

# Approaching the 21st Century: Perspectives on Korean Industrial Relations

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## Abstract

*This paper argues that the future direction for the development of Korean industrial relations will evolve through direct interaction between employers and trade unions (either conflictual or cooperative). The government is likely to play a less interventionist role in industrial relations, compared with the past, and to adopt the role of mediator between unions and employers. Characteristics of Korean industrial relations during the pre-1987 period is firstly examined; four major factors are used to explain the industrial relations practice during this time. Changes after 1987 are also considered. Special consideration is given to interaction between the environment and the three major industrial relations participants, and the interactions between them. Both macro and micro aspects of industrial relations are examined. The special Presidential Address (26/04/1996), known as New Conception of Industrial Relations, is also analysed in terms of its implications for future industrial relations issues in Korea.*

## Introduction

Industrial relations in Korea has experienced a rapid transformation since 1987. The emergence of a strong union movement, renunciation of the government's authoritarian control, weakened management's prerogatives and significant wage increases are some of the major changes since 1987.

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It is clear that the instability of industrial relations can hinder the prosperity of Korean society, as well as its economic development. The introduction of the so called 'New Conception of Industrial Relations' (NCIR) proposed by President Kim Young-Sam, on the 26th of April, 1996, involving a series of policy initiatives to reform Korea for the next century, clearly reflects the importance of stable industrial relations development to the government.

In this paper, the examination and analysis of industrial relations changes since 1987 is taken as a starting point. To understand the possible directions for the development of Korean industrial relations in the future, the following factors are examined: environmental changes, interactions between the environment and the three major industrial relations participants (the government, employers and trade unions), and interactions among the participants. The evaluation includes not only the changes in the macro-level industrial relations but also changes in major industrial relations issues at a micro-level such as compensation schemes, employment security and job mobility, work organisation, and skill formation and development. Based on an evaluation of NCIR, possible future directions for Korean industrial relations during the twenty-first century are explored.

## **Characteristics of Korean Industrial Relations during the Pre-1987 Period**

The single most important feature of Korean industrial relations during the pre-1987 period was the government's strong and decisive authoritarian control of industrial relations activities. During the pre-1987 period, with little consensus among the industrial relations participants, the government drafted, implemented, and sometimes changed rules and regulations of industrial relations as means of maintaining political and social stability, as well as ensuring industrial peace in Korea. By contrast, current government policies on industrial relations attempt to deal in a more balanced and democratic fashion with large enterprises and the trade unions. It can be generally discerned that, during the pre-1987 period, any industrial relations activities which could have undermined the industrial peace, such as industrial disputes or grievances, were seen as undesirable and problematic for the maintenance of stable and rapid economic growth, as well as a threat to political and social stability. Hence, labour rights and the collective labour movement, were extensively repressed. As a consequence of such authoritarianism, management inherited relatively favourable conditions which allowed it to manipulate the agenda of labour management relations.

Lacking any formal rights, workers had to confront long hours of work in an environment where labour standards and health and safety conditions were not enforced, as well as low wages.

It is essential to explore the economic, political and socio-cultural aspects of Korea in historical context to understand why the government's authoritarian approach was the dominant feature of Korean industrial relations during the pre-1987 period. Furthermore, the examination of the characteristics of the Korean workforce and their values will provide some insights on the relative success of the government's labour control policies and of management's manipulation of the workforce.

### **Economic Development in Korea**

The economic progress of Korea during the last three decades has been dramatic. The real rate of gross national product (GNP) growth averaged one per cent a year. GNP per capita has increased from US\$87 in 1962 to US\$4,994 in 1990. Exports rose from US\$32 million in 1967 to US\$63 billion which equaled about a 200 times growth rate during 23 years. The unemployment rate was reduced from 16.4 per cent in 1963 to 3.0 per cent in 1988. Moreover, the unemployment rate remained stable under 5.0 per cent since the middle of the 1970s (Lee, 1988; Park, 1992).

This so-called economic development miracle can be explained by the government's principle of 'develop first, share later,' and the export-oriented economic structure of Korea with its stable supply of a highly educated, hardworking, low-cost and disciplined workforce. As indicated above, during the early 1960s, Korea confronted chronic high unemployment. Coupled with this, Korea's industries were undeveloped, lacked natural resources and had a small domestic market. Under these circumstances, the government had no option but to concentrate on the development of the Korean economy by mobilising all available resources and the distribution of wealth could not even be contemplated owing to the extremely poor conditions of the Korean economy. With the added disadvantage of a small domestic market, the Korean economy had to be restructured to be export-oriented.

By taking advantage of the abundant supply of cheap and highly educated workers, Korea was able to maintain price competitiveness in the world market and thus achieve a rapid growth of exports during the pre-1987 period. Although there were other political and socio-cultural factors which provided the reasons for the government's authoritarian control over the industrial relations process when the situation is considered in purely economic terms, the industrial relations policy was carefully

constructed to provide industrial relations conditions which were as favourable as possible for the stimulation of rapid economic growth. To meet this economic objective, the government focused its attention and energies on the containment and lowering of growth in real wages, an approach which has real potential for exacerbating labour conflict, with the aim of keeping Korean firms competitive in the world market. The average real wage growth between 1962 and 1986 was 7.2 per cent. One could argue that such real wage growth was positive and should not, therefore, have provoked labour disputes. However, because wages started from a very low base and as manufacturing-sector productivity increased to a level and at a rate which far exceeded growth in real wages, and as most labour-intensive light industries employed cheap female workers, economic growth did not satisfy workers in Korea.

Labour disputes and grievances, mostly about wage increases and working conditions, were viewed by government as something undesirable and even a threat to their economic growth plan. Hence, strikes were suppressed by the government. The government did not encourage union activities, and suppressed any adversarial collective actions or bargaining through direct intervention. In fact, there was no collective bargaining during the 1970s, although certain union organisations were permitted. Not surprisingly, therefore, any industrial relations activities which were perceived as disruptive to industrial peace and harmony were also regarded as potentially sabotaging the master plan for rapid economic growth and stability

### **Political Aspects of the Korean Labour Movement**

The early Korean labour movement was, by and large, characterised by the dominance of political and ideological elements fundamentally opposed to the government of the day, which resulted in controversial labour-management relations (Kim, 1992). This tendency has been marked over the last three decades, but it was particularly evident until the end of the 1950s.

After the second world war, in November 1945, and with the endorsement of the occupying US military hierarchy, the first national trade union organisation in Korea was formed. It was called the General Council of the Korean Trade Unions (GCKTU or Chun Pyung). Since this organisation was established by communists and left-wing radicals, it was almost inevitable that the labour movement should concentrate on political and ideological struggles against the government, rather than involve itself with narrower economic issues, such as those on which US unions focused.

As Korea was divided into democratic South and communist North Korea, after liberation from Japanese colonialism, there was a great deal of

tension between the two countries. The activities of GCKTU (Chun Pyung) were greatly influenced by North Korea and the organisation was often used as a part of North Korea's unification strategy. Right-wing politicians and employers encouraged workers to reorganise anti-communist, right-wing organisations in individual firms. As a result, the Federation of Korean Trade Unions (FKTU or Daehan Nochong), was established in March 1946. Fierce competition between the two national trade union organisations continued until the end of the Korean war, often resulting in severe violence. After the Korean war, as South Korea was and still is officially at war with the North Korean communists, the GCKTU (Chun Pyung) was disbanded and thus the FKTU (Daehan Nochong) became the only legal national trade union organisation.

The outcome of this establishment of singular monopolistic trade union organisation reflected a deep-seated tendency for government, employers and Korea's older generation to view industrial disputes and workplace grievances more as a political and social challenge than an expression of legitimate demands for economic rights or benefits. This tendency continued until mid-1987: labour disputes were not classified as integral or functional parts of industrial society. Rather, they were perceived as undesirable threats to the status quo and, as such, they needed to be either extinguished or rapidly suppressed.

In addition to the eradication of the communist- and socialist-led ideological and politician labour movements during the 1940s and 1950s, there was another factor which enabled government to exercise relatively easy control over industrial relations from the 1960s until mid-1987. As already outlined, the Federation of Korean Trade Unions (Daehan Nochong) was the only legally recognised national organisation after the Korean war. As FKTU (Daehan Nochong) was heavily sponsored by the government and employers during the 1940s and 1950s, there remained a close connection between union officials, government and employers. Moreover, officials of industry-level unions were also greatly influenced by government instructions.

Consequently, the FKTU and industry-level unions were under the control of the government. It was impossible for workers to lead industry-wide or national labour actions to have their demands met. Therefore, although there were a few firm-level workers' collective actions on basic economic issues, it was not difficult for employers, with the assistance of government agencies and without the intervention of industry- or national-level unions, to repress such actions.

A further significant political aspect of Korean labour-management industrial relations lies in the fact that the radical leaders of labour move-

ments violently contested the legitimacy of government. Both the third (1962-1979) and the fifth (1980-1987) Korean governments were the end-products of military coups, and as such, the unionists argued that they were non-democratic. This was the major cause for labour and student unrest and major confrontation with the so-called 'military dictators' during the 1970s and the 1980s.

When the confrontations between radical labour movements and government in the 1970s and 1980s are coupled with the socialist- and communist-inspired and led activities of 1940s and 1950s, it is perhaps easy to understand why the government moved to establish authoritarian control over industrial relations, a job made easier via the historically-close connections and influences between union officials, government and/or employers.

### **The Socio – Cultural Context**

Another major factor which contributed to the intensification of government's authoritarian control derives from the principles of Confucianism, which has been the most influential social norm in Korean society for more than 500 years. The principal ideology of Confucianism, at least in Korea, is known as the idealisation of a hierarchically- and collectively-ordered, harmonious and patriarchal society (Lee, 1993). That is to say, in a Confucian society, the nation's interests take total precedence over any individual's or group's interest. The maintenance of societal harmony is deemed essential, and is managed via strict accordance with and acceptance of the hierarchical order. In such a philosophically- determined context, whenever individual or group interests or grievances are considered prejudicial to the larger, national interests, the government (as guarantor or custodian of the common good) is sanctioned to intervene, repress or suppress such actions for the sake of maintaining social and/or political stability and harmony.

The Korean government's economic policy of 'development first, distribution later' during the three decades after World War Two can be understood in this context. After the Korean War, as Korea was so poor, the Korean people had little choice other than to sacrifice themselves on the altar of national economic development. It was because of this underlying philosophy that the government was able to successfully introduce and implement their wage control policies to foster Korea's international competitiveness; to intervene authoritatively in industrial disputes to bolster industrial peace and harmony in the early stages of Korea's dramatic economic recovery over the last three decades. The philosophy of Confucianism also provided government with the perfect vehicle for wielding its

authoritarian stick in industrial relations matters. The Korean people accepted it, perhaps out of necessity, but it also seemed to work.

## **Workforce Characteristics and Values in the Pre-1987 Period**

The government's close control over industrial relations affairs appeared to contribute to Korea's rapid economic development, in that it produced a degree of industrial peace and, particularly, created a wage restraint policy. Given the fact that certain philosophical, political and socio-cultural attributes of Korean life provided government within an apparently cast-iron rationale for being authoritarian in its industrial relations control mechanism, one could say that Korean workers had no choice except to work hard – for the common good, of course.

However, without taking into account the workforce characteristics and values during this period, one cannot fully understand the reasons for the government's successful authoritarian control over the industrial relations activities in Korea. Vowel and Lidauer (1989) have described these factors well. First, for the generation now aged between 50 and 60 years, working was purely and simply a matter of survival, especially in the 1960s and 1970s, because the Korean War had decimated Korea's industrial base. As the Korean government was too poor to help them, families had to assist themselves. Even worse, too many people were seeking few or non-existent jobs, so there was a massive labour surplus. Under these conditions, issues such as wage levels and working conditions played a secondary role compared with survival. Second, most of the workers during the 1960s and 1970s were recruited from rural areas. They were accustomed to working hard and, moreover, their wages in an industrial/manufacturing context were relatively high, compared with their earnings as rural workers. Third, there was a wide-spread consensus among the Korean people that economic development was the only way for the nation's survival and thus they were ready to sacrifice their individual interests for the greater national good. Furthermore, the notion of self-sacrifice was totally vindicated by the prevailing ideology of Confucianism. Finally, in a society where Confucianism was so entrenched, people who were educated were respected and had good job opportunities. Understandably, parents of the older generation were prepared to make whatever sacrifices were necessary, in order to provide their children with the highest possible quality of education and life opportunities, which they themselves had never enjoyed.

Although there were undoubtedly profound dissatisfactions among the workforce during this time, the above factors provided Korean workers with the spiritual strength to endure the repressive political and industrial relations systems. It also prepared them, via dreams of glorious Korean economic development and the success of their children, to make sacrifices in order to secure future opportunities.

### **Implications of the Authoritarian Industrial Relations System During the Pre-1987 Period**

The Korean government's authoritarian industrial relations policy played an important role in Korea's economic development during three decades, despite manifest dissatisfaction by workers concerning their wages, working conditions and rights. However, owing to government's rigidly-applied control mechanisms, all workers' actions came to nothing. Therefore, it is essential to understand the dynamics of the government's authoritarian control over industrial relations activities during the pre-1987 period.

The government's authoritarian approach can be attributed to the fact that both labour and management were not accustomed to autonomous conflict resolution. As mentioned earlier, owing to the government's interventions and sometimes repression of many industrial disputes, employers did not have to pay much attention to industrial relation matters at the firm or company level. For example, wages were not generally decided by collective bargaining. Rather, they were unilaterally decided by employers in large enterprises, supported by government instructions which mainly emphasized wage restraint. Workers in the small or medium-size firms had even lower wages. Therefore, it can be argued that the government's authoritarian policy towards industrial workers contributed significantly to the unilateral management of industrial relations by employers at the firm or company level. The workers were 'gagged'.

Not surprisingly, workers and covert union organisations forced the government into strong intervention by engaging in a series of rolling strikes, marred by severe and widespread violence, which, inevitably created extremely adversarial labour-management relations at the firm level. These strikes were mainly because the workers believed that, within the prevalent legal framework, it would be extremely difficult for them to achieve any effective dialogue or meaningful negotiations with employers and government policy makers. In this regard, the government's authoritarian control over industrial relations activities resulted in the depreciation of autonomous conflict resolution capacity of both labour and management,



and thus created an adversarial labour-management relations at the firm level.

In a similar context, the government's tight control over industrial relations activities provided an opportunity for the growth of radical unionism during the late 1970s and early 1980s, as workers' dissatisfaction had been fermenting. Radical unionism, mainly asserting the need for political liberalisation, gained widespread support, both explicitly and implicitly, from the Korean workforce. There has been much criticism of radical unionism that it adhered too much to political activities and sometimes used socialist or communist ideas as its ideological basis, which most Korean people still do not support. However, it is generally agreed that the repression of industrial relations activities, often described as unionism without collective bargaining, was due mainly to political dictatorship of the so-called military government. Further, there was wide consensus among the workforce that political liberalisation was the only way to improve the conditions bedeviling fair and effective management of Korea's industrial relations mechanisms, and thus a substantial number of workers supported radical unionism.

Although these radical unions were not recognised as legal associations by the government, because they were not registered under the Federation of Korean Trade Unions (the only national association recognised by the government), radical unionism played an important role in influencing Presidential candidate Roh, Tae-Woo's democratisation statement on 29 June 1989, which resulted in great changes in Korean industrial relations. Moreover, dual labour movements came into being after 1989, so radical unionism's influence on changes in Korean industrial relations are not to be underestimated.

As a result of favourable business conditions of employers created by the government's 'Development first' economic policy, large Korean enterprises failed to recognise changing patterns in the world economic environment. The government's master plan of employers driving a lowly-paid, highly-skilled workforce to constantly-increasing levels of low-cost productivity – thereby theoretically guaranteeing Korea a secure niche in the world market place via low-cost goods and solid economic development – was, in fact, deeply flawed.

International competition became much more intense than Korean employers ever expected, especially with the emergence of industrial economies in low-wage East and South-East Asian and Latin American countries, which produced standardised goods cheaper than Korea. Moreover, as these countries' low-price products forced the advanced industrial countries to reconsider their role in the international market, the advanced countries

tried to look for alternative markets. The production of special and customised and/or high-quality goods, suggested themselves as a new strategy. To implement and accelerate this alternative strategy, the advanced industrial nations have tried to concentrate on both technological and human resources development. These efforts have resulted in actually widening the gaps between the quality of products in these countries and in Korea.

The main reason for Korean employers failing to recognise that intense international competition could be attributed to the domestic business conditions created by government's economic and industrial relations policies. High tariff rates on imported products, limitation on the items of importation of various overseas products, financial and monetary assistance to large enterprises as a major part of economic policy, as well as wage restraint, well-disciplined surplus labour, and direct interventions in major labour disputes – all these factors contributed to Korean employers' failure to recognise significant shifts in the world economic environment.

Put another way, the government's policy of excessive protectionism and support for Korean enterprises – both vital and appropriate in the early stages of industrial redevelopment – may well have lulled employers into a false sense of security, even economic complacency. Perhaps they did see the changes happening all around them, but felt 'insulated' from them.

The employers reluctance to adapt to changing world economic conditions caused firm-level industrial relations problems. First, for reasons delineated above, there was a climate of low trust and adversarial industrial relations at the firm level with the potential for massive labour disputes. Second, employers were seemingly reluctant to involve themselves in the development of technology and human resources, essential sources for a competitive advantage in the future.

In summary, the external environment up to 1987 was generally favourable to employers. The glut on the labour market guaranteed low-cost, well-disciplined workers, with the government's economic and industrial relations policies further consolidating the employers' position. Workers during this period were relatively cooperative, despite the potential for industrial disputes. Furthermore, the domestic product market had been oligopolistic and protected from overseas products by the government's high tariff rate policy and limitations on certain imported products.

In addition, export levels of high-volume, low-cost, mass-produced products enjoyed relative success. Although there had been rapid technological developments throughout the industrial/manufacturing world, the technology level in Korean firms was sufficient to satisfy the mass-production system essential for a low-price product strategy. Again, these external environmental conditions encouraged employers to adhere to the notion of

low-price competitiveness. Moreover, traditional Korean values/beliefs, historical precedents, traditional labour structures, and the economic, political and socio-cultural fabric of Korean industrial relations provided both government and employers with the rationale for authoritarian control over the workforce.

Given these factors, Korean industrial relations during the pre-1987 period, could be characterised by authoritarian and bureaucratic control over the workforce at both the macro-level by government and at the firm-level by employers.

### **Changes in Korean Industrial Relations Since 1987**

During the middle of the 1980s, there were severe student and radical union protests directed against the repressive actions of President Chun's government. During the regimes of president Chun (the fifth republic), a 'clean-up' process against trade unions took place. Both labour and trade unions were severely repressed (for more details, see Park, 1992). This repression provided a chance for the rapid growth of radical unions which resulted in one of the main anti-government movements. Moreover, at the end of President Chun's regime, there was a widespread political discussion on the method of presidential election. While the government advocated a parliamentary system, the opposition argued strongly for the maintenance of a direct election system, which had been the formal election method. This political debate culminated in a massive student and civil protest which erupted on 10 June 1987.

In response to the social turmoil, Presidential candidate Roh announced that the government would permit direct elections. He also announced that there would be significant political liberalisation. After this statement on 29 June 1987, unrest spread throughout the whole industrial spectrum. It is generally agreed by industrial relations participants in Korea and foreign observers that Korean industrial relations have changed since Presidential candidate Roh made his statement on democratic reform. The next section of this paper will seek to explore the changes in Korean industrial relations and their implications, since 1987.

### **Changing Government Labour Policy**

One of the major changes in Korean industrial relations after 1987 was in regard to government policy. Instead of an authoritarian approach to industrial relations, the government tried to project the image of being a strong

mediator between the various factions. The basic reasons for the government's changed role can be summarised as follows:

- (a) the government has tried to foster a process of dealing with industrial relations issues, especially industrial disputes, in a legal framework, and has prohibited any illegal industrial disputes, in a legal framework, and has prohibited any illegal industrial relations activities;
- (b) in dealing with labour-management interactions, rather than adopting the authoritarian, management-biased approach of the pre-1987 era, the government has tried to stand in the middle as a rational mediator between employer and employees;
- (c) despite its changed perspective on industrial relations activities, the pre-1987 priority of national economic development being paramount has been maintained. Any dispute which threatens to damage the development of the Korean economy is subject to government intervention.

Changes in labour laws during the post-1987 period, which was one of the government's most frequently and openly used mechanisms during this time, clearly reflect significant changes in the government's labour policy.

As mentioned earlier, major restrictions applied by the labour laws were mainly aimed at controlling collective industrial relations activities during the pre-1987 period, but the right to organise, the right to strike and the right to have free collective bargaining had also been extensively restricted. Even the right to organise had been somewhat restricted during the fifth republic regime through legislation ordering that all unions should be formed on an enterprise basis (Korean Labour Institute, 1988). This legislation was enacted mainly to reduce the power of unions by preventing the formation of industry-based unions. Despite these restrictions imposed by labour legislation, the government provided a number of legal arrangements which protected workers and sometimes encouraged employers to improve working conditions to acceptable levels. However, the labour laws of the individual worker's welfare had not been successfully applied at a firm-level, largely because of employers reluctance.

After 1987, labour laws relating to collective industrial relations, such as the Labour Union Act, the Labour Dispute Mediation Act and the Labour Committee Act, were amended for the first time since their promulgation so that they were more favourable to the workers. Moreover, labour laws relating to individual workers' protection were also amended and enacted (Park, 1992).

In this regard, the favourable amendment of labour laws since 1987 has had a very important impact on Korean industrial relations, in that the government labour policy is far more democratic than the authoritarianism

exercised during the pre-1987 period. This democratic trend was to be further enhanced during the so-called first civilian government from 1992.

In fact, since the establishment of the first civilian government, there have been active debates on proposed further amendments to labour laws relating to collective industrial relations. Two major cases should be noted. First, in 1993, the labour minister of the first civilian government proposed the elimination of prohibition on unions' political participation, third party intervention and the establishment of multi-unions. However, largely because of strong opposition from employers and the government's internal discord, this proposal was shelved. Nevertheless, despite the government's delay in this matter, its initiatives in proposing to lift the prohibition on the trade unions provide a clear picture of the government's changed policy on labour issues.

On the 26th of April 1996, there was a Presidential address known as the 'New Conception of Industrial Relations (NCIR)'. As part of a series of government policy initiatives to prepare Korea for the twenty-first century, NCIR was introduced to reform Korean industrial relations practices. Unlike prior proposals, NCIR sought to incorporate the claims of both trade unions and employers to achieve a more balanced and consensual approach. To support NCIR, an Industrial Relations Reform Committee (IRRC), an advisory body to the President, was formed with representatives from trade unions, employers, academics, legal circles, religious fields and the press.

After six rounds of discussion, about 30 issues are likely to be subject of amendments. Among them, six are still in dispute between the trade unions and the employers, thereby illustrating major obstacles in reforming Korean industrial relations practices. These issues include: unions' political participation, third party intervention, multi-unionism, flexible working hours, legalisation concerning lay-offs, and a monthly leave for women. As the prohibitions on the first three issues have been the major obstacles in the further development of the Korean union movement since 1987, their elimination are likely to assist the expansion of unions. On the other hand, the last three issues are favoured by the employers side. These issues are still in contention and may not be easily resolved. However the introduction of NCIR, incorporating the issues raised by employers and trade unions, clearly shows the government's attempt to achieve a balanced mediative role in current and future industrial relations practices.

## **The Development of Active Trade Union Organisations**

One of the most striking features of Korean industrial relations after 1987 is the rapid expansion of trade union activities. The number of organised establishments increased from 2,725 to 7,883 from July to December 1989, although the numbers slightly decreased to 7,634 in 1991 (Korea Labour Institute, 1992)

The rapid expansion of trade union organisations shows a more active trade union movement. During the pre-1987 period, union activities in heavy manufacturing industries were severely restricted. This was because these industries were vital to Korea's national economic development. However, since 1987, these restrictions were mostly lifted and union membership in large factories rapidly expanded. About 55.4 per cent of total establishments with 300 or more employees in Korea were organised as of December 1989 (Park and Park, 1991).

Another way of viewing the rapid growth of trade union movements is through the tremendous increase in strikes after 1987. In the second half of 1987, about 3,600 strikes occurred. In 1987, about 70 per cent of the manufacturing establishments with more than 1,000 workers experienced strikes (Park and Park, 1991). The number of disputes after 1987 has been significantly higher than the total number of disputes from 1981 to 1986 (Ministry of Labour, 1980-1992).

The number of strikes in 1988 and 1989 was also higher than the total number of strikes during 1981 to 1986. This increase in the number of strikes shows that unions enjoyed greater freedom in their activities. However, the substantial decrease in the number of strikes from 1990 does not mean the reappearance of the government's repression against labour movement. After the fierce strikes during 1987, 1988 and 1989, negotiations between labour and management moved from an illegal into a legal framework. Therefore, many problems have subsequently become solved without any significant disputes. This is mainly due to the recognition of both labour and management that illegal disputes could not achieve their goals, owing to government enforcement of labour law and regulations, as well as lack of public support for disputes.

By contrast, compared with the government industrial relations policy during the pre-1987 period, the current government has recognised industrial relations problems within a legal framework. The government has only intervened in illegal disputes. As long as both labour and management have tried to solve the problems within a legal framework, they have not experienced government intervention or repression. Therefore, it can be said that although the number of disputes from 1990 has significantly decreased, this does not mean the demise of the labour movement.

Through a more active labour movement since 1987, workers and trade unions have achieved significant gains, the most significant of which was the rapid increase of workers' wages. The real wage increase rate from the last quarter of 1987 to 1990 was substantially higher than the wage increase during the pre-1987 period (Ministry of Labour, 1994). As mentioned earlier, as wages had been restrained to maintain international competitiveness, wage increases were the first priority on the worker's negotiations agenda. This substantial wage increase after 1987 was led by blue collar workers and unions in large firms. This was mainly because the trade union movement has been more active in large firms. These establishments had a greater ability to satisfy wage increases and yielded to the mounting union pressure. In addition to wage increases, working conditions, health and safety, workers' welfare, job security and employee participation at the firm level have been improved substantially since 1987 (The Korean Chamber of Commerce and Industry, 1988).

Despite a more active labour movement since 1987, there are some problems in Korean trade unions which undermine their stability and development. Two of the central problems include the existence of a dual labour movement and the lack of strong union leadership at the firm-level.

At the macro-level, the Federation of Korean Trade Unions (FKTU) is recognised as the only national – level trade union confederation by the government. However, owing to the rapid growth of radical unions before and after 1987, several unrecognised national level radical trade union confederations have been emerged. The Korean Trade Union Congress (KTUC or Chonnohyup) was formed in January, 1990. The Korean Council of Independent Industrial Federations (KCIIF) was also established in the same year. Finally, the Korean Confederation of Trade Unions (KCTU) was established on 11th of November 1995 through the amalgamation of former non – recognised unions.

The KCTU is not still certified by the government as a legal trade union entity under current labour laws. This is because Korea's Trade Union Act assumes a single union confederation and does not offer a legal status to any organisation intending to represent employees eligible for representation from already established union. In this regard, the existence of two national peak unions has the potential to undermine the development of the Korean trade union movement due to the conflicts among them. At the firm-level, the lack of strong leadership in unions has contributed to inter-union conflicts, especially in large firms. It was common to find the union leadership being voted out mainly because of their lack of experience in negotiations with management and the administration of their unions, as well as conflicts between two peak rivalry unions.

Despite these difficulties, it is clear that the Korean trade union movement has been substantially developed since 1987. If the ongoing labour law amendments initiated by NCIR reflect the claims of trade unions, such as the approval of third party intervention, political participation and multi-unionism, the trade union movement will be further expanded.

## **The Response of Management to the Changes in Industrial Relations**

The Korean government's new labour policy and the subsequent growth of trade union power has forced management to address the issues of efficiency and discipline within a new framework of industrial relations and working conditions. The old type of authoritarian control is no longer successful or acceptable, and new management strategies have to be devised.

In response to the changes in industrial relations and in international business conditions mentioned earlier, management has tried to develop new labour management and business strategies, the main thrust of which is directed at achieving harmonious relationships with the unions. For example, although there is marked diversity between firms in terms of working conditions, collective bargaining processes, labour management inter-relationships and the degree of employee participation, many companies try to involve the staff in the decision-making process of business strategies.

In addition to the new industrial relations strategies, management has tried to establish new business strategies. As the wage increase from 1987 was substantial, management can no longer adhere to the notion that international price competitiveness can be incontrovertibly based on low or savagely-repressed wage levels. Hence, the new focus is on the production of high-value-added products with the introduction and development of new technology and automation. Defective and deficient development of human resources is also being recognised as crucial element in the industrial relations context and fundamental to good labour management practices. Such changes clearly signal that management is seriously attempting to create appropriate conditions in which peaceful industrial relations can be maintained and competitive business strategies can be developed (Bae, 1991).

Management's changed strategic choice in business strategy towards the production of high-value-added products, can be accelerated through the establishment of a flexible production system (Womack, Jones and Roos



1990). This system can be implemented under the conditions of high automation, multi-skilled workforce together with a performance based wage system and flexible internal labour markets to utilise the workforce effectively. However, despite the increased level of automation at a firm-level, there still exists a tendency towards pay rigidity, lack of worker participation and a rigid internal labour market. Pay rigidity has persisted mainly because of trade unions' doubt on the fair evaluation on job performances by management (Park and Lee, 1995). This pay rigidity has been attributed to workers' reluctance to participate in skill formation and development practices, as they do not see any benefit from upgrading their skill levels under the current seniority based wage systems. Moreover, the rigid internal labour market, due to the consolidated employment security and labour shortages, has also reduced flexibility at the level of the firm.

### **Changes In the External Environment**

There are certain external environmental factors which have stimulated changes. Although the effects of changed environmental factors are inter-related, each of the factors and consequent changes will be examined individually. The single most important factor which has contributed to these changes, has its foundations in Korea's changing social ideology. From the beginning of the Third Republic in 1962 to the end of the Sixth Republic in 1991, it is generally agreed that Korea had been governed by a rigidly authoritarian military regime and that, as such, the full and free exercise of basic democratic rights were denied to Korean society. The repression of normal democratic processes meant that grievances against such authoritarianism could only accumulate and ferment, and public dissatisfaction in this regard reached its peak around the first half of 1987, resulting in anti-government activities by various social and labour movements. One of the most distinctive movements was the so-called 6.10 movement, which started on 10 June 1987. This movement was led by opposition party leaders, with the support of Korean citizens, against the government's proposal for a parliamentary system-based presidential election. After almost three weeks pressure from this movement, Presidential candidate Roh announced that the government would permit direct elections advocated by the opposition parties and most of the Korean people, plus the promise of political liberalisation and democratic reform within Korean society.

It is clear that Presidential candidate Roh's democratisation reform statement and its widespread influence on Korean society was the major causal factor in the changes to Korean industrial relations after 1987.

However, although Presidential candidate Roh's democratic reform statement tends to steal the 'glory', it is important not to lose sight of the fact that it was pressure by Korean workers and their unions which triggered the political announcement. Social ideology in Korea moved in that moment from a state of passive acquiescence to one of eruptive and/or volatile participation.

Second, there have been gradual changes in the characteristics of the workforce since 1987. It is generally accepted that the Korean workforce coped stoically and patiently endured a climate of repressive authoritarian control which dominated their industrial relations activities. This characteristic is mainly confined to middle-aged and elderly workers who experienced Japanese colonialism and/or the Korean War, which reduced Korea to a state of total poverty.

However, the younger generation, who have experienced relatively good economic conditions, did not accept the notion of unequivocal loyalty to their employers. Although it is difficult to prove such a subjective change, one of the outcomes of study by the Korean Chamber of Commerce and Industry (1988) which surveyed twenty large enterprises, may provide some insights on the subject,

While workers over 40 years of age place safety needs as their first priority, others placed safety needs as their last priority. Given that job security was the major safety need in the survey, the results clearly indicated a different perspective among the under 40 year ago group. Hence, as the number of younger workers has increased, management has faced difficulties in controlling the workforce using traditional authoritarian methods.

Third since the early 1980s, labour shortages have gradually increased, mainly because of a general tendency amongst workers to enter the service industries during this period. This tendency was accelerated from 1986 and resulted in the shortage of blue collar workers at the end of the 1980s (Uh, 1991). What this labour shortage meant to management, in particular, was that the exercise of authoritarian control of industrial relations based on the premise of labour surplus was no longer feasible.

Fourth, as mentioned in an earlier section of this paper, there have also been changes occurring in the international business environment since the early 1980s. Low-wage East and South-East Asian and Latin American economies have produced standardised goods more cheaply than Korea. Moreover, advanced industrial countries have invested in the development of new technology and human resources. Korean products were in the position of losing both price and quality competitiveness in the world market.

## **Response to Changes in the External Environment**

Changes in social ideology forced the government to alter its industrial relations policy from a rigid authoritarian mould into a more flexible democratic process. This, in turn, provided trade unions with an opportunity to expand their power.

Apart from the changes in social ideology, which motivated the growth of trade union movements, changes in workforce characteristics and the labour market facilitated the growth of trade unionism. For employers, changes in the government's industrial relations policy and the rapid growth of trade unionism, in the context of environmental pressures, forced management to reconsider its labour management and business strategies. The process of changes in Korean industrial relations in this regard is shown in Figure 1.

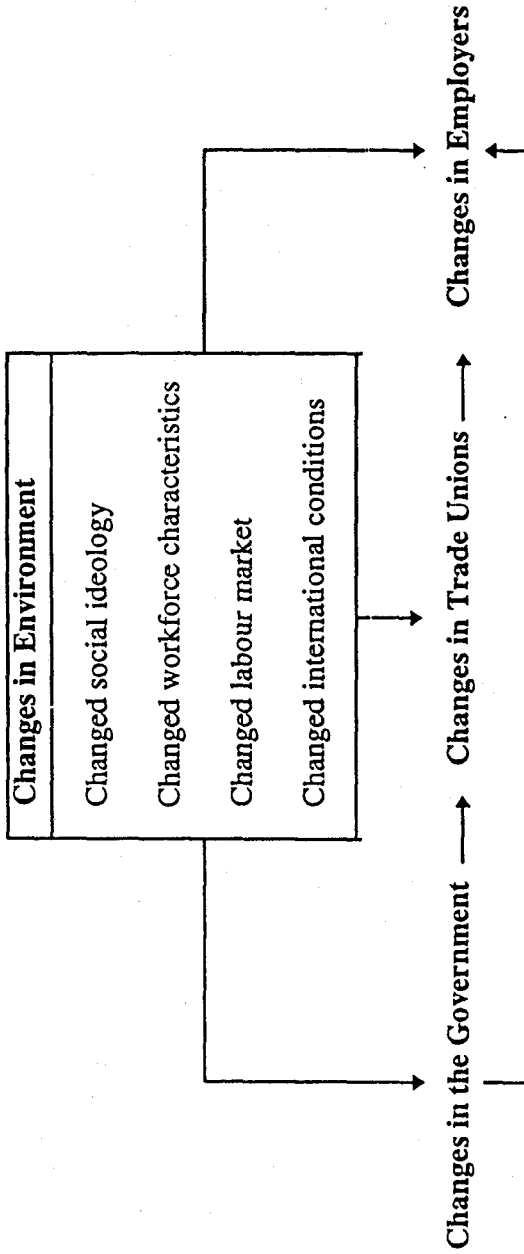
Interaction between environmental pressures and organisational responses have clearly influenced the process of change in Korean industrial relations. As a result of changed environmental pressures, the government had to change its industrial relations policy. Employers also devised new employment methods, new labour management strategies and new business strategies. Trade unions had an opportunity to expand its organisational base and union membership. The explanations of the causes and effects of changes based on the interactions between the environmental factors and major industrial relations players, together with industrial relations issues mentioned earlier, are good bases on which to evaluate the future direction of Korean industrial relations.

## **Korean Industrial Relations in the Future**

The major characteristic of Korean industrial relations in the future will be active interaction, either cooperative or conflictual, between employers and trade unions, along with the government's mediative stance. There has always been uncertainty concerning the government's position. As was the case during the pre-1987 period, the government's policy can be changed at any time when it is considered to be necessary. However, two recent cases indicate the current direction of government policy.

First, the government's strong adherence to control wage increases since the early 1990s has been a widely recognised fact, but in practice the failure of its control over the wage increases is also well-known (Bae, 1991). Second, the main purpose of the recent Presidential Address, the NCIR, was to foster the cooperative industrial relations practices through the revision of industrial relations laws. By accommodating claims raised by both

Figure 1: Process of Changes in Korean Industrial Relations after 1987



employers and trade unions, the government is seeking to provide a fair set of rules to accelerate the interactions between employers and trade unions without any intervention. These two cases clearly indicate that the government is seeking to undertake a mediative role providing a fair set of rules among the major participants.

Although changing environmental pressures may drive employers to reform both macro – and micro – industrial relations practices, these will lead employers to be pro-active in industrial relations and human resource management. However, without cooperative interactions with trade unions, their competitive survival strategies will not be achieved. However, it is still premature to predict the achievement of cooperation between labour and management unless major obstacles between them are resolved.

First, the outcome of current labour law reform led by the Industrial Relations Reform Committee (IRRC) will play an important role of charting the future direction of interactions between employers and trade unions. As mentioned earlier, the proposed labour law amendments include some of the most difficult issues which both employers and trade unions need to resolve. To achieve a successful compromise the outcome will need to provide for cooperative industrial relations. Otherwise the outcome will deepen the conflicts which will in turn strengthen the adversarial relationship between labour and management.

Second, the existence of a dual labour movement in macro – level industrial relations activities have exacerbated the conflict between the Federation of Korean Trade Unions (FKTU) and the Korean Confederations of Trade Unions (KCTU). Although the approval of multi-unionism is one of the major issues in the current labour law reforms, resolution of the conflict between two peak unions are not a matter of new labour laws. Unless these conflicts are resolved, the approval of multi-unionism will result in the destabilisation of Korean trade union movements which will, in turn, endanger the future development of Korean industrial relations.

Third, micro-level industrial relations and human resource management practices need to be reformed. To be highly competitive in the world market, it is essential for firms to concentrate on the development of flexible production systems, which require constant workplace reform, such as multi-skilling via relevant and effective skill training and education program, performance – related wage systems and the re-design of production processes and practices. However, as noted earlier, the current status of micro-level industrial relations and human resource practices requires considerable reform.

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