

Massive job cuts planned in South Korean shipbuilding industry

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22 August 2016

South Korea's three largest shipbuilders slashed 5,000 jobs in the first half of 2016 as part of ongoing restructuring by the struggling companies. Both regular and non-regular workers have been forced to quit or accept retirement.

More layoffs are planned over the next few years, with the moves expected to affect related positions in the sector. The entire ruling elite, including the trade unions, is in agreement that the working class must pay to rescue big business.

Shipbuilding is a major component of the South Korean economy, with Hyundai Heavy Industries, Samsung Heavy Industries, and Daewoo Shipbuilding and Marine Engineering the world's largest firms in the industry.

The companies have been greatly impacted by the downturn in global trade, particularly in the wake of the 2008 financial crisis, as well as the drop in the oil industry. They have also faced increased competition from cheaper competitors in countries like China.

While Hyundai, Samsung and Daewoo, known in South Korea as the "Big Three," were initially able to weather the crisis, their combined net losses reached \$US4.9 billion last year. They now face a lack of orders as well as overcapacity.

Smaller shipbuilders like STX Offshore and Shipbuilding, Sungdong Shipbuilding and Marine Engineering and Hanjin Heavy Industries and Construction are also facing serious debt crises. The combined debt of the top nine shipbuilders has reached 102.6 trillion won (\$92.6 billion).

Daewoo is at the center of an accounting scandal, with the firm accused of hiding billions of dollars in losses over the past several years. Its headquarters were raided in June, but any punishment coming out of the investigation and trial, assuming a guilty verdict is

actually reached, will amount to nothing more than a slap on the wrist.

As part of the restructuring, the Big Three forced 3,000 workers to retire, while at Hyundai (no longer directly affiliated with Hyundai Motors) an additional 2,000 workers were laid off through a "voluntary" retirement scheme. The three companies plan to eliminate upward of 6,000 positions this year, but far more workers are likely to be sacked. Some 5,000 positions, including subcontractors, were also eliminated last year. As a result of this job destruction, Hyundai Heavy managed to return to profitability in the first half of 2016, earning \$577 million.

"As the business environment is getting worse [in the shipbuilding industry] and more workers are expected to apply for the voluntary retirement programs later this year, the number of workers leaving the shipbuilders will be bigger [than the present 6,000] at the end of this year," an industry official told South Korea's Yonhap news agency.

The Big Three intend to eliminate 30 percent of their combined workforces by 2018, meaning a total of 16,000 laborers will be sacked. Close to 30,000 jobs, including subcontractors, will be lost in the coming months alone. On Geoje Island, 22,031 jobs are likely to be lost by the end of this year, with that number rising to 27,257 by March, according to a report by the island's local municipal government. Both Samsung and Daewoo are located on the island.

State-owned banks such as the Korea Development Bank and the Export-Import Bank of Korea have provided loans to the companies, running a risk that the lenders themselves could face financial crises. As a result, the government agreed in June to hand over \$9.5 billion to bail out the institutions. The International Monetary Fund (IMF) supported the measures, but

insisted on even more restructuring.

“The companies, along with creditor banks, should make bone-crushing efforts to revive their businesses,” President Park Geun-hye said in a speech in June, emphasizing that those responsible for the financial problems would not be held accountable. “If we don’t carry out a bold restructuring by downsizing the overgrown workforce ... and cutting costs, the future of not only the shipbuilders but also the whole economy will be in jeopardy.”

The labor unions, under the Federation of Shipbuilding Industry Unions, are entirely on board with these plans. These so-called workers’ representatives at the companies are directly controlled by the Korean Confederation of Trade Unions (KCTU), and its affiliate the Korean Metal Workers Union (KMWU) or, in the case of Hyundai Heavy, nominally independent unions that are close to KCTU.

There is no shortage of will to fight the restructuring amongst workers, with several unions approving strike action. Workers at Daewoo, for example, approved strike action by 85 percent. However, the KCTU and its allies have stepped in to prevent a larger struggle spreading, particularly into other industries.

This entails the unions sanctioning only partial walkouts, designed to make the least impact on the companies. All of this is entirely for show, in order to dissipate workers’ anger, with unions not even holding strikes on the same days. The union at Samsung held the first such walkout on July 6, during which only 3,000 workers out of the total 14,000-strong workforce struck for four hours. Then on July 20, workers at all Big Three shipyards held a similar four-hour walkout. Unions at Hyundai and its smaller affiliates are scheduled to strike on August 31.

At smaller firms Hanjin and Sungdong, the unions, which both belong to the KMWU, are reportedly in “harmony mood” with management, according to the magazine *Business Korea*.

Workers must not place trust in any of the unions to wage a genuine struggle against layoffs. The KCTU’s goal is to isolate shipbuilding workers from each other and the rest of the South Korean and international working class to prepare sellout agreements with the companies.

Autoworkers at Hyundai Motors, who are also covered by the KMWU, have joined partial strikes in

recent weeks. Despite a few token expressions of solidarity, the struggles have largely been kept separated from each other. Workers in auto and shipbuilding, both in South Korea and internationally, need to develop an independent industrial and political struggle in defence of jobs, conditions and all the social rights of the working class.



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