

# LABOR-MANAGEMENT RELATIONS: CURRENT SITUATION AND PROSPECTS

Sung-Joon Choi  
(choice@hri.co.kr)

Conflicts between labor and management have continued due to the ongoing economic slump and instability in employment. Concerns of an impending recession have been widespread since the beginning of the year, and declines have been seen in various economic indicators such as production, consumption, and investment. Under such conditions, Korean companies are trying to cope by dismissing employees and implementing “ continual restructuring ”. In addition, the government ’ s four-sector reforms have brought employment instability and labor conflicts as side-effects.

*Conflicts between labor and management have continued due to the ongoing economic slump and instability in employment.*

**Table 1. Losses from Labor Disputes**

(units : cases, persons, days)

	1998	1999	2000
<b>Labor Disputes</b>	129	198	250
<b>Persons Involved</b>	146,100	92,000	178,000
<b>Lost Working Days</b>	1,452,100	1,366,300	1,893,600
<b>Average Dispute Duration</b>	26.1	19.2	30.0

Source: Ministry of Labor

## Banning wage payments to full-time union officials & permission for plural unions

The tripartite commission of labor, management, and government recently decided to ban wage payments to full-time union officials and allow more than one union to exist in a company. Although the two issues were to apply from 2002, the tripartite commission decided to delay their application to 2006.

The delay brought sharply contrasting responses from different groups. While the Federation of Korean Trade Unions (FKTU) gave a positive response to continued wage payments for full-time union officials, the Korean Confederation of Trade Unions (KCTU) reacted negatively because permission for multiple unions was essentially approval of the KCTU ’ s existence. Meanwhile, the Korea Employers Federation expressed disapproval since companies will have to continue paying full-

*The tripartite commission recently decided to ban wage payments to full-time union officials and allow more than one union to exist in a company.*

time union officials for the time being. However, the implementation delay was meaningful because it resulted from an independent decision by the tripartite commission, and the delay helped relieve the tense situation to some extent.

The delay of the law to ban wage payments to full-time union officials is expected to influence labor activity. At present, as 87% of labor unions have less than 300 members, it is likely that the labor activity will be strengthened by the delay.

*International pressure from organizations such as the ILO to allow multiple unions is expected to increase.*

Meanwhile, the delay of permission for multiple unions to exist may help unify and increase the bargaining power of labor. However, the delay prevents irregular workers from organizing, and also prevents the formation of unions in workplaces with poor conditions. In addition, international pressure from organizations such as the ILO to allow multiple unions is expected to increase, and Korea, as a member of the OECD, would be placed in a difficult situation.

**Table 2. Causes of Labor Disputes**

	(units : cases, %)		
	1998	1999	2000
<b>Total</b>	129(100.0)	198(100.0)	250(100.0)
<b>Overdue wages</b>	23(17.8)	22(11.1)	7(1.6)
<b>Wage increase</b>	28(21.7)	40(20.2)	47(18.8)
<b>Dismissal</b>	3(2.3)	-	2(0.8)
<b>Collective bargaining</b>	57(44.2)	89(44.9)	167(66.8)
<b>Other</b>	10(7.8)	47(23.7)	27(10.8)

Source: Ministry of Labor

### **Labor restructuring and employment instability**

*Labor groups and the government have disagreed regarding public sector reform and its methodology.*

Labor groups and the government have disagreed regarding public sector reform and its methodology. The privatization of public enterprises in areas such as electricity, railways, and telecommunication was the focus of labor-management debates last year, which still remain unsettled. In the financial sector, the merger between Kookmin Bank and Housing and Commercial Bank marked the beginning of restructuring, but a potential three-way conflict between labor, management, and government still remains because of the unresolved issue of manpower cuts.

Labor unions are unhappy with the restructuring methods of big businesses. While the government is pushing for drastic reform and pressuring corporations to improve competitiveness, companies insist on pursuing their usual restructuring methods. Because layoffs will result in long term unemployment in a system where

labor market flexibility is not fully established and an economic downturn continues, labor unions flatly refuse restructuring programs to protect their right to livelihood. The recent layoffs at Daewoo Motors were typical of massive enforced layoffs. The labor unions withdrew their strike but intensified their struggle against the government.

It is expected that the unrest associated with labor restructuring will increase in the near future due to stagnant business conditions and continued corporate restructuring. In Korean companies, massive layoffs, which are usually the last step of restructuring elsewhere, are typically the first step, so labor-management conflicts are expected to increase. Labor restructuring will also be a difficult factor for companies undergoing liquidation, M&A, disposal, or outsourcing.

*In Korean companies, massive layoffs, which are usually the last step of restructuring elsewhere, are typically the first step.*

### Reduction of working hours

On the question of working hour reduction, as on other questions, labor and management have opposing positions. Although a movement to introduce a five day workweek is gaining clout, each party is sticking to its own opinion. Labor unions demand reduction of working hours without modification of working conditions, while employers insist on pay cuts along with the abolition of some holidays.

The issue of reducing working hours should be discussed in the perspective of shared work. Employers are currently avoiding the issue on the pretext of the economic downturn. For a reduction of working hours, key issues such as paid holidays, hourly wages, and overtime payment will have to be settled first. The issue of work sharing between employees should be dealt with later. **VIP**

*The issue of reducing working hours should be discussed in the perspective of shared work.*

Table 3. Wage Negotiation Trends (March 2001)

(units : cases, %)

	Workplaces	Workplaces with concluded wage negotiations	Agreed wage change	
			Real wage	Nominal wage
<b>Total</b>	5097	4539	2.1	2.0
<b>Private sector</b>	4955	4457	2.2	2.2
<b>Public sector</b>	142	82	- 0.5	- 0.2
<b>Monopoly</b>	182	154	2.3	1.9

Source: Ministry of Labor