

Big business demands lower wages in South Korea

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During South Korean President Park Geun-hye's recent trip to the United States, business executives took the opportunity to demand the right-wing president attack the conditions of the South Korean working class.

Accompanying Park to the US were 52 business leaders, the largest corporate contingent ever. They included major conglomerate heads, such as Lee Kun-hee of Samsung and Chung Mong-koo of Hyundai. The top official of South Korea's largest trade union umbrella, Moon Jin-kook of the Federation of Korean Trade Unions (FKTU), joined them to present what he called a "united front" to encourage foreign investment.

At a meeting on May 9 of CEOs from Korea and the US, General Motors CEO Daniel Akerson demanded that Park take action to lower wages at GM plants in South Korea. In April, as the US ratcheted up tensions on the Korean peninsula by sending nuclear-capable bombers there, Akerson had threatened to pull GM out of South Korea, using North Korea as a pretext. "We are making contingency plans for the safety of our employees to the extent we can," he said.

At the meeting with Park, the GM CEO said "we are not abandoning Korea," and recommitted to a planned \$US8 billion investment announced in February. However, Akerson made clear that his concerns had not been North Korea but the impact of the declining value of the Japanese yen and the "regular wages" of workers. Japan's policy of "quantitative easing", effectively lowering the value of the yen by printing money, is severely undercutting South Korean industry, which directly competes with Japanese companies in areas ranging from auto to electronics.

"Regular wages" are used to calculate overtime and retirement pay. Successive South Korean governments have refused to enforce Supreme Court rulings that

bonuses must be included in this calculation, which would raise overtime and retirement allowances. In 2010, four GM workers successfully sued the company for recalculated back pay, and about 10,000 workers have since filed similar suits.

Despite the court rulings, Park promised to address Akerson's concerns, saying: "This is an extremely difficult issue. It is an issue that affects the entire South Korean economy."

Cho Won-dong, Park's secretary for economic affairs, stated that if the court rulings became industry standards, it would cost businesses 38 trillion won, or \$34.8 billion, a year. "If this takes place, South Korean export competitiveness will drop, and South Korean companies will inevitably suffer a tremendous shock," Cho warned.

Cho also took the opportunity to lash out at Japan, saying that the discussions in the US would "give a signal to the world" that the depreciation of the yen must not continue.

These remarks underscore the rising economic tensions between Japan and South Korea. Both South Korean and foreign-owned companies like GM that rely on exports are increasingly concerned by the declining Japanese yen. South Korea is a major manufacturing platform for GM, producing vehicles that account for about 40 percent of the American giant's global sales. Korean conglomerates like Samsung, LG, and Hyundai have seen their profits and sales fall sharply since late last year because of the yen's depreciation.

The Obama administration, however, has not publicly criticised Japan's currency policy of competitive devaluation, because Tokyo remains Washington's most important Asian ally in its aggressive "pivot" to Asia that is aimed at strategically and militarily

encircling China.

South Korea's trade union leaders have for many years played a key role in meeting the requirements of big business for low-cost labour. During the business talks in the US, Moon, of the FKTU indicated the readiness of the unions to cooperate in tackling the "regular wages" issue. He reportedly stated that it was the obligation of trade unions to work with companies to fulfil their "social responsibilities".

The FKTU's role matches that of its US counterparts, the United Auto Workers (UAW), in enforcing the dictates of Wall Street and the Obama administration to set up a two-tier wages system in the American auto workforce, forcing new hires to accept only half the hourly wages of existing workers. Since the 2008 financial crash, UAW officials and the "Big Three" American auto giants have repeatedly threatened that unless American workers lower their wages closer to the levels of Asian cheap labour, US-based auto plants would be shut down as "uncompetitive".

The South Korean unions are determined to maintain the country's low-wage benchmarks. Choi Jong-hak, a spokesman for the Korean Metal Workers Union (KMWU), the largest union in the Korean Confederation of Trade Unions (KCTU) stated after Akerson's threats to shift production from Korea: "GM cannot withdraw from South Korea. We have technology to make good cars and our wages are only about one third of those in the United States and Europe."

GM Korea and other South Korean auto manufacturers already use a two-tier system, dividing their workforces into regular and temporary workers. Regular workers endure intense shifts for wages of less than \$9 an hour on average, while being constantly bombarded with demands for higher productivity. Temporary workers earn less, and are subjected to even worse conditions. The system is enforced by the trade unions (see "South Korean unions enforce new auto productivity benchmarks").

At the end of April, a worker committed suicide at the GM plant in Bupyeong, near Incheon. It was the second suicide at the plant this year. A worker hanged himself in January.

The conditions are emerging for the eruption of bitter struggles across the Korean auto industry, in which workers will confront a joint enemy in the car

companies, the governments and the trade unions.



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