

THE BEGINNING OF A NEW ERA IN LABOR RELATIONS

Reform for the Future

On April 24, 1996, South Korean President Kim Young Sam announced his "vision of new labor-management relations," something which he felt was needed for Korea to become a leading nation in the 21st century. At the core of this new vision was transforming the formerly antagonistic labor-management relations into a partnership characterized by joint participation and cooperation. To help gain the general public's backing of this reform effort, a "Labor-Management Reform Committee" was established on May 9, comprised of representatives from both labor and management, scholars, and various other leading individuals.

After examining why this vision of new labor-management relations is needed given the present state of affairs, I will then take a look at the basic direction of the new vision and also how labor-related regulations will be revised.

Perpetual Conflict

Up through the mid-1980s, Korean economic development was very authoritarian in nature. Organized labor had begun to develop; however, its activities were extremely weak and minimal. The Government had chosen to adopt an export-oriented industrialization policy and made every effort to prevent labor movement-induced production stoppages and rapid wage hikes.

However, with the Government's Declaration of Political Reforms on June 29, 1987, the labor movement became freed from its shackles, and soon, labor disputes broke out all throughout the country. Until then, the number of labor disputes

had averaged about 200 a year, but in 1987, this total exploded to reach 3,749. In the course of this, many new labor unions formed. As a result, workers' rights, which had been so trampled upon in the past, improved considerably, and labor-management relations began to be undertaken on an equal footing. Recognition of workers' rights was greatly heightened, and wages also increased rapidly. This combined with the economic prosperity of the times led nominal wages to double in 4 or 5 years.

At this time, a struggle broke out in the labor movement between two groups: a Federation of Korean Trade Unions (FKTU)-centered faction and a grassroots or non-mainstream faction. The newer grassroots movement criticized the FKTU for having once been the Government's lackeys, and claimed the FKTU did not accurately present current workers' demands. The grassroots movement's labor union activities were much more politicized; they organized strikes at a number of the larger companies and at times, engaged in extremely radical and violent struggles.

In November 1995, this grassroots movement formed the Korean Confederation of Trade Unions (KCTU), although this organization has not been recognized legally under existing labor regulations which do not allow multiple labor organizations. Out of the 1.65 million labor union workers, 400,000 of them are member of the KCTU. Most of them, though, are concentrated in the shipbuilding, automobile, and other core industries, so their actual influence and reach extend beyond their numbers would indicate.

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continued to drop since 1987, and in 1995, the total fell to the double digits, or 88.

However, there are still many problems in the current labor relations. Perhaps foremost among these are structural or institutional problems. The present labor-management relations system developed mainly during the past development-centered authoritarian period, and is becoming increasingly inadequate in this age of information and globalization.

In particular, mutual distrust between labor and management persists. They are still unable to progress toward an open management or rational and democratic labor movement. Instead, they are locked into conflicts over the distribution of wealth. Management claims that as a result of the labor movement's politicized activities, its excessive or unreasonable demands, and indiscriminate use of the right to strike, order in the workplace has been lost and a proper work ethic no longer exists. On the other hand, the labor unions claim that the existing business and labor management practices are antiquated. They say that while management claims to desire cooperation with labor, it still refuses to share administrative information and allow labor participation in administration, an attitude which they say must first be changed. Thus even on the issue of who is to blame for the present state of confrontation, they are taking opposite positions.

How Korea will fare in the age of information marked by borderless competition will largely be dependent on the quality and quantity of its human resources, the source of a nation's competitiveness. Accordingly, the present Administration has come to the realization that changing the presently confrontational relationship between labor and management to one of participation and cooperation is a matter of national importance which will decide our future.

The New Direction

There are five basic principles entailed in the Government's vision of new labor-management relations.

The first is "maximizing the common good." This does not mean a distribution-based equality with both sides trying to maximize their individual shares, but rather that the two sides should strive to maximize their common share and common good.

The second is "participation and cooperation." In order for labor and management to come together and maximize productivity and worker satisfaction, clear and open management is needed. To invite the spontaneous participation of workers, an open management system needs to be realized where management and labor candidly share information on administration, technology, labor, and all other areas, and where labor has a bigger say in the decision-making process.

The third is "self-control and responsibility." The new labor-management relations should be characterized by self-regulation and autonomy; all problems and issues should be resolved through discussion and cooperation between the two sides and self-enforced.

The fourth is "emphasis on education and human dignity." The new vision emphasizes heavy investment in people to raise their levels of intelligence, information, technological skill, and ability as a core strategy in promoting the joint development of both labor and management. It is geared towards establishing an labor-management atmosphere which respects human beings and their abilities. Developing superior human resources through education and training will create a work atmosphere allowing individuals to focus on their work with new intensity, which will boost a company's competitiveness. Therefore, the mode of labor relations must be transformed from the current collective bargaining centering

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around determining wages to a human resource development-oriented one centering around education and training.

The fifth principle is the "globalization of institutions and attitudes." The excessively rigid and restrictive regulations and systems which arose in the course of industrialization and modernization must be made more flexible and elastic in this age of globalization. The new vision stresses that our attitudes and culture cannot remain overly bound to past practices or vested interest, and must also be globalized.

The Birth of the Labor-Management Reform Committee

If reform of labor-management relations is to occur based on these principles, then sweeping changes must take place in the attitudes, behavior, culture and systems of all related parties. It is clear that this reform will not be an easy process and will require a tremendous burden on the part of both sides, since it could lead to further conflict between labor and management or between labor groups, and will also require them to yield some of their vested interests.

It is for this reason that the "Labor-Management Reform Committee" was established. An advisory organ to the President, the Committee consists of a total of thirty members: five each from labor and management; ten from academia; and ten representing the public interest, coming from journalism, the religious community, the legal sector, women's groups, and other social organizations.

The Committee will make its decisions according to the majority opinion of the members present. In areas where the labor and management representatives cannot reach a consensus, the decision will then largely fall into the hands of the committee members representing the public interest and the academic community.

The Committee will begin by holding a giant open forum to gather various views and try to extract a public consensus on ways of globalizing management, improving the labor movement, and refining the general attitudes, practices, systems and atmosphere of labor-management relations. Based on this, they will try to formulate an overall policy direction for the development of better relations.

Revision of the Labor Law

Related to the vision of new labor-management relations is the revision of the Labor Law, which is the biggest issue facing the upcoming extended session of the National Assembly. The Government's basic position on the matter is to take a "give-and-take" attitude toward the legal revisions.

According to the regulations in Article 3 of the Labor Law, labor organizations whose targeted membership already has a labor organization or whose objective is to interfere with the normal operation of an existing labor organization are not legally recognized. Labor's position is that this clause restricts workers' right to organize and is extremely problematic. For example, in the case of the existing FKTU and the KCTU, an organization which clearly cannot be ignored (the KCTU) is not legally recognized. On the other hand, the firms claim that if this item is abolished, the grassroots labor faction will gain strength, and struggles over who truly represents labor will cause labor-management relations to become even more complicated. In particular, they believe that if multiple unions are allowed at the company level, this could lead to a host of problems. Therefore, it seems likely that the Government will suggest that multiple labor organizations only on a larger scale.

Article 12 of the Labor Law prevents third-party invention in labor union affairs except for members of corresponding labor union or related mem-

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bers of the recognized parent or larger-scale labor organizations. The original intent of this passage was to preclude the participation of fringe or non-mainstream members of the labor movement from labor union activities. However, since industry-level organizations are not viewed as third parties under current regulations and the KCTU is mainly made up on non-mainstream members, should multiple labor organizations be permitted and the KCTU become legally recognized, the ban on third party invention would become meaningless. Therefore, what management is really worrying about is the spillover effect of not the removal of the ban on third party intervention but the permitting of multiple labor organizations.

Also under Article 12 of the current Labor Law, labor unions are banned from backing a specific political party or running a specific candidate, and are not allowed to collect political funds as an organization. In addition to this provision in the Labor Law, there are items in the Political Funding Law and 7 or 8 others which restrict the political activities of labor unions. Therefore, even if Article 12 of the Labor Law were deleted, there is no guarantee that unions would be able to become politically active. It seems that the Government feels that completely removing all restrictions on labor unions' political activities would have too many negative consequences and deleting Article 12 is sufficient for now. However, labor is strongly pressing its demands for political freedom and it remains unclear as to how this issue will be settled.


Under the current labor regulations, workers working overtime, at nighttime, or on holidays, are paid an additional 50% beyond their normal wages, which is much higher than the standards of the advanced countries and the International Labor Organization (ILO) standard (25%). In addition, the Labor Law provides for monthly paid-leave and paid menstruation leave, practices which are not found in the advanced economies. Thus, the Labor Law provides for workers to an excessive degree in some areas, and the Government's intent to adjust

some of the provisions to reasonable standards in line with international practices.

In addition, in an effort to increase flexibility in management, the Government is considering the adoption of an adjustable work hour system, under which, for certain days or weeks, employers will be able to go beyond the normal legal limit on working hours. Beyond that, the Government is also examining the possibility of adopting a dispatch/subcontracting employment system, under which workers for one firm can be hired out to another firm for certain intervals.

The Outlook

Both labor and management generally welcome the basic outline of the vision of new labor-management relations. However, their positions are entirely opposite from each other when it comes to the revision of the Labor Law, something which is crucial to materialization of this vision. Management is against a comprehensive revision of the Labor Law, but is urgently pressing for adjusting the legal working hours and the adoption of the dispatch/subcontracting employment system. In contrast, labor is actively pushing for a comprehensive revision of the Labor Law, while being adamantly opposed to changes in working-hour regulations.

It is clear that whether or not the fundamentally positions of labor and management concerning the Labor Law can be harmonized so that the revision can proceed smoothly will ultimately determine the success or failure of this effort to reform labor-management relations. If both sides continue to maintain their present practice of firmly holding on to their vested interests while calling for the other side to yield as they are on the Labor Law revision issue, then the future of this reform of labor-management relations is indeed dim. 

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