

The Situation and Main Problems of Labor Relations in Korea

Jong-Tae Choi

.....<Contents>.....

- I. Economic Growth and Labor Relations in Korea**
- II. Labor Market and Labor Union**
 - 1. Labor Market
 - 2. Labor Union
- III. Collective Bargaining and Labor-Management Council**
 - 1. Collective Bargaining
 - 2. Machinery for the Settlement of Labor Disputes
 - 3. Labor-Management Council
- IV. Labor Disputes**
- V. Main Problems and Tasks of Counter Partners in Labor Relations**
 - 1. Main Problems
 - 2. Tasks of Employer, Labor and Government

I. Economic Growth and Labor Relations in Korea

It is widely known throughout the world that the Republic of Korea has had an impressive acceleration of economic growth and social development over the past two decades.

The Korean economy was able to record a startling annual growth of GNP of about 10% in real terms due to attractive investment opportunities and cheap supply of labor from 1962 to 1981. During this same period the per capita GNP at current prices rose from US \$ 82 to US \$ 1,636 and the commodity export increased at a tremendous annual average rate of 42%, from US \$ 54.8 million to US \$ 21,278 million in 1981.

The following Table 1 depicts the Republic of Korea's absolute and relative

Author: Associate Professor, School of Management, Seoul National University

Table 1. Gross National Product, GNP Growth Rate, per capita GNP
(1975 Constant Prices; in Won)

Five Year Development Planning Periods	GNP ¹⁾		GNP	per capita GNP ²⁾	
	Initial Year	End Year	Growth Rate	Initial Year	End Year
1962~1966	3,071.14	4,378.48	7.8	117,668.00	148,928.00
1967~1971	4,669.39	6,962.46	9.7	155,129.00	211,625.00
1972~1976	7,365.57	11,275.51	10.1	219,858.00	314,081.00
1977~1981	12,432.27	14,820.00	7.1	341,546.00	395,128.00

1) In billion won

2) All values rounded to nearest won

Source: the Republic of Korea, Economic Planning Board, *Major Statistics of Korean Economy: 1982* (Seoul: Economic Planning Board, 1982), pp. 12, 23 and 25.

rate of GNP increases as she has phased through a succession of Five Year Development Plans.

However, the rapid industrialization of Korea was achieved at the expense of a relative negligence of other areas of development such as equitable income distribution, social welfare, quality of life, safety at and humanization of work, worker's securities, and involvement of workers' organizations in decision making. Thus the Korean industrialization policies have led to critical discrepancies between economic and social development. At present, the country is perplexed with disparities, friction, and social conflicts which threaten the continuity of economic growth itself.

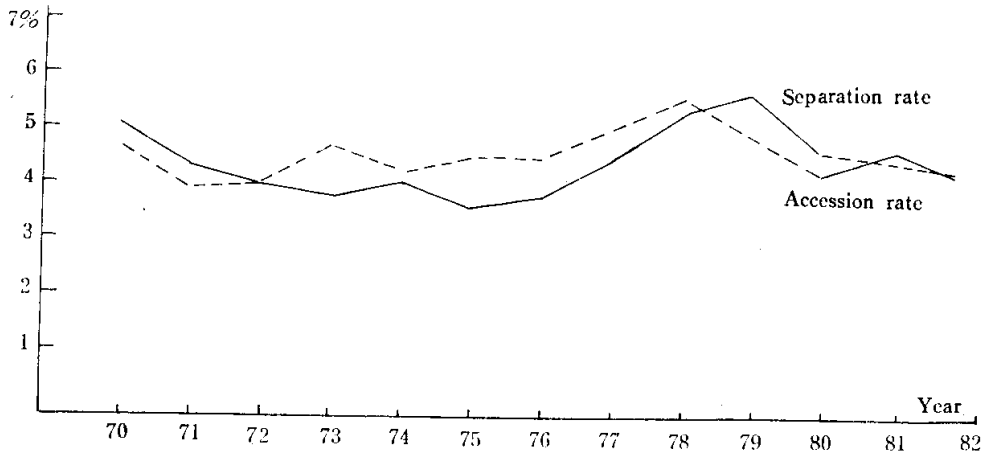
II. Labor Market and Labor Union

1. Labor Market

1) Labor turnover

The outward-looking industrialization strategy of Korea intended to make the most of the country's comparative advantage through an intensive utilization of labor resources in the production of manufactured goods. During the period, the contribution ratio of secondary industries, i.e., Mining & Manufacturing, Light, Heavy and Chemical industry, to GNP increased from 32.6% to 57%. On the other hand, that of primary industries, i.e., Agriculture, Forestry and Fishery,

Table 2. Labor Turnover by Industry and Year ('70~'82)



Source: Ministry of Labor

to GNP decreased from 36.6% to 20.6%. This industrial change induced the high rate of labor turnover and the structural change of labor markets.

Table 2 shows the trend of labor turnover in Korean labor market.

2) Types of Labor Market

The types of Korean labor market are vertical labor market econo-technically, and traditional labor market and job-oriented labor market socio-culturally.

2. Labor Union

We can find "the bud of unionism" in Korea at the early 1900's but actual

Exhibit 1. Labor Market in the Viewpoints of Economical and Technological Side

Classification of Market Criteria	Horizontal Labor Market (Freedom of Labor Mobility)	Vertical Labor Market (Limitation of Labor Mobility)
Economic Development	Developedly Underdeveloped	Underdevelopedly Developed
Technology	General Technology	Specific Technology

Exhibit 2. Labor Market in the Viewpoints of Social and Cultural Side

Classification of Market Criteria	Traditional Labor Market (Traditional, Emotional Motive)	Rational Labor Market (Value, Objective Motive)
Motive of Human Behavior	Developing Country	Developed Country

Exhibit 3. Labor Market in the Viewpoints of Customary

Criteria	Classification of Market	Wage-oriented Labor Market	Job-oriented Labor market
	Customary		Wage Competition

Table 3. Number of Unions and Members

Year	Unions			Employed (thou- sands)	Members			Penetra- tion Rate(%)
	Industry	Local Chapter	Branch		Total	Male	Female	
1975	17	484	3,521	4,000	750,235	508,966	241,269	18.8
1976	17	517	3,863	4,384	845,630	559,486	286,144	19.3
1977	17	537	4,046	4,747	954,727	634,961	319,776	20.1
1978	17	552	4,304	5,169	1,054,608	696,861	257,747	20.4
1979	17	553	4,392	5,379	1,088,061	723,583	364,478	20.2
1980	16	Unit Union	2,618	5,461	948,134	600,383	347,751	17.4
1981	16	"	2,141	5,785	966,738	628,259	338,479	16.7
1982	16	"	2,194	6,189	984,136	652,879	322,030	15.9

“collective bargaining” began only in 1953, when the basic Labor Union Law was passed. In essence, only since this law was enacted, workers were able to organize unions, negotiate joint labor-management agreements and strike or lockout.

The membership of unions had grown remarkably throughout the sixties and seventies. The growth in trade union membership since 1962 proceeded as shown in Table 4.

The growth in union membership is partly due to the legalized system of “union shops”. The union shop clause is applied to most of the establishments that have trade union representation. But the growth in membership can also be attributed to the fact that the unions appear to be the only bodies making some efforts to protect the workers from unfair labor practice, to watch the application of labor standards, and to help workers in case of grievances.⁽¹⁾

The reason for the reduction of union membership in 1980 was due to the

(1) Bognanno, M., *Collective Bargaining in Korea: Laws, Practice and Recommendations for Reform*, Korea Development Institute, Seoul, 1980, p. 1.

**Table 4. The Membership Claimed by the 16 National Unions as of June 1980
can be seen from Table below⁽²⁾:**

Unions	Number of Unit Unions	Claimed Membership
National Railway Workers' Union	12 (0.5%)	32,734 (3.5%)
National Textile Workers' Union	308 (11.8%)	158,121 (16.9%)
Korea National Miners' Union	112 (4.2%)	54,610 (5.8%)
Korean Electrical Workers' Union	45 (1.8%)	16,229 (1.7%)
Foreign Organization Korean Employees' Union	27 (1.0%)	19,669 (2.1%)
Korean Communication Workers' Union	11 (0.4%)	46,740 (4.9%)
National Stevedores and Transportation Workers' Union	25 (1.0%)	40,994 (4.3%)
National Financial and Bank Employees' Union	55 (2.1%)	58,272 (6.1%)
National Monopoly Workers' Union	14 (0.5%)	13,105 (1.4%)
National Chemical Workers' Union	270 (10.3%)	157,833 (16.6%)
Korean Metal Workers' Union	248 (9.5%)	115,395 (12.2%)
Korean Port Workers' Union	45 (1.7%)	34,015 (3.6%)
National Printing Workers' Union	65 (2.5%)	8,322 (0.9%)
National Auto Workers' Union	1,041 (39.8%)	109,375 (11.5%)
United Workers' Union	292 (11.2%)	71,933 (7.6%)
National Tourist Workers' Union	48 (1.9%)	10,787 (1.1%)
Total	2,618 (100%)	948,134 (100%)

Source: Ministry of Labor

fact that Transportation Union and Stevedores Union among seventeen unions were unified into one as of December 31, 1980.

III. Collective Bargaining and Labor-Management Council

1. Collective Bargaining

The Korean Labor Union Law requires an employer "to bargain with representatives of his employees on matters concerning terms and conditions of employment and the conclusion of a collective agreement."

The major characteristics of collective bargaining practiced in Korea can be briefly summed up as follows:

(2) Young-Ki Park, *Labor and Industrial Relations in Korea: System and Practice*, Sogang University Press, Seoul, 1979, p. 82.

i) The labor contracts in Korea are typically enterprise agreements in contrast to the contracts in countries like West Germany and the Great Britain where the agreements are usually national, covering all unionized undertakings and for a fixed period.


ii) The agreements which define management and union rights establish rules governing labor-management relations in the work place, and outline conditions of employment are in very general and simple terms usually within a few pages.

iii) Grievance handling required by law to be established in each undertaking is done through and by the Joint Labor and Management Council which consults with management on subjects of joint concern, including matters of interest as well as of rights.

iv) There are no meaningful legal sanctions in case any party violates the contract. Breach of agreement is regarded as a type of labor dispute for the settlement of which legal processes have to be followed, in other words, no distinction is made between disputes over interests and disputes over rights. Hence, should the employer violate the contract, the union has to go through time consuming legal procedures, such as obtaining from the pertinent governmental agencies official approval for the dispute, a cooling-off period, conciliation, mediation, and other legal steps in order to appeal the case and force the employer to desist from the violation.

2. Machinery for the Settlement of Labor Disputes

Should bargaining fail to bring an agreement, or if conflict arises over the interpretation of a contract, the parties involved must operate for its settlement in accordance with the provisions set down in the Labor Dispute Adjustment Law. The Labor Committee Law, on the other hand, has established elaborate machinery, the Labor Committee, as the agency through which the procedure set forth in the Labor Dispute Adjustment Law operates. The basis of both laws is the philosophy that in the interest of public welfare work stoppage must be held to a minimum and even prevented altogether in certain cases.



Imbued with this goal, an impartial agency, the Labor Committee, was established with the working principle of maximizing the interests of the public above those of immediate gains of either employers or employees.

The Labor Committees are set up on three levels: central, local, and special. The Central Labor Committee, which functions on a national scale, is structurally incorporated under the Administration of Labor Affairs; the Local Committees, established in each governmental administrative district, jurisdictionally come under the provincial governor or mayor.

The labor members of the Committee are appointed from slates of nominees provided by the union, and employer members from slates nominated by the employers' organization.

If a labor dispute occurs, it is only the Labor Committee which has the right to act, to investigate and to make decisions in the case. Either party of the dispute may, however, appeal the decision of the Local Labor Committee to the Central Labor Committee, which has power to overrule or sustain the former's decisions.⁽³⁾

Dispute resolution procedures in Korea will be shown in Exhibit 4.

3. Labor-Management Council

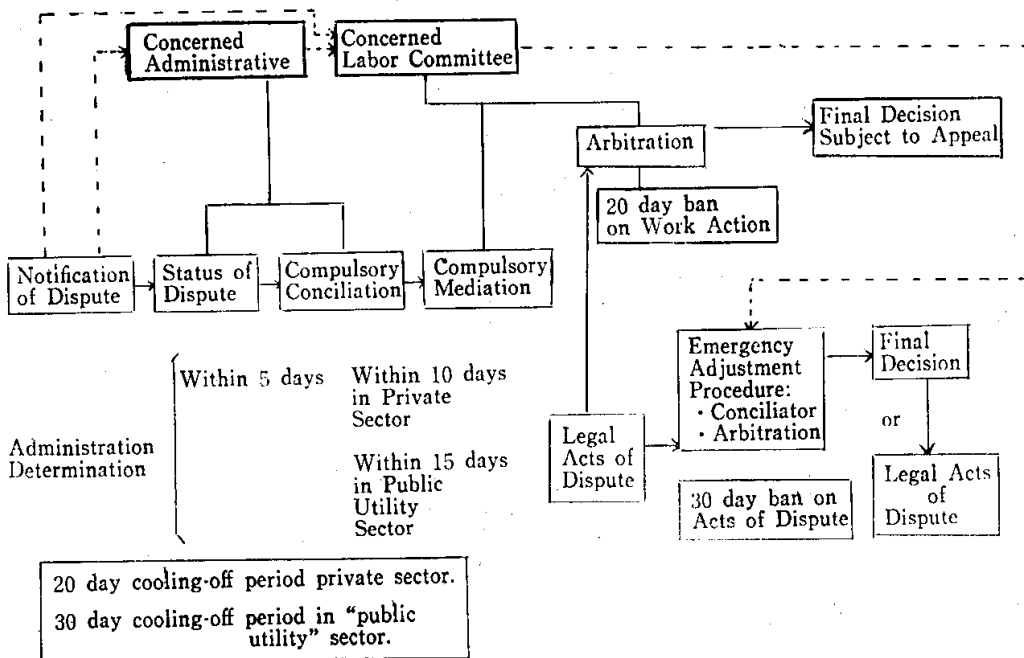
Labor-management council keeps the employer to establish a joint labor-management council in order to maintain and to improve productivity. Looking at the legal set up and composition of the labor-management council it shows some similarity to the variety to the various kinds of works councils, or workers' management committees, or company councils etc.

As the law does not provide for detailed qualified rights of the workers, such as rights of information, rights of consultation, and rights of co-decision making on certain matters and as the law does not stipulate specific formal procedures as to how workers can exercise their rights, understandably workers and trade unions so far have not taken real interest in the institution of labor-management council. The same applies to the employers who anyway

(3) *Ibid.*, p. 83.

are reluctant to involve workers' representatives in plant and enterprise affairs. By the way of labor-management council, government has been trying to transfer the corporate ideology of the government launched rural "Semaoul" movement which is based on an ideological concept that presupposes harmony of interests and convergence of goals to the industrial environment.⁽⁴⁾

Exhibit 4. Dispute Resolution Procedures in Korea



IV. Labor Disputes

Labor disputes in Korea can be characterized as follows:

First, before 1971, the number of disputes was relatively few but by the middle of 1970's it increased to about 100 disputes each year.

Second, disputes about wages appear to be the most important issue earlier on, however wage issue-oriented disputes became relatively more scarce in

(4) Liebau, E., *Labor Management Relations in the Republic of Korea*, Korea Development Institute, Seoul, 1980, p. 20.

comparison to that of 1960's. As to the wage structure and working conditions prevailing in the Korean economy, it is widely acknowledged that the actual wage differentials and differences of conditions of work in relation to occupational groups, educational attainment, sex, and kind of industry have reached an alarming extent.

Third, the content of disputes is rather ambiguous irrespective of the firm size.

Fourth, labor disputes in 1970's were mainly against employer's unfair infringement upon worker's rights. Therefore, disputes were with high

Table 5. Labor Disputes by Type

Year	Total	Demonstration	Others
1975	133	10	30
1976	110	15	5
1977	96	5	3
1978	102	3	18
1979	105	2	
1980	206	5	25
1981	186	32	26
1982	88	3	85

Source: Ministry of Labor

Table 6. Labor Dispute—Collective Work Action in Korea

Classification	Year								
	1975	1976	1977	1978	1979	1980	1981	1982	
Number of Work Actions	133	110	96	102	105	106	186	88	
Reason for									
1) Impasse over Future Wage Increases	42	31	36	45	31	58	38	7	
2) Employer Delinquency in Making Wage Payment	32	37	30	29	36	68	69	26	
3) Plant Closure and Reductions in Working Hours	7	8	4	3	5	7	11	4	
4) Unfair Labor Practices	19	8	6	2	3	18	4	—	
5) Working Conditions Improvement	14	16	9	9	0	16	36	21	
6) Employee Dismissals	10	3	4	1	6	15	9	2	
7) Collective Agreement	—	—	—	—	—	—	4	5	
8) Other	9	7	7	13	24	24	19	23	

Source: Ministry of Labor

Table 7. Trend of Wage Increase by Year

Classification		Year						
		75	76	77	78	79	80	81
Nominal Wage	Amount(Won)	46,019	62,362	82,355	111,201	142,655	176,058	212,477
	Index	100.0	135.5	179.0	241.6	310.0	382.6	461.7
	Rate of Increase(%)	29.5	35.5	32.1	35.0	28.3	23.4	20.7
Real Wage	Index	100.0	117.5	140.9	166.3	180.3	172.9	169.2
	Rate of Increase(%)	3.0	17.5	19.9	18.0	8.4	4.1	2.1
Consumer Prices	Index	100.0	115.3	127.0	144.3	171.9	221.3	272.9
	Rate of Increase(%)	25.3	15.3	10.1	14.4	18.3	28.7	23.3
Labor Productivity	Index	100.0	106.8	117.7	131.2	151.5	—	192.7
	Rate of Increase(%)	11.0	6.8	10.2	11.5	15.5	—	15.3

Source: Ministry of Labor

Table 8. Wage Difference among Occupations

(Unit: %)

Classification	Year				
	1975	1976	1978	1980	1981
Whole Occupation	131.0	133.9	128.7	127.6	125.8
Professional, Technical	256.6	277.4	249.1	225.1	210.5
Managerial	451.2	455.8	405.0	370.4	342.7
Clerical	200.7	207.1	169.4	149.9	148.0
Sales	119.1	109.2	120.7	92.0	95.0
Service	101.4	101.1	96.1	97.6	96.5
Agricultural, Animal Husbandry, Fishery, Hunting	89.7	85.3	100.3	111.2	113.3
Production	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Labor

emotional intensity and had great influence to the industries where it occurred in great numbers.

V. Main Problems and Tasks of Counter Partners in Labor Relations

The imported industrial relations machinery was in conflict with the traditional value patterns and attitudes both from the workers and employers and this hindered the proper settling of Korea's labor-management relations.

While the U.S. were in occupation of Korea, the military administration passed laws and decrees that were based on the ideological concepts and value patterns of the already highly industrialized American society. However, due to the lack of any labor legislation during the long lasting Japanese colonial occupation, Korea was not at all prepared for such a sudden and unadjusted change. Also, these laws were superimposed on a societal system which was still dominated by deep rooted traditional paternalistic behavioral patterns.

A set of fairly advanced industrial labor laws was passed in 1953, although Korea was still characterized by social structures of a more paternalistic rural society and the country had not yet really taken off to develop industrial structures. These sophisticated laws, namely the Labor Union Law, the Labor Dispute Adjustment Law, the Labor Committee Law and the Labor Standards Law, which again were governed by the American industrial relations philosophy. This went far beyond Korea's social and economic realities and capabilities of that time. Neither the inflexible public administration nor the newly emerging but still unexperienced group of employers nor the still underdeveloped working class were in a position to cope with this legislation and to adjust their behavior and mutual relationship to this normative frame.⁽⁵⁾

1. Main Problems

1) Collective Bargaining

Korea's collective bargaining system would be strengthened with the introduction of systems for grievance processing. Government would be well advised to repeal and revise the law actually hampering freedom of association, restricting collective bargaining and blocking collective action.

2) Grievance Handling and Dispute Settlement

A well-designed and implemented grievance handling and dispute settlement procedures and institution are vital for the improvement of labor-management relations in Korea.

3) Labor-Management Council

(5) *Ibid.*, p. 11.

Since the labor-management council legislation already provides for the institution of labor management council, it would only be proper to start from this still vague institutional step and develop it further. Thus like in the German model there must be clear and effective regulations as to the institutional and procedural ways of settling conflicts between labor and management arising out of the workers' exercise of their various participatory rights.

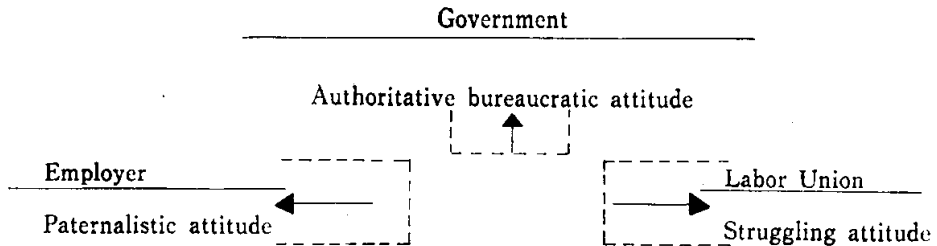
4) Worker's Education and Management Training

It cannot be stressed enough that in regard to the future development of Korean industrial relations, workers' education, trade unionists training, and management training in matters of labor relations requires utmost attention. ⁽⁶⁾

2. Tasks of Employer, Labor and Government

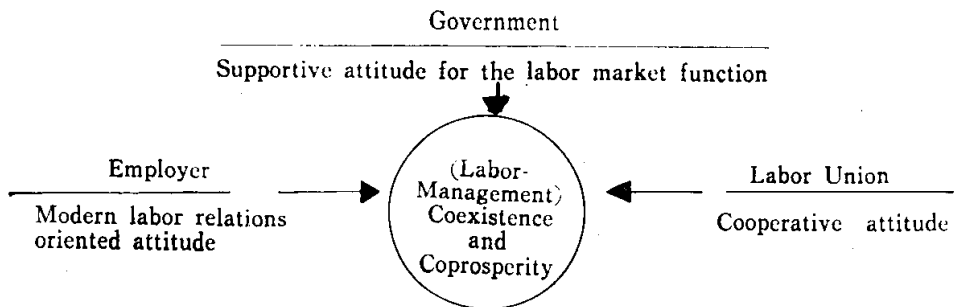
1) Basic Attitude Change

Diagram 1.



Sustenance of labor-management cooperation and establishment of labor-management coexistence and coprosperity must be considered within Business level, for this, following counter-measures are keenly needed.

Diagram 2.



(6) *Ibid.*, pp. 40-60.

Bognanno, M., op. cit., pp. 82-105.

What are the main problems facing the Korean business in sustaining labor-management cooperation? Fundamental problems arise out of all parties concerned trying to solve the problems from different attitudes.

- (1) labor union from struggling attitude
- (2) employer from paternalistic attitude
- (3) government from authoritative bureaucratic attitude

2) Tasks of Employer, Labor and Government

In order to improve the labor-management relations in Korea, it is important that we look into three different perspectives, that of labor, management and government. These are needed urgently to bring about cooperative labor relations at business firm's level and also autonomous labor relations at national level.

(1) The task in employer's aspect

To establish cooperative labor relations, Korean business have to make an active investment in social system of business. Upto nowadays, too many employers have considered the business only as a technical or economic system, and prescribed human character in that way. They saw human beings as merely an economic or technical instrument and tried to manipulate or control them as such. Being based on paternalistic thought, they regarded labor as a dependent factor and negligently handled the development of the social system of business.

However, for the business of the future, time has come to realize that business can grow only when the human resource of a business is valued as an asset. Through the development of manpower having special ability and motivation, Korean business can hold out against international competitiveness and achieve a equitable standard of technology. In this aspect, the development of social system of a business should be treated on a strategic level of the business, and there should be active investment for this.

The following should be instituted to bring about the development of social system of management.

- i. Active propulsion of internal labor market development for labor-management cooperation and technology accumulation, and concrete tasks for practice of this are;
 - a. institution of career development program
 - b. realization of flexible placement and transfer policy for a technology accumulation
- ii. Strengthening of productive welfare system
- iii. Drawing up, evaluation and announcement of trial balance about development of manpower and investment on business social development
- iv. Substantial establishment of director system in charge of labor and personnel which can connect and accelerate human resource development in business strategic level
- v. Acceleration of labor-management cooperation system and other participating organization of workers as a participant of active interaction about internal labor market and business social development (e.g., production committee and screening committee of Scanlon plan)

(2) The task in labor's aspect

In order to build a cooperation system, minimum precondition for the cooperation must be assorted. In general, next four conditions must be assorted in order to be a cooperative society.

First, at least more than one economic interest in common must exist.

Second, self-help motivation must exist.

Third, more than one common undertaking must exist to achieve above purposes.

Fourth, central purpose of cooperative undertaking must do the function that can increase economic interest of each participant.

Labor and management can appear as a active cooperative partner when above four conditions are assorted. But now, labor union in Korea is too weak in its foundation to be appeared as a cooperative partner when confronting employers. Cooperation can be smoothly achieved when both are not dependent

on the other and on an equal footing with the like powers.

To achieve a cooperation, both must at least have a certain level of mental and economic back up. In other words, a least power is needed for both labor and management to establish a cooperative foundation. From these points of view, present task of Korean labor union is doing her best to accumulate a least power for achieving cooperative labor relations. For this, next subjects are urgently needed.

- i. Active investment on education and training of general workers for qualitative improvement
- ii. Investment on education and training part for expansion of management knowledge of labor leaders in order to easily understand business characteristic and management realities
- iii. Democratization of union to be a labor union(winning) the confidence of her members
- iv. Minimization of membership fee paid to union's upper organization
- v. Active interaction between development of internal labor market and business welfare for technology accumulation and self-improvement of workers

(3) The task in government's aspect

In order to improve labor-management relations in Korea, it is crucial that the Korean government must critically review and change its basic understanding of and attitudes towards labor problems. Labor management relation will improve if only government is prepared to create an environment that recognizes workers' basic rights and permits the development of a strong and democratic labor movement.

Each countries' labor relations system establishes a suitable ideology and rule of labor relation due to economic contexts, technical contexts, and political-social context that surround the Business.

Since Korea has exceeded exporting 21 billion dollars by the end of 1981, businesses that are the core of outer individual economy must also assort the

ability to adapt and challenge to outer environmental changes in order to cope with keen international competitive power. Therefore shifting labor policy centered in the improvement of individual firm's autonomy is greatly needed. Without the improvement of individual firm's creativity, swiftness, and dynamics, we cannot survive from the competition, and here, bureaucratism of officials can easily appear as a greatly obstructing factor to economic prospects. With these environmental change, government labor policy should also shift its system from uniform direction orientation of single society to subsidiary orientation of plural society.

The approaches and concrete tasks urgently needed in labor policy for the improvement of private business oriented, individual economic entity centered, labor market mechanism centered and labor-management centered labor relations are as follows.

(1) Attitude

- i. From direct interference orientation to indirect interference orientation
- ii. From directional orientation to promotional orientation
- iii. From single culture to pluralistic culture

(2) Concrete task

- i. Labor segmentation policy: Labor segmentation policy based on subsidiary principle of pluralistic society is needed.

First, classify labor policy objects according to firm size, industry, technology, and organization complexity, then establish subsidiary policy respectively.

Second, classify labor policy objects according to the level of business, then establish subsidiary policy respectively.

- ii. Establishment of enticement policy: Policy to entice development of autonomous labor-management cooperation with business initiative is needed, and establishment of infrastructure for tax reduction act, financial subsidiary, labor cooperation are needed here.

First, in tax reduction and financial subsidiary, two factors are needed

as a foundation of technology accumulation and labor-management co-prosperity, namely, internal labor market development and strengthening of business welfare are urgently needed.

Second, in establishment of infrastructure for labor-management cooperation, investment on general education and training facilities for qualitative improvement of labor union and strengthening of cooperative system, establishment of information center on human resource for labor management cooperative system, and investment for external labor market development and employment security are needed.

- iii. Establishment of specialty: Rationalization and scientific treatment of manpower management is an urgently needed task for establishment of cooperative labor-management relations. For this, experts qualified with special knowledge and ability about labor relations and manpower management that is suitable for business scale, industry, technology, and organization complexity are urgently needed. As a way, for accelerating the training of these experts, establishment and actualization of certified manpower staffs qualification system should be studied and examined.

In conclusion, it seems to be the extreme domination of labor-management relations by government bureaucracies since the early seventies and inconsistencies prevailing in Korean industrial relations hitherto in connection with certain parts of labor legislation and its respective amendments during the fifties and sixties that have contributed to the present deficiencies of Korean industrial relations. As labor is the main and crucial resource of Korean economy, it is considered not only in its purely economic dimension as a disposable factor of production but also in its social dimension as a social force whose support and motivation are indispensable for future development.

Exhibit 5. Major Labor Laws in Korea

Title of Labor Law	Purpose
Labor Standards Law	Pursuance of the National Constitution, to set forth the standard terms and conditions of employment, and hence to secure and improve the basic livelihood of workers, and to enhance the balanced development of the national economy
Labor Union Law	To guarantee, according to the National Constitution, the workers the autonomous rights of freedom of association, collective bargaining and collective action aimed at maintaining and improving their working condition
Labor Dispute Adjustment Law	To secure fair adjustment of labor relations, to prevent and settle labor disputes so as to bring about and maintain peace in industrial society
Labor Committee Law	To establish a Labor Committee aimed at democratic labor administration and fair adjustment of labor relations
Labor Management Council Law	To seek cooperations between the workers and the employers and to increase productivity