

# South Korean companies plan sweeping job cuts

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As the global slump affects South Korea's export-led economy, jobs and wages are increasingly under attack. President-elect Park Geun-hye of the ruling Saenuri Party, elected last Wednesday, has already made clear she will enforce the demands of big business.

Major corporations, such as KT, a telecommunications provider, and General Motors Korea, have begun revealing plans for layoffs, and worse is to come. A recent survey of 272 CEOs from major Korean companies, conducted by the Korea Employers Federation, revealed that 51.2 percent were planning some form of downsizing in 2013.

During the election campaign, Park and her rival, Moon Jae-in of the Democratic United Party, rhetorically called for "economic democratisation" and job creation, only to hide the real calculations of the corporate elite. Park opposed any substantial regulation of the country's chaebol, or conglomerates, saying: "Companies, when faced with reinforced regulations, will reduce new employment or even fire their employees." Moon, who presented himself as more of a liberal reformer, reassured big business: "I believe that chaebol must be reformed, but not to an extent where it would hurt the proper function of conglomerates and their global competitiveness."

Park, the daughter of Park Chung-hee, the military dictator in the 1960s and 70s, will ruthlessly impose layoffs as the global economic breakdown deepens, with an impact that will exceed the 1997-98 Asian financial crisis, when two million workers lost their jobs.

A recent *Korea Times* article entitled, "KT may halve payroll by 2020," reported a plan by KT to slash approximately 16,000 jobs by 2020. A KT executive was quoted saying: "When you look at KT's entire corporate size, it is too big to catch up with the industry

trend." The company hopes to bring employment numbers into line with major competitor, SK Telecom, which employs just 4,000 people.

In fact, the 16,000 redundancies could happen within a few years, if not months, rather than by 2020, given KT's history. It currently employs 32,334 people—down from 60,000 in 1997 just before the Asian financial crisis. In 2003, following its privatisation the previous year, the company cut its workforce from 43,700 to 38,200, the largest layoff in Korean history at that time. KT set a new record in December 2009, when the company laid off an additional 6,000 employees, despite taking part in a government "job-sharing" program.

Similarly, General Motors Korea is paving the way for major job cuts. In May and June this year, the auto manufacturer offered voluntary retirement to senior-level staff members, with 130 accepting. A similar offer of early retirement was then extended to the other 6,000 office workers. The deal includes a payment worth two years' salary, tuition for workers' children, and a 10 million won (\$US9,322) voucher toward the purchase of a car.

Although the company insisted that this offer would not be extended to its 10,000 factory workers, GM is planning to move production of the next generation Chevrolet Cruze elsewhere. GM has not announced which plant will produce the car, but there is speculation that it will be built in Europe.

The Cruze accounts for 50-60 percent of the approximately 260,000 vehicles produced at GM Korea's Gunsan factory, which employs roughly 3,300 workers. The plan has angered GM workers, who fear losing their jobs. GM has struggled to compete with rivals Hyundai and KIA and controls less than 10 percent of the market in South Korea. Workers are also

increasingly worried by the prospect of layoffs at GM's two other Korean factories.

Choi Jong-hak of the Korean Metal Workers Union (KCTU) threatened a "war" against GM should production be moved to other countries. This is merely a ruse. In the past, the union has collaborated closely with the auto companies to enforce layoffs and will continue to do so in the future. The KCTU's "war" involves empty appeals to the Korea Development Bank (KDB). Choi claimed that since the KDB owned a 17 percent share in GM Korea, it could be pressured to veto the decision to move production.

The KCTU's posturing also means pitting South Korean auto workers against their fellow workers around the world. What is required is a unified and independent movement among auto workers throughout the industry, including in Europe, the US and other countries, against the global assault on jobs and conditions by the transnational corporations like GM.

KT and GM Korea are not alone in reducing their payrolls. Major corporations like Hyundai Heavy Industries, the world's largest ship builder, are offering redundancies to their employees. Between June 2011 and June 2012, LG and SK Telecom eliminated 600 and 565 jobs respectively. Ssangyong Motors cut nearly 500 jobs, while major food producer Ottogi scrapped more than 570 positions.

Officially, the unemployment rate in South Korea is just 2.8 percent. However, the official figure fails to take into account those who are considered economically inactive or are underemployed. Anyone working more than one hour a week is considered employed.

Young workers are particularly affected by the global economic slump. The official unemployment rate for those in their twenties is now 6.9 percent. At the same time, 38.7 percent of people in this age bracket are considered economically inactive, according to Statistics Korea, the highest rate since 1988.

Many jobs in Korea are low paid, with poor conditions. At the end of 2011, a report by the Korea Labor Institute showed that the proportion of low-wage earners in the country was 25.7 percent, the highest among OECD countries. Earlier this year, Statistics Korea reported that 54.3 percent of wage-earners made less than 2 million won (\$US1,840) a month. The minimum cost of living for a family of four is regarded

as 1.49 million won.

Slowing economic growth and concern over the eurozone crisis have taken a significant toll on South Korea's heavily export-dependent economy. It grew a mere 0.1 percent on-quarter in the third quarter of 2012, the slowest rate since 2009.

The job cuts planned by the major corporations are a forewarning of a rapid rise in unemployment over the coming months, with President Park being relied upon by big business to implement and police the restructuring agenda.



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