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## Labor Welfare Strategies and Industrial Unionism in Korea

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### 1. The Need for a New Welfare Strategy for Industrial Unionism

Workers and trade unions are accustomed to addressing their welfare demands towards the individual enterprise or employer, who employ them, than the state or the community. The practice has developed into a norm of corporate welfare campaign in parallel with the campaigns for wage increase at the enterprises. Following the consolidation of trade union activism since 1987, corporate welfare – that is, welfare benefits won by workers from the employers – has become, as a result of the “success” of enterprise unionism, a major factor in aggravating welfare inequalities among the workers. An enterprise union, which obtains its mandate from its members within the particular enterprise, is not, in itself, compelled to transfer and sacrifice its resources for the purpose of enhancing the welfare of workers in other enterprises. If workers, however, are organised in an industrial union, which has instituted considerable degree of centralisation and concentration on a national level, then, there would be greater likelihood of preference formation among the members for a more universalistic welfare programme.

The recent transformation of the basic union structure in Korea, from enterprise unionism to industrial unionism, may present an occasion for a qualitative transition in the welfare strategy of the trade union movement.

### 2. The Current State and Tasks of Trade Union Welfare Strategy and Intervention in Korea

It is widely recognised that the labour movement in the West contributed greatly to the development of the welfare state. The labour movement in Korea, however, as can be noted from low union density and limited coverage of collective bargaining agreements, was limited in its capacity to influence the shaping and the formation of various social institutions. It would not be totally illuminating just to focus on the capacity of the labour movement in exploring the

relationship between the extent of welfare state and the labour movement. In order to obtain a better understanding of the courses that have led to the current situation, it would be necessary to put aside the assumption that the labour movement would have pursued a consistent and systematic strategy to achieve an expansion in state welfare. It would require a closer examination of the internal conditions and factors which have shaped the decisions and courses taken by the labour movement. This would provide an opportunity to identify and evaluate the links between the labour movement and the various stages and turns in the course of the development of the state welfare.

The efforts and activities of labour movement for the establishment of state welfare are generally characterised by “selective actions in accordance with given conditions”. The form and structure of the trade union movement built on enterprise unionism provided an institutional foundation that created and reproduced difficulties and obstacles for the labour movement in formulating macro-level demands for the expansion of state welfare. The Korean Confederation of Trade Unions developed programmatic demands for different spheres of the society and the state out of a broadly packaged social reform agenda. This was transformed into a demand for “social security” in late 1990s. The trade union campaigns for wage increase and working condition improvement waged at the enterprise level, however, contributed to widening the gaps between workers and turned into constraints in the effort to build an institutional framework which would serve the welfare and well-being of the whole of the working class. The strategic outlook which saw “the possibility of enhancing the broader social welfare in the course of achieving expansion in corporate welfare” failed to materialise, as the trade unions were found wanting in their capacity to develop agenda and mobilise resources in pursuing demands related to social security. The expansion in corporate welfare can, therefore, be said to be a product of the convergence of the strategic efforts of the state and capital and the choices made by the labour movement.

Social reform agenda, unlike trade union issues, could not but be limited in its capacity to mobilise resources due to the framework within which the trade unions are required to act and the structure of the trade union itself. First of all, a union organisation established at an enterprise faces great difficulty in bringing issues that unfold over and beyond the boundary of the workplace to the collective bargaining process. Even if it were able to address it in the course of collective bargaining, it would have to be reformulated or scaled down – in terms of specific demands and scope – to fit into the enterprise-level bargaining framework. The national organisation of the trade unions – in the form of “confederation” of trade unions – is not provided with a legislatively mandated “playing field” of collective bargaining. In such an

inherently confined environment, the national organisation of trade unions does not have a natural avenue of addressing and pursuing the social security agenda. Furthermore, opportunities to develop strategic and systematic intervention through the various governmental committees, in which it participates haphazardly, are virtually non-existent. The participation of the Korean Confederation of Trade Unions in various governmental committees related to social welfare has ad hoc at the best. It did not take place on the basis of understanding what specific issues could be and should be addressed in each of these opportunities of participation and intervention within the context of an overall strategic outlook. Rather, the participation was motivated more by the need to attend to immediate issues and to convey concerns of those unions who may have some stake in the issues at hand.

### 3. Cases of Welfare Politics of Early Labour Movement in Germany and Sweden

The labour movements in Germany and Sweden used the establishment of the modern welfare institutions as a leverage for their organisational expansion and consolidation of policy capacity.

1) The Growth of Germany Labour Movement and Social Insurances: The German labour movement in late 19th century looked on the social insurance introduced by Bismarck with great concern suspecting the political intentions behind it. However, the voices of opposition soon disappeared. The labour movement came to seize upon the political importance of the social insurance system. The labour movement accepted the institutional structures of the various social insurances, such as, sickness insurance (1883), accidents insurance (1884), and the disability and old age pension (1889), and transformed them into organisational foundation for the labour movement through active intervention. This was made possible by the principle of “self-administration” (Selbstverwaltung), adopted as the governing mechanism for the insurance funds. The governance structure of the new social insurances provided opportunities for organisational expansion for the trade union and social democratic party activists. The participation of trade union representatives in the social insurance supervisory bodies provided new forum of activism and unique opportunity to oversee extraordinarily large fund. The German experience demonstrated how the modern social insurance system, which was initially understood to pose serious danger to the labour movement, came to serve its interest on the basis of the labour movement’s strategic acceptance and participatory intervention. Its influence on the positive outcomes for the labour movement -- expansion of organisational foundation, the creation of resilient network, and the organisational growth of industrial unions – cannot be overlooked.

2) Unemployment insurance in the Ghent system was managed directly by the trade union or the unemployment fund maintained by the trade union. As a result, it became an important vehicle for consolidating the power of the trade unions and the capacity of the working class. Sweden adopted Ghent system in 1934 while the social democratic party was in government. In striking a compromise with the Liberal Party, the Social Democratic Party had to make important concessions in the substantial aspects of the unemployment insurance. On the other hand, it was able to hold out to secure a management structure administered by the trade unions. This meant that trade union leaders came to have the power to assess and ascertain what is an appropriate job placement for an unemployed workers looking a new job. The course taken in the establishment of the Ghent system shows clearly the strategic welfare politics of the early labour movement in Sweden. Unemployment insurance in the guise of Ghent system was introduced at the initiative of bourgeois political parties in other European countries. However, in Sweden, its establishment was purposefully orchestrated by the Social Democratic Party and the labour movement. If trade unions were to control the supply of labour in the labour market, than they would be able to create opportunities to enhance their organisational strength. The Swedish labour movement seized on this political potential in introducing a Ghent system.

#### 4. The State of Labour Welfare Strategy of the Korean Industrial Unions

The most urgent challenge for industrial unions in Korea until very recently was the organisational transformation. They had to mobilise considerable resources to pave the way for the organisational shift among the enterprises unions against hostile opposition of the employers. As a result, there has not been considerable progress in achieving a bargaining structure or bargaining agenda befitting industrial unionism. Even given the very limited development in bargaining agenda of nascent industrial unions, the industry-level welfare agenda has not emerged as a central concern, garnering only a cursory attention. However, industry-level welfare agenda has, over the last few years, featured prominently in the course of collective bargaining. And there have been some – albeit limited - progress in terms of convergence of interest between the unions and the employers.

The hospital workers union and the metal workers union, in 2004, presented a demand for the creation of an industry-level fund, in taking up the demand for “solidarity fund” developed by the Korean Confederation of Trade Unions. This marked the beginning of the industry-level welfare agenda. In 2005 round of collective bargaining, the hospital workers union presented a

proposal that concretised the proposal for solidarity fund agreed in the previous year. This demand re-emerged in 2008 as a demand for “industry level solidarity fund”. The hospital workers union, currently, face the challenge of establishing a bipartite consultative body (and enhancing its effectiveness) and the need to enhance the capacity for policy intervention.

In the case of the metal workers union, it had secured an agreement with the employers in 2005 for the establishment of a “industry level system for employment security”, but the follow-up efforts at the bipartite consultation that were envisaged to give effect to the agreement fizzled out, nullifying the agreement. Since then, the metal workers union has not, until 2008, succeeded in developing demands for industry-level welfare.

Other industrial unions, for example, the bank workers union and securities workers union, have undertaken various efforts for industry level welfare which take the industry specific features into account. The bank workers union made some inroads in industry level education and training programmes and job placement service programmes. The securities workers union, on the other hand, has generated considerable momentum on the issue of establishing an industry-level retirement pension scheme.

The agenda-setting efforts of industrial unions in Korea in the area of industry level welfare is – in summary - marked by marginality and weakness in carrying capacity. Industry level welfare programmes would require long term investment and careful bipartite consultation to come into effect. However, they remain, so far, as marginal agenda in the trade union activities and bargaining. The weakness in the operational capacity, however, requires a separate attention. In the course of industry level collective bargaining, there have been a number of occasions where there were agreements on some important welfare-related agenda. However, the issues on which agreements were made disappeared from the operational horizon due to absence and failure of follow-up. In order to overcome this chronic “weakness in carrying capacity”, unions would need to invest more in enhancing their capacity to intervene in the bipartite consultative bodies they have agreement to establish with the employers. This would need to be accompanied by gradual and consistent efforts to consolidate the capacity for policy development and practical operational capacity.

## 5. The Future Agenda for Industry-level Welfare

1) Welfare Programmes of Industrial Unions: In order for the welfare programmes provided by the union to secure selective incentive effect and openness, the fragmentation and dispersedness that characterise the unions need to be overcome. The industrial union is an organisational form which can overcome the weaknesses of enterprise unionism and corporate welfare. Selective incentive is an important factor because welfare programmes provided by an industrial union can be an important element in bringing about organisational consolidation of the union and the responsive interaction between the union and its members. Supplementary unemployment benefit provided to its unemployed members by an industrial union would give the union a new dimension. Another example of this kind could be found in pro-active programmes to promote work-and-family balance.

2) Programmes to Socialise the Corporate Welfare : The immediate challenge in the efforts to socialise the corporate welfare would be found in making the benefits available to irregular workers working in the same workplace. Another way forward may be found in locating the resources and facilities of corporate welfare in the community or locality of workers residence, rather than within the physical bounds of the company. This would bring about a “localisation” of corporate welfare. Unions also need to develop a careful plan and roadmap to reorganise the welfare fund that is established at the company level so that the funds in many different companies can be brought together and to contribute towards the establishment of an industry level or a regional level consolidated fund.

3) Medium-to-Long Term Programme for Industry-level Welfare System: The industrial unions in Korea need to invest their efforts and resources to build institutional infrastructure of industry level industrial relations. This will need to include – in terms of welfare agenda – industry level employment security measures and industry level retirement pension system.