks and draws some implications applicable for international investors.

#### Labour relations prior to 29 June 1987

South Korea's labour relations before 1987 were oppressive and authoritarian. Under the government's system there were few disturbances, and any strikes which occurred were subject to strict control by the government. Unions were closely regulated under a law whose regulations were neither consistently nor impartially applied. Labour relations were not facilitated by natural operations within markets, but the state was always dominant. The main purpose of government intervention was to advance its own substantive goals, namely to hold down labour costs and maintain labour peace.<sup>1</sup>

South Korea has long been an anti-communist developmentalist nation where the government has given pre-eminence to two substantive goals—national security and economic growth.<sup>2</sup> These goals have been regarded as given imperatives by both government and the general

public. All public, business and private activities have had to comply with these two goals. Otherwise, legitimacy was not achieved, and rigid government control was applied. Labour relations were no exception. To assure security and economic growth, according to the government, labour peace must be maintained regardless of sacrifice. Labour disturbances were consequently regarded as a threat to national security, as the enemy of sustained growth.

Under the military regimes of Park Chung Hee [Pak Chŏnghŭi] and his successor, Chun Doo Hwan, union activities were tightly scrutinized. When Park became president in 1961, he dissolved all existing labour unions and substituted a single national union, the *Han'guk noch'ong* (FKTU: Federation of Korean Trade Unions). This was wholly controlled by the government and staffed, particularly at its highest levels, by bureaucrats. Many so-called "labour nobles" were produced, some of whom rose to become cabinet members.

In 1972 Park created a new constitution which banned future elections and restricted virtually all political activities against him. All strikes were prohibited and the unions, which previously had had some room to manoeuvre, were supervised more strictly. Unions were required to secure government approval prior to engaging in collective negotiations. If any disputes arose, the government automatically intervened to settle them, and the government's decision was final and legally binding.

In April 1980 Chun tightened the control still further. He prohibited all third parties—not only student, religious and other organisations, but also leaders from other labour federations or regions—from interfering in any given labour negotiation. Unions were deprived of all backup and became mere puppet organisations. They offered cosmetic

representation to labourers and ensured that control would remain firmly in the hands of management.<sup>3</sup> Collective bargaining disappeared; the government's objective to control and to minimize the growth of any political opposition base was easily attained.

South Korean management was, in general, pleased with this oppressive scheme. Management enjoyed the privilege of demanding high quality but low paid workers who would work long hours without any serious protest. If there were disputes, management left action to government agents who could arrest or physically intimidate any workers who disrupted the workplace. Labour disputes were not perceived as business matters, but as potentially destabilising activities against the government. Thus, police and security agents pressured workers heavily to facilitate rapid settlements of disputes which invariably involved substantial workers' concessions.

Throughout the 1970s and 1980s many South Korean government and business leaders believed low wage costs were an important source of international competitiveness. Holding down labour costs implied more than wages, but also limited recruitment, training, administration, benefits and other expenses. Little attention was given to providing a safe, healthy and pleasant workplace. Rather, the aim was to increase productivity and to ensure maximum management flexibility in the deployment of workers. As a result, the rate of industrial injuries and fatalities has been extraordinarily high. The worker fatality rate at the end of 1987 was more than four times that of the United States and about nine times that of Japan.<sup>4</sup>

It is remarkable that Korean workers, under this repression, worked so hard and effectively. They spent an average in excess of the officially reported 50 hours weekly,

even in the 1980s. The work week was far longer than that of any other industrial country.<sup>5</sup> The work ethic was well disciplined. The traditional values have been kept since 1987, so that it remains perceived as desirable to be subservient to, and not to overly complain against, their employers.

Given this authoritative oppression, the few labour disturbances that did break out were largely wildcat strikes. They were often sparked by some incident such as the failure of management to pay wages, the sudden closure of a plant, or the efforts of management to create a rival union. Such events meant strikes erupted spontaneously. Since they occurred without the long period of cooling off and the mandatory arbitration officially and legally required, such strikes were regarded as technically illegal. So, management could without further consideration call in the police to restore order. Many strikers were women who expected to retire from the work force at an earlier age than their male colleagues and who therefore had less reason to worry about possible blacklisting.<sup>6</sup>

#### **Labour movements after the 1987 democratic political reforms**

The demonstrations by students, labourers and the general public during the spring and summer of 1987 were so severe that they put heavy pressure on Chun to allow free elections and to begin talks on democratic constitutional reform. Faced with them, the government had no choice but to accept demonstrators' demands. Roh Tae-Woo [No T'ae-u], the presidential candidate designated by Chun, suddenly announced on 29 June 1987 that the government would

permit direct elections and would allow significant liberalisation. This pronouncement brought about profound shifts in every facet of South Korea's political, economic and social relations. It also signalled the end of the old system of Korean industrial relations—representation from above.<sup>7</sup>

Since then, labour relations have begun to fundamentally change. The most striking feature is the increase in violent labour disputes. These affect private industry, but also the public sector, where workers at the Seoul subway system, Korea Broadcasting System and the national railroad have all struck. Such action was unimaginable before 1987. From 1987 to 1990, more than nine times the number of labour disputes occurred than in the previous six years. Once it became clear that the government would adopt a less interventionist policy, long suppressed labour grievances started to explode. South Korean society as a whole was not well prepared to meet this new radical challenge. Management in particular, long protected by the government, was not prepared to foster proper industrial relations and could not easily recognize and adjust to the turbulent changes in the framework of industrial relations.<sup>8</sup>

What are the main features of the developments since 1987? One striking feature is that union organisation activities have greatly expanded. From July 1987 to December 1989 the number of union establishments increased from 2,725 to 7,883. The total size of membership increased from 1.05 million to 1.93 million workers. Union activity has been most prominent in large companies such as the heavy manufacturing sector. (This comprises automobile, shipbuilding, metal and machinery manufacturing). The non-manufacturing sector—for example, hospitals, banking and financial institutions—also positively participated, so the labour movement quickly

spread to clerical and professional workers. School teachers even attempted to organise a union in 1989. This is still forbidden by current laws, and led to a serious confrontation with the government. More than 1,500 teachers who were pro-union were discharged from their jobs. Many were jailed and, in support, a small number of students attempted to commit suicide by jumping from school buildings.

In the midst of the tensions between labour and management new unions tended to become more radical. They regarded the government-sponsored FKTU as too conservative, too corrupt, too self-centred and too much under non-labour control. Naturally, some unions under the FKTU umbrella lost their confidence and, in the eyes of workers, their credibility. A new leadership has emerged. And a new labour council, the *Chōnnohyōp* (National Council of Trade Unions), with neither official recognition nor a united policy, has acquired considerable support and vitality.<sup>9</sup>

Labour disputes reached a new high. In the months that followed the 29 June declaration unrest spread quickly. 3,749 strikes occurred during the latter half of 1987, 3,250 of them in the two months of August and September. In 1988, labour disputes declined, and 1,873 strikes were recorded. In 1989, 1,616 strikes occurred. One thing of note is that recent labour disputes suggest gradual stabilisation: for the first eight months of 1990 there were only 291 reported cases.

Wages and reductions in working hours have been the most common issues in disputes. Wages have consequently risen significantly, as Table I shows. Rises have been most substantial in the manufacturing sector where the labour movement has been most violent and explosive.

Manufacturing wages rose 19.6% in 1988 and 25.1% in 1989. Rises were greatest in large companies. In this way, the wage gap between blue and white collar workers has been vastly reduced.<sup>10</sup>

**TABLE I**

Year	All Industries	Manufacturing	Real Wages (All Industries)
1987	10.1%	11.6%	6.9%
1988	15.5%	19.6%	7.8%
1989	21.1%	25.1%	14.5%
1987-89	54.0%	67.0%	31.9%

Source: Ministry of Labour, *Monthly Labour Statistics*.

What are the major underlying causes of such serious disputes, and what made workers so angry? Vogel and Lindauer list several factors as essential causes: excessive prolongation of an unpopular authoritarian system of labour relations; outrage at disrespectful treatment by superiors; an acute sense of relative deprivation; the perception that the rich acquired their wealth by illegitimate means.<sup>11</sup> In a sense, labour disputes and strikes now are the cost of earlier repression.

#### **Future Tasks and Implications for International Investors**

Since 1987, South Korea has undergone a painful period of labour relations. However, if we look at the experience of other nations, we can find similar explosive

uprisings in comparable industrialisation processes—1880s England, the 1900s in America and Germany, the 1910s in France and Italy and the five years following world war II in Japan. These periods mark a particular stage in the level of industrialisation and industrial structure, and the size of the organised workforce. In this sense, Korea's experience is not unique.<sup>12</sup>

South Korea is currently undergoing a transition from a historically repressive system of control to a more liberalised and mature approach to industrial relations. Current labour unrests are the growing pains on the way towards reconciliation.<sup>13</sup> Although Korea has far to go, the important thing is that it has already started to move to assume the mantle of a democratic political, economic, and social system. The most important current task is to get rid of distrust between management, labour and government and and replace it with mutual trust. For this, principles of law, and abiding by the law, should be established. The government must be neutral. An accepted corollary of this is that all people, regardless of wealth, sex, or status, are equal under the law. The role of government is only to uphold the rules by granting recognition to whatever outcome is reached by following the procedures laid down for the contest between labour and management.<sup>14</sup>

In other areas, the government should endeavour to fairly distribute the nation's income and wealth. Various measures including land regulation, housing programmes and tax reform could engineer the redressing of justice in order to reduce the sense of relative deprivation felt by workers. Management need to develop a new conceptual framework of industrial relations. The old repressive style of labour control no longer functions. Learning to live with unions may be difficult, but management should try to

motivate unions and workers to participate more positively in the production process.

Labour unions also have a part to play. They should be democratic in structure and independent of external influence. They must build up trust among their members to restore confidence and union credibility. They must also learn to live with management and accept compromises. They must base their interventions on economic rationality. And, in their efforts to realize a fair distribution of wealth, they need to develop more broad, macro-level perspectives of the South Korean market.<sup>15</sup>

#### NOTES

<sup>1</sup> Rogers, R. A., "An exclusionary labor regime under pressure: the changes in labor relations in the Republic of Korea since mid-1987," in *UCLA Pacific Basin Law Journal*, 8/1 (Spring 1990), pp 91-92.

<sup>2</sup> *op cit* p.97.

<sup>3</sup> Vogel, E. F. and D. L. Lindauer, *Toward a Social Contract for South Korean Labor. Development Discussion Paper 317* (Cambridge, Mass., Institute of International Affairs, Harvard University), 1989, p.13.

<sup>4</sup> Rogers *op cit*, pp.97-98.

<sup>5</sup> Vogel and Lindauer *op cit*, p.8.

<sup>6</sup> *op cit*, pp.13-14.

<sup>7</sup> Rauenhorst, A. M., "Industrial relations in Korea: the backdrop to the current drama," *Comparative Labor Law Journal* 11 (1990), p.317.

<sup>8</sup> Park, Fun-Koo, "Recent development and emerging issues in Korea's industrial relations," paper presented at the Korea

Development Institute/East West Centre Joint conference, Seoul, 8-9 December 1989.

<sup>9</sup> Vogel and Lindauer *op cit*, p.23.

<sup>10</sup> Vogel and Lindauer *op cit*, p.23.

<sup>11</sup> Vogel and Lindauer *op cit*, pp.26-30.

<sup>12</sup> Park *op cit*, pp.2-3.

<sup>13</sup> Vogel and Lindauer *op cit*, p.2.

<sup>14</sup> Rogers *op cit*, p.96 and p.129.

<sup>15</sup> Park *op cit*, p.24.