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Abstract

South Korea and Japan have adopted essentially the same labor institutions: lifetime employment practice, company unionism, and a seniority-based wage and bonus system. Apparently, these institutions have successfully resulted in a high level of cooperation between Japanese labor unions and management. But Korean labor unions are much more militant and hostile to management than Japanese unions as evidenced by strike intensity data. Why is Korean labor so militant? This research identifies three types of factors responsible for Korean labor militancy. First, among sociopolitical factors are i) the obsolescence of authoritarianism and subsequent abolition of direct government control of labor relations and ii) the dominance of the age-cohort of young assertive workers in the workforce. Second, the unique features of industrial structure and policy in Korea such as the chaebol system and the availability of low interest bank loans have encouraged union militancy as an unintended consequence. Third, the regulatory and legal environment for labor relations, heavily influenced by governmental paternalism, does not foster development of an autonomous labor relations culture. While the government has given up authoritarian control of labor, it has yet to give up the urge to guide labor relations. What Korea sorely needs in order to resolve the current labor militancy problem is the development of an autonomous labor relations culture. Individual workers and management should learn to bargain and to cooperate responsibly through direct dialogue.

Why is Labor so Militant in South Korea?

I. Introduction

South Korea has adopted essentially the same labor institutions as Japan : lifetime employment practice, company unionism, and a seniority-based wage and bonus system. Apparently, these institutions have succeeded in keeping the Japanese labor force cooperative with management, but have failed to do so for their Korean counterparts. Korean labor unions are much more militant than Japanese unions. This is evidenced by strike intensity data. In 1994, work stoppages in Japan were almost unheard-of, amounting to a mere 85,000 mandays lost to strikes. In the same year, Korea lost 1,484,000 mandays to strikes, even though its work force was less than one third the size of Japan's, and its unionization rate was significantly lower (13.5% compared to 24.1%).

Why is Korean labor so militant? Labor relations are primarily economic in nature, representing the contacts between workers supplying their labor for income and firms requiring that labor for profit creation. Labor militancy may be explained by the workers' net monetary gain from such behavior and hence by the current economic factors which affect this gain. A microscopic analysis focusing on the current economic factors alone would not fully explain labor militancy in Korea. Besides being an economic one, labor relations structure is also a social institution, a product of the social and historical process, which is shaped by legal, political and cultural practices of the past and the present. In an effort to explain why Korean labor is so militant, this research examines first the background of Korean labor relations (Section II) and then the sociopolitical factors of labor militancy (Section III). Section IV explains how the industrial structure and government industrial policy affect union calculation of the net

economic return from labor militancy. Section V explores regulatory-legal factors. Section VI discusses the future prospects of Korean labor relations.

II. The Background of Labor Militancy in Korea

The militancy of Korean labor unions as expressed in the form of industrial actions is a relatively recent phenomenon, dating from the late 1980's. Strike activity in Korea had in fact been very mild until 1987. For most of the period from 1980-86, the number of mandays lost to strikes per employee (strike intensity) was much smaller for Korea than for any of the listed Western industrialized countries (United States, Australia, France, Sweden, and the United Kingdom) with the exception of Germany, whose figures are comparable (Table I-1). Even compared to those of Japan, the Korean figures are substantially lower (1980-84) or at about the same level (1985-86). Up until 1986, strike intensity in Korea never exceeded 0.005. And then in 1987 this figure jumped to 0.4, an almost 1000-fold increase in strike intensity over the previous year. The number remained high, around 0.2 or above, until finally subsiding in 1992. Even so, by 1994 (the last year for which data are available), the strike intensity figure for Korea (0.07481) was 57 times that of Japan (0.001317) and larger than that of any country listed in Table I-1.

Table II illustrates the distinct change in the pattern of strike intensity taking place in Korea after 1987. The table shows that the annual number of mandays lost to strikes per 1000 wage earners never exceeded 10 days in the pre-1987 period except for three years in the 1960s. Then, on June 29, 1987, as a part of the democratization proclamation, the authoritarian government announced a liberal policy towards workers' rights to unionize and engage in labor actions including strikes. The effect of the

announcement on labor disputes was explosive. From 1986 to 1987 union membership increased by 22% (from 1.04 million to 1.27 million) unionization rate by 12% (from 12.3% to 13.8%) and the number of unions by 54% (from 2658 to 4086) (Table II). The number of strikes increased 14-fold (from 276 and 3,749) and strike participation jumped 27-fold (from 46,941 to 1,262,285). The number of mandays lost to strikes increased almost a hundred fold (from 72,025 to 6,946,935) and as a result, the number of mandays lost to strikes per 1000 wage earners also increased by a factor of about 100 (from 8.54 to 755.92). After 1987 strike activity started to decline, with the number of mandays lost per 1000 wage earners finally dropping below 100 after 1994. However, the 1996, strike intensity rate (68.46) was still 7 times higher than the highest pre-1986 figure (9.49 days, in 1980). Clearly, Korean labor militancy, which began in 1987, continues to date.

How did the June 29, 1987 announcement spur such a tremendous explosion in industrial actions? The announcement itself was not accompanied by immediate revisions of existing labor laws regarding union organizing, collective bargaining, and strikes. However, prior to the announcement, the government often considered union activities as threats to national security, political as well as economical, and tried to suppress them. In June 1987, the government stopped direct attempts to control union activities, allowing a de facto free labor movement to exist.

Why did freer labor union activities, an immediate consequence of the announcement, lead to an explosion of strikes and open a new era of militant labor in Korea? First, social and political factors provide an explanation, since they affect labor relations culture. Second, the industrial structure and a government industrial policy unique to Korea may have encouraged union militancy. The workers' main motive for striking has been economical (i.e. wage related). The industrial structure and

government policy affect union calculation of the net economic return from excessive wage demands and thus affect intense strike activity. Third, the regulatory and legal environment of the late 1980s and early 1990s may also have exacerbated labor disputes. These three types of factors are discussed in the next three sections.

III. Sociopolitical Factors

The conspicuous change in labor relations as shown by the explosion in the number of strikes after June 29, 1987 are the result of two underlying factors which are sociopolitical in nature. The first one, ironically, is that the principle of growth and national security at the expense of democracy and free labor lost its persuasive power among Koreans just as the authoritarian state fulfilled its promised economic growth by the mid-1980s. The other is demographic: changes in the age population structure resulted in a sizable social class of young well-educated urban workers who asserted their rights more forcefully than their parents, most of whom had migrated from the countryside.

1. Political Factors: Dwindling Popularity of the Growth First Policy

Undoubtedly the June 29, 1987 announcement is the watershed dividing a strongly militant labor movement from the previous moderate one. Hence, a deeper analysis of the change requires an understanding of why the government made such an announcement at that time. On the surface, it was the long overdue victory of the Korean populace yearning for political democracy over the dictatorial regime of President Chun. In the months leading up to June of 1987, student demonstrations intensified on campus and on the street clamoring for democracy, and especially for direct presidential elections.

The demonstrations commanded the overwhelming support of the citizens, putting the government on the defensive. Capitulating to the popular demand for democracy, the government made the democracy announcement.

Student demonstrations were not new to Koreans in 1987, having taken place virtually continuously throughout the preceding three decades. So what was it that made the people take bold steps to support the students against the government in 1987? To put the same question in a different way, why prior to 1987 had the Korean people mostly kept democracy fighters at arm's length and tolerated authoritarian regimes? One explanation is that the authoritarian regimes successfully justified their legitimacy by promoting rapid economic growth and strong national defense against communist aggression from North Korea. The people seemingly acknowledged the regimes' legitimacy at the expense of democracy, because economic growth and security from communism were powerful motives for Koreans who had witnessed communist savagery during the Korean War of 1950-53 and suffered hunger, a legacy of the war's devastation.

With the people's tacit approval of the dictatorial development state, the Korean government introduced the Growth-First policy. Some analysts argue that the government's wage control policies suppressed wages at unfairly low levels for the benefit of businesses during the period prior to 1987.¹ However, Table III-1 shows that during the period 1971-1986 in all industries except farming the average annual growth rate of nominal wages (20.86%) exceeded the average annual growth rate of labor productivity (19.54%). Similarly in manufacturing, the wage growth rate (21.34%) exceeded the labor productivity growth rate (19.53%). Hence this exploitation argument does not withstand empirical scrutiny. What the government's Growth-First policy effectively achieved in labor was not wage suppression but

control of union actions (such as strikes) which may impede uninterrupted labor supply for the growing manufacturing sector.

The government played the role of an active manipulator of labor relations to ensure industrial peace during the pre-1987 period. Specifically, the government controlled union activity to prevent work stoppages. At the same time, the government practiced on-site labor inspections to reduce employers' unfair labor practices and hence workers' grievances. A shortcoming of government-managed labor relations was that it failed to encourage development of an autonomous labor relations culture in which labor and management could resolve mutual conflicts through dialogue and bargaining. As a result, when disputes arose between labor and management, each side tended to expect the government to intervene on its behalf.

Another shortcoming of government-managed labor relations was that the government could secure industrial peace only during periods of political stability, failing miserably whenever its authority was challenged. Table II shows that mandays lost to strikes per 1000 workers was very high in 1965, 1968, 1969, and 1980. 1965 and 1968-69 were periods of intense student activism against the government's decision to normalize diplomatic relations with Japan, its decision to dispatch troops to Vietnam and against dictatorship in general. Political instability in the aftermath of President Park's assassination occurred in 1980.

One explanation for the eruption of intense strike activity during times of political instability or change may be that rising anti-authority sentiments among the general public translated to workers' actions against management. But a more direct explanation of this relationship is that during politically unstable

periods the government failed to firmly control labor relations. Table III-2 provides empirical support for this argument. The table shows an estimate of -0.3141 for the correlation between mandays lost to strikes per 1000 workers and the number of government labor inspections per 1000 establishments for 1970-1986. The negative nature of the correlation coefficient indicates that the government's firm control of labor relations, only possible during politically stable periods, was associated with less strike activity.

The explosive strike period of 1987-89 coincided with a period of political instability and of government failure to control labor. At that time, the political change, in the form of President Chun's June 29, 1987 democracy announcement, was permanent, ushering in a new era of political democracy along with a free union movement. The announcement, the authoritarian government's capitulation to the people's popular demand for democracy was ironically a consequence of the authoritarian state's success in achieving its promised economic growth. This is because with economic prosperity authoritarianism's promise of improving economic conditions lost its appeal.

Economic prosperity brought about another change that was political in nature. The urgency of the threat from North Korea disappeared. With economic growth taking off during the authoritarian regimes of Presidents Park and Chun, per capita GNP of S. Korea increased from \$79 (U.S.) in 1960 to \$3,110 in 1987 (in terms of 1992 current dollars, from \$339 to \$3,742),² averaging a 8.9 % annual real growth rate. This spectacular economic growth contrasts with the laggard economic performance of N. Korea. Table III-3 shows that per capita GNP of the South was lower than that of the North until 1975, but since then, has increased dramatically relative to the North, the ratio exceeding 2:1 by 1985. As South Korea increased its economic superiority over North Korea, the North's security threat could no longer be a

convincing reason for authoritarianism. This was especially so by 1987 when socialism in the USSR started its demise and the People's Republic of China underwent a genuine systemic change towards capitalism with its rural and urban reform programs.

The economic growth Korea achieved under authoritarian political regimes from the 1960s to the mid 1980s weakened the two pillars legitimizing the authoritarian, developmental regime: fast economic growth and defense against the security threat from the north. This economic growth led the prosperous people of S. Korea to desire and demand genuine democracy. The result was the June 29, 1987 announcement, which made possible the existence of free labor unions and has resulted in an increase in strike activity ever since.

2. Changing Demographics and Labor Relations

From the 1960s to the first half of the 1980s, a majority of South Korean workers were migrants from rural farming regions working on urban manufacturing jobs. Accustomed to a tradition of hierarchical values and appreciative of higher urban wages, these workers were relatively content with their jobs and obedient to the hierarchical rules of the workplace. Table III-4 shows how fast the farm exodus took place in Korea. The table shows that farm household employment as a proportion of the total workforce was 65% in 1963, but has been decreasing steadily since then, going under 25% in 1986. That is, the urban work population surpassed 75% of the workforce by the mid-1980s.

The bulk of migrant workers from the rural areas found employment in the urban manufacturing and service sectors as shown in Table III-5. The manufacturing employment proportion increased from a

meager 8% in 1963 to over 20% after 1976, reflecting rapid industrialization of the Korean economy. After reaching a peak around 1960, population growth precipitously declined. As demonstrated in Table III-6-A and III-6-B, one consequence of this was that the proportions of workers younger than 18 and aged 18-19 started to decline rapidly after 1975. The peak proportion achieved in each age group over the previous 20 years is associated with the same worker cohort ; those workers born between 1956 and 1963. This cohort will continue to have a strong influence on population structure in the coming years.

At the time of the June 29, 1987 democracy announcement the large cohort of workers born between 1956 and 1963 were 24-31 years old and thus held junior positions in the workplace. Unlike their predecessors with rural backgrounds and traditional values, these workers, whose younger subgroup is called ‘generation 386’ (referring to the 386 computer chip) were mostly born in cities. They were more individualistic and assertive, and better educated. These younger workers were very familiar with the student democracy movement and were thus more inclined to express their militant views toward government authority and industrial management. Due to their numerical advantage over the older generation of workers, their views began to dominate workers’ behavior, leading to the formation of a militant labor movement dating from 1987.

IV. Industrial Structure and Policy

While sociopolitical factors may partly explain current labor relations in Korea, economic motives are also important in understanding union behavior, especially their militancy since 1987. Table IV-1 reveals that after 1987 the proportion of strikes expressed by street demonstrations became negligible; that is, political issues such as promotion of democracy lost popularity and economic causes became

dominant. Table IV-2 shows that among the causes of strikes for the period before 1987 the two most frequent ones were 'delayed compensation' and 'wage increase'. However, since 1987, the predominant causes of strikes have been 'wage increase' (1987-94) and 'collective agreement' (1995-98).

Union militancy (in the form of explosive strikes) in the post-1987 period has resulted in an average wage growth rate in excess of the productivity growth rate. For the period 1971-1986 the annual average wage growth rate is comparable to the annual average labor productivity growth rate for manufacturing (21.23% vs. 19.53%), and all industries except farming (20.86% vs. 19.54%). The period 1987-1991 saw an enormous gap emerge in these sectors : manufacturing (18.68% vs. 10.00%), all industries except farming (16.62% vs. 12.32%). This gap narrowed considerably over the subsequent 5 year period, 1992-1996 : manufacturing (13.52% vs. 12.50%), non-farming industries (13.45% vs. 10.35%). (Table III-1)

The wage increases observed during 1987-1996 are excessive in that they far surpass productivity increases. It is thought that excessive union demands during this period of intense strike activity caused this disparity.

A union is to a large extent an organization dedicated to the improvement of its members' economic well-being. Thus its actions should be consistent with maximization of net economic return for its members. The industrial structure and the government's industrial policy are important factors, affecting the union's calculation of net economic return from strike action. It is shown below that the excessiveness of the Korean unions' wage demands and their nature, which led to intense strike activity, have been caused by the unique characteristics of the industrial structure and government industrial

policy in Korea.

1. Union Militancy as a Big Corporation Phenomenon

While union militancy of the post-1987 period brought about wage increases, their main beneficiaries were workers of big corporations. In 1986, the ratio of the wages of large establishments (500 + employees) to that of small establishments (10 – 29 employees) was 1.111 (Table IV-3). This ratio increased to 1.347 over the intense strike period of 1987-1989, a 21% increase. By 1996, this ratio had increased to 1.425, a 28% increase over 10 years. Similar findings are observed for the wage ratio of large establishments to medium size ones (100-299 employees) which increased from 1.092 in 1986 to 1.280 in 1996, a 17% gain.

The weakness of the won relative to the Japanese yen contributed to an export boom in the late 1980s. President Roh's construction program for 2 million new housing units created a construction boom until the early 1990s, creating labor shortages until the financial crisis of 1997. Thus, it can be hypothesized that the wage increases experienced by small firms in the post-1987 period have been moderate mostly due to these two macro-economic events, while the workers at large firms enjoyed excessive wage increases as a result of union militancy. Table IV-4 shows that in both 1995 and 1996 a negative rate of accession, an indicator of labor shortage, was observed only among establishments of employment size less than 500; the big establishments with 500 or more employees experienced a sizable rate of labor surplus indicated by a net accession rate of 1.31% and 1.36%, revealing excessive wage increases. The fact that labor shortages were reported mainly among small corporations, (a sign of less than adequate wage increase), and not among large corporations provides indirect evidence that union militancy

disproportionately affected large corporations.

The concentration of unions and strike activity among big corporations provides direct evidence that union militancy occurs mostly among big corporations. Table IV-5-A shows that the majority of Korean firms are small with less than 100 employees. For example, in 1987 these small establishments numbered 102,288 while large establishments with 1000 or more employees numbered only 374 out of a total of 110,316. By 1996 these figures were 177,606 and 348 respectively. However, as shown in Table IV-5-B, the large firms dominate regarding number of strikes. Out of a total of 3749 strikes in 1987, 1379 occurred at small establishments and 259 at large firms; in 1996, 13 strikes occurred at small establishments and 24 at large ones out of a total of 85 strikes. Combining these two tables, Table IV-5-C shows that the number of strikes per establishment was 0.01348 among small establishments and 0.69251 among large establishments in 1987. That is, two out of every three large corporations experienced strikes, while the ratio among small corporations is only one out of a hundred. By 1996, strike frequency had gone down considerably for all establishment sizes : 0.00007 and 0.06897 for small and large establishments respectively. While much lower than the 1987 values, strike frequency at large firms was still 1000 times greater than that of small firms.

In other words, strikes and hence labor militancy in Korea are mainly a phenomenon of big corporations, rather than small ones. This is reaffirmed by the observation that unions in Korea are formed mostly in large corporations. In 1990 and 1991 small establishments (<100 workers) made up 93.3% and 93.8% of the total number of establishments in Korea, but only 3% of these small establishments were unionized. As establishment size increases, unionization rate also increases reaching 80% among large establishments (<500 workers). (Table IV-6-A, IV-6-B)

If union militancy in Korea is mainly a big corporation phenomenon, what characteristics of the big corporations in Korea induce union militancy? First of all, the larger the corporation, the lower the union's cost of organizing. Also, large corporations have more resources to accommodate union demands for wage increases. Hence, unions may be organized more often among big corporations and have more to gain from strikes. But this generalization falls short of explaining the intensity of union militancy shown over the past decade. Besides the sociopolitical factors considered earlier, what are the industrial factors unique to Korea that facilitated union militancy in big corporations? Below, we examine government industrial policy, the corporate governance structure and the internal labor market.

2. Government Industrial Policy

In the 1970s Japanese industrial policies began to use the market mechanism and deregulation in response to trade conflicts incurred by the rapid expansion of exports and by increased international competitiveness. During the 1980s and 1990s, Japan seems to have used indirect industrial policy measures such as monetary policy to reduce domestic interest rates. In contrast, Korea continues to practice a direct and micromanaging style of industrial policy. The Korean government has intervened heavily in private investment decisions in order to promote the sectors it regards as strategically important to the economy. The tools of this industrial policy include direct subsidies and tax credits. But the major tool has been government control of the banking industry and the making available of low interest policy loans to the favored sectors. The interest rates on policy loans have been only 5% - 8% per year while prime lending rates at commercial banks have been much higher (9% - 12.5% in 1995). Hence, the policy loan rates are up to 7.5% points cheaper than prime rates. These policy loans constituted 47.5% to 74% of total bank loans in the 1970s and 1980s, and about 50% in 1997.^{3,4}

Furthermore, getting ordinary bank loans is advantageous thanks to government controls on bank lending rates at levels lower than market rates. According to Table IV-7, the unregulated curb market rates were higher than the bank lending rates by at least 12 % points throughout the period of 1984 – 1995.

Because policy loans as well as ordinary bank loans require collateral, their recipients are mainly big corporations. Compared to small corporations, big corporations have more power to acquire these subsidized loans and other benefits created by the government such as direct subsidies and tax credits. An unintended consequence of the ability of big business to acquire government assistance is an increased militancy in the unions. This occurs for three reasons.

First of all, the unions understand that corporate profits are to a considerable degree due to the government's provision of direct subsidies, tax benefits, preferential loans or protection from foreign competitors, and not due to management's productive efforts. Thus they consider it justifiable to take profits away from management by demanding seemingly outrageous wage increases, resulting in strikes difficult to resolve. Second, the unions are not concerned with corporate losses, since they have repeatedly witnessed the interventionist government bail out big corporations whenever in trouble and hence expect the government to do the same for their corporation. Thus, at the expense of taxpayers and consumers, big corporation unions demand their share of government largesse. The result is an intense rivalry and absence of cooperation between labor and management, leading to labor militancy.

Third, the importance of getting government subsidized or interest-controlled bank loans⁵ for Korean corporations to reduce capital costs has fostered a lack of transparency in corporate financial reporting and heightened labor's mistrust of management. To acquire as many of these low rate loans as possible,

the big corporations have often inflated their profitability figures in loan applications to the banks. Concerned more with following bureaucratic rules and regulations dictated by the government, the heavily government-controlled banks have little incentive to scrutinize corporate financial figures. This lack of transparency in financial reporting continues unchecked by market forces. This less than transparent reporting is motivated by the need to impress the government in order to receive various subsidies and preferential treatment only available to promising firms. Thus official financial reports have tended to be rosier than the more accurate internal confidential reports. A problem arises with this double accounting among big corporations when the time comes to renegotiate their contracts with the labor unions. At such a time the management of a big corporation has no incentive to exaggerate corporate profitability, but rather an incentive to downgrade it. At the negotiation table, the management may be explaining to the union the true financial state of the corporation, which may well be very poor.⁶ But the union may not be willing to accept management's assessment because they would be aware of the rosy reports given to the banks, the government or the public. Thus the union insists on excessive wage increases. As their demands are difficult to meet, acts of violence in the form of strikes erupt.

3. The Corporate Governance Structure

Many of the big corporations in Korea belong to business groups called chaebols whose management is controlled by majority shareholder families.⁷ As of 1996, all of the top 100 big corporations in terms of employment size, which range from 2,345 employees of Daewoo KiJun to 59,019 of Samsung Electronics, are affiliates of chaebols. The top 4 chaebols ranked by asset size in 1996 (Hyundai, Samsung, LG, and Daewoo) included 218 affiliate corporations, employing 557,171 workers. In the same year, the top 30 chaebols had 821 corporations and 997,586 employees. Thus, on average, a top 4-

chaebol corporation hires 2,556 workers and a top 30-chaebol corporation 1,215 workers.⁸ Hence, it is safe to assume that big Korean corporations are mostly chaebol affiliates.

A chaebol consists of vertically and/or more frequently horizontally integrated affiliates. The integration takes the form of cross-share holding started by the core firm. A powerful motive for integration is the advantages of chaebol affiliates in mobilizing capital. An affiliate provides collateral or loan guarantees for other affiliates' loans and debts. This cross-guarantee of debt payments is an effective means of receiving the cheap subsidized loans the government's industrial policy provides. The chaebol structure enjoys scale economy in maximizing the receipt of subsidized policy loans and bank loans with controlled low interest, the result being ever-continuing chaebol expansion. Another advantage of the chaebol's cross-loan guarantee is that it permits an affiliate's loss to be spread over other affiliates. This loss sharing provides mutual insurance among affiliates allowing for adventuresome risk taking in investment.

An unintended consequence of the chaebol cross-loan guarantees and other means of mutual assistance within the group is labor militancy. Expecting the affiliates to subsidize each other, unions make wage demands which are excessive compared to their company's profitability, generating union militancy among chaebol firms. Also, chaebols tend to exert monopolistic power in many industries, creating monopoly profits. This again encourages union pursuit of higher shares of the profits, the result being increasing militancy as found among big corporations in the form of intense strike activity.

4. Internal Labor Market

Japan had experienced a period of labor militancy with intense strike activity until the early 1970s,⁹ thus, Korean labor militancy may be partly explained by the relative immaturity of its industrial relations. Japan's present labor peace is the result of earlier efforts to resolve conflicts by labor and especially by management. An important component of current, peaceful labor relations in Japan is the internal labor market in which firms encourage worker loyalty by rewarding long job tenure.¹⁰ This Japanese practice is consistent with the tenure-wage profile theory of Becker (1964), Lazear (1981), and Salop and Salop (1976) which predicts a positive association between tenure and wage due to a firm's efforts to induce worker loyalty so as to recover investment costs in worker training. Thus, one can suggest that Korea's labor militancy is due to its underdeveloped internal labor market, i.e., to inadequate reward for long job tenure at Korean corporations.

The Japan-Korea comparison of worker quit rates in Table IV-8 indicates a lack of corporate loyalty among the Korean workers relative to the Japanese. This is especially true for smaller firms. The monthly quit rates in 1990 for establishments with employment size 5-99 and 30-99 are 6.0% and 5.5% respectively in Korea and 1.8% and 1.6% in Japan, showing a larger than 3:1 ratio between the two countries. For large establishments with employment size 500 or more, the ratio is smaller but the Korean rate is still twice that of Japan.

Based on estimates using Japan's Basic Survey on Wage Structure and Korea's Occupational Wage Survey, Cheon (1998) reports that in manufacturing the slope of the wage-tenure profile was higher among Korean workers than their Japanese counterparts in 1990. This result is puzzling, being opposite to the expectation based on the tenure-wage profile theory. On the other hand, Table IV-8 shows that,

between 1980 and 1990 in Korea, the quit ratio in big establishments (more than 500 workers) declined by almost 50% from 4.5% to 2.4%, while it declined very little in small establishments. Considering that those who benefited most from the wage hikes of the late 1980s were workers in big corporations, this sharp decrease in quit rate seems to support the tenure-wage profile theory as evidenced in Japan. One troubling point is how to explain the militancy of workers in big corporations who resort to strikes more often than their counterparts in smaller firms. Perhaps in times of conflict in Korea the workers of small firms tend to resort to quitting, while those of big firms resort to strikes. Why the big Korean firms could not prevent militant labor behavior despite favorable wage-tenure profiles may be ascribed to factors other than internal labor market dynamics.

V. Regulatory and Legal Environment Encouraging Labor's Militant Behavior

In the fall of 1997, a currency crisis befell Korea, devastating its economy. As the economy experienced one crisis after another, the unemployment rate rose from 2% the previous year to 8%, and the growth rate plummeted to negative 6% in 1998. Nevertheless, union militancy continues as demonstrated by recent strikes at Hyundai and Kia corporations. A reason that labor's militant behavior continues to date is that the regulatory and legal environment of Korea encourages such behavior.

First, labor laws mandate collective bargaining between employers and unions, prohibiting direct negotiation between workers and employers. Second, the unions are permitted to withhold union dues from paychecks without regular member approval. Third, (until the labor law was amended), with the government's tacit approval, unions demanded and succeeded in getting their companies to pay the salaries of a sizable number of full-time union officers even though they did not perform any work for

the company. Fourth, until recently, the government permitted striking union workers to demand and receive lost wages although they did no work for the period.¹¹

Within this regulatory and legal environment heavily influenced by governmental paternalism, bargaining power is tilted in favor of unions and especially of union office holders. In this environment, the costs of militant union action become relatively small compared to its benefits. Hence, it is not surprising that union leaders resort to actions deemed excessive by outside viewers. In other words, government regulation and enforcement policy have encouraged union militant behavior. Unfortunately, the current Korean government has been inviting labor union representatives to the Labor-Management-Government Tri-Partite Commission to participate in national economic policy decision making, thereby strengthening the political power of labor unions.¹² The result is a back-pedaling on labor reform, as shown by the government's recent announcement of its intention to legalize company-paid salaries for full-time union officers.

VI. Concluding Remarks

The democracy announcement of 1987 ushered in a new era of political democracy in Korea. But it opened a Pandora's Box of workers' previously suppressed demands and grievances. When unions demanded exorbitant wage increases, Korean corporations could no longer rely on the government to remedy the situation. Due to decades of direct supervision and control of labor relations by the government, both management and unions were ill-prepared to resolve conflicts effectively through dialogue and bargaining. The result was an explosion of strike activity especially among big corporations in the late 1980s. Even today, Korean strike intensity remains one of the highest among industrialized countries.

The current state of labor militancy, found mainly within big corporations, is a necessary stage on the road to industrial maturity. To facilitate a speedy and relatively painless transition it is essential to identify the factors encouraging union militancy and to deal with them appropriately. This research identifies three types of such factors.

One type is sociopolitical. Due to the economic growth achieved over the last three decades authoritarianism has been made obsolete. As has government interventionism in labor relations. In addition, the assertive, urban workers born around 1960, the largest demographic group in Korea, constitute the core of the labor force, and have led the militant labor movement since 1987. Aging of this cohort of workers is expected to subdue their labor militancy.

The second type of factor conducive to labor militancy concerns the industrial structure and industrial policy of Korea. First, the concentration of strikes and unions among big corporations means that union militancy is mainly a phenomenon of big corporations, not of small ones. Second, government industrial policy measures such as the provision of low interest bank loans favor big corporations and encourage subsidy-seeking behavior which in turn encourages similar behavior in workers. That is, workers contest with management for a bigger share of the government-provided spoils, demanding excessive wage increases and hence create hostile labor relations. Third, the chaebol governance structure, which provides mutual insurance services for its affiliates through cross-loan guarantees and loss-sharing, also encourages union militancy, because unions may expect other affiliates to help share the burden of excessive wage increases. Fourth, internal labor market dynamics regarding wage-tenure profiles do not appear to be having the expected moderating effect on union militancy.

The third type of factor considers the regulatory and legal environment of Korean labor. Unfortunately, the government has been back-pedaling on labor reform as shown by its reported intention to allow company-paid salaries for full-time union officers, the very people who have been blamed for undue union militancy. The government also wants to intervene in labor relations through the recently founded Labor-Management-Government Tripartite Commission. Union representation on the Commission is expected to politicize labor issues, worsening the excessive behavior of unions.

Even though the government renounced authoritarian control of labor in 1987, it has yet to give up the urge to guide labor relations from above through means such as the Tripartite Commission.

Interventionist industrial policy such as policy loans worsens labor relations. What Korea sorely needs in order to resolve the current labor militancy problem is the development of an autonomous labor relations culture. Individual workers and management should be permitted to bargain and to cooperate responsibly through direct dialogue without any government interference.

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Table I-1. International Comparison of Mandays Lost to Strikes.

A. Unit = 1000 Mandays Lost to strikes

	Korea	Japan	Taiwan ^a	Australia	France	Germany	Sweden	UK	US
1980	61	1,001		3,320	1,675	128	4,471	11,964	20,844
1981	31	554		4,192	1,496	58	209	4,266	16,908
1982	12	538		2,158	2,327	15	2	5,313	9,061
1983	9	507		1,641	1,484	41	57	3,754	17,461
1984	20	354		1,307	1,357	5,618	34	27,135	8,499
1985	64	264		1,256	885	35	504	6,402	7,079
1986	72	253		1,391	1,041	28	696	1,920	11,861
1987	6,947	256	2	1,312	969	33	15	3,546	4,469
1988	5,401	174	9	1,641	1,242	42	797	3,702	4,364
1989	6,351	220	24	1,202	904	100	410	4,128	16,996
1990	4,487	145	1	1,377	694	364	770	1,903	5,926
1991	3,271	96		1,611	666	154	22	761	4,584
1992	1,528	231	14	941	491	1,545	28	528	3,989
1993	1,308	116		636	533	593	190	649	3,981
1994	1,484	85		501	521	229	52	278	5,020

^aBlanks mean that data are not available.

B. Unit = Mandays Lost to strikes per Employee^a

	Korea	Japan	US	Australia	France	Germany	Sweden	UK
1980	0.004458	0.018082	0.209903	0.528326	0.078114	0.004730	1.056474	0.482088
1981	0.002210	0.009927	0.168411	0.653367	0.070120	0.002145	0.049467	0.178135
1982	0.000820	0.009542	0.091042	0.336399	0.108759	0.000561	0.000474	0.226123
1983	0.000620	0.008844	0.173166	0.260476	0.069407	0.001556	0.013494	0.160071
1984	0.001386	0.006139	0.080939	0.201263	0.064000	0.212859	0.007991	1.132181
1985	0.004275	0.004546	0.066066	0.187547	0.041852	0.001316	0.117237	0.264272
1986	0.004644	0.004323	0.108224	0.199455	0.048997	0.001038	0.163036	0.079002
1987	0.424789	0.004331	0.039746	0.184037	0.045433	0.001215	0.003504	0.142569
1988	0.320154	0.002895	0.037958	0.221817	0.057692	0.001534	0.183556	0.143856
1989	0.361654	0.003590	0.144842	0.155699	0.041381	0.003602	0.093013	0.156268
1990	0.249819	0.002320	0.049885	0.175213	0.031407	0.012778	0.173073	0.071089
1991	0.175747	0.001507	0.038941	0.209875	0.030079	0.005315	0.005031	0.029348
1992	0.080586	0.003589	0.033665	0.123216	0.022310	0.053038	0.006675	0.020844
1993	0.067937	0.001798	0.033104	0.082813	0.024475	0.020687	0.047931	0.025823
1994	0.074810	0.001317	0.040793	0.063250	0.023888	0.008095	0.013245	0.010979

Source: Korea Labor Institute, **KLIdb 1997.7**.

^aMandays lost to strikes divided by workforce size.

Table I-2. International Comparison of Employment: unit = 1000 persons

	Korea	US	Australia	Japan	France	Germany	Sweden	UK
1960		65,778		44,360	18,611	26,247	3,599	23,711
1961		65,746		44,980	18,629	26,591	3,633	24,011
1962		66,702		45,560	18,748	26,690	3,657	24,156
1963	7,662	67,762		45,950	19,066	26,744	3,659	24,226
1964	7,799	69,305		46,550	19,413	26,753	3,660	24,570
1965	8,206	71,088	4,628	47,300	19,541	26,887	3,698	24,800
1966	8,423	72,895	4,785	48,270	19,688	26,801	3,733	24,869
1967	8,717	74,372	4,928	49,200	19,762	25,950	3,695	24,548
1968	9,156	75,920	5,046	50,020	19,732	25,968	3,737	24,447
1969	9,414	77,902	5,188	50,400	20,041	26,356	3,782	24,453
1970	9,745	78,678	5,388	50,940	20,328	26,668	3,854	24,389
1971	10,066	79,367	5,517	51,210	20,440	26,772	3,860	24,165
1972	10,560	82,153	5,601	51,260	20,571	26,875	3,862	24,281
1973	11,139	85,064	5,765	52,590	20,863	27,160	3,879	24,737
1974	11,586	86,794	5,891	52,370	21,059	26,829	3,962	24,820
1975	11,830	85,846	5,866	52,230	20,871	26,110	4,062	24,680
1976	12,556	88,752	5,946	52,710	21,040	25,974	4,088	24,510
1977	12,929	92,017	6,000	53,420	21,231	26,008	4,099	24,538
1978	13,490	96,048	6,038	54,080	21,327	26,219	4,115	24,755
1979	13,664	98,824	6,111	54,790	21,392	26,657	4,180	25,081
1980	13,683	99,303	6,284	55,360	21,443	27,059	4,232	24,817
1981	14,024	100,397	6,416	55,810	21,335	27,033	4,225	23,948
1982	14,631	99,526	6,415	56,380	21,396	26,725	4,219	23,496
1983	14,505	100,834	6,300	57,330	21,381	26,347	4,224	23,452
1984	14,429	105,005	6,494	57,660	21,203	26,393	4,255	23,967
1985	14,970	107,150	6,697	58,070	21,146	26,593	4,299	24,225
1986	15,505	109,597	6,974	58,530	21,246	26,960	4,269	24,303
1987	16,354	112,440	7,129	59,110	21,328	27,157	4,281	24,872
1988	16,870	114,968	7,398	60,110	21,528	27,364	4,342	25,734
1989	17,561	117,342	7,720	61,280	21,846	27,761	4,408	26,416
1990	17,961	118,793	7,859	62,490	22,097	28,486	4,449	26,769
1991	18,612	117,718	7,676	63,690	22,142	28,974	4,373	25,930
1992	18,961	118,492	7,637	64,360	22,008	29,130	4,195	25,330
1993	19,253	120,259	7,680	64,500	21,777	28,665	3,964	25,132
1994	19,837	123,060	7,921	64,530	21,810	28,288	3,926	25,321
1995	20,377	124,900	8,235	64,570	21,934	28,095	3,988	25,448
1996	20,764							

Source: Korea Labor Institute, **KLldb 1997.7**.

Table I-3. International Comparison of Unionization Rates: unit = %

	Korea	Japan	Taiwan	Australia	Germany	Sweden ^a	UK	US
1980	14.7	30.8	26.2	56.4	39.8	87.6	56.3	22.8
1981	14.6	30.8	27.3	55.7	40.2	88.8	55.3	
1982	14.4	30.5	27.7	56.3	40.2	90.4	54.1	
1983	14.1	29.7	28.9	56.9	40.3	91.8	53.3	20.1
1984	13.2	29.1	29.1	55.8	92.7	51.8	18.8	
1985	12.4	28.9	32.5	56.5	39.8	94.4	50.5	18
1986	12.3	28.2	34.5	55.3	39.3	95.7	49.3	17.5
1987	13.8	27.6	35	54.6	38.9	97.5	48.5	17
1988	17.8	26.8	40.2	53.4	38.7	96.3	46.6	16.8
1989	18.6	25.9	45.4	52.2	38.4	95.3	44.8	16.4
1990	17.2	25.2	49.3	52	37.5	93.8	43.4	16.1
1991	15.9	24.5	52.1	52.3	41.6	96.6	43.1	16.1
1992	15	24.4	52.2	49.1	40.1	102.5	41.3	15.8
1993	14.2	24.2	52.8	47	38.4		40.3	15.8
1994	13.5	24.1	53.2		37.2			15.5

Source: Korea Labor Institute, **KLIdb 1997.7**.

^aA number larger than 100 is believed to be due to multiple union membership of workers.

Table II. Unions and Strikes in Korea

Year	No. of Unions ^a	Union Members	No. of Strikes	Strike Participants	Mandays lost to Strikes	Wage Earners (x 1000)	Unionization Rate ^b (%)	Mandays lost to Strikes per 1000 Wage Earners
1963	2133	224000 ^c	70	19990		2383	9.4	
1964	2446	272000	7	1204	1827	2363	11.5	0.77
1965	2617	302000	12	3852	18827	2609	11.6	7.22
1966	2718	327000	12	30690	40592	2780	11.8	14.60
1967	3005	378000	18	2787	10004	3039	12.4	3.29
1968	3117	413000	16	18437	65405	3400	12.1	19.23
1969	3356	445000	6	30499	163353	3547	12.5	46.05
1970	3,482	473000	4	541	9013	3786	12.6	2.38
1971	3,507	497,221	10	832	11323	3957	12.7	2.86
1972	3,391	515,292	0			4060	12.9	0
1973	3,088	548,054	0			4214	13.2	0
1974	3,784	655,785	102	22609	16831	4507	14.8	3.73
1975	4,073	750,235	133	10,256	13557	4802	15.8	2.92
1976	4,371	845,630	110	6570	17046	5197	16.5	3.28
1977	4,580	954,727	96	7,975	8294	5765	16.7	1.44
1978	4,857	1,054,608	102	10,598	13230	6294	16.9	2.10
1979	4,947	1,088,061	105	14,258	16366	6518	16.8	2.51
1980	2,618	948,134	407	48,970	61269	6,464	14.7	9.48
1981	2,141	966,738	186	34,586	30948	6,604	14.6	4.69
1982	2,194	984,136	88	8,967	11504	6,830	14.4	1.68
1983	2,238	1,009,881	98	11,100	8671	7,170	14.1	1.21
1984	2,365	1,010,522	113	16,400	19900	7,629	13.2	2.61
1985	2,534	1,004,398	265	28,700	64300	8,104	12.4	7.93
1986	2,658	1,035,890	276	46,941	72025	8,433	12.3	8.54
1987	4,086	1,267,457	3,749	1,262,285	6,946,935	9,190	13.8	755.92
1988	6,142	1,707,456	1,873	293,455	5,400,837	9,610	17.8	562.00
1989	7,861	1,825,093	1,616	409,134	6,351,443	10,390	18.6	611.30
1990	7,676	1,886,884	322	133,916	4,487,151	10,950	17.2	409.79
1991	7,634	1,803,408	234	175,089	3,271,334	11,349	15.9	288.25
1992	7,505	1,734,598	235	104,489	1,527,612	11,568	15	132.05
1993	7,120	1,667,373	144	108,557	1,308,326	11,751	14.2	111.34
1994	6,998	1,659,011	121	104,339	1,484,368	12,297	13.5	120.71
1995	6,579	1,614,800	88	49,717	392,581	12,735	12.7	30.83
1996	6,397	1,598,558	85	79,495	892,987	13,043	12.2	68.46
1997	5,692	1,484,194	78	43,991	444,720		11.2	
1998 ^d			117	128,979				

^aUnion federations are excluded, while their branches at the enterprise level are included.

^bThe number of union members divided by the number of wage earners.

^cNumbers ending with '000' are rounded-off numbers as reported in the sources.

^dAs of Nov. 20

Sources: Korea Labor Institute, **KLIdb 1997.7**; ____, KLI Labor Statistics, **1990 - 1998**; ____, Quarterly Labor Review, **1/4 1998 - 4/4 1998**; National Statistical Office, Korea Statistical Yearbook, 1996; strike data for 1963-76 are from Jun Kim, (1993)

Table III-1. The Nominal Growth Rates of Labor Productivity and Wages

year	All Industries except farming		Manufacturing	
	labor productivity growth rate	wage growth rate	labor productivity growth rate	wage growth rate
1971	13.7%	15.4%	18.1%	16.2%
1972	24.0	17.5	22.2	13.9
1973	23.3	11.5	17.7	18.0
1974	31.2	31.9	27.8	35.3
1975	25.4	29.5	23.0	27.9
1976	28.3	35.5	19.12	34.7
1977	20.3	32.1	19.8	33.8
1978	25.1	35.0	24.6	34.3
1979	23.8	28.3	27.9	28.6
1980	23.8	23.4	30.3	22.7
1981	21.2	20.7	30.5	20.1
1982	9.8	15.8	6.8	14.7
1983	14.0	11.0	12.6	12.2
1984	12.0	8.7	15.1	8.1
1985	4.3	9.2	4.6	9.9
1986	12.4	8.2	12.0	9.2
1987	9.8	10.1	3.5	11.6
1988	13.2	15.5	14.8	19.6
1989	6.9	21.2	3.6	25.1
1990	15.7	18.8	12.5	20.2
1991	16.0	17.5	15.6	16.9
1992	8.8	15.2	12.2	15.7
1993	8.5	12.2	12.3	10.9
1994	9.8	12.7	12.8	15.5
1995	11.1	11.2	13.1	9.9
1996	7.9	11.9	9.0	12.2
1997	6.5	7.0	12.1	5.2
Annual averages: 71-86	19.54%	20.86%	19.53%	21.23%
Annual averages: 87-91	12.32	16.62	10.00	18.68
Annual averages: 92-96	9.22	12.64	11.88	12.84
Annual averages: 87-96	10.77	14.63	10.94	15.76

Source: Korea Labor Institute, **KLIdb, 1997.7.**

Table III-2. Strike Intensity and Labor Inspections: 1970-1986

Year	(A): Mandays lost to strikes per 1000 wage earners	(B): Number of labor Inspections	(C): Number of establishments	(D) Inspections per 1000 establishments (B/C x 1000)
1970	2.38	21286	15,469	1376.04
1971	2.86	17308	25,367	682.30
1972	0	43672	25,714	1698.37
1973	0	35361	26,870	1316.00
1974	3.73	21401	21,528	994.10
1975	2.92	25197	17,108	1472.82
1976	3.28	22422	43,416	516.45
1977	1.44	22781	54,806	415.67
1978	2.10	21234	62,217	341.29
1979	2.51	27809	68,785	404.29
1980	9.48	42535	74,090	574.10
1981	4.69	38788	72,070	538.20
1982	1.68	22031	81,136	271.53
1983	1.21	35534	92,093	385.85
1984	2.61	39235	100,061	392.11
1985	7.93	43694	103,747	421.16
1986	8.54	59695	107,412	555.76

Correlation between (A) and (D) = -0.3141

Table III-3. Per Capita GNP of South and North Korea

Year	Per Capita GNP ^a	
	South Korea	North Korea
1970	\$926	\$1,016
1975	1,325	1,433
1977	1,626	1,302
1980	2,686	1,999
1985	3,727	1,702
1989	5,485	1,591
1990	5,985	1,470
1994	7,520	863
1995 ^b	10,076	957
1997 ^b	9,511	741

^aAll figures are in 1992 constant U.S.dollars except for 1995 and 1997.

^bThe GNP figures are in current dollars.

Sources: 1970 – 1994 Per capita GNP data are from the U.S. Department of Commerce, **Statistical Abstract of the United States, 1979, 1992, and 1996**; Chain-type price index to deflate current dollars are from the Council of Economic Advisors, **Economic Report of the President**, 1996; 1995 and 1997 figures are from the Bank of Korea.

Table III-4. The Proportion of Farm Household Employment^a: 1963-1996

Year	(A): All Sector Employment unit=1000	(B): Farm Households Employment unit=1000	(B/A): Proportion
1963	7,662	4,943	0.645
1964	7,799	4,989	0.640
1965	8,206	5,072	0.618
1966	8,423	5,116	0.607
1967	8,717	5,074	0.582
1968	9,156	5,158	0.563
1969	9,414	5,145	0.547
1970	9,745	5,117	0.525
1971	10,066	5,020	0.499
1972	10,560	5,336	0.505
1973	11,139	5,625	0.505
1974	11,586	5,705	0.492
1975	11,830	5,602	0.474
1976	12,556	5,856	0.466
1977	12,929	5,648	0.437
1978	13,490	5,537	0.410
1979	13,664	5,356	0.392
1980	13,683	5,108	0.373
1981	14,024	5,154	0.368
1982	14,631	5,050	0.345
1983	14,505	4,494	0.310
1984	14,429	3,975	0.275
1985	14,970	3,806	0.254
1986	15,505	3,738	0.241
1987	16,354	3,724	0.228
1988	16,870	3,653	0.217
1989	17,561	3,641	0.207
1990	17,961	3,456	0.192
1991	18,612	3,331	0.179
1992	18,961	3,202	0.169
1993	19,253	3,017	0.157
1994	19,837	2,911	0.147
1995	20,377	2,791	0.137
1996	20,764	2,662	0.128

^aThe self-employed are included.

Source: The Ministry of Labor, **Establishment Labor Survey**, various issues as cited in Korea Labor Institute, **KLIdb 1997.7**.

Table III-5. Employment Distribution by Industry : 1963-1996^a

Year	Farm, Forestry & Fishery	Mining & Manufacturing	Social Overhead Capital & Other Services	Total (A)	Manufacturing	
					Employment (B)	Proportion (B/A)
1963	4,837	666	2,158	7,661	610	0.080
1964	4,825	690	2,284	7,799	637	0.082
1965	4,810	849	2,548	8,207	772	0.094
1966	4,877	913	2,633	8,423	833	0.099
1967	4,811	1,115	2,791	8,717	1,021	0.117
1968	4,801	1,283	3,073	9,157	1,169	0.128
1969	4,825	1,346	3,242	9,413	1,232	0.131
1970	4,916	1,395	3,434	9,745	1,285	0.132
1971	4,875	1,428	3,764	10,067	1,336	0.133
1972	5,346	1,499	3,715	10,560	1,445	0.137
1973	5,569	1,822	3,749	11,140	1,774	0.159
1974	5,584	2,062	3,940	11,586	2,012	0.174
1975	5,425	2,265	4,140	11,830	2,204	0.186
1976	5,601	2,743	4,212	12,556	2,678	0.213
1977	5,405	2,901	4,623	12,929	2,798	0.216
1978	5,181	3,123	5,186	13,490	3,016	0.224
1979	4,887	3,237	5,540	13,664	3,126	0.229
1980	4,654	3,079	5,951	13,684	2,955	0.216
1981	4,801	2,983	6,239	14,023	2,859	0.204
1982	4,920	3,121	6,591	14,632	3,009	0.206
1983	4,315	3,375	6,816	14,506	3,266	0.225
1984	3,914	3,491	7,024	14,429	3,348	0.232
1985	3,733	3,659	7,578	14,970	3,504	0.234
1986	3,662	4,013	7,830	15,505	3,827	0.247
1987	3,580	4,602	8,172	16,354	4,416	0.270
1988	3,484	4,807	8,580	16,871	4,667	0.277
1989	3,438	4,973	9,150	17,561	4,882	0.278
1990	3,237	4,990	9,858	18,085	4,911	0.272
1991	3,073	5,061	10,487	18,621	4,994	0.268
1992	2,991	4,885	11,079	18,955	4,828	0.255
1993	2,828	4,704	11,721	19,253	4,652	0.242
1994	2,699	4,735	12,403	19,837	4,695	0.237
1995	2,541	4,799	13,037	20,377	4,773	0.234
1996	2,405	4,701	13,657	20,763	4,677	0.225

^aThe self-employed are included. The units are 1000 employees.

Source: The Ministry of Labor, **Establishment Labor Survey**, various issues as cited in Korea Labor Institute, **KLIdb 1997.7**.

Table III-6. Age Composition of Workers: 1975-96.

A. The Number of Workers by age group: for firms of 5 or more employees.

Year	Age<18	18-19	20-24	25-29	30-39	40-49	50-54	55+	Total
75	66,870	336,819	246,179	218,579	353,722	141,721	26,525	13,984	1,404,399
76	87,020	382,139	590,752	376,336	578,693	183,520	36,940	23,164	2,258,564
77	96,065	425,147	764,752	619,240	620,853	250,432	49,556	20,295	2,846,340
78	103,102	464,248	839,720	591,025	697,301	320,399	65,160	24,365	3,105,320
79	96,929	468,460	908,991	651,030	753,244	355,531	80,511	31,208	3,345,904
80	90,625	394,741	873,919	640,579	725,430	373,170	86,277	34,701	3,219,442
81	88,178	360,683	854,744	640,515	713,791	365,232	83,225	32,904	3,139,272
82	83,834	336,138	893,477	720,065	788,992	429,135	95,986	36,024	3,383,651
83	92,248	326,153	923,766	803,332	873,687	472,416	109,664	40,904	3,642,170
84	98,155	339,510	982,064	918,196	987,443	523,770	125,831	47,727	4,022,696
85	94,080	305,269	950,760	953,061	1,048,993	562,704	138,534	53,444	4,106,845
86	92,550	302,490	973,304	1,038,777	1,194,662	633,982	163,330	62,155	4,461,250
87	95,947	329,093	1,020,699	1,127,507	1,294,779	673,783	182,578	70,960	4,795,346
88	85,989	309,248	1,064,641	1,191,829	1,427,291	746,375	217,216	85,563	5,128,152
89	74,464	256,047	1,024,400	1,223,834	1,555,330	805,301	237,048	96,745	5,273,169
90	57,610	218,670	985,189	1,209,264	1,639,565	864,981	271,554	118,780	5,365,613
91	43,160	187,269	945,823	1,194,538	1,700,754	930,044	311,222	147,984	5,460,794
92	32,952	166,400	925,241	1,193,756	1,817,279	1,202,676	325,714	218,755	5,882,773
93	33,307	145,602	846,048	1,149,774	1,880,358	1,009,036	393,294	276,418	5,733,837
94	25,665	153,817	884,201	1,226,678	1,962,917	1,096,724	419,806	315,546	6,085,354
95	23,916	145,647	876,092	1,248,479	1,957,717	1,140,099	422,884	352,762	6,167,596
96	27,125	138,607	834,211	1,286,778	1,961,936	1,160,398	417,511	389,695	6,216,261

Source: Korea Labor Institute, **KLIdb 1997.7**.

Table III-6 - Continued

B. The Proportion of Workers by Age Group.

Year	Age<18	18-19	20-24	25-29	30-39	40-49	50-54	55+
75	0.048	0.240	0.175	0.156	0.252	0.101	0.019	0.010
76	0.039	0.169	0.262	0.167	0.256	0.081	0.016	0.010
77	0.034	0.149	0.269	0.218	0.218	0.088	0.017	0.007
78	0.033	0.150	0.270	0.190	0.225	0.103	0.021	0.008
79	0.029	0.140	0.272	0.195	0.225	0.106	0.024	0.009
80	0.028	0.123	0.271	0.199	0.225	0.116	0.027	0.011
81	0.028	0.115	0.272	0.204	0.227	0.116	0.027	0.010
82	0.025	0.099	0.264	0.213	0.233	0.127	0.028	0.011
83	0.025	0.090	0.254	0.221	0.240	0.130	0.030	0.011
84	0.024	0.084	0.244	0.228	0.245	0.130	0.031	0.012
85	0.023	0.074	0.232	0.232	0.255	0.137	0.034	0.013
86	0.021	0.068	0.218	0.233	0.268	0.142	0.037	0.014
87	0.020	0.069	0.213	0.235	0.270	0.141	0.038	0.015
88	0.017	0.060	0.208	0.232	0.278	0.146	0.042	0.017
89	0.014	0.049	0.194	0.232	0.295	0.153	0.045	0.018
90	0.011	0.041	0.184	0.225	0.306	0.161	0.051	0.022
91	0.008	0.034	0.173	0.219	0.311	0.170	0.057	0.027
92	0.006	0.028	0.157	0.203	0.309	0.204	0.055	0.037
93	0.006	0.025	0.148	0.201	0.328	0.176	0.069	0.048
94	0.004	0.025	0.145	0.202	0.323	0.180	0.069	0.052
95	0.004	0.024	0.142	0.202	0.317	0.185	0.069	0.057
96	0.004	0.022	0.134	0.207	0.316	0.187	0.067	0.063

Source: The Ministry of Labor, **Establishment Labor Survey**, various issues as cited in Korea Labor Institute, **KLIdb 1997.7**.

Table IV-1. Strikes by Action Types

	Work Refusal	Sit-In	Street Demonstration	Others	Total
1975	49	44	10	30	133
1976	45	45	15	5	110
1977	58	30	5	3	96
1978	55	26	3	18	102
1979	60	43	2	0	105
1980	98	204	47	58	407
1981	88	40	32	26	186
1982	67	16	3	2	88
1983	62	27	6	3	98
1984	62	46	3	2	113
1985	108	154	3	0	265
1986	138	112	21	5	276
1987	1,226	2,428	88	7	3749
1988	675	1,183	5	15	1878
1989	632	899	1	85	1617
1990	262	44	1	17	324
1991	205	27	3	3	238
1992	224	11	0	0	235
1993	22	122	0	0	144
1994	20	101	0	0	121
1995	2	86	0	0	88

Source: Korea Labor Institute, **KLIdb 1997.7.**

Table IV-2. Strikes by Causes.

Year	Delayed Wage Payment	Wage Increase	Temporary of Permanent Closure or Reduced Operation	Layoff	Unfair Labor Practice	Work Conditions	Collective Agreement	Others	Total
1975	32	42	7	10	19	4	0	19	133
1976	37	31	8	3	8	4	0	19	110
1977	30	36	4	4	6	2	0	14	96
1978	29	45	3	1	2	0	0	22	102
1979	36	31	5	6	3	0	0	24	105
1980	287	38	11	5	0	14	0	52	407
1981	69	38	11	9	4	32	0	23	186
1982	26	7	4	2	0	21	0	28	88
1983	35	8	9	6	0	19	0	21	98
1984	39	29	2	5	7	14	0	17	113
1985	61	84	12	22	12	41	0	27	259
1986	48	75	11	34	16	48	0	44	276
1987	45	2,613	11	51	65	566	170	228	3749
1988	59	946	20	110	59	136	328	215	1873
1989	59	742	30	81	10	21	426	247	1616
1990	10	167	6	18	0	2	49	70	322
1991	5	132	0	7	0	2	56	32	234
1992	27	134	0	4	0	0	49	21	235
1993	11	66	1	1	0	0	52	13	144
1994	6	51	0	3	0	0	42	19	121
1995	0	33	0	1	0	0	49	5	88
1996	1	19	0	0	0	0	62	3	85
1997	3	18	0	0	0	0	51	0	78
1998 ^a	9	29	0	3	0	0	51	15	117

Source: Korea Labor Institute, **KLI Labor Statistics, 1990 - 1998 and KLIdb 1997.7.**

^a: As of Nov. 20

Table IV-3. Wages by Establishment Size: All Industries except Farming. Unit = 1000 current won.

Year	Establishment size in terms of number of employees					(C/A)	(C/B)
	(A): 10-29	30-99	(B): 100-299	300-499	(C): 500+		
80	166	177	173	183	178	1.072	1.029
81	194	213	209	218	219	1.129	1.048
82	225	245	241	256	254	1.129	1.054
83	241	272	270	287	284	1.178	1.052
84	282	289	279	312	316	1.121	1.133
85	308	314	308	340	344	1.117	1.117
86	332	341	338	367	369	1.111	1.092
87	360	374	370	404	412	1.144	1.114
88	396	408	423	479	499	1.260	1.180
89	461	485	508	584	621	1.347	1.222
90	549	572	603	698	741	1.350	1.229
91	633	676	736	804	892	1.409	1.212
92	740	794	841	920	1,019	1.377	1.212
93	854	888	921	1,070	1,164	1.363	1.264
94	969	995	1,046	1,194	1,338	1.381	1.279
95	1,082	1,108	1,175	1,334	1,511	1.396	1.286
96	1,188	1,233	1,323	1,517	1,693	1.425	1.280

Source: Korea Labor Institute, **KLI Labor Statistics**, 1998.

Table IV-4. Labor Turnover by Establishment Size^a

	(A)		(B)		(A-B)	
	Accession Rate		Exit Rate		Net Accession Rate	
Establishment Size	1995	1996	1995	1996	1995	1996
10-29 Employees	0.171	0.170	0.163	0.176	0.007	-0.005
30-99	0.153	0.161	0.169	0.167	-0.008	-0.014
100-299	0.132	0.135	0.134	0.129	0.001	0.003
300-499	0.119	0.102	0.105	0.102	-0.003	0.017
500+	0.088	0.093	0.081	0.074	0.013	0.014
total	0.175	0.179	0.176	0.176	0.003	0.000

^aAccession rate is the cumulative number of worker entries divided by the employment size and exit rate is the cumulative number of worker exits divided by the employment size. The employment size is as of the end of the year's first half.

Sources: The Korean Employers' Association (KyungChong), **Yearbook**, 1997, p. 134 and Korea Labor Institute, **KLIdb 1997.7**.

Table IV-5. Strikes by Establishment Size.**A. Number of Establishments by Employment Size**

Year	Establishment Size				Total
	Less than 100	100-299	300-999	1000+	
87	102,288	6,050	1604	374	110,316
88	108,347	6,277	1694	410	116,728
89	115,236	6,264	1702	416	123,618
90	120,086	6,437	1729	416	128,668
91	128,490	6,418	1706	387	137,001
92	138,813	6,896	1806	400	147,915
93	144,625	6,877	1708	344	153,554
94	158,302	7,015	1718	368	167,403
95	168,774	7,164	1797	316	178,051
96	177,606	7,184	1765	348	186,903

B. Number of Strikes by Establishment Size and Industry

Year	Establishment Size					Industry			
	<100	100-299	300-999	1000+	Total	Manufacturing	Transportation	Mining	Others
87	1379	1482	629	259	3749	1955	1365	135	294
88	717	706	289	161	1873	801	811	44	217
89	570	645	249	152	1616	927	428	65	196
90	85	124	63	50	322	227	44	15	36
91	44	79	62	49	234	163	42	5	24
92	61	82	57	35	235	135	40	11	49
93	26	51	36	31	144	93	21	0	30
94	32	37	24	28	121	60	34	3	24
95	21	27	28	12	88	57	8	0	23
96	13	25	23	24	85	56	8	0	21
97 ^a	19	26	19	14	78				
98 ^a	23	32	33	29	117				

^a97 and 98 figures are as of November 20.

C. The Proportion of Strikes by Establishment Size

Year	Establishment Size				
	<100	100-299	300-999	1000+	total
87	0.01348	0.24496	0.39214	0.69251	0.03398
88	0.00662	0.11247	0.17060	0.39268	0.01605
89	0.00495	0.10297	0.14630	0.36538	0.01307
90	0.00071	0.01926	0.03644	0.12019	0.00250
91	0.00034	0.01231	0.03634	0.12661	0.00171
92	0.00044	0.01189	0.03156	0.08750	0.00159
93	0.00018	0.00742	0.02108	0.09012	0.00094
94	0.00020	0.00527	0.01397	0.07609	0.00072
95	0.00012	0.00377	0.01558	0.03797	0.00049
96	0.00007	0.00348	0.01303	0.06897	0.00045

Source: Korea Labor Institute, **KLIdb 1997.7.**

Table IV-6. Unions by Establishment Size

A. . Number of Unionized Establishments by Employment Size in 1990 and 1991.

	Establishment Size in Employment								Total	
	<100		100-299		300-499		500+		1990	1991
	1990	1991	1990	1991	1990	1991	1990	1991		
(A): No. of unionized establishments	3583	3554	2626	2651	556	543	914	889	7679	7637
(B): Total no. of Establishments	120086 (93.3%) ^a	128490 (93.8%)	6437 (5.0%)	6418 (4.7%)	1026 (0.8%)	998 (0.7%)	1119 (0.9%)	1095 (0.8%)	128668 (100.0%)	137001 (100.0%)
(A/B)	0.030	0.028	0.408	0.413	0.542	0.544	0.817	0.812	0.060	0.056

^a Percentage of the total number of establishments.

B. Number of Unionized Establishments by Employment Size in 1991: Detailed Grouping.

	Establishment Size									Total
	5-9	10-15	16-29	30-49	50-99	100-199	200-299	300-499	500+	
(A): No. of unionized establishments	41	147	527	996	1843	1930	721	543	889	7637
(B): Total No. of Establishments	48,230	26,682	26,899	15,627	11,052	4,862	1,556	998	1095	137001
(A/B)	0.001	0.006	0.020	0.064	0.167	0.397	0.463	0.544	0.812	0.056

Sources: Korea Labor Institute, **KLI Labor Statistics, 1993**; ____, **KLIdb, 1997.7**; Young-bum Park, ed., **Labor in Korea**, Seoul: Korea Labor Institute, 1993.

Table IV-7. Real Interest Rates: Controlled Bank Rates versus Uncontrolled Curb Market Rates, 1963-95.

Year	Real Interest Rate (%) ¹		
	(A) Bank Rate ²	(B) Curb Market Rate	(C)=(B)-(A)
1963	-14.3	23.1	37.4
1964	-15.0	31.4	46.4
1965	20.2	52.6	32.4
1966	11.9	44.2	32.3
1967	10.8	40.8	30.0
1968	9.1	39.8	30.7
1969	8.0	36.4	28.4
1970	7.2	35.2	28.0
1971	11.6	30.1	18.5
1972	-7.2	19.7	26.9
1973	-1.2	26.0	27.2
1974	-14.6	8.0	22.6
1975	-9.7	16.6	26.3
1976	-1.5	22.8	24.3
1977	-1.9	21.8	23.7
1978	-2.0	21.1	23.1
1979	-0.7	23.1	23.8
1980	-6.3	19.2	25.5
1981	0.0	19.1	19.1
1982	0.3	22.9	22.6
1983	5.1	22.9	17.8
1984	6.2	21.1	14.9
1985	5.9	19.9	14.0
1986	7.3	22.0	14.7
1987	6.3	21.4	15.1
1988	4.1	16.6	12.5
1989	4.7	17.1	12.4
1990	0.1	13.6	13.5
1991	-0.1	14.2	14.3
1992	3.9	17.0	13.1
1993	3.2	17.6	14.4
1994	3.9	18.4	14.5
1995	4.2	17.8	13.6

Notes: ¹Real interest rate is nominal interest rate – GNP deflator.

²The bank interest rate is on time deposits for a period of one or more years.

Source: Song, Byung-Nak, **The Rise of the Korean Economy**, 2nd ed., Oxford University Press: New York, 1997.

Table IV-8. Monthly Quit Ratios of Japan and Korea in Manufacturing Sector: unit = %.

	Establishment Size in Number of Employees				
	5-29	30-99	100-499		500+
			100-299	300-499	
Japan					
1980	1.7	1.5	1.5		1.1
1990	1.8	1.6	1.3		1.2
Korea					
1980	6.4	6.9	6.2	5.5	4.5
1990	6.0	5.5	4.3	3.0	2.4

Source: Cheon, Byung-You, "Seniority Pay, Turnover and Job Training in Korea," **Korean Economic Review**, Vol. 14, No. 1, Summer, 1998.

Endnotes

¹ See for example Ro (1995), p. 40.

² Song (1992), p. 48.

³ Chung-Ho Yoo, "The industrial policy of the 1970s and the evolution of the manufacturing sector in Korea," **KDI Working Paper**, no. 9017, Seoul: Korea Development Institute, 1990, and Choong Woong Kim, "Industrial Development and Policy Loan," **Korea Development Review** 8, no. 1, 43-76, Seoul (in Korean). Both cited in Cho (1994).

⁴ Joongang Ilbo, (1997).

⁵ This is especially so, because of the large capital requirement for the main industries of Korea : the heavy-chemical industry and the electric-electronic industry.

⁶ Thus arose the fabled phrase in Korea, "the financial officer of a company takes the best vehicle to visit banks, while its labor management director takes the worst one."

⁷ An exception is the Kia group run without major shareholder management. But its behavior does not differ very much from that of the typical family-dominated chaebols.

⁸ See Sung-No Choi (1997).

⁹ ILO, **Yearbook of Labor Statistics**, various issues, as cited in Kim and Yoon (1991).

¹⁰ See Japan Federation of Employers' Associations (1996). Tsuyoshi Tsuru pointed out the importance of this point to the author.

¹¹ See Yoon (1998) for details.

¹² See Yoon (1999) for details.