

Korean unions agree to mass layoffs

10 February 1998

In the early hours of February 6, after haggling over details in an all-night negotiating session, the two South Korean union federations agreed to a deal with representatives of big business and president-elect Kim Dae Jung to legalize mass layoffs for the first time in decades.

Only a year ago South Korean workers participated in a series of widespread strikes to prevent the previous government of Kim Young Sam from implementing similar legislation. The industrial action was called off by the unofficial Korean Confederation of Trade Unions (KCTU) when one of the country's largest companies, Hanbo, collapsed.

Over the last six months, as the South Korean economy plunged into crisis, KCTU officials repeatedly insisted that they would not accept mass retrenchments. But in January the KCTU, along with the state-run Federation of Korean Trade Unions (FKTU), agreed to hold talks over changes to the labor laws. As late as February 4, KCTU officials were threatening nationwide industrial action. But two days later both union federations signed an agreement which could lead rapidly to a doubling of the unemployment rate.

Under the terms of the deal, layoffs are to take place "through reasonable and fair procedures" when warranted for "emergency management reasons," including mergers and acquisitions. Employers are to give 60 days notice to the unions of any dismissals and must make an effort to rehire workers when conditions change. But as workers in other countries know only too well, such phrases count for little when it comes to mass retrenchments.

To pave the way for large-scale job cuts, the government will set up a special five trillion won (\$3.1 billion) fund to provide relief for unemployed workers.

The unions have agreed to the scrapping of the system of lifelong employment defended by South Korean workers for decades and opened the door to the

widespread use of contract labor. So-called temp agencies will be allowed to operate for the first time, so that corporations can hire short-term contract workers. Far from re-employing full-time workers, companies will be able to hire contract labor on a yearly basis. For years workers have fiercely opposed the operation of "temp" agencies.

Even as it paves the way for mass layoffs, the agreement shores up the position of the trade union apparatuses. It allows the unions to engage in political activity and provides for their official recognition in areas where they were previously illegal. From January next year, unions can be established among government workers, and from July 1997, among teachers.

The agreement has been praised by big business and by president-elect Kim Dae Jung, due to take office on February 25. The Federation of Korean Industries hailed the pact, saying it would enhance labor market flexibility.

Mass layoffs were one of the main preconditions set by the IMF in return for its \$57 billion bailout package for the South Korean economy. The day after the pact was announced the previously falling South Korean share market shot up by 2.35 percent.

The deal was also hailed by the International Confederation of Free Trade Unions (ICFTU), which played a key role in ending strike action in South Korea a year ago. ICFTU General Secretary Bill Jordan said the agreement was "most welcome news" which would "set an example for other countries in the region affected by the crisis."

Up to one million workers, including many white collar workers, will lose their jobs this year under the agreement. According to one survey last month, 12 out of the top 30 corporate groups have plans to cut 20 to 50 percent of their employee payrolls.

The unions' decision provoked considerable opposition among workers. An article in the Korean Herald commented:

"After results of the panel's dramatic agreement hit the TV airwaves in the morning, the Korean Confederation of Trade Unions (KCTU) in Samson-dong, central Seoul, was flooded with phone calls from laborers protesting..."

"The news that layoffs will likely be widespread has made many apprehensive. 'In this atmosphere, no one knows who will be a victim,' said office worker Kim Kwang-hyon, 31. 'I'm afraid it might be me now whenever my boss calls my name.'"

The KCTU leadership justified its decision with the statement it was "painful but inevitable."



To contact the WSSWS and the Socialist Equality Party visit:

wssws.org/contact