

Strikes erupt in South Korea against restructuring and job losses

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South Korean workers from 20 companies went on strike Monday in support of a campaign launched by the Korean Confederation of Trade Unions (KCTU), the country's second largest peak union body, to oppose corporate restructuring and mass layoffs.

The 20,000 strikers joined nearly 9,000 Seoul subway workers who have defied government threats of legal prosecutions and stopped work against the plans of Metropolitan Subway Corporation to destroy 2,078 jobs, or 18 percent of the work force.

Two days before, 10,000 workers marched through central Seoul. Watched by thousands of armed riot police, the workers converged on the capital's Central Railway Station chanting, "Stop mass layoffs" and "Guarantee job stability". Other protest rallies and marches were staged in 14 cities and provinces across the country including Pusan, Taegu and Kwangju.

KCTU President Lee Kap Jong confirmed that the strike and protests were the opening shots in a campaign of industrial action that will culminate in a nationwide general strike on May 1. He warned that the "number [of strikers] will increase to 550,000 by May Day".

On February 24, the KCTU withdrew in protest from the government's tripartite body and threatened "all-out war" if the government of President Kim Dae Jung did not back off plans to restructure the country's major conglomerates. The union fears that the restructuring will result in further massive layoffs, weakening its position in industries that have traditionally been KCTU strongholds.

Last week, the conservative Federation of Korean Trade Unions, the other peak union body, also pulled out of the tripartite committee. At the same time 30 unions belonging to the Federation of Public Officials Unions voted to take indefinite strike action. Subway

workers in Pusan and technicians in Korean Telcom, the government-owned communications service provider, will stop work on Thursday.

Despite the union threats, the government has increased pressure on the country's major conglomerates (chaebol) to carry through the sweeping restructuring program demanded by the International Monetary Fund and major creditor banks. The IMF program is aimed at slashing corporate debt and at opening up areas of South Korea's business to greater penetration by overseas capital.

Under a series of so-called "big deals," conglomerates are being forced to get rid of millions of dollars worth of assets by undertaking mergers, selling off "under-performing" subsidiaries and carrying out industrial unit swaps.

The IMF has become increasingly impatient with what it terms the "slow pace of industrial reform". Earlier this month it issued a stern rebuff to the Kim administration after releasing its latest quarterly review on the state of the country's economy.

In announcing the approval of a \$245 million credit installment for South Korea, the IMF's first deputy Stanley Fischer insisted that the government must now "accelerate the restructuring of the top-five chaebol". "Korea's achievements to date have been impressive, but improved economic conditions should not deflect attention from the unfinished reform agenda," he said.

At the end of last year, the heads of the major conglomerates promised the government that they would take measures to reduce their debt ratio to below 200 percent. Instead the companies have resisted changes and attempted to maintain the massive debt levels that enable them to hang on to their assets.

A report just released by the Fair Trade Commission--Korea's economic watchdog--shows the

extent of chaebol resistance. While the average debt-to-equity ratio of the big five, Hyundai, Daewoo, Samsung, LG and SK, dropped significantly from late 1997 to late 1998, their combined debt expanded by a 5.9 percent from 221.4 trillion won to 234.5 trillion won.

The FTC report also castigated 20 smaller conglomerates for failing to implement the IMF's "financial improvement programs". The 20 conglomerates were warned that if they failed to carry through major changes quickly, the creditor banks would halt any fresh loans sending them into bankruptcy.

The report cited an example of "successful restructuring" carried out by Kumho, the parent group for Asiana Airlines, which resulted in 1,000 of the airline's 7,000 workers being sent home for one year on unpaid leave.

The restructuring implemented last year has already produced massive job losses. According to a recent report by the Korean Stock Exchange, 545 listed companies cut a total of 171,000 jobs, with the country's five largest conglomerates accounting for 80,000 layoffs. Samsung slashed the largest number of jobs, cutting its workforce by 34,477, or 27.8 percent. Hyundai axed 18,785 jobs or 17.7 percent and LG shed 14,903 or 17.3 percent.

Over 600,000 workers are presently employed by the "big five" and a further 100,000 to 150,000 jobs are expected to go if the "big deals" are implemented. Officially, the number of unemployed in South Korea is now close to two million.

Speaking at a cabinet meeting called earlier this month to review the FTC report, President Kim condemned the "lamentable back-stepping in chaebol reform," demanded that the conglomerates become "internationally competitive" and promised tough measures to break the resistance of both corporations and unions to "big deals".

Companies that continue to resist restructuring and do not match up to the government's targets could be subjected to "workout programs" under which they would lose managerial rights and direction.

Following Monday's strikes, a government spokesman warned the unions: "We will take legal action against those leading the strikes and disrupting work. We will do our best to ensure that the strikes do

not go over three days." Orders have already been issued for the arrest of 19 key subway union leaders, including the union's president. The government has mobilised an army of 3,000 scabs, including 800 military personnel, to maintain rail services.

The KCTU, however, has already indicated that it is prepared to reach a deal with the government. The union's president Lee called for "genuine restructuring based on reform of the dynastic chaebol" and pleaded with the government to "start responsible negotiations with the KTCU to avoid any further disruption".

Over the past year, the KCTU has repeatedly threatened national strikes only to call them off after reaching agreements with the government to bolster its own position in overseeing the restructuring process. But under conditions where unemployment has trebled and their own base among workers employed by conglomerates is under threat, the KCTU leaders may be compelled to go-ahead with the May 1 strike--if only as a means to diffuse the mounting anger and frustration of workers.

See Also:

Amid further restructuring and layoffs: South Korean unions threaten national strikes
[16 March 1999]



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