

# **Chances and Limits of Experimental Corporatism in Transition Societies**

**: The South Korean Case (1990-2003) in Comparison to Spain (1977-  
1986)**

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## Abstract

This study analyses and discusses the chances and limits of corporatist experiments in transition societies. In recent decades, several countries have used them as temporary means of governance to cope with the complicated processes of dual transformation: political and social democratization on the one hand and economic liberalization on the other. Analyzing the processes of corporatist policy-making and their effects, this study pays attention to the essential tension between the functional necessity and the configurative incapability of such experiments. It attempts to overcome the limits of the previous studies, which have either neglected the essential tension and the contextual peculiarities of transition societies; or paid little attention to the concrete processes of integrating corporatist arrangements into the established arenas of policy-making.

The main objects of the empirical analysis are the experiments of South Korea, in the 1990s when reforms towards dual transformation - social democratization (democratic labor relations and social insurance expansion) and economic liberalization (deregulation of labor markets and industrial restructuring) - were exactly being pursued, and various types of corporatist arrangements were formed and reformed to cope with the reforms. This is comparable with the experiences of Spain in the 1970s and 1980s, when the similar phenomena occurred under similar context. Through a comparison of the two countries, this study tries to more precisely understand the peculiarities of the Korean experiences and to extract general theses on the chances and limits of experimental corporatism in transition societies, which are distinguished from the neo-corporatist experiences in advanced democratic capitalism in Western Europe.

Broadly, the experiments in Korea were activated under the three governments for a decade long, which respectively form two phases: the formative attempts under the two conservative governments (1990-1998) and the more strengthened attempts under the successive center-left government (1998-2003). As none of the reform programs were strongly pursued in the former phase, the effects of experimental corporatism were trivial in both reform areas in the formative time. Their effects were strengthened much more, as the center-left government accelerated reforms in both areas. The latter phase can be further divided into two: the experiments in their heyday in 1998, when corporatism was urgently emphasized as a means to manage the serious economic crisis; and the institutionalized experiments thereafter.

The corporatist experiments in Korea were restrained due to their limited political and social integration. On the one hand, frequent discords between the corporatist channels and the administrative and parliamentary actors limited the political integration of corporatism, while the labor movement did not have a privileged relationship with any political parties; and the strong state tradition, which had developed over the previous decades, remained dominant in policy-making. Even though they tried to overcome the limits through institutionalization and achieved some advancement, such problems could not be completely solved.

On the other hand, discords between the divided labor movements and between the national leadership of the confederations and the local unions often limited the social integration of corporatism. The stronger the initiatives at corporatist experiments became, the more serious the problems were of their social integration such as rand-and-file revolts and the counter-

mobilization of the non-participants in corporatism, which ultimately led even the most advanced experiment to remain 'immobile corporatism'.

The relatively unsuccessful and vulnerable experiences in Korea have both similarities and differences in comparison to the pioneering experiments in Spain. Different from Korea, Spain accelerated reforms towards social democratization from the beginning of democratic transition. Accordingly, corporatist experiments in Spain did not need to deal with the issues of democratic labor reform as much as in Korea, but made contribution to strengthening the social insurances much more and earlier than in Korea. Coordination between the political actors and the corporatist channel was less difficult than in Korea, as political parties, which had privileged relationships with trade unions were achieving enormous political success. Accordingly, they did not need institutional mechanisms for the political integration of corporatism. The social integration of the corporatist arrangements was less difficult as well by virtue of the less severe competition between the divided labor movements and of the relatively coherent structure of union confederations.

These empirical analyses have some implications on the relevant theories. The integration problems of corporatist arrangements demonstrate the validity of classic neo-corporatism theories, which emphasize the organizational properties and structural networks between unions and political parties. The roles of experimental corporatism in dual transformation vary according to the contextual variations: this has not been paid attention to by now, and needs further elaboration. The unique features of experimental corporatism and its essential tension need to be further analyzed and theorized.

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# 1. Introduction

## 1.1. Background and Questions

### 1.1.1. The Tension in Experimental Corporatism

Political arrangements comprised of direct interactions between governments and organized social interests – especially the peak associations of trade unions and employers –, have been defined with the term ‘corporatism’: either as a system of policy-making (Lehmbruch 1977) or that of interest intermediation (Schmitter 1974). Such practices have predominated in the advanced democratic capitalist countries in Western Europe and have been labelled ‘neo-corporatism’.<sup>1</sup> The recent decades have observed the emergence of corporatist arrangements in various regions of the world, parallel to the institutional transformation of modern capitalism under the dominant trend of neo-liberal reform. Among those, the less advanced capitalist countries<sup>2</sup> have observed similar trends, while their political regimes were being transformed from authoritarianism to democracy and market-oriented economic reforms were being conducted: namely, during dual transformation.<sup>3</sup> Sometimes, social pacts were concluded by the state and peak associations of social interests as a result of ‘political exchanges’ (Pizzorno 1979) with promises to behave in a concerted way to achieve certain

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<sup>1</sup> The concept of ‘neo-corporatism’ has been expressed in various terminologies: such as ‘social concertation’, ‘social partnership’, ‘social dialogue’, ‘tripartism’ and so on. Essentially, these concepts refer to direct interactions between the peak associations of social interests or among those and state with regard to the core agendas of labor markets and macro-economy in the national, industrial, or regional level. Regarding the various definitions and history of neo-corporatism and the studies of neo-corporatism, see Molina and Rhodes (2002), Streeck (2006) and Streeck and Kenworthy (2005).

<sup>2</sup> The less advanced countries refer to those in Southern Europe, Latin America, Eastern Europe and East Asia, which are neither developing ones in the third world nor highly advanced industrialized ones in Western Europe, Japan and North America. In the degree of economic scale and democratic development, they are still less advanced although they are often sorted out to the category of industrialized capitalist countries with liberal democratic polity. In concrete, they can be titled inferior group in the OECD countries.

<sup>3</sup> Dual transformation or dual transition means a simultaneous change from authoritarianism to a liberal democracy, as well as from a protected/state-centered/non-liberal market economy to a liberal/deregulated market economy. Dual transition was a decisive topic of political sociology especially in the late 1980s and early 1990s. Representatively, see Haggard and Kaufman (1995), Haggard and Webb (1994) and Nelson et al. (1994).

public goals for national economy.<sup>4</sup> Other times, various governmental or industrial boards were designed as platforms and ‘junction-points’ (Lehmbruch 1984)<sup>5</sup> for consultation or concertation among the social partners and the state.<sup>6</sup> All of these attempts can be named experimental corporatism<sup>7</sup> or transition corporatism.

The main opinions on the practices of experimental corporatism<sup>8</sup> can be divided into two, which respectively indicate the chances and limits of such experiments. On the one hand, some have considered the practices as innovative and effective instruments to manage the difficult task of transformation, expecting them to be able to play a role in harmonizing the contradictory values, which are likely to accompany serious social conflicts.<sup>9</sup> The advocates of this opinion have often considered the stabilization or institutionalization of corporatism necessary for the consolidation of democratization and have expected the corporatist arrangements to promote democracy. On the other hand, the others have cast doubt on the functioning of such experiments: whether they can indeed play a substantive role in governing the complicated processes of transformation.<sup>10</sup> The advocates of this opinion have often emphasized that the corporatist arrangements remained only a symbolic means to just support certain decisions of the state; were hindered to properly function due to the serious critics of non-participants or rank-and-file; and functioned only as a means to control the social interests

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<sup>4</sup> For instance, series of socio-economic pacts in 1970s and 1980s in Spain, which are intensively dealt with in the chapter six of this volume; ‘Economic and Social Agreement’ in Portugal (1990); ‘Agreement of Price and Income in Portugal, Economic and Solidarity Pact’ in Mexico; and ‘Enterprise Pacts’ in Poland and so on. See Table 1.

<sup>5</sup> For instance, the CPCS in Portugal, CSE in Spain, Tripartite Commission in Poland and Korea, Resolution Committee in Hungary, and NEDLAC in South Africa and so on. See Table 1.

<sup>6</sup> Usually, consultation and concertation are distinguished. On the definition of concertation, see Streeck and Kenworthy (2005). Both belong to arrangements for ‘social governance’ (Ebbinghaus 2002). In this study, the two concepts are not sharply distinguished.

<sup>7</sup> The concept of ‘experimental’ was borrowed from Scholten’s definition, who divided three groups of countries in the world of neo-corporatism. From the strong and stable type of neo-corporatism in the Continental Western Europe, she distinguished “neo-corporatist experiments in a situation of stable instability” and “neo-corporatist experiments in a new and precariously stable state”(Scholten 1987). The category of experimental corporatism in this volume exactly refers to the third type of her categorization.

<sup>8</sup> Regarding experimental corporatism in dual transformation, see Bermeo and Garcia-Duran (1994), Encarnacion (1996), Encarnacion (1997), Kim and Shin (2004), Nelson (1994) and Webster and Adler (1999).

<sup>9</sup> Representatively, Bresser Pereira, Maravall and Przeworski (1993), Przeworski (1991) and Przeworski (1995).

<sup>10</sup> Representatively, Nelson (1991) and Haggard and Kaufman (1995).

(especially organized labor), not different from the old experiences of cooptation in the authoritarian regime.

The co-existence of these different opinions indicates an essential tension in experimental corporatism itself. The tension is formed between functional necessity and functional capability in my expression. Although new democracies need corporatist arrangements to harmonize social interests, actors are unlikely to possess sufficient resources, skills and structures to make such experiments function properly. Therefore, it is necessary to pose a question whether and how decisively corporatist arrangements can work in governing the complicated process of dual transformation in new democracies and how innovatively the relevant actors cope with their structural deficits.

It is doubtful whether previous studies have sufficiently taken the essential tension into account. Some were surprised at the emergence of corporatist arrangements derived from a temporary innovation of actors. Others were frustrated at the malfunctioning of the experiments and the short duration of such an innovation. Both of them oscillated between behavioral optimism and structural pessimism without seriously taking the essential tension into account. In addition, interpretations of the empirical phenomena are closely related to the task of drawing certain theoretical implications from them: especially, to the recent theoretical debates, in which the previous logics of neo-corporatism theories have been criticized. Usually, the advocates of corporatism have tried to utilize the stories of behavioral innovation in criticizing the neo-corporatism theory, arguing that corporatist engagement or the emergence of neo-corporatism is possible without the structural conditions. By contrast, the critics of experimental corporatism have emphasized the validity of the established theory and necessity of such structural resources, critically analyzing the frustrating performances of such experiments.<sup>11</sup>

In my opinion, understanding the essential tension of experimental corporatism is an academic task that has to be more intensively dealt with in order to draw theoretical implications in an appropriate way from the phenomena. On the one hand, attention to the emergence and persistence of certain corporatist arrangements should not be hastily identified with their successful functioning. On the other hand, the leeway should not be ignored that actors can

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<sup>11</sup> This debate was especially severe in Korea with regard to the Korean experiences. See the subchapter 1.2.2 of this volume.

make slow innovation through trial and error, and corporatist arrangements can bring about institutional improvement, even though their functioning is still limited. In addition, the composition of the essential tension is derived from the contextual features of dual transformation and the configurative features of the related actors in a country. As a result, it varies in different regions and countries, which have different traditions in the state-society relationship, different patterns of dual transformation, and different configuration of actors. Even in a country the configurative and institutional changes can make the characteristics of the essential tension different according to periods. Empirical studies and analyzes on the series of experiences from a comprehensive perspective are necessary to avoid hasty fluctuation between optimistic and pessimistic interpretation. Only in this way, can analysis of experimental corporatism in new democracies make a new and significant theoretical contribution, which is the ultimate goal of this study.

#### **1.1.2. Trends of Experiences and Studies: Neo-Corporatism and Experimental Corporatism**

This part briefly introduces the trends of experiences and studies of corporatism including experimental corporatism. The phenomena of corporatism has come and gone. So far, two waves have been formed respectively in the 1970s and 1990s. The trends of experiences and studies have three decisive features. First, they have been overwhelmingly concentrated on the European world. Second, the experiences of transition societies have not been independently dealt with. Third, the essential tension of experimental corporatism mentioned above has not been intensively studied and discussed. This part introduces these features in the three subparts: respectively on the first and second wave in Europe and on the transition societies in the Non-European world.

The first rise of corporatism is related to the peculiar context of international economy and labor movement in the 1970s. In the wake of the oil shocks, trade unions in Western Europe were strongly required to behave in a concerted and concessive way. After labor movement had been radicalized in the late 1960s, the unions searched for institutional and social benefits, which were defined as 'political exchange' (Pizzorno 1979).

Conceptual innovation and theorization began in this context. The most decisive contribution was made by Schmitter, who understood corporatism as a peculiar pattern of 'interest

intermediation' in modern societies, contrasting it to pluralism, which had been considered as a dominant paradigm for interest representation in liberal democracy. More elaborately, he distinguished societal corporatism (neo-corporatism) in liberal democracy from state-corporatism, which refers to mechanisms of controlling social interests in the non-democratic authoritarian regimes – such as in Latin America in the early and mid 20th century (Schmitter 1974).

From then on, the studies of neo-corporatism have been intensified and broadened, as other scholars like Lehmbruch and Streeck led the debates together with Schmitter, elucidating various aspects such as roles, functional preconditions, national variation, dynamics and so on. The main logics of neo-corporatist preconditions were formed through international debates in this time (Berger 1981; Goldthorpe 1984; Lehmbruch and Schmitter 1982; Schmitter and Lehmbruch 1979). Theorists recognized the indispensability of two elements - organizational properties of interest associations (Schmitter 1974; Schmitter 1977; Schmitter 1981) and the privileged relationship between union and social democratic party – as the critical prerequisites of neo-corporatism (Lehmbruch 1977; Maier 1984).

Meanwhile, experimental and pioneering attempts at corporatism and class-compromise were pursued. Southern Europe - such as in Spain and Portugal – was the representative region, where dramatic transition from dictatorship to democracy was driven between the late 1970s and the mid 1980s.<sup>12</sup> Although the literatures of neo-corporatism paid attention to their experiences in the late 1980s, the experiences were considered peripheral in the main-stream literatures.<sup>13</sup>

In the literatures of democratization, the experiences were more vividly dealt with and mentioned together with those in Latin America. They usually notified the functional dimension of the corporatist arrangements (Encarnacion 1997; Encarnacion 2001; Encarnacion 2005; Hamann 1997). In the broad international comparative studies, the practices of experimental corporatism considered as an element of governance, as a mode of democratization and as a

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<sup>12</sup> Regarding corporatist experiences in Southern Europe in this time, see Campos Lima and Naumann (1997), Foweraker (1987), Martinez-Alier and Roca (1987), Mozzicafreddo, Leite Viegas and Batista (1997), Perez-Diaz (1986), Perez-Diaz (1987), Roca (1987) and Toharia (1988).

<sup>13</sup> Only some theorists utilized the limits of such experiments in confirming the dominant logics of neo-corporatism theory (Scholten 1987).

type of policy-making during democratization.<sup>14</sup> Nevertheless, experimental corporatism itself has not been an independent topic in the discipline.

In sum, experiences of experimental corporatism in the 1970s and 1980s were dealt with in the two disciplines of political sociology: neo-corporatism studies and democratization. The former did not strongly pay attention to the phenomena, whereas the latter more intensively dealt with them, focusing on the functional aspect of the phenomena in relation to democratization and transformation.

The second opportunity that activated the practices of and debates on neo-corporatism appeared in the 1990s, when various countries tried to enhance the competitiveness of their national economies in the context of EU integration and retrenchment of welfare state in Western Europe (Ebbinghaus and Hassel 1999; Ebbinghaus and Hassel 2000; Fajertag and Pochet 1997; Fajertag and Pochet 2000; Hassel 2003; Hassel 2007; Rhodes 2001). The resurgence of neo-corporatist practices in various European countries was a challenging phenomenon to the academic community, whose leading scholars had predicted rather a decline of neo-corporatism, while they were observing the rise of neo-liberalization and the internationalization of the world economy. Surprisingly, many countries fostered concerted actions between social partners and state, parallel to pursuing the neo-liberal socio-economic reforms (Compston 1998; van Waarden and Lehbruch 2004). Distinguished from the first wave, those new trends were conceptualized with various terms such as 'competitive corporatism' (Rhodes 1998), 'lean corporatism' (Traxler 2004) and 'supply-side corporatism' (Crouch 2002; Streeck and Kenworthy 2005).

The new experiences intensified theoretical debates because non-corporatist or weak-corporatist countries - such as Italy, Ireland and Spain - were included in the new trend, whereas some strong corporatist countries like Germany and Sweden experienced a decline of corporatism or failure of attempts to revive it (Streeck 2003). It was considered 'ironic' or 'paradoxical' from the viewpoint of the old theory that emphasized the organizational properties (encompassingness and centralization). Based on the new experiences, some scholars argued that the old theory would no longer be effective (Baccaro 2003; Molina and Rhodes 2002).

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<sup>14</sup> The most representative and monumental study was done by O'Donnell and Schmitter as well as their colleagues in the various regions of the world (O'Donnell and Schmitter 1986).



Meanwhile, experimental corporatism experienced the second rise in transition societies parallel to the new rise of neo-corporatism. After the Southern European countries attained membership into the EU in the late 1980s, they were directly influenced by the process of regional integration. The new trend of neo-corporatism within the boundary of the EU in the 1990s appeared among the new members in Southern Europe: such as Spain (Fraile 1999; Hamann 2001; Perez 2000a; Perez 2000b; Royo 2002; Royo 2005; Royo 2006), Portugal (Campos Lima and Naumann 2000; Campos Lima and Naumann 1997) and Greece (Ioannou 2000; Kioukias 2003; Lavdas 2005; Tsarouhas 2008; Zambarloukou 2006).

Successively, the Eastern European countries, which experienced dual transformation from the late 1980s, joined the trend of new corporatism. With an accession to EU, those countries were commonly required to promote social dialogues. Usually, country-specific cases studies have developed in a fragmented way or comparative studies dealing with a few countries in the same sub-region have been carried out. Studies on the experiences of Eastern and Central Europe (ECE), the post-communist societies, usually indicated functional limits of their experiments.<sup>15</sup> These experiences were described with the combination of various words: such as ‘tripartism without corporatism’ (Reutter 1996), ‘transformative corporatism’ (Iankova 1998), and ‘illusory corporatism’ (Ost 2000) and so on. Reutter concluded that “neither the trade unions nor the tripartite bodies, nor the relations between the functional and territorial system of interest representation can be qualified as corporatist” (Reutter 1996: 72). Using a term, ‘weak tripartism’, Pollert argued that tripartism limited the unions’ role in practice to consultation and information despite the formal endorsement of the principles of social partnership (Pollert 1999: 213).

Most of the studies on the experiences and studies of experimental corporatism were focused on the European experiences: Southern- and Eastern Europe. The domination of Euro-centeredness is derived from a few facts. First, the Southern and Central/Eastern European regions have been the main places where dramatic social change towards dual transformation took place. Second, the EU accession provided them with special motivation to develop the channels of social dialogues and to conclude social pacts.

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<sup>15</sup> Representatively, Avdagic tried to explain the variations of the three major ECE countries, emphasizing that the interactions of the actors and their political learning created different evolutionary paths (Avdagic 2005; Avdagic 2006).

Table 1. Corporatist Arrangements in New Democracies

Region	Country	Attempts at Corporatist Policy-Making	
Southern Europe	Spain	Pacts	<b>First Wave</b> ABI (1979), AMI (1980), ANE (1981), AI (1983), AES (1984) <b>Second Wave</b> Pact for Progress (1991), Toledo-Pact (1995), Pension Agreement (1996), Accord for Stability of Employment and Collective Bargaining (1997) and so on
		Platforms	CSE (1992)
	Portugal	Pacts	Agreement of Prices and Incomes (1988), Economic and Social Agreement (AES 1990), Short-Term Tripartite Agreement (ACSCP 1996), Strategic Concertation Agreement (ACE 1996-1999)
		Platforms	CPCS (1984)
	Greece	Pacts	Pact for Confidence(1997)
		Platforms	OKE(1995)
Latin America	Mexico	Pacts	<b>Three Major Pacts</b> Economic Solidarity Pact (PSE, 1987) Stability and Economic Growth Pact (PECE, 1988) Pact for Well-being, Stability and Growth (PABEC, 1994) <b>Further Pacts</b> National Agreement for the Raising of Productivity and Quality (ANEPC, 1992) New Labor Culture (NCL, 1995)
		Platforms	Nil (unknown)
	Argentina	Pacts	The Agreement for the Employment, Productivity and Social Equity(AMEPES, 1994)
		Platforms	Social and Economic Conference (CES, 1984)
	Brazil	Pacts	Nil (unknown)
		Platforms	Workers' Support Fund(FAT, 1995) National Council of Economic Development(CNDE) National Forum of Labor(FNT) National Council of Food Security(CONSEA)
Central-Eastern Europe	Poland	Pacts	Enterprise Pact(1993)
		Platforms	Tripartite Commission(1994)
	Hungary	Pacts	Tripartite Agreement(2002)
		Platforms	NIRC(1988-1990) IRC(1990)
	Check Republic	Pacts	Tripartite Agreement(1997)
		Platforms	CESA(1990)
Africa and Asia	South Africa	Platforms	NEF(1992) NEDLAC(1995)
	South Korea	Pacts	Social Pacts for Central Wage Coordination (1993-1995) Social Pacts for Overcoming Economic Crisis(The Grand Social Pacts, 1998) Series of Tripartite Agreements in the KTC(1998-)
		Platforms	NESC(1990-1997) LLRC(1992-1995) IRRRC(1996-1997) KTC(1998-2006)

Meanwhile, experimental corporatism has broadly emerged in various regions of the world despite weakness and short-life. Yet, academic attention to the phenomena in non-European new democracies has been absolutely limited. Studies on experimental corporatism in the non-European world have been only fragmented and far less intensive. Thus, the experiences of the non-European regions have been neither activated nor notified by scholars.

Latin America's main countries have a long history of state-corporatism (Collier and Collier 1991) and also saw the emergence and dynamics of experimental corporatism during the last decades. Among those, the vulnerable experiences in Argentina (Blake 1994; Etchemendy and Collier 2007), Mexico (Hamilton and Kim 2004; Royo 2001; Zapata 1999; Zapata 1992) and Brazil (Hagopian 1990; Roxborough 1992) have been relatively frequently introduced and compared with each other (Cardoso 2004: 45-53).

In other regions, South Africa and South Korea are the two representative cases, which joined the trends of corporatist experiments in the 1990s. They were sometimes compared with each other, with their differences of institutional conditions elucidated (Bramble and Ollett 2007). In the major literatures of industrial relations studies and political sociology, the South African experiences were earlier and more introduced, being dealt with as a type of 'bargained liberalization' (Webster and Adler 1999). The tripartite institution for social concertation, NEDLAC, has often been reported together with the rise and institutionalization of the social movement-oriented unionism, namely COSATU (Donnelly and Dunn 2006; Hirschsohn 1996; Webster and Adler 1999). The Korean experiences emerged relatively later and were introduced less elaborately.<sup>16</sup>

### **1.1.3. Theoretical Topics and Questions**

The essential tension of experimental corporatism can raise some theoretical questions, which will be analyzed in the main body and discussed in the conclusion of this volume.

First, the essential tension leads to pose a fundamental question whether corporatist arrangements can function as the substantive means to promote the complicated processes of dual transformation. This study is curious about whether they can indeed make a contribution to accelerating political and social democracy on the one hand, and to reducing the cost of

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<sup>16</sup> On the studies of the Korean experiments at corporatism, see the part 1.2.2 of this chapter.

transformation towards more liberal market economy on the other hand. This question is related to some established logics in the theories of democratization, whose theorists saw negative effects of corporatism; predicted the relationship between the modes of democratic transition and the types of democracies; and considered corporatist experiments (concertation) as a positive means in economic reform.<sup>17</sup>

Second, the essential tension connects us with a current issue in the recent debates on the theories of neo-corporatism.<sup>18</sup> It is controversial whether the structural prerequisites of the organized social interests do matter for neo-corporatist interest intermediation, as some scholars are casting doubt on the indispensability of organizational resources - encompassingness and coherence -, which have been considered the crucial preconditions of neo-corporatism. The challengers are notifying the functioning and reproduction of corporatist arrangements in non-corporatist countries including transition societies, criticizing the advocates of the traditional logics. Therefore, empirical analyses on the functioning and malfunctioning of experimental corporatism can have implications in this discussion.

Third, the essential tension needs to be comprehensively analyzed beyond a narrow perspective in the main-streaming trend of industrial relations studies, in which academic attention has been chiefly focused on the world of association. This study casts doubt on whether the lack of organizational properties is the sole and the most decisive factor that hinders the functioning of experimental corporatism; or whether this kind of association-centered approach is the most critical factor in the experiences of experimental corporatism. The essential tension can be formed due to the structures of administrative and political actors, which can be generally vulnerable in new democracies.

Finally, an attention to the essential tension and the issues derived from it can lead us to throw a fundamental question whether experimental corporatism is identical with neo-corporatism. Most of the corporatism studies have been influenced by the pioneering scheme of Schmitter, who distinguished societal- or neo-corporatism from state-corporatism (Schmitter 1974). This study is oriented to generalize the characteristics of transition corporatism beyond the conventional dichotomy through intensively analyzing the essential tension. For the purpose it tries to understand the diversity or variation of transition corporatism as well.

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<sup>17</sup> See the chapter 2.1.2 for more in detail.

<sup>18</sup> See the chapter 2.1.1 for more in detail.

In sum, the following are the main theoretical questions to be dealt with in this study. Does experimental corporatism matter and can it become an efficient and substantive instrument in governing dual transformation? Do the organizational properties of social interest associations – concentration and centralization – matter any more? Are there any alternative or new logics to explain the malfunctioning of experimental corporatism beyond the narrow scope focusing on the organizational properties of interest associations? Does experimental corporatism have some general characteristics and systematic variations to be theorized, distinguished from societal- and state corporatism?

## **1.2. Attention to Korea**

This study intensively analyzes the experiences of South Korea (hereafter Korea), after the start of democratic transition in the late 1980s.<sup>19</sup> This section introduces its uniqueness in terms of conditions and previous studies on the corporatist experiments in Korea in the first and second parts, and discusses the limits of the previous studies in the last part.

### **1.2.1. Uniqueness of Korea**

For about fifteen years between the late 1980s and early 2000s, Korea pursued reforms to transform the political and economic institutions inherited from the authoritarian regime to those appropriate with liberal democracy and liberal market economy. These attempts accompanied extraordinary debates and serious social conflicts, which formed a ‘contested terrain’ in the arena of national politics. In this context, the state and social actors experimentally constructed and reconstructed corporatist arrangements.

Korea is a suitable case to discuss the chances and limits of experimental corporatism as well as the theoretical topics mentioned above. Most of all, the context, under which experimental corporatism was pursued, is identical to transition societies in general. Therefore, it is very appropriate to provide with new knowledge on the function or role of experimental corporatism in new democracies.

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<sup>19</sup> This was simultaneous with the old soviet bloc in Central and Eastern Europe and was relatively later than countries in Southern Europe and Latin America.

The corporatist experiments in Korea were carried out under the essential tension, as the political and social actors did not possess sufficient conditions. The national confederations of trade unions were divided in two, shaping a competitive relationship. The structure of collective bargaining was fragmented, while a system of enterprise unionism was dominating. Furthermore, power and autonomy of social partners were extremely restrained in the institutional field of policy-making under the tradition a strong state. The conditional features were even more unfavorable than in usual cases. Uniquely among other transition societies, the union-party relationship was extremely distant in Korea. In other major transition societies, the political parties that had privileged relationship with unions soon became main political actors during democratization. In Korea, political empowerment of labor movement as an institutionalized actor of national politics was absolutely frustrated.

Korea has subtle institutional elements, which can make its corporatist experiences unique. Although it is a transition society, the level of economic development is far higher than other transition societies. As a country that has achieved miraculous success in economic development to become a member of the OECD in the mid 1990s and to play a crucial role as the second largest market-economy in East Asia, Korea is often considered as a type of advanced economy and its type of economic governance has been compared with those of Western Europe and North America. As a result, its institutional characteristics as a transition society have not been carefully taken into account in other studies, usually in the literatures of industrial relations; whereas it has been considered as one of the leading developing countries, usually in the main literatures of political economy. This uniqueness of Korea can make a contribution to intensifying and broadening the previous theories.

Korea is a suitable case, with which we can reflect the Euro-centric approach in the previous studies. Together with South Africa, it is one of the two major countries that experienced significant evolution of corporatism outside of the European and Latin American continents, as mentioned above.

### **1.2.2. Previous Studies on Korea**

The experiences of corporatist experiments accompanied serious practical debates and produced a large number of studies in Korea, although it was not well introduced internationally. Mainly, three disciplines in the social science have approached the phenomena:

industrial relations studies, political sociology (specialized in democratization), and administrative science (interested in the institutions and practices of policy-making). Each approach has strength and weakness in dealing with the phenomena. For instance, industrial relations studies are more interested in the structure of interest associations. Political sociology prefers to view the phenomena in the macro-level with regard to the historical context of social change. Administrative science focuses on the processes of policy-making, analyzing the phenomena chiefly in the micro- or behavioral level.

It was essentially controversial whether to interpret the Korean experiments as successful or not, and to draw theoretical implications from the Korean experiences. The studies are inclined to be divided into two: those having more emphasized the positive aspects of the experiences and those that stick more to their limited aspects from a critical point of view.

The interpretation of the corporatist phenomena is directly connected with the ways of theoretical lesson-drawing. Usually, the positive viewers have argued that behavioral innovation have led corporatist arrangements to function and persist in Korea despite the lack of structural preconditions,<sup>20</sup> whereas the critical viewers have emphasized the structural deficits and interpreted the limited performance with the help of the conventional logics in the theories of neo-corporatism.

Positive viewers were mainly formed in the studies of industrial relations. They often compared Korea with advanced European countries, and actively tried to draw theoretical implications (in the theory of neo-corporatism) from the phenomena.<sup>21</sup> They interpreted the emergence of certain corporatist arrangements or the conclusion of certain pacts in Korea as positively surprising phenomena, which need special explanation and can make theoretical innovation.<sup>22</sup>

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<sup>20</sup> For them, the conclusion of the Grand Social Pacts in 1998 and the institutionalization of the Korean Tripartite Commission were the major events that supported their positive beliefs.

<sup>21</sup> They were usually research fellows in the Korea Labor Institute (KLI), some of whom also served for designing and activating social dialogues in Korea. Representatively, see Choi (2000b), Choi (2000c), Lim (2002) and Sun (2000).

<sup>22</sup> The PhD Thesis of Lim is representative. Intensively dealing with the Grand Social Pacts and the institutionalization of the Tripartite Commission in 1998, he interpreted the experiences in the same context of new social partnership and 'competitive corporatism' (Rhodes 1998) in Western Europe. Arguing that 'strategy matters', he advocated the so-called 'constructivist approach' and focused on the successful aspect of pact-making and its persistence in Korea. His analysis and argument was targeted to criticize both classic theory of neo-corporatism as well as the domestic trend of Neo-Marxist approach, which he designated 'structural-deterministic' (Lim 2002).

However, these positive viewers are a relative minority. Most of the studies that dealt with the Korean experiences accompanied critical interpretation, observing their limited performance. Most of the studies descriptively analyzed not only their chances but also their limits, and presented recommendations for activating and consolidating the experiments, or for abolishing such arrangements.

In the discipline of industrial relations, some studies conducted critical interpretation to the performance of the experiments. They tried to find out theoretical implication in a different way from the positive viewers<sup>23</sup> or to combine the positive and critical views, trying to creatively use the Korean experiences in their new strategy at theorization.<sup>24</sup>

Most political sociologists (or political scientists), who are interested in labor movement and democratization, were inclined to critically interpret the corporatist experiments in Korea, analyzing them with regard to its context of transformation. Some international studies dealt with the Korean experiences, connecting them with the context of democratization and globalization.<sup>25</sup> Some Korean political scientists, who shared critical views on the performance of democracy in Korea, emphasized the limits of the experiences in Korea.<sup>26</sup> Comparative political sociologists in Korea, focusing on the peculiarities and limits of democratization in the

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<sup>23</sup> Representative studies written in English are Lee (2004), Lee and Lee (2003) and Lee and Lee (2004: 156-163). Especially, Kim discussed the thesis of strategic choice, emphasizing the strength of bureaucrats as one of the major factors that hindered the consolidation of tripartism in Korea. In his expression, the Korean experiences are 'neither societal nor state corporatism' (Kim 2003). Lansbury and his colleagues also indicated the limits of the corporatist experiences in Korea (Lansbury and Wailes 2004; Lansbury and Wailes 2005). In Korean, there are affluent studies with this position, which suggested prescriptive measures. Discussing 'preconditions of social dialogue' and criticizing the strategic choice approach, Eun indicated the legitimacy deficit of corporatist experiments in Korea in its formative time (Eun 2006).

<sup>24</sup> Baccaro and Lim dealt with Korea, searching for making a new theory in order to explain the emergence and persistence of corporatist arrangements in the so-called 'non-corporatist countries'. Paying attention to the relatively short persistence of the Korean experiments, they compared them with those of the two European countries and argued that the corporatist arrangements were formed by 'the weak and the moderate.' Korea was described as the most inferior case in their scheme (Baccaro and Lim 2007).

<sup>25</sup> Kong tried to understand the Korean experiences in the same context of Western Europe, and interpreted the Korean experiments as a peculiar version of 'competitive corporatism' (Kong 2004). Comparing Korea with South Africa, Bramble and Ollett paid attention to the decisive peculiarity of Korea – the extreme disempowerment of labor party (Bramble and Ollett 2007).

<sup>26</sup> Since Choi had analyzed the relationship between state and labor in the authoritarian regime, which considered it as a kind of state corporatism (Choi 1997), his colleagues analyzed the limits of the Korean experiences in the post-authoritarian era in Korea. Representatively, Lee elucidated the Korean experiences in the late 1990s, utilizing the analytic tool of Przeworski (Lee 2002). Park indicated the limits of collective bargaining structure in Korea, connecting the limited performance and unstable management of social pacts (Park 2005).



country, carried out comparative studies between Korea and other transition societies - such as Brazil, Mexico and Spain - and also critically evaluated the Korean experiences.<sup>27</sup>

Other Korean political sociologists, who were influenced by Neo-Marxism, took a more fundamentally critical position on the corporatist experiments in Korea. They considered the attempts at incorporating organized labor as an elaborate strategy of the state to control labor movement without substantive labor reform: i.e. a program of cooptation.<sup>28</sup> Practically, these arguments were identical with those of radical labor movement in Korea, whose leaders argued against any attempts at social dialogues and criticized the union leaders who were willing to positively respond to the new strategy of the state.

Finally, administrative scientists in Korea focused on the process of policy-making and the interactions of administrative actors. In comparison to the previous disciplines, they were more oriented to the state world.<sup>29</sup>

### **1.2.3. Limits of the Previous Studies and Focuses in This Study**

This study basically shares the viewpoint of the political sociologists, who have tried to understand the phenomena of experimental corporatism from a historical and comparative perspective with special attention to the contextual features as the critical factor that motivated corporatism to be experimented. However, no studies in this approach have comprehensively analyzed the series of corporatist arrangements in Korea, covering the whole

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<sup>27</sup> Song constantly tried to understand the features of corporatist experiments in Korea in the context of its peculiar pattern of democratization and globalization (Song 1994; Song 1999a; Song 1999b). Cho explained the variation of experiments at corporatism and the peculiar limits of the Korean experiences, comparing the democratizations of Korea, Spain and Brazil (Cho 1995). He further compared Korea and Spain, focusing on the neo-liberal economic reform (Cho 1999). Another comparison between Korea and Spain was done by Sun in Korean. He focused on the relationship between the institutionalization of corporatism and democratic consolidation, and argued that Korea was not able to achieve consolidation of democratization as its experiments at concertation failed to be firmly institutionalized (Sun 2007).

<sup>28</sup> Roh continuously criticized the attempts of the Korean state to incorporate labor in the national level corporatist arrangements, considering the attempts of the state as elaborate means of new labor control (Roh 1995; Roh 1997; Roh 2003). Jeong shared this view with Roh (Jeong 2002; Jeong 2003b). Internationally, Park shared the opinion of Korean sociologists, who considered the corporatist experiments as an attempt of the state to co-opt labor (Park 2007).

<sup>29</sup> For instance, Kim (2000c).

period of dual transformation. Thus, the practices have been analyzed in a fragmented way,<sup>30</sup> although several case studies and comparative studies were done and partially dealt with the attempts. The relationship between the patterns of dual transition and the roles of experimental corporatism were not intensively discussed and the Korean experiences were not properly introduced in the general context of international debates.

This study tries to overcome these limits, dealing the corporatist experiments in Korea in the entire period of dual transformation and comparing them with those in Spain, whose experiments at corporatism throughout the entire process of dual transformation were relatively well analyzed. It also tries to overcome the limits of the macro-historical-analyses, which paid relatively less attention to the concrete processes of corporatist policy-making by combining the micro-behavioral factors with macro-contextual factors. Through analyzing the political processes, it tries to overcome the limits of industrial relations studies, which often oversee the political configuration of the actors and lose the world of administrative and political actors.<sup>31</sup>

Moreover, it is oriented to overcome the limits and weaknesses of the three previous approaches. First, this study casts doubt on the positive viewers in the discipline of industrial relation study, who focused on the emergence and superficial persistence of the corporatist arrangements without paying sufficient attention to the aspect how corporatist arrangements were integrated in the political society. Although this problem is closely related to the contextual characteristics of Korea as a transition society, the positive viewers neglected factors. They usually put the experiences of Korea in the same context of Western Europe without considerably taking into account of the institutional differences between transition societies and advanced democracies.

Second, this study takes critical position on the approaches of Neo-Marxism, which do not elaborately take into account the configurative factors. This study pays attention to the heterogeneous composition of political actors, the difficult tasks of coordination and the

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<sup>30</sup> Representatively, the Social Pacts to overcome the economic crisis in 1998 and the successive institutionalization of the Tripartite Commission are relatively well-known as icons in the heydays of corporatist experiments in Korea.

<sup>31</sup> Usually, both positive and critical viewers in this discipline stick to the structural limits of social actors - trade unions and employers associations -, considering them as the most decisive factors in interpreting either 'surprising' or 'frustrating' performances of corporatist experiments in Korea, as mentioned above.

dynamic processes of evolution. The decisive problems in the logics of Neo-Marxist sociologists are their confusion between the intended and unintended consequences. Although it was legitimate to criticize the commitment problems of the concertations and pacts, their interpretation that the state intentionally deluded organized labor was not convincing because they did not recognize the complicated composition of the state; the differentiation of administrative and political actors; and the difficulties of coordination among them.

Third, the approaches of administrative scientists in Korea, who did not pay much attention to the peculiar context of dual transformation, also need to be overcome. This study sees the context as the most decisive factor for the emergence and functioning of experimental corporatism. The historical peculiarities of the context were factors both enabling and restraining corporatist arrangements in Korea.

### **1.3. Outline of the Research**

#### **1.3.1. Research Questions**

In analyzing various corporatist experiments in Korea, this study elucidates their features from three decisive aspects: (i) formation and evolution, (ii) coordination and integration, and (iii) influences and effects. It tries to find out causal relationships between the core features of the corporatist experiments and the crucial features of the two background factors: (i) the contextual features of dual transformation and (ii) the configurative features of actors.

First, it tries to understand what types of corporatist arrangements were formed and how they evolved. It searches for the features of corporatist arrangements in terms of their structure, assuming that they are influenced by three factors: (i) the reform policies towards dual transformation, (ii) the institutional and structural features of the actors; and (iii) the strategic choices of the actors. In addition, this study pays attention to the evolutionary dimension of the corporatist arrangements, paying attention to the political interactions as well as political learning of the actors.

Second, this study tries to understand the functioning of the corporatist arrangements, examining how the relevant actors appropriately coordinate with each other and how the

corporatist arrangements were properly integrated as a result. It searches for the factors that made it hard for corporatist arrangements to work properly, throwing a question: why social and political actors were unable to coordinate with each other to make the corporatist arrangements the center for decision-making in formulating and implementing the reform policies towards dual transformation. Trying to find suitable answers, it pays attention to the configurative features of the actors and their structures as well as their political skills.

Third, this study tries to understand the influences and effects of the corporatist experiments in the concrete policy-agendas oriented to promote dual transformation, throwing the questions. What contributions did corporatism make in what concrete policy-domains? What are the main features of the Korean experiments in terms of corporatist effects and why did it have such features? In order to find out suitable answers to these questions, it comprehensively takes the following factors into account: (i) the contextual features of dual transformation; (ii) the features of the reform policies; and (iii) the integration of the corporatist arrangements and the concrete contribution of the resolutions to making and implementing certain reform policies.

### **1.3.2. Comparison to Spain**

As the main purpose of this study is oriented to broaden our understanding on the experiences of Korea, this study allocates the largest part of the empirical analyses to the Korean experiences. In addition, it deals with the experiences of Spain, searching for a comparative analysis between the two countries. The research questions and hypothetic logics above will be applied for analyzing not only the Korean experiences but also the Spanish experiences. For the comparative analyses between the two countries, specific frameworks are necessary.

The Spanish experience is the most pioneering and well-known case of experimental corporatism during dual transformation. With the experiments in the 1970s and 1980s,<sup>32</sup> Spain has been considered as the most representative case of successful transformation by way of social compromises. Therefore, a systematic comparison with Spain can lead us to see the Korean experiences from a new point of view and to understand the peculiarity of Korea. So far, no systematic comparison has been done between the two countries (at least in the

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<sup>32</sup> Although consultation became institutionalized and new style social pacts were concluded in the 1990s and 2000s (the second wave) in Spain, the stories were excluded in this volume.

literatures written in English). More decisively, the two countries share two decisive similarities in terms of the context. First, the characteristics of democratization processes were similar. They were relatively moderate and mediated by political compromise between the authoritarian ruling elites and opposition leaders. The conservative political forces inherited from the authoritarian regimes continued to have political power during democratic transition. Second, the two countries are similar in terms of the sequence of economic reform. The massive economic reform towards liberal market economy took place after the first power alternation under the center-left government.

**Table 2. Context of Corporatism in Korea and Spain during Democratization**

Political Power	Korea		Spain	
	Government (Year)	Context	Government (Year)	Context
Conservative Governments	<ul style="list-style-type: none"> <li>Roh Tae Woo Government (1988-1993)</li> <li>Kim Young Sam Government (1993-1998)</li> </ul>	<ul style="list-style-type: none"> <li>Beginning of Democratic Transition in 1987</li> <li>No Serious Economic Crisis</li> <li>No Military Coup</li> </ul>	<ul style="list-style-type: none"> <li>The First UCD Government (1977-1979)</li> <li>The Second UCD Government (1979-1983)</li> </ul>	<ul style="list-style-type: none"> <li>Beginning of Democratic Transition in 1975</li> <li>Economic Crisis in the late 1970s</li> <li>Attempt at Military Coup in 1981</li> </ul>
Left-Wing Governments	<ul style="list-style-type: none"> <li>Kim Dae Jung Government (1998-2003)</li> </ul>	<ul style="list-style-type: none"> <li>First Power Alternation in 1997</li> <li>Economic Crisis in the late 1990s</li> <li>Industrial Restructuring</li> </ul>	<ul style="list-style-type: none"> <li>The First PSOE Government (1983-1986)</li> </ul>	<ul style="list-style-type: none"> <li>First Power Alternation in 1983</li> <li>Industrial Restructuring</li> <li>EEC Entrance in 1986</li> </ul>

This study focuses a specific time-span in the process of dual transformation in both countries: from the beginning of democratic transition to the end of the first term of the government after the first power alternation. It covers approximately ten to fifteen years. The exact time-span to be dealt with on Korea is between 1990 and 2003. The year 1990 saw the formative trend of experimental corporatism emerging for the first time. Under the five-year period of

the left-wing government, corporatist experiments were mostly activated and expanded.<sup>33</sup> The time-span of the Spanish case is between 1977 and 1986, which is relatively shorter than Korea. Before and after the power alternation in 1983, various corporatist arrangements were devised and functioned to govern the process of dual transformation.

### 1.3.3. Methodological Principles: Historical Institutionalism

This study follows the approach of historical institutionalism as its main methodological principle. Historical institutionalism was created as a type of new institutionalism<sup>34</sup> in the 1970s to overcome the limits of old institutionalism, which had been prevalent in the 1960s and 1970s.<sup>35</sup> Here, I briefly introduce the main ideas and concepts of the approach, paying attention to four elements: (1) inductive research; (2) middle-ranged viewpoint and simultaneous emphasis on structural and contingent factors; (3) interactive effect of multiple factors; and (4) cross-national differences.

First, historical institutionalism pursues to be an inductive science. It does not search for a kind of universal tool kit and universally applicable concepts. Hypotheses are more inductively developed in the course of interpreting the empirical material itself rather than deduced on the basis of global assumptions and prior to the analysis (Thelen and Steinmo 1992: 12).

Second, it focuses on middle-range phenomena, paying attention to the structural and contingent factors at that same time. It is distinguished from broader and more abstract theories like Marxist, functionalist, and system-theory approaches, in which macro-structure of social relations is dominantly emphasized. As a middle-range theory, historical institutionalism pursues to connect an understanding of general patterns of political history with an explanation of the contingent nature of political and economic development. It notifies the role of political agency, conflict, and choice in shaping social process and development.

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<sup>33</sup> Although the Tripartite Commission continued in the Roh Moo Hyun government (2003-2007), its performance was far lower and consultation gradually declined during that time. An analysis on the decline of experimental corporatism in this period is the next task beyond this volume.

<sup>34</sup> Hall elaborated three approaches in new institutionalism: rational choice, sociological and historical (Hall and Taylor 1996).

<sup>35</sup> The advocates of new institutionalism criticized old institutionalism, considering it as no more than detailed configurative studies of different administrative, legal, and political structures, and deeply normative; and indicating that the paradigm was not enthusiastic in comparative analysis but remained largely just as “entailed juxtaposing descriptions of different institutional configurations in different countries”(Thelen and Steinmo 1992: 3).

Although it explores the effects of overarching structures on political outcomes, it takes distance from structural determinism (Thelen and Steinmo 1992: 11 -12).

Third, historical institutionalism explores the interaction and relation of various variables. It rejects a single-variable study and tries to understand the interaction of multiple variables in a dynamic way (Thelen and Steinmo 1992: 13). It takes distance from the traditional postulate that the same operative forces will generate the same results everywhere; instead, favors the view that the effect of such forces will be mediated by the contextual features of a given situation, often inherited from the past (Hall and Taylor 1996). The applicability of causal arguments is often limited. It discusses why variables appear and combine in characteristic ways in one era, but might not exist or combine in the same way in other eras (Pierson and Skocpol 2002: 711-2).

Fourth, it begins very often with empirical puzzles that emerge from observed events or comparisons. Comparisons are often used to test hypotheses that can account for the observed differences (Thelen 1999): such as cross-national differences and the persistence of patterns or policies over time within individual countries.<sup>36</sup>

#### **1.3.4. Data**

The reconstruction of the Spanish case was only based on the secondary documents: books and journal articles. The core data collected and used to reconstruct and analyze the empirical facts in Korea are mainly qualitative data. Those are comprised of several different sources.

First, the results of expert interviews conducted by the author were used as the most decisive resources. The interviews were intensively conducted for three months between December 2003 and February 2004 during his stay in Seoul with this purpose. About thirty persons were interviewed, who worked in the government (Ministry of Labor), national and industrial confederations of trade unions, employers- and economic associations, staffs in the concertative committees, and academic experts (Appendix II). The interviewees were those who had directly participated in the process of decision-making or observed the decisions within in a very close distance. The interviews were semi-structured, took approximately one

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<sup>36</sup> Usually, cross-national studies in the new institutionalism tend to explain different policy outcomes in different countries with reference to their respective (stable) institutional configurations. But such argumentation is apt to invite a kind of institutional determinism.

and a half hours each, and were conducted in Korean. The main questions thrown to the interviewees were about the achievements and limits of corporatism in Korea, the reasons of malfunctioning and the implications of the experiments.

Second, newspaper articles were utilized: especially, online-database of the two comprehensive data services from the 'Yonhapnews' and 'Go Kinds'. Through keyword searches in both internet sites, plenty of information on the political choices and debates of the governments and social actors around corporatist experiments in Korea were attained. Despite the fundamental limits that they were written for journalistic purposes, they were very useful in order to reconstruct the reality and understand the social actions of the actors.

Third, documents containing information on the context of certain decision-making of the actors were used for more detail. Through visiting the relevant agencies and institutes, some precious documents were collected: for instance, the analytic reports of the Korea Labor Institute (KLI), the protocol data of the Korea Tripartite Commission (KTC), and the annual reports of the concerned associations, which contained affluent facts and could supplement the limits of the media data.

Fourth, the secondary data from the already published analyzes was used as well, which had direct and indirect relevance with the themes of this study. Most of all, the facts on the Spanish case exclusively relied on the secondary data, a large amount of analyzes published in various academic medias in English. Despite some limits, they could sufficiently serve for comparing the core aspects of corporatist experiments between Spain and Korea.

Finally, some quantitative (statistical) data were partially used, especially in describing the context and conditions. They were mainly from the database of the KLI and some statistical information inside documents and literatures.

#### **1.4. Outline of the Chapters**

The entire volume is comprised of nine chapters. Chapter Two deals with theoretical resources and analytical frameworks. It introduces and draws concepts and logics from the theories of neo-corporatism and those of democratization. Then, it constructs both macro- and meso-level-frameworks for the analyses in the main body.



Chapter Three describes contextual and configurative factors in Korea. It deals with contextual features in the dual transformation and the reform policies towards the transformation and the configurative features of social and political actors. The main contents of this chapter are crucial backgrounds and conditions to understand the features of experimental corporatism in Korea.

In the next three chapters, the main empirical analyses are conducted on the corporatist experiments in Korea. Chapter Four analyses the formative attempts under the conservative governments, between 1990 and 1997, when the state was relatively reluctant to taking innovative reform measures in any reform areas. Various corporatist arrangements created in this time: NESC, Wage Pacts, LLRC, and IRRC.

Chapter Five analyses the corporatist experiments in 1998, which can be named 'the heyday of corporatism', while the delayed reform policies were explosively pursued with the background of the economic crisis and the alternation of political power. The Grand Social Pacts and the successive corporatist arrangement (KTC II) created in this year are the main objectives of the empirical analyses.

Chapter Six deals with the experiences of experimental corporatism under the center-left government between 1999 and 2003. The activities of the KTC III, which was an institutionalized platform for concertations with higher capacity and wider range than any other corporatist arrangements before, are the main objectives of the analysis.

Chapter Seven revisits the Spanish experiences of experimental corporatism during dual transformation. After the features of contextual and configurative aspects in Spain are described, the characteristics of the corporatist experiments are analyzed: respectively under the conservative (1977-1983) and left-wing governments (1983-1986).

Chapter Eight compares the experiences of corporatism in Korea and Spain respectively before and after the first power alternation. Focusing on the three core dimensions of corporatism – formation, integration and effect -, this chapter elucidates similarities and differences of corporatist experiments in both countries.

Finally, Chapter Nine presents main empirical findings on the Korean experiences, and discusses their theoretical implications as well as further research tasks on transition corporatism.

## **2. Theoretical Resources and Analytical Frameworks**

Chapter Two introduces and discusses the main logics in the relevant theories and constructs analytical frameworks.

### **2.1. Theoretical Resources**

This section introduces the main logics in the theories closely relevant with the phenomena of experimental corporatism. The first part deals with the theories of neo-corporatism, mainly introducing the concepts and logics that designate the preconditions of neo-corporatism. The second part is on the theories of democratization, in which various logics and concepts were developed with regard to experimental corporatism.

#### **2.1.1. Theories of Neo-Corporatism**

The theories of neo-corporatism were crystallized with the vivid debates in the mid and late 1970s. Since then, the theories have been elaborated in various ways. Their core issues are the relationship and role of social organizations representing and intermediating social interests, and the political coordination between interest associations and the state (Lehmbruch and Schmitter 1982). Most of all, academic energy has been devoted to understand the preconditions for the successful functioning of corporatist arrangements, which I divide into three issues: (i) the structural properties of interest associations, (ii) the combined logics of corporatist intermediation, and (iii) the networks of political and social actors.

##### **2.1.1.1. Structural Properties of Interest Associations: Old Theory, New Debates**

Schmitter, one of the founders of neo-corporatist theory, emphasized the organizational properties of interest groups as the most decisive preconditions for neo-corporatist interest intermediation. According to him, interest associations need to have monopoly power, which is

comprised of two elements: 'degree of encompassingness' and 'extent of hierarchical control'. The former is "stronger if the number of national organizations is lower and density rate is higher." The latter "controls increases to the level of centralization in the bargaining structure and to the level of the closeness of the financial and personal relationships among organizations along hierarchical levels: such as the national, sectoral and workplace levels." He named the elements respectively 'concentration' and 'centralization' of interest groups. This notion has become dominant in explaining the strength and fluctuation of neo-corporatism (Schmitter 1974; Schmitter 1981; Schmitter 1982).

In addition, Schmitter elaborated plausible and typical problems in the neo-corporatist interest intermediation, in case such conditions were not fulfilled. He created conflict types, distinguishing two kinds of conflicts from different 'institutional locus', within or between interest associations; or within other modes of interest intermediation, naming the former type 'rank-and-file revolts', and the latter type 'class mobilization' (Schmitter 1982: 267-8). Rank-and-file revolts can come from the vulnerability of internal political process to member dissatisfaction. If association leaders are isolated from the immediate perceptions of interest by their members, "members can form and vote for opposition slates; leave the organization altogether; engage in unauthorized collective action (wildcat strikes, opportunistic breaking of group regulations); challenge leaders in court; question their legitimacy as spokesmen or private governors; and hive off from hierarchic peak associations to follow more specialized and independent courses of action" (Schmitter 1982: 268-9). Class mobilization is a type of conflict that can occur, if workers become conscious of 'the rigged game they have been tricked into playing' during the process of corporatist intermediation, and nonetheless, when existing class organizations are so tied to its privileges and their leaders are so difficult to dislodge. Workers can search for other political channels of expression such as political parties, social movements and intellectual currents (Schmitter 1982: 269-270).<sup>37</sup>

Meanwhile, an attempt to innovate the neo-corporatism theories has been conducted in the recent decade. Observing the phenomena of new neo-corporatism in Western Europe in the 1990s, in concrete, from the experiences of Italian pension reform and unions' involvement,

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<sup>37</sup> In particular, it can come not only from working-class but also from the capitalist-class. Engaged in corporatist arrangements, organized capital can be likely to discover that 'perpetuation (and especially extension) of such arrangements and 'the alleged historical beneficiaries' indeed threaten its longer-run interests (Schmitter 1982: 271).

Baccaro proved that neo-corporatist interest intermediation is possible, although the degree of centralization and concentration is low. With regard to the ‘compliance mechanism’ inside unions, he found extraordinary functioning of union democracy: i.e. democratic decision-making can have both “aggregative” and “deliberative” effects. On the one hand, powerful groups within the unions, which object to the content of the various agreements, can feel compelled to go along with the will of the majority, which constitutes the “aggregative mechanism.” On the other hand, democratic procedures can give union leaders an opportunity to influence the workers’ process of “preference formation” through persuasive communication in union assemblies, which constitute the “deliberative mechanism”(Baccaro 2003: 699-700). Therefore, “organizational democracy is potentially an asset, not a liability, for reformist union leaders” (Baccaro 2002), and democratic processes can be a functional equivalent of organizational properties, used for unions to bring about “inter- and intra-organizational co-ordination.”

#### **2.1.1.2. Logic of Membership and Logic of Influence**

Together with Schmitter, Streeck contributed to theorize on the politics of associations (Schmitter and Streeck 1999), and elaborated on the peculiarities and dilemmas of corporatist interest intermediation, emphasizing the balance between the ‘logic of membership’ and ‘logic of influence’. According to Streeck, intermediary organizations are simultaneously involved in two environments. One is the ‘membership environment’ to internally draw their members. The other is the ‘influence environment’ to externally represent them. The logic of membership shapes the interaction between an interest organization and its constituents. The logic of influence manages interactions between an interest-organization and its’ interlocutors. Demands out of the two logics are different and even contradictory and the leaders of organizations, therefore, need to make choices carefully (Streeck 1992; Streeck 1994; Streeck and Kenworthy 2005).

Such a general characteristic in the intermediary organizations has peculiar dimensions in the corporatist and pluralist style of interest intermediation. Most of all, it is more difficult in the corporatist style to balance the two logics than in the pluralist type because interest organizations in the former participate not only in making or binding decisions but also in implementing them. In the former, organizations need to be entitled to ‘privileged status’ and

to have a 'self-compliance mechanism'. Organizational privileges are used in turning the constituents into members and compliance of members is used as a resource in dealings with interlocutors. Leaders of such organizations are required to keep an equal distance between the different dictates of the two logics. If the leaders are too enthusiastic in the logic of influence, interest associations can be drawn away from members and it can become more difficult to procure legitimacy. In extreme cases, they may turn into extended arms of the government like quasi-governmental agencies or represent interests opposed to those of their real constituents like yellow unions (Streeck and Kenworthy 2005).

### **2.1.1.3. Corporatist Networks**

Lehmbruch tried to view the phenomena of neo-corporatism from a wider perspective than the theorists, who strongly focused on the world of interest associations. His analytic field was not only the area of interest associations but also the area of state and political parties. He considered that neo-corporatism was comprised of both vertical and horizontal dimensions.

The vertical dimension of corporatism refers to the participatory pattern of individual peak associations in policy-making and implementation, and the corresponding integration of lower organizational levels into corporatist arrangements (Lehmbruch 1984: 68). He emphasized two elements of intra-organizational governance necessary in the dimension: coordination capacity or institutional constraints. These are mechanisms favoring cohesion and compliance of members. For the capability of autonomous coordination, their elements are necessary: autonomy of lower-level organizations<sup>38</sup>, sufficient authority of peak association, and its ability to coordinate with the sub-organizations. Institutional constraints, which refer to legal restrictions on the representation of labor at the enterprise or shop level, can function as a means to prevent the disintegration of corporatist concertation, to lead unions to be better able to cope with intra-organizational tensions in the form of rank-and-file protest rather than under conditions of immunity from law; and to prevent labor representatives at the shop floor level from effectively challenging the prerogatives of the leadership (Lehmbruch 1984: 69).

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<sup>38</sup> Emphasizing autonomy of subgroups, he argued that "rigid hierarchical centralization would be less effective in obtaining vertical integration because of the higher probability of intra-organizational tensions (Lehmbruch 1984)."

The horizontal dimension of corporatism refers to the pattern of concertation between different peak associations and government. It also has two elements of governance. The first is 'institutional linkages' between state and interest organizations, which can facilitate and favor concertation (although do not *per se* lead to concertation). The second is 'informal relationship' among the actors without formal institutional constraints. Strong corporatist countries are inclined to have a weak form of institutionalization in this horizontal dimension (Lehmbruch 1984: 69).

Meanwhile, Lehmbruch elaborated the horizontal dimension of corporatism with the help of the concept, 'corporatist network', which is a structural basis of concertation and a crucial factor fostering integration of corporatism. It refers to the interconnected organizations, comprising the economic peak associations, government, the public administration, and the parties in parliament – or at least the dominant, majority party. Their interconnectedness can be established through 'junction points' such as joint committees, or more durably through overlapping memberships, in particular at the peak level.

Among those, the most decisive element is close, and often traditional, linkages between parties and organized interests. Lehmbruch saw such networks aid political parties in building consensus on difficult issues, which "would have otherwise counter-productive effects on the competitive character of the party system"(Lehmbruch 1984: 74). He named these networks the "vertical dimension of corporatist network", which refer to "a political structure characterized by ideologically-based alliances between parties and organized interests." They form political camps in which organizations typically have overlapping memberships, interlocking leaderships, and often extend to segments of the public administration as the result of party patronage.

There can be a "horizontal dimension of corporatist networks", which refers to horizontal interconnections between organized labor, business and government. Their junction points tend to have a quite informal character (Lehmbruch 1984). Attention to the horizontal dimension of corporatism developed a notion on the further broader configuration including state and political society, which pay attention to the process of corporatist integration in the political arena beyond the restrained boundary of social actors. Lehmbruch presented a sharp and significant intuition that the horizontal networks of corporatist actors are informal in the strong-corporatist countries. He emphasized that the powers of concertative or consultative

committees and the frequency with which they meet are far from uniform. Although institutional arrangements for the consultation between government and interests are found in all advanced industrial liberal democracies in a form of advisory committees, their formal similarities are only superficial and those can play just symbolic roles (Lehmbruch 1991: 123-4). There can be problems of integration in the several dimensions of 'administrative corporatism': such as the "degree of discretion, which the bureaucracy has in determining whether and whom to consult; and the degree of sectoral segmentation" and so on. He suggested paying attention to the patterns of inter-organizational relationships, or regularities in the interactions of organizations and public bureaucrats beyond the notice on intra-organizational properties (Lehmbruch 1991: 124).

### **2.1.2. Theories of Democratization**

Concepts and logics in the theories of democratization are various. Mainly, they can be divided into two clusters: first, on the pact-making during democratic transition, which deals with the relatively early phase of democratization and the very moment of transition from an authoritarian regime; second, on the interest intermediation and pact-making during democratic consolidation and for economic reform, which focuses on the situation after democratic transition. With regard to the former, this part introduces three crucial approaches: socio economic pacts (O'Donnell and Schmitter), foundational pacts (Karl), and democratic transition and labor movement (Valenzeula). With regard to the latter, two approaches are crucial: functional representation during democratic consolidation (Schmitter) and policy-styles for economic reform (Przeworski). All of the theories contained logical elements to explain the emergence, integration and effects of experimental corporatism.

#### **2.1.2.1. Socioeconomic Pacts**

O'Donnell and Schmitter saw that democratic transition involved a sequence of different moments - military, political and economic moments -, and certain kinds of pacts can emerge in each moment: such as 'liberalization pact', 'political pact' and 'social pact' (O'Donnell and Schmitter 1986: 39). Among those, the socioeconomic pacts are near to the arrangements of experimental corporatism this study is interested in. They define how state agencies, business

associations, trade unions, and professional organizations behave during the transition and beyond it and may emerge relatively later (O'Donnell and Schmitter 1986: 46).

They saw socioeconomic pacts more difficult to be concluded than military or political pacts, due to decisive limits in the conditions of interest associations. Authoritative, monopolistic, and centralized class associations are necessary, which share a high degree of consensus about macro-economic goals. New democracies are not likely to obtain such organizational properties, which can be gleaned from the lessons of advanced neo-corporatism (O'Donnell and Schmitter 1986: 46). According to their intuitions, interest associations in the context of democratization are likely to be more reluctant to make compromise than politicians without a strong capacity to draw subsequent compliance from their members; and are likely to be highly politicized and fragmented along ideological and territorial lines (O'Donnell and Schmitter 1986: 45-46).<sup>39</sup>

In addition, some behavioral and cultural elements are necessary as well regarding the relationship between social partners (employer associations and trade unions). The social actors representing colliding social interests should recognize each other's rights to act autonomously in defense of their respective interests and to be present at multiple levels of consultation, from the shop-floor to macroeconomic policy-making. They should be able to help each other to acquire a reciprocal capacity for governing the behavior of their respective members. Otherwise, the compromises will be voided by the defections of 'opportunistic capitalists' and 'intransigent workers'. What is at stake is the creation of mutually satisfactory procedural arrangements whereby sacrifices bargained away in the present have a reasonable probability of being compensated for in the future (O'Donnell and Schmitter 1986: 47).

O'Donnell and Schmitter paid attention to a subtle characteristic of the socio-economic pacts during democratization. They are "undemocratic means" and "ironically move the polity towards democracy". They are undemocratic because only among a small number of participants representing established groups or institutions join the negotiations. According to

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<sup>39</sup> First, "trust and willingness to compromise may be less pronounced among class and sectoral actors than among politicians" during democratization. Second, the capacity of such negotiators to deliver "the subsequent compliance of their members" is problematic, while "outgoing regime may have systematically repressed unions and professional associations and sporadically manipulated organized expressions of business interests." Third, "interest associations that emerge or are resuscitated in the aftermath of liberalization are likely to be highly politicized and fragmented along ideological and territorial lines (O'Donnell and Schmitter 1986)."



the scholars, the participants tended to reduce both competitiveness and conflict. They seek to limit accountability to wider publics; attempt to control the agenda of policy concerns and deliberately distort the principle of citizen equality (O'Donnell and Schmitter 1986). Although governments, political parties, and class associations can somehow reach and implement those negotiating arrangements, such undemocratic means may not always be compatible with a viable political democracy, because “these efforts may be helped or nullified by the forces of civil society which tend to erupt in the aftermath of the initial steps toward liberalization” (O'Donnell and Schmitter 1986).

#### **2.1.2.2. Foundational Pacts**

Karl had similar intuitions with O'Donnell and Schmitter on the characteristics of pact-making during democratization. Paying attention to the two decisive factors - strategies of transition and relative strength of actors -, she elaborated four types of democratic transition: imposition, pact, reform, and revolution (Karl 1990: 9). Connecting the type of democratization to the type of democracy in the future, she argued that the imposition type is likely to yield conservative democracies; the pact-type tends to produce corporatist or consociational democracies; the reform type is likely to bring about competitive democracies; and the revolution type is likely to result in one-party dominant democracies. These types are characterized by different mixes and varying degrees of the chief dimensions of democracy: such as contestation, participation, accountability and civilian control over the military (Karl 1990: 15).

With regard to the ‘pact-type’ of democratic transition,<sup>40</sup> Karl elaborated that the features of social pacts during democratization, devising a new concept, namely ‘foundational pacts’. A series of agreements exist that are interlocking and dependent upon each other: an agreement between the military and civilians over the conditions for establishing civilian rule, an agreement between political parties to compete under the new rules of governance and a ‘social contract’ between state agencies, business associations, and trade unions regarding property rights, market arrangements, and the distribution of benefits (Karl 1990: 11).

Foundational pacts are comprehensive and inclusive of virtually all political significant actors. They are negotiated compromises in which contending forces agree to forego their capacity to

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<sup>40</sup> In this type, strategy of transition is compromise (instead of force) and the strength of actors was elite-ascendant (not mass-centered) (Karl 1990).

harm each other by extending guarantees and not to threaten each other's vital interests. They can be successful only when they include all significantly threatening interests. Foundational pacts are 'pacts to make pacts'. They are substantive (about the main tenets of policy) and procedural (about the rules of policy-making). They can be distinguished from 'managerial accords' which means neo-corporatist arrangements frequently found in social democratic polities in Europe.<sup>41</sup> Foundational pacts are bargaining about bargaining managerial accords. They are comprehensive, inclusionary, and rule-making in content, whereas managerial accords are partial, exclusionary, and substantively-oriented in content (Karl 1990: 11).

Karl saw both positive and negative effects of foundational pacts and pact-type democratization. On the one hand, she implicitly recognized the positive performance of the 'pact-type' of transition in comparison to other types of democracy. In the pact-type, party competition is regulated to varying degrees and determined, in part, by the nature of foundational bargains. On the other hand, she indicated the negative aspect of the foundational pact, as most of the democratization theorists presented, in intensifying democratization because pact-making contains an undemocratic characteristic.

According to her, such pacts not only "serve to ensure survivability" of a new democratic regime but also are aimed at "restricting the scope of representation", which "reassure traditional dominant classes" that their vital interests can be respected. Therefore, foundational pacts have essentially - and ironically - "antidemocratic mechanisms". They are bargained by elites, who seek to create a deliberate socioeconomic and political contract to demobilize emerging mass actors; and concluded "by restricting contestation, by restricting the policy agenda itself, or by restricting the franchise" (Karl 1990: 11-12).

### **2.1.2.3. Democratic Transition and Labor Movement**

Valenzuela elaborately discussed the relationship between labor movement and democratic transition, focusing on the conditions of labor movement during democratic transition. He found four factors decisive in forming variations of trade unions during democratic transition: power, unity, previous treatment of the authoritarian state, and relationship with political

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<sup>41</sup> For instance, annual corporatist negotiations among capital, labor and the state in post war Austria for setting wages and social policy (Karl 1990).

elites.<sup>42</sup> He also emphasized power and unity as crucial conditions for the emergence of experimental corporatism. At first, labor movement should be strong. The stronger the labor movement, the more likely it is to assume an important role during transition. Strong movements need to have a greater chance of participating in top level negotiations or pacts with business and state elites to set policy guidelines on a whole series of socioeconomic issues (Valenzuela 1989: 452). Then, the labor movement needs to be unified. If union organizations and collective bargaining are highly centralized, mobilization can be more probably followed by restraint sequence. If a small number of top leaders would be empowered, they would more likely be participants in the negotiations of the transition process and would have a good chance to obtain satisfaction of important labor movement goals, contributing worker restraint to the transition at the proper moments (Valenzuela 1989: 454).

What is the significance of his logics connecting union-unity and the change of corporatist emergence? According to him, if the union organizations are decentralized and/or the union leaderships are highly divided for political ideological reasons, the likelihood of a sharp rise in labor conflictuality, which does not readily decline in order to secure the transition, is very high. If labor movement is in sharp political and ideological divisions, labor leaders are more likely to focus on the competition between them for rank-and-file support than they are on the economic and political effects of worker mobilization on the transition. A union leadership may waver between riding and even stimulating the crest of worker mobilization in order to extend its control over it and attempt to contribute to worker restraint as a means of seeking acceptance in the coalition of the political transition and contributing to its overall success (Valenzuela 1989).

In addition, Valenzuela distinguished four cases of unions' politicization during democratic transition: when labor parties are the main force in the transition government, when they are a part of the transition coalition and occupy a place in the government but do as a junior partner, when they are a part of the transition coalition but not formally occupy any government positions, and when they have a deep-seated mistrust of the main political group or groups

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<sup>42</sup> The first element is "the strength or weakness of the labor movement and the economic context of the transition"; the second one is "the centralization or decentralization of the labor movement and its unity of division"; the third one is "the authoritarian regime's treatment of labor and its political allies prior to re-democratization"; and the fourth element is "the modalities of the transition to democracy and the relationship between the labor movement and the elites guiding the transition (Valenzuela 1989)."

leading it (Valenzuela 1989: 464). Especially in the last case, labor movement may fear that the transition government will restructure political and industrial relation institutions, including the unions themselves, in a manner that the labor leadership sees as detrimental to its workers own organizational interests. In this case, political and organizational leadership of labor movement may be apt to focus on building the strongest possible confrontational organizations by stressing worker demands and by stimulating rank-and-file mobilization. Therefore, binding socioeconomic pacts are unlikely to occur in these settings, and the perception of the new democratic regime's legitimacy in workers circles may suffer given such a relationship of tension and confrontation (Valenzuela 1989: 465).

#### **2.1.2.4. Corporatism and Democratic Consolidation**

Schmitter developed unique concepts and logics with regard to interest intermediation during democratic consolidation. He saw modern democracy not 'a regime' but a composite of 'partial regimes'. According to him, what is consolidated in the aftermath of the demise of an authoritarian regime is not democracy but a bundle of diverse institutions or 'partial regimes' that link citizens to public authorities and thereby render these authorities accountable (Schmitter 1995: 285).

While parties, associations, movements, localities and various clienteles would compete and coalesce through different channels (partial regimes) in order to influence policy, various partial regimes can be formed under a constitutional regime. They can be named 'concertation regime', 'clientalist regime', 'pressure regime', 'electoric regime' 'representation regime' and so on. Each regime is institutionalized around distinctive sites for the representation of social groups and the resolution of their ensuing conflicts. Especially, interest associations are directly related to the 'concertation regime' and the 'pressure regime'(Schmitter 1992: 427-8).

Among those, the 'concertation regime' can be elucidated as one of the crucial channels for interest intermediation during democratic consolidation. This regime can have an indirect but lasting impact upon the further process of democratization. This is based on power of interest associations, which are likely to be capable of disrupting, circumventing, or nullifying actions taken in the territorial-cum-partisan realm of representation, and can resist and make the laws and regulations that governments and parliaments may have passed not implemented (Schmitter 1995: 284-5).

Public officials may increasingly need information and compliance of organized interests to make their policies work in managing the macro economy. Trying to overcome the limits of liberal and voluntary collective action, associations are likely to acquire state recognition, centralized monopoly representation, licensing authority, guaranteed access, and other characteristics that would enhance their membership and resources (Schmitter 1992: 434). The conditions of participation, access, responsiveness, and accountability that surround the exchanges between specialized associations and administrative agencies may become a significant element in how citizens evaluate the performance of the political order (Schmitter 1995: 285).

Schmitter elaborated some elements for the successful functioning of the concertation regime, emphasizing 'collective characteristics': such as coverage, monopoly and coordination among social interests. Two 'system elements' are especially necessary for a corporatist style of interest representation: such as capacity for 'class governance' and 'congruence'.

Class governance refers to the ability of the new (or renewed) interest associations to commit a "comprehensive social category" – for example, all private owners of productive property or workers in all industrial sectors – to a common and long-term course of action, and to ensure that those "bound by such a policy will in fact comply with it." The class governance can be enhanced by "high degrees of intra- and inter-organizational coordination and monopoly" together with "high member densities and low numbers of individual associations"(Schmitter 1995: 312).

Congruence refers to the degree of symmetry in the organizational capacity between the two camps of social interests, "especially those whose interests regularly and predictably conflict with it." Congruence can be high if "the organizational characteristics and capabilities of one class, sector, or profession resemble those of other classes, sectors, and professions. In a given system of interest representation (either pluralist or corporatist principles), the extent of congruence is determined by "the distribution of all the structural traits – individual and collective – across different class, sectoral, and professional categories" (Schmitter 1995: 312).

However, interest associations in new democracies are not likely to have such elements as class governance and congruence. Schmitter paid attention to constraining factors that may lead the 'concertation regime' not to properly and decisively function as a crucial means for interest intermediation. In priority, he emphasized the volatile characteristics of interest

associations. According to him, the membership of trade unions and business associations may remain erratic and their behavior unpredictable. Groups may be constantly forming, splitting up, and merging. For such key areas as industrial relations, macroeconomic management, and social policy, bargaining arrangements may vary from issue to issue and moment to moment. Local and regional peculiarities may fail to converge toward a national norm (Schmitter 1995: 285).

Due to this difficulty, the contribution of interest associations to consolidating democratization is likely to be limited. As Schmitter says, organized class, sectoral, and professional interests will not be a major factor in determining “whether democracy as a general mode of domination will succeed authoritarian rule and persist for the near future”, even though they can have an impact on the consolidation process. Therefore, they will be decisive in determining the “quality of democracy” instead of the aspect of “quantity and duration.” Schmitter predicted that it may take some time “before the full extent of ‘the emergent properties of associability’ becomes evident”; yet, the delayed impact of them will be significant in determining what type of democracy will eventually be consolidated (Schmitter 1992: 433).

#### **2.1.2.5. Corporatism and Economic Reform**

In new democracies, economic reform and macro-economic management are decisive political tasks. Social scientists have observed that policy style matters in governing the processes of economic reform, which is an important part of dual transformation, and corporatism and concertation can be a plausible, innovative and recommendable style of policy-making. Concerning the topic, the most representative scholar is Adam Przeworski. This part briefly reviews his concepts and logics, which were mainly developed in the early and mid 1990s.

According to Przeworski, economic reforms inevitably provoke resistance, since they engender transitional costs. Voices are raised to the effect that social costs are excessive and the program should be moderated. Special treatment is to be accorded, which can promote cooperation among crucial actors. Governments need to either indicate that ‘or’ will be used seek the broadest possible support from unions, opposition parties, and other encompassing and centralized organizations (Przeworski 1991: 182). Intending to seek consensus, to explain and justify their program, to listen and to compromise, they may try to involve opposing

parties, unions, and employers' associations in economic policy making with the hope that those attempts can reduce conflicts and induce economic actors to behave in ways consistent with the continuation of at least the basic lines of the reform program. Political support is required not only from individuals at the polls, but also from unions and professional associations in the workplaces, and at times, from opposition parties in the legislature (Przeworski 1991: 184).

These contexts are decisive for the formation of corporatist arrangements. A certain type of political exchange may be pursued between the granting of wage restraint by unions and some welfare programs together with economic policies that control inflation and encourage investment and employment. Przeworski indicated Venezuela and Spain as representative cases, where the initial pacts during democratization established the "rudiments of industrial relations systems", and the subsequent accords "attempted to regulate specific wage and employment targets with varying degree of success (Przeworski 1991: 184-5)."

At the same time, Przeworski noticed the configurative limits of actors in this context, which restrain and hinder social integration of the corporatist arrangements. According to him, trade unions can be reluctant in making such pacts due to various reasons. Those pacts can have exclusive characteristics. Unions are likely to be weak in terms of organization.<sup>43</sup> Especially, unions in the public sector are not likely to have the motivation to be involved in the corporatist arrangements<sup>44</sup> (Przeworski 1991: 185).

In addition, the exclusionary characteristics of functional representation and the growth of autonomous civil society are not likely to be compatible due to two reasons. First, functional representation normally preserves a good deal more continuity with the ancient regime. Authoritarian regimes typically follow policies of state corporatism and deliberately sponsor the formation of a set of officially recognized, monopolistic interest representatives. Therefore, democracies have a difficult time breaking with these practices and disposing of their organizational material legacies (Przeworski 1995: 56). Second, a sudden shift to purely voluntaristic and free format could jeopardize the very existence of some organized interests,

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<sup>43</sup> Same as Neo-Corporatist theorists, Przeworski is of the opinion that unions have to be encompassing, centralized and politically influential. Otherwise, they cannot gain benefit in the future from "present underutilization of their power" (Przeworski 1991).

<sup>44</sup> According to him, public sector unions especially have no incentives to make pacts because they face neither "stick of unemployment" nor "carrot of investment" (Przeworski 1991).

many of which played an active role in the emancipation process, and could produce a skewed pattern of representation (Przeworski 1995: 56).

Przeworski considered it plausible that the policy-making style can be incoherent. In other words, corporatism for economic reform is likely to be faced with a kind of path-conflict as governments in new democracies pursue “two contrasting political strategies to control economic conflicts.” They may place different emphases on economic and participation logic. On the one hand, they can impose economic policies “from above”. On the other hand, they can try to mobilize support for reform programs and “seek to orchestrate consensus” by engaging in widespread concertation with parties, unions and other organizations (“from below”). Faced with a choice of whether to involve a broad range of political forces in shaping reform programs or to try to undermine all opposition to the programs, governments may “vacillate between the technocratic political style inherent in market-oriented reforms and the participatory style required to maintain consensus (Przeworski 1991: 183).”

In particular, economic recession, which is plausible to emerge, may make the decisions more difficult. According to him, “temporary deterioration of material conditions is inherent in any reform process”. In this situation, it is hard to see the positive effect of corporatism in the short term. Neither decrees nor concertation immediately generate economic improvement. Decrees evoke opposition and pacts do not result in what they wanted to achieve by decree. In this situation, governments are more likely to vacillate between *decretismo* and *pactismo*, searching a peaceful resolution of conflicts (Przeworski 1991: 185-6).

With regard to the role of concertations, Przeworski presented ambivalent opinions. On the one hand, he shared a positive opinion on concertation with Bresser Pereira and Maravall. They considered the corporatist way of decision-making as not only a recommendable but also the best way for restructuring economies in new democracies. According to them, it can ultimately be more effective and cost-reducing than neo-liberal and state-centered way of economic reform (Bresser Pereira, Maravall and Przeworski 1993).<sup>45</sup>

On the other hand, Przeworski indicated the negative roles of concertation for democracy, paying attention to the ‘exclusionary’ characteristics of pact-making. According to him, corporatist strategy may raise the question of democracy. It can work to weaken the organizations and try to make their opposition ineffective (Przeworski 1991: 182). Pacts can

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<sup>45</sup> Haggard and Kaufmann shared similar opinions with them (Haggard and Kaufman 1995).



constitute cartels of incumbents against contenders. The cartels may restrict competition, bar access, and distribute benefits of political power among their insiders. Such cartels may be dangerous because democracy would turn into a private project of the leaders of some political parties and corporatist associations who extract private benefits and protect their rents by excluding outsiders (Przeworski 1995: 54).

## **2.2. Concepts and Frameworks**

### **2.2.1. Concepts and Assumptions**

#### **2.2.1.1. Basic Concepts and Assumptions: Actors, Units and Arenas**

As a unit of analysis, this study borrows some conceptual ideas from the previous studies. At first, it assumes that a corporatist arrangement is comprised of ‘dynamic action choices’ as Nedelmann and Meier considered. They are ‘strategic interactions’ between the state and the functional representatives of social interests in different ‘action areas’ such as formation, consultation, implementation and so on (Nedelmann and Meier 1977). The notions and actions of the actors are bound to and influenced by their configurative conditions, institutional and structural conditions. In the cases of transition societies, a corporatist arrangement is located in the compound processes to formulate and implement reform policies for dual transformation.

This study utilizes the concept of ‘concertation regime’ as well. It can be defined as a bundle of corporatist arrangement devised to play a similar role in the same context or as a subunit belonging to a corporatist arrangement, which is designed to take multiple purposes. In the former case, a concertation regime can be comprised of multiple corporatist arrangements – pacts and boards. In a given context, various concertation regimes can be devised, which have different policy-goals. In the latter case, a corporatist arrangement, which seemingly plays a single role, can have multiple concertation regimes with different functions and actors within it. Actors engaged in corporatist arrangements are various corporate actors: such as confederations of trade unions, individual unions within the unit of company and industry, associations of employers and businesses, ministries and government agencies, and political

parties. They are historical actors located in a certain institutional setting of industrial relations, which were inherited from the legacy of authoritarian state and the dynamics during dual transformation: democratization and economic liberalization.

Concertation regimes or corporatist arrangements need to be integrated into two arenas: political arena and social (or associational) arena. The political arena refers to the institutionalized fields, in which administrative actors and political parties interact to formulate certain policies and reform programs, which would deal with in the corporatist arrangements. The social arena refers to the fields, in which interest associations and their subgroups interact with each other to make decisions on the direction, speed and range of reform policies that they would recommend to political actors or implement for themselves. The various actors in each arena are required to coordinate with each other for the successful integration and decisive functioning of the corporatist arrangements. The coordination of the actors as well as the integration of the corporatist arrangements need to take place in two arenas simultaneously. They can be named political coordination (and integration) and social coordination (and integration).

#### **2.2.1.2. Critical Arenas for Coordination and Integration**

In new democracies, actors joining in corporatist policy-making can have certain peculiarities in terms of their configuration, which can form critical arenas, at which coordination among actors can be especially difficult. This study special pays attention to the following four aspects.

First, state-centered practices of policy-making and economic governance are likely to have been deeply anchored in new democracies. It can restrain coordination between the administrative actors and the newly established corporatist arrangement. Congruent communications between state and interest associations are hardly expected under the domination of powerful and competent bureaucrats. It is questionable how the etatistic traditions and institutions of policy-making can be compatible with new attempts at corporatism.

Second, the relationship between trade unions and labor parties can be various. Political parties in new democracies could have been oppressed or subordinate to the state in an authoritarian regime. In some countries, autonomous labor parties may have existed in a

clandestine way and unions may have worked as significant organizational bases for labor parties (as in Spain). In other countries, autonomous labor parties could have been totally annihilated and so there was neither an official nor unofficial relationship between the unions and the labor parties (as in Korea). Influenced by this condition, the degree of labor party empowerment can be different after democratization. The strength of the labor party or that of the union-party relationship can bring about significant problems in the integration of corporatist arrangements.

Third, the structure of union confederations, especially the degree of organizational fragmentation, can be problematic. In new democracies, union confederations are unlikely to enjoy high vertical unity, different from those in Western Europe.<sup>46</sup> In the institutional domain of industrial relations, the scheme of collective bargaining may be dominantly fragmented and enterprise-centered, under which unions' vertical coherence is hard to be expected. This vulnerable structure of union confederations can make coordination between leaders and members difficult, which can accordingly hinder corporatist arrangements to be properly integrated in the social arena.

Fourth, the division and competitive setting of union confederations can be problematic as well. In transition societies, democratization can bring about a pluralist setting of trade unions. Labor movement is likely to be differentiated according to ideologies. Frequently, two or more camps of labor movement can be engaged in political competition. This setting can be unfavorable for the functioning of corporatism. The relatively moderate one is likely to be more oriented to activate the experimental channels of corporatism; whereas the relatively radical one may maintain a more critical attitude to such experiments. These strategic differences<sup>47</sup> can have crucial influences on the functioning and dynamics of corporatist arrangements. The clue is when and how deeply the divided labor-movement-camps coordinate with each other, without which corporatist arrangements are hard to integrate in the social arena.

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<sup>46</sup> Trade unions in Western Europe that have strong organizational and administrative capacities have been named 'private interest government' (Streeck and Schmitter 1985).

<sup>47</sup> From a historical-institutionalist viewpoint, their preferences are not totally endogenous but contingent upon 'political opportunity structure' and a given institutional setting, which is in dynamics (Thelen and Steinmo 1992; Thelen 1999).

### **2.2.1.3. Contextual Variation and Dynamics**

This study pays attention to the contextual variation, assuming a significant relationship between the contextual composition and dynamics on the one hand and the formation and functioning of corporatist arrangements on the other. Contextual dynamics can determine the institutional characteristics of concertation regimes. Restraining the action-choices of actors, they designate the characteristics of reform agendas as well as the main contents of corporatist policy-making. With the qualitative change of reform context, institutional change and structural change of actors and so on, corporatist arrangements can change as well even under the same concertation regime or to a different concertation regime.

Basically, dual transformation is considered to be comprised of two simultaneous reform packages: one for social democratization, the other for economic liberalization. As the sequence of reform policies for dual transformation is not unilateral, the reform packages towards the two values are unlikely to be proportionally emphasized and implemented. In certain contextual backgrounds, economic liberalization can be more emphasized, whereas social democratization can be so done in other situation. Sometimes, neither of them is actively pursued. In other times, both can be simultaneously pursued. These patterns of dual transformation are likely to change in a country in accordance with their political dynamics and economic situation. As the urgency or desperateness of the state to incorporate the organized social interest changes according to the patterns of dual transformation, the features of experimental corporatism can vary.

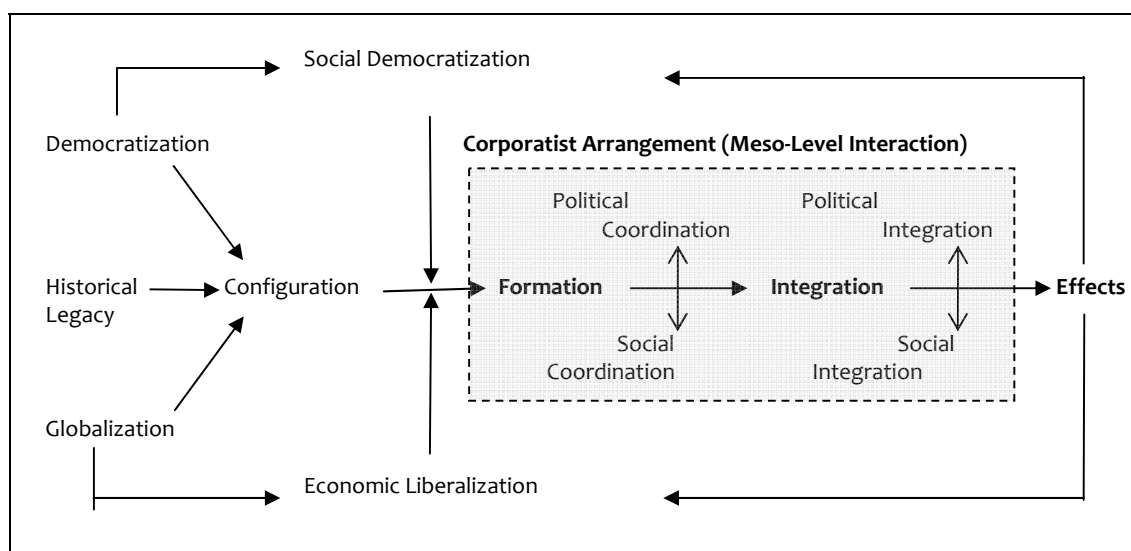
### **2.2.2. Frameworks**

Based on the assumptions and concepts introduced above, I have constructed two main frameworks. The first one is a macro-level framework, which can help in understanding the influential factors on and the dynamics of corporatist arrangements in the context of dual transformation. The second one is a meso-level framework, which is oriented to analyze the coordination of actors and the integration of the corporatist arrangements.

### 2.2.2.1. Macro-Framework: Logical Flows

The first framework contains the main logical flows and the relationships among the influential factors. It assumes that a corporatist arrangement is located in a dynamic process, which is comprised of three dimensions: formation, integration and effects.

**Figure 1. Macro-Framework: Context and Dimensions of Experimental Corporatism**



First, the formation of a corporatist arrangement is influenced by contextual, historical and configurative factors. In the context of dual transformation, two grand factors are crucial: the domestic political drive of democratization and the globalization of national economy. The two relevant reform tasks of social democratization and economic liberalization are likely to be devised to cope with the two contextual factors. Corporatist arrangements are oriented to serve in achieving goals in the two grand reform policies. The other crucial factor, the configuration of actors, is formed as a result of co-influences of the historical legacy as well as the patterns of dual transformation. Entangled with the configurative factors, political choices towards the two reform directions can lead certain corporatist arrangements to emerge.

Second, corporatist arrangements need to be integrated into two arenas: the political and the social arenas, as mentioned above.

Third, the effects of a certain corporatist arrangement are oriented to accelerate or promote the processes of dual transformation. The effects need to be synthetically judged: if it is

created decisively of innovative resolutions and if such products are well accepted and respected by other actors in the political and social arena.

#### **2.2.2.2. Meso-Framework: Compound Reams of Coordination**

The second framework is devised to more elaborately analyze the integration of corporatist arrangements, which is related to a purpose of this study to serve for overcoming the limits of the previous studies. It targets both the conventional logics focused on the organizational properties of associations; and the superficial notion losing the qualitative differences among formation, persistence and integration of corporatist arrangements.

The framework can be constructed according to two main factors: phases of the concertative processes and the characteristics of actors. Assuming, several critical arenas of coordination and integration can be set. All of them are prerequisites for the successful functioning of a corporatist arrangement.

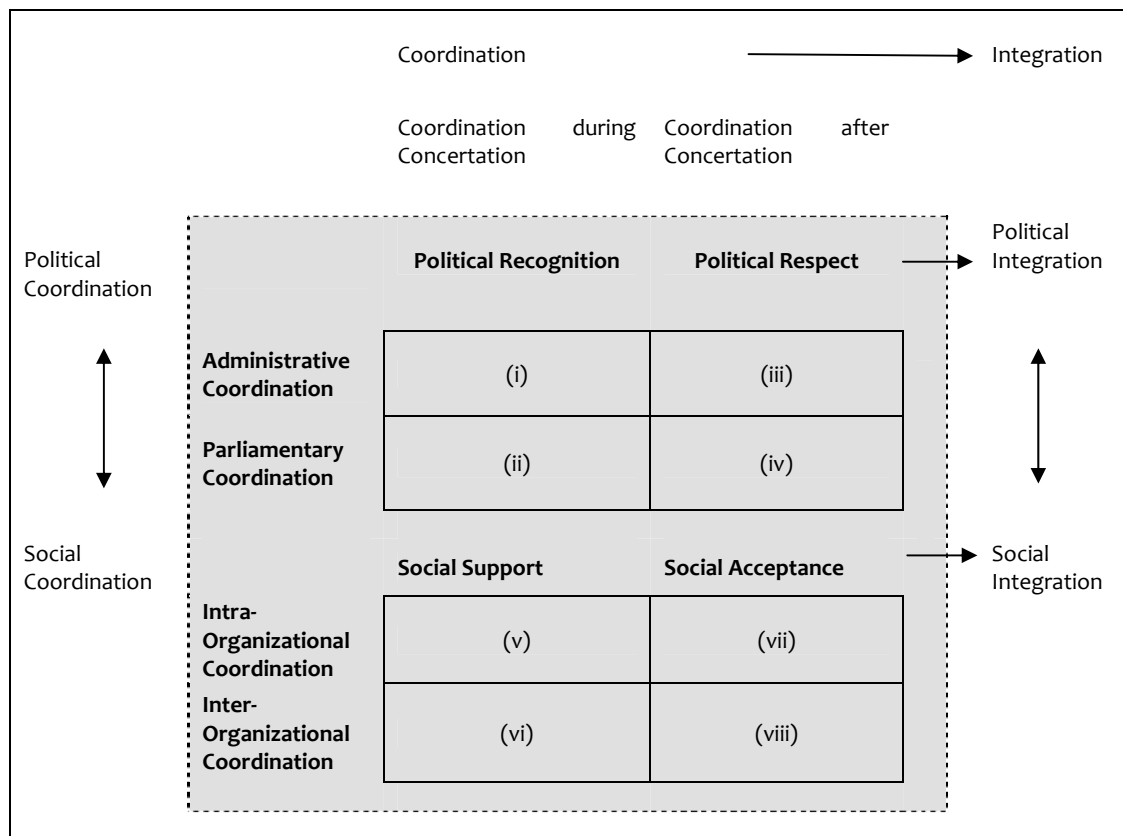
First, the concertative processes can be divided into two: before and after some resolutions are created. Coordination should be properly carried out not only during but also after concertations. Both are not automatically related. Even though corporatist arrangements were devised and persisted, they cannot produce any significant results without proper coordination among actors. Even though many types of resolutions - in the form of agreements, pacts, and recommendations - were created as a result of concertation, they may be hard to integrate without successful coordination among the relevant actors afterwards.

Second, four critical areas of coordination can be set: namely political recognition (coordination during concertation in the political arena), political respect (coordination after concertation in the political arena), social support (coordination during concertation in the associational arena), and social acceptance (coordination after concertation in the associational arena). Then, the two arenas of political and social coordination can be further analytically divided according to main actors. Political coordination has two critical sub-dimensions: administrative coordination and parliamentary coordination. Social coordination also has two critical sub-dimensions: inter-organizational and intra-organizational coordination.

Synthetically, eight critical areas can be formed, which are decisive for the integration of corporatist arrangements. Through a combination between the two critical sub-dimensions of

political coordination and the two phases of concertation, four critical arenas of political integration can be built: namely (i) recognition of government agencies, (ii) recognition of political parties, (iii) respect of government agencies, and (iv) respect of political parties. Another combination between the two critical sub-dimensions of social coordination and the two phases of concertation can lead us to build four critical arenas of social integration: namely (v) support from members (vi) support from divided confederations, (vii) acceptance from members, and (viii) acceptance from divided confederations.

**Figure 2. Meso-Level Framework: Critical Arenas of Coordination and Integration of Corporatist Arrangements**



### **3. Context and Configuration of Experimental Corporatism in Korea**

This chapter analyzes the contextual and configurative features of experimental corporatism in Korea. It is comprised of three sections: the contextual features of dual transformation; reform policies towards dual transition; and the configurative features of political and social actors.

#### **3.1. Context of Dual Transformation**

Dual transformation in Korea had some unique figures influenced by dynamics of political constellation. Before the first power alternation in 1997, the two governments had conservative characteristics and were extension of the ruling forces in the authoritarian regime. With the power alternation, they were replaced by the center-left government. With regard to reforms towards dual transformation, most of the significant measures were taken during and after the power alternation. For the first decade after democratization, the reform drives of the conservative governments were relatively weak in both directions of reforms. By contrast, those of the center-left government were relatively strong in both directions.<sup>48</sup> This section introduces the macro-trend of democratization and globalization, which Korea experienced in the recent two decades.

##### **3.1.1. Democratization and Political Change**

This part briefly describes the dynamics of political constellation in Korea before and after democratization. The characteristics of the political regimes have changed in Korea from a dictatorship to a liberal democracy. The military dictatorship of Park Jung Hee began by the

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<sup>48</sup> A decisive factor having made these different constellations of reforms was the occurrence of a serious economic crisis in the late 1990s. In the early phase of democratic transition, Korea belonged to the model of 'democratization without economic crisis'. The sudden crisis in the late 1990s led the new government to cope swiftly with and be enthusiastic in the delayed reform tasks, while the IMF forcefully urged to take the profound measures towards a liberal market economy.



success of the May coup d'eta in 1961. It lasted for almost two decades in the 1960s and 70s and was succeeded by a new military dictatorship in the 1980s. Democratic transition started in the late 1980s. Since then, Korea has observed the intensification and consolidation of democratization in the last two decades.

When the dictator Park was murdered in 1979, the opposition parties and civic groups could neither swiftly cope with the situation nor strategically utilize it as a chance for democratization. Instead, new militarists intervened into the vacant space of national politics. After having carried out the Kwangju massacre, Chun Du Hwan and his colleagues usurped the presidency in 1980. Different from his predecessor, Chun made sure not to lengthen his term in office.<sup>49</sup> Although the extended authoritarian state by the new militarists was essentially not different from the Yushin regime, Chun took some measures for political liberalization in the 1980s.

In the last term of his presidency, Chun handpicked his successor, Roh Tae Woo, who had been his military academy class mate. With the explicit support of Chun, Roh drafted a democratization package and presented it on 29 June 1987, titled the 'Declaration of Democratization and Reforms.' This attempt to avoid defeat in the upcoming elections made a decisive contribution to the transformation of the political order to democracy. In October 1987, a new constitution was drafted in the National Assembly and a national referendum subsequently approved it. The new constitution contained various measures for political reform, which were included in the June Declaration.<sup>50</sup>

During the presidential elections in December 1987, Roh was surprisingly elected the first president in the new republic, despite transparent manipulation. The success of Roh was absolutely attributed to the unwillingness of the two leading democratic campaigners and opposition leaders<sup>51</sup> to join forces to defeat him, who garnering them only 35.9 percent of the votes.<sup>52</sup>

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<sup>49</sup> Chun revised the constitution and fixed the term of a president at 7 years without allowance of reappointment.

<sup>50</sup> For instance, the direct election of presidents to single five-year terms; a strengthened role for the National Assembly that included the right to impeach the president and inspect state affairs; political neutrality for the armed forces and a reaffirmation of civil rights and due process and so on (Baker 2004: 175-176).

<sup>51</sup> Kim Young Sam and Kim Dae Jung

<sup>52</sup> The two Kims received respectively about 26-27 percent of the votes.

During the National Assembly elections immediately held in the spring of the next year, the three opposition parties and independents managed to hold a majority of the seats, which strengthened the parliament against the President. This was the first 'divided government' in Korea after democratization. Between 1988 and 1990, the raucous oppositions pushed the government and the ruling party (DJP) around in particular, the opposition accused them of incompetence in managing economic issues (Baker 2004: 176)

This constellation did not last long. In 1990, the power structure was turned over. Roh surprisingly decided to coalesce with the two opposition leaders, Kim Young Sam (the formal democratic campaigner) and Kim Jong Pil (former erstwhile assistant of Park Chung Hee), creating a super-party (DLP). This three-party alliance, allegedly a 'grand compromise', provided them with a sizeable majority in the National Assembly. This was the start of the second chapter of the Roh government. Reaffirming a commitment by the political elites to the idea of party politics, the Roh government managed to maintain political support (Baker 2004: 176). The agreement of the merged parties was to be interpreted as a kind of elite-pact, which assured political reform while continuously excluding civil society (Song 1994).

During the next presidential elections in December 1992, the DLP managed to extend its presidency as its candidate, Kim Young Sam became the winner. Although Kim had aligned himself with the mainstream in the 1990 coalition, he still represented a moderate voice of protest from the past. During his term in office, some active steps were taken to institutionalize democracy; to discourage military involvement in politics to reduce corruption within the executive branch and to strengthen the legislative system through local autonomy and election reforms (Baker 2004: 177).

After his five year term, his successor, Lee Hoi Chang, the candidate of the renamed ruling party, GNP, was defeated during the elections in December 1997. For the first time, the Korean people experienced a peaceful power alternation. It was Kim Dae Jung, the opposition candidate, who took over the responsibility of the new government. This was convincing evidence that democracy had passed its first turnover test in Korea,<sup>53</sup> although it was a coalesced government between Kim Dae Jung (NCNP) and Kim Jong Pil (ULD), which was a

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<sup>53</sup> As a person, who had been characterized and imprisoned as a communist sympathizer, Kim Dae Jung was under considerable scrutiny early in his tenure by conservatives and militarists.

temporary, contradictory unity between the most authentic democratic opposition and the successor of the far-right Yushin camp.

**Table 3. Political Regimes in Korea**

Regime Type	President and Administration	Term	ruling party	Characteristics
<b>Authoritarianism</b>	Park Chung Hee (Third Republic)	1963-72	The Republican	Military Dictatorship
	Park Chung Hee (Fourth Republic: Yushin Regime)	1972-79		
<b>Political Liberalization</b>	Chun Du Hwan (Fifth Republic)	1980-88	DJP(81)	
<b>Transition to Democracy</b>	Roh Tae Woo (The Sixth Republic)	1988-93	DJP -> DLP(90)	Conservative
	Kim Young Sam (Civilian Government)	1993-98	DLP-> NKP (96) -> GNP (97)	
<b>Consolidation of Democratization</b>	Kim Dae Jung (People's Government)	1998-2003	NCNP/ULD -> MDP/ULD -> MDP	Left-Wing
	Roh Moo Hyun (Participatory Government)	2003-07	MDP -> Uri	

As is usual in new democracies, the first power alternation was a decisive signal in Korea for democratic consolidation. During his term in office, Kim Dae Jung achieved innovation of relationship with North Korea and successfully coped with the serious economic crisis, which was one of the factors that enabled him to win over the ruling party's candidate during the previous elections (Baker 2004: 177-178). The victory of Kim's successor, Roh Moo Hyun, during the elections in 2002, was the "culmination of the textbook case of democratic consolidation." While Kim's policy broadly continued in the next five years, democratization was consolidated more in Korea (Baker 2004: 178).

The characteristics of the first two governments and the next two governments were distinctive. They can be understood as a confrontation between right-conservative and left-progressive in the peculiar context of national politics in Korea.<sup>54</sup>

### 3.1.2. Globalization of National Economy

Korea is one of the representative NIEs (Newly Industrializing Economies), whose national economy is export-oriented since the launch of the economic development project in the early 1960s under the Park Jung Hee government. Based on mass production for export markets under the protection of the mercantilist state, the Korean economy achieved rapid growth. In the state-centered market economy, which successfully functioned for two decades (1960s-70s) without serious crisis, the Chaebols (conglomerates of private big business) and state-owned banks have been crucial actors and institutions.

In the 1980s and 1990s, the Korean industries became more acutely exposed to global competition. Korea has been constantly forced to open up its national market by the US and advanced European countries. From the early 1980s, globalization of the national economy proceeded significantly. For instance, the inflow and outflow investments dramatically increased, which representatively illustrated rapid globalization of the Korean economy. The Foreign Direct Investment (FDI) flows, which had been small until the mid 1980s<sup>55</sup>, increased tenfold more in 1997 than in the early 1980s<sup>56</sup> (Kim and Kim 2003: 345).

Accordingly, more and more problems in the state-led and Chaebol-dominated economic structure occurred.<sup>57</sup> The years 1980 and 1997 were the two critical moments when the

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<sup>54</sup> It may be controversial whether the first Roh-Kim governments between 1988 and 1998 can be identified with conservatives; and the next Kim-Roh governments between 1998 and 2008 can be identified with center-left. Because Kim Young Sam had been a leading democratic campaigner and his government carried out meaningful political reforms, his government was not purely conservative. The latter two administrations were not based on the exclusive support of working-class and their policies were not distinctively social democratic, which made them distinguished from social democratic party or the labor party in Western Europe.

<sup>55</sup> Approximately 0.5 billion US Dollar in both inflow and outflow.

<sup>56</sup> The inward investment increased to 7 billion US Dollars and the outward investment to 5.8 billion US Dollars.

<sup>57</sup> Such as “low level of technological development, outdated financial institutions, overexpansion of Chaebols, huge debts carried by most large firms, continuous bureaucratic red tape, high costs of production, and declining rates of productivity”(Koo 2000: 242).

national economy fell into serious crises. Both cases were attributed to the failure of economic governance in being adapted to the trends of the world market. In and between the two moments, the main courses of economic governance significantly changed. The dominant prescriptions were oriented to liberalize and deregulate economic institutions.<sup>58</sup>

After democratization and before the second crisis, the Roh Tae Woo and Kim Young Sam governments tried to take steps to actively integrate the national economy of Korea into the changing environment of the world economy, reforming the structure of national economy and industries. Especially, the Kim Young Sam government ambitiously set forth a grand initiative to widely and intensively restructure the characteristics of the national economy. In the mid 1990s, it formulated the so-called 'Segyehwa' strategy, which meant globalization, intending to transform the national economy. It paid attention to the side effect of the collusive relationship between the state and big business, which brought about not only the deep-rooted mistrust on but also the general inefficiencies of the national economy. Becoming a member of the WTO and OECD, the government called for the liberalization of trade and the vitalization of foreign investments.

However, the strategy was neither sufficiently implemented nor able to bring about positive results. In 1996, the national economy showed a signal of decline.<sup>59</sup> In the next year, the national economy apparently showed its inability to successfully adapt to the harsh world of the unlimited and borderless competition. Some large conglomerates, such as *Hanbo* and *Kia*, went bankrupt, which were the decisive symptoms of an economic crisis. At the end of 1997, the national economy fell into a great depression, seriously victimized by the Asian Economic Crisis. In order to manage the crisis, Korea had to rely on the International Monetary Fund (IMF). In November 1997, the Kim Young Sam government requested a bailout from the IMF and received 58 billion Dollars. The negative effects of the economic crisis rapidly covered the Korean society. Numerous enterprises went bankrupt, exchange rates fell, and the unemployment rate soared. (Heo and Kim 2000)

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<sup>58</sup> These economic reforms had significant impact on political change as well. The first crisis enabled political liberalization. Kim paid special attention to the impact of this crisis and interpreted that the developmental state in Korea was transformed from a 'comprehensive' to a 'limited' style (Kim 1993; Kim 1997). The second crisis strengthened democratic consolidation.

<sup>59</sup> Industrial output growth slowed down from an annual growth rate of 14 in 1995 to 10 percent in 1996. The annual growth rate of manufacturing sales declined from 20 in 1995 to 10 percent in 1996 (Heo and Kim 2000: 496).

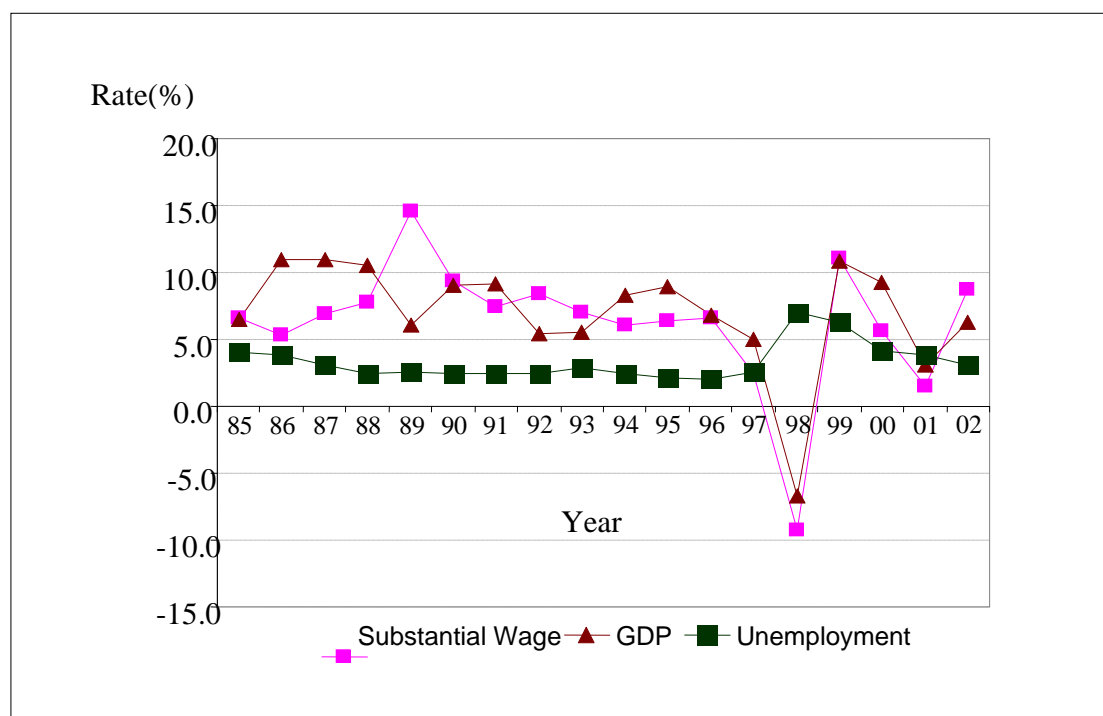
The IMF required the country to carry out a significant reform of the socio-economic institutions and policies: critical measures for the structural adjustment of the financial- and corporate system as well as the deregulation and make the labor markets more flexible. The next government had to forcefully carry out the structural adjustment of major industries and take intensive measures for the deregulation and liberalization of the main institutions of the socio-economic system.

### **3.1.3. Situation of Labor Markets and Labor Disputes**

#### **3.1.3.1. Wage Increase**

The average level of wage increase rates fluctuated between 1987 and 2002. Before the crisis, it was under the influence of the industrial relations factors such as the increase of unions' number and their bargaining power rather than the factor of macro economic performance. The economic crisis was a decisive turning point, after which the rates of wage increase moved more in tune with the climate of the national economy. Averagely, it hovered around 386,500 won in 1987 and increased to 2,036,200 won in 2002 by 527 percent. For the first five years of democratization between 1987 and 1992, the trend of wage increase reached its culmination. Each year, it rose by 15 percent or more. Then, it slowed down to the level of 10 percent in 1993 and 1994, and recorded a minus rate in 1998 in the wake of the serious national economy crisis. From 1999, the increase returned to a plus rate, fluctuating in tune with the economic cycle (Lee 2003: 50-51).

Figure 3. Wage Increase, GDP and Unemployment in Korea



Source: KLI (2003: 3, 24, 40)

### 3.1.3.2. Unemployment

The trend of unemployment between 1987 and 2002 was divided into three periods: the pre-crisis years, the mid-crisis years, and the post-crisis years. During the pre-crisis years between 1987 and 1997 (the first decade after democratic transition), unemployment was hardly a serious issue in social and labor policies. The unemployment rates remained stable, at a very low level between 2 and 3.1 percent. Averagely, it recorded 2.51 percent, harmonized with the trend of economic growth, which recorded 7.79 percent in average (Jeong 2003a: 481).

During the mid crisis years in the late 1990s, the two indices of unemployment and economic growth started to be inconsistent. In a month after the beginning of the economic crisis in 1998, the unemployment rates peaked at 7 percent, whereas the economic growth rates recorded minus 6.7 percent. In the following years, the economic growth rates were impressively and

swiftly recovered to the level of around 10 percent<sup>60</sup>, which was a rebound to the massive drop in 1998 rather than an actual growth. Nonetheless, the unemployment rates definitely recorded the highest point in this time, just slightly dropping to the level of 6.3 in 1999 and 4.1 percent in 2000. Averagely, it hovered at 5.8 percent, which was an unprecedented level (Jeong 2003a: 481-2). During the post-crisis years, neither the rates of average unemployment nor those of economic growth have returned to their pre-crisis levels. Between 2001 and 2002, they respectively posted 3.45 and 4.70 percent (Jeong 2003a: 482).

### **3.1.3.3. Labor Disputes**

Democratization accompanied the challenges of workers against the authoritarian order of politics and industries. The demonstrations and the June Declaration in 1987, which led to the dramatic transition to democracy, were immediately followed by massive and voluntary mobilization of workers in the summer of that year. From then on, industrial relations in Korea started to change, accompanying serious disputes almost every year.

It was especially serious in the following two years - between 1987 and 1989 -, when more than 1,000 labor strikes occurred each year. In almost every large workplace serious contention between labor and management was observed. On average, a strike lasted for almost 20 days, often accompanying protests and walkouts. Once disagreements during collective bargaining developed into full-fledged strikes, the industrial partners would not back down, which resulted in long duration of confrontation with each other (Lee 2003: 52-53).

In the 1990s, the frequency of strikes decreased. It recorded about 100 cases in 1990, and reduced to the level of less than 100 cases between 1995 and 1997 (Lee 2003: 56). In the early 1990s, the disputes were mainly derived from the strong desire of workers to have high wage increases.

Due to the economic crisis, which brought about not only an increase in layoffs, outsourcing, wage cuts, and the contraction of benefits and welfare, the annual number of strikes rose as well. It again reached above 100 cases in 1998 and 322 cases in 2002. The sensitive issues of wage increase and corporate restructuring fueled a continuous increase of strikes in the 2000s, which reached over 200 cases each year. The average length of strikes increased even more to

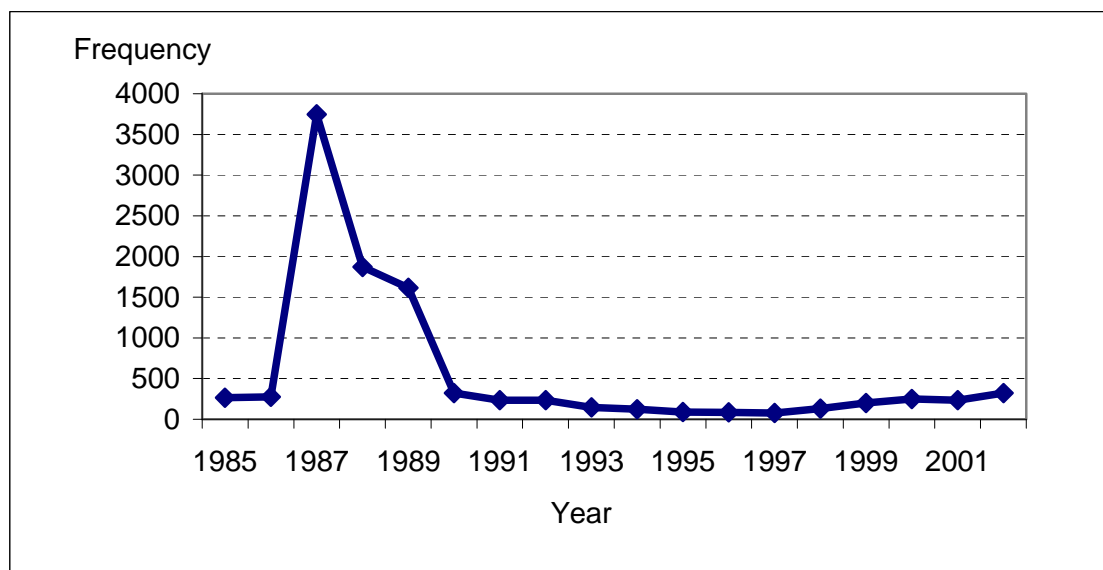
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<sup>60</sup> 10.35 percent in 1999 and 9.3 percent in 2000



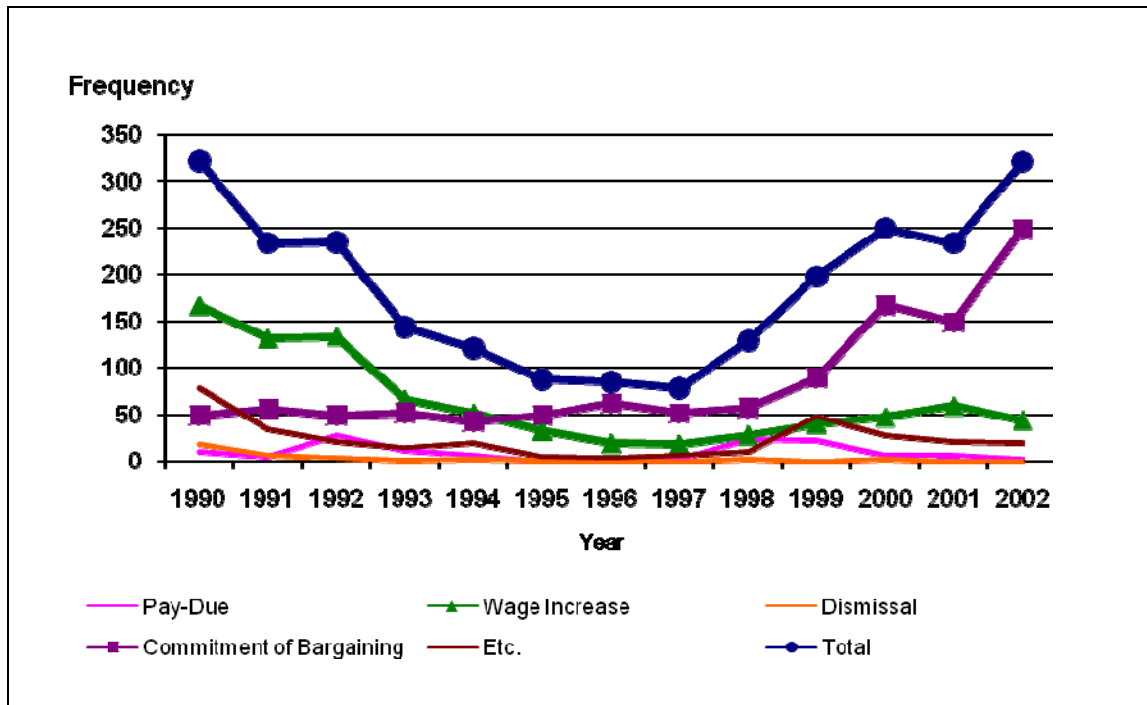
about 30 days per case. Protests occurred more frequently and it destabilized the vulnerable relationship of industrial partners. Trade unions in large businesses or public corporations protested severely against corporate and industrial restructuring (Lee 2003: 56-57). The main reasons of labor disputes shifted in this time, from the agenda of wage increase to those of employment security and industrial restructuring dominated the industrial contention.

**Figure 4. Strikes in Korea (1985-2002)**



Source: KLI (2003: 146)

Figure 5. Main Causes of Strike in Korea since 1990



Source: KLI (2003: 150)

### 3.2. Reform Policies towards Dual Transformation

This section tries to understand the trends of reform policies towards dual transformation, which became the agendas and issues of corporatist experiments. Broadly, they were comprised of two reform packages: one towards social democratization and the other towards economic liberalization.

#### 3.2.1. Reforms towards Political and Social Democratization

This part deals with the reform programs towards political and social democratization, which became the main agendas of corporatist policy-making in Korea. Two policy-domains dominant and crucial implications: institutional reforms towards democratic industrial relations and reforms to strengthen the programs of social insurances (towards welfare state).

### 3.2.1.1. Institutional Construction of Democratic Industrial Relations

The legal instruments regulating industrial relations in Korea were created for the first time in 1953.<sup>61</sup> From then on, the characteristics of the legal instruments were revised several times. It is the most impressive and decisive figure in Korea that substantive measures for democratic labor reform were taken in the late 1990s, almost a decade after democratic transition.

Before democratization, the militarist governments repeatedly deteriorated the basic rights of workers through the revisions. The first attempt was done in 1961, immediately after the military coup creating various new clauses, whose purpose were to control and oppress trade unions, the military government denied the principles of democratic industrial relations (Kim 1999a). In 1963, the concerned laws were seriously worsened. Mechanisms to control and restrain trade unions were strengthened in various dimensions.<sup>62</sup> In 1972, the Park Cheong Hee government turned to a hard form of dictatorship, further deteriorating the labor laws.<sup>63</sup> In 1980, the new militarists expanded the legal instruments to control labor. Officially, the system of industrial unionism was abolished and unions were forced to work only within the boundaries of enterprises. Various regulations were added to restrict unions' activities.<sup>64</sup>

After democratization, the institutions of industrial relations underwent multiple changes. Among those, three attempts were especially decisive. They were in 1987, 1989 and 1997/98, when important institutional elements in the system of industrial relations were reshaped.

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<sup>61</sup> Principally, these were oriented to assure union freedom and respect for the constitution and contained regulations the major aspects of industrial relations such as workplace order, trade union, industrial conflicts and so on. These were, in fact, just an imitation of labor laws in Western Europe and had characteristics as nominal instruments, while industrialization did not start and industrial workers as massive social actors were not formed (Lee and Ryu 2000: 24).

<sup>62</sup> The procedures to establish independent unions became complicated. Only the official unions were able to monopolize the rights of representation. Unions were deprived of political rights to support any political parties and to be engaged in any political activities during elections. Public servants and teachers were banned from organizing unions (Choi et al. 2000; Song 2000a).

<sup>63</sup> For instance, any strikes in the formal workplaces became prohibited. The right of the state was strengthened more to intervene in labor affairs in the workplaces (Choi et al. 2000).

<sup>64</sup> The principle of minimum membership was set as a basic precondition to establish a union. The notorious regulation banning the intervention of the third party into industrial disputes was created. This substantially blocked the possibility of an industrial union to support its member unions in the company level. Administrators and bureaucrats responsible for labor issues were given stronger power. They became able to order unions to change their leadership; or furthermore, to dissolve themselves. Qualification of a union leader was defined very strictly.

The initial reform in 1987 had a decisive meaning. It was conducted immediately after the constitutional reform in October before the presidential elections in December (Lee and Ryu 2000: 34). They focused on abolishing the institutions that had restricted the activities of trade unions and attempted to revise the Labor Relations Act. Although the laws were revised to provide more autonomy for unionization and to reduce government intervention in industrial relations (Lee 2003: 61), the reform was seriously limited, because some of the decisive and fundamental measures were excluded.<sup>65</sup> The revisions in 1987 remained a “formal correction of the distorted system, which was established in 1980 and had denied autonomous labor relations since then (Choi 2000a: 474).”

The second decisive attempt was conducted in 1989, which was based on the relatively strong power of the oppositions in the parliament. The opposition parties intended to “unilaterally present more gifts for labor (Choi 2000a: 83)” and they created a unified bill in the parliament, in which association’s freedom was expanded more and union administration was simplified. However, President Roh did not accept it. Ultimately, it came to an end without any innovative revisions. Only some measures for the protection of employees were strengthened, such as work-hour reduction (to 44 hours a week), through the revisions of the Labor Standard Act (Choi 2000a:79-84).

In this way, the early reforms of the late 1980s were seriously limited. Crucial elements to normalize basic collective rights of workers were not adopted. As a result, employers and unions seriously contended with each other regarding the enhancement of labor rights throughout the 1990s. The unions wanted to assure their autonomy and to immediately expand their institutional capacities, whereas employers were reluctant to rapid reforms. Overcoming the limits of early attempts, the revisions in the late 1990s enhanced basic labor rights of workers to meet international standards.

It was the revisions in March 1997 that significantly changed the old institutions of industrial relations. With this reform, various mechanisms that had restricted the activities of trade

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<sup>65</sup> The pluralist principles of industrial relations were still denied, unions’ political engagement was banned, the third party intervention in workplace labor relations was continuously prohibited, the strike rights in the so-called the workplaces for public interest remained seriously restrained and association freedom of teachers’ and public servants were fundamentally restricted (Lee and Ryu 2000: 48-56).

unions were abolished.<sup>66</sup> In addition, some practical measures for the advantage of employers were added as well.<sup>67</sup> These reforms were more intensified with the successive revisions in February 1998, which further enhanced the collective labor rights of workers in Korea.<sup>68</sup>

### 3.2.1.2. Reforms towards Welfare State

Throughout the 1990s, Korea incrementally strengthened the system of social- and employment security, carrying out large and small scale institutional reforms (Song and Hong 2006: 125-7).<sup>69</sup> Although its quantitative aspect was still relatively trivial in comparison to the European welfare states and the leading OECD countries; the capacities, coverage and size of benefits in various programs were distinctly expanded and new programs for social securities were adopted throughout the 1990s. Especially, such mechanisms were innovatively rearranged after the mid 1990s, in the wake of the economic crisis under the Kim Dae Jung government (See the Figure 6).

In the following, several major programs of social insurances will be introduced, which were strengthened or newly adopted during dual transformation: the National Health Insurance, National Pension Plan, Employment Insurance and Workers Welfare, which are the four main social insurances in Korea, as well as the Basic Livelihood and comprehensive reforms to strengthen the entire system.

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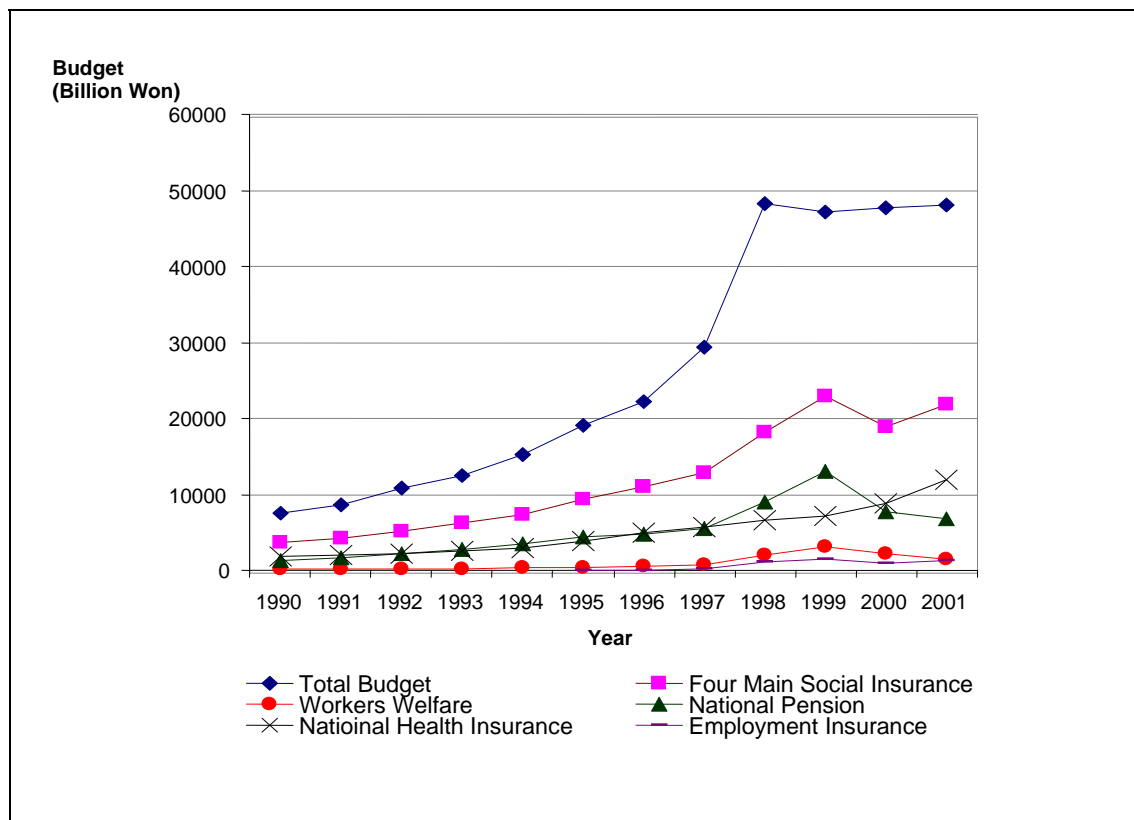
<sup>66</sup> In this time, multiple unions were allowed, organizational transformation of trade unions became easier, strikes in the workplaces for essential public interest became less restricted, institutions on the arbitration and mediation of labor disputes improved, institutions on the cooperation of labor and management in the workplaces improved (Choi 2000d: 487-493).

<sup>67</sup> For instance, they banned employers to pay for the fulltime officials of the unions and the no-work-no-payment principle was stipulated.

<sup>68</sup> With this reform, association freedom of teachers was allowed, preliminary steps for the association freedom of public servants were established, and political engagement of trade unions was allowed (Choi 2000d: 493-496).

<sup>69</sup> O'Donnell and Schmitter defined the reforms to strengthen social aspects of democratization 'socialization'(O'Donnell and Schmitter 1986).

Figure 6. Social Insurance Budget in Korea (1990-2001)



Source: Song and Hong (2006: 335-6)

First, the National Health Insurance (NHI), which was created in 1977 (before democratization) as a compulsory program only for government employees, teachers, and workers in very large firms (more than five hundred), covered only slightly more than ten percent of workforces (Haggard 2005: 30). It was originally a basic program for health care with an aim to increase workforces in the heavy and chemical industries (Kim 2002a: 18, 22). In 1986, the Chun Du Hwan government expanded the coverage of the NHI, allowing the formation of quasi-public insurance societies and health funds. In the late 1980s, the coverage of the NHI was accordingly expanded to the rural and urban self-employed people, with the health funds expanded and partially subsidized to cover the previously uninsured (Haggard 2005: 30). Three different programs co-existed without strong integration: Employee Health Insurance (EHI), Health Insurance for Civil Servants and Private School Teachers (GHI), and Health Insurance for the self-employed in rural and urban areas (the Regional HI) (Kwon 2004: 123). During democratic transition, the opposition parties attempted in 1989 to innovatively integrate the

separate subsystems into a grand concept, which however failed to be realized due to the objection of President Roh (Chun 2000a: 97). Thereafter, the task to integrate these divided systems became the most critical issue in the health care reform throughout the 1990s. Under the Kim Dae Jung government, the most crucial reforms were conducted. In January 1999, the government enacted the National Health Insurance Act (NHIA), replacing the old legal instruments (NMIA), which was a decisive step for the creation of a completely integrated system of national health care. Although this new act was designed to be implemented in 2000, its implementation was postponed because the trade union FKTU and its members wanted to postpone it. In June 1999, the FKTU and the government made an agreement to reconsider the speed of integration. They decided to postpone the financial unification of the two systems for two years and the implementation of the NHIA for six months. (Kim 2002b: 45-6).

Second, the National Pension Plan (NPP) was created with the enactment of the NWPA (National Welfare Pension Act) in 1973. The Park Chung Hee government attempted at that time to form large scale capital and mobilize it for the new drive of industrialization. Due to the oil shocks, its implementation was not realized and it remained dead for more than a decade. Influenced by the trend of political liberalization, the NWPA was reformed to the NPPA (National Pension Plan Act) in 1986. The new NPP started to work in 1988 (Chun 2000a: 100-101; Kim 2002a: 22-23). After democratization, the NPP was continuously strengthened and expanded. In 1992, its range was expanded to the countryside and the application standard was lowered to enterprises with more than five workers. As a compensation for commitments to open the rice market, the Kim Young Sam government further expanded the NPP in 1995. Its coverage became extended to farmers (Haggard 2005: 31). It was decided in 1997 to include the urban self-employed in the program from the next year (Kim and Eun 1999: 98-101). As the official revision of the NPPA was completed in December 1998, the program started to be more widely effective in April 1999, including the self-employed residents in urban areas. This was the overture of the unified pension system for the whole nation.

Third, the Employment Insurance System (EIS), which had been designed before democratization as well (Haggard 2005: 31), experienced an enormous change and was strengthened from the mid 1990s. In the early 1990s, the Roh Tae Woo government already took the first step to implement the system, establishing and promulgating the Employment Insurance Act (EIA) in December 1993. The Kim Young Sam government substantially launched

the program, establishing the Enforcement Decree and the Enforcement Regulation Act in 1995. The program combined a mandatory scheme of unemployment insurance and programs for activating labor markets.<sup>70</sup> From the mid 1990s to 2003, the EIA was revised frequently,<sup>71</sup> which was mainly attributed to the considerable changes of economic front and labor markets in the late 1990s and early 2000s (Yoo 2003: 589). In the late 1990s, the Act (EIA) was broadly revised to expand the range of application and size of benefits. Specifically, the revisions in February and September 1998 and December 1999 brought about various innovative changes.<sup>72</sup>

Fourth, specific steps for the strengthening of workers' welfare were emphasized in the late 1990s and concretized with the enactment of the Basic Workers' Welfare Act (BWWA) in 1999. Compiling regulations on the welfare of workers, which had existed in a scattered way, the BWWA chief goal was to activate the Employment Stock Ownership Plan (ESOP), which was to contribute to forming workers' properties. It also attempted to establish a commission specialized in strengthening workers' welfare inside the Ministry of Labor, with an aim to strengthen the administrative base of welfare policies.

Fifth, a system to support their basic livelihood was strengthened for low income earners and socially vulnerable people. A decisive step was taken with the enactment of the National Basic Livelihood System (NBLS) in 1999. Replacing the old and nominal institution,<sup>73</sup> the NBLS was designed to protect the basic livelihood of anyone, who earned less than the minimum

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<sup>70</sup> The EIS is not a passive system that only hands out post-unemployment benefits but has the characteristics of active employment policies that facilitate employment adjustments, improve the efficiency of the economy, improve job securities, balance labor supply and demand, activate vocational training, and improve competitiveness with the functions of the traditional unemployment insurance system such as ensuring the livelihood security of the unemployed and promoting reemployment. In concrete, it is comprised of three programs on the employment stabilization, job skill development and unemployment benefit (Yoo 2003: 573).

<sup>71</sup> The Act 11 times; its Enforcement Decree 21 times and its Enforcement Regulation 14 times.

<sup>72</sup> For instance, the application scope was expanded; the eligibility requirements of unemployment benefits were eased; the Special Extended Benefits System was introduced; all business establishments came under the coverage of the EIS regardless of size; and the insured period, one of the eligibility criteria for the job-seeking benefits, was modified from '12 months or more in the 18 months prior to separation' to '180 days or more in the 18 months prior to separation'(Yoo 2003: 589-597).

<sup>73</sup> Although the Park Chung Hee government introduced the Livelihood Protection Program (LPP) in 1961, with a nominal purpose to protect basic livelihood of poor people as a public assistance program, this was applied in a very strict and limited way ("strict eligibility criteria and low levels of benefit"). Only families with no able-bodied adults were eligible for a small amount of cash and in-kind benefits (Ku 2007: 25)." Since then, this institution had not substantively functioned to take care of poor people to the end of the century.



livelihood cost. The basic idea of the institution is that citizens in need should be entitled to receive benefits from the government and it is a basic social right they can enjoy. Different from the old similar institution, the NLBS extended eligibility to all poor people, including able-bodied adults, who were entitled to receive full cash benefits so long as they would comply with work requirements. The cash benefits were combined with in-kind benefits and recipients' earned incomes. They were purposed to guarantee incomes, equal to the corresponding poverty line. Government was not able to refuse to give benefits to eligible families for any reason, including budgetary conditions. This was expected to construct a universal social insurance system in Korea (Ku 2007: 25).

Finally, a comprehensive concept and approach to construct a new social security system has developed since the mid 1990s. As a result of the governmental initiative towards "globalization of quality of life" (Chun 2000b: 242), it was concretized with the establishment of the Social Insurance Act (SIA) in 1995.<sup>74</sup> As a basic law containing broad concepts and principles, the SIA's purpose was to play a role in connecting the constitution and the particular social security programs (Chun 2000b: 256). It obliged the state to guarantee the level of minimum income and to establish a special committee comprised of tripartite representatives and experts for the efficient management of the entire system of social insurance (Chun 2000b: 257-8). In the late 1990s, a comprehensive system developed, carrying a concrete mission to unify the four divided social security programs.<sup>75</sup>

### **3.2.2. Reforms towards Economic Liberalization**

This part introduces the processes of economic reform towards more liberal and deregulated market economy, which were pursued in Korea in the 1980s and 1990s. Broadly, it can be comprised of two tasks: institutional reform to strengthen flexibility of labor markets and the comprehensive programs of industrial restructuring. In the latter task, three reforms had critical implications in Korea: private big businesses (Chaebol), State-Owned-Enterprises (SOEs) and financial sector.

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<sup>74</sup> It was to replace the old and nominal institution created in 1962.

<sup>75</sup> They are respectively regarding national pension, health care, employment insurance and occupational disaster.

### 3.2.2.1. Flexibilization of Labor Markets

Parallel to the measures to enhance basic labor rights and to strengthen social security, deregulation of labor markets was pursued as a decisive step towards economic liberalization. The business found it indispensable for the enhancement of economic competitiveness and for the successful adaptation to globalization to deregulate labor markets and to promote the flexible forms of employment.<sup>76</sup> Nonetheless, the institutional reform of March 1989 excluded the requirements of business leaders. Instead, worker's job security was strengthened through the revision of the Labor Standard Act (Choi 2000a: 83).

In the 1990s, they continuously wanted to activate temporary works (agency works), flexible work-hours, and lay-offs in the labor markets, which were still banned in the Labor Standard Act. From their viewpoints, workers in standard employment form were enjoying too much job security and welfare benefits. Most of the large companies conducted various measures to rationalize production, formulating and implementing the so-called 'New Management Strategies' (Lee 1998a; Lee 1998b). At the same time, employers adopted and expanded various forms of non-standard employment although they were not formally defined or allowed. As a result, such a form of employment silently and gradually proliferated throughout the decade.

Institutional reforms for the deregulation of labor markets were carried out in the late 1990s, a decade after the start of democratic transition. The revisions of the Labor Stand Act in 1997 and 1998 contained substantive measures to deregulate the institutions of labor markets. With the reform in 1997, regulations on lay-offs were stipulated in the Act for the first time, although their implementation was postponed for two years. At the same time, a flexible work-hour system was adopted (Choi 2000d: 488), with agency works excluded (Choi 2000d: 492). The reform in 1998 allowed employers to lay off workers immediately. It legalized agency work as well. These were the most decisive steps in shaping the new flexible labor markets.

Afterwards, non-standard forms of employment rapidly proliferated in Korea. From the late 1990s, the size of the non-standard employment even overwhelmed that of standard employment. The so-called 'atypicalization of the employment system' became the most

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<sup>76</sup> A flexible labor market was a political means to cope with the empowered challenge of workers as well (Koo 2000).

critical agenda in the Korean labor markets together with those of work-hour reduction (to forty hours a week).

### **3.2.2.2. Chaebol Reform**

The Chaebol system is the most crucial and symbolic element of economic development in Korea (Amsden 1989; Jones and Sakong 1980; Kim 1997). The Chaebols are family-owned and family-managed large business groups, such as Hyundai, Samsung, and LG (Lucky-Gold Star). Forming a tight alliance with the state, the Chaebols spearheaded the rapid economic growth, industrialization and export boom. As the state provided low-interest-rate loans for heavy and chemical industrialization, the leading Chaebols disproportionately benefited from it and they became the most powerful group of businesses in Korea (Kim 1997: 51-52).

Institutions regulating the Chaebol system have been frequently changed for the purpose of efficiency and control. Before democratization, reforms in the early 1970s and 1980s respectively brought about significant changes (Kim 1997; Kong 2000). After democratization, the critics the Chaebol system were strengthened not only from the viewpoint of economic efficiency but also that of socio-political illegitimacy. For the first decade, the two conservative governments tried to take some measures to reform the Chaebols, which failed to establish new institutional mechanisms to substantially reshape the characteristics of the conglomerates (Kim 2000a:172-183). It was the 1997 economic crisis that provided with a decisive political opportunity to take strong steps for the reform of the Chaebols, as the conglomerates were severely criticized as the most responsible party that caused the crisis.

Methodological critics were accompanied, which warned the side-effects of the interventionist and unilateralist approaches led by the state. The Kim Dae Jung government established the reform concepts in dual ways. In addition to the state-centered programs and guidelines, it tried to activate communications with and among the Chaebols. Between the late 1990s and early 2000s, regular talks<sup>77</sup> took place, with which the government attempted to induce

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<sup>77</sup> This bilateral talk started with the announcement of the five principles of corporate reform in January 1998 after the president-elect Kim Dae Jung and the representatives of the Chaebols made a contract, and it continued throughout the year. The reform measures started to be implemented in December of the year.

business to voluntarily formulate reform plans. In the bilateral or multilateral dialogues, core issues of the reform direction were emphasized and conceptualized.<sup>78</sup>

As a result of the reforms, significant changes were made to the Chaebol system in the following years. Sixteen of the thirty top conglomerates were dissolved. The average debt-to-equity ratios of listed companies were significantly reduced from 337% in 1997 to 126% in 2001. Transparency of corporate governance improved. The accounting and auditing standards were brought close to the international best practices. In some less-distressed conglomerates, corporate divestitures and operational restructuring voluntarily took place (Lee 2005: 270).

In addition, further efforts were pursued to establish institutions, which could empower creditors and shareholders to monitor corporate governance. A more rigorous bank accounting standard was introduced. M&A market was promoted. And the Corporate Restructuring Promotion Act (CRPA) was enacted to facilitate coordination among creditor institutions in corporate debt restructuring processes (Lee 2005: 270).

### **3.2.2.3. Privatization of State-Owned Enterprises**

Reforming the public sector was another main agenda of reform policies in Korea. It included two kinds of reforms. The first was the restructuring and downsizing of the government organizations (rationalization of administrative organizations). The second was the privatization of State-Owned Enterprises (SOEs).<sup>79</sup> The latter was one of the crucial agendas in the industrial restructuring towards economic liberalization.

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<sup>78</sup> They were on the transformation of ownership structure, separating ownership from management; the reform of corporate governance through consolidated financial statements, independent external audits, and reduction of intra-group mutual payment guarantees; the streamlining of operations by selecting three or four core business lines and cutting unrelated subsidiaries (so-called 'Big Deals'); the decrease of the debt-equity ratio; and increase of transparency and accountability (Beck 1998: 1025-1034; Kim 2000: 167).

<sup>79</sup> The origin of the State-Owned-Enterprises in Korea is in the industrial heritage of the Japanese colony in the public sector such as railway, electricity, telecommunication, postal, tobacco and so on. Since the 1950s, when seven SOEs were officially established, this sector has gradually expanded parallel to the continuous growth of the state's capacity. Under the category of the SOEs, there are several subcategories: for instance, government enterprises (GE: staffed and run by government officials); government-invested enterprises (GIEs) and their subsidiary firms; and government funded enterprises (GFEs) and their subsidiary firms, etc. The GEs are all regulated like government departments regarding budgeting, accounting, and personnel management. The GIEs are those that government holds 50% or more of equity ownership and administrated by the 'GIE Management Act' (Song 2001: 3).

In the process of industrialization and economic growth before democratization, the SOEs played a positive role in the national economy of Korea, providing it with stable resources of social infrastructure. While the state directly controlled their management, previous military elites and high positioned bureaucrats were usually nominated as the top managers of the SOEs (Nam 1999: 85). Labor relations had relatively moderate characteristics, as employees in the SOEs enjoyed stronger job security, higher wage level and better welfare provisions than those in the private sector. Although trade unions were not disabled, they were just yellow unions and autonomous collective bargaining did not take place.

After democratization, the two conservative governments attempted to restructure the SOEs and privatize them, having observed their gradual inefficiency. In the late 1980s, the Roh Tae Woo government created a special committee, whose purpose was to lead the process of restructuring. It designated several public enterprises and institutes as reform objectives comprised of thirteen subsidiaries and seven major institutes including power plant, electric communication, Tobacco and Ginseng and POSCO (Ahn and Kim 2000; Hwang 2000: 220-221; Song 1990: 19-35), which was however not intensively implemented (Nam 1999).

Conceptualizing the reform plans to functionally adjust the SOEs, the Kim Young Sam government also established a committee<sup>80</sup>, which designated fifty eight SOEs to be privatized in 1994 (Hwang 2000: 222). Nonetheless, this ambitious plan was not realized due to several reasons.<sup>81</sup> In two years, the government resumed the reform drive, formulating a new program in November 1996: namely 'Plan for the Management Efficiency and Privatization of the SOEs', which was far less ambitious than the previous plan. The government changed its attitude and focused on the creation of basic conditions for privatization. Accordingly, the 'Act for the Structural Reform of Management and Privatization of the SOEs' was established in April 1997. Although this implicated the end of the ambitious plan formulated in 1994, it was an advanced step.

During and after the economic crisis in 1997, pressure to restructure the SOEs became stronger. The IMF recommended the government to swiftly privatize major public corporations as one of the crucial steps to rescue the national economy.

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<sup>80</sup> It was the Presidential Committee for Administrative Reform for Deregulation (Ham and Kim 1999: 488-9).

<sup>81</sup> They were mainly anxieties at economic centralization, worsened situation of the Stock Exchange Market, and resistances of the governmental organizations, employers and workers.

Setting a goal to create a ‘smaller but more efficient’ government, the Kim Dae Jung administration pursued to reorganize the functions of the state. In addition to the functional transfer of central Ministries to local governments and lower-level civil servants, the reorganization process intensified the steps to democratize the state apparatus, which had also been pursued, in vain, by the previous governments. Within this wide concept, the privatization of the State-Owned Enterprises was included<sup>82</sup> (Hundt 2005: 246).

It established the Planning and Budget Committee (PBC) as a special body leading the reform process together with the Ministry of Government Administration and Home Affairs (MOGAHA). In July 1998, the PBC completed its first plan of privatization, nominating eleven SOEs.<sup>83</sup> In the late 1998, the government restructured and reorganized the central government by streamlining, consolidating, and merging budget-related agencies. Throughout the year, ten percent of local administrative personnel were reduced as a result of the reform (Kim 2000d: 170-171). In the next years, the restructuring of the major SOEs in the social infrastructure was conducted, targeted at electricity industry<sup>84</sup>, gas energy industry<sup>85</sup> and railway industry (KORAIL)<sup>86</sup> and so on.

#### 3.2.2.4. Financial Reform

The financial system of Korea had been controlled by the government since the early 1960s, when the Park Chung Hee government reshaped the system through amending the Act on the Bank of Korea. The central bank became subordinate to the Ministry of Finance (MOF); the

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<sup>82</sup> It contained further decisive measures: such as reduction of the public sector workforce, introduction of ‘performance-based’ pay and employment systems for public servants, and delegation of the functioning to control economic policy-making to the executive and prime minister and so on.

<sup>83</sup> They were designated to be sold out to private owners, to reduce their employment size, and to merge with other relevant institutions.

<sup>84</sup> The government (MOCIE) formulated a program for the reform of the electricity industry in January 1999: ‘the Basic Plan of the Structural Reform of the Electricity Industry’, which contained the core contents of the reform. For the realization of this plan, the MOCIE enacted a new act: Act on the Promotion of the Structural Reform of the Electricity Industry (APSREI).

<sup>85</sup> It planned to completely privatize the Korea Gas Corporation (KGC) to the end of 2001 in the first plan of the reform made in July 1998. The government initiated the reform drive in November 1999, formulating the ‘Basic Plan for the Structural Reform of the Gas Industry (BPSRGI)’, which contained the master plan of reform including the plan to divide the KGC into three subsidiaries (KTC, 2003: 316).

<sup>86</sup> Faced with the severe loss of the KORAIL, the government decided in March 1999, to privatize it. Imitating the British way of railway privatization, it planned to transform the department of the railway into the MOCT to be a public corporation in 2001.

commercial banks were nationalized and managed by the MOF; and special banks were established, such as Korea Development Bank and Small and Medium Industry Bank, which were also controlled and owned by the government (Lee 1992: 189-190).

After a large scale reform was conducted towards liberalization of banks and financial institutions in the early 1980s in the wake of economic crisis (Kim 1997; Woo 1991), financial liberalization continued in the early and mid 1990s. The Kim Young Sam government deregulated the financial institutions, with an aim to promote competition and increase efficiency. The reform was mainly targeted to vitalize the Chaebols' businesses.<sup>87</sup> In 1996, most of Chaebols were allowed to own and control life insurance companies and investment trust companies (Lee 2005: 264-5).

Stronger measures to reform the financial system were taken in the late 1990s before and during the first power alternation. In mid 1997, the Kim Young Sam government tried to create a legal instrument to chiefly consolidate the supervision of commercial and merchant banks, and to grant the Bank of Korea more autonomy. Although the governmental bill included decisive and comprehensive measures to reform the financial system,<sup>88</sup> its legislation failed due to a conflict between the Ministry of Finance and the Bank of Korea<sup>89</sup> (Heo and Kim 2000: 497, 504). Immediately after the break-out of the economic crisis, it was the Kim Dae Jung government that managed to pass the same bill in late 1997 (Lee 2005: 269).

Thereafter, a series of reforms were able to be taken on a large scale. Most decisively, the Financial Supervisory Commission (FSC) was established. It was an independent consolidated supervisory authority for bank, security houses and insurance companies (Lee 2005: 268-9), which was mandated to lead the process of restructuring. In 1998, the government took the first step of the process. Writing off non-performing loans and recapitalizing financial institutions, it closed or merged insolvent financial institutions, and strengthened the capital base of viable ones. Two commercial banks - Korea First Bank and Seoul Bank - were

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<sup>87</sup> A number of merchant banks were created. Many of them were owned by the investment finance companies and controlled by Chaebols. The Chaebols ownership of non-bank financial institutions (NBFIs) was significantly loosened.

<sup>88</sup> Such as deregulation, transparency, lowering entry barriers, the reform of the corporate governance structure.

<sup>89</sup> Previously, commercial banks were supervised by the central bank and other financial institutions were under the Ministry's jurisdiction. The new bill was purposed to make all the financial institutions supervised by a newly created agency and both the MOF and the Bank of Korea wanted to place the agency under their jurisdiction (Heo and Kim 2000: 504).

nationalized, and sold out to foreign investors. Twelve banks that had failed to meet the capital adequacy requirements of the Bank for International Settlement (BIS) were designated and asked to submit their own restructuring plans. The licenses of thirteen out of thirty merchant banks were revoked.<sup>90</sup> And five commercial banks were suspended and ordered to merge with stronger, more stable banks (Kim 2000d: 168-9). Successive reforms were followed in the following years. The government committed almost \$50 billion in additional public funds for the recapitalization, deposit protection, and purchase of non-performing assets (Kim 2000d: 169).<sup>91</sup>

### **3.3. Configuration of Actors**

The political and social actors related to experimental corporatism in Korea have unique features. The institutional conditions of industrial relations, which were substantially reformed only in the late 1990s, determined the configuration of actors. This section introduces the features of trade unions, political parties, business associations and strong state tradition. It spends more attention on trade unions than other actors because unions are both theoretically and empirically the most decisive actors of corporatism.

#### **3.3.1. Trade Unions**

##### **3.3.1.1. Union Density**

The organizational rate of trade unions in Korea shows its extremely low degree of encompassingness. During democratic transition, the rapid expansion of labor movement explosively increased union membership. Together with increased union numbers, which increased rapidly between 1987 and 1989 from less than 200 to almost 800, the union density, which had recorded 15.7% in the beginning of 1987, literally shot up to 19.8% in 1989. The

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<sup>90</sup> One merchant bank and two securities firms were suspended. One trust company was closed.

<sup>91</sup> As a result of these reforms, the number of banks was significantly reduced from 33 to 23 by the end of 1999.



number of union members increased as well, from approximately 1.05 million in 1987 to 1.93 million in 1989 (Lee 2003: 52-53).

Having experienced this sudden upturn, the union density decreased throughout the 1990s. Between 1990 and 1997, the number of union memberships fell steadily and bottomed in 1998 at 1.14 million. The union density rate declined and fell to the level of 12% in 1997 (Lee 2003: 52). At that time, industrial relations took on a confrontational angle and were being incorporated into the institutional framework. The employers adopted policies to render the unions powerless with the so called 'new management strategy'. In case of the shut-down of businesses, unions in small and medium sized enterprises were naturally dissolved. The state continued to maintain oppressive labor policies. These compound reasons are suspected for the contraction of union membership (Lee 2003: 53, 56).

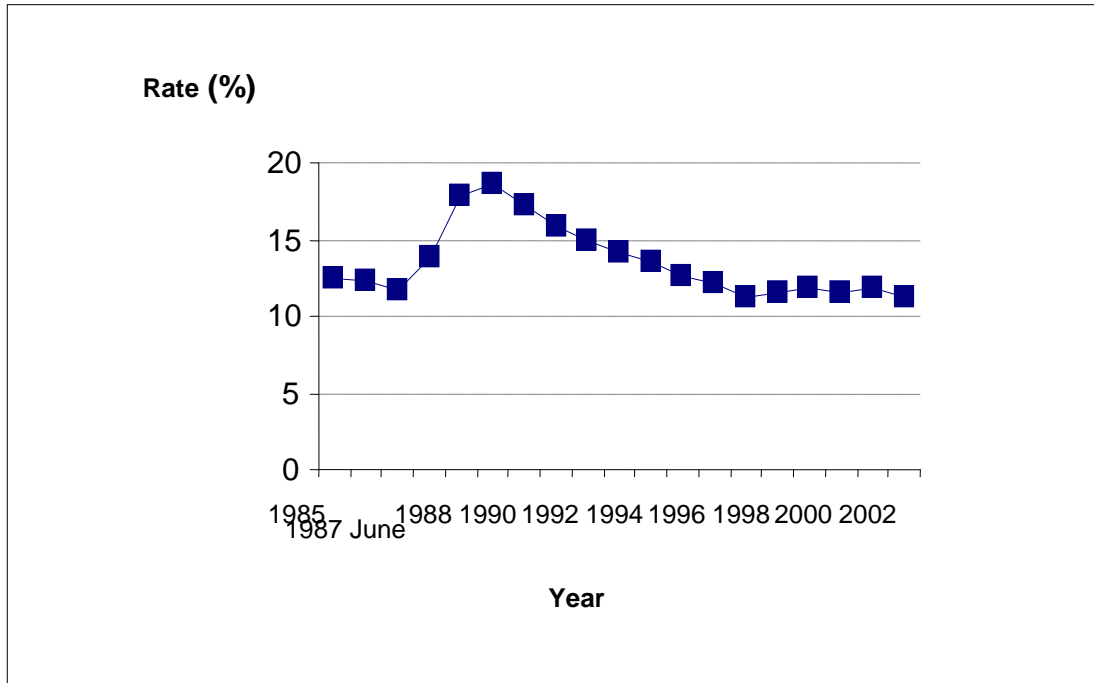
The year 1998 observed distinctive contraction. It was attributed to the massive layoffs undertaken by businesses, which led to the displacement of many workers with standard contracts and brought about an increase in non-standard form employment. So long as non-standard workers had a very low rate of unionization, the overall union membership decreased (Lee 2003: 53).

After 1998, the number of union members started to gradually climb and reached 1.26 million in 2002, which can be interpreted as a rebound from the side of workers against the deterioration of working conditions and reduction of payrolls through collective dismissals (Lee 2003: 53). In addition, democratic labor reform, which continued in the late 1990s, opened an opportunity to unionize more workers in the sectors, where freedom of association had been strictly restrained. For instance, the legalization of teachers unions had a significant part in the rise of union membership that started in 2000 (Lee 2003: 53).<sup>92</sup> Nonetheless, this increase in the absolute number of union members and unions did not curve the declining trend of union density, which continuously remained below 12 percent.

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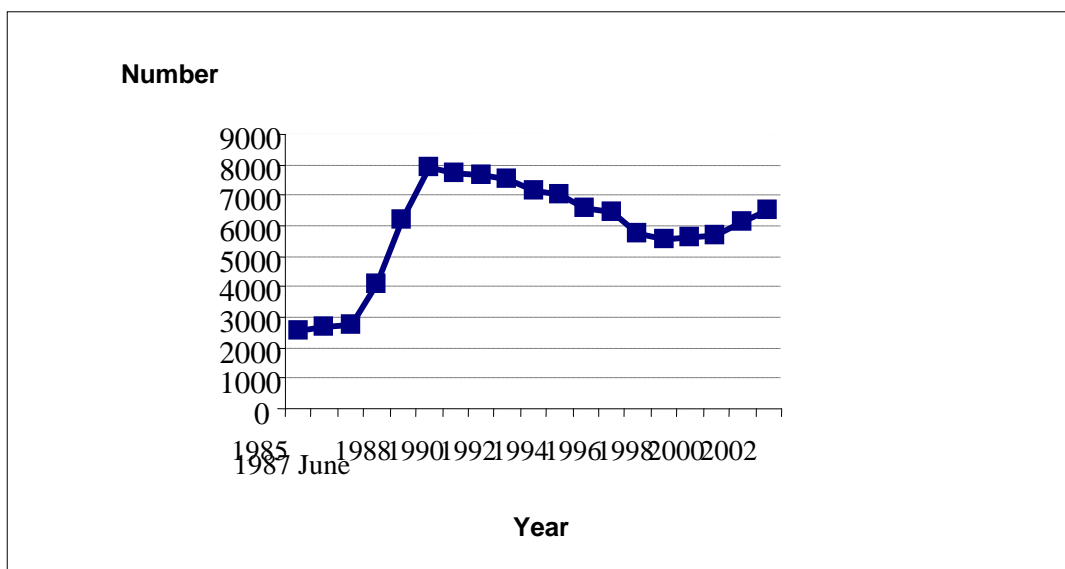
<sup>92</sup> The Korea Teachers & Educational Workers' Union (KTU) had been in existence even before legal approval, but only as a non-statutory union because teachers were not formerly entitled to have freedom of association.

**Figure 7. Union Density in Korea**



Source: KLI (2003: 148)

**Figure 8. Number of Enterprise Unions in Korea**



Source: KLI (2003: 147)

### 3.3.1.2. Inter-Union Relationship

One of decisive figures of labor movement in the post-authoritarian context was the division of two groups, whose relationship was very unfriendly. While the institution that had banned multiple-union-system continuously restrained the growth of the new labor movement in the late 1990s, the alternative labor camp carried out 'acknowledgement struggle' to overcome the institution of a single-union-system, which bestowed the status of representational monopoly upon the official union. As a result, the inter-union relationship was worse than normal competition throughout the 1990s. This part elucidates crucial dimensions of inter-union competition after democratization in Korea.

For a long time, trade unions had been under the control of the authoritarian state before democratization. Although trade unions were allowed, neither autonomous bargaining with employers nor substantial participation in policy-making had been allowed to the representatives of workers. Although the official union, the Federation of Korean Trade Unions (*Hankooknochong*: FKTU), nominally represented the socioeconomic interests of workers for four decades since its establishment in the early 1960s, the confederation was in reality subordinate to the state and many of its affiliates just functioned as yellow unions. Although voluntary and alternative labor movement emerged and constantly challenged the authoritarian state, they were harshly oppressed by the authoritarian state (Song 2000b). No alternative center of organizations widely representing the interests of workers was able to be formed under the dictatorship.

Only after democratization was such a trend crystallized to a second confederation of trade unions, Korean Confederation of Trade Unions (*Minjunochong*: KCTU). The decisive event that crystallized the separate organization of the independent labor movement was the massive and voluntary mobilization of workers during democratic transition. This trend, which was called 'democratic labor movement', formed various organizations and unities (Kim 2000b), which constantly searched for enhancing solidarity while the state was hostile to them. The first national unity was the Korean Trade Union Congress (*Cheonnohyup*: KTUC), which was launched in 1990. After a series of organizational mergers,<sup>93</sup> the KTUC developed into the KCTU in 1995. Throughout the 1990s, the new labor union was illegal due to the rule on the

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<sup>93</sup> Three camps were crucial: the former KTUC-affiliated unions, the Korea Congress of Independent Industrial Union Federations (KCIIF), which was mainly composed of white-collar workers' unions, and the giant enterprise unions at the Chaebol workplaces (Lee 1998a: 354; Song 1999a).

prohibition of multiple unions. Although the labor law reform in March 1997 abolished the rule, it took two more years for the KCTU to receive an official status as the second union confederation in September 1999.

Throughout the 1990s, inter-union competition between the FKTU and the alternative labor movement camp (KTUC/KCTU) was one of the decisive features of industrial relations in Korea. The FKTU tried to reform itself and escape out of the disgraceful past and the KCTU endeavored to strengthen itself as an independent and legal organization. The new labor movement camp strengthened itself and shaped a contentious relationship with the FKTU, protesting against the transitional labor regime that legitimized the representation monopoly of the conservative confederation. The KCTU labeled the FKTU a yellow union (*OyongNojo*), while the FKTU was reluctant to recognize the new confederation.

After democratization, the FKTU changed its leadership and tried to reshape itself. It deleted the term anti-communism (*BanGongJuEui*) in its principle, which had been maintained since its establishment in 1960; and set its new line, titled 'trade unionism towards democratic and welfare society'. The FKTU attempted to enhance workers' rights and welfare through participation in the policy-making process of the government. In the early 1990s, it delegated its representatives to the various committees of the government, with the motto of 'policy-participation (*JeongChaekChamGa*), and presented its recommendations. According to a survey, the 117 representatives of the FKTU were participating in 48 committees in late 1996 (Lee 1998a: 354; Lee and Lee 2005: 73-74; Lee 1997a: 69).

Although the FKTU wanted to be a reform-oriented moderate organization and took distance from a characteristic of business unionism, it was in reality inclined to be the latter. In the late 1990s, the FKTU showed an unaccustomed figure, different from its precedent behavior. It actively organized and took part in the protest against the arbitrary revision of labor laws which was conducted between late 1996 and early 1997. This event was the first genuine general strike it had ever waged in its history (Lee 1997a: 71). Under the center-left government, it combined participation and protest, while some of its affiliates voluntarily organized mobilization against the government's policies for structural adjustment.

In contrast, the KCTU defined itself 'a new organization driving independent and democratic labor movement and overcoming the undemocratic union movement subordinate to the state, as had been led by the FKTU'. It emphasized autonomous struggle towards economic and

social reform beyond material advantage of workers.<sup>94</sup> In fact, the movement of the new labor camp had been oriented to ‘militant pragmatism’ since democratization. It was a term that was devised by industrial sociologists and labor movement leaders to critically describe the tendency of democratic unionism at that time. While unions leading the new labor movement mainly belonged to the Chaebol firms and large companies, their active mobilization was oriented to high material compensation within the companies. The high rise of wages in the late 1980s and early 1990s was derived from the collective effect of their extraordinary activism (Cho 2006). With the motto of the so called ‘social reform-oriented unionism’, the KCTU tried to overcome this tendency. It emphasized decisive political goals: such as political empowerment of workers, solidarity with advocates for democracy, peaceful reunification based on democratic autonomy. Initiating the program to ‘Struggle for Social Reform (*SaHoiGaeHyokTuJaeng*)’, the KCTU campaigned for the improvement of livelihood of workers and people, the democratic reform of society, alliance of workers the enhancement of political consciousness, and enhancement of unions’ social status (Lee 1997a: 75-76).<sup>95</sup>

The ideological competition between the two labor movement camps implicated a competition for membership. In the 1990s, the number of the FKTU members gradually decreased, whereas that of the KCTU increased. According to a statistic, 136 unions retreated from the FKTU between March 1993 and August 1995, and became affiliated with the organization of new unionism. For instance, the Alliance of Unions in the Hyundai Conglomerate (*HyunChongRyon*), which was the largest union unit at that time, and the Association of the Unions in the Daewoo Conglomerate (*DaeNoHyop*) decided in April 1994 to retreat from the FKTU, which had a serious impact on the organizational capacity of the confederation (Kim 1996: 105). In late 2001, the FKTU comprised 3,940 unions and 877,827 members, with an average of 222.8 members per union. The KCTU was composed of 1,513 unions and 643,506 members, averaging 425.3 members per union. (Bae and Cho 2003: 110)

The differences between the two confederations and their member unions tended to narrow in the late 1990s. Nonetheless, they sang an acutely different tune, permitting only transient alliances and further locked in competitive constellation. The political and organizational chasm

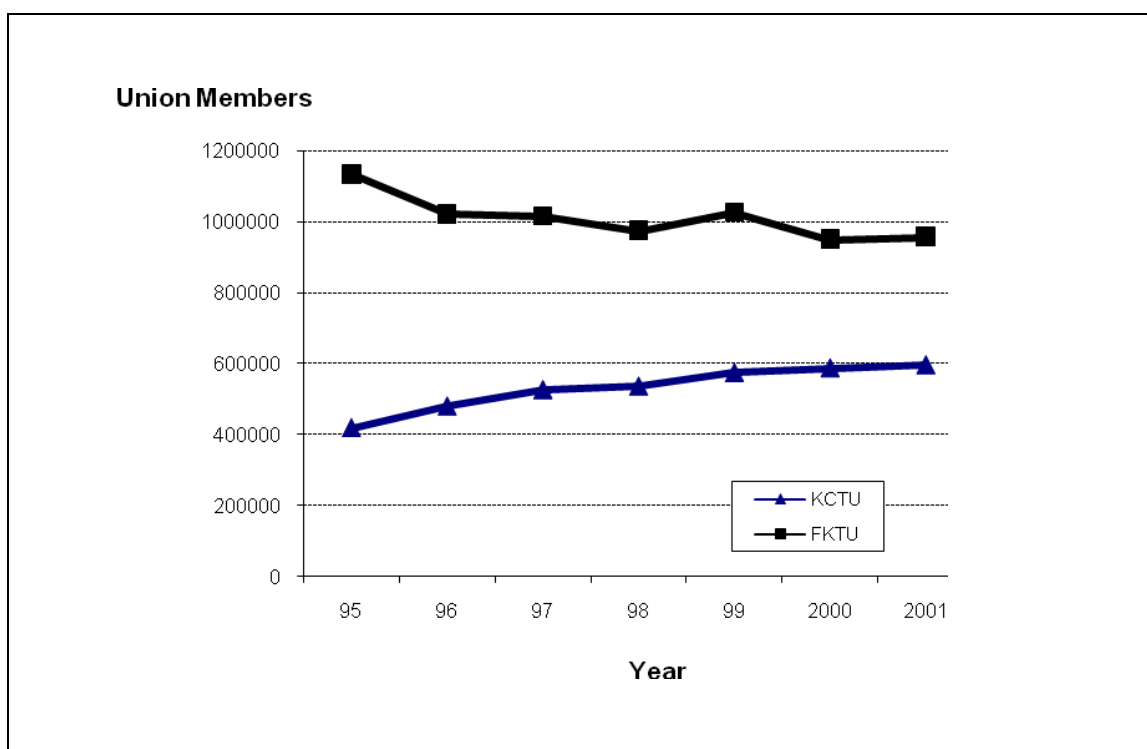
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<sup>94</sup> The KCTU even pursued ‘to achieve democratic and peaceful reunification of the nation.’

<sup>95</sup> Meanwhile, the KCTU officially took distance from revolutionary unionism because it did not distinctively deny capitalism or capitalist wage system (Lee 1997a: 77). It was not as fundamentally radical as communist or syndicalist unionism, which had prevailed in Southern Europe in the 20th century.

between them, which was formed from historical and social backgrounds, was hard to overcome. Lack of a concrete perspective to be consolidated into one unity, each confederation endeavored to expand and maintain their own organizations on its own. Employers tended to favor the compromising FKTU over the aggressive KCTU and sometimes encouraged their unions to join the former, providing another reason for industrial relations to take a turn for the worse (Bae and Cho 2003: 146-8).

**Figure 9. Number of Union Members in Korea: KCTU and FKTU in Comparison**



Source: FKTU (2003: 219) and KCTU (2003: 15)

### 3.3.1.3. Structure of Union Confederations

The union confederations in Korea have not developed a coherent structure. While the institutions and practices of enterprise bargaining prevailed, union organizations were centered at the enterprise level and enterprise unions possessed a strong and autonomous capacity. Their national centers did not have substantive means to intervene in the labor relations in the companies and workplaces. From the late 1990s, the practices of industry-level bargaining were strengthened, as a result of the endeavors of the new labor to switch

organizational structure and to strengthen the meso-level bargaining practices. Nonetheless, such attempts still remained vulnerable and experimental.

Before democratization, the state had tightly constrained union activities only within the boundaries of companies, and defined enterprise unions as the sole institutional actors for settling grievances and maintaining cooperation between employers and employees. While the enterprise unions were the basic unit of worker organization and activity, only regular blue-collar workers within a firm were entitled to join it. Although enterprise unions could be associated with the industrial union and national confederation, it was not obligatory. The confederation bodies in higher levels were not able to intervene in the collective bargaining at plants due to the rules banning the intervention of a third party in the workplace labor relations. They only sent policy recommendations and sometimes petitions to employers, when collective bargaining reached a stalemate<sup>96</sup> (Song 1999a: 3-4).

More concretely, enterprise unions were relatively closer to industrial federations than to national centers. Although the national centers were apex bodies regulating the industrial- and enterprise unions, leaders of unions in the workplaces tended to regard the industrial federations as their supreme organizations, whereas national centers were remote from rank-and-file workers in the unionized factories. In specific industries, the tie between the industrial federations and enterprise unions had been especially stronger: such as textiles and metals. They had industry-wide collective bargaining practices for a relatively longer time (Song 1999a: 7), which was an exceptional phenomenon in Korea.

Democratization did not immediately bring about significant change in the dimension of union structure. Although the legal instruments that prohibited any third party intervention in the company level labor affairs were abolished in 1997, the national level umbrella organizations did not have substantive means to force their member unions at the enterprise level to follow their orders. Institutionally, only the membership of enterprise union was allowed to individual workers. The confederations did not have internal mechanisms to enforce lower-level unions to comply with the higher-level units. In particular, trade unions in large enterprises sometimes overrode their confederations, based on the strong capacity of personal and material mobilization.

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<sup>96</sup> According to a survey in 1983, only three percent of firms with 500 or more employees engaged in collective bargaining at all. Even in these firms, bargaining concerned only minor issues like paid vacation, work allocation, and some trivial aspects of working conditions (Song 1999a: 4).

The path of union growth during and after democratization had significant implication for this phenomenon as well. The organizations of the new labor grew up from the grass-root level. It was enterprise unions that autonomously and voluntarily led collective struggle against state and business without any guidance of labor parties or national organizations. In the process, they did not deny the enterprise-centered institution but tended to recognize it and take it for granted. Based on the enterprise-union-centered system, the uncoordinated practices of wage bargaining became stabilized in the early and mid 1990s. As the independent units of union activities, the enterprise unions made core decisions on bargaining, strikes, and union budgets. Under this practice, the organizational fragmentation of unions was consolidated. According to a survey in the end of 2001, there were 417 relatively large scale unions with 500 or more members. These unions covered 73.5 percent of the total membership with 1,153,660 persons although they accounted for only 6.8 percent of the total number of unions. The number of small scale unions with 50 or less members amounted to 2,923. Although they accounted for 47.5 percent of all unions in number, these small unions covered only 3.2 percent of the total membership (Bae and Cho 2003: 110).

Furthermore, different ideological fractions competed with each other within the same camp of democratic labor movement. Usually, three groups were dominant in the KCTU.<sup>97</sup> A former union leader indicated that “the proportion of different fractions is hard to grasp and they are extremely fragmented (Interview: K2-KCTU)”. While they have competed during intra-associational elections, the leadership of the KCTU had different characteristics and these fractions took the chairmanship in turn.

From the mid and late 1990s, union leaders tried to shift the focus of labor movement and collective bargaining from enterprise- to industry-level. Many leaders of the new labor expressed strong discontentment about enterprise unionism on the basis of their ideological preferences. Some advocates for industrial unions have claimed the limited power of enterprise unions and difficulty in achieving ‘economy of scale’ in terms of operation and budgets. The weak financial standing of enterprise unions has been considered inadequate in supporting systematic labor activities needed to influence labor policies (Jeong 2001: 61; Lee 2003: 53). Others indicated the inefficiencies of the fragmented system, arguing that repetitive

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<sup>97</sup> Those were namely, ‘national group (*Gungminpa*)’, ‘central group (*Chungangpa*)’ and ‘field group (*Hyunjangpa*)’(Jin 2008).



activities in all enterprise unions have resulted in macroscopic inefficiencies: such as considerable waste of human and financial resources, the prevention of wide-ranging solidarity among workers, the aggravation of collective egocentrism among different interest groups, and the lack of interest in social issues (Bae and Cho 2003: 150-151).

During the last decade, conversion to industrial unions steadily occurred although large-enterprise unions in the manufacturing sector were still on the sidelines, and employers definitely opposed the trend. When the economic crisis in the late 1990s threatened union activities, the transition to industrial unions was more pronounced in the financial and administrative sectors. The manufacturing sector also started its' shift towards industrial unionism: small and medium enterprise metal workers unions enlisted in the Korea Metal Workers' Federation of the KCTU formed a metal workers' industrial union in 2000. As a result, union members in the industry-level unions accounted for 30 percent of the total number in 2002, which had just covered approximately 10 percent of all unionized worker in 1987 (Lee 2003: 53-55).

However, substantive transformation has not proceeded profoundly. In the early 2000s, Baccaro and Lee, who intensively observed and researched this phenomenon, presented a skeptic view: "in spite of the declared goal of industrial unionism and bargaining, however, it appears that the industrial unions are much weaker than enterprise unions in terms of both human and financial resources. Also, it is not clear how much real influence sectoral federations exert at national conventions, compared with the delegations of enterprise unions (Baccaro and Lee 2003: 7)."

### **3.3.2. Party Politics and Union-Party Relationship**

This part deals with the general characteristics of party politics and the failure of unions' politicization after democratization in Korea. The major political parties did not have a close connection with trade unions. Labor movement failed to empower themselves as institutional actors in the national politics. The institutions, which had banned unions' political engagement, remained to the late 1990s. Although the alternative labor movement endeavored to politicize themselves, they were unable to have influence in any official elections. Apart from the absence of an union-party relationship, the party politics themselves were vulnerable.

### 3.3.2.1. Vulnerable Party Politics

The post-authoritarian party-politics in Korea were extremely volatile and dominated by regionalism and elitism, while political parties were not deeply institutionalized (Croissant 2002; Köllner 2003; Saxer 2002). The social class structure in the whole society was not reflected in the elite-centered political society and political parties did not directly represent the interest of social classes (Choi 2002; Choi, Park and Park 2007).

Instead of modern class-based parties, it was the so-called 'Three Kims' – Kim Young Sam, Kim Dae Jung and Kim Jong Pil - that characterized national politics in Korea. The most dominant feature of the Three Kims regime was regionalism. Deeply influenced by the logics of inter-regional rivalries, voters cast votes according to their respective regional self-identification instead of their social classes. They did not support parties and candidates for their policy stances and ideologies; rather, voted out of blind loyalty to the cohorts and favorite sons of their home regions (Im 2004: 187).

They respectively represented three regions. Kim Dae Jung always received an overwhelming majority of votes in *Cholla* (South West) provinces. During the three elections in 1987, 1992 and 1997, he respectively received 87, 89 and 93 per cent in the region, compared to only 3, 9 and 12 percent in the *Kyongsang* (South East) provinces. His rival Kim Young Sam received 5 percent in *Cholla* 3 in 1987 and 1992, which is in contrast to the result in the *Kyongsang*, where he received 69 percent in 1992. In the parliamentary election in 2000, the MDP led by Kim Dae Jung won 25 out of 29 seats in *Cholla*, whereas the opposition GNP (former NKP led by Kim Young Sam) swept 64 out of 65 seats in the *Kyongsang* provinces. Especially, the two Kims had similar reputations as leaders of the democratization movement and failed to present a single candidate acceptable to all democrats. Lacking noticeable ideological differences, they appealed to voters as the favorite son of their home provinces and fostered regionalism. As class divisions had been long-suppressed and religious schisms were absent, the two Kims - Kim Young Sam and Kim Dae Jung - were unable to draw class-based or religion-based votes, instead, forced to rely on regional votes (Im 2004: 188).

Volatility of political parties was another decisive feature of party politics after democratization. The organizational age of political parties was extremely low. There was no organizational continuity and the political choices that parties offered for voters varied very much from

election to election. The three Kims created, dissolved and recreated the parties to suit their personal needs. Since 1987, they created ten new parties. From the period of May 1987 to January 2000, the parties' average durability was 31.5 months. No relevant party participated more than once in National Assembly elections and none sent candidates into the presidential race more than once (Croissant 2002: 250; Im 2004: 189).

**Table 4. Party Durability in Korea (1981-2000)**

Party	Supreme Leader	Existed	Durability (in months)	Status
DJP	Chun Du Hwan -> Roh Tae Woo	1/81-2/90	109	Merger with the DLP
RDP	Kim Young Sam	5/87-2/90	33	
NDRP	Kim Jong Pil	11/87-2/90	27	
DLP	Roh Tae Woo -> Kim Young Sam	2/90-2/96	72	Renamed NKP
DP	Kim Dae Jung	9/90-11/97	86	Merger with GNP
NKP	Kim Young Sam	2/96-11/97	21	
NCNP	Kim Dae Jung	9/95-1/00	52	Renamed MDP
ULD	Kim Jong Pil	2/95-1/00	59 (continues)	Exists to date
GNP	Kim Young Sam -> Lee Hoi Chang	11/97-1/00	26 (continues)	Exists to date

Source: Croissant (2002: 251)

In 1990, the Democratic Justice Party (DJP) led by Roh Tae Woo, which had been the ruling party in the 1980s, merged with the Reunification Democratic Party (RDP) led by Kim Young Sam and the New Democratic Republican Party (NDRP) led by Kim Jong Pil under the motto of 'grand compromise' to create a new grand ruling party, Democratic Liberal Party (DLP). In the mid 1990s, the 'grand compromise' came to an end and the NDRP split out of it. Then, its leader Kim Jong Pil established a new party, United Liberal Democracies (ULD) (Croissant 2002: 243). At the same time, Kim Dae Jung, who had been the main opposition leader but had abandoned political activities since the elections in 1992, returned to the political stage with his new party, National Congress for New Politics (NCNP). In 1996, the DLP also changed its name to the New Korea Party (NKP). During the presidential elections in 1997, the NCNP and the ULD formed a new alliance and defeated Lee Hoi Chang, who was the candidate of the conservative Grand National Party (GNP). It was established one month before the elections with the merger of

NKP and the DP that had been constantly the major opposition party throughout the time of 'grand compromise'. The NCNP renamed itself to MDP in 2000. The GNP and ULD continued to maintain their names to the end of the Kim Dae Jung government. For two decades (1980-2000), the DJP, which existed between January 1981 and February 1990, had the longest life (109 months). The RDP and NDRP existed only between 1987 and 1990 (respectively 33 and 27 months). The DLP existed for 72 months until it was renamed to NKP and the NKP only had a 21 month life until it merged with the DP to be the GNP. The NCNP had 52 months' life until it was renamed to the MDP.

In addition, no regionalist party could assemble a stable majority in the National Assembly within an electoral system governed by the principle of 'single member, relative majority'. While every party was based on a particular region, it usually tended to win presidential elections by forming a very loose alliance with other regional parties, and these alliances would break down one or two years after the election (Im 2004: 189). Regionalism impeded the transformation of the over-representation of the strongest party into an absolute single party majority of seats in parliament. No region held a voter share that was large enough for such a majority (Croissant 2002: 253).

One of the peculiar features in the party politics of Korea was the emergence of 'divided government', in which the ruling party (party of the President) did not have majority seats in the National Assembly. Between 1987 and 2002, divided government emerged and existed twice: May 1988 - January 1990; and February 1998-August 1998. In the first period, the three opposition parties (RDP, NDRP and PDP) overwhelmed the ruling party, DJP. The status of the parliament was enhanced and the political parties were very active in dealing with various reform policies during democratic transition. In the second period, the NCNP/ULD coalition was inferior to the GNP in the parliament. This lasted only six months because a large number of the GNP politicians soon moved to the NCNP and ULD. In September, the NCNP/ULD had more seats than the GNP (Kim 2001: 483-496). In these periods, governments were relatively weak and the party politics were extremely contentious.

Finally, the three Kims' regime was characterized by a feudal-style party leadership. The three Kims reigned over their respective parties as imperial party presidents or feudal lords, who claimed control over the nomination of candidates, the appointment of party secretaries and officials, the chairmanship of committees in the National Assembly, single-handedly

allocated party finance, and distributed political funds to their followers in return for their loyalty. Since they maintained exclusive loyalty from their home provinces, very few party politicians dared to challenge their autocratic rule. The volatile, short-lived, feudalist ‘three Kims’ style political parties were the major impediments to internal party democracy and to the development of a more responsive and accountable party system. Regionalist parties by the ‘three Kims’ inhibited Korea from devising a policy-oriented party system (Im 2004: 189).

### **3.3.2.2. Union-Party Relationship**

Political empowerment of trade unions was extremely weak after democratization. Under the three Kims’ regime, trade unions and workers’ representatives had difficulties in empowering themselves in the political arena. While party politics were distorted and failed to be modernized, unions’ attempts at political empowerment were seriously frustrated as well. Accordingly, the union-party relationship was very weak in Korea.

Longer than a decade after democratization, trade unions were not allowed to be involved in the institutional space of national politics. Only after the labor laws constraining the political commitment of unions were revised in March 1997, could the confederations and unions officially engage in politics. Even thereafter, some derivative legal means such as the Political Fund Act (PFA), which were inherited from the authoritarian state, continued to disable trade unions to support certain parties for a couple of years.

Before the institutional change, union leaders took part in politics as individuals. It was often observed that individual union leaders ran for main elections and were elected either as a candidate of a political party or independently. Political parties often scouted union leaders and utilized their local social capital for their political resources. While unions’ political engagement was not allowed, the trade unions, especially FKTU, actively tried to utilize this practice. Even some KCTU leaders were scouted to political parties as well. The individually politicized unionists formed a pro-labor camp within the National Assembly, although it was weak and marginalized.

After the legal change, trade unions searched for active strategies to politically empower themselves. The leadership of the FKTU supported the candidate Kim Dae Jung during the presidential elections. This was different from the subordinate relationship with the

authoritarian state in the previous time because the confederation voluntarily decided to support the candidate of the opposition party in a more pluralized political surroundings. Several union leaders were appointed as Ministers in the Kim Dae Jung administration and became leading politicians of the NCNP. In this way, shallow networks were formed between administrative elites and union leaders under the center-left government.

The alternative labor movement camp and the KCTU had another strategy towards politicization. They constantly tried to construct their own party, which was extremely unsuccessful. Targeting the presidential elections in 1997, leaders of the KCTU constructed an independent party, People's Victory 21, and the first chairman of the KCTU, Kwon Young Gil, ran for election. Although the coherence of the KCTU was relatively high due to the influence of the general strike in 1996, the result of the election was frustrating. Kwon received just 306,026 votes, which was 1.2% of the total votes, which amounted to only a half of the KCTU members (about 600,000 at that time). According to an internal survey, only 21% of the KCTU members voted for Kwon. In 2000, the KCTU managed to launch the Korean Democratic Labor Party (KDLP), targeting the National Assembly election. However, it again failed to receive any seat in the parliament, although 21 candidates including 10 unionists ran for the election (Chang, Chang and Yee 2002: 181-182).

### **3.3.3. Business Associations**

During democratization, social partners lacked a trustworthy relationship. The two associations representing the interests of industry and employers had existed since the 1960s. They were the Federation of Korea Industry (FKI) and the Korea Employers Federation (KEF). Subordinate to the authoritarian state, they functioned to oppress labor movement. After democratization, they continued to work in the new context, trying to defend their interests against the challenge of the labor movement.

#### **3.3.3.1. Association of Industries (FKI)**

The FKI is an association of large enterprises, mainly Chaebol. It has been a close partner of the government in managing the national economy since the 1960s. Its origin was the Korean Economy Association (KEA), which was established in January 1961. The launch of the KEA was

a response by businesses to protect themselves in the particular context of the early 1960s, when a law was enacted to punish people who accumulated wealth in deviant ways, after the civil uprising in April 1960, and leaders of big business were being strongly criticized. The KEA was comprised of 78 business leaders. Immediately after the military coup in May of the year, the association was forcefully dissolved and the military established another association in a coercive way: Korea Association of Economic Leaders (KAEL). Later, this was replaced by the FKI in March 1968 (Hwang 1996: 80).

Since its establishment, the number of FKI member enterprises has gradually increased: 178 in 1970, 247 in 1975 and 433 in 1980. Since the 1980s, the size of its members has remained stable. During the last decade, it slightly increased from 428 in 1995 to 436 in 2005. As a pure civil organization, the FKI has been free from the intervention of the state in managing its organization. It has maintained a very coherent structure with relatively high member-loyalty, which has strengthened its power. Its chairmen were elected by its members. Between the early 1960s and the early 2000s, chairmen were elected 28 times and most of them were the owners of the top Chaebol groups such as Samsung, Hyundai, LG, and SK. Most of its budget has been comprised of membership dues. In the 1970s and 80s, the proportion of the membership dues amounted to 80-90 percentage of the budget. In the 1990s, it decreased to 72.2 percent in 1995 and 66.6 percent in 1998 (Kim and Roh 2006: 205-6, 209, 219).

One of the most crucial activities of the FKI has been policy-recommendation. In the 1970s and 80s, it annually recommended about 30 to 40 policy items, among which 70 percent were accepted by the state. Although labor policies are not its main concern due to the specialization of the KEF, the FKI has managed work groups (departments) specialized in the issues of labor and welfare, which are also responsible for the agendas of industrial relations. In the 1990s, when labor movement rose up and labor reform became the most critical social issues, the FKI tried to actively respond to the challenges, presenting and advertising its opinions on the resolution of labor disputes and the directions of institutions reform. It has also made recommendations or guidelines on the proper level of annual wage increases for their members (Kim and Roh 2006: 221, 226-228).

### 3.3.3.2. Employers' Association (KEF)

The KEF was established by the FKI. As the challenges of labor movement were strengthened in the late 1960s, business leaders decided to establish a specialized organization responsible for labor affairs. In July 1970, the KEF was established with this motivation. Its main purpose was to coordinate business interests and to more effectively cope with the labor movement. In the beginning, the KEF was absolutely dependent on the FKI in almost all aspects of organizational management: such as members, finance, and staffs. As a specialized department responsible for labor affairs in the FKI, it did not possess independent goals, strategies or behavioral autonomy. Its members overlapped with those of the FKI, who were mainly employers in large enterprises with more than 300 employees. The small- and medium sized companies were indeed unable to join in the association (Hwang 1996: 82; Jun 2007: 81).

The number of the KEF members has gradually increased: from 82 in 1970 to 267 in 1987. Although its members had decreased in the late 1970s, political confusion in the late 1970s and 1980s led many employers to consider the role of the KEF as more important, which brought about a sharp increase to 182. When the Chun Du Hwan government revised labor laws in 1980, the KEF carried out successful lobbying, which convinced Chaebol owners to enhance the capacity of the KEF. From then on, regional offices were established in large cities and provinces, and the KEF became a national organization with regional governance. In the mid 2000s, it had thirteen regional offices, which covered about 3,000 enterprises of its members. Its organizational density is far higher than that of trade unions (Jun 2007: 81-82; Kim and Roh 2006: 182).

Despite its broad membership, the organizational coherence of the KEF has been relatively weak. The regional offices maintain the status of independent organizations and finance themselves with the resources of their regional members, most of whom are small and medium companies in the region. The main role of the KEF headquarter is usually to deliver principles and recommendations on the issues of labor relations for its regional units and members. As the national leadership does not have powerful mechanisms to control its' members, its' leaders find it hard to utilize vertical authority inside the KEF. The leadership structure has not changed for decades. The chairmen of the KEF spend two years in office, which is not a standing position. Between 1970 and 1987, its chairmen were renewed only once,



while most of the Chaebol leaders were reluctant to take the position of chairman due to the strong intervention of the state in labor relations (Jun 2007: 82-83; Kim and Roh 2006: 182).

The standing committees of the KEF have been the most decisive units of the organization. Their decisions have become the official policies of the KEF. The committees are established in various fields of industrial relations. In the early 2000s, there existed six standing committees, most of which were specialized in the issues of labor relations and labor markets: such as standing committee for (i) labor law, (ii) labor-management cooperation, (iii) wage and employment, (iv) public sector, (v) human resource development, and (vi) social welfare. The chairmen of each committee are usually high-level staffs in large companies, who are responsible for labor relations in their companies. The members of the committee are usually comprised of 15-20 staffs from member enterprises (Kim and Roh 2006: 181-182).

#### **3.3.4. The Strong State Tradition**

From the beginning of the authoritarian regime in the early 1960s, the Korean state started to develop a very coherent, centralized and hierarchical structure of government. The competent bureaucracies have autonomously worked and led economic development in Korea, playing an absolutely crucial role in economic policy-making. Powerful government agencies have enjoyed a very strong capacity and played an absolute role in policy-making. While the state monopolized the means of policy-making, interest associations have been excluded. This kind of strong state tradition remained after democratization. Although state structure became differentiated, the principle of this tradition did not fundamentally change. The capacity and role of the technocrats did not change much but were further enhanced even under the center-left government. Even the parliament and political parties have been substantially inferior to the technocrats in policy-making. This part briefly overviews the history of strong state in Korea, focusing on the characteristics of powerful technocrats responsible for economic policy-making.

At the center of the highly coherent and centralized structure of the state, a privileged agency existed, namely the Economic Planning Board (EPB), which was established in the early 1960s soon after the coup. The Park Chung Hee government vested it with enormous powers of plan-design and implementation. It quickly became the apex body for economic policy and planning, taking charge of the statistical operations, the all-important budgetary operations, and the

overall plan coordinating authority. Since then, the EPB has worked as the motor and brain of the economic development plan, which led Korea to achieve economic success in the 1960s and 1970s (Chibber 1999: 318).

The EPB enjoyed supreme control over the annual budgetary process and the allocation of credit. As a 'super-agency', it altered the balance of material power between state agencies, and greatly reduced the conflicts between the state and economic institutions. The capacity of other ministries in the planning process was relatively weakened. Headed by a deputy prime minister and possessing a privileged position, the managers of the EPB had great power to coordinate economic policy and control the budgetary process. They were often promoted into leadership positions in other ministries and commanded authority over the functioning of other ministries, and were able to monitor the performance of other agencies and more effectively oversaw the formulation and implementation of overall policies. Ministries were to implement the Board's decisions, submitting their spending estimates to it for approval, and then also reporting regularly on project implementation. The various units working in the field were compelled to submit to specify whose authority and to conform to the direction of priorities (Chibber 1999: 318; Chibber 2002: 974-976; Evans 1992: 156).

After the death of the Dictator Park, the role and capacity of the EPB were substantially protected under the new militarist regime as the Chun government in the 1980s exhibited fundamental continuities with the previous regime in terms of state institutions: a strong president, a weak legislature and judicial system, limitations on political activity, and an even more restricted press. The legislature's role under the Chun government was limited to approving proposals by the executive branch, although there were some minor budgetary adjustments as a result of consultation with officials of the ruling party. In these surroundings, economic policy making was again centralized in the EPB and the technocrats enjoyed wide freedom to maneuver in pursuit of their economic agenda. The EPB wielded virtual veto-power over the estimates submitted by the other ministries (Haggard and Moon 1990: 220-221).

After democratization, the technocrat-centered institutions and practices of policy-making continued. As the Kim Young Sam government implemented reforms in the public sector and downsized the governmental organizations in the mid 1990s, several Ministries were merged. The EPB was also absorbed into the Ministry of Finance to newly form a mega-economic bureaucracy, Ministry of Finance and Economy (MOFE). This was a historical change to the

economic bureaucrats in Korea, in which the EPB had played a central role for three decades (1960s-1980s). Nonetheless, this change did not essentially replace the traditional practices of the strong state but provided the MOFE with continuous power (Lim and Jang 2006: 16). Even under the Kim Dae Jung government, which explicitly sought to harmonize democracy with market economy, the power and role of the state were expanded and strengthened through various reforms towards economic liberalization (Kim 2000d: 178).

## 4. Formative Experiments (1990-1997)

This chapter analyzes the formative experiments at corporatism in Korea under the two conservative governments – Roh Tae Woo and Kim Young Sam - in the 1990s, when four arrangements were created: National Economic and Social Council (NESC), two social pacts for wage restraint, Labor Law Review Commission (LLRC), and Industrial Relations Reform Commission (IRRC). Functionally, the former two attempts were oriented to make a consensus to strengthen the programs of social insurances for workers and to coordinate wage increases. The latter two were established to serve in revising labor laws in a consensual way. In terms of participants, the first three attempts excluded the new labor movement. Only the IRRC incorporated the KCTU, after it was established in 1995.

All of these experiments experienced serious limits of integration due to various reasons. The political recognition of the administrative and political actors on the corporatist arrangements was very low despite the evolution of the concertative platforms. The social integration of these attempts showed serious problems, especially with regard to the two social pacts aimed at wage restraint. Accordingly, their effects were seriously limited. Despite some symbolic and indirect contributions to reform-policies, none of them achieved highly innovative results and the decisiveness of the corporatist arrangements were not so high in the reform processes.

### 4.1. National Economic and Social Council (NESC)

The first attempt at experimental corporatism was the National Economic and Social Council (NESC), which was established in 1990 under the Roh Tae Woo government and continued to exist to the end of the Kim Young Sam government. The FKTU and KEF tried to make common concepts in various agendas such as social and economic policies and institutional reform. As the very beginning experiment, the NESC did not have any significant power but only remained as the very formative attempt at consensual policy-making for dual transition. The functioning of the NESC can be divided into two terms according to the government. This chapter analyzes the activities of NESC I (1990-1992) and NESC II (1993-1997), after briefly introducing the

process of establishment and its structure. In the end, it discusses the influences of this mostly formative and vulnerable experiment at corporatist policy-making.

#### 4.1.1. Formation

Officially, the NESC was launched on 10 April 1990 (YH/10/Apr/1990). The establishment of the NESC was based on the suggestion of the FKTU, which had been utilized as a tool for state corporatist labor control, and the positive response of the KEF (Kim 1999b: 40). In 1989, the FKTU had renewed its leadership for the first time in a democratic way<sup>98</sup>. The NESC was a strategic choice as the new leader to overcome the identity crisis of the confederation. Utilizing its status as the sole and official organization representing the interests of workers, the FKTU wanted to build a political channel, through which it could influence policy-making, and expected the NESC to contribute to develop the participatory practices of interest organizations in national socio-economic policy-making (Kim 1999b: 41-42). The government did not directly intervene in this initiative but implicitly promoted it, which had ambivalent implications: it was an advanced step to build autonomous social partnership, however, it led the corporatist arrangement to remain powerless.

The NESC was designed as a bipartite body with the support of academic experts, who also participated in it, representing the so called “public interest (*Gongik*)”. Three co-chairs (presidents of the FKTU and the KEF as well as a senior academic expert) led the Council. Thirty commissioners were nominated: respectively ten from the three parties. The plenary session was its supreme decision-making body. The administrative committee and several research groups were established for supporting its activity (Kim 1999b: 43).

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<sup>98</sup> The new chairman was Park Jong Keun, who led the confederation until 1996, when his successor Park In Sang was elected the new chairman. He redesigned the political orientation of the FKTU to realize “democratic welfare society”. Since then, this ideology has influenced the major political choices of the confederation (Kim 1999b: 41).

#### 4.1.2. NESC I (1990-1992)

##### 4.1.2.1. Concertation and Resolution

For three years in its first term, the regular meetings of the NESC took place ten times between May 1990 and December 1992. The participants discussed several policy issues such as income tax reform, improvement of housing conditions for workers, and the strengthening of the national pension system (Kim 1999b: 46). After each session, the participants created common reform concepts and made recommendations to the government in an indirect and declarative way (Kim 1999b: 44). However, the resolutions neither touched the most critical and sensitive issues nor made crucial attempts to create comprehensive political exchange.

For the first year, the NESC took place three times. In the first meeting, which took place in May 1990, the social partners made suggestion with regard to income taxes and housing problems, inviting high-level public servants in the relevant Ministries (YH/30/May/90). In the second meeting in June, they presented recommendations to reduce income taxes of workers (YH/26/Jun/90). The third meeting took place in September 1990, which dealt with the agendas of housing welfare for workers (YH/25/Sep/90).

With these initial experiences, the social partners found how extremely limited the capacity of the newly established corporatist arrangement was. With the means of the NESC, they could not move the government, who were not very interested in the recommended policy issues (Kim 1999b: 49). Next year, they changed strategies and tried more actively to attract the government.

In January 1991, they concluded an announcement for industrial peace (YH/29/Jan/91), with an aim to positively respond to the new step of the government, which was taking measures towards significant innovations in the fields of industrial relations.<sup>99</sup> This mood was extended

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<sup>99</sup> The Roh Tae Woo government convened a "Social Conference", inviting the leaders of the labor movement and business twice in the early 1991 and 1992. This was a symbolic step to build a new system of democratic industrial relations although it did not contain substantial or concrete programs (Kim 1999b: 52-58).

to “the Common Declaration for the Maturity of Industrial Society”, which the social partners announced in the NESC in March 1991. Here, they decided to strengthen their cooperation to realize a “mature industrial society” and jointly asked the government to conduct institutional reform, appropriate to a democratic society as an option of their positive response to the new initiative of the government (YH/22/Mar/90; Kim 1999b: 50).

For about a year after this event, the NESC mainly concentrated on reforming the national pension plan and the wage bargaining institutions. However, the negotiations could not be innovative and powerful beyond the level of workshops and hearings. In late 1992, the work of the NESC substantially stopped (Kim 1999b: 51).

**Table 5. Agendas of the Concertations in the NESC I (1990- 92)**

1990	1991	1992
Reform of Income Taxes Housing Problems (31 May)	Common Declaration Minimum Wage National Pension (31 January)	Pension Reform (16 June)
Income Taxes Housing Problems (26 June)	Common Declaration (22 March)	Wage-Bargaining Setting Pension Reform (3 September)
Housing Problems National Pension Plan Labor Law Reform Wage Setting Holiday Reduction (25 September)	Pension Reform (8 May)	Labor Ministry Invitation (16 December)
	Pension Reform (5 December)	

Source: Kim (1999b: 45)

#### 4.1.2.2. Integration Problems

Due to the vulnerable status, the functioning of the NESC was seriously limited. It was hard to be integrated in the given space for political decision-making. At first, the government neither explicitly recognized it, nor bestowed any authority upon it. Although it was innovative that the government did not ban this initiative, the voices and recommendations of the NESC received few responses from the government. Because the resolutions made in the NESC such as pension system reform had only secondary and marginal importance, the government did

not actively react to the recommendations (Kim 1999b: 46-47). Without the recognition of the supreme political power, the NESC was unable to move the administrative actors responsible for the relevant policies, who had reigned over interest groups for a long time.

Political parties neither paid attention to the activities of the NESC nor prudently dealt with the resolutions of the vulnerable platform in the parliament (Kim 1999b: 46-47). While unions were still not allowed to make official relationships with political parties and unions' political engagement was banned, the parliament was dominated by the political elites who had neither close relationships with the unions nor were interested in the activities of the NESC.

In terms of social integration, the NESC was essentially limited because the agendas did not reflect the substantial and urgent interests of Korean workers, whose basic social rights and organizational rights were still being oppressed. Moreover, the new labor movement (democratic labor movement)<sup>100</sup> was thoroughly excluded out of the platform and the NESC could not accordingly contain the new voices of workers longing for substantive labor reform. Casting doubt on the capacity and role of the NESC, the new labor movement leaders severely criticized this experiment of the FKTU.

#### **4.1.3. NESC II (1993-1997)**

Although the NESC continued in the next government (Kim Young Sam administration), it became more isolated and its activity remained marginal and symbolic. In the beginning, the NESC could not find its suitable role. After the government encouraged the FKTU and the KEF to be autonomously engaged in wage bargaining, the corporatist channel was able to be activated as a locus to promote social partnership for a short while, with its role shifted to body supporting centralized wage-coordination. The new role of the NESC started in the late 1993, when the social partners were preparing for the so-called second attempt at wage coordination. The NESC made a slight contribution to foster the event. In late October 1993, the NESC adopted a new resolution, namely 'Resolution for Economic Recovery', to create social consensus with regard to wage bargaining in the next year (Kim 1999b: 79).

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<sup>100</sup> Since 1988, the new labor movement camp enthusiastically mobilized the rank-and-file members, requiring the government to conduct labor law reform every autumn before the annual regular session of the parliament.



After the second wage pact was concluded in April 1994, a special committee for monitoring the implementation of the pact was established inside the NESC (Kim 1999b: 51). Although the role of the NESC was expected to be consolidated, the expectation was not realized due to the failure of the attempt to conclude another social pact in 1995.

Thereafter, the NESC held several discussions irregularly on how to strengthen cooperation between the social partners, and played only an auxiliary role till the end of the Kim Young Sam government. The solely mentionable activity of the NESC was the adoption of the “Common Declaration of Labor and Business”, which was done in early August 1996. Here, the social partners expressed their common willingness to support the “New Concepts” of the government and to actively take part in the Industrial Relations Reform Commission (IRRC), which the government established in April 1996 to formulate innovative concepts to build new industrial relations. The establishment of the IRRC implicated a substantial end of the NESC although its meetings continued to be held till late 1997.

#### **4.1.4. Implications and Effects**

The NESC was a very formative experiment at corporatism, which emerged in early 1990, immediately after the merger of the three political parties in Korea. While the political regime was slowly moving towards liberal democracy, the two peak associations tried to create and utilize an autonomous space to influence the process of policy-making.

The initiation and duration of the NESC itself can be evaluated as innovative and significant in the practices of industrial relations in Korea. The fact that the central interest organizations commonly established an autonomous institution without the intervention of the state was path-breaking. Even though the performances of this initiative could not meet the initial expectation, the direct negotiation of the peak associations, which lasted several years, opened a way for social partners to influence decision making for some policy issues and the institutionalization of such practices.

The new experiences provided the social actors with formative resources for making advanced rounds of social dialogue. The relatively advanced attempts were a result of the evolution of the NESC. Carrying these experiences, the peak associations of social interests were motivated

thereafter to develop social dialogue and conclude social pacts for wage restraint, in which the recommendations of the NESC were also included as one of the major agendas of policy reforms.

Despite these positive implications, the NESC was far from a success. Although it should have taken place every month according to the original rule, the official sessions of the NESC were held just three and four times a year, and became just a formal body without substantive discussions as introduced above. Most decisively, it could not become an institutional channel to solve the rising social conflicts. While the authoritarian practices of labor oppression were still prevalent in the nominally post-authoritarian regime and the alternative labor movement vehemently campaigned to strengthen economic and social citizenship of workers, the NESC was not the central platform to cope with the confrontations but unable to produce any important compromises for institutional reforms.

## **4.2. The Two Wage Pacts**

This section deals with the second corporatist arrangements, which were temporarily established between 1993 and 1994, immediately after the Kim Young Sam government was launched and in the wake of slight economic recession. The marginalized and extremely vulnerable attempts at bipartite policy recommendation in the NESC were transformed to more advanced experiments aimed at carrying out centralized wage coordination between the two main associations of labor and business (FKTU and KEF). This section analyzes the chances and limits of the two wage pacts in this time.

### **4.2.1. Wage Pact I (1993)**

#### **4.2.1.1. Concertation and Resolution**

It was the KEF that initiated a suggestion for central wage coordination between the peak associations of labor and business, while the new government expected wage restraint in the

wake of economic recession. In mid January 1993, the employers' association suggested the FKTU to autonomously make a common guideline of wage increase (YH/12/Jan/93). The government was pleased with this suggestion and promised to support it, refraining from a deep intervention in setting the wage increase. The FKTU responded positively and praised the change of attitude in the government. The union decided not to follow the result of central bargaining with the KEF, although it had set its own policy on the suitable level of wage increases for the year (12.5%) (YH/27/Jan/93; Kim 1999b: 64).

The negotiation took two months between February and March. On 9 February, the two interest associations made a basic agreement on the method to produce a common guideline for wage increases (YH/09/Feb/93) (Kim 1999b: 64). On 16 February, they launched a 'wage bargaining committee' and intensified the negotiation. On 3 March, they concluded a preliminary agreement comprised of ten articles. The agreement defined the preconditions of common wage guidelines and was entitled the 'Common Declaration of Labor and Management for Social Consensus'. It included various policy agendas such as employment insurance, price stabilization, income tax, tax reform in addition to the wage issues (YH/03Mar/93; Kim 1999b: 64-65). Thereafter, negotiation continued to elaborate the preliminary agreement and to reach a final conclusion. On 1 April, the two parties ultimately concluded the 'Agreement for Central Wage Coordination' (YH/01/Apr/93).

The Agreement was comprised of two parts. The first was on wage increases. It contained only a short statement on the range of wage increases for the next wage bargaining. Here, they set the wage increases within the range between 4.7 and 8.9%, taking the diversity of companies into account. The second part was comprised of the joint recommendations of the social partners to the government and the behavioral principles of them in its five clauses<sup>101</sup>. Among them, the part on the recommendations to the government had the most decisive content such as price stabilization, real name financing, tax reform, political funds reform, and adoption of the employment insurance program (Kim 1999b: 69).

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<sup>101</sup> They were recommendations to the government; those to employers; those to workers; exceptional clauses; and measures for improving the practices of wage bargaining. See App4.2.1 for more in detail.

#### 4.2.1.2. Integration Problems

The social pact did neither thoroughly fail nor was it highly successful. When the unions and the employers carried out wage bargaining at the company level during the year, many of them took into account of the guideline set by their national leaderships. According to an announcement made soon after the social pact, the social partners in the major workplaces set the level of wage relatively lower than during previous years (Song 1994: 212). Another analysis done by the government (MOL) reported that two thirds of large companies<sup>102</sup> - more than five thousand cases – followed the principles of wage increase set in the first part of the Agreement (YH/30/Mar/94).

Nonetheless, the social pact experienced problems in terms of social integration. The first part on the wage increase was not thoroughly implemented because of the rank-and-file-revolts in some sectors, which saw the challenge and incompletion of the workers searching for the alternative labor movement (YH/07/May/93). The aggressive mobilization of union activists was seen mainly in larger enterprises, Chaebols, where their numbers were relatively large (Kim 1999b: 71). The new center of the alternative labor movement, National Conference of Union Leaders (NCUL)<sup>103</sup>, which was launched on 1 June, was the main actor leading the mobilization during summer of that year. As a result, many of them achieved a wage increase in two digits but the Agreement could not bring substantive industrial peace (Kim 1999b: 71), which weakened the authority of the wage pact as well as the FKTU leadership.

Meanwhile, the Agreement was not highly respected by the government actors. Immediately after its conclusion, the Ministry of Labor made an announcement setting a proper level of wage increase because it was not satisfied with the contents of the pact (Kim 1999b: 73-74). In addition, the political integration of the second part of the Agreement was fundamentally limited. The government, which was not bound to the pact, did not pay seriously attention to the resolution or immediately react to it. This frustrated the FKTU, which was considering it a natural duty of the government to respect for the concerted actions of the social partners (HKNC/31/Aug/93:1). Meanwhile, political parties neglected the agreement as well. Without any privileged linkage with any parties, the FKTU had to pursue another way of interest

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<sup>102</sup> Those with more than one hundred workers

<sup>103</sup> The KCTUR was the temporary central organization of the new labor movement, comprised of the National Unions Associations, Hyundai Group Union Federation, Union Associations of Big Business, Sectoral Conference, etc. Later, it developed to the KCTU. See the chapter 3.3.1 of this volume.

representation. In July and August, its leaders tried to make direct contact with the Ministries and high-level politicians, asking them to cooperate in implementing the second part of the Agreement (HKNC/31/Aug/93:1).

**Table 6. Integration Problems of the Wage Pact I after the Concertation (1993)**

Integration Problems		Issues
Social Integration	<b>Rank-and-File Revolt</b> : Incompliance of the alternative labor movement	Wage Restraint
Political Integration	<b>Administrative and Parliamentary Discord</b> : Negligence of technocrats and political parties	Institutional Reform (Tax reform, political funds reform, employment insurance)

#### 4.2.2. Wage Pact II (1994)

##### 4.2.2.1. Concertation and Resolution

In the following year, labor and business promoted the central wage coordination once again. Negotiations started already in October 1993. Soon, the government and social partners formulated a common declaration. They promised to enhance wage- and working-conditions in a consensual way, respecting the principle of autonomy (YH/27/Oct/93)<sup>104</sup>. This strengthened the mood towards the conclusion of the second wage pact (Kim 1999b: 73-74). Observing the interaction of the social partners, the government made sure to support autonomous negotiations between the social partners and made its own recommendations on the proper level of wage increase (Kim 1999b: 81).<sup>105</sup>

In December 1993, the FKTU and the KEF set the schedule of negotiation. The leaders of the two associations promised to make a common concept on the wage increase till the end of

<sup>104</sup> This took place on 27 October 1993 in the NESC.

<sup>105</sup> The suggestion of the government was based on the concept of the so-called 'total amount wage', which reflected economic growth and price increases.

January 1994, and to persuade and promote their members to actively follow the decision of their leaderships in the rounds of annual wage bargaining in the spring (Kim 1999b: 81-82). From the experience in the previous year, the leaders of the FKTU learned that it was important to intensify intra-organizational communication for the implementation of a wage pact (Kim 1999b: 82-83). They were in this time more careful to effectively attain support from their members. Before the confederation engaged in negotiations with the KEF, it activated and widened intra-organizational communication in late 1993. Special channels were organized for accommodating the interests of workers in various sectors and companies, and intra-organizational deliberation on the issue of price increases took longer than expected (Kim 1999b: 83-84).

On 3 February 1994, the FKTU suggested a tripartite negotiation including the government, as had been decided in its internal discussions: the meetings of union leaders in the sectoral level (YH/03/Feb/94; Kim 1999b: 84-85). The MOL reacted positively, although it reminded the union of a negative effect of its participation in social bargaining. The Ministry emphasized that state intervention could weaken the autonomy of social partnership (Kim 1999b: 85-86). On 28 February, the first round of negotiation to conclude the second wage pact was held. Then, the negotiation proceeded in dual ways - tripartism and bipartism (YH/28/Feb/94; Kim 1999b: 87-88). On 2 March, a practical committee for the tripartite negotiation was launched, in which six delegates (two from each party) took part (YH/02/Mar/98). With this, a tripartite consultative round was set in motion to deal with the policies and the agendas of institutional reform, which the social partners required the government to conduct (Kim 1999b: 89-90). In a separate form, a bipartite negotiation between the two interest associations proceeded regarding centralized wage coordination. It started on 3 March, when ten delegates from the FKTU and the KEF (five from each party) took the first practical round for central wage coordination (YH/03/Mar/98; Kim 1999b: 88-89). In a month, the negotiation partners managed to conclude 'the Social Pact on Central Wage Coordination and Policy Reform' on 30 March 1994.<sup>106</sup>

The 'social pact' was comprised of three parts: (i) wage increases, (ii) policy and institutional reform and (iii) implementation of the pact (YH/30/Mar/94a/b). First, the pact contained seven clauses with regard to wage negotiation. Mainly, labor and business settled the wage increase

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<sup>106</sup> It was made after nine bargaining rounds for wage coordination, and twelve negotiation rounds for policy and institutional reform (Kim 1999b: 88-90).

level between 5% and 8.7% in it.<sup>107</sup> Second, the pact had twelve clauses on the policies and institutional reforms including employment insurance program.<sup>108</sup> Third, the interest associations promised to faithfully control their member unions and firms in order to thoroughly implement the pact. The government also guaranteed its regular participation in the NESC for checking the implementation of the pact (Kim 1999b: 90-91).

#### 4.2.2.2. Integration Problems (1): Wage Increase

Despite some progressive aspects, the second social pact experienced limits with political and social integration, which made the corporatist experiment far from a substantive type. The first problem was the rank-and-file revolts led by the new labor movement camp against the wage agreement. On 31 March 1994, a day after the conclusion of the pact, the NCUL declared to ignore the result of the pact and to carry out autonomous bargaining (YH/31/Mar/94a). It also promoted the unions affiliated to the FKTU to withdraw from the national center, trying to hinder the wage pact from implementation (Kim 1999b: 94-96). According to a research, the average rate of wage increase among its member unions amounted to 15.7%, which was almost 10 % higher than the agreement made between the FKTU and KEF (Kim 1999b: 97).

**Table 7. Integration Problems of the Wage Pact II after the Concertation (1994)**

Integration Problems		Issues
Social Integration	<b>Rank-and-File Revolt</b> Incompliance of the alternative labor movement	Wage Restraint
	<b>Discord with the Non-Participants</b> KFSB	Employment Insurance Program
Political Integration	<b>Administrative Discord</b> MOCI vs. MOL	

<sup>107</sup> See App4.2.2 for more in detail.

<sup>108</sup> See App4.2.3 for more in detail.

Due to a number of rebellions in large enterprises, the pact had little effect in the workplaces, where the unions of the NCUL were strong. In a statement presented in July 1994, the MOL estimated that the average wage increase rate in the workplaces employing more than 100 workers was higher than the previous year (Kim 1999b: 97-98). On 2 November 1994, the NESC officially introduced 'the middle report of social consensus', which was analyzed on 25 October of the year. According to it, the average wage increase rate amounted to 7.2% in the year, which was higher than in the previous year (5.1%); and only 59.8% of enterprises set the rate of wage increase within the range of the social pact. This amount was far less than that of the previous year (80%) (YH/02/Nov/94).

#### **4.2.2.3. Integration Problems (2): Employment Insurance Program**

The second problem was derived from the limits of social and political integration with regard to the adoption of employment insurance programs, which was a clause in the second section of the pact. It started with the critical attitude of the KFSB (Korea Federation of Small and Medium Business), which had been the mostly sensitive on the negative effect of the new program in small- and medium-sized companies. Already, it expressed a different view on the program during concertations. Refusing to sign up the agreement, the KFSB argued to postpone the application of the new act. It also wanted to revise the rule, reducing the coverage of the program only for the companies with more than 150 employees (YH/31/Mar/94b). Seeing the pact concluded, the KFSB seriously criticized the contents of the agreement, emphasizing the expected burden of their members (YH/01/Apr/94).

In late 1994, the government tried to make the program as had been agreed by the peak associations in the social pact. Soon, the administrative actors fell into tension and discord,<sup>109</sup> as the KFSB tried to hinder it through lobbying and campaigning (YH/29/Oct/94; YH/9/Nov/94). Accepting the argument of the KFSB, the Ministry of Commerce and Industry (MOCI) criticized the original program of the MOL and suggested reducing the applicative range of the new act to the workplaces with more than 100 employees (YH/02/Nov/94). For a while, debates

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<sup>109</sup> The tension had existed already in 1993 between the MOL and the MOCI on the regulations of employment insurance programs - especially, the minimum size of the workplaces for this system - as the MOCI neither took part in the process of pact-making nor was a signatory of the pact. (YH/24/Jun/93).



between the Ministries continued, and the government could not immediately fix its position (YH/17/Nov/94a).

At the same time, the social actors - FKTU and KFSB – were also criticizing each other.<sup>110</sup> On 17 November 1994, the FKTU blamed the government for neglecting the crucial contents of the social pact. It resolutely announced never to be engaged in social bargaining (YH/17/Nov/94b).

In late November, the government finished coordinating the different opinions within the administration. It decided to apply the new act in the workplaces with more than thirty employees, as prescribed in the original program of the MOL. Instead, it decided to establish a 'program for the development of occupational capability of workers' in the workplaces with less than seventy employees in order to reduce the burden of employers (YH/25/Nov/94).

#### **4.2.3. End of Pact-Making**

In late 1994, the KEF and the government tried again to activate the NESC. The government encouraged to conclude another social pact for the central coordination of wage bargaining. Despite the consent of the employers' association, the FKTU refused to do so. It became skeptic on the functioning of a social pact, after having observed the difficulties in the process of implementation - in particular, on the legislation of the agreements to establish the employment insurance system (Kim 1999b: 101-102). Although the government expected the NESC to be upgraded to an institution for the next round of central wage coordination (FH/10/Feb/95) and the five business and economic associations officially requested the FKTU to join central wage bargaining (YH/13/Feb/95), the members of the FKTU made an official and final decision not to be again engaged in central bargaining (YH/23/Feb/95; Kim 1999b: 102). As a result, the bipartite initiative of the interest associations for central wage coordination came to an end. The social interests and government, respectively, announced their own wage policy in the year.<sup>111</sup> On 30 March, the FKTU and the KEF made a common declaration for industrial

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<sup>110</sup> The NESC dealt with this issue on 2 November as well (YH/02/Nov/94).

<sup>111</sup> On 2 March 1995, the FKTU unilaterally formulated its internal guideline for wage bargaining in the year of a wage increase at least 12.4% (YH/02/Mar/95). Then, the KEF announced its own wage guideline: from 4.4 to 6.4% increase (YH/07/Mar/95). Observing the wide gap of opinions between labor and business, the government made its own guideline: 5.6 to 8.6% increase (YH/21/Mar/95). Meanwhile, the independent labor movement camp (KCTUR) made their concept as well and proposed to increase wages 14.8% (YH/27/Mar/95).

peace without a concrete guideline of wage increase (YH/30/Mar/95/a/b). Although it was derived from their fear of severe and uncoordinated conflicts in the workplaces during wage bargaining, it had only symbolic meaning (Kim 1999b: 103-104).

#### **4.2.4. Implications and Effects**

As has been introduced above, the bipartite initiative at social dialogues in the Roh Tae Woo government (NESC) shifted to a more advanced form in the beginning period of the Kim Young Sam government. Here, not only the moderate recommendations of the two associations but also the issue of wage increase, which was crucial in governing labor markets at that time, were dealt with. The attempts at consensual policy-making evolved with the conclusion of the two social pacts, especially the second wage pact in 1994. As the government was involved in the concertative process for the first time, the limits of the NESC and the first wage pact in terms of political integration were overcome to a certain degree. It was a significant innovation that the state became a part of negotiations and resolutions together with the main associations of social interests. In addition, it was also a progress that the two main associations became aware of the importance of intra-associational communication. The second pact, although it took shorter than the first one, accompanied more intensive and considerate processes of internal deliberation, which was a result of the accumulation of learning the social actors made through the experiment in the previous year.

Nevertheless, the two wage pacts achieved only partial success because they were faced with serious problems of integration in the process of implementation, which not only restrained the influences of the pacts but also led the FKTU to stop searching for central wage coordination. The lack of social coordination between the FKTU and the new labor camp, and between the large and small businesses also made the attempts less effective.

### **4.3. Labor Law Review Committee (LLRC)**

As the third attempt at corporatist policy-making, this section deals with another formative attempt aimed at consensual revision of labor laws. The Labor Law Review Committee (LLRC)

was created as a result of the new initiative of the Roh Tae Woo government to transform the antagonistic practices of labor relations into cooperative ones. It was established under the capacity of the Ministry of Labor, carrying the ambitious missions to formulate reform concepts through social dialogue with the participation of social partners and experts. Its activities were divided into two terms, between 1992 and 1993, when the experts led the consultation and created an alternative draft. In late 1994 the social partners made an official agreement within a limited scope as a result of short negotiation. Despite three years of experiments, the LLRC could not make any direct contribution to revising labor laws and experienced serious problems of political integration.

#### **4.3.1. Formation**

The establishment of the LLRC was a result of the new initiatives of the Roh Tae Woo government to change labor laws in the early 1990s, when it found the relationship between the current labor laws and the new practices after democratization inconsistent. In concrete, two motivations pushed the government to initiative this action. On the one hand, it was a reaction to the requirements of civil society and the alternative labor movement, which struggled for democratic labor reform. On the other hand, it was a strategy to adapt the characteristics of labor laws to those of the global standard, after Korea gained the membership into the ILO in 1991 (Ryu and Choi 2000: 171).

Two events were held before the establishment of the LLRC: The official forums for building social consensus, which were held respectively in early 1991 and 1992. Despite extremely vulnerable capacities<sup>112</sup>, these were the first path-breaking steps of the government in dealing with the tasks of labor reform. In concrete, the second event produced the decision to establish the LLRC. President Roh ordered the administrative actors to establish a platform to revise labor laws while creating social consensus (Ryu and Choi 2000: 170, 172). In April 1992 the activities of the LLRC started. It dealt with several basic agendas on the management of the

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<sup>112</sup> The former was named a 'Grand Forum for Social Consensus to achieve Industrial Peace and Economic Revitalization' and took place on 19 March 1991. The latter was named a 'forum for Making Social Consensus on Industrial Relations' and took place on 12 February 1992 (Ryu and Choi 2000: 172).

Committee: the procedure of the discussions and the rule of decision-making (Ryu and Choi 2000: 175).

The LLRC was designed as an advisory board of the MOL and carried a specific purpose to formulate and recommend reform programs in order to help the difficult task of the Ministry. It was comprised of eighteen members - three FKTU staffs, three KEF staffs, eight academic experts, two lawyers and two journalists, with the government excluded from its negotiation process (Ryu and Choi 2000: 175). Two channels were established within it for efficient negotiation. First, the preliminary committee (PC) was established as a special body for substantial and practical deliberation. It was comprised of eight academic experts, most of them were scholars specializing in labor laws, appointed through recommendations of interest associations (Ryu and Choi 2000: 176). Second, the plenary session was a place to make final decisions. Reflecting the strong argument of the FKTU, they adopted a unanimity principle of decision-making (Ryu and Choi 2000: 177).

#### **4.3.2. LLRC (I) (1992-1993)**

The first term of consultation in the LLRC can be divided into two periods, before and after power alternation. After the consultative members were officially appointed and the rules and structure of the LLRC were designed in the initial two meetings, they collected the opinions and suggestions of interest associations and civil society actors regarding the direction of labor reform (Ryu and Choi 2000: 177-179)<sup>113</sup>. In July, the preliminary committee (PC) started reviewing various opinions collected in order to complete reform concepts in a couple of months. They immediately found it impossible to create a final draft within the given time and revised the schedule. Having extended the acting term of the LLRC to the end of the year, the PC convened its meetings almost once a month. Till the end of the Roh government, the PC was unable to create reform concepts. Automatically, the legislation of the new labor laws was postponed to the next year (Ryu and Choi 2000: 179-180), which implicated that the task of consensual labor reform failed to be realized under the Roh Tae Woo government.

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<sup>113</sup> For instance, the FKTU submitted 'Amendment of Labor Related Laws', which had 35 articles; and the KEF submitted 'the Opinions of the Employers Concerning Labor Law Reform' to the LLRC (Ryu and Choi 2000: 179).

The preliminary consultation in the PC continued to the summer of 1993 under the new government. In February 1993, the MOL urged the LLRC to accelerate consultation and to immediately create final recommendations, as it was planning to formulate the draft including sensitive measures on the deregulation of labor markets in the beginning of the new government. By contrast, the social partners requested to lengthen the activity of the LLRC and the members of the LLRC supported it. The MOL was persuaded to postpone formulating the final draft<sup>114</sup> and the consultation continued. In June 1993, the neutral experts of the LLRC - members of the PC - finally produced a preliminary draft comprised of comprehensive concepts (Ryu and Choi 2000: 180-182).

The contents of this resolution were not immediately disclosed to the public.<sup>115</sup> Worried about the radicalization of the labor movement, the government became hesitant to swiftly abolish the legal instruments that had restrained labor movement. In August, the MOL decided to postpone taking the necessary measures till the next year (Ryu and Choi 2000: 181-182). Due to serious labor disputes in the spring and summer of the year,<sup>116</sup> neither the plenary session of the LLRC took place nor approved the social partners the draft. In this way, the first term of the LLRC came to an end without making any resolutions officially recognized, only leaving the unofficial draft made by neutral experts.

The unofficial draft contained significant contents, covering the three main agendas of labor law reform: collective labor relations, workplace cooperation and the institutions of labor markets.<sup>117</sup> Crucial references and realizable scenarios towards harmonization of the two values - union freedom and labor market flexibility - were included in them. In the domain of collective labor relations, especially for the revision of the Trade Union Act, the recommendations were relatively favorable for unions.<sup>118</sup> On the reform of the LMCC Act, they recommended measures to evade the functional overlap between the union and the LMCC and

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<sup>114</sup> Coincidentally, the ILO adopted an advice to the Korean government, demanding to immediately abolish several instruments that had been used to hinder autonomous activities of unions at that time. This led the government to become more serious and cautious in dealing with the issues (HKR/11/Mar/93).

<sup>115</sup> It was open to the public only in December 1994 (Ryu and Choi 2000: 183).

<sup>116</sup> The new labor organization, the Korean Council of Trade Union Representatives (KCTUR), was created in early June 1993 as was the national level alliance of the union leaders (HKR/03/Jun/93). In that summer, main large scale workplaces suffered from serious industrial conflicts organized by the unions belonging to the KCTUR.

<sup>117</sup> On the contents of the recommendation, see (Ryu and Choi 2000: 186-199).

<sup>118</sup> See App4.3.1 for more in detail.

to strengthen the LMCC through expanding the range of deliberation.<sup>119</sup> On the reform of the labor markets, they were relatively more sympathetic to the requirement of business and employers, and partially added some measures to buffer their side-effects on workers, taking the unions' arguments into account.<sup>120</sup>

**Table 8. The Main Issues of the Preliminary Resolutions in the LLRC (June 1993)**

Agendas	Related Act	Main Issues
Collective Labor Relations	Trade Union Act	<ul style="list-style-type: none"> <li>• Multiple unionism</li> <li>• Unions' political engagement</li> <li>• Third party intervention</li> <li>• Administrative regulations on trade unions</li> <li>• Labor disputes in the essential public workplace</li> <li>• Substitutive workforce in the workplaces in strike</li> </ul>
Workplace Cooperation	LMCC Act	<ul style="list-style-type: none"> <li>• Obligatory Establishment of LMCC</li> <li>• Agendas of the LMCC</li> </ul>
Labor Market Institutions	Labor Standard Act	<ul style="list-style-type: none"> <li>• Flexible work-hour</li> <li>• Adjustment of payment system</li> </ul>

Source: Ryu and Choi (2000: 196)

### 4.3.3. LLRC (II) (1994)

#### 4.3.3.1. Consultation and Resolution

In the following year, the debates on the labor law reform became revitalized as the MOL attempted to carry out labor law reform with a stronger willingness.<sup>121</sup> In March 1994, it tried to revive the activity of the LLRC. The PC resumed elaborating the draft they had already formulated in the previous year. However, the government again decided to postpone revising the labor laws, after having observed bitter labor conflicts in the spring and summer (Ryu 2000b: 229). The unions, the opposition parties and the public sphere sharply criticized this decision. The ILO also continued to exert pressure, formulating its third advice on the Korean government to swiftly abolish the legal instruments restraining union freedom. The

<sup>119</sup> See App4.3.2 for more in detail.

<sup>120</sup> See App4.3.3 for more in detail.

<sup>121</sup> This was after the appointment of a new Labor Minister, Nam Jae-Hee, in December 1993.

government had to be especially keen to the regulation of the ILO because it attempted to additionally ratify some of the ILO conventions (KH/17/Apr/94)

In September 1994, the MOL resumed the official procedures to revise labor laws only on a very limited scale. The MOL requested the LLRC to submit the draft on a specific issue, the reform of the Labor Relations Commission (LRC). The issue on the institutional reform of labor disputes mediation was relatively less controversial, and both labor and business wanted to reform the institutions without serious discord (Ryu 2000b: 228). For this purpose, the plenary session of the LLRC took place three times between September and October. After having reviewed the recommendations of the PC, they recognized it as an official recommendation (Ryu and Choi 2000: 184).

In the agreement, several decisions were made on the status and functioning of the LRC. They made the institution independent from administration. enhanced its' status to belong to Prime Minister, and the chairman of the LRC appointed directly by President. The number of public commissars in the institution was to increase and the status of the chairman was to be upgraded to the level of Ministers. They divided the executive office of the LRC into two: the office of arbitration and that of judgments, with an aim to strengthen its specialty (Ryu and Choi 2000: 191-192).

#### **4.3.3.2. Integration Problems**

The small resolution of the LLRC experienced serious limits in terms of political integration. The MOL was partially dissatisfied with the contents and was reluctant to accept the agreement. The Ministry wanted to continuously put the LRC under its capacity and to allow only a small range of revision. Observing this, the interest associations and the civic organizations criticized the government. Then, the MOL again postponed the legislation (HKR/03/Nov/1994). This problem implicates the essential limit of the LLRC as a body belonging to a Ministry, which was entitled to selectively deal with the results of consultation or even neglect some of them as the ultimate decision-maker. It did not expect the LLRC to make a decision that could weaken its own capacity.

Strongly disappointed, the FKTU, in December 1994, directly submitted its request to the parliament with the same contents as the LLRC had resolved (MN/10/Dec/94). However, the

government neither proposed a bill, nor did the parliament take the request into account. As a result, the relatively shallow and small scale consensus made out of the LLRC was not implemented at all (Ryu and Choi 2000: 192).

Without incorporating the alternative labor movement, the LLRC could not attract strong social support (Ryu 2000a: 201). During consultation, the new labor movement camp constantly criticized the indirect and closed practices of the LLRC, considering the consultative platform only an elaborate apparatus to control organized labor as well as a political decoration to slow labor reform or to revise the relevant institutions in favor of business (Ryu 2000a: 222-223). They tried to rather rely on the way of social movement, creating an alliance – the Joint Committee of Trade Unions - after Korea became a member of the ILO. Mobilizing workers to campaign for a swift reform of labor laws and trying to utilize the opportunity to strengthen legitimacy of their protest, they sued the Korean government to the ILO (Ryu 2000a: 158-164). As the governments just attempted to calm down the aggressive mobilization without recognizing them as a substantial actor of the dialogues, they continued to struggle for more rights in various local workplaces and to organize protests, which made the government more hesitant in taking innovative measures.

#### **4.3.4. Decline (1994-1996)**

After the failure of legislation, only the preliminary committee of the LLRC took place twice in December 1994 to review the remaining bills.<sup>122</sup> Then, the substantive activity of the LLRC came to an end without any meetings in the following year. Trying to connect the issues of labor law with the new international trade rule, Blue Round, the MOL decided again to postpone revising labor laws, despite the escalation of social and international pressures towards labor law reform (CS/13/Apr/95; HKR/27/Apr/95).

During the municipal elections in 1995, trade unionists strategically participated in the campaigns even though their political engagement was still banned. Creating the KCTU in the year despite the current institution banning pluralistic unionism, the actors representing new labor movement accelerated political campaigns and violated the labor laws on purpose (Ryu 2000b: 231-232). At the same time, international pressures also increased. Not only the ILO but

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<sup>122</sup> It was respectively on 3 and 19 December 1994 (Ryu 2000b: 178).



also other international organizations criticized the Korean government. For instance, the UN Human Rights Council and the OECD indicated an urgent necessity to reform labor laws.<sup>123</sup>

The attempt to revise labor laws faced a different conjuncture as the government decided in April 1996 to establish a new institution for consultation (IRRC). Then, the MOL made a final request to the LLR in June to submit their entire suggestions. The LLRC confirmed the draft made by the preliminary committee in the last session, which took place on 31 July, without further deliberation and necessary voting procedure, and decided to transmit its final result to the IRRC. In the following month, the draft, which was titled the Proposal for Reforming Labor-Related Laws, was submitted to the MOL (Ryu 2000b: 185-186), with which the life of the LLRC came to an end.

#### **4.3.5. Implications and Effects**

The LLRC was ultimately unsuccessful. It was neither sufficiently powerful nor capable of playing a significant role in playing a substantive role in the process of legislation. No official draft covering the major issues was produced. No significant exchange and compromise was led by the social partners. The sole product, the resolution on the small agenda, was not implemented due to the negligence of the government. It was a failed project to construct a concertative institution.

Three fundamental factors decisively restrained its functioning and integration. First, the involvement of the social actors was too shallow. Through the corporatist channel, they just delivered their opinions to the state on the revision of the laws. Neither the power of the social partners nor their mutual recognition was sufficiently high as to produce new concepts on the grand agendas of reform through their negotiation. They maintained different opinions and attitudes on the reform while still mistrusting each other.

Second, the status of the LLRC was too low. It was just an advisory board for a Ministry, which had its' own interest in the institutional environment of policy-making. It was ultimately dependent on the Minister as to how to deal with the resolution of the negotiation in the LLRC,

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<sup>123</sup> On 10 November 1995, the Human Right Watch Asia reported that Korea should revise labor laws before it became a member of the OECD (CA/11/Nov/95).

as the experiences in late 1994 (LLRC II) showed. Although the PC was considered as a platform to make a political exchange, only indirect and closed consultations took place in it, which weakened the legitimacy and power of the LLRC.

Third, the exclusion of the actors representing the alternative labor movement also weakened the legitimacy of the LLRC. On the one hand, it was attributed to the late creation of their national confederation. On the other hand, the governments were not willing to recognize them as a negotiating partner. Even after the NCUL was created in June 1993, it was still illegal and excluded out of the consultation. Accordingly, the LLRC was to be seriously criticized and blamed, being considered as another apparatus for labor control by the new actors of labor movement.

Despite the frustration, it was not entirely meaningless. The activity of the LLRC was the first attempt after democratization to revise labor laws in a consensual way. For the first time, the colliding opinions of various social actors, mainly the peak associations of labor and business, were collected; and neutral actors created a recommendation to harmonize them without the intervention of the state. In comparison to the previous time under the authoritarian regime, when the state unilaterally initiated the adoption and revision of labor laws, this was a meaningful experiment towards '*Verhandlungsdemokratie*' (Czdaa 2003).

Later, the formative interactions in the LLRC became precious learning resources, which made it another cornerstone for the institutionalization of social dialogue and transformation of the industrial relations in Korea. It was a pioneering step towards constructing more advanced institutions with similar purposes in the following years ie. the IRRC and the KTC. The results of the negotiations in the LLRC came to be resources and references, particularly in the drafting of the PC, for the following negotiations in the advanced channels of corporatism.

#### **4.4. Industrial Relations Reform Commission (IRRC)**

Finally, this section deals with the most advanced experiments at corporatist policy-making in Korea before the first substantial power alternation in 1997. After the failure of labor law reform for almost a decade, the Kim Young Sam government ambitiously launched a new and expanded platform for social consultation in April 1996, namely Industrial Relations Reform

Commission (IRRC). This corporatist channel was designed to function for two years, till the end of the administration, carrying a mission to innovatively reshape industrial relations and labor markets in a consensual way. The activities of the IRRC had two terms. In the first term, they attempted to make large scale consensus for half a year (IRRC I), which came to an end only with partial success. In the second term, the successive consultation created additional agreements on a small scale (IRRC II). The former was far more decisive and active than the latter, and contributed to reforming labor laws in March 1997. Nonetheless, serious problems of integration were accompanied by the consultation and resolution.

#### 4.4.1. Formation

The government initiated its attempt in April 1996 to launch a new consultative platform for labor laws and industrial relations practices. This was a signal of the willingness of the government to build a broad social consensus and to accomplish the urgent task of reforming labor laws within the administrative period. From the beginning, it tried to strengthen the political legitimacy of the new initiative (Ryu 2000a: 266; Ryu 1999: 124). President Kim held a conference, inviting hundreds of leaders of labor movement, business and management, civil society, scholars, politicians and bureaucrats to the Blue House. Here, he announced the 'New Industrial Relations Concept'<sup>124</sup>, promising to immediately launch the new consultative body (YH/16/Apr/98). This was swiftly realized in early May, as the government proclaimed the Presidential Decree to establish the IRRC and appointed the chairman of the IRRC (YH/06/May/98).<sup>125</sup> Its activity officially started on 9 May 1996 (YH/09/May/96).

The most important clue was the participation of the KCTU. Unofficially communicating with the new confederation, the government invited it to the IRRC despite its illegal status. After having conducted serious internal debates<sup>126</sup>, the leadership of the KCTU decided to join the

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<sup>124</sup> Under this concept, five principles were emphasized: (i) maximization of common goods, (ii) participation and cooperation, (iii) autonomy and responsibility, (iv) training and education with the respect for human resource, and (v) globalization of institutions and consciousness (Lee 1997b: 33, 164-166)

<sup>125</sup> Hyun Seung Jong.

<sup>126</sup> Being a partner of the state for policy-negotiation had ambivalent implications for the new union. On the one hand, it could make a contribution to enhance its political and representative capacity. On the

IRRC<sup>127</sup>. While the comprehensive rights of trade unions were being restrained, the new confederation may have been extraordinarily interested in being recognized as an institutional actor representing workers. The invitation and participation had a symbolic meaning as a kind of political exchange. On the one hand, the KCTU became *de facto* recognized as the second confederation of trade unions and a negotiation partner of the government. On the other hand, its participation was a signal to maintain social peace in the process of labor law reform (Ryu 1999: 121-122).

As an advisory board for the president, the IRRC had stronger capacity and higher status than the LLRC, which was only a consultative body belonging to the Ministry of Labor (MOL). Thirty commissioners were nominated: five union leaders (three FKTU; and two KCTU), five business leaders (KEF and FKI), ten public interest commissioners mainly from civic associations, and ten academic experts in the fields of labor economy, labor law and industrial relations. In addition, twenty 'expert commissioners', who had significant experiences and knowledge in the fields (YH/15/May/98), and four 'advisory- and special commissioners', who were allowed to intervene in the process of consultation regarding specific issues, were appointed (Lee 1997b: 33-35).

In fact, the IRRC was neither a tripartite nor a bipartite institution in terms of participants,<sup>128</sup> if we pay attention to two impressive aspects of the participations. First, the government agencies were officially excluded from the concrete rounds of concertation. Although the MOL was responsible for the operation of the IRRC only as the main host and supporter for consultation, it was not a negotiation party in the process of consultation. Second, the number of neutral actors overwhelmed that of social partners, whose representatives covered only one third of all of the participants.

Three departments were established within the IRRC. Each was specialized in different agendas: (i) consciousness and practice, (ii) law and institution, and (iii) public sector and labor administration. Commissioners were appointed in each department together with experts. Within each department, sub-committees were established to enhance the efficiency of

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other hand, it had to take care of the responses of their members, who were sensitive to and proud of autonomy and independence their organization had (Ryu 1999: 127).

<sup>127</sup> The first leadership of the KCTU led by Kwon Young Gil, who was the leader of the Journalists Union, had relatively moderate and rational characteristics. It was more oriented to negotiation and dialogue than other radical groups in the confederation (Ryu 1999: 128).

<sup>128</sup> In this aspect, the IRRC was similar to the LLRC. Only the former had a larger number of participations than the latter.

consultation (Ryu 2000a: 129). Later, the ‘sub-committee for guideline’ was additionally created and played a significant role in supporting consultation<sup>129</sup>. Having accepted the strong argument of the unions, they adopted the rule of unanimous vote as the principle of decision-making (Ryu 2000a: 130-131).

#### **4.4.2. IRRC (I): Concertations in 1996**

This part analyzes the process of concertation in the IRRC from May to November 1996. In July, they created a grand principle of labor reform, which was the first comprehensive consensus that the social partners made. In October, they officially adopted a draft, which came to be an important part of the final draft. The concertation accompanied integration problems as well. Coordination with administrative actors was not sufficient and the KCTU did not agree to sign the drafts. Most decisively, they failed to create consensus on the most critical issues of labor law reform.

##### **4.4.2.1. Creation of the Principle**

At the initial stage, a number of meetings and activities were held in various forms. such as, subcommittees’ meetings, experts’ workshops, public hearings and experts’ conversations (Lee 1997b: 35-38; Ryu 1999: 134-135). All of these activities were oriented to enhance social support to and political legitimacy of the IRRC.

In two months, they managed to produce the common principles as a result of the initial endeavors. It was on 15 July that the ‘Basic Principles of the Reform’ was announced (YH/15/Jul/96a). This was the first official consensus produced by social partners including the new labor movement camp after the beginning of democratization in 1987. It was a meaningful cornerstone at the starting point of the hard voyage towards innovative consultation (Lee 1997b: 40).

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<sup>129</sup> In addition, the ‘management commission’ was created, which was comprised of ten commissioners including the highest staffs of the IRRC. They were standing commissioners to coordinate and adjust the agendas of consultation. The executive office was also created, which was comprised of less than twenty-five public servants, who were dispatched from the MOL to support the administrative service (Ryu 2000a: 129).

The Basic Principles were comprised of two parts: (i) basic direction of labor law reform, and (ii) main direction of each reform agenda. In the first part, the unions agreed to accept the logics of competitiveness and efficiency; the employers decided to follow international norms regarding protection and rights of workers; and the government promised to rearrange and rationalize administrative institutions with regard to industrial relations.<sup>130</sup> In the second part, they set three main themes of consultation: ‘quality of working life’, ‘collective labor relations’, and ‘role of government’. Each theme contained concrete policy-issues (YH/15/Jul/96b; Lee 1997b: 38-40).

**Table 9. Basic Principles of the Concertations in the IRRC I (July 1996)**

Agendas	Issues
Quality of Working Life	<ul style="list-style-type: none"> <li>• Readjustment of legal work hours</li> <li>• Diversification of employment forms together with faithful consideration on job security</li> <li>• Rational reform of wage system</li> </ul>
Collective Labor Relations	<ul style="list-style-type: none"> <li>• Assurance of union independence</li> <li>• Construction of autonomous and effective practices of collective bargaining</li> <li>• Establishment of conflicts-articulating institutions towards peaceful negotiations and fair application of legal instruments</li> <li>• Functional strengthening of the Labor-Management Cooperation Council (LMCC) and expansion of workers’ participation in it</li> </ul>
Role of Government	<ul style="list-style-type: none"> <li>• Rational rearrangement of industrial relations in the public sector</li> <li>• Strengthening of administrative supports for the realization of cooperative industrial relations</li> </ul>

Source: Lee (1997b: 173-176)

#### 4.4.2.2. Administrative Discord

In the initial period, there occurred an episode that shows the limited capacity of the IRRC as a central platform for policy-making. Different from the rhetoric of the government, the recognition of the administrative actors on the new concertative body was not so high,

<sup>130</sup> See App4.4.1 for more in detail.

because economic technocrats, whose opinions, prescriptions and policies were different from those of the MOL and the trade unions, were still the leading actor of policy-making and were not bound to the IRRC.

The episode started with an announcement by the Minister of Finance and Economy (MOFE)<sup>131</sup> on 2 July 1996. Presenting the master-plan of economic policy, which his Ministry had formulated for the second half of the year, he revealed the willingness of the MOFE to take innovative measures to deregulate and flexibilize labor markets: such as layoffs, flexible work-hours and transfer of workers. According to him, the government would try to make this opinion reflected in the negotiation rounds of the IRRC (YH/02/Jul/96).

This provoked the participants in the IRRC, especially trade unions, because it clearly revealed the political preference of the powerful economic bureaucrats concerning the critical issue of labor markets reform, which was very close to the position of business. Immediately it brought about harsh critics of trade unions, which were still in doubt of the willingness of the government to carry out substantial reform (YH/03/Jul/96a). Accordingly, the atmosphere in the IRRC deteriorated and the Commission fell into subtle tension. Even the high staffs of the IRRC criticized the Minister.<sup>132</sup> Soon, the IRRC officially declared that the statement of the Minister was procedurally wrong; and the IRRC would not be restrained by the opinion of the MOFE (Ryu 1999: 143).

#### 4.4.2.3. Intensification of Concertation

After having settled the basic principles, they tried to actively collect advice and ideas from various parties on how to change the labor laws in question. For this purpose, they organized open panels several times to set concrete agendas based on the ideas collected.<sup>133</sup> At each session, interest groups and experts expressed their own opinions on the selected issues covering industrial relations and labor markets (Ryu 1999: 146-147). In this way, the IRRC tried to reveal the consultative process, to keep it transparent, which was different from previous attempts.

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<sup>131</sup> Ra Woong Bae, who was also the Deputy Prime Minister.

<sup>132</sup> The chairman of the IRRC considered the statement “an abuse of confidence”. He criticized the attitude of the powerful economic bureaucrats, who unilaterally announced their position dispense with any coordination neither with other Ministries nor with the IRRC (YH/03/Jul/96b).

<sup>133</sup> It started on 16 July and continued for a month, taking place six times.

In mid August, the ‘subcommittee for guideline’ was established in the IRRC and nine commissioners were appointed with an aim to make the process of negotiation more efficient (YH/14/Aug/96). At the beginning, all of the sub-committee members participated in the meetings. Then, they decided to make five public commissioners in the sub-committee produce their common concepts for reform, with the representatives of the four interest groups excluded. In late August, the five experts intensively engaged in negotiation. They finished formulating their common recommendation on 3 September. About 150 critical issues were formulated as recommendations for further deliberation in the higher channels of the IRRC (Lee 1997b: 41-42; Ryu 1999: 150-151).

After having examined those, the subcommittee finally created a proposal on 19 September, which was comprised of about 110 reform items. The most sensitive forty issues, which had caused severe conflicts between labor and management, were left in discord (YH/19/Sep/96a/b; Lee 1997b: 42; Ryu 1999: 153). Observing the difficulties to make an ultimate consensus between the social partners, the public commissioners tried to make a final decision by voting, which was not realized (Lee 1997b: 43).

**Table 10. Main Issues for the Concertations in the IRRC: Suggestions of the Social Partners in the Open Panels**

Category of the Agendas	Critical Issues
Industrial Relations	(i) pluralist union system (ii) political engagement of unions (iii) the third party’s intervention in labor disputes (iv) industrial relations in the public sector (v) labor disputes in the essential public workplaces (vi) protection of women and atypical workers (vii) mechanisms for articulation of labor disputes (conditions of waging a strike and substitution of workers during strike etc.) (viii) collective bargaining institutions (ix) Labor Commission reform (x) labor-management cooperation
Labor Markets	(i) flexible work hours (ii) legal work hours (reduction to 40 hours per week) (iii) holidays- and leaves-system (iv) lay-off (v) wage- and retirement compensation system

Source: Ryu (1999: 146)



#### **4.4.2.4. Retreat of the KCTU**

Most of all, the KCTU was severely provoked. Totally dissatisfied with the attitude of the subcommittee and public commissioners, the leader of the KCTU decided on 1 October to withdraw from the IRRC. They criticized some parts of the recommendations of the subcommittee and declared to not accept them (Lee 1997b: 43). This decision of the KCTU was derived from the failure of internal coordination between radical groups and the relatively moderate leadership. The latter was not capable of persuading the former, while the staffs of the IRRC were forcing it to accept the recommendations made by the public commissioners (Ryu 1999: 154-155).

While the KCTU was away from the IRRC, the remaining actors continued to review the preliminary resolutions. The eight commissioners in the subcommittee managed to additionally reach consensus on nine issues despite the failure of recognition in the plenary session (Lee 1997b: 43). However, the absence of the KCTU restrained the consultation. It was burdensome for the remaining actors to make a final decision without the KCTU, because the exclusion of the most critical party could seriously weaken the innovative implication of the IRRC. Therefore, they did not immediately recognize the second recommendation of the subcommittee, repeatedly postponing the final resolution and continuously requesting the KCTU to return to the IRRC till late October (Lee 1997b: 43; Ryu 1999: 155).

#### **4.4.2.5. Creation of the Draft and the End of the Concertation**

In late October, the subcommittee formulated its third draft, which was confirmed as the first official consensus of the IRRC although it had partial consensus on the concrete measures. It covered 107 reform issues among the 148 to be dealt with (YH/25/Oct/96) (Lee 1997b: 43,45; Ryu 1999: 155-156). Even though the heavily controversial issues still remained unresolved and the KCTU severely criticized it, this first draft had significant implication. It was the first time that the colliding interest groups and the public interest representatives accomplished consensus on how to change the institutions of labor markets and industrial relations.

This resolution provoked the KCTU again, because the FKTU made a slight concession in it. The KCTU found it a better choice to return to the IRRC to hinder further concession the FKTU could make. On 1 November, the confederation returned to the IRRC (Ryu 1999: 156-157).

Thereafter, they endeavored to make an ultimate consensus on the remaining agendas till early November. Nevertheless, the final consultation failed to produce innovative results. Only the public commissioners made their own recommendations on the agendas left in discord (Lee 1997b: 45; Ryu 1999: 157-162). On 12 November, they finally created the official draft of the IRRC, based on the consensus (the first draft) made in late October. Then, it was submitted to the President, with the recommendations of the public commissioners on the remaining issues attached (YH/12/Nov/96). This was the end of the IRRC I.

### **4.4.3. Resolutions**

#### **4.4.3.1. The First Draft**

The first draft was the most decisive resolution of the IRRC, although the KCTU did not sign it up. In the partial consensus, the agendas set in the Basic Principles as the main tasks of reform were included. This consensus was a realization of various political goals: such as expansion of self-administrative capacities of labor and business, rationalization of industrial conflicts, vitalization of the labor markets; enhancement of the fairness, neutrality and specialty of the administrative service for labor issues, and strengthening of democracy and autonomy in the industrial relations system (Lee, 1997: 46).

The draft covered various agendas regulating the actors and institutions of industrial relations: especially, union freedom, collective bargaining, labor disputes, labor markets, and labor administration.<sup>134</sup> Its contents covered mainly six agendas. First, they agreed to expand the autonomy of labor unions by deregulating and simplifying the legal arrangements on the establishment and administration of trade unions.<sup>135</sup> Second, they concluded to strengthen the bases of autonomous collective bargaining: representatively, the rights for collective bargaining and agreement were decided to be stipulated together with the obligation of faithful bargaining between labor and management. Third, they decided to rationalize the

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<sup>134</sup> The categories and contents of the first draft were similar to those dealt with in the 'preliminary committee' of the LLRC.

<sup>135</sup> These were the realization of the decade-long requirements of the Korean labor movement, which had struggled to achieve more liberal conditions. These had a further implication to bestow the basic rights upon workers to freely organize themselves as an independent actor of the industrial relations and national politics. See App4.4.2 for more in detail.

institutions on labor disputes and arbitration,<sup>136</sup> which had been used to control labor movement. Fourth, they agreed to take measures to deregulate and vitalize the labor markets, taking the requirements of the organized business into account.<sup>137</sup> Fifth, they decided to rationally re-arrange the administrative system on labor-related issues.<sup>138</sup> Finally, they concluded to readjust the legal system and to revise the terminologies on trade unions and disputes<sup>139</sup> (Lee,1997: 52-56).

#### 4.4.3.2. Recommendation of the Public Commissioners

Despite the achievements, the issues that remained unresolved to the end of the concertation had a more decisive implication in the institutional reform of industrial relations and labor markets. In concrete, they covered three policy domains: trade union rights, labor disputes institutions, and labor market institutions. In the domain of trade union rights, the most critical issues remained still in discord, such as multiple-unionism, prohibition of the third party intervention into labor disputes, union membership of the jobless, organizational freedom of public servants and teachers, payment for fulltime union officers and so on. In the domain of labor disputes institutions, they failed to make a consensus on how to build new instruments regarding the control of unfair labor management; regulations of substitutive workforces in the workplaces in strikes; regulations of the public interest workplaces, for which authoritative arbitration can be applied. In the domain of labor markets, they could not reach consensus on such grave issues as lay-off rules, flexibilization of work-hour, paid mandatory leaves (in a month and in a year), payment for work-pause, system of retirement payment, and regulations of dispatched workers and so on (Lee 1997b: 57-58).

On these agendas, the public commissioners made recommendations, conceptualizing alternative reform policies, which the social partners did not directly recognize,<sup>140</sup> and expecting

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<sup>136</sup> See App4.4.3 for more in detail.

<sup>137</sup> See App4.4.4 for more in detail.

<sup>138</sup> See App4.4.5 for more in detail.

<sup>139</sup> See App4.4.6 for more in detail.

<sup>140</sup> In terms of the neutral actors' positions on the critical agendas, the final recommendation was different from the draft made by the five public commissioners in the subcommittee for guidelines during consultation in August. In the latter, it was just an arrangement of the conflicting issues with an aim to support consultation. The sensitive issues were formulated with two alternative suggestions and the public commissioners did not express their opinions. The final recommendation of the neutral actors

that the President could make it a reference in dealing with those critical agendas for the final decision (Ryu 2000a: 288-289) In the recommendation, they emphasized international standards and suggested postponing the legislation of several sensitive issues for the next year. Those that were inclined to side with the interest of labor in the agendas of collective industrial relations (trade union law and labor disputes law) and with that of business in the agendas of individual industrial relations (labor standard law) (Ryu 2000a: 292).<sup>141</sup>

#### **4.4.4. Integration Problems after the Concertation**

The IRRC faced integration problems more seriously after the consultation was over. Some decisive contents of the final recommendations – both the agreements of the social partners and the recommendations of public commissioners – were not accepted by political actors. Without any legislative and jurisdictional regulations on their implementation, the resolutions made out of the corporatist body could not be properly implemented. This part analyses and introduces these stories, which occurred between November 1996 and March 1997.

##### **4.4.4.1. Administrative Discord**

For a month after the end of the consultation in early November, the administration - the Blue House and the relevant Ministries - formulated the final draft of the necessary bill. For this purpose, they established a new body, Committee for Promoting Labor Law Reform, in which all of the relevant Ministers took part (YH/10/Nov/96). In this special and temporary body, the administrative actors reviewed and revised the conclusions and recommendations of the IRRC and further examined the issues that had not been agreed on in the IRRC (Ryu 1999: 166-167)

In this process, the Ministry of Labor (MOL) and the economic bureaucrats fell into a slight conflict (YH/11/Nov/96). On 20 November, the MOL, as the concerned party responsible for labor laws, presented its concept, having broadly and faithfully accepted the recommendations

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in November was an alternative proposal having collected and coordinated the opinions of the neutral experts.

<sup>141</sup> This recommendation had significant similarity with the draft made by the preliminary committee in the LLRC, which was resolved in June 1993. This is not surprising because the public commissioners of the IRRC and the LLRC largely overlapped.

of the IRRC. Inclined to respect for the interest of organized labor, the Ministry tried to defend its concepts, emphasizing the logic of international standards (Ryu 1999: 167). By contrast, the economic bureaucrats refused to accept some innovative products of the IRRC, in particular, those relatively favorable for labor. Emphasizing the logics of competitiveness and efficiency, they argued that reform should be more favorable for business and the economy (Ryu 1999: 167). Ultimately, the MOL could not overcome its relatively inferior status and failed to effectively defend its ideas against the other actors - fourteen departments in the Committee (Ryu 1999: 166-167). On 3 December, the Prime Minister recognized the ultimate result of deliberation among the Ministries (YH/03/Dec/96; YH/10/Dec/96).

The bill was proposed to the parliament. Although the draft reflected the official recommendation of the IRRC in large part, some sensitive measures were arbitrarily revised. Most of all, the revised part was relatively less favorable for workers and unions than the recommendations of the IRRC.<sup>142</sup> For instance, the regulation banning third-party-intervention in labor relations was decided to be abolished, and the political commitment of unions was to be allowed only under some preconditions. In the draft, the range of workplaces, where the enforced arbitration rule should be applied, was more broadly defined. Substitutive workers were also allowed to be employed in workplaces, where normal workers were waging a strike, more generously than in the recommendation of the IRRC (Ryu 1999: 170-171).

The social partners turned to the other channels of interest representation - such as lobbying and social movement - after the consultation in the IRRC ended without satisfactory results. During and after, the administrative actors set up the reform concept in November and December 1996, the trade unions and business associations critically saw the contents of the governmental draft. The business and employers associations tried to persuade them directly and indirectly. The trade unions organized campaigns and rallies, planning massive protests in case the government would carry out business favorable reforms (Ryu 2000a: 306).

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<sup>142</sup> In fact, some measures, which business had desperately tried to hinder, were inserted in the draft as well. For instance, it immediately allowed the multiple union system (out of the company level) and maintained the current system of monthly and yearly mandatory leaves (only limiting the total days of leaves in a year), different from the recommendation of the IRRC, which did not set any preconditions for them (Ryu 2000a: 300-302).

#### 4.4.4.2. Turbulent Process of Legislation

The products of consultation in the IRRC were again ignored in the process of parliamentary deliberation. At that time, the ruling party, NKP, was desperately trying to immediately complete the legislation procedure. It was very reluctant to postpone the reform, being keen to the next presidential election due to be held at the end of the next year (Ryu 2000a: 307-309; Ryu 1999: 117). By contrast, the opposition parties - NCNP and ULD - did not agree to the reform concept of the government and ruling party. They required immediate and intensive deliberations on the problematic reform packages, arguing not to postpone the legislation of the new labor laws to the next session of the National Assembly in the next year (Ryu 2000a: 308; Ryu 1999: 172-173).

While political tension was escalating, the NKP formulated the final draft of reform concepts, reflecting the proposal of the administrative actors, which were mostly favorable for business. In some parts, it was even closer to the requirements of business. For instance, it decided to postpone adopting the system of multiple unions in three years<sup>143</sup>, whereas the administrative actors proposed to immediately and unconditionally carry out the reform at least at the company level (Ryu 1999: 177). In late December, the NKP even ignored the procedural order of legislation and enforced the reform in a distorted way.<sup>144</sup> Immediately, unions and civil society organizations desperately protested against it, expressing rage over the inappropriate treatment of the sensitive reform agendas and the illegitimate procedure of decision-making.<sup>145</sup>

In January 1997, the NKP and the government changed their attitude and decided to respond to the massive mobilization of workers and citizens (YH/20/Jan/97). Parliamentary deliberation resumed, as the leaders of the NKP and NCNP decided to renew the procedure of legislation (Ryu 1999: 178). The two oppositions – NCNP and ULD – formulated their common concept,

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<sup>143</sup> This was especially problematic because the postponement implicated that the KCTU could not be legalized and recognized as the second national center for the next three years.

<sup>144</sup> On 26 December, the representatives of the ruling party unexpectedly convened the general session of the parliament in an extremely early morning - 4:00 a.m. - without any notice to the opposition parties; and passed the bills with numerous sensitive issues including the reform agendas of the labor laws (Ryu 1999: 174).

<sup>145</sup> This strike was the biggest and the most systemic protest of trade unions in Korea since the 1950s. Although the voluntary revolt of workers in 1987, which lasted a couple of months, was great as well, it occurred without an organizational center at the national level and remained a voluntary protest of workers. The general strike in 1996 was a result of the gradual strengthening of the unions' organizational power during the last decade. As a good analysis on this, see (Kim 1998).

taking a position relatively favorable for organized labor. The ruling party accepted it in the most part after slight conflicts (Ryu 1999: 180-181). Finally, the political parties reached consensus (YH/08/Mar/97). The new labor laws were passed in the parliament in March 1997 (YH/10/Mar/97). Its content was closer to the final proposal of the IRRRC than the draft of the government and the arbitrarily enacted version from late December (Ryu 2000a: 326-327). Despite the political turmoil, the concertation in the IRRRC did not completely lose its meaning in this way.

Meanwhile, the unions were still dissatisfied with the results (Ryu 1999: 185). Nonetheless, they had no other means to directly intervene in the parliamentary debates without strong ties to any political parties. Furthermore, the serious symptoms of economic crisis appeared at that time. For instance, the Hanbo group, one of the ten large conglomerates in Korea, suddenly went bankrupt, which had a significant implication not only on the national economy but also on national politics. In this situation, workers started to pay more attention to job security, which made them less sensitive to the national agendas of labor law reform.

#### **4.4.5. IRRRC II (1997)**

After the labor law reform in March 1997, negotiations continued within the frame of the IRRRC till the end of the Kim Young Sam government (IRRC II). From April 1997 to February 1998, they continuously dealt with the crucial agendas of institutional reform, as had been planned at the beginning of the IRRRC, and the two union confederations were continuously involved in the negotiation rounds. The participants in the successive consultations created fifteen agreements, although they failed to create consensus on the most critical agendas. The agreements were not directly implemented due to the serious economic crisis and the alternation of political power; but most of them were absorbed in the Grand Social Pacts the next year.

The IRRRC II was not oriented to manage the rising economic crisis at that time but functioned only as a loosely organized consultative body dealing with the long-term issues of institutional reform in the domains of industrial relations, employment and social insurances. Therefore, it cannot be considered as a significantly expanded form of experimental corporatism that dealt with the decisive agendas in a given situation. Rather, it was a preliminary phase for the

expansion of corporatism in the next government. This part briefly introduces the consultations and agreements in the IRRC II.

#### 4.4.5.1. Restructuring and Consultation

The structure of consultation changed. Three departments were newly established in the IRRC II, each of which was specialized in the three agendas: industrial relations, workers welfare, and employment and manpower. Respectively, three subcommittees were created within the department.

**Table 11. The Sub-departments of the IRRC II (1997)**

Department	Subcommittees
Industrial Relations	<ul style="list-style-type: none"> <li>▪ New Culture of Labor Relations</li> <li>▪ Enforcement of Labor Education</li> <li>▪ Public Sector Labor Relations</li> </ul>
Workers Welfare	<ul style="list-style-type: none"> <li>▪ Earned Income Tax System</li> <li>▪ Social Insurance System</li> <li>▪ Work Standards</li> </ul>
Employment and Human Resource	<ul style="list-style-type: none"> <li>▪ Job Security</li> <li>▪ Occupational Competency Development</li> <li>▪ Protective Measures for Female Workers</li> </ul>

Source: Ryu (2000a: 339)

The first department dealt with the agendas of industrial relations, such as, strengthening new cooperative culture in the workplaces, enforcing labor education, and developing labor relations in the public sector. The second one was specialized in the agendas of social insurance reform, such as, the issues related to the reform of the earned income tax, social insurance institutions, and work standards. The third one dealt with the agendas of labor markets reform, such as job security, occupational competence, and protective measures for female workers (Ryu 2000a: 338-339).<sup>146</sup> With this structural reform, consultative agendas were

<sup>146</sup> Later, this way of consultation became consolidated in the Tripartite Commission under the center-left government. The vertical and horizontal structure of consultation and small-scale agreements became usual practices in the next rounds.



expanded from basic labor rights to institutions and policies of labor markets and social insurances.

Between June and December 1997, six plenary sessions took place in the IRRC II, which were supported by numerous sessions in the lower levels of negotiation. During consultation, the participants did not seek relatively large-scale political exchange but elaborately dealt with small scale agendas in the policy-fields, where the long-term tasks of institutional reform were crucial. Although the consultation did not attract strong attention in the public sphere, which lessened the decisiveness of the IRRC II in comparison to the IRRC I (Ryu 2000a: 338-341), the political recognition of the Commission and social support to it were not trivial, since the Ministry of Labor joined and supported the negotiation rounds and the KCTU started signing up agreements for the first time. It worked until the final meeting, which took place in December 1997, being temporarily organized in the wake of economic crisis to deal with some critical agendas.<sup>147</sup>

As a result of the half-year activities, they managed to conclude fifteen agreements in the IRRC II; but failed again to create grand compromises for the sensitive issues regarding a new system of industrial relations, such as, a pluralist system of labor unions and wage bargaining and making an ultimate consensus on the two decisive issues of reforming the labor markets: reform of the retirement pay<sup>148</sup> and regulations of dispatched workers<sup>149</sup>.

#### **4.4.5.2. Resolutions and Implementation**

The fifteen small agreements can be divided into three parts according to the agendas. First, the five agreements on the reform of industrial relations were respectively on the principles of collective bargaining, strengthening education of industrial relations, activation of the labor

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<sup>147</sup> Officially, the IRRC II came to an end in February 1998 (Ryu 2000a: 341).

<sup>148</sup> This was derived from the decision of the Constitutional Court at that time, which ordered to that be revised the rules that obliged employers to pay off the retirement pay of employees earlier than any other debts in case a company went bankrupt. Only the public commissioners presented concrete suggestions on the urgent repayment period of the retirement pay (3 years); and on the programs to supplement the retirement pay system, such as wage assurance funds and corporate pension programs (IRRC 1998: 381-388).

<sup>149</sup> Based on the conclusion among the public commissioners, they formulated recommendations and submitted them to the government. They recommended establishing an 'act on the protection of dispatched employees' and to gradually expand the system through sufficient negotiations with labor unions as an efficient means to cope with the crisis of the labor market during the serious economic recession (IRRC 1998: 427-428).

management cooperation council (LMCC), mediation and arbitration of labor disputes by private actors, and a public servants' union.<sup>150</sup>

Second, the agreements on the reform of labor markets covered two main agendas, employment policies and regulation of compensation. Five agreements were concluded on the principles of programs for job security, activation of vocational training and a job mediation system, expansion of female employment and child caring service, unification of the divided wage systems, and the reform of the working-hour and holiday-leave system.<sup>151</sup>

Third, they added five agreements on the reform of social insurance programs: such as special deduction in the earned income tax, rules of the national pension plan, reform of social insurance systems (unification and participation), application of the Work Standard Act to small companies (less than four workers), and reform of occupational disaster insurance.<sup>152</sup>

Due to the economic crisis and political change in late 1997, the agreements disappeared in the arena of political debates. As they were not immediately implemented, the consultation in the IRRC II could not have direct a decisive implication on reform policies. Nevertheless, the resolutions were influential in the next rounds of consultation and deliberation. They became substantial bases for the conclusion of the Grand Social Pacts concluded in February 1998, which included major sections of the resolutions produced in the IRRC II.

#### **4.4.6. Implications and Effects**

##### **4.4.6.1. Chances and Achievements**

The IRRC was a “junction point” (Lehmbruch 1984) where crucial social actors relevant to the policy domains officially met and exchanged their different opinions on the direction of the reform. It was a temporarily designed and semi-institutionalized platform for social dialogue, which was strategically devised by the government to efficiently cope with the tasks of dual transformation in the policy-domains of industrial relations and labor markets.

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<sup>150</sup> See App4.4.7 for more in detail.

<sup>151</sup> See App4.4.8 for more in detail.

<sup>152</sup> See App4.4.9 for more in detail.

The IRRC was the culmination of experimental corporatism under the conservative government in Korea (1988-1997) as well as a decisive cornerstone for the expansion of consensual politics in the next government. In the aspect of formation, it had a far wider scale, a more elaborate structure and a higher status than any other functionally equivalent arrangement beforehand. The IRRC was distinguished from its predecessors due to two decisive factors: the participation of the KCTU in it and the enhanced status of it as an advisory board directly for President. With the participation of the KCTU, the dominant practices of experimental corporatism led by the old social partners – FKTU and KEF – started to disappear.

In the aspect of integration, the IRRC achieved some advancement. It tried to collect various opinions and to disclose concertative process to the public more transparently than before. In the whole process, the direct negotiations between the social partners became far more dominant than in the LLRC. All of these procedural innovations were driven from the learning of actors having experienced legitimate deficits or the failure of coordination in the previous attempts.

In the aspect of influences and effects, the IRRC made a contribution to replacing the outdated institutions inherited from the authoritarian regime by the new institutions appropriate to international standards. Even though a large scale social pact was not officially created and the policy-making process after the concertations fell into serious political turmoil, the influences of the IRRC are not trivial. The interactions of the tripartite actors in the field of national politics had a very strong resonance. The first draft created in October 1996 had a special meaning because it was the first social consensus made between the peak associations of labor and business to comprehensively reform the outdated system of industrial relations. In large part, they were included in the final version of the new laws enacted in March 1997. The agreements in the IRRC II were also absorbed in the next rounds of concertations and pact-making in reshaping the institutions of industrial relations, labor markets and social insurances, although they were not immediately implemented.

#### **4.4.6.2. Limits and Failure**

Despite its innovative figures, the IRRC was limited in various aspects. First of all, its participants and status were still problematic. It was not initiated by a voluntary engagement of social partners but established by the state within the governmental capacity. Nonetheless,

the state was absent in the real process of concertation. The fact that the state did not directly take part in the concertative process was problematic. Although social concertations could be vitalized without state intervention, the concertative platform could not have substantive power because the government was not bound to the process. Therefore, the problem of the LLRC was not essentially overcome in the IRRC despite the enhancement of institutional status. Later, the administrative actors were able to behave unbound to the results of the concertations in dealing with the products of the IRRC, which politically marginalized the temporary platform.

Instead of administrative actors, a large number of public commissioners and academic experts were appointed. They were not directly related to the state but were considered to represent public interest. They covered two thirds of the participants and their overwhelming proportion restrained the behaviors of the social partners within the IRRC. It is not an exaggeration that the public commissioners led the entire processes of concertation. They consistently forced the social partners to accept their recommendations, which accordingly weakened autonomous and voluntary interactions and co-deliberations between the social partners and was ultimately unsuccessful to create comprehensive compromise between the social partners. Although its status was enhanced to advisory board for the President, the IRRC was still defined as a body to support for the administrative actors. Influenced by the dominant practices inherited from the authoritarian regime, under which amendment or enactment of certain laws had been overwhelmingly considered to be the tasks of administrative actors, the IRRC could not replace their power and capacity. Furthermore, the Ministry of Labor was responsible for the institutional management of the IRRC. Although the MOL was relatively more sympathetic to the concertative platform, other administrative actors, which were even more powerful than the MOL, were neither directly nor indirectly bound to it.<sup>153</sup>

The lack of resources of actors was another limit. Most of all, it was unique that the KCTU, which had been launched only in November 1995 half-a-year before the creation of the IRRC, was invited to the concertative rounds, which dealt with critical issues of institutional change

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<sup>153</sup> The Korean Tripartite Commission (KTC) in the next years obliged the participants of the concerned administrative actors, not only the MOL but also the economic bureaucrats, to take part in the concertative process.

including the official recognition of itself.<sup>154</sup> By that time, the KCTU had not made any official contact with the employers- and business associations, which were still reluctant to recognizing the new confederation of alternative labor movement. It was hard to imagine that social concertations without partnership could bring about enormous success.

The ultimate failure to create comprehensive joint-reform-concepts was the fatal limit of the IRRC. The projected exchange between the social citizenship of workers and flexible labor markets was not realized, as the social partners were not persuaded to accept the recommendations of the public commissioners but insisted on not recognizing the reform directions favorable for the opposite parties. So long as it failed to create comprehensive reform concepts, the IRRC was not able to dominate the next process of policy-formation. Unbound to the results of the concertation, crucial actors did not seriously respect the IRRC.

As a result, the IRRC remained only one-quarter-corporatism, being unable to cover the entire processes of policy-formation and implementation. Under the dominant strong tradition practice, corporatist policy-implementation was fundamentally impossible due to the institutional deficit. Thus, the space of social partnership was able to be formed only in the field for policy-formation. Within the limited scope, the IRRC – though more innovative than LLRC - was further restricted as it was devised just to serve the ultimate decision-making of the administrative and parliamentary actors, which did not have close connections with union activists. As the implication of the IRRC was further shrunken, the first quarter of the entire policy-making and implementing processes was corporatist due to the experiments of the IRRC.

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<sup>154</sup> How to establish a pluralistic union system was one of the core issues of the concertations in the IRRC I as well as in the successive process of legislation.

## 5. Heyday of Corporatism in 1998

Experimental corporatism reached its culmination in the year 1998 in Korea. Through intensive and compressed negotiations, the new ruling coalition, major Ministries, peak associations of labor and business signed up a large scale pact, which was comprised of ninety clauses (hereafter the Grand Social Pacts). The Grand Social Pacts were expected to play a role as efficient means to manage the serious economic crisis at that time (Choi 2000c). After the conclusion of the Grand Social Pacts, concertations continued throughout the year. The new center-left government re-launched the concertative channel, namely the second round of the Tripartite Commission (hereafter KTC II), trying to further incorporate the peak associations in making and implementing the crucial programs of economic and institutional reform. The extended negotiations dealt with various urgent reform agendas necessary to cope with the crisis at that time as well as some long-term tasks for institutional reform. According to the characteristics of agendas, they were divided into two: those for institutional reform and those for industrial restructuring.

This chapter analyzes the formulation, integration and function of the Grand Social Pacts and the KTC II more systematically. The first and third part introduces the processes of creating the two concertative channels and their structures. The second part intensively analyses the integration and function of the Grand Social Pacts. The fourth part deals with the concertations for institutional reform in the KTC II and the fifth one analyses those for industrial restructuring in the same channel. Through those analyses, we can be aware of chances and limits of experimental corporatism in Korea in its heyday. Although the two channels were far stronger than before, they were limited in various ways, especially in terms of integration, which restrained their functioning and persistence.

## 5.1. The Grand Social Pacts

This section intensively analyzes the processes of formation, concertation, resolution-making and implementation of the Grand Social Pacts, which were concluded in Korea for the first time by the core social and political actors, and discusses its achievements and limits.

### 5.1.1. Formation

#### 5.1.1.1. Debates and Establishment

The concertation for the Grand Social Pacts took place in the Korea Tripartite Commission (hereafter KTC I), which was established by the new government on 15 January 1998 as a result of a political compromise between the government and organized labor. Obviously, it was the two parties - the new government and the KCTU - that created and led the space of negotiation at that time (Interview: K3-KCTU).

After the presidential elections in December 1997, the new ruling coalition started with political action to build a new concertative channel, which was a positive reaction of the requirement of the KCTU (Interviews: K2-KCTU; K3-KCTU). The president-elect Kim Dae Jung directly met the leaders of labor and business, asking them to share the burden of economic crisis and to comply with the inevitable measures for comprehensive socio-economic reform (MH26/Dec/97:1).<sup>155</sup> Nominating one of the deputy-presidents of his party, Han Kwang-Ok, as the chairman of the new concertative institution, the transitory government started to launch the new platform for grand social compromises (CS29/Dec/97:4; KH29/Dec/97:2).

In early January 1998, the President-elect and leaders of the NCNP accelerated the drive. Han immediately set the plan to officially launch it with an aim to complete the difficult processes of legislation concerning the programs for economic and labor reform (HKR29/Dec/97:2). Together with his colleagues of the NCNP, he officially announced to immediately launch the KTC I to accelerate cooperation among the tripartite parties – labor, business and government. The initiators were strongly emphasizing the indispensability of immediately loosening the

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<sup>155</sup> This was very innovative and new in Korea. His predecessors had never directly met the leaders of trade unions beforehand.

regulations of labor markets in order to lay workers off more easily in all of the industries (HKR07/Jan/98:5).

The union leaders had dual attitudes. On the one hand, they criticized the politicians<sup>156</sup> and refused to be involved in a new corporatist channel the political leaders intended to initiate. Most of all, they found the attitude of the new government unacceptable because they found the goal of the negotiation already set by the politicians. On the other hand, they were willing to negotiate the ways and schedules of the reform in a concertative channel, arguing that the tripartite negotiations should not be narrowly goaled to adopt a program to lay workers off more easily as the government officials were intending; but to create an open space in which the requirements of the social partners could be considerably deliberated (YH08/Jan/98; YH13/Jan/98).

In early and mid January, unofficial negotiations continued on the preconditions and ways of managing the new concertative channel (DA15/Jan/98:3). The government was too stuck to the measures to loosen the regulations of lay-offs and to complete the relevant legislation in the next temporary session of the National Assembly (YH/14/Jan/98). The leaders of the new ruling parties were so desperate as to promise accepting all of the requirements of the unions only if the new legislation about the lay-off rule would be accepted by the unions (Interview: K3-KCTU). By contrast, the unions were more interested in introducing substantive and compensative measures for strengthening the employment protections as the most important preconditions of the reform (HK14/Jan/98:16).

On 14 January, the political and social actors reached a compromise and decided to establish the Tripartite Commission (KM/14/Jan/98:1). The leaders of the new ruling parties made concessions and changed their plans, promising to deal with the critical issue in the new consultative body by pursuing comprehensive and open deliberations with the unions without setting a conclusion beforehand (KM14/Jan/98:4; DA15/Jan/98:3). Immediately after this promise, the two unions respectively agreed to build a new consultative body and decided to join it (HKR15/Jan/98:3). In this way, the KTC I was launched as an advisory commission for the President-elect (HKR15/Jan/98:4), which still had an unofficial status (Interview: W-KTC).

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<sup>156</sup> They found it similar to the policy-making style in the authoritarian state before democratization (HKR08/Jan/98:5).



### **5.1.1.2. Intra-Organizational Coordination in the KCTU**

When the KCTU's leadership decided to join the concertations with the government and business, it did not sufficiently and especially take into account the intra-organizational process of deliberation and coordination among different groups. While the IMF was severely urging the Korean government to follow the reform concepts made by it and the behavioral space of the new government was absolutely reduced, it was almost impossible for the union leaders to have sufficient time for intra-organizational deliberation and coordination. Although the bargaining team of the confederation was aware of this procedural limit, they could not take suitable steps under the extraordinarily urgent situation (Interview: K3-KCTU).

On 7 January, when the bargaining team was formed in the KCTU and decided to be dispatched to the bargaining table with the government, they were ordered not to mention the agenda on the lay-off regulation at all. In reality, it was impossible to evade the agenda during concertation, because the government was enormously desperate and interested in the measure. There was a leeway to interpret the mission in a flexible way. The union leaders, who were skilled at bargaining with employers, might have attempted to hide the bargaining strategy on purpose because they were aware of the risk that an early opening of their intention could decrease bargaining power. Nonetheless, it was not clear for the bargaining team of how to interpret the order of the union leaders from the beginning (Interview: K3-KCTU).

### **5.1.1.3. Structure**

In comparison to the previous arrangements for experimental corporatism under the conservative governments, the structure of the KTC I was innovative from both quantitative and qualitative aspects. Impressively, party leaders were the main actors in designing and managing the concertative channel.

The chairman nominated and invited eleven main commissioners, who were the representatives of the tripartite actors including political parties. Six were respectively from

the FKTU, KCTU, KEF, FKI, MOL, MOFE; four were from the NCNP, ULD, GNP and PNP<sup>157</sup>; and the remaining one was an executive secretary, who was also a politician of the NCNP. The major participants (labor, business, administration and political parties) shared equal status (CS16/Jan/98).

The public commissioners, who played an important role in the IRRC and LLRC, were replaced by politicians. Although no neutral parties were invited, the new ruling parties were able to maintain a relatively neutral position. They managed to keep a distance from the previous administration, because it was still before the official inauguration of the new government. With their participation, the problems of parliamentary coordination were expected to be overcome (Lim et al. 2003: 157-8), distinguished from the previous experiments at corporatism, when party leaders had not taken part in any concertative platforms.<sup>158</sup> More impressively, even the opposition parties - GNP and PNP - joined the KTC I at the beginning<sup>159</sup> although they decided to withdraw from the Commission during negotiation.<sup>160</sup>

**Table 12. Participants in the KTC I**

Category	Participants	Status
High Level Staff	Chairman / Executive for Communication	High Level Politician in the Ruling Party (NCNP)
Unions	FKTU / KCTU	Chairmen of Unions
Business and Employers Associations	FKI / KEF	Chairmen of Associations
Administration	MOFE / MOL	Ministers
Political Parties	NCNP / ULD / GNP / PNP	High Level Representatives of each Party

Source: Ryu (1999: 215)

<sup>157</sup> In the opening ceremony of the KTC, the GNP and PNP did not join. Although the GNP did not essentially disagree with the Commission, it complained about the procedure to build the Commission and the status of the Commission. The PNP was still hesitant (YH/15/Jan/98)).

<sup>158</sup> Politicians were included due to the necessity of coordination between the KTC and the parliament (KM15/Jan/98: 5).

<sup>159</sup> Before being defeated during the elections, the GNP had planned to activate a new corporatist channel.

<sup>160</sup> The PNP stepped out from the Commission on 19 January 1998 just before the KTC announced its first declaration (HKR20/Jan/98:4). The GNP did so on 4 February 1998 just before the conclusion of the Grand Social Pacts (YH04/Feb/98).

Another interesting feature was the participation of the government representatives: the two main Ministries responsible for labor and economic policies. This was the first time that the Ministers sat at the negotiating table together with the supreme leaders of the union confederations, sharing equal status. As not only the MOL but also the MOFE was bound to this frame, administrative discords, which had been one of the main reasons of causing integration problems in the previous experiments at corporatism, were able to be evaded as will be introduced in the next part of this chapter.

For efficient negotiation, three levels were created in the temporary platform. Under the plenary session, which was the final place to make the ultimate and official conclusion of the Commission, the basic committee and expert committee were established (Lim et al. 2003: 157). The basic committee functioned as a field for substantive and direct negotiations among the participants. Immediately after its launch, sixteen basic committee commissioners were appointed, comprised of five union leaders, five leaders of business and employers organizations, two bureaucrats and four politicians from political parties. (SG/17/Jan/98:2; Lim et al. 2003: 158).

It initiated the 'expert committee', comprised of twelve commissioners, who were recommended by the tripartite actors. As the chairman of the expert committee, the director of the think tank for labor policy, KLI, was nominated; and four experts were added. It was aimed to preliminarily negotiate and coordinate the interests of the actors; to set the agendas for talks; and to report the results to the basic committee (KH/17/Jan/98:2; Lim et al. 2003: 158). Although it was subordinate to the basic committee, the members of the expert committee played a role like the public commissioners in the LLRC and IRRC.

In addition, the executive office was established for administrative support. Several personnel from the executive office in the IRRC were selected and dispatched for the executive task (KTC 2003: 12). In terms of decision-making, any official meetings in the Commission were allowed to be initiated with proposals by more than half of the commissioners. The meetings were able to be held if more than two thirds of the commissioners were attendance. Any official decisions of the Commission were to be made only if the present participants unanimously agreed to those (KTC 2003: 12; Lim et al. 2003: 157).

### 5.1.2. Concertation

The concertative process in the KTC I was very short. It took only three weeks: from the start of consultation on 15 January 1998 to the conclusion of the Pacts on 6 February 1998. On 20 January, they created a common declaration on the principles of the reforms, which was a preliminary measure to create the Grand Social Pacts. The process was divided into two terms: before and after the preliminary resolution. During the compacted time-span, the hastily created concertative platform saw the limits of its political and social integration.

#### 5.1.2.1. Creation of the Common Declaration

In the beginning, seven agendas were set as the objectives of the concertations, which included the definitions on the respective roles of social actors to overcome the crisis, employment policies, a new designing for the industrial relations in the 21th century.<sup>161</sup> On 17 January 1998, the ‘expert committee’ elaborated the seven agendas and set several concrete issues within each agenda (YH/17/Jan/98; CS/18/Jan/98:2). After continued discussions to fix the agendas for consultation, the expert-committee added three more agendas the following day.<sup>162</sup> They further deliberated on the tasks and issues the expert committee suggested respectively in the basic committee and in the plenary session, while they expressed and exchanged different opinions on the concrete contents, range and order of issues, and the time-span for deliberation (YH/19/Jan/98).

The new government leaders and the representatives of business were eager to insert the resolution in the preliminary resolution allowing employers to lay off workers more easily. While the IMF and the crucial foreign investors were requiring substantive reform of labor markets, the loosening of statutory worker protection was again the most decisive issue in this process (Lim et al. 2003: 29). Finding it necessary and indispensable to attract more foreign

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<sup>161</sup> See App5.1.1 for more in detail.

<sup>162</sup> See App5.1.2 for more in detail.

investment in the wake of the crisis,<sup>163</sup> they desperately tried to persuade the union leaders to agree with the reform measure (KM/20/Jan/98:2).

By contrast, the leaders of the unions were stubbornly against the suggestion. For fear of undermining the job security of workers, they would not officially recognize the attempt, while numerous workplaces fell into turbulence due to the large number of illegal dismissals and various unfair labor managements (Interview: K2-KCTU; K3-KCTU). Under the serious economic recession, more militant union leaders at the company level attained support from the workers, which made it more burdensome for their national leadership to make a concessive decision (Interview: L-KCTU). When the bargaining team of the KCTU was engaged in the concertative process, they mainly carried three topics: legalization of the Teachers' Union, unification of the health insurance system and the democratic management of the National Pension (Interview: K3-KCTU).

Finally, they decided to make a compromise, announcing the 'Common Declaration for Fairly Sharing the Suffrage among the Labor, Business and Government'. In the declaration, the issue of lay-offs was not mentioned. Instead, it was inserted in the ten concrete agendas attached to the declaration (YH/20/Jan/98). The declaration contained five principal statements, which defined the respective roles of the tripartite actors to overcome the economic crisis.<sup>164</sup>

### **5.1.2.2. Conclusion of the Grand Social Pacts**

After the 'declaration', they intensified and accelerated negotiation, dealing concretely with controversial agendas. For the next two weeks, which were never peaceful, the NKNP continuously insisted on requiring unions to agree with loosening job security, but the union confederations were not persuaded (YH/22/Jan98a/b). While the mistrust of union leaders by

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<sup>163</sup> At that time, the government desperately endeavored to attract more foreign investment. A group of prominent delegates was about to be dispatched to the US on 20 January 1998 to meet prominent investors. The new ruling parties wanted the Tripartite Commission to have crucial and positive influences on the activities of the delegates (Yoon 2001b: 160-161).

<sup>164</sup> In the declaration, the government agreed to proceed with the reform of crucial legal instruments; the business accepted the innovative measures of corporate reform - such as innovation of the Chaebol system, assurance of the managerial transparency and promotion of structural adjustment and the labor agreed to faithfully take into account the measures promoting the flexibility of the labor market. See App5.1.3 for more in detail. In addition, they set ten agendas to be negotiated in the next rounds of consultation, which became directly the sections of the Grand Social Pacts later (Lim et al. 2003: 30-31). See App5.1.4 for more in detail.

the government were escalated, the concertation was about to collapse without substantial achievement, as the leaders of the union confederations refused to remain in the concertative channel in late January and early February, which led the project of making a social consensus to fall into serious crisis (YH/31/Jan/98; YH/02/Feb/98).

The President-elect Kim made a resolute decision to console organized labor. On 4 February, he promised to take several innovative measures, which were favorable for workers, with the condition of union cooperation in deregulating the labor markets. For the KCTU, which was still illegal due to the regulation banning the teachers' union, he promised to legalize the teachers' union, an affiliation of the KCTU. For the sake of the FKTU, the President-elect promised to abolish the disputable regulation on the payment for full-time union officers, which was banning employers to make the payment. In addition, he made sure to recognize the right of unions to take part in politics, to release workers in prison, and to localize administrative offices responsible for labor affairs (YH/05/Feb/98a).

The union leaders reacted to this positively. In the following day, they returned to the negotiation table and required the NCNP to keep the promises the President-elect had made (YH/05/Feb/98b). Further, the party leaders desperately attempted to persuade the interest associations to make compromise as the President-elect had suggested (YH/06/Feb/98a). The confederation leaders were aware that the new ruling party was capable of carrying out the labor markets reform as it wanted to, because the conservative opposition was of the same opinion on the issue and the public sphere and the entire society dominantly was supported and considered indispensable for the survival of the national economy (Interview: K2-KCTU; K3-KCTU).

The organizations of business and employers were especially upset at the decision to maintain the payment practices of full-time union officers. Strongly criticizing the suggestion of the President Kim, they threatened to withdraw from the KTC I (YH/06/Feb/98a), although it was not realized.<sup>165</sup>

Finally, the social partners and the new government reached a broad consensus. On 6 February 1998, the Grand Social Pacts, which had ninety articles, was concluded in the name of 'the

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<sup>165</sup> Even they later tried to vigorously defend their interest in this issue and to hinder the implementation of this decision in the following rounds of social dialogues.

Second Declaration to Share the Burden of the Economic Crisis'.<sup>166</sup> With the condition to immediately loosen the regulative measures on lay-offs, the government promised to give the unions some political and institutional benefits for the enhancement of workers' citizenship, which the business leaders had to reluctantly accept (YH/06/Feb/98b/c). The conclusion of the pacts was possible through a surprising decision of the Labor Minister, who decided to accept the crucial requirements of the KCTU even without sufficient coordination with other Ministries (Interview: K2-KCTU).

### 5.1.2.3. Problems of Political Integration

So long as the Ministerial and parliamentary actors were all engaged in the process of concertation, the KTC I showed a more advanced form of political integration than the previous attempts at corporatist policy-making. For the first time, the highest technocrats of the Ministries sat at the table of negotiation with the interest associations, sharing similar status. Moreover, the party leaders were bound to the concertations for the first time.

Despite these innovative characteristics, the KTC I, as a temporary body for concertation without stable and high status, continuously had limits in terms of political integration.<sup>167</sup> The various positions and strategies of the heterogeneous actors were not properly coordinated with each other. In concrete, four specific episodes occurred, which explicitly revealed such problems.

First, coordination between the KTC and the government Ministries was limited. For instance, a problem of administrative coordination occurred concerning the issue of labor markets reform. On 26 January 1998, the Ministry of Labor (MOL) presented its concept on the master plan of the necessary labor reform without coordination with the participants in the KTC I. The MOL attempted to loosen the regulation of lay-offs immediately through revising the Labor

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<sup>166</sup> Officially, the conclusion of the Grand Social Pacts was highly evaluated by the participants as a historic event: "this joint-declaration is not a simple declaration but a creature for the new era, when not coercion but negotiation, not dominance but co-existence would breathe. This is a voluntary declaration towards a great national integration for the first time of our history (YH/06/Feb/98d)."

<sup>167</sup> A statement of the participant in the concertative process clearly reveals the limits of political integration the KTC I had. In early February, the chairman of the FKTU, Lee Nam Soon, expressed his opinion in a press interview: "we considered the Tripartite Commission at the beginning as a body for making a great social compromise and for concluding a social pact. Having participated in the KTC meetings, I received an impression that the President-elect Kim was considering the Commission only as a channel to listen to the voices of various social groups (YH/31/Jan/98a)."

Standard Act (YH/26/Jan/98a/b). This unilateral behavior of the MOL was contradictory to the promise made between the unions and the President-elect Kim when the unions were persuaded to take part in the round of social dialogue.

Second, a similar problem occurred with regard to an issue reforming the social insurance program (health care), which showed the limits of coordination between the KTC and the Ministry of Health and Welfare (MOHW). On 30 January 1998, the basic committee of the KTC I adopted a resolution to allow the jobless to take the benefit of the health care program (50 percent of the service), which implicated the willingness of the new ruling party to accept the suggestions of trade unions. Immediately, the MOHW refused to accept this resolution due to the lack of budget (YH/31/Jan/98b). This again increased the mistrust the unions had of the substantial capacity of the KTC I.

Third, another problem occurred due to the unilateral behavior of the new ruling party. During concertation in the late phase, the politicians of the NCNP additionally conceptualized the reform measures on the deregulation of the labor markets and urged the social partners to immediately make a conclusion. Disclosing the contents of the reform concepts, the politicians almost threatened the social partners to make a compromise or otherwise, to pass the bill without further coordination with them. This led the unions to become more nervous and distrustful of party leaders (YH/01/Feb/98a/b; YH/02/Feb/98a/b).

Fourth, the labor-friendly suggestions the President-elect Kim made at the end of the concertation brought about serious complaints from the opposition side. This showed also the limits of political coordination between the KTC and the parliament. Immediately after the announcement of the President-elect, the GNP, which was very allergic to the measure to legalize the teachers' union, boycotted the concertations in the KTC I and criticized the suggestion (YH04/Feb/98). It ultimately refused to sign the Grand Social Pacts as well.

#### **5.1.2.4. Problems of Social Integration**

Parallel to the limits of political integration, some problems of social integration occurred in the concertation process. Most of all, intra-organizational coordination in the KCTU was totally limited before the leadership of the confederation made the final conclusion to sign the Grand Social Pacts.



The leadership of the confederation, which was composed of the leaders of the relatively moderate camp (*Kookminpa*) and had a relatively stronger connection with the politicians of the NCNP, tried to persuade the members to support it, emphasizing the necessity to make social pacts and visit various regions and workplaces. According to a close observer, this strategy was not properly correspondent to the dominant atmosphere of workers at that time, who were ready and willing to mobilize themselves against the attempt of the state (Interview: L-KCTU).

Obviously, the leadership did not have sufficient time to coordinate with workers in the rapidly driven process of the concertation. It made matters worse that the conclusion of the Grand Social Pacts were realized in a dramatic and rapid way late at night. Immediately after the confederation leaders signed the Pacts, it was reported in the press with a very simple and emotional title that the KCTU finally accepted the lay-off regulation, which had an extraordinary socio-psychological effect on the members of the KCTU to have very negative image of their national leadership (Interview: K2-KCTU; K3-KCTU).

The inter-associational coordination among business associations was not carefully carried out, so that class-mobilization of the conservative interest camp occurred in the last phase of the concertation. For instance, the association of conservative educators (teachers), KFEA (Korean Federation of Education Associations), protested against the decision legalizing the teachers' union (YH/05/Feb/98c).

### 5.1.3. Resolutions

The Grand Social Pacts contained very decisive reform measures, implicating political exchange between the deregulation of labor markets and the enhancement of workers' social citizenship. Among the ten sections of the Pacts, six contained the most decisive measures, covering four main policy areas: industrial relations, labor markets, social insurances and corporate governance.<sup>168</sup> This part briefly introduces the contents.

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<sup>168</sup> The second, eighth, ninth and tenth sections were respectively on price stabilization, national movement towards expanding export and improving international balance payments; additional measures for overcoming the economic crisis, and suggestive measures for the integration of the nation (KTC, 2003: 684-697). Although these four sections with twenty two clauses contained crucial contents necessary for the management of the economic crisis, they were not the most decisive issues.

Table 13. Main Agreements in the Grand Social Pacts in Korea (1998)

Policy-Domains	Topics of the Agreements
<b>Industrial Relations Reform</b>	<b>Industrial relations reform</b> <b>Section 5. (clause 62-69)</b> <ul style="list-style-type: none"> <li>• Various measures of government and social partners to enhance industrial cooperation.</li> </ul> <b>Enhancement of Union Freedom</b> <b>Section 6. (clause 70-75)</b> <ul style="list-style-type: none"> <li>• Allowance of public servants' organization;</li> <li>• Legalization of teachers' union; Revision of the political fund act for political engagement of unions;</li> <li>• Union membership of the jobless;</li> <li>• Administrative reform on labor affairs;</li> <li>• Financial independence of unions</li> </ul>
<b>Labor Markets Reform</b>	<b>Job Security (Institution &amp; Practice)</b> <b>Section 3. (clause 27-50)</b> <ul style="list-style-type: none"> <li>• Expansion of the employment insurance system;</li> <li>• Support for the jobless and the retired;</li> <li>• Strengthening of job mediation;</li> <li>• Expansion of job training;</li> <li>• Job creation;</li> <li>• Duty of business for job security;</li> <li>• Affairs of foreign workers – reduction of the volume and improvement of control;</li> <li>• Expansion of financial means for all measures in this section</li> </ul> <b>Labor Market Deregulation (Institution)</b> <b>Section 7. (clause 76-77)</b> <ul style="list-style-type: none"> <li>• Lay-off;</li> <li>• Temporary work</li> </ul>
<b>Social Insurances Reform</b>	<b>Section 4. (clause 51-61)</b> <ul style="list-style-type: none"> <li>• Expansion of the social welfare budget;</li> <li>• Integration of the fragmented units of social insurance;</li> <li>• Reduction of tax rates for wage earners;</li> <li>• Expansion of social insurance benefit receivers;</li> <li>• Strengthening of functional representation of interest groups in various committees for social insurance;</li> <li>• strengthening of the inheritance tax and donation tax</li> </ul>
<b>Corporate Reform</b>	<b>Transparent corporate management</b> <b>Section 1. (clause 1-17)</b> <ul style="list-style-type: none"> <li>• Management transparency;</li> <li>• Financial restructuring of enterprises;</li> <li>• System of responsible management;</li> <li>• Competitiveness of enterprises</li> </ul>

On the **institutional reform of industrial relations**, agreements were made in two sections of the Grand Social Pacts. Section Five was comprised of the measures to enhance industrial cooperation between labor and management, together with the respective tasks of the social partners and the government. The highest concern of this section was how to guarantee job security and how to evade severe industrial conflicts during the economic crisis.<sup>169</sup> However, the contents were typical requirements of the government and typical reactions of the social partners that had often been observed in the previous attempts at corporatism. It is doubtful if the agreements substantively functioned to govern the difficult situation in the severe economic crisis.

Section Six was more decisive as it was comprised of some concrete measures to change collective labor relations. Most of all, it was oriented to abolish outdated regulations that had restrained union freedom<sup>170</sup>, which implicated a significant enhancement of basic labor rights. The promises, which were inserted at the end of the concertation by the innovative decision of the President-elect Kim, belonged to this section.

On the **reform of the labor market institutions**, two sections were allocated. They respectively contained reforms towards contradictory directions. Section Three was on the various measures to enhance job security in its eight sub-sections with twenty four clauses.<sup>171</sup> Quantitatively, this section was dominant in the Grand Social Pacts. In the desperate situation caused by the economic crisis, these measures were urgently necessary to tackle the problem

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<sup>169</sup> The business promised to promote job security, the government promised to enforce the control of employers and to support autonomous cooperation between labor and business, and labor promised to cooperate with employers (KTC, 2003: 692-3).

<sup>170</sup> They decided (i) to allow public servants to be unionized, (ii) to recognize the Teachers' Union, (iii) to allow political commitment of trade unions, and (iv) to entitle the jobless to have union membership at the company level. In addition, the government promised (v) to delegate the main administrative tasks concerning labor issues to local bureaus, and (vii) to formulate a concept to promote the financial independence of unions (KTC, 2003: 693-4).

<sup>171</sup> The government promised to include workers in small companies and temporary workers into the range of the employment insurance system; to massively expand job training and retraining system; conduct active labor market policies to create new jobs by supporting small-business-founders and employing the jobless in the public sector; to take measures to reduce foreign workers for the benefit of domestic workers; to expand financial resources for these policies. In addition, it promised to establish a 'working hour commission' in order to reduce work-hours, which was expected to contribute to job security as the unions argued. In the remaining part, employers promised to do the best to evade careless dismissal, to expand investment for the development of workers competence, to give welfare benefits for the retired and dismissed, and to give them a priority to be reemployed within two years (KTC, 2003: 688-691). Yet, concrete mechanisms on the benefits and punishment of the employers were not mentioned, when they would not comply with the agreements.

of employment. They were filled with various innovative measures to enhance job security and to actively manage unemployment, which was a decisive step to establish and expand crucial institutions in the Korean labor markets. In particular, the contents required and promoted the behavioral innovation of the government, which was reflected the dominance of state-centered governance in the policy-domain of employment. Most of the clauses in this section designated the duty of the government to provide more and generous benefits to the jobless.

Section Seven was on the deregulation of labor markets, which had the most critical implication among the entire sections and clauses of the Grand Social Pacts. It was comprised of only two clauses: respectively on the regulation of lay-offs and that of temporary agency-work. The former clause obliged the government to submit the revised version of the Labor Standard Act in the next session of the parliament (February 1998) as was designated in it. In the clause, they decided to revise the current act, which set a two years' grace period, and agreed to delete the grace period and immediately implement the relevant act in the urgent situations of a management crisis. They also agreed to carefully implement the new law; to restrain the boundary of its application; and to punish employers who breached the preconditions (KTC, 2003: 694-5). The latter clause on the regulation of temporary work obliged the government to submit the 'Act for the Protection of Temporary Workers' in the next temporary session of the National Assembly. The tripartite actors concretely set the boundaries of the concerned jobs, working terms, protective means and conditional limits; and defined the areas, in which the transferring of workers can be allowed (KTC, 2003: 695).<sup>172</sup>

Section Four contained several innovative measures to strengthen **the social insurance system**, obliging the government to take innovative steps to expand and strengthen the system.<sup>173</sup> In the agreements, the government promised to provide workers and unions with various benefits, which could be interpreted as a creation of a new path towards a welfare state. Some of the measures in the section were those that had already been concluded in the IRRC II.

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<sup>172</sup> It was defined in two ways. In the cases of the tasks requiring expert knowledge, they defined the area in a positive way. In the cases of normal tasks, they did it in a negative way, adding some conditional statements (KTC, 2003: 695).

<sup>173</sup> More in concrete, expansion of the social welfare budget, unification of the fragmented insurances respectively for employment, health care, national pension and occupational disaster, which had been a strong wish of the labor unions for the last decade, reduction of tax rates for wage earners, expansion of the range of the benefit receivers, numerical increase of interest groups' representatives in the various commissions for social insurances and the strengthening of the inheritance- and donation taxes (KTC, 2003: 691-2).

Finally, Section One was on the reform of **corporate governance**. The agreements defined several crucial steps to reform the management practices and regulation of corporate system. Those were mainly oriented to re-regulate the management of big businesses and restructure them. This section was divided into four subsections on the enhancement of corporate transparency, improvement of corporate financial structure, settlement of responsible management practices and institutions and enhancement of corporate competitiveness. Most agreements were on the bipartite promises between government and business.<sup>174</sup>

A clause in this section dealt with an issue on the enhancement of workers' participation in management.<sup>175</sup> This was derived from the strong pressure of the unions, which wanted to enforce capacity in the field of workplace and company. However, the content remained abstract and moderate due to the vehement objection of business. Different from the unions, the employers and economy did not want to inscribe concrete and strong measures in the agreement.

In fact, the major contents of this section were identical to those formulated by the government in late December 1997, reflecting the requirements of the IMF. They confirmed the reform programs of the government and the IMF. On the one hand, this was an expression of the domestic political and social actors to faithfully implement the programs for corporate reform; on the other hand, these agreements could function as a means to strengthen legitimacy of its policy.

#### **5.1.4. Integration Problems after the Concertation**

The Grand Social Pacts had difficulties in integrating after their conclusion. Some of them had decisive implication that deteriorated the legitimacy of the corporatist institution.

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<sup>174</sup> Eleven clauses defined the tasks of the government to take crucial and concrete steps to change the laws on the corporate system or to enforce specific practices to achieve policy-goals. Six clauses defined the duties of business to voluntarily change the practices of management and to cooperate to achieve the policy goals (KTC, 2003: 685-7).

<sup>175</sup> According to it, enterprises should realize open management, trying to enhance workers' participation and to assure democracy in managing the employee-stock-ownership institution (Clause Six).

**Table 14. Integration Problems of the Grand Social Pacts after the Concertation**

Integration Problems		Issues
Political Integration	<b>Administrative Discord</b> Technical change of some expressions	Union Membership of the Jobless Temporary Works
	<b>Parliamentary Discord</b> Postponement and Boycott	Fund for the Jobless Union Freedom
Social Integration	<b>Intra-Organizational Discord</b> Internal Revolt in the KCTU	Ratification of the Grand Social Pacts

#### 5.1.4.1. Administrative Discord

Economic bureaucrats did not appear as a strong veto players at this time because they had been already bound to the process of pact-making and were signatories of the Pacts. Most of the twelve bills related to labor affairs were based on the contents of the Grand Social Pacts (SG/9/Feb/98:2). Although this was an advanced figure in comparison to the previous rounds of social dialogues, administrative coordination after the conclusion of the Grand Social Pacts were still problematic. Two sensitive agendas were slightly changed in the process of administrative deliberation<sup>176</sup> due to some technical reasons.

First, the agreement on union membership for the jobless at the company level was revised in the proposal of the government. The concept 'jobless' was replaced by the concept 'dismissed'. Although it was a slight revision of the expression, this could bring about significant differences in taking concrete measures because the 'dismissed' could exclude workers who voluntarily forgave jobs and who retired earlier (KM14/Feb/98:3). Although the MOL emphasized that this was only an expressional change, which was made due to the lack of a jurisprudential concept indicating the 'jobless'. It promised to apply the agreement as was intended in the Social Pacts, the unions responded nervously on this (HKR/14/Feb/98:1). In the late 1998, the legislation of this agreement brought about further problems of administrative coordination that failed to be realized, which will be dealt with in the next part of this chapter.

<sup>176</sup> On 7 February, the Prime Minister led the council of ministries to swiftly resolve the draft of the government regarding urgent reform measures (HK/8/Feb/98:2).

Second, the agreement on the regulation of the temporary staffing industry was slightly revised in the proposal of the government (MOL). The Ministry arbitrarily left out the conditional statements on the regulation of dispatched work. This opened a leeway that 'normal tasks' could be included in the realm of dispatched work only if employers would like to use temporary workers. Different from the intention of the unions, it could expand the realm of the application, and ultimately lead the practices of temporary work to proliferate and to be activated more widely and swiftly (HKR/14/Feb/98:1).

#### **5.1.4.2. Parliamentary Discord**

Parliamentary deliberation started in mid February 1998 regarding difficult issues concluded in the Grand Social Pacts. Only one week was given for the completion of legislation. The process of deliberation and coordination among the political parties was not simple. The NCNP, ADL and the GDP fell into a subtle tension on some issues of the Grand Social Pacts: especially those on the reform of industrial relations and labor markets. In this process, some contents of the Grand Social Pacts were revised or left out.

Most of all, the behavior of the opposition party, GNP, was crucial, because it still possessed a majority of seats. Immediately after the conclusion of the Pacts, the GNP's leadership fixed their position. Although it did not agree with the entire proposal of the administration, it officially announced to respect the spirit of consensus in the Grand Social Pacts. In particular, it decided to pass the articles favorable for the interest of business and to postpone those favorable for labor in reforming the Labor Standard Act (CS/09/Feb/98: 5).

On the other hand, some resolutions of the Grand Social Pacts were hindered in proper implementation due to the veto-power and uncooperative attitude of the GNP. Immediately after the conclusion of the Pacts, the GNP concluded its position on them. It decided to postpone the deliberation on the range of the Fund for the jobless in the next term of the National Assembly, finding the issue closely related to the entire budget of the government. It also decided not to pass the bills on the political right of unions, the legalization of the teachers' union, or on the recognition of the interest association of public servants (MH 7Feb98: 02). Among them, the most sensitive issue was on the teachers' union. The GNP found the issue unfairly inserted in the Grand Social Pacts after an 'unsuitable' political exchange in the final phase, and intended to correct "this wrong decision" (CS 8Feb98: 05). The arbitrary

change of the agendas concluded in the Grand Social Pacts were chiefly disadvantageous for organized labor. The unions responded aggressively to the unfaithful handling of the sensitive agendas, which led them to deeply mistrust the capacity of the Tripartite Commission.

#### **5.1.4.3. Intra-Organizational Discord in the KCTU**

The rank-and-file revolts and internal turbulence that occurred within the KCTU were the most serious problems in the social integration of the Grand Social Pacts after the conclusion.<sup>177</sup> Immediately, some members of the radical confederation started to protest against the decision of their national leadership. Thousands of workers in various workplaces argued for the nullification of the Pacts, and expressed their opinion against the measure to lay off workers easier, considering the Pacts invalid due to the insufficient process of intra-organizational deliberation (KM/07/Feb/98:25). Some of them even thronged to the head-quarter of the KCTU and severely blamed the national leadership (SG/09/Feb98:27).

Officially, the Pacts were voted down in the KCTU on 9 February at an extraordinary session of the general assembly of the confederation. After long and vehement debates, the majority of the local representatives participating in the voting (68 percent) rejected it. As the leadership that had signed up the Pacts retreated, a new temporary leadership was immediately established (KM/10/Feb/98:27; CS/10Feb/98:1).<sup>178</sup> The occurrence of this bitter problem was mainly attributed to both the organizational vulnerability of the confederation and the lack of communicative skills of the leadership. The leadership was temporary and vulnerable. It had neither the experiences to intensify internal communication with its members during the short time-span of concertation and was incapable of convincing workers to comply with the decision (Interview: K3-KCTU).

On 10 February, the new leadership officially announced to reject the Pacts. Arguing for renegotiation with the government, it decided to protest more strongly against the deregulation of labor markets and to wage a general strike, if the government did not accept its arguments (HKR/11/Feb/98:26). However, the government did not sympathetically react to the argument of the new leadership. Neither the KTC nor the MOL accepted the new argument,

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<sup>177</sup> On this problem, See (Yoon 2001a)

<sup>178</sup> The former leader of the Metal Workers Union, Dan Byong Ho, was elected as the temporary chairman of the KCTU (KM/10/Feb/98:27).



considering it only an internal affair of the organization, which did not have any influence on the validity of the Pacts (HKR/10/Feb/98:26; HKR/11/Feb/98:4).<sup>179</sup> In addition, the social pressure on the KCTU to comply with the Pacts were hard to ignore. The KCTU was not able to powerfully resist it and failed to collect massive support from its' members. Finally, the scheduled strike led by the new leadership was cancelled (SL/13/Feb/98:1). Due to the harsh internal debates, the KCTU fell into confusion, and its organizational cohesiveness became weakened (SL/14/Feb/98:22; Interview: K2-KCTU).

### **5.1.5. Implications and Effects**

#### **5.1.5.1. Chances and Achievements**

The Grand Social Pacts were the first – and so far the last – comprehensive social pact that the governmental, political and social actors in Korea had ever concluded since the beginning of democratization. The agendas it covered were far expanded, covering critical domains of reform policies - such as industrial relations, labor markets, social insurances and corporate restructuring – that were closely related to dual transformation. The participants were widened to political parties, policy-technocrats, and most of all, the organization representing alternative labor movement (KCTU) beyond the conventional actors of FKTU and KEF.

It was obviously an advanced figure that the powerful economic bureaucrats were for the first time bound to the expanded arrangement of corporatist policy-making, sharing equal status with other administrative and social actors. As a result, no serious discord between the economic bureaucrats and corporatist platform, which had occurred frequently in the previous rounds of corporatist policy-making, was followed by the conclusion of the Pacts.

In the short run, the Grand Social Pacts were successful at least in its symbolic effect in both the domestic politics and foreign affairs. Domestically, it provided the Korean society with socio-psychological bases to promote national integration, which was urgently necessary at that time. Internationally, it made substantial contribution to drawing more foreign investments, which were also desperately necessary. While foreign investors were reluctant to

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<sup>179</sup> They argued that the decision made by the official leadership of the union should be recognized as the representative willingness of the organization (HKR/11/Feb/98:4).

invest in Korea due to notorious labor disputes and unstable relationship between labor and business, the seemingly innovative event to bring harmonious results in industries and workplaces was a means to persuade them. Politically, it helped the new government, a minor coalition, to take an initiative of carrying out the socio-economic reforms. Although the opposition parties did not sign up the Pacts and some contents were not passed in the parliament, the Pacts were not ignorable, as they strengthened the political and social legitimacy of the reform policies promised in the Pacts.

In the long run, various measures concluded to be taken in the Grand Social Pacts had significant implications in reshaping the institutions of Korean capitalism towards a more democratic and flexible way. In other words, its' contents were exactly oriented to the dual transformation of the country.<sup>180</sup> It promoted the reform towards a liberal democracy, with respects for social citizenship of workers through the further abolition of some core legal instruments that had restrained union freedom. It strengthened the path toward constructing a welfare state through expanding various social insurance programs. It contained also crucial steps to make the Korean labor markets more flexible.

It was the first step to form democratic industrial relationships among the tripartite actors at the national level in Korea. Most of all, the status of the working-class organizations was significantly enhanced through this event,<sup>181</sup> which proved that unions could become a negotiating partner of state and business despite the absence of labor parties. The establishment of the Tripartite Commission was also a cornerstone for the institutionalization of the tripartite relationship.

#### **5.1.5.2. Limits and Failure**

It was not social partners but politicians - especially leaders of the ruling party NCNP - that initiated and led the concertative processes, during which the social partners were just asked whether they would accept the recommendations made by neutral experts or politicians. From

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<sup>180</sup> Series of questions such as how the social pact was substantially implemented, how the reform reshaped the previous institutional conditions, how the real actors played with what strategies are crucial to understand the changing capitalism in Korea.

<sup>181</sup> According to a report, "the status of the labor unions was enhanced through the social pact. Their chances to be integrated in the institutional fields of politics were enhanced as well through the institutionalization of the tripartite commission (MK/10/Feb/98)."

this aspect, the KTC I was essentially not much different from the IRRC. The real processes of concertations were dominated by communications not between labor and capital, but either between state and labor or between state and business.

Therefore, it must be an exaggeration to interpret this temporary success of pact-making as a profound innovation of industrial relations in Korea. A consensual transformation, the main spirit of the Grand Social Pacts, was in fact not realized. The practices of policy-making, which had been dominated by state-centered institutions and actors, were not replaced. Even the Pacts supported the old practices because most of the contents in them designated the tasks of the administrative actors.

Due to the lack of administrative and organizational resources, the interest associations were not able to properly implement the core contents of the Pacts but had to experience serious social conflicts continuously. The confederation of alternative labor movement fell into serious internal crisis immediately after the Pacts had been concluded. In addition, the Pacts deteriorated the employment regime in Korea due to the swift proliferation of redundancy and an explosion of non-standard workers. Although the Pacts enhanced the status of organized labor on the one hand, most employees lost protective mechanisms in the workplace.

## **5.2. The Second Round of the Tripartite Commission (KTC II)**

This section deals with the successive experiments at corporatism in the frame of the second round of the Tripartite Commission (KTC II), dividing them into five parts: respectively on the formation, concertations, resolutions, integration of the resolutions and a discussion on their implications and effects.

### **5.2.1. Formation**

#### **5.2.1.1. Process of Establishment**

After the conclusion of the Grand Social Pacts, the Tripartite Commission officially stopped functioning. Nonetheless, the new government continuously had a willingness to consolidate the corporatist arrangement as a means to cope with the economic crisis and to calm down workers' mobilization. After the new government was launched, the leading politicians of the ruling parties and the relevant public servants intensified the drive to reconstruct the concertative channel. In March, the idea of President Kim Dae Jung was revealed in the media that the government would enhance the status of the Tripartite Commission through defining it with a President Decree (HKR/10/Mar/98: 4; HKR/18/Mar/98: 2). In April, President Kim met the chairmen of the leading interest associations and persuaded them to join the KTC II, emphasizing the importance of social consensus (YH/21/Apr/98a/b). In early May, this initiative was accelerated. The Labor Minister, Lee Ki Ho, officially announced the outline of the KTC II, which was comprised of 10 agendas with 30 small issues (YH/04/May/98). One of the leading politicians of the NCNP, Kim Won Ki, was appointed as the chairman of the new concertative platform (YH/08/May/98).

Trade unions continuously attempted to wage a strike against the government. Although the KCTU had failed to mobilize workers in February, its radical leadership did not stop organizing protests. On the other hand, the trade unions, especially the FKTU, wanted to have a channel for negotiating with the government, while the programs of structural adjustment were being conceptualized and about to be implemented. As the most decisive precondition of its participation in the KTC II, the FKTU emphasized considerate concertations for the agenda of adjusting the financial institutions and public corporations.

On 14 May 1998, an agreement was concluded between the government and the FKTU to faithfully negotiate the structural adjustment plan on the two sectors. This played a decisive role in launching the KTC II. In the agreement, the government promised to have pre-negotiations with trade unions as thoroughly as possible, accepting the emphasis of the FKTU, the two parties decided to establish a special body dealing with the agenda inside the KTC II (YH/14/May/98).

On 3 June, the KTC II was officially launched after the FKTU officially decided on 1 June to join it. Not only the business associations but also the opposition party, GNP, decided to participate in

the new concertative channel.<sup>182</sup> Only the KCTU refused to join the KTC II (YH 01/Jun/98; YH 03/Jun/98).

The KCTU constantly blamed and criticized the Grand Social Pacts and the initiative of the government to establish the KTC II. After the initiative of the leadership to mobilize workers in May failed, the leaders of the *Choongangpa* moved to side with the *Kookminpa* and urged the radical leadership to participate in negotiations with the government. The dynamics of internal politics influenced the ultimate decision of the KCTU's leadership to join the KTC II. Although the leadership was very reluctant, it had to follow the decision of the union leaders (Interview: K2-KCTU; L-KCTU).

The government and the KCTU continuously negotiated with each other in an unofficial channel after the launch of the KTC II. In a week, the KTCU finally joined the new channel of concertation, concluding an unofficial agreement with the government on 5 June. The two parties designated the preconditions of the KCTU's participation in the agreement, most of which were comprised of the promises designating the behaviors of the government.<sup>183</sup>

### 5.2.1.2. Structure

The legal status of the KTC II was similar with that of the IRRC, as an advisory board for the President. In terms of the number and range of the participants,<sup>184</sup> the KTC II was at the highest point of corporatist experiments in Korea. Not only the government, the FKTU and the business associations but also the KCTU and the opposition parties joined it. Public

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<sup>182</sup> Before the regional election due to be held on 4 June, the conservative opposition intended to evade critics of the ruling coalition that it did not responsibly behave in the severe situation of the national crisis (SG/01/Jun/98:02).

<sup>183</sup> In the agreement, the government promised (i) to take substantial steps to punish employers, who inconsiderately laid off workers; (ii) to establish a committee for negotiating work-hour reduction and to have discussions on the work-hour reduction to forty hours a week from the year 2000; (iv) to strictly punish employers committing unfair management of workers and to establish a special committee for the task in the Tripartite Commission; (v) to establish a committee for the reform of the collective bargaining system with an aim to strengthen the sectoral and industrial bargaining; (vi) to apply the programs of employment assurance for all employees by the year 2000; and (vii) to establish a special committee for negotiating the reform of the public sector (YH/05/Jun/98).

<sup>184</sup> Later, in the KTC III, which was launched in the end of 1999 and had more expanded institutional capacity, the KCTU and the political parties did not join. From the perspective of the participants, the KTC II was the most advanced.

commissioners were also nominated, which was different from the KTC I and similar to the IRRC (Lim et al. 2003: 160).

The range of the agendas was significantly expanded. The internal structure of the KTC II was systematized and differentiated according to the agendas of consultation. The participants strengthened the communicative structure both vertically and horizontally, constructing a couple of layers. Communications were designed to flow from the lower to the higher channels of negotiation. At first, the sub-committees dealt with specific themes and made preliminary agreements. Then, the higher level of the consultative channels deliberated on them. The plenary session recognized the preliminary agreements to make the official agreements of the Tripartite Commission.

At the top of the institution, the 'plenary session' was built, which was responsible for the ultimate decision-making of the negotiated agendas of the lower levels. The supreme leaders of the peak associations of social interests and the concerned Ministers were its members. Then, the executive commission was established under it, as a place for substantial policy-coordination among the different participants. Its members were the secretary generals of peak associations as well as vice-ministers of the participating ministries. At the lowest level, sub-commissions were established, where preliminary and initial consultation for specific agendas took place. Four sub-commissions were respectively specialized in corporate reform, industrial relations system, employment policy and the social welfare system<sup>185</sup> (Lim et al. 2003: 159-162).

In addition, special committees were established at the same level of the executive committees. Together with sub-committees, they were the substantial places for consultation in the KTC II. The decisions made in the special committees were to be directly delivered to the plenary session. There were three special committees in the KTC III: one for the restructuring of the SOEs, one for the financial institutions (banks), and the final one for the resolution of unfair labor management.<sup>186</sup> They aimed to deal with the issue of job security in workplaces, where programs of structural reform were being implemented and where workers were

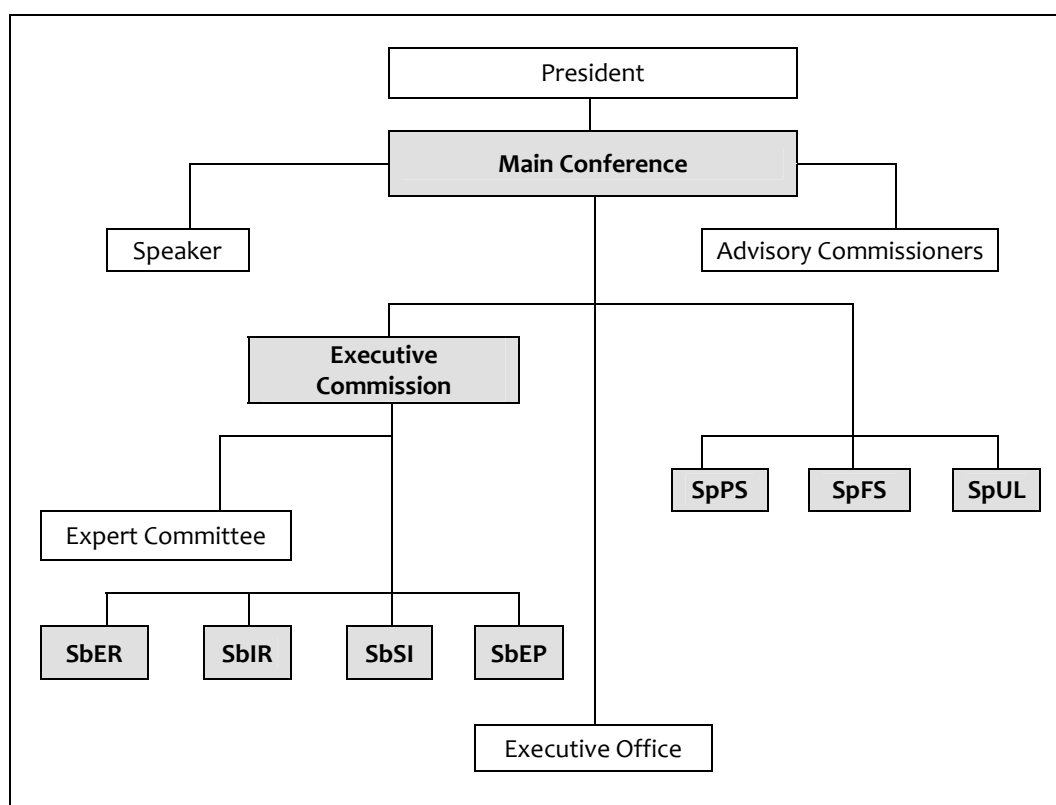
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<sup>185</sup> The establishment of the four sub-commissions originated from the four main sections of the Grand Social Pacts.

<sup>186</sup> The official decision to establish these three special commissions was made on 18 June in the plenary session (YH/18/Jun/98). This was realized earlier than the establishment of the sub-committees, which started activities in mid August as a result of political bargaining between the state and the labor.

handled by employers in unfair ways. Due to the urgency of the issues, the committees took place more frequently and intensively than the subcommittees.

**Figure 10. Structure of the KTC II**



Source: Lim et. al (2003: 159)

### 5.2.2. Concertations

This part introduces the characteristics of the concertations in the KTC II and the integration problems that occurred during the concertations. Largely, they can be divided into two categories: institutional reform and industrial restructuring. The four sub-committees for the reform of industrial relations, social insurance, corporate reform and labor markets covered the first category; the two special committees responsible for the restructuring of the SOEs and financial sector covered the second one.<sup>187</sup> Most of all, the KTC II showed the serious limits

<sup>187</sup> Another special committee, the SpUL (Special Committee for Unfair Labor Management) was comprised of twelve members. A leading politician of the new ruling party, NCNP, Roh Muhyun, became its chairman. Establishing this, the government promised to fairly handle labor disputes. It accepted the

of political recognition with regard to the second category, which led the union confederations to retreat from it initially.

### **5.2.2.1. Concertations for Institutional Reform**

The concertations for institutional reform were mainly oriented to intensify the contents concluded in the Grand Social Pacts and to make further consensus on those designated as next tasks in the Pacts. The process did not accompany serious confrontation, although there were differences in the opinions of the participants on the range, speed and depth of reform measures. The four subcommittees of the KTC II were respectively specialized in the agendas of industrial relations, social welfare and labor markets.

The concertations on the institutional reform of industrial relations mainly covered the following issues: (i) legalization of the teachers' union, (ii) freedom of association in the civil service, (ii) union membership for the jobless, and (iv) revision of the political fund law (related to unions' political involvement) (KTC 1998: 83-86 ).

On the reform of social insurances, they dealt with the promises of the government to expand the system and to improve its management, as was made in the Grand Social Pacts: in concrete, (i) reform of the Public Fund Management Act, (ii) unification of the four social insurance systems, (iii) national pension system, (iv) unification of health insurance system, and (v) reform of occupational accident insurance (KTC 1998: 86-92).

Regarding the agendas of labor markets, they were almost of the same opinion on the necessity of the swift and efficient conceptualization of the policies to hinder the proliferation of unemployment. The government presented its programs and the other parties suggested revising them. They considered it more urgent to conceptualize concrete and short-term programs for employment promotion in the wake of the serious crisis (KTC, 1998: 70-83).<sup>188</sup>

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strong requirement of the unions, whose members were seriously suffering from the expanding employment instability due to the indiscrete layoffs and employers' unfair labor management. Although this was the task of the administrative court or the Central- as well as Regional Labor Commission, the KTC II dealt with this before the numerous dispute cases were delivered to the juridical institutions (KTC 2003: 275-281). This study excludes the activities of the SpUL because it is too specific and does not belong to the main focus of this study.

<sup>188</sup> See App5.2.1 for more in detail.



### **5.2.2.2. Concertations for Industrial Restructuring**

Concertations became expanded to the reform agendas of industrial restructuring. For the first time, government and social partners sat at a negotiation table dealing with the range and speed of structural adjustment. Mainly, it was on the formulation and implementation of the restructuring programs of the State-Owned-Enterprises (SOEs) and financial institutions such as banks. The top priority of the concertations was the job security of workers in the companies due to be restructured in the two sectors.

The concertations on the reform of the SOEs dealt with the reform programs, which were mainly formed and implemented by the special agency PBC. Examples include the first plan of privatization (eleven large enterprises); the second plan of privatization (nineteen enterprises), non-research institutes financed by government, research institutes financed by government, institutes invested in by government, and local public enterprises (KTC 1998: 97-100).

The concertations on the reform of the financial sector dealt with the programs, which were formulated by the government agency FSS and were beginning to be implemented. It covered three main issues: on the re-employment and livelihood protection of employees of the five banks in the process of liquidation; on the principles and contents of reform for the insurance companies and security corporations; and on the principles of the so-called 'second structural adjustment plan' additionally for nine large banks (KTC 1998: 110-114).

### **5.2.2.3. Problems of Political Integration**

The political integration of the concertations was seriously limited, especially with regard to the agendas of industrial restructuring. The government agencies recognized neither the authority of the KTC II nor the trade unions as their negotiation partners. They tried to utilize it only as a platform to deliver the opinions and programs they had created unilaterally or as a buffering means to calm down workers' resistance. The KTC II lacked substantial power in formulating and implementing the reform policies and they could not create any official agreements in the policy-domains even though dramatic measures were taken by the government to significantly restructure the two sectors in the year of 1998 (Interview: M-KTC; W-KTC).

Although the government had accepted the requests of the unions to establish the special committees, it did not consider them central to making and implementing the core reform policies. Only abstract principles of the reform or some supplementing measures mainly on the impact of reform policies on the issue of employment security were dealt with. From the beginning, any revision or comprehensive deliberation of the decision, which the government agencies had made, was excluded from the concertations (Interview: M-KTC; W-KTC; Y-KTC).<sup>189</sup>

In terms of the degree and intensity of negotiations, the unions and the government had different expectations, and the capacity of the special committees - SpPS and SpFS - was not clearly defined. The unions (especially the KCTU) found the concertations superficial and insufficient and required more intensive deliberation on the situations of the individual enterprises in the sectors.<sup>190</sup> By contrast, the government agencies (PBC and FSS) considered the KTC II only as a platform to inform and share their reform concepts with the social partners. They did not want the unions to be deeply involved in the processes of policy-formulation but insisted on the implementation of the reform plans they had created (HKR/30/Jun/98:9). Reluctant to revise their concepts, they were only nominally bound to the Commission. The crucial decision-making was unilaterally made without intensive coordination with the social partners in the KTC II (Interview: M-KTC; W-KTC; Y-KTC; L-KCTU).

#### **5.2.2.4. The First Collapse and Recovery**

In July 1998, the KCTU and FKTU boycotted the concertations. The main reason was the unilateral drive of the government agencies in implementing the plans of industrial restructuring. In mid June, the FSS announced its master plan to liquidate fifty five financial institutes without any coordination with the KTC II (YH/19/Jun/98). It was when the plenary session of the concertative institution was taking place to design the schedule of concertation. Immediately, the participants in the KTC II decided to establish special committees for negotiating the programs of financial reform as a reaction to the sudden announcement of the

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<sup>189</sup> The protocols on the debates in the two special committees reveal this limit in various dimensions (KTC 1998).

<sup>190</sup> This can be frequently read in the protocols on the debates in the special committees of the KTC II

FSS (KTC 1998: 22, 110).<sup>191</sup> Soon, the FSS arbitrarily implemented the first plan for the financial reform again without coordination with the KTC II<sup>192</sup>, ordering the five banks to stop business (YH/28/Jun/98).

Similar patterns of action were repeated on the reform of the SOEs at a similar time. When the PBC attempted to present its reform plan in late June, immediately after the special committee (SpPS) started to work, the members of the SpPS requested the powerful governmental agency to postpone announcing the plan and to have the procedure of coordination with workers' representatives and the KTC II (KTC 1998: 101). On 3 July, the PBC ultimately announced the plan to restructure 11 large SOEs as the first measure for the privatization of the public sector (YH/03/Jul/98a), even though the representatives of the FKTU and KCTU had strongly criticized the step in the SpPS on the previous day (YH/03/Jul/98b) and the public commissioners of the special committee recommended more deliberation on the reform process (KTC 1998: 102). It is hard to evaluate if the PBC and the KTC II properly communicated. The reform concepts formulated by the former had already been established before the concertations in the KTC II. The concertative space was extremely narrow and there was no leeway to revise the concepts (Interview: Y-KTC).

These inconsistent behaviors of the government implicated a failure of coordination between the government agencies responsible for restructuring the industries and the KTC II. The unilateral decision-making of the government agencies was incompatible with the functioning of the KTC II.<sup>193</sup> It proved the powerlessness of the concertative platform and its incapability of fulfilling the unions' expectation in that the KTC II could function as a crucial platform to coordinate the colliding interests in the process of structural adjustment.

The discord between the government agencies and the KTC II did not only marginalize the concertative platform but also damaged the legitimacy of the national leaders of the workers' organizations. They did not want to be just 'best men' to support the decision of the government. The two union confederations decided to retreat from the KTC II. They required

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<sup>191</sup> In fact, this was a response of the requirements of the union leaders in the banking sector, which had convened demonstration on 10 June, to establish special committees in the Tripartite Commission (YH/10/Jun/98).

<sup>192</sup> The step was taken on 27 June 1998, a few days before the commencement of the SpFS on 1 July 1998 (KTC 1998: 110-111).

<sup>193</sup> In an interview, the chairman of the KTC II said, "it is difficult for us to move a train, while we are constructing railways." (SL/16/Jul/98: 2)

the government to stop the unilateral drive of structural adjustment, to have sufficient negotiations, and to assure job security of workers, which they considered the crucial prerequisites to resume the concertations (YH10/Jul/98). Then, some unions affiliated with the KCTU immediately started to protest against the reform programs of the government.<sup>194</sup>

The government wanted to continuously utilize and maintain the KTC II as a symbolic platform, expecting the body to effectively work to moderate social conflicts in the process of economic reform. Thus, the government was sensitive to the unions' break-away and worried about the negative effects of the strikes. It tried to persuade the union leaders to return to the KTC II, emphasizing its readiness to pay for necessary political cost to revive the KTC II. The government responded to the radical choice of the unions in a relatively generous way and let the chairman of the KTC II try to actively persuade the union leaders to return to the negotiation round (YH/13/Jul/98; SL/16/Jul/98: 2).

Soon, the two parties discussed the prerequisites for the unions to return to the KTC II. On 23 July, the government and the two unions made an agreement containing several decisive measures, in which most of the requirements of the unions were included. The government made promises to take care of current agendas in various workplaces to enhance the institutional capacity of the KTC II.<sup>195</sup> The unions found the agreement meaningful enough to cancel the strike (SL/24/Jul/98; DA/24/Jul/98). On 27 July, they decided to return to the KTC II, even though their strong arguments for the negotiation on structural adjustment and lay-off were excluded (HKR/28/Jul/98:4).

Meanwhile, the representatives of business - KEF and FKI - would not accept the bilateral agreement between the government and the unions. Arguing for the punishment of the unionists having led the "illegal strike" and for fairer management of the KTC II, they withdrew from the Tripartite Commission (HK/24/Jul/98:1). In less than a week, they decided to return to the KTC II, emphasizing three important principles in managing the Tripartite Commission<sup>196</sup> and stopped their passive protest (KH/30/Jul/98:2).

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<sup>194</sup> On 14 and 15 July, the Metal Industry Union and the Public Social Service Union waged a strike (YH/15/Jul/98). The protest continued and the KCTU attempted to wage a general strike on 23 July, which was ultimately canceled (YH/23/Jul/98).

<sup>195</sup> See App5.2.2 for more in detail.

<sup>196</sup> See App5.2.3 for more in detail.

### 5.2.3. Resolutions

As a result of the concertations, seven additional agreements were concluded on the institutional reform of industrial relations and social insurance.<sup>197</sup> The agreements were strongly connected to the clauses of the Grand Social Pacts. In addition, three agreements were added on the general tasks of economic reform, especially on the reform of the large corporations. No innovative political exchange was carried out with regard to all of the agendas. Meanwhile, the vulnerable concertations on the industrial restructuring did not produce any official agreements among the tripartite actors. Instead, several recommendations or advices<sup>198</sup> were created in the name of public commissioners or the special committees. The decisiveness and strength of recommendations and preliminary agreements on them were heterogeneous, issue by issue. In general, they just indicated some principles of reforms in an abstract and symbolic way. This part introduces the main contents of the resolutions created in the KTC III.

#### 5.2.3.1. Institutional Reform

Three agreements were concluded on the **reform of industrial relations** mainly on how to enhance union freedom and worker's basic rights. The first one was on the revision of the political fund act, which was related to the political rights of trade unions. This was a repeat of the agreement in the Grand Social Pacts, which designated that union associations or higher level unions outside a company were allowed to make political donation in so far as they establish and manage a separate fund for the donation. They concluded this to put pressure on the political parties, who were reluctant to deal with this in the legislation process at that time (KTC 2003: 199, 699).

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<sup>197</sup> No official agreement was concluded on the agendas of the labor markets, especially on the improvement of job security and creation. Only a preliminary agreement was concluded in the SbEP in November, titled 'agreement for employment policy', in which they just indicated the problems in the current system of unemployment management, and made several recommendations to improve it by establishing three specific institutions (KTC 1998: 82). This was not further negotiated in the higher channels due to the chaotic political conflicts in December and the sudden end of the KTC II (KTC 1998: 71; KTC 2003: 434-438). See App5.2.4 for more in detail on the contents of the preliminary agreement.

<sup>198</sup> The recommendation was directed to the government and advice went to the concerned tripartite actors.

The second was on the recognition of union membership for the jobless, which was also a repeat of the Grand Social Pacts. Its implementation had been hindered due to a technical problem (definitional confusion). They clarified the definition of jobless as ‘a person, who provided his work with a business or workplace, and whose employment contract has just expired’ and confirmed that the jobless should be able to be a member of unions over the company level (KTC 2003: 201, 699).

The third was on the legalization of teacher’s union, which had failed to be enacted due to the parliamentary discord. This contained some more advanced contents. They defined various principles and conditions of the teachers’ union on legislation process, organizational system, structure of bargaining, contents of bargaining, ranges of the unions’ rights, unification of wage bargaining, membership, union officers and the political activities of the unions (KTC 2003: 176-189, 701-702).

**Table 15. Agreements concluded at the KTC II in 1998**

Policy Domains	Topics of the Agreements
<b>Industrial Relations Reform</b>	<ul style="list-style-type: none"> <li>• Political Fund Act for Political Engagement of Unions</li> <li>• Union Membership of the Jobless over the Company Level</li> <li>• Recognition of Teachers’ Union</li> </ul>
<b>Social Insurances Reform</b>	<ul style="list-style-type: none"> <li>• Public Fund Management Act</li> <li>• Integration of Divided Parts of the Social Insurance System</li> <li>• Reform of the National Pension Plans</li> <li>• Integration of the Health Care System</li> </ul>
<b>Corporate Reform</b>	<ul style="list-style-type: none"> <li>• Public Hearings for the Inspection of the Economic Crisis</li> <li>• Vitalization of the ‘Employee Stock Ownership Plan (ESOP)’</li> <li>• Support for Bankrupt Companies overtaken by the Workers and the Managers</li> </ul>

The four agreements on the reform of **social security system** were aimed to improve the management technique in the newly strengthened programs. In particular, the unions pursued to strengthen their participation in the management of the social welfare system.

The first one was on the eradication of the ‘obligatory deposition rule’ in the ‘Public Fund Management Act (PFMA)’ to control the arbitrary power of the government in the national

pension system. This was a revision and concretization of an article in the Grand Social Pacts. Having accepted the suggestion of the government, they concluded to maintain 'the rule', and to add a supplementary clause to disable the government in managing and loaning the redundant amount of public funds in the National Pension Fund (KTC 2003: 700).

The second one was on the unification of the divided social insurance systems into one system, which was a concretization of an agreement in the Grand Social Pacts as well. They concluded to establish a specific committee under the authority of the Prime Minister for the implementation of the Grand Social Pacts, and to make more than one third of the members in the special committee comprised of the representatives of the customers. In addition, the government promised to expand the payment and financial support for the unified system of social security (KTC 2003: 701).

The third was on the reform of the National Pension Plans (NPP), which was comprised of two parts: (i) on the improvement of the methods to calculate the income level of the self-employed; and (ii) on the increase of participants in the board of directors of the NPP. In the latter, they decided to expand the leeway that civil representatives could become standing and non-standing members of the board (KTC 2003: 703-704).

The fourth was on the reform of the Health Care System. The government promised to establish a special committee comprised of various relevant parties at the office of the Prime Minister in order to improve calculating the income level of the self-employed; to make the Ministry (MOHW) participate in the Tripartite Commission, and to regularly report on the improvement of the methods calculating income level; to suggest its master plan on the gradual expansion of health insurance payment; and to gradually increase financial support for the Health Care Fund (KTC 2003: 702-703).

On the **corporation reform** belonging to the broader category of economic reform, the actors in the KTC II managed to conclude three official agreements. First, they urged the politicians and business leaders to hold public hearings on the economic crisis (KTC 1998: 228; KTC 2003: 699). Second, decided to vitalize the 'Employee Stock Ownership Plan (ESOP)' for workers (KTC 1998: 230; KTC 2003: 700). Third, they decided to take special measures for workers and managers in the liquidated companies in case they would take over the companies (KTC 2003: 704-705).

However, these agreements carried only abstract and peripheral meanings. The concertations and agreements should have dealt with the agendas of restructuring the Chaebols, as the extended and successive measures of the first section of the Grand Social Pacts. Although a preliminary agreement was created in the lower channels of the KTC II concerning the way of restructuring the big businesses (KTC 1998: 240, 248-249), it was not finally recognized in the plenary session. The KTC II was not a substantive platform to deal with the most critical issue, although the government and the Chaebol leaders participated in it. The blueprint of the corporate reform was made in another channel for bilateral communication - 'Talks between Political and Economic Elites', which had been launched in the beginning of 1998.<sup>199</sup> The channel played a role to formulate the main reform policies and to coordinate the actors' interests throughout the year, while the representatives of labor were excluded.

### 5.2.3.2. Industrial Restructuring

The recommendations and advices on the reform of the SOEs were targeted at two reform agendas. The first was on the reform of the major SOEs<sup>200</sup>: in concrete, the first and the second plans of structural adjustment, which were dealt with between July and August 1998. With regard to this agenda, several recommendations and advices were created, in which the public commissioners of the SpPS set the principles of reform,<sup>201</sup> proclaimed their position<sup>202</sup> and advised the government to respect the negotiation and the decision-making of the KTC II (KTC 1998: 101-104).

Among those, the last recommendation, which was concluded in the unit of the SpPS on 2 August, had an extraordinary meaning. In the agreement, the government agency (PBC) promised to carry out reforms through faithful negotiations with workers in particular

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<sup>199</sup> On 13 January 1998, they had the first gathering and emphasized several principles of the reform: (i) transparency of management, (ii) abolishment of mutual credit insurance (among companies belonging to the same conglomerate), (iii) improvement of financial structure, (iv) concentration on core business sectors, (v) responsibility of managers and shareholders (YH/13/Jan/98).

<sup>200</sup> For instance, Korea Telecom (KT), Korea Electric Power Corporation (KEPCO) and Pohang Iron and Steel Corporation (POSCO) and so on.

<sup>201</sup> On 2 July, the public commissioners made this a recommendation, in which they emphasized six basic values of the reform: publicity, transparency, job security, fairness, autonomous management and privatization (KTC 1998: 102, 275-277).

<sup>202</sup> In the positions announced on 20 July and 29 July, they were not against privatization but required more transparent, fair, autonomous and job-security-caring ways (KTC 1998: 103-104, 278-179).



workplaces (KTC 1998: 280). After this, the unions continuously tried to utilize this resolution as a weapon of their legitimacy in arguing for faithful negotiations with them during consultation in the KTC II.<sup>203</sup>

The second agenda was on the reform of the relatively minor units of the public sector: such as research institutes, non-research institutes and local public enterprises. With regard to these relatively minor agendas, they further created several resolutions in the form of either recommendation or preliminary agreement (KTC 1998: 105-110). All of them contained the similar and abstract recommendations the special committee made to the government (KTC 1998: 281-289).

Finally, the recommendations on the reform of the financial sector were not very different from those on the restructuring of the SOEs. The main products of the consultation were only several recommendations or advices in the name of public commissioners or the special committee (SpFS). Having experienced the unilateral behavior of the FSS with regard to the five banks that had been already ordered to be liquidated, the public commissioners and special committee created recommendations and emphasized the principles of reform ways (KTC 1998: 290-293). In addition, they concretely advised the government to take suitable measures for the livelihood of employees (KTC 1998: 294). With regard to the successive measures expected to be taken for the 'second financial sector' and the further restructuring (nine large banks)', they formulated recommendations and advices beforehand in order to evade the turbulent situation as in the first financial reform (five small banks) (KTC 1998: 295-299).

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<sup>203</sup> This is observable in the protocols of the debates, which the KTC published (KTC 1998).

**Table 16. Unofficial Resolutions in the KTC II on Industrial Restructuring**

<p><b>Restructuring of the SOEs</b></p> <p><b>First Plan of Privatization (11 Enterprises)</b></p> <ul style="list-style-type: none"> <li>• Special recommendation: Structural adjustment of the public sector in general (public commissioners of the special committee to the government)</li> <li>• Special advice: Structural adjustment of the public sector (special commission to all tripartite actors, not signed by unions)</li> <li>• Recommendation: Statement on the report for the privatization and management innovation of public enterprises (special committee)</li> </ul> <p><b>Second Plan of Privatization (19 Enterprises)</b></p> <p>Recommendation: Second plan on the privatization and management innovation of public enterprises (special committee, not signed by the KCTU)</p> <p><b>Non-Research Institutes Financed by Government</b></p> <p>Preliminary Agreement: Management innovation of those institutes (special committee, not signed by the KCTU)</p> <p><b>Research Institutes Financed by Government</b></p> <p>Recommendation: New law on the establishment, management and promotion of those institutes (Special committee)</p> <p><b>Institutes Invested by Government</b></p> <p>Recommendation: Revision of the basic law on the management of those institutes (special committee, not signed by the government)</p> <p><b>Local Public Enterprises</b></p> <p>Preliminary Agreement: Revision of the Law on Local Public Enterprises (special committee, not signed by the government)</p> <p><b>Restructuring of the Banks</b></p> <p><b>Five Banks in Urgent Restructuring</b></p> <ul style="list-style-type: none"> <li>• Recommendation: Current problems in the structural adjustment of the banks (public commissioners of the special committee)</li> <li>• Recommendation: Current problems in the structural adjustment of banks (special committee)</li> <li>• Advice: Livelihood support for the employees in the five banks (public commissioners of the special committee)</li> </ul> <p><b>Second Financial Sector</b></p> <ul style="list-style-type: none"> <li>• Recommendation: Current problems in the structural adjustment of the second public sector (special committee)</li> </ul> <p><b>Nine Banks for Further Restructuring</b></p> <ul style="list-style-type: none"> <li>• Advice: Management reform of the nine banks (public commissioners of the special committee)</li> <li>• Advice: Structural adjustment in the subsidiaries of nine banks due to be reformed (Special committee)</li> </ul>
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#### **5.2.4. Further Problems of Integration and End of the KTC II**

The KTC II again showed its limits of political integration in the process of economic restructuring in late 1998, as the government attempted to restructure the SOEs and the Chaebols without considerate deliberation in the KTC II. In addition, parliamentary coordination in implementing the agreements on the union membership of the jobless and the legalization of the teachers' union failed as well (MH/17Dec/98:22). As the series of these events occurred without careful coordination with the KTC II, the union leaders boycotted the concertations and the KTC II stopped functioning.

##### **5.2.4.1. Problems of Political Integration (1): Institutional Reform**

The KTC II had decisive limits in the dimension of political respect due to the problems of administrative and parliamentary discords. All of the three agreements on the industrial relations reform were not properly implemented. Among them, two cases had very critical implications.<sup>204</sup>

First, the agreement on the union membership of the jobless was not implemented due to the severe objection of the Ministry of Justice (MOJ) and the failure of coordination between the MOL and MOJ. After the agreement in the Grand Social Pacts were reconfirmed in September in the KTC II (KTC 1998: 29), the MOL started to formulate a new bill with an aim to pass it within the year. The union confederations strategically tried to organize their potential members, observing the increase of the jobless in the wake of the economic crisis (YH/16/Oct/98a; YH/16/Oct/98b). Nevertheless, MOJ announced in November not to allow union membership to those, who were not making employment-contracts. Being afraid that the reform could provoke the jobless to organize themselves and bring about negative effects, the MOJ emphasized that no country in the world was explicitly recognizing the union membership of the jobless, whereas the MOL argued that the jobless should be categorized to 'workers', emphasizing an international norm on the union membership of the jobless. Thereafter, the two Ministries fell into a tension and the legislation was postponed. (KH/19/Nov/98: 26; HKR/19/Nov/98: 22). In December, the MOL reformulated a bill and postponed the application of the act for one year, having reflected the opinion of the MOJ. As

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<sup>204</sup> Although the Political Fund Act was postponed to be revised, the issue was a purely technical problem.

the council of ministries further postponed deliberating this issue (DA/01/Dec/98:06; DA/10/Dec/98: 22), the President specially ordered the ministries to further deal with it (MH/10/Dec/98:21). The two ministries resumed discussion and made a compromise to ensure the right only for the jobless, who would receive unemployment support (SG/14/Dec/98:26). Yet, the official bill was neither completed nor submitted to the parliament (HKR/18/Dec/98:27).

Second, the agreement on the legalization of the teachers' union faced serious objections from the conservative actors: the GNP and the employers of the public schools (YH/04/Dec/98). After the government (council of Ministries) had recognized the agreement in the KTC II in November 1998 (YH/07/Nov/98), it formulated a new bill, intending to carry out swift legislation (YH/06/Dec/98). The GNP disagreed with it, so they submitted their own concept, which was different from the governmental proposal. It attempted to pluralize the current association of teachers, the Korean Federation of Teachers' Associations (KFTA), by abolishing the monopoly status of the federation and by bestowing a bargaining right upon it (MH/12/Dec/98:04). Yet, parliamentary deliberation on this was repeatedly postponed,<sup>205</sup> as party leaders were reluctant in dealing with this issue (YH/25/Dec/98).<sup>206</sup> Although the concept of the government was recognized in the standing committee for environment and labor in the National Assembly (YH/29/Nov/98),<sup>207</sup> this could not solve the conflicts. The following day, politicians in another standing committee voted for the legislation of the GNP's bill, which directly collided with the new bill adopted on the previous day (YH/30Dec/98a), as some conservative politicians of the ULD consented to the GNP, even though their party was being coalesced with the NCNP. It needed time to coordinate the two contradictory decisions in the National Assembly. As a result, the legislation of the teachers' union act was not completed in the year. It was impossible to deal with it within the given period of the regular session of the parliament (YH/30/Dec/98b).

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<sup>205</sup> Ironically, some of the GNP's representatives were not against the teachers' union, whereas some of the representatives of the LDP, the conservative ruling partner party of the NCNP, were against it. The major representatives of the GNP, who were the members of the standing committee for environment and labor (SCEL) in the National Assembly, intended to share the responsibility with the standing committee for education (SCE), because they found it very burdensome to take the responsibility alone for the legislation of the new sensitive law (YH/24/Dec/98a).

<sup>206</sup> In late December, some staffs of the KTC II directly visited the politicians, asking them to cooperate with each other for the implementation of the social agreement made in the KTC II (YH/28/Dec/98).

<sup>207</sup> Ten out of sixteen members voted for it (YH/29/Nov/98).

#### 5.2.4.2. Problems of Political Integration (2): Industrial Restructuring

The two reform programs on the restructuring of the SOEs and the Chaebols and their unilateral implementation respectively brought about social conflicts and had influences on paralyzing the functioning of the KTC II.

First, the reform drives of the government to restructure the SOEs were accelerated in several enterprises (or industries)<sup>208</sup> in late 1998 without sufficient negotiation with the workers' representatives. The unions started to protest against the programs. On 10 December, three sectoral associations of unions in the public sector created a single unity<sup>209</sup> and started to aggressively express their complaints with the reform drives (YH/10/Dec/98). They even organized sits-in at the building of the KTC II, trying to criticize the unfaithfulness of the government and employers of the public enterprises (YH/22/Dec/98). They even threatened to fight to dissolve the Tripartite Commission, indicating the limits of coordination and negligence of social agreements (YH/14/Dec/98; YH/19/Dec/98).

Second, the Chaebol reform was accelerated as well. On 7 December 1998, the 'agreement on the structural adjustment of five Chaebols' was concluded between the government and the business representatives.<sup>210</sup> It designated the principles and purposes of the reform and the twenty practical tasks that the five largest Chaebols should carry out. They promised to take autonomous steps to centralize and reduce their businesses (focusing on seven fields; from 264 to 136 enterprises) (YH/07/Dec/98a/b).<sup>211</sup> The number of the companies ordered to be transferred, sold, or restructured amounted to nineteen. These measures were expected to bring about a large scale adjustment of employment over a year for approximately 160,000

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<sup>208</sup> For instance, the KOMSCO (Korea Minting & Security Printing Corporation), Seoul and Pusan Subway, Korea Telecom (KH/26/Nov/98:11).

<sup>209</sup> It was created by the unions in the transportation, railway and public-social work. All of them were affiliated with the KCTU. Afterwards, they constructed a single sectoral union, the KPSU (Korean Federation of Transportation Public and Social Service Workers' Union) in March 1999.

<sup>210</sup> It was signed by the owners of the five Chaebols - Hyundai, Samsung, Daewoo, LG and SK -, Minister of Finance and Economy, Minister of Industry and Resource, Chairman of the Planning and Budget Commission, Chairman of the Fair Trade Commission and Chairman of the Financial Supervisory Service, and the presidents of the five main banks (YH/07/Dec/98b).

<sup>211</sup> After this conclusion, the reform drive was immediately accelerated. For instance, Samsung Automobile and Daewoo Electronics decided on 16 December to exchange some parts of their business (YH/16/Dec/98). The following day, the main creditors (banks) and the two companies made a contract to improve their financial structure and so on (YH/17/Dec/98).

workers (YH/07/Dec/98c).<sup>212</sup> However, trade unions were excluded from this bilateral initiative between the state and business. Although some principles for employment adjustment were defined in the bilateral agreement (YH/07/Dec/98c), precise and active mechanisms promoting industrial cooperation and job security were not established. This made the unions nervous. The unions in the companies voluntarily protested against the measures. This immediately influenced their national leadership. On 8 December, the chairman of the KCTU and his staffs organized a campaigning and expressed their resolute willingness against the reform program. Both the KCTU and FKTU respectively established special bodies to cope with the structural adjustment programs (YH/08/Dec/98). They also required establishing a special committee in the Tripartite Commission for negotiating job security (YH/17/Dec/98).<sup>213</sup>

#### **5.2.4.3. Retreat of the KCTU**

The unilateral reform drives of the government as well as the commitment problems of the social agreements provided the leadership of the KCTU with legitimacy to retreat out of the KTC II. On 31 December 1998, the KCTU decided to withdraw from the KTC II (YH/31/Dec/98), which was followed by the FKTU in early the next year. These choices of the two confederations led the KTC II to stop functioning. Most of all, the retreat of the KCTU had a very important meaning in the history of experimental corporatism in Korea, because the confederation did not return to the Tripartite Commission thereafter. Thus, the decision of the KCTU in this time was the most decisive factor that led the heyday of experimental corporatism in Korea to come to an end. In fact, such a decision had something to do with the logics of internal politics inside the confederation, even though the integration problems mentioned above were the fundamental reasons. The sit-in-protest of the KCTU leadership was not only against the restructuring programs but also against the union leaders who had pushed them to join the KTC II. The stop of the protest was a result of bargaining with internal competitors, which allowed the leadership to retreat out of the KTC II (Interview: K2-KCTU; L-KCTU).

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<sup>212</sup> Among them, trade unions existed in fourteen companies. Eleven were affiliated to the KCTU and three to the FKTU (YH/12/Dec/98).

<sup>213</sup> Although the KTC II positively reacted to this (YH/17/Dec/98), the establishment of the committee was not realized.

### 5.2.5. Implications and Effects

In the context of economic crisis, the KTC II had a symbolic implication that the corporatist experiments continued in Korea. The persistence of the concertation symbolized that the government was capable of managing the crisis through enhancing social coherence. It could also provide the new government, which was still vulnerable in the parliament, with additional means to strengthen and accelerate its reform drives. Nonetheless, the effect of the KTC II was not so innovative as to play a decisive and substantive role in driving dual transformation. Apart from its persistence and the strengthening of its capacity, its performance was frustrating.

First, the ten agreements on the institutional reform of industrial relations, social insurance and corporate system were far from innovative. They did not contain any important political exchanges between the colliding social interests, although they were oriented to intensify the Grand Social Pacts. The agreements were just repeated or only shallowly intensified, and their contribution to reforming the institutions was therefore trivial. Only the agreement on the legalization of the Teachers' Union had a crucial implication (Interview: L-KCTU), which made indirect contribution to opening the new era of a pluralist setting of industrial relations in the sectoral and national level by enabling the KCTU to be legalized. It also stimulated the debates on the reform of industrial relations in the public sector.

Second, the creation of the concertative platforms to articulate social conflicts during industrial restructuring should not be underestimated. As the agendas on the job security in the process of the restructurings became the topics of the concertation, some recommendations made in the channel managed to play a role in creating the new reform concepts and supplemented the limits of governmental concepts. Public commissioners and union leaders managed to make alternative principles on the restructuring processes although they did not have directly binding-power (Interview: K1-KCTU). Despite these advancements, the corporatist experiments in formulating and implementing the reform concepts on the restructuring of the two main industries were only nominally innovative and the influences of the KTC II were absolutely limited. It could neither significantly solve the severe social conflicts nor harmonized the different ideas on the direction of reform policies. It was also not able to substantively strengthen the practices of unions' participation in policy-making. The

concertative platform was unstable and ultimately stopped functioning without creating any official agreements (Interview: M-KTC; W-KTC; L-KCTU).



## 6. Chances and Limits of Institutionalized Corporatism (1999-2003)

Experimental corporatism in Korea stepped into a new period in 1999. Through the enactment of a specific act, the Tripartite Commission (KTC III) became a stable platform for social dialogue and consensual policy-making. Based on the trials and errors in the previous rounds, the actors managed to establish a new institutional mechanism. Till the end of the administration, the KTC III played a role in coordinating social interests and managing social conflicts, while comprehensive programs for socio-economic reform were being formulated and implemented.

The KTC III was a platform, which dealt with the two types of reform tasks simultaneously. The agendas of industrial restructuring, which started to be negotiated in the KTC II, became consolidated in the KTC III. On the one hand, they continued to negotiate the agendas of institutional reform, which started from the IRRC. On the other hand, the agendas of industrial restructuring were also negotiated usually in the sub-channels of special committees.

However, the corporatist channel continued to suffer from integration problems despite the institutionalization and the enhancement of its status. The KCTU continuously boycotted joining the KTC III, considering it only a means to carry out neo-liberal economic reform. Although the administrative actors were more strongly bound to the realm of corporatist policy-making, they were still reluctant to 'share public sphere' (Crouch 1986) with the union representatives. Accordingly, the functioning of the KTC III was restrained and the institutionalized channel could not form a genuine partnership among the tripartite actors.

This chapter analyzes the experiences of the KTC III for the remaining four years under the Kim Dae Jung government: from late 1999 to early 2003. It is divided into four parts: the first one deals with the process of institutional formation and describes its structure; the second one analyzes the concertations on the institutional reform; the third one is on concertations for industrial restructuring. In these two parts, the agendas, processes, resolutions and integration of the concertations respectively in the two different policy-domains are analyzed. Finally, the fourth one synthetically elucidates the influences - achievements and limits - of the KTC III.

## 6.1. Formation of the KTC III

This section describes the process of establishing the KTC III and its structural features. The debates and interactions in 1999 played a decisive role in determining the structural features of the KTC III as well as the main agendas for the following years.

### 6.1.1. Process of Establishment

They were three decisive facts in the process of establishing the KTC III: establishment of the Tripartite Commission Act, incorporation of the FKTU and boycott of the KCTU. This part describes these stories.

#### 6.1.1.1. Incorporation of the FKTU

The KTC III was launched in September 1999, after the government decided to strengthen the capacity of the new concertative channel. Its establishment was a positive reaction to the requirements of the trade unions, which were frustrated by the integration problems of its predecessors (KTC I and II). The initiative of the government started with the enactment of the ‘Act on the Establishment and Operation of the Tripartite Commission (AEOTC)’, which defined the capacities and tasks of the KTC III in several clauses (KM/4/May/99: 5; CS/5/May/99: 4).<sup>214</sup> On 3 May 1999, the AEOTC was passed in the parliament despite the objection of the conservative opposition, GNP (YH/23/Apr/99; YH/26/Apr/99) and business (DM/28/Apr/99: 8). This innovative initiative of the government was effective in persuading the FKTU to take part in the KTC III.

The decisive event was the conclusion of a bipartite agreement between the two parties. After the KTC II stopped working, the leaders of the FKTU tried to mobilize their members and required the government to keep faithful relationships with them. The government tried to incorporate the union and concluded the agreement in late June with the FKTU, which defined the conditions of the concertations in the KTC III (YH/25/Jun/99a). This June Agreement, which was comprised of seven chapters with twenty articles, had implications for the concretization, intensification and expansion of the official requirements of the FKTU. In the agreement, the

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<sup>214</sup> See App6.1.1 for more in detail.

government promised to take some concessive measures, as it urgently needed social partnership and political stability to cope with the extremely burdensome tasks of economic reform. The characteristics of the agendas to be dealt with in the KTC III were defined in the June Agreement including substantial references for the successive arguments of the FKTU (HKNC/16/Jul/99: 3).<sup>215</sup> Concluding this agreement, the FKTU canceled its plan to wage a strike, while the business associations severely criticized it (YH/25/Jun/99b).

Then, the government accelerated its initiative to establish the KTC III. On 30 June, President Kim appointed a political scientist, Kim Ho Jin, as the chairman of the KTC III. He tried to persuade the interest associations to join the KTC III and to cooperate with high-level politicians of the ruling parties (YH/30/Jun/99). At the same time, the government (MOL) endeavored to launch a temporary body, Commission for the Reform of the Industrial Relations Institutions (CRIRI) to design the structure of the KTC III (YH/28Jun/99).

Nevertheless, the responses of the other social actors except the FKTU were not so positive. The KCTU continuously refused to join the CRIRI, worried about a possibility that it could lead itself to join the KTC III. Criticizing the new initiative of the government, it required the government to abolish the Tripartite Commission.<sup>216</sup> The government insisted on the necessity of the CRIRI as the sole body to prepare for the KTC III, which led the KCTU to continuously boycott it. The KEF also refused to join this temporary body in the beginning, criticizing the bilateral agreement between the government and the FKTU. Later, it changed its' strategies and joined the body in mid July (YH/14/Jul/99). With the joining of the KEF, the CRIRI was able to be launched in late July (YH/29/Jul/99).

For a month, the tripartite actors, except the KCTU, proceeded with negotiations in the CRIRI on designing the structure and managerial principles of the KTC III. These preliminary rounds of tripartite negotiations came to an end in late August, having created the institutional frames and managing schemes of the KTC III. Finally, the KTC III was launched on 1 September 1999 as a new concertative platform, which was defined by a specific act (AEOTC) for the first time in Korea. Immediately after, the FKTU had made an official decision to join it (YH/30/Aug/99).

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<sup>215</sup> See App6.1.2 for more in detail.

<sup>216</sup> The KCTU argued that "the CRIRI is just another KTC inside the KTC."(NDSG/23/Jul/99: 1).

### 6.1.1.2. Boycott of the KCTU

The participation of the KCTU was the most crucial issue in launching and managing any of the corporatist arrangements. Therefore, the boycott of the KCTU had a fatal implication in the characteristics of the KTC III. Despite the occasional initiatives of the leaderships to take part in the KTC III, it was not realized at all until the end of the Kim Dae Jung government.<sup>217</sup> This attitude of the KCTU was related to its intra-organizational politics, as the alternation of the leadership showed, which was driven by hegemony competitions among the three different groups (Interview: K2-KCTU; K3-KCTU; L-KCTU).

In late February, the KCTU finally confirmed its decision to withdraw from the KTC II, while the most radical group (*Hyonchangpa*) was leading the organization. The decision was made in the regular session of the general assembly, absolutely supported by union leaders. At the same time, they decided to lengthen the office term of the chairman, revising the initial decision that had defined the term to only one year, without extension (NDSG/1/Mar/99: 1).

The lengthened leadership of the *Hyonchangpa* was not capable of creating strong support from middle-level leaders and union members. They neither agreed with nor positively responded to the adventurous strategy of the leadership. In September 1999, a new election for chairmanship took place, as had been decided in February. Finally, the *Hyonchangpa* lost its power. The new leadership was a coalition between the middle group (*Joongangpa*) and the relatively moderate group (*Kookminpa*) (Interview: L-KCTU).

As a temporary coalition of the two different camps, its characteristics were tough to harmonize and were incapable of making internal cohesion in the organization. The chairman, Dan Byong Ho, who was leading the *Joongangpa*, more strongly emphasized protest and mobilization against the government. By contrast, the secretary general, Lee Soo Ho, who was a leader of *Kookminpa*, was more oriented to social dialogue and social reform beyond pragmatic militantism within enterprises. This temporary and heterogeneous leadership was unable to properly function (Interview: L-KCTU).

In January 2001, during the next official election for the new chairmanship of the KCTU, the *Hyonchangpa* strategically supported the *Joongangpa* to isolate the *Kookminpa*. As a result, the

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<sup>217</sup> The KCTU even continued to maintain this negative position even in the next government. Even though the characteristics of the leadership changed and there was a strong attempt to re-launch the negotiation practices with the government and business at the national level, it was not achieved.

leader of the middle group, Dan Byong Ho, was re-elected the new chairman. Although this new leadership was more radicalized and hostile to the government, it was again unable to substantively strengthen internal coherence and to draw strong support from members. Frequently, the KCTU fell into serious internal conflicts under the Dan leadership (Interview: L-KCTU). Mobilizing workers against the 'neo-liberal' programs of the government, Dan was arrested and put in jail in the summer of 2001. Since then, a new temporary leadership was formed and led the organization to the end of the Kim Dae Jung government in a very vulnerable and unstable way.

Any leaderships of the KCTU under the Kim Dae Jung government did not innovatively reconsider to join the KTC III, while the concertations were being labeled to be a taboo within the confederation (Interview: C-KCTU). The debates on the KCTU's participation in the KTC III became a crucial instrument of power competition among the divided groups. The leaders of the other two groups tried to constantly utilize the decision of the *Kookminpa* to sign up the Grand Social Pacts during the election campaigns. As the new leaderships won over the *Kookminpa*, the leaderships were more reluctant to changing their attitude to the KTC III (Interview: K2-KCTU).

### **6.1.2. Structure**

The structure of the KTC III was created by the preliminary negotiations in the CRIRI, following in large part that of the KTC II. Inside the KTC III, a couple of subchannels were made. After preliminary agreements were produced in the lower channels, they were delivered to and deliberated in the higher levels. At the highest place, the plenary session was established as the supreme place for making the final and official decisions of the KTC II. Its members amounted to less than twenty; were comprised of the representatives of government, labor, business and public interest; and were appointed by the President. Especially, the Ministers of the MOFE and the MOL were obliged to participate in the plenary session (Ryu, Cho and Chang 2003).

The subcommittees and the special committees were the main platforms of concertation, which is the same as in the KTC II. Those were comprised of less than 15 and 20 members. The four subcommittees of the KTC II were merged to two bodies in the KTC III: the SbIR

(industrial relations) and the SbES (economy and society).<sup>218</sup> The former specialized in the reform of the industrial relations institutions and the latter dealt with the reform of the labor markets institutions as well as the system of social insurance (Ryu, Cho and Chang 2003: 168).

The three special committees of the KTC II – SpPS (public sector), SpFS (financial sector) and SpUL (unfair labor management) – were maintained in the beginning. In early 2001, the SpUL was abolished due to the uncertainty of its role.<sup>219</sup> In addition, two special committees were created to discuss the most important issues on labor markets reform: work-hour reduction and protection of workers with temporary contracts. Between May 2000 and December 2001, the SpWH (work-hour) worked for the negotiations on work-hour reduction. Between July 2001 and May 2003, the SpAE (atypical employment) existed, dealing with the agendas of regulating atypical employees (Ryu, Cho and Chang 2003: 169-170).

The main agendas dealt with in the KTC III were comprised of five agendas: (i) industrial relations institutions and practices (SbIR, SpUL); (ii) labor market institutions and policy (SbES, SpWH, SpAE); (iii) social security system (SbES); (iv) SOEs reform (SpPS); (v) financial reform (SpFS). The first three agendas belonged to institutional reform and the last two belonged to industrial restructuring. The main structure of the KTC III was designed according to these issues.

In addition, they established the Standing Committee (StC) between the plenary session and the sub-committees in order to adjust negotiations in the lower level and to prepare for conclusion. The StC was comprised of less than 25 members (Ryu, Cho and Chang 2003: 167-168). The Advisory Committee was also established with less than ten members: academic and practical experts in the related fields who were responsible for surveys and researches (Ryu, Cho and Chang 2003: 171). For the purpose of strengthening the negotiations on the reform of the public corporations, extraordinary commissioners were appointed, comprised of the Minister of the MOCIE, Minister of the PBC and chairperson of the FSS (Ryu, Cho and Chang 2003: 166).

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<sup>218</sup> The SbIR remained as before; the previous SbSI (social insurance) and SbEP (employment policy) were integrated into the SbES; and the previous SbER (economic reform) was abolished. This change implicated the change of the focused agendas as well. The agenda on the economic transparency and corporate reform disappeared at the KTC even though it was one of the most important and urgent reform tasks in the Kim Dae Jung government.

<sup>219</sup> The role of the SpUL was considered to be overlapped with both the Labor Commission and the SpIR (KTC 2003: 279). The employers' representatives especially did not want to maintain it (KTC 2002: 57).

A division for checking the implementation of the agreements (DCI), which was comprised of the public commissioners of the StC and the representatives of the interest associations, was created, which was a distinctive feature of the KTC III. The DCI was to be held every quarter year, carrying specific aims to enhance the commitment of the agreements concluded in the KTC III (Ryu, Cho and Chang 2003: 182).

One of significant features of the KTC III was exclusion of political parties. This was different from the KTC I and II, which was mainly led by the politicians of the new ruling party (NCNP) (Ryu, Cho and Chang 2003: 172).<sup>220</sup> Instead, the public commissioners were appointed. From this point of view, the KTC III was similar to the IRRC in 1996 and 1997, in which public commissioners played a leading role in managing the concertations.

Even though the KTC III became a stable platform defined by a specific act, the status of its staffs was still unstable. There were non-standing public servants. Different from the original plan of the politicians to make it a regular and standing body, the MOL did not want it. Due to the boycott of the KCTU and the relative negligence of the Blue House, the drive to build a stable channel of concertation was not so strong. Accordingly, the KTC III had to remain as a non-standing commission to give advice when the MOL wanted it (Interview: J-KTC).

## 6.2. Concertations for Institutional Reform

This section analyzes the concertations in the KTC III on the institutional reform. It is comprised of four parts, which respectively deal with the features of the concertations in terms of agendas and processes, the integration problems during the concertations, the contents of the resolutions, and the integration of the resolutions. The institutionalization of the Tripartite Commission, in general, strengthened the political integration of the concertations on these agendas. Nevertheless, the continuous boycott and hostile attitude of the KCTU restrained the social integration of the concertations. As a result, innovative resolutions were not able to be made despite the strengthened endeavors, especially with regard to the two grand issues of labor markets: work-hour reduction and regulation of atypical employment.

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<sup>220</sup> A closer observer interpreted the exclusion of party leaders as their defeat in power competition with bureaucrats (Interview: W-KTC).

### 6.2.1. Agendas and Processes

This part analyzes the agendas and processes of the concertations in the KTC III concerning the tasks of institutional reform. The agendas covered three categories of policy-domains: industrial relations reform, labor markets reform and social insurance reform. The second domain contained two grand issues mentioned above and other small issues. This part describes the features of the concertative agendas and processes, dividing them into four parts: concertations for industrial relations reform, work-hour reduction, atypical employment reform, and other small issues of labor markets together with the agendas of social insurance reform.<sup>221</sup>

**Table 17. Main Issues of the Consultations for the Institutional Reforms in the KTC III (1999-2002)**

Agendas	Main Issues		Platform
Industrial Relations Reform	<ul style="list-style-type: none"> <li>• Order of Workplace Industrial Relations (Wage Bargaining in the Multiple Union System; Payment for Union Officers; Activation of the Labor Management Cooperation Council)</li> <li>• Union Freedom (Public Servants; Academic Staffs in the Universities)</li> <li>• Collective Bargaining and Disputes Resolution (Strike Rights in the Essential Public Service)</li> </ul>		SbIR
Labor markets Reform	Grand Issues	(1) Work-Hour Reduction	SpWH
		(2) Regulation of Atypical Employment	SpAE
	Small Issues	<ul style="list-style-type: none"> <li>• Employment System for Foreign Workers</li> <li>• Promotion of Employment</li> <li>• Vocational Training System</li> </ul>	SbES
Social Insurance Reform	<ul style="list-style-type: none"> <li>• Strengthening of the Basic Livelihood Program</li> <li>• Workers' Basic Welfare</li> <li>• Unification of Health Systems</li> <li>• Unification of National Pension Plans</li> </ul>		

<sup>221</sup> The central platforms of the concertations on these were respectively SbIR, SpWH, SpAE, and SpES.



### **6.2.1.1. Industrial Relations Reform**

The subcommittee for industrial relations (SbIR) was the central platform in the concertations for industrial relations reform. The dominant agendas were still on the basic labor rights of workers and the incomplete tasks to reform the system of industrial relations. These issues on the institutional reform could effect the relationship of the actors for a long time. Thus, the participants were very sensitive and desperate to defend and expand their interests during concertations (Interview: K2-KTC). For three years, they dealt with various agendas, which they had failed to revise in the previous years or managed to revise only partially.

On the order of labor relations in workplaces, the critical issues were wage bargaining with multiple unions, payment for union officers, and activation of the Labor Management Cooperation Council (LMCC). The negotiations were especially controversial, as the social partners had totally different expectations. For instance, the FKTU would have liked to activate the LMCC and expand its functioning towards intensifying the practices of management participation by workers, whereas the KEF was thoroughly against this idea (Interview: K2-KTC).

On the reform of the institutions on collective bargaining and disputes resolution, the core issues were strike rights in essential public service, commitment of collective bargaining, institutional innovation for the mediation, and the preventive mechanisms of labor disputes. the system of collective bargaining was being changed in various industrial sectors, relevant mechanisms to mediate and articulate labor disputes needed to be newly defined. The concertations in the KTC III were targeted to serve the tasks (KTC, 2003; Interview: K2-KTC).

On the expansion of union freedom, public servants' union and coalition freedom of academic staffs in the universities were the main issues (KTC 2003: 153-174, 189-197). Concertations for these issues were urgently necessary because the conflicts between the state and the public servants' unions, despite illegality, were escalating. Although they endeavored to make a consensus by creating subdivision specialized in the agenda, inviting associations, and convening public hearings several times, they could not see a substantive progress in negotiation but failed to make an agreement (Interview: K2-KTC).

### **6.2.1.2. Grand Issue of Labor Markets Reform (1): Work Hour Reduction**

As the first grand issue of labor markets reform, the debates on work-hour reduction took place for more than three years, with the goal of reducing weekly work-hours to forty hours. The main debates were formed, when and how widely to adopt the forty-hour-week system and whether to maintain the level of wages after the reduction of work-hours. The characteristics of these agendas enabled the social partners to attempt political exchange (Interview: K1-KTC).

Originally, the negotiation was initiated by the KCTU, which created a master plan on the reduction of work-hours through a channel of collective bargaining at the industry-level. The radical confederation pursued to strengthen the practices of industry-level bargaining at the same time. By contrast, the FKTU preferred the means of legislation as it was aware of the limit and vulnerability of the industry-level relationship. As the KCTU boycotted the KTC III, only the FKTU could gain political benefits through leading the concertations (Interview: K1-KTC).

The unions tried to strategically utilize the unfavorable situation of economic crisis with high unemployment-rate as a chance to reduce work-hours and to create more jobs, arguing to unconditionally reduce legal work-hours and to maintain the current regulations on the various additional compensations. By contrast, the employers and business were desperately willing to rearrange the regulations on wage, bonus and holidays, which had developed irrationally in their opinions and were too burdensome for them. Strategically, they tried to connect the work-hour issues and the issues of additional compensations (KTC 2003: 522-525).

The process of the concertations was divided into three terms: survey, conceptualization of alternative policies, and intensive negotiation. In late October 2000, they made a consensus on the principles of the reform (KTC 2003: 526-532). This agreement was strongly criticized by the KCTU because it accepted the requirements of business to revise compensation regulations, which the radical unionists considered to deteriorate the working-conditions (NDSG/30/Oct/00:01; NESG/30/Oct/00:03). From then on, until July 2002, they intensified the concertations. Although the public commissioners created alternative concepts in September 2001, the social partners ultimately failed to make common concepts (KTC 2003: 532-535). Thereafter, further debates and conflicts were followed in the processes of the administrative and parliamentary deliberation, which could not make conclusion until the end of the Kim Dae Jung government (KTC 2003: 535-538). Ultimately, the legislation of the reform concepts was

accomplished in August 2003 under the next government. Although the social partners were unable to create alternative concepts, the results of the concertations had strong influence in the newly established legal means (Interview: K1-KTC).

### **6.2.1.3. Grand Issue of Labor Markets Reform (2): Non-Standard Workers**

The second grand issue of labor markets reform was on the protection and regulation of the non-standard workers. Since the Grand Social Pacts, which made a crucial contribution to making it easy to lay off workers and to vitalizing agency works, the number of vulnerable workers increased in the wake of the economic crisis. Within a few years, this became a serious social problem in Korea. The FKTU brought this issue into the concertative rounds in the KTC III, while the KCTU was endeavoring to mobilize workers to entirely abolish the lay-off rule.

In the beginning, this was one of the grave agendas in the SbES. In July 2001, this became an independent agenda, as the SpAE was established. The consultation in the SpAE lasted till the end of the Kim Dae Jung government. The official meetings of the SpAE took place 22 times. They created an agreement in May 2002. Thereafter, the public commissioners of the SpAE led the consultation, trying to mediate the colliding opinions of the social partners till the current end of the government, which however ended without visible results (KTC 2003: 356-410).

The consultation dealt mainly with three agendas. The first was on the range of non-standard workers. They started with this fundamental issue, because it was controversial as to how to define and calculate the non-standard workers. The members of the SpAE carried out various workshops and field surveys, and the social partners shared their basic notions on the trend and reality of the labor markets. The second one was on the strengthening of the mechanisms regulating the employment practices of temporary workers. The third issue was on the social security of non-standard workers, which was oriented to expand the range of the social insurances to the workers (Interview: L-KTC).

### **6.2.1.4. Further Issues of Reforming Labor Markets and Social Insurances**

In the subcommittee for economy and society (SbES), the tripartite actors continued to expand and intensify concertations on the reform of labor market institutions and the social insurance system. These were relatively less controversial between labor and business, which

were different from the agendas on the institutional reform of industrial relations (Interview: K2-KTC). On further reforms of the labor markets, various small agendas dealt with topics such as a vocational training system, problems of foreign workers, employment policies, and gender equality. On the social insurances reform, concertations covered various programs, which were to be newly adopted or significantly innovated. The two major programs of National Health Care and the National Pension Plans were the dominant agendas. The speed and degree of unification of each system was especially controversial. Some legislative agendas with regard to those major programs as well as the newly expanded system like Workers Basic Welfare or Basic Livelihood were the main agendas as well.<sup>222</sup>

### **6.2.2. Integration Problems during Concertations**

Due to the strengthened status, the KTC III became the most recognizable institution, especially to the administrative and political actors. This did not mean that the concertative institution did not have any conflicts or problems in terms of political integration. Furthermore, the KCTU continuously checked and criticized the new concertative platform, which restrained its social integration.

#### **6.2.2.1. Limits of Political Integration**

In the policy-domains of institutional reform, it was mainly the MOL and MOHW that took responsibility for the legislation of the agendas, representing the administration in the KTC III. The two Ministries had to formally recognize the authority of the KTC III and were obliged to take part in it. The administrative actors brought the concerned agendas of concertation to the concertative channel already in the beginning phase of policy-formation, which was different from the concertations for industrial restructuring (Interview: K1-KTC). No serious problems of coordination with political parties occurred during the concertations for these agendas in the KTC III.

Nonetheless, these did not implicate that the KTC III was successfully and deeply integrated in the arena of policy-making. In fact, the MOL did not faithfully expect the social partners to

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<sup>222</sup> Regarding the background and contents of these reforms, see Chapter Three of this volume.

make a grand and ultimate compromise. The Ministry did not want to strengthen the capacity of the Tripartite Commission, because its own capacity could be weakened due to the strengthened corporatist channel (Interview: J-KTC). As the support of and harmony with itself was not substantially innovated, the MOL tried rather to check the growth of the KTC III.

The attitude of the MOL was ambivalent. On the one hand, it found the concertations necessary and supportive for its tasks; on the other hand, annoying and inefficient (Interview: K2-KTC; P-MOL). Sometimes, it tried to utilize the KTC III, when it did not want to take charge of some complicated and sensitive issues, for instance, the regulation of foreign workers (Interview: K2-KTC). In the latter cases, it repeated unilateral and uncompromising attitudes. Representatively, trying to revise the regulations of work-hour in a unilateral way, as concertations on the reduction of work-hour could not swiftly produce compromise (Interview: J-KTC). In this way, the institutionalized channel of concertation carried tension and was not able to be deeply integrated in the established arena of policy-making.

#### **6.2.2.2. Limits of Social Integration**

The problems of social integration of the KTC III during concertations were mainly caused by discord between the two confederations of trade unions (Interview: R-FKTU). As most of the agendas were related to the enactment or amendment of certain laws, the peak associations were the main relevant actors.<sup>223</sup> The KCTU did not recognize the legitimacy of the KTC III but insisted on a relatively fundamental and rigid stance on the main reform agendas such as work-hour reduction and non-standard workers. As a result, the leaders of the FKTU were hesitant in making sensitive decisions in the KTC III, taking the KCTU into account (Interview: K1-KTC; J-KCTU). This part introduces the tensions and conflicts that occurred during the concertations on two agendas: work-hour reduction and the unification of health insurances.

On the agendas of work-hour reduction, they could not resolutely make a final decision, which was in large part attributed to their fear of the possibility that the KCTU could organize a counter mobilization against their decision as well as the possible rebellion of their members (Interview: K2-KTC). The KTCU stubbornly argued to reduce work-hours without any counter-measures deteriorating the working conditions. It severely blamed the agreement made in the

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<sup>223</sup> In the case of the concertation for industrial restructuring, the concerned unions on the company and industry level played a more active role. See the next part of this chapter.

KTC III in October 2000 on the principles of the reform. It also criticized the public commissioners of the SpWH, when they formulated compromising concepts in September 2001, and organized protests directly against the KTC III (NDSG/10/Sep/01:01, 03; NDSG/17/Sep/01:01; NDSG/24/Sep/01:01, 03; NDSG/01/Oct/01:01). As a result, the FKTU and KEF could not make a final consensus, even though the mutual understanding of each party was enhanced through the longstanding interactions in the KTC III (Interview: K2-KTC).

On the agenda of unifying the health care programs, the integration problems occurred, as the two unions had different definitions of the alternative concepts. The KCTU and its unions constantly argued for the swift unification of the programs, whereas the unions affiliated to the FKTU wanted to slow down the reform process. The two camps fell into severe conflict with each other, waging strikes and counter-strikes between late 1999 and early 2000. The NHICJU affiliated to the FKTU organized protests and campaigns to hinder the project, emphasizing potential confusion and worried about disadvantageous effects on its members. By contrast, the KSIU affiliated to the KCTU, which were representing the workers employed in the regional health care institutions, criticized the FKTU and NHICJU, arguing for a swift unification of the organizations (HKR/29/Sep/99; HKR/12/Oct/99; CS/18/Apr/00; HKK/20/Apr/00).

The concertations in the KTC III were restrained without comprehensive coordination between the two unions. The FKTU supported the NHICJU and argued to postpone the reform. It was supported by the KEF, but not by the government (MOHW). Two preliminary resolutions were made in the corporatist channel regarding the organizational and financial unification of the divided health-care programs. Yet, they were not officially recognized and social support of them was very weak. First, the FKTU and KEF made a preliminary agreement in the SbES on the organizational unification of the health care programs. It was in April 2000 and while the MOHW was absent. The agreement basically followed the suggestion of the FKTU to maintain the original plan of organizational unification and to manage the two organizations independently till the end of 2001 (KTC 2001: 267; KTC 2003: 557-558).<sup>224</sup> Second, the KTC III again dealt with this issue in the following year with regard to the financial unification of the health care programs. Same as before, the MOHW wanted to swiftly implement the delayed task, sharing the same opinion with the KCTU. Yet, the FKTU again tried to further postpone it,

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<sup>224</sup> Although this could not become an official agreement of the KTC III, it was implemented afterwards because the directing board of the NHIC made the decision, as was suggested in the preliminary agreement, it enabled the two organizations to be officially unified in July 2000.

supported by the KEF (KTC 2002: 121-122) (KTC 2003: 478-482). In November 2001, the social partners and the public commissioners of the SbES formulated a recommendation, while the MOHW did not agree with it and the KCTU criticized it outside of the KTC III. They decided to maintain the two systems separately, postponing the financial unification until rational preconditions could be established: such as precise registration of incomes, rational standard of payment rate, improvement of statistical infrastructure and so on (KTC 2002: 126) (KTC 2003: 482).<sup>225</sup>

### 6.2.3. Resolutions

Fourteen new agreements were concluded on the agendas of institutional reform as a result of the concertations. Despite their characteristics oriented to intensify the Grand Social Pacts, they were not as highly innovative as the previous achievement. On the most sensitive of issues, an ultimate consensus was not made. Accordingly, the decisiveness of these agreements was relatively low, although they were never trivial. This part briefly introduces their contents, dividing them into four parts according to the policy categories.<sup>226</sup>

Three agreements were concluded on the **institutional reform of industrial relations** regarding the institutional changes of labor relations in the workplaces and labor disputes in general.

The first one was on the commitment of collective bargaining. The social partners slightly revised the legal regulation on the punishment of the employers who did not keep the collective agreement concluded between them and their unions. After the Constitutional Court had ordered to establish concrete provisions on the preconditions of the punishment, the consultation took place on the issue for several months and they agreed to insert some clauses on the relevant act (KTC 2001: 77-83, 226-7, 236-7, 240; KTC 2003: 204-217).

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<sup>225</sup> This recommendation was not recognized as an official agreement of the KTC III, because the plenary session did not take place until July 2002. In January 2002, political parties accepted this recommendation and decided to postpone the financial unification for one and half years (KTC 2002: 127).

<sup>226</sup> They are (i) three on the reform of industrial relations; (ii) two on the grand agendas of labor market reform; (iii) four on the small issues of labor market reform; and (iv) five on the reform of social insurance programs.

**Table 18. Areements on Institutional Reform concluded at the KTC III (1999-2002)**

Policy-Domain		Topic of the Agreements
<b>Industrial Reform</b>	<b>Relations</b>	<ul style="list-style-type: none"> <li>▪ Payment for Union Officials and Allowance of Multiple Unions at the Company Level</li> <li>▪ Commitment of Collective Bargaining</li> <li>▪ Improvement of Systems for Labor Disputes Mediation</li> </ul>
<b>Labor Markets Reform</b>	<b>Grand Issues</b>	<ul style="list-style-type: none"> <li>▪ Agreement on the reduction of the working hours</li> <li>▪ Agreement on Measures for Non-Regular Workers</li> </ul>
	<b>Small Agreements</b>	<ul style="list-style-type: none"> <li>▪ Human Rights of Foreign Workers</li> <li>▪ Job Creation for Tackling Unemployment of Youth</li> <li>▪ Improvement of Vocational Training System</li> <li>▪ Formation of Learning Funds for Workers</li> </ul>
<b>Social Insurances Reform</b>		<ul style="list-style-type: none"> <li>▪ National Health Insurance Act: Recommendation for Enforcement Decree</li> <li>▪ Unification of National Pension Plans: Tax Reform</li> <li>▪ Reduction of Earned Income Tax (EIT)</li> <li>▪ GBLPA: Recommendation for Enforcement Decree</li> <li>▪ Basic Workers' Welfare Act: Enactment</li> </ul>

The second one was on the payment for union officials and the multiple unions on the company level. This combined agreement included critical issues, which could bring about significant change of the labor relations on the company level. However, the social partners ultimately failed to make substantial consensus. They decided only to postpone implementing the relevant regulations, which were designated to be implemented in the year 2001 according to the current act, to the end of 2006 without any crucial revisions and innovative implications. In February 2001, this was adopted as an official agreement of the KTC III (KTC 2003: 218-238).

This agreement was a result of passive bargaining between the FKTU and KEF. With the agreement, the FKTU managed on the one hand to defend the current practices, under which employers paid for union officers. On the other hand, it could prevent turbulence and disadvantage, which could occur if the multiple-union-system was swiftly implemented. The KEF managed to protect the regulation, under which fulltime union officers were not paid by employers, although its implementation was postponed. In addition, the employers' association earned time to prepare for the multiple-union-system at the company level (KTC 2003: 238).



The third agreement was on the improvement of the systems mediating labor disputes. In concrete, they decided to strengthen the capacity of the Labor Relations Commission and activate private institutions to prevent and mediate labor disputes (KTC). This was a reaction to the rapidly increasing number of disputes at that time, while industrial restructuring and economic crisis deteriorated job security in various workplaces (KTC 2003: 239-259).

Among the six agreements on the **reform of the labor market institutions**, two dealt with the grand issues of reforms on work-hour reduction and non-standard workers, for which the concertations took place in the special committees. After the resolutions on the two grand issues, which were incomplete, abstract and principle-setting, the successive concertations came to an end without a final conclusion, although the results had significant influences in the next process of policy-making.

First, the agreement on the reduction of work-hours, which was concluded in October 2000, contained comprehensive agendas on the reform of work-hours and holiday issues, indicating the positions of the social partners and set the principles of the following concertations. Innovatively, the government and social partners set their common goals to reduce the yearly work-hour below 2000 hours; and to suitably reform wage, holiday and vacation regulations<sup>227</sup> (KTC 2003: 710-712).

Second, the agreement on the regulation of atypical employment was concluded in 2002, with the title of 'the Tripartite Agreement on Measures for Non-Regular Workers'. Although this agreement was not a complete version of social compromise, it designated the principles of the necessary reforms to protect non-regular workers, including very wide-ranging issues in three categories: such as (i) the range of the non-regular workers and the improvement of the statistical skills to calculate the range, (ii) enforcement of the work-control, and (iii) expansion of the applicable range of the social security system (KTC 2003: 720-723).

In addition to the grand issues, four agreements were concluded on the reform of labor market institutions, covering various agendas: such as protection of foreign workers, strengthening of vocational training system, and active measures for job creation etc.

The agreement on the human rights of foreign workers, which was concluded in June 2000, did not contain substantial and concrete measures but designated some behavioral principles of

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<sup>227</sup> See App6.2.1 for more in detail.

the government and the social partners to respect human rights of foreign workers (KTC 2003: 707).<sup>228</sup> The issue on the adoption of the employment allowance institution (EAI), which was the more controversial and decisive issue to rationally adjust the labor market institutions regulating foreign workers, was excluded (KTC 2001: 281-284).

With the title of an ‘agreement for the promotion of youth employment’, an agreement was concluded to efficiently and actively manage unemployment issues. Even though the target group of the policy was the youth, the contents contained methods to promote job-creation and improve human resources in general. In its several parts, the agreement designed the behavioral tasks of the government and the social partners to expand employment (KTC 2003: 727-728).<sup>229</sup> However, this was still abstract without concrete programs and measures to be taken.

The last two agreements were on the strengthening of vocational training institutions. During concertation in 2001, the FKTU wanted to make a concrete agreement beyond an abstract declaration and required the other parties to immediately adopt a new model similar to the ‘Union Learning Fund (ULF)’ in the UK. The employers had different emphases. They argued to make the vocational training system demand-oriented; to reduce the burden of the employers; and to activate the governmental fund (KTC 2002: 127-138). In July 2001, the first agreement was concluded only on the abstract principles of the new institution (KTC 2003:716-717).<sup>230</sup> The following year, they intensified consultation, conducting special research on the Workers’ Learning Fund (WLF) together. In November 2002, the second agreement was concluded on the definition of the learning fund (KTC 2003: 732).<sup>231</sup>

Five agreements were added on the **reform of the social insurance system**: in concrete on the health care reform, the pension reform, the workers’ welfare program and the basic livelihood

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<sup>228</sup> See App6.2.2 for more in detail.

<sup>229</sup> See App6.2.3 for more in detail.

<sup>230</sup> The agreement contained four policy statements: (i) activation of the participation of the labor and business in the vocational training institutions; (ii) enhancement of the institutional efficiency in the current system; (iii) support for the autonomous training; and (iv) funding for workers’ learning resources. See App6.2.4 for more in detail.

<sup>231</sup> The agreement had three clauses: (i) formation of the funds for worker’s learning; (ii) establishment of the committee for the examination and evaluation of the WLF (CEEFWL); (iii) making the WFL directed to support the general programs to promote vocational training. See App6.2.5 for more in detail.

program. Most of them were related to the enactment or amendment of certain laws; and played an auxiliary role in the process of legislation.

An agreement on the health care reform, which was concluded in March 2000, was on the creation of an enforcement decree for the newly enacted National Health Insurance Act (NHIA). Obligated to immediately establish the enforcement decree, the government (MOHW) tried to collect the opinions of the social partners. The FKTU considered it a meaningful opportunity to influence the shaping of the contents of the new program (KTC 2001: 259-262). In the agreement, they formulated three technical recommendations without any decisive and additional contents in designing the new health care system (KTC 2003: 706)<sup>232</sup>

Two agreements were concluded on the reform of the national pension plan (NPP): in concrete, on the reform of the taxation program of the NPP, while the unification of the NPP brought about debates on the tax issue. In the first agreement, the government made promises on the principles and the ways of taxation (KTC 2003: 709).<sup>233</sup> This was not a result of active political exchanges but a weak collection of the common opinions of the social partners in the KTC III, which did not have any difficulties in the process of implementation afterwards.

In the second one, it was decided to reduce the earned income tax (EIT), which was closely related to the taxation reform of the NPP. Some measures were defined in it to protect workers from being disadvantaged by the reform (KTC 2003: 731).<sup>234</sup> It was a realization of the longstanding requirement of the FKTU, although comprehensive and concrete contents were absent.

An agreement was concluded on the enforcement decree of the Basic Livelihood Program (GBLP) in May 2000. Responding to the government's willingness to refine the relevant bill through social dialogue, the social partners created a recommendation in the KTC III. The agreement indicated the main direction of the program in the future (KTC 2003: 706).<sup>235</sup> It was neither a result of difficult political exchange nor contained highly innovative measures.

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<sup>232</sup> See App6.2.6 for more in detail.

<sup>233</sup> They were (i) on the transformation of the taxation of the National Pension; (ii) on the deduction of the Earned Income Tax (EIT) in a special way; and (iii) on the reform of the methods to calculate the income level of the self-employed. See App6.2.7 for more in detail.

<sup>234</sup> It contained three clauses: (i) transformation of the taxation on the National Pension; (ii) deduction of the EIT in a special way; and (iii) reform of the principles concerning the way to calculate the income level of the self-employed. See App6.2.8 for more in detail.

<sup>235</sup> See App6.2.9 for more in detail.

The final agreement was concluded on the enactment of the Basic Workers Welfare Act (BWWA). As in the case of the GBLP, the government (MOHW) planned to establish a bill and expected the social partners to make common recommendations. During negotiation, the core agendas were the methods to activate the Employee Stock Ownership Plan (ESOP).<sup>236</sup> In October 2000, they managed to create the agreement, which contained the plan for the activation of the ESOP through tax policy and the establishment of a committee responsible for the task (KTC 2003: 712-713).<sup>237</sup>

#### **6.2.4. Integration of the Resolutions**

The integration problems of resolutions in the KTC III on the agendas of institutional reforms did not occur. In terms of political integration, it was clearly improved in comparison to any concertations beforehand. All of the fourteen agreements were free from any problems in the aspect of administrative coordination, which was attributed to two reasons. First, it owed to the institutionalization of the concertative channel. Since coordination between the KTC III and the other administrative actors became obligatory, it was not allowed for the Ministries to neglect the official agreements created in the Tripartite Commission. They strictly monitored whether the resolutions of the KTC III were thoroughly implemented afterwards. Second, it owed to the characteristics of the resolutions. The nine agreements on the small issues of labor markets and social insurances, which defined the duty of the government, were not so politically controversial. Agreements on the change of industrial relations amounted to only small numbers and did not implicate any grand changes in the previous system.<sup>238</sup> So long as the agreements were neither innovative nor able to bring about serious social debates, they were easily accepted in the politically society: the process of parliamentary coordination especially did not bring about any serious conflicts.

Their social integration was not difficult as well. Most of the resolutions designated the behavioral principles of the government without accompanying serious concession of trade

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<sup>236</sup> The FKTU wanted to strengthen the voting right of workers and the financial stability of the institution; whereas, the business wanted to reduce the tax drawn from the institution and to extend the retention period of the stock to longer than a year (KTC 2001: 285-286).

<sup>237</sup> See App6.2.10 for more in detail.

<sup>238</sup> As analyzed above, the agreements on the two grand issues of labor markets were incomplete. The recommendations of the public commissioners were qualitatively different from the official agreements the social partners recognized.

unions. The almost sole case that brought about tension among workers was the agreement that decided to postpone adopting a new system of multiple unions at the company level. As the KCTU had argued to immediately adopt the multiple-union system, it found the resolution improper and immediately criticized the conclusion. Trying to hinder amending the relevant laws in the parliament, it organized a protest and sued the Korean government to the ILO (NDSG/21/Feb/01:01; NDSC/05/Mar/01:01). Nonetheless, the protest of the KCTU was not strong enough to nullify the decision or to hinder the legislation of the resolution.

### **6.3. Concertations for Industrial Restructuring**

This section deals with the processes and results of the concertations for industrial restructuring in the KTC III. Two reform agendas on the restructuring of the SOEs and banks continued to be the major issues, whereas the agenda of corporate reform (Chaebol reform) was excluded.

#### **6.3.1. Agendas and Processes**

The characteristics of the concertations on industrial restructuring were qualitatively different from those for the institutional reforms. They chiefly dealt with industrial and sectoral agendas, which were distinguished from the ‘national’ agenda for institutional change. Unions on the enterprise and sector level were more directly influenced by the concrete measures of restructuring. They were directly involved in the KTC III because the relevant special committees often invited the union leaders. This part briefly introduces the agendas and processes of the concertations for reforming the two sectors.

##### **6.3.1.1. Reform of the SOEs**

The agendas of concertation on the SOEs were broadly divided into two categories. The first covered several issues on the restructuring of the major enterprises: such as electricity industry (KEPCO), railway industry (KORAIL), Postal Service, gas energy (KOGAS), and Tobacco and Ginseng Industry. The second category was on the restructuring of the various subsidiaries of

the major SOEs: subsidiaries belonging to the Korea Telecom, Korea Housing, and Korea Highway, etc. Usually, the concertations on the former issues took place in 2000 and the latter ones took place in 2001.

Workers in the relevant industries expected their union leaders to take part in the KTC III to make substantial programs for job security. The KTC III examined the agendas case by case, inviting union leaders in each company. The concertation proceeded in a fragmented way and was activated mainly in 2000, when the government was preparing for the legislation of particular acts necessary for restructuring the large companies. In most cases, the agendas on the privatization of the SOEs were excluded and the government agencies were still reluctant to deal with such agendas in the KTC III.

Trade unions criticized the government of having broken previous promises, and complained about the speed of the restructuring, arguing to postpone selling off their companies. The expert commissioner and the public commissioners of the special committees played a significant role. They visited the workplaces in debates and intensively investigated their employment situations. They emphasized the partnership and consensual ways of restructuring each company through utilizing the authority of the Tripartite Commission.

### **6.3.1.2. Bank Reform**

Consultation on the restructuring of financial institutions in the KTC III covered the so-called second and third plans of financial reform.<sup>239</sup> The core issues of the former plan were the creation and management of the Financial Holding Company, which was a decisive step for reforming the outdated financial system. The latter was chiefly on the privatization of the banks that had received the Emergency Public Fund<sup>240</sup> from the government in the beginning of the economic crisis. For three years, the Tripartite Commission dealt with these agendas in the SpFS.

The concertations on the second plan of the financial reform were divided into two terms. The first term took place in 2000, focusing on the agendas of the second plan of the financial

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<sup>239</sup> The first plan, which included liquidation of five regional banks in 1998, was dealt with in the previous chapter, when a series of weak recommendation, were made in the KTC II.

<sup>240</sup> In the wake of the serious crisis, the government injected the Emergency Public Fund (EPF), and rescued them from bankruptcy. Mainly, the Woori FHC and other two banks - Seoul Bank and Choheung Bank - received the EPF. The third plan of restructuring was focused on the privatization of such banks.

reform. It brought about social conflicts between the trade union (KFIU) and the government (FSS), which were much more serious than the conflicts during the implementation of the first plan in 1998. Based on its strengthened organizational property, the KFIU tried to intervene deeply in the process of policy formulation. Beyond the job security of their members in particular workplaces, it attempted to co-examine the plans of the structural reform and the stability of the entire financial system. As a result of the more coherent and unified reaction, the negotiation brought about resolutions containing very comprehensive and concrete measures on the implementation of the reform plan.

**Table 19. Agendas for the Consultations on the Financial Reform in the Tripartite Commission**

Plan		Major Agendas of Financial Reform	Year	Consultation in the KTC	
First Plan		Liquidation of Five Regional Banks	1998 (6-9)	Various recommendations and advices without official agreements	KTC II
		Conceptualization of Further Reform Programs	1998 (8-12)		
Second Plan	First Term	<ul style="list-style-type: none"> <li>• Enactment of the FHCA</li> <li>• Management of the FHC</li> </ul>	2000 (7-12)	One Agreement One Recommendation	KTC III
		<ul style="list-style-type: none"> <li>• Management of the FHC</li> <li>• Merger of Two Large Banks (KB&amp;KHB)</li> </ul>	2000 (12)	One Agreement	
	Second Term	Merger of Several Banks into the W-FHC	2001	Consultation and Mediation of Conflicts (Peace Bank etc.) without agreements	
Third Plan		Privatization of the Banks having received the Emergency Public Fund	2002-	Consultation and Mediation of Conflicts (Seoul Bank; Choheung Bank) without agreements	

The second term took place between 2001 and 2002. Focusing on the implementation of the agreements in the previous year, they continued negotiation on the management of the FHC: in concrete, the functional transformation of the banks absorbed by the FHC. It was comprised of two main issues: first, on the merger of two small banks into the Woori FHC (W-FHC); and second, on the decision of the W-FHC to restructure and absorb the Peace Bank.

Finally, the consultations on the third plan of the financial reform took place in 2002, while the implementation of the plan brought about new political tension between the unions in each

bank (local branches of the KFIU) and the government. The Tripartite Commission played a mild role in solving the troubles: mainly in restructuring the two large banks - Seoul Bank and Choheung Bank.

### 6.3.2. Integration Problems during Concertations

During concertations on the industrial restructuring, the KTC III experienced integration problems in two ways. On the one hand, the political recognition of administrative actors was still limited. On the other hand, social support was limited due to the discord between workers. One wanted their confederation to negotiate with the government while the other complained about the limits of negotiation in the KTC III.

**Table 20. Integration Problems during Concertations on the Industrial Restructuring in the KTC III**

Dimension	Integration Problems	Issues
Political Integration	<b>Administrative Discord</b> <ul style="list-style-type: none"> <li>• Exclusion of the Agendas on Privatization</li> <li>• Unilateral Drive at Structural Reform</li> </ul>	SOEs Reform Financial Reform
Social Integration	<b>Class Mobilization (Horizontal and Vertical Discord)</b> <ul style="list-style-type: none"> <li>• Mobilization of the KCTU</li> <li>• Joint Strike against Privatization</li> </ul>	SOEs Reform

#### 6.3.2.1. Political Integration

Political recognition on the KTC III was enhanced in comparison to that on the KTC II due to the Tripartite Commission Act, which made it obligatory to negotiate the employment issues in the process of industrial restructuring. For the first time, the government agencies responsible for industrial restructuring were officially bound to the negotiation with trade unions, if the workers in the relevant workplaces were willing to deal with the particular issues of employment adjustment. Nevertheless, the KTC III was not so powerful as to deal with the fundamental agendas of privatization and the comprehensive plans of restructuring. The



government agencies were unwilling to expand the agendas of negotiation so wide as to formulate the restructuring programs in the KTC III (Interview: M-KTC; W-KTC), which caused complaints and resistance of the unions. Among various visible conflicts, three episodes were representative.

First, the government tried to carry out the structural adjustment of the major SOEs, especially the electricity industry, without intensive and substantive coordination with the social partners in the KTC III in late 1999. Its unilateral drive to pass the related bill became one of the critical reasons that led the FKTU to bolt out of the KTC III. It considered the attitude of the government as a breach of the 'June Agreement' they had made before the establishment of the KTC III (KM/16/Nov/00).

Second, the government agencies did not thoroughly recognize the Tripartite Commission during concertations on the reform of the banking sector, which started in May 2000, immediately after the FKTU returned to the KTC III. In early June 2000, the FSS, which was reluctant to deal with the most critical issue on the enactment of the Financial Holding Company Act (FHCA) in the KTC III, unilaterally announced the principles of the second structural adjustment including the plan to enact the FHCA<sup>241</sup>, together with the relevant Ministries. This led the union, KFIU, to stop joining in the concertations and to start with preparing for a general strike (ND/09/Jun/00; KTC 2001: 169-170; KTC 2003: 330).<sup>242</sup>

Third, the government announced the second restructuring plan of private corporations in early November 2000 without coordinating with the unions. Twenty nine corporations were designated to forcefully shut down their business, twenty were to be sold out, and three were to be merged with other corporations (HKR/04/Nov/00). The unions in the concerned enterprises found the government agencies still arrogant and reluctant to be deeply involved in negotiations with them (NN/04/NOV/00: 20). Also, the KTC III could not actively play a role to arbitrate the conflicts between state and labor.

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<sup>241</sup> The plan was oriented to accelerate merging banks, especially the three banks - Hanbit, Choheung and Korean Exchange Bank -, which had received large public funds.

<sup>242</sup> With the unification of the various enterprise unions in March 2000, a single industrial union, KFIU, was created, which enabled it to respond to the government more strongly and effectively.

### 6.3.2.2. Social Integration

Despite the absence of the KCTU, coordination between the two unions was not a very crucial issue during concertations for industrial restructuring in the KTC III. The major objectives of the reform plans – SOEs and banks - were the issues in the workplaces and industries where the members of the FKTU were employed. Therefore, the influence of the KCTU and the inter-organizational discord were not very serious, so long as the programs mainly covered the industries and workplaces, in which unions were affiliated to the FKTU.

Social support of the concertation was relatively high, as the concerned workers, who were not capable of and familiar with protest and mobilization, expected their national leadership to provide them with something to strengthen their job security.

Nevertheless, the concertations were not totally free from the influence of the confrontation strategies and mobilization of the KCTU, although it did not totally paralyze the Tripartite Commission. Most of all, the mobilization of the KCTU and the escalation between the KCTU and the government caused the vacillation of the FKTU, which are introduced more in detail in the next subpart.

In late 1999, the KCTU strengthened their political campaign and protest against the neo-liberal economic programs of the government, which sought for solidarity with other civic organizations. In late 2000, the KCTU again strengthened their protest against the government and the economic restructuring programs. Faced with some important decisions regarding structural adjustment in the regular session of the parliament, the radical union tried to hinder it through massive protest. In these situations, it was not comfortable for the FKTU to stay in the Tripartite Commission, while the government continued its efforts towards legislation of structural adjustment programs and the radical union intended to hinder the legislation through massive protest. The leadership of the FKTU temporarily boycotted joining in the KTC III. It concerted its behavior with the KCTU, strengthening inter-union unity.

The strongest rebellion of workers was the joint-strike of the unions in the three industries of public sector: electricity, railway and gas industry. In the autumn of 2001, the three unions - KPPIU (power plant), KRWU (Railway Union) and KGCLUL (Gas Industry Union) –started to strengthen their unity and organized the joint protests against the government to hinder implementing the successive measures of structural reform (YH/15/Nov/01). They waged the

strike in February 2002, which led some programs towards privatization not to be implemented: especially for the railway and gas energy industry.

### **6.3.2.3. Vacillation of the FKTU**

While the Kim Dae Jung government pursued to carry out structural adjustment, the leadership of the FKTU behaved in an opportunistic way, vacillating between negotiation and mobilization: in other words, the KTC III and the KCTU. On the one hand, the leaders of the FKTU had to meet the demand of their members to proceed with direct negotiation with the government. They were unable to be free of the pressure from the members, who were not so competent in organizing protests under strong anxiety about job security in the process of structural adjustment, and were more willing to make practical solutions with negotiation and compromises. On the other hand, they needed to enhance influential power through strengthening a unity with the KCTU and struggling against the unilateral action of the government. As a result, the participation of the FKTU in the KTC III was unstable, which led the Tripartite Commission to stop working twice: respectively in late 1999 and in late 2000.

The first retreat occurred in the mid November 1999, when the FKTU was extremely nervous at the industrial restructurings driven by the government. Presenting five core requirements, which contained its complaints,<sup>243</sup> the FKTU boycotted concertations for the next four months. Although the lowest channels of the KTC III continued to work, they could not have substantive implication without the FKTU. In the late March 2000, the FKTU returned to the KTC III, demanding the government to take several measures.<sup>244</sup> This decision was made due to the pressure of its member unions.<sup>245</sup> The financial union KFIU wanted its' national confederation to join the KTC III to negotiate with the government on the restructuring of the sector. The workers and unions of the public sector also wanted to utilize the concertative opportunity.

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<sup>243</sup> See App6.3.1 for more in detail.

<sup>244</sup> See App6.3.2 for more in detail.

<sup>245</sup> Returning to the KTC III, the FKTU was willing to “strengthen the bargaining power and the capacity to hinder the structural adjustment measures, which were expected to be accelerated in the fields of financial sector, railway industry, and electric industry after the parliamentary elections in April (YH/24/Mar/00)”.

The second retreat occurred in November 2000. The FKTU criticized the government for not accepting the typical requirements to reduce work hours and to stop unilateral structural adjustment (KTC 2001: 21; SK/10/Nov/2000). This decision had an implication to strengthen the unity of action with the KCTU. In December, it proceeded with various campaigns against the government, planning to wage a joint strike together with the KCTU. This mood of unity did not last long. The FKTU returned to the KTC III in a month on 12 December. Two factors decisively drove the FKTU's leadership to change its strategies. Those were commonly internal requirements of its member unions. The first was the decision of the railway industry union (KRWU) to join in negotiations with the special committee of the KTC III. Inspired by the recommendation of the Labor Relations Commission (LRC) to officially utilize the channel of the Tripartite Commission for the articulation of interest conflicts, the KRWU canceled the plan to wage a strike and made a preliminary agreement with the government. It urged the FKTU to join the plenary session of the KTC III to officially recognize the agreement, which was hard for the leadership of the FKTU to refuse. The second was the decision of the financial industry union (KFIU), which required the government to strengthen negotiations with it in the KTC III. As the government took a measure to merge two large banks, it wanted to utilize the consultative channel to realize its policy.

### **6.3.3. Resolutions**

In the three years, thirteen agreements were concluded in the KTC III on the restructuring of the two sectors. This part introduces the contents of the resolutions, dividing them into three subparts: (1) four agreements on the major SOEs, (2) seven agreements on the subsidiaries of the SOEs, and (3) two agreements on the banks. Finally, it discusses the reasons that made the characteristics of the agreements different between the two sectors, paying attention to the structural features of trade unions.

#### **6.3.3.1. Restructuring of the Major SOEs**

The agreements on the major SOEs covered three industries: electricity, postal service and railway. They were concluded between 2000 and 2001. The contents of the agreements were

restricted to the issues of downsizing. On the more fundamental issues of privatization, only some principles of reform were vaguely mentioned.

The agreement on the restructuring of the KEPCO was concluded on 29 June 2000, after it immediately became an agenda for consultation in the Tripartite Commission. The consultation was far from a substantial deliberation on the bill the government intended to enact for the implementation of the restructuring programs. During negotiation, the public commissioners of the special committee emphasized the necessity of consultation before legislation (KTC 2001: 148-150; KTC 2003: 304-305). The agreement was comprised of only the opinion of the neutral actors. In the short statements, they indicated the abstract principles of the reform. In the name of the Tripartite Commission, they urged the government (i) to reconsider the plan of privatization, and (ii) to intensify deliberation in the KTC III on job security of employees, which did not contain concrete and critical measures (KTC 2001: 40; KTC 2003: 707).

Two agreements were concluded on the restructuring of the postal service. Although the more decisive agendas of privatization were not included, the agreements had some innovative dimensions and had a significant implication in the process of downsizing. The first agreement was concluded in August 2000. Following the result and recommendation of outsourced research,<sup>246</sup> the social partners decided to set the volume of downsizing after a further refined analysis scheduled for the end of April 2001 (KTC 2001: 44-45; KTC 2003: 710).

In July 2001, the following year, they concluded the second agreement, after a refined analysis of the downsizing plan by external experts (KTC 2002: 239; KTC 2003: 310). The government accepted the recommendations of the experts, in which some innovative measures for employment adjustment were contained, and formulated new reform concepts, revising its original plans (KTC 2002: 38-39, 239).<sup>247</sup> It immediately became an official agreement of the KTC III.

The agreement on the restructuring of the KORAIL was concluded in December 2000, after an intensive negotiation for a month (KTC 2001: 157-159). It was comprised of two specific measures for downsizing. First, they decided to reconsider the reorganization plans on the outsourcing of enginemen and female crews, and on the reduction of workforces in the

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<sup>246</sup> A project team recommended to lay off 4,744 workers by the end of 2000, same as in the original plan, and to redefine the rest amount (3,756) after a more precise analysis (KTC 2001: 142-143).

<sup>247</sup> See App6.3.3 for more in detail.

divisions of management and service. Second, they decided to reduce the volume of workforces, with the original plan established by the government partially revised.<sup>248</sup> On the privatization plan, they added a short statement, introducing the opinions of the union and the government (KTC 2001: 160; KTC 2003: 713-714).

**Table 21. Agreements on the Restructuring of the SOEs concluded at the KTC III (1999-2002)**

Categories of the Agendas	Topics of the Agreements
<b>Reform of the Major SOEs</b>	<ul style="list-style-type: none"> <li>• <b>Electricity Industry:</b> Recommendation for structural reform</li> <li>• <b>Postal Service:</b> Downsizing I / Downsizing II</li> <li>• <b>Railway Industry:</b> Reorganization</li> </ul>
<b>Restructuring of the Subsidiaries</b>	<ul style="list-style-type: none"> <li>• <b>Korea Telecom:</b> KTRD / KTT</li> <li>• <b>Korea Housing:</b> KOHOM (New Housing)</li> <li>• <b>Korea Highway:</b> KORCM / KHMC / KHTCC</li> <li>• <b>Railway Industry:</b> Labor relations in the cargo-work in harbors and railways</li> </ul>

In addition, further agreements were concluded on the restructuring of the subsidiaries of the major SOEs: such as Korea Telecom, Korea Housing, and Korea Highway. Those were expected to contribute to preventing and articulating conflicts in the concerned companies. Nonetheless, the issues were relatively marginal in comparison to the restructuring of the major SOEs.

In particular, the functioning of the Tripartite Commission was unique in these cases. As a national level institution, it worked like an authorized body responsible for mediating labor disputes in local companies. The agreements were mainly recommendations of the public commissions of the KTC III and did not have strong binding power. This semi-authoritative role of the Tripartite Commission was derived from the institutional weakness of the disputes' management system in Korea.

<sup>248</sup> For instance, they decided to realize the one-engineman plan step by step after sufficient testing and examination; and to reduce the workforces of the freight trains in a flexible way taking into account the necessity of supplementing facilities for safety (KTC 2001: 159; KTC 2003: 308).

Two recommendations were formulated on the two subsidiaries of Korea Telecom<sup>249</sup> in the name of the official agreements of the KTC III. In the agreements, the Commission commonly advised the managers to take suitable measures for job security of workers<sup>250</sup> and to cooperate with unions in the process of restructuring.<sup>251</sup> In addition, some particular recommendations were delivered to each company.<sup>252</sup>

Four agreements were concluded in a similar way for the subsidiaries of Korea Housing and Korea Highway. The KTC III made recommendations on the ways of management and procedures of restructuring the KOHOM, the subsidiary of Korea Housing.<sup>253</sup> Recommendations were made on the method of privatization and management innovation in three subsidiaries of the Korea Highway<sup>254</sup>, including some specific recommendations on the principles of management reform in the cases of the KHMC and KHTCC.<sup>255</sup>

The final agreement was on the special case of labor disputes, which took place in the cargo-work of harbors and railways. In the agreement, which was comprised of two parts - general recommendations and special ones for a power plant<sup>256</sup> -, they decided to correct the practices illegally announcing the prices, and to advance industrial order in this field: in particular, a case of labor dispute caused by the mechanization of a power plant was consensually solved by the articulation of the Tripartite Commission.<sup>257</sup>

### 6.3.3.2. Bank Reform

On the restructuring of banks, two agreements were concluded. Both were not the results of concertations but temporary compromises between the financial union and the government.

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<sup>249</sup> For Korea Telecom, three subsidiaries were mainly dealt with in the Tripartite Commission: the privatization of the Korea Telecom Research and Development (KTRD), Korea Telecom Technology (KTT) and Korea Informatics Telesis (KIT). The agreements were concluded on the former two companies.

<sup>250</sup> For instance, to take into account the job security of employees; and to swiftly distribute the stocks of the ESOP.

<sup>251</sup> For instance, to sell out the companies after faithful negotiation with the unions; and to cooperate with unions in the general process of restructuring.

<sup>252</sup> See App6.3.4 for more in detail.

<sup>253</sup> The (public) houses built for lease and to sell out the houses built for sale by the end of 2002.

<sup>254</sup> KORCM (Korea Construction Management), KHMC (Korea Highway Management Corporation) and KHTCC (Korea Highway Telecom Communication Corporation). See App6.3.5 for more in detail.

<sup>255</sup> See App6.3.6 for more in detail.

<sup>256</sup> Namdong Power Plant

<sup>257</sup> See App6.3.7 for more in detail.

For these two agreements, the role of the KTC III was not a platform for concertations but an active and neutral actor to mediate the conflicts, in which the staffs of the KTC III including its chairman intervened. Immediately after the two parties mad compromises, they were recognized as the official agreements of the KTC III.

The first one, which was concluded in July 2000, had the most impressive and decisive implication. For the first time, state and labor in Korea jointly signed up on the principles of programs to reform the financial sector. In the comprehensive agreement regarding the implementation of the reform plans, the government made some decisive promises: for instance, to assure autonomy in the management of banks; to carry out reforms, following the principles of market – in other words, evading the artificial merger of banks; and to respect negotiations between the social partners on the organizational restructuring and downsizing (KTC 2003: 707-709). Accepting the enactment of the FHCA, the union (KFIU) promised not to hinder the reform process, if the government would faithfully keep the promises (DA/12/Dec/00).

**Table 22. Agreements on the Bank Reforms concluded at the KTC III (1999-2002)**

- |   |
|---|
| <ul style="list-style-type: none"> <li>• <b>Enactment of FHC Act:</b> Development of Financial Industry and Direction of Financial Reform</li> <li>• <b>Management of the FHC:</b> Structural Adjustment of Financial Sector</li> </ul> |
|---|

The second agreement was concluded in December 2000, when the government attempted a project to merge two large banks – KB and KHB. The KFIU suggested that the government should engage in dialogue with it in the Tripartite Commission, criticizing the government of establishing the FHC in a unilateral way.<sup>258</sup> In the middle of the conflicts, the two parties managed to create the agreement. The merger of the two banks, which was the most critical issue at that time, was directly relevant to this agreement. While workers in the banks were seriously afraid of job security, this agreement was expected to provide them with some instruments to protect their jobs. In addition, this agreement designed some principles of

<sup>258</sup> It argued that the artificial step of the government to merge the two banks violated the July Agreement; and the standard of the government to evaluate the management of banks was not in line with that of the Management Evaluation Commission (MEC) (KTC 2001: 57; KTC 2003: 332).



management, when the FHC would merge with small banks. In concrete, the agreement was comprised of two parts. The first part defined three principles on the management of the FHC after it absorbed private banks. The second part was on the investigation of business in the merged banks.<sup>259</sup>

### **6.3.3.3. On the Differences between the Two Sectors**

The most distinctive difference between the two sectors was the number of agreements. On the SOEs, the KTC III created 11 agreements, whereas only two agreements were concluded on the reform of the banks. Furthermore, they had qualitative differences as well. The agreements on the reform of the SOEs were fragmented recommendations for each company and industry, which did not contain comprehensive and concrete promises between the government and the unions on the way of reforms. Although they amounted to eleven, all of them dealt with the individual cases of companies. To the contrary, the agreements on the banks dealt with comprehensive agendas covering the whole sector. They did, however, contained decisive and concrete measures for the next process of restructuring.

Why then had the agreements on the former remained fragmented and particular, whereas those on the latter - especially, the July Agreement on the enactment of the FHC Act - had comprehensive characteristics? As a factor that created these differences, I will pay attention to the structural features of trade unions in both sectors.

The public sector unions remained fragmented. Most of them had been yellow unions before democratization without substantive power to wage a strong and autonomous strike. They had been inactive and their leadership could not effectively mobilize protests against the government. By contrast, the unions in the banking sector unified themselves after they experienced bitter defeat in the summer of 1998, when the first plan of structural adjustment was unilaterally implemented. The KFIU, which was launched in March 1999, soon became the single industrial union representing the interests of all workers in the sector. Thanks to the

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<sup>259</sup> In the first part, they decided (i) to maintain the identity and autonomy of the banks for the next two years after the absorption; (ii) to transform the functioning of the absorbed banks through sufficient negotiation with the union; and (iii) to reduce employment size also through autonomous negotiation between management and labor. In the second part, they decided every half year to investigate whether the MOU was properly implemented to make a reference for the decision-making and whether to inject the 'emergency public funds' additionally into the concerned banks (KTC 2003: 715).

swiftly enhanced organizational unity, workers in the financial sector could, thereafter, more efficiently respond to the reform drive of the government.

### 6.3.4. Integration Problems after the Concertations

#### 6.3.4.1. Restructuring of the SOEs

The eleven agreements on the reform of the SOEs were all implemented as had been promised (Interview: Y-KTC). This was also attributed to the institutionalization of the Tripartite Commission and the strengthening of the monitoring system. Only some weak agreements containing recommendations to the government were not properly respected, which implicated their limits of political integration. Representatively, two shallow agreements on the restructuring of the major SOEs – KEPCO and KORAIL – had a vulnerable feature. These problems were attributed to the obsolete and unclear contents of the agreements themselves. In terms of social integration, most of the agreements were accepted by workers in the relevant industries although some particular troubles were not able to be evaded afterwards. Representatively, two agreements especially suffered from the limits of social integration (rank-and-file revolts): respectively those on the KEPCO and KORAIL. These problems showed both the vulnerability of union leadership in the public sector, whose unions were dominantly affiliated with the FKTU; and the limits of coordination within the unions in the concerned industries (or companies). In the following, the two cases of the agreements on the restructuring of the KEPCO and KORAIL are introduced, which show the limits of both political and social integration of the KTC III.

The agreement on the **reform of the KEPCO (electricity industry)**, which was concluded in June 2000, would not be able to have substantial influence on the behavior of the government. Although it included a clause recommending the government to respect the KTC III in the next process of reform, the government (MOCIE) was not actively involved in coordination and consultation with unions, but still pursued arbitrarily passing the bill. As a result, the process of legislation accompanied political and social conflicts in late 2000.<sup>260</sup>

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<sup>260</sup> The union (KNEWU) tried to wage a strike for the first time in its history to hinder the enactment of the bill, complaining about the unchanged attitude of the government.

The agreement could not resolve the conflicts. Workers did not comply with the decision made in the KTC III and mistrusted the leadership, which implicates the failure of the corporatist decision-making in the aspect of social integration.

In late 2000, the union (KNEWU) attempted to wage a strike against structural adjustment programs for the first time in its history (YH/22/Nov/00; YH/24/Nov/00a; YH/29/Nov/00), which already showed the limit of the previous agreement made in the KTC III. The strike however came to an end without success (YH/24/Nov/00b; YH/30/Nov/00; YH/04/Dec/00a). Then, the KNEWU and the government (MOCIE) concluded an (unofficial) agreement, which was made by an active mediation of the KTC staffs.

In the agreement, they promised to slightly revise the bill of the MOCIE and set a preparatory period for implementation for a year (YH/04/Dec/00a). Soon, the bill was passed in the parliament (YH/04/Dec/00b), and the new act (APSREI) was enacted in December 2000. In the following year, the restructuring program - division and privatization of the KEPCO - began, based on the act. In early April 2001, the power plant section of the KEPCO was divided into six individual companies<sup>261</sup> before being sold-off to private owners.

However, some workers did not comply with the decision of their leadership and the restructuring program. In April 2001, workers in the five steam power plants decided to establish an independent joint-union, KPPIU (Korean Power Plant Industry Union), separate from the KNEWU. The new union was officially launched in late July (YH/03/Mar/02). The KPPIU soon changed its confederation from FKTU to KCTU (YH/15/Aug/01) and endeavored to negotiate with the employers on the agenda of privatization.

In late 2001, they joined the alliance of three unions in the public sector against privatization and waged a joint-strike in February 2002. Even after the other two unions ceased to protest, the KPPIU continued to do it throughout the next month. They campaigned against the sell-out of the power plant, while more than five thousands workers participated in it (YH/03/Mar/02; YH/25/Mar/02). On 2 April, the KCTU and the government (MOL) mediated these conflicts (YH/02/Apr/02).<sup>262</sup>

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<sup>261</sup> Those were one hydroelectric and nuclear power plant and five steam power plants.

<sup>262</sup> This agreement brought about another tragedy to the KCTU. Faced with the severe critics of its members, its leadership had to all retreat (YH/08/Apr/02)

In this way, neither the weak agreement concluded in June 2000 nor its revised version in December could calm down workers effectively. The leadership lost trust and workers, though partially, were more radicalized, refusing to comply with the agreements of the government and the programs of restructuring.

The agreement on the **restructuring of the KORAIL**, which was concluded in December 2000, faced a similar problem. Although it passively emphasized the principle and importance of social consensus in the next step of privatization, the government (MOCT) did not respect it. In February 2001, it formulated a new plan to reform the industry without concertation and announced a new act, BASRRI (Basic Act on the Structural Reform of the Railway Industry), which included the decisive measures for the privatization of the railway industry.<sup>263</sup>

Meanwhile, the agreement made in the KTC III could not satisfy the workers, who were seriously worried about the negative effects the restructuring program could bring about. In May 2001, workers anxiety was expressed at first through the alternation of union (KRWU) leadership.<sup>264</sup> The new leadership had promised to hinder privatization and to change their national center to the KCTU (YH/22/May/01; YH/15/Aug/01). Soon, it announced to nullify the agreement concluded by its predecessor in the KTC III, and continuously took a hostile stance against the government and the privatization of the KORAIL. In September 2001, it presented a special requirement to the KORAIL, and urged the employers to be involved in new negotiation with it.

In late 2001, the process of legislation was turbulent due to the vehement resistance of workers, which ultimately postponed the enactment. The new leadership of the KRWU joined the alliance of unions in the public sector against privatization and strengthened protest to nullify the enactment of the new act, BASRRI. As the government attempted to enact a new law on the structural reform of the railway industry in December (YH/04/Dec/01), the union led by the new leadership reacted aggressively to it (YH/07Dec/01).

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<sup>263</sup> For instance, separation of the construction part and the management part in the KORAIL and KTXCC (Korea Train Express Construction Corporation), and transformation of them into new independent corporations, KRNA (Korea Rail Network Authority) and KRC (Korea Rail Corporation) by the end of 2002 (YH/ 26/Feb/01).

<sup>264</sup> This was the first election that took place in a democratic way in the history of the railway union. For the last 54 years, the KRWU had been affiliated with the FKTU and functioned like a yellow union in the authoritarian regime. Its leadership had been created in an indirect and non-transparent way without democratic procedure. During the first normal elections, the weak and moderate leadership was replaced by a radical one (YH/21/May/01; YH/22May/01).

In the early 2002, the government tried more actively to establish the legal instruments in order to carry out structural adjustment. This brought about a massive joint-strike of the unions including the KRWU. Joining the strike, the union argued for the abolishment of the privatization plan and required the KORAIL to introduce a rotation system and to reemploy the workers who had been dismissed due to involvement in labor disputes. As the Tripartite Commission tried to mediate this conflict, a special agreement was concluded on 27 February 2002 and the strike came to an end.<sup>265</sup>

In late 2002, another agreement was concluded and the KORAIL ultimately decided to employ the dismissed workers through a special channel of recruitment (KTC, 2003: 342-343). Ultimately, the BASSRI was not enacted until the end of the Kim Dae Jung government and the privatization of the KORAIL was not realized.

#### **6.3.4.2. Restructuring of Banks**

The two agreements on the restructuring of the banking sector did not bring about serious problems afterwards within workers. In terms of political integration, the grand agreement on the second financial reform, which was concluded in July 2000, was limited despite its innovative and comprehensive figure, because the political respect of the government on the agreement was still not high.

During the following rounds of the concertations, the union (KFIU) and the government agency (FSS) continuously fell into troubles regarding the speed and range of the reform, since they interpreted the implications of the agreement in different ways. The KFIU strongly required the government to assure their participation in implementing the reform program, searching for the job security of workers. By contrast, the FSS was reluctant to be deeply involved in negotiation, insisting on the implementation of its own plan on the principle and direction of the structural adjustment.<sup>266</sup>

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<sup>265</sup> In the agreement, the KORAIL promised to accept the new rotation system and to considerately examine the reemployment of the dismissed workers. The government decided to reconsider the legislation of the BASSRI (YH/27/Feb/02).

<sup>266</sup> Their debates can be seen in the relevant protocols of the KTC III (KTC 2001: 162-189; KTC 2002: 254-264).

Three episodes more concretely proved that the political integration of the July agreement was limited. The first was a conclusion of a preliminary agreement in the special committee of the KTC III in September 2000, while the second plan of the financial reform was being implemented by the FSS. This was comprised of recommendations formulated by the public commissioners of the special committee. Here, the neutral actors recommended faithfully implementing the July Agreement; assuring pre-negotiations in the next process of structural adjustment; and sufficiently concerting with the Tripartite Commission in designing the MEC (Management Evaluation Commission).<sup>267</sup> This implicitly reveals that the government did not sufficiently respect the July agreement.

The second episode was a more severe conflict that occurred in late 2000. Attempting to implement the second plan of restructuring, the government (FSS) tried to merge two large banks.<sup>268</sup> As soon as the top managers of the two large banks concretely took steps in December to realize the plan of merging, the unions of the two banks responded nervously, arguing that such an attempt was a violation of the July Agreement (SK/12/Dec/00; SK/14/Dec/00).<sup>269</sup>

The third episode was the successive conflicts in the next two years regarding the management of the Financial Holding Company (FHC), while it was trying to absorb and restructure four small banks.<sup>270</sup>

## 6.4. Implications and Effects

### 6.4.1. Chances and Achievements

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<sup>267</sup> In addition, they made technical recommendations to normalize the management of the banks with high deficits through injecting a sufficient amount of the public fund before the FHC absorbed them as its daughter companies; to establish service programs for the ones about to be dismissed or the retired, which could be cooperatively managed by labor and management (KTC, 2003: 754-755).

<sup>268</sup> Kookmin Bank (KB) and Korea Housing Bank (KHB)

<sup>269</sup> This conflict was solved through the conclusion of the second official agreement of the KTC III on the restructuring of banks (DA/22/Dec/00), which was introduced above.

<sup>270</sup> Kwangju Bank, Kyungnam Bank, Peace Bank and Jeju Bank

It was the most crucial implication of the KTC III that it created a stable channel for communication between the associations of social interests and the technocrats of government. Essentially, the FKTU and KEF found the channel meaningful because they became able to intervene in the process of various decision-makings for state policies and to have a chance to realize their political goals through the institutionalized channel (Interview: C-KTC). From this aspect, the characteristics of the KTC III were qualitatively different from those of its predecessors (KTC I and II), which had been mainly led by politicians and still defined as temporary bodies.

The KTC III became a central platform in dealing with the agendas reforming the institutions of the three policy-domains: industrial relations, labor markets and social insurances. Being officially defined, it became able to solve the problem of integration especially in the after-concertation-phase. From this point of view, its characteristics moved from one-quarter-corporatism to one-half-corporatism. As this expression implicates, experimental corporatism through the KTC III could not reach the realm of policy-implementation.

Some agreements made contributions to rearranging the outdated institutions inherited from the old regime. As a result of the endeavors to harmonize the social interests in creating new concepts for the grand issues of labor markets reform – work-hour reduction and atypical employment -, the concertations in the KTC III made indirect contributions despite their failure in producing an ultimate consensus. In addition, the tripartite concertations produced consensuses with regard to various issues of reforming labor markets and social insurances, although they were neither decisive nor highly innovative. The nine agreements on the issues covered approximately two thirds of the whole number of the agreements produced in the KTC III on the agendas of institutional reform. The concertations and resolutions can be understood as extended steps to intensify mechanisms regulating external labor markets and to build welfare state in Korea.

The concertations in the KTC III obviously played certain roles in restructuring the two major service sectors in Korea. With the concertations and the eleven agreements created for the restructuring of the SOEs, social conflicts were obviously moderated and solved (Interview: Y-KTC). More decisively, the agreement concluded in July 2000 on the restructuring of the financial sector had a critical influence in the next process of structural adjustment as well as in reshaping the state-labor relationship in the sector (Interview: L1-FKTU). It needs more precise

researches to judge whether the participation of labor in the process of industrial restructuring brought about better performance and results in the sector.

#### **6.4.2. Limits and Failure**

Despite the intensive and systematic concertations on the wide-ranging issues of the institutional reform of industrial relations, labor markets and social insurances, the performance and effects of the concertations in the KTC III were severely limited. Most of all, the tripartite actors were not able to create innovative and ultimate consensus in the major reform agendas: such as the legalization of public servants' union, protection of atypical employees, unification of social insurance system. Concertations on these agendas can be characterized as a kind of immobile corporatism – a concertation without agreement (Hemerijck 1995; Visser and Hemerijck 1997). Although the government (MOL) was bound to the concertations more deeply from the phase of agenda setting and policy-formulation, the KTC III was like a “black hole” (Interview: K2-KTC). As a result, the concertations, aimed to carry out institutional reforms in a consensual way, were hard to successfully evaluate.

Meanwhile, the exclusion of the politicians had ambivalent implications. On the one hand, it strengthened the direct communications between the social and governmental actors and enhanced their official characteristics. On the other hand, it weakened the flexibility of concertations and capacity of coordination. Instead of politicians, neutral experts (public commissioners) were recruited and they continuously dominated the concertations, similar to the experiences in the IRRC. From this point of view, the KTC III was a return to rigid and statute corporatism although it was far more advanced than the formative attempts under the previous governments.

Uniquely, functionally different two concertation regimes were formed within the same corporatist arrangement. It is questionable whether such a unique combination is indispensable and whether it worked positively. In my opinion, this kind of institutional designing was neither indispensable nor functional. This was an ad hoc decision, while the trade unions needed high authority and this reflects the extremely vulnerable characteristics of industrial relations on the industry level in Korea.



However, the combination had especially negative effects in incorporating the KCTU. The most critical factor that led the KCTU to maintain away from the KTC III was the continuous implementation of structural adjustment programs. Even though the KCTU boycotted the negotiation rounds dealing with the programs of structural adjustment, it had stronger needs to join the other concertation regime, which dealt with purely national agendas on institutional reform, especially after one of the decisive problems that it criticized was solved with the institutionalization of monitoring mechanisms. As analyzed in this chapter, the boycott of the KCTU restrained the functioning of the concertation regime.

As a result, the experiments of the KTC III were not able to bring about significant change in the relationships among the tripartite actors on the national level. Most decisively because it failed to innovatively reshape the relationships between state and alternative labor movement, which was implicitly the most important purpose of such experiments. This decision had continuous effects in the next years, which led experimental corporatism in Korea to be consolidated without the participation of the KCTU. The exclusion of the KCTU did not only seriously restrain the functioning of the Tripartite Commission but also weakened the innovative implication of corporatist experiments.

It is also doubtful how deeply the practices of social partnership came to be settled not only in the processes of industrial restructuring but also in daily relationships among the social partners in the concerned industries (public and financial sector). Although the KTC III was supposed to carry out temporary interventions to mediate industrial conflicts, it was not able to create a congruent partnership between state and labor (Interview: M-KTC; Y-KTC).

## 7. The Spanish Experiments (1977-1986) Revisited

This chapter deals with the experiences of experimental corporatism in Spain in the 1970s and 1980s<sup>271</sup>, when the country observed dramatic social change towards democratization and liberalization. In Spain, various attempts at corporatist policy-making were projected to govern the hard process of transformation. As in Korea, it can be divided into two periods: under the conservative government that had close connection with the ruling elites in the authoritarian regime; and under the center-left government after the first power alternation.

In the first and second section, the context of dual transformation and the features of actors' configuration are respectively analyzed. In the third and fourth section, the experiments at corporatism under the two governments are analyzed. In each section, they are compared with the Korean experiences.

### 7.1. Context of Dual Transformation and Reform Policies

This section briefly introduces the features of political change towards democratization, the dynamics of national economy, and the characteristics of reform policies towards social democratization and economic liberalization in Spain. The Spanish process of dual transformation had peculiar figures, characterized by early social democratization and late economic liberalization.

#### 7.1.1. Political Change and Democratization

The pattern of transition from dictatorship to liberal democracy was very impressive in Spain. Evading serious political turbulence, the main political and social actors were relatively friendly with each other in creating a new political order towards liberal democracy. Its peculiar practice has been considered a paradigmatic case of the pact-type of democratic transition and

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<sup>271</sup> In the 1990s, Spain experienced a resurgence of social concertation. About the second wave, see (Hamann 2001; Martinez Lucio 2002; Royo 2006; Royo 2007).

rapid democratic consolidation (Linz and Stepan 1996: 87). The process of Spanish democratization can be divided into three phases.

The first phase was between November 1975 and June 1977, from the death of the dictator Franco to the first democratic election. Immediately after his death, King Juan Carlos promoted a transition of regime toward liberal democracy, generously accepting the pressure of oppositions to install a new democratic order. The King tried to establish a constitutional monarchy to replace the dictatorship, and set about to dismantle the old order of the authoritarian state (Bermeo 1994: 604). In July 1976, he appointed Adolfo Suarez to be the President of the government, who had served as a member of the administrative elite in the Franco regime.<sup>272</sup> Suarez paved a decisive way towards liberal democracy. His reform program was executed with the amendment of the Constitution, for which a popular referendum took place in December 1976 (Share 1989: 39). During the first year of his office term, Suarez laid most of the important cornerstones for a strong foundation for liberal democracy. In particular he took various innovative measures for political reform. The enactment of the Law for Political Reform brought significant changes of political institutions: such as recognition of the right to strike, legalization of all political parties including the communist party (PCE: *Partido Comunista de España*); proclamation of a major political amnesty; approval of a new electoral law; legalization of free trade union federations; disbandment of the National Movement that had served for Franco. This was the first and most impressive stage of transition (Bermeo and Garcia-Duran 1994: 91; Gunther, Montero and Botella 2004: 84).

The second phase was under the UCD (Union of the Democratic Center: *Unión de Centro Democrático*) government between 1977 and 1983. The mid-right party grasped political power during the first elections in June 1977 and successfully renewed it during the second elections in March 1979. The UCD was created by Suarez in April 1977. It took the first political power in the post-authoritarian regime<sup>273</sup> through a victory during the first elections. Suarez himself became the first Prime Minister.

The UCD government was not very strong and internally incoherent. It carried serious credibility problems, which was mainly attributed to its past. Suarez had spent his entire professional life within Franco's bureaucracy. Many UCD leaders had been clearly associated

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<sup>272</sup> For instance, he had been the Minister of the *Franquiesta* (National Movement).

<sup>273</sup> It won 34% of the vote and 47.1% of the seats in the lower house.

with Franco's dictatorship. Therefore, he and his colleagues were not trusted by their political opponents. Regional separatists, the military, and the mobilization-oriented labor organizations challenged his plans for democratic transition, often complaining with the UCD's direction – 'transition from above'. This weak government needed to convince unions, parties and associations that he would sincerely seek to dismantle the old regime (Bermeo 1994: 604).

During the second elections in March 1979, the UCD managed to extend its term. Nevertheless, it again failed to gain major support from voters, while the socialist party, PSOE (*Partido Socialista Obrero Español*), further strengthened itself as the major challenger to the government. In the end of its second term, it was faced with a serious political crisis. The Spanish military attempted at a coup in early 1981 immediately after Suarez had resigned. The coup ended without successful results.

The third phase was in the 1980s under the PSOE government, which was a period of democratic consolidation. During the third elections in 1982, the PSOE defeated the UCD. With the successful power shift to the PSOE, not only the threats of the military but also the UCD disappeared from the stage of national politics in Spain. Throughout the 1980s, democratization was successfully consolidated under the leadership of the Socialists, while the PSOE reproduced political power during the following elections in 1986 and 1989.

## **7.1.2. Dynamics and Internationalization of the National Economy**

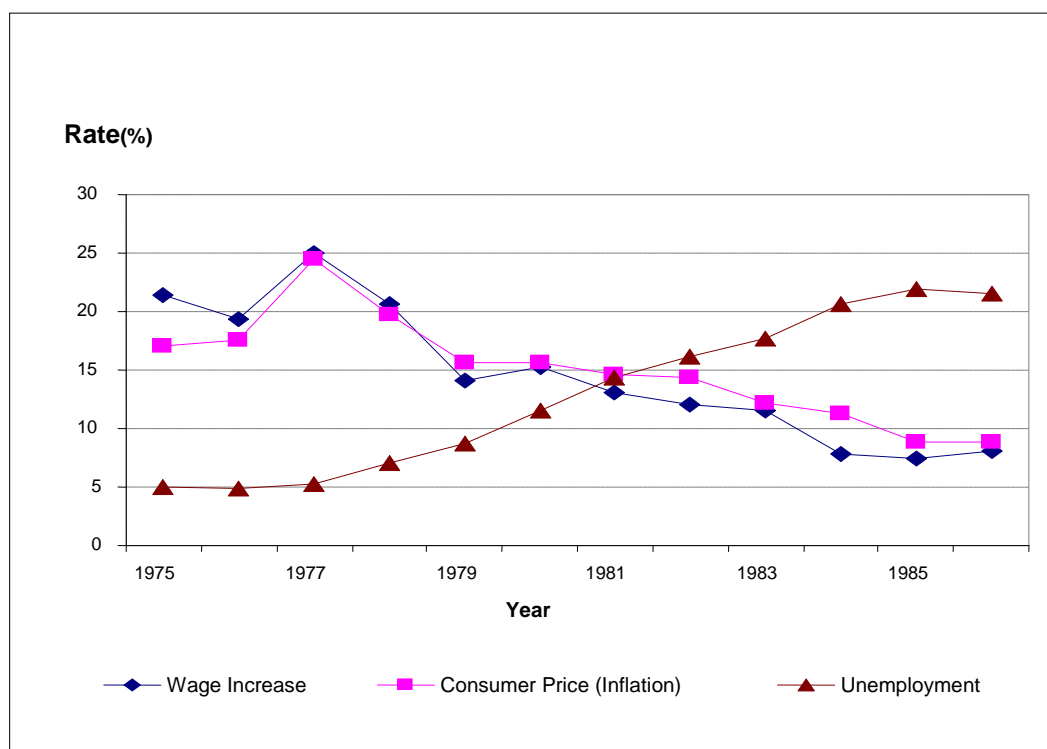
### **7.1.2.1. Economic Dynamics**

Spain had achieved enormous success in developing a national economy under the dictatorship after World War II. The Spanish developmental state strongly drove industrialization, which brought about significant change in the size of wealth and the structure of industry. Between 1960 and 1973, Spain's gross domestic product (GDP) and GDP per capita grew constantly at among the highest rates in the industrialized world. Industry and construction were the major sectors of growth and the share of the GDP produced by the two sectors rose from 30.3 to 40.6 percent. Industrial expansion was propelled partly by the growth of automobile and shipbuilding sectors and the growth of construction was driven by the expanding tourism and housing markets (McElrath 1989: 48). By 1974, Spain had reached an intermediate stage of

development, exporting low-technology manufactures to developing countries in exchange for new materials. Yet, “the seeds of economic malaise were planted during this period, and they bore fruit following the oil shock” in the mid 1970s (McElrath 1989: 49).

For a decade starting in the mid 1970s, when the Spanish polity was in dramatic change towards democracy, its national economy was trapped in recession and stagflation. The annual rate of growth was no longer close to 8 percent but fell to 1.3 percent on average between 1975 and 1982. Inflation had reached 23.2 percent. Although it was brought down to 17.1 percent in 1979, this was still much higher than the average of Western Europe. Furthermore, the second oil shock in 1979 had a great impact on the structure of productivity that had not adjusted to the new economic conditions. Industrial production fell down; investment sharply declined; and the crisis in the financial system was the deepest of any OECD country. The trade deficits rapidly grew, so that the budget deficit rose to 5.6 percent of the GDP in 1982 (Maravall 1993: 89).

**Figure 11. Trend of National Economy and Labor Markets in Spain**

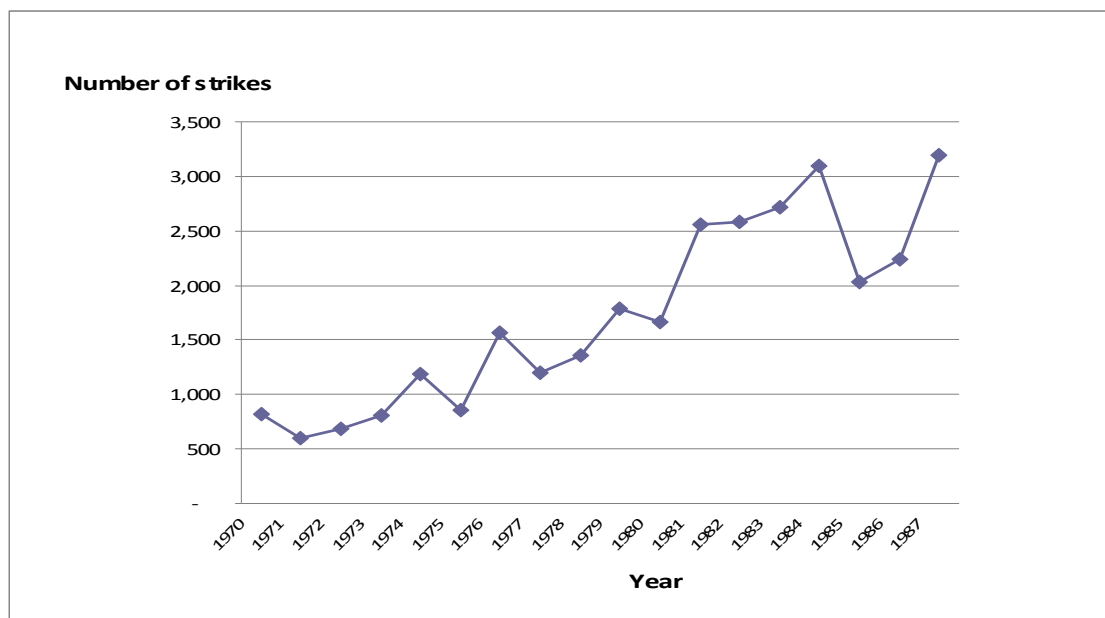


Sources: Hamann (1997: 122) and Martinez-Alier and Roca (1987: 62)

The situation of labor markets changed dramatically. The size of unemployment, which had been less serious - less than ten percent - throughout the 1970s, started to increase in the late 1970s. It further deteriorated in the early and mid 1980s. Although the labor force continued to expand, total employment steadily declined. Between 1980 and 1986, both the recorded and estimated figures of unemployment doubled from about 11 to 20 percent. Despite the reforms towards flexible labor markets and industrial conversion in the mid 1980s, the stagnation in some sectors and the lack of private investment continued, it excluded the weakest groups from the labor markets and preventing the younger generation from being integrated into the workforce (Estivill and de la Hoz 1990: 270).

Wages rose highly in real terms, while unemployment was rapidly escalating. According to Maravall, the average rate of annual wage growth recorded three percent between 1975 and 1982. Most of all, the income of adult male workers improved during the transition and over the economic crisis. Unit labor costs, which had almost doubled between 1962 and 1973, again doubled in the following four years (Maravall 1993: 89). The fluctuation of the wage increase rate showed a similar curve with the dynamics of inflation.

**Figure 12. Strike Statistics in Spain**



Source: Bermeo (1994: 605)

The trend of labor disputes gradually increased as well, reflecting the curve of unemployment. It was especially dramatic in three moments, in the years 1976, 1981 and 1984. Which were closely connected with compound factors like political constellation, economic and labor markets situation, and the strength of reform drives. The first rise was more deeply related to the political change, as workers explosively expressed their social and political requirements soon after Franco's death. The second rise was attributed to both political and economic crisis in the early 1980s. The third one came from the reform drives of the PSOE government, which took innovative measures towards a liberal market economy.

#### **7.1.2.2. Europeanization**

The Spanish national economy became distinctively internationalized in the 1970s and 80s. Most of all, the trend of Europeanization was enormously intensified, before and after its entrance to the European Economic Community (EC) in 1986. The accession process to the EC needed preparatory measures, which required the Spanish governments to carry out various institutional reforms towards liberal market economy in various areas of the national economy.

The EC accession had already been planned and pursued in the Franco era. In 1970, Spain had signed a Preferential Agreement with the EC, which eliminated quantitative restrictions on Spanish industrial exports and substantially reduced tariffs on industrial and agricultural products with the precondition to reduce trade barriers against imports from the EC in seven years. In late 1970s, the two parties started with formal negotiations on the Spanish attainment of full membership (Lopez-Claros 1988: 27).

With the EC accession, the domestic markets were opened more widely to foreign investors and the rates of return on capital were improved, which made Spain an attractive country for capital inflows. It had a powerful effect on the nation's foreign trade structure in general and on the flow of foreign investment. The most important short-term implication of accession concerned the further opening up of the Spanish economy stemming from the gradual reduction of the level of protection vis-à-vis the EC. The proportion of trade within the boundary of the EC sharply jumped up. In early 1987, tariffs on industrial imports from EC countries reduced by 22 percent and non-tariff trade barriers between Spain and the EC were eliminated (Heywood 1995: 223; Lopez-Claros 1988: 27; Smith 1998: 94).

As a part of the policies intended to foster the transition to full membership in the EC, the Spanish authorities substantially undertook deregulations in governing the foreign direct investments (FDI) in the mid 1980s. As a result, the inflows of the FDI amounted to 401 billion peseta in 1986, which was a 43 percent increase in comparison to the previous year. The share of the FDI originating in the EC countries during 1986 rose up to 65 percent, a significant increase from the 47 percent registered in 1985 (Lopez-Claros 1988: 28). The proportion of the FDI from the EC nations increased in all sectors of business and portfolio acquisitions. It was especially prominent in the financial sector. Through direct financial transfers via the Community's Structural Funds, Spain benefited enormously from EC membership (Heywood 1995: 223; Smith 1998: 94).

Ultimately, the EC membership provided Spain with a significant stimulus to aggregate demand, as well as to both actual and potential real GDP (mainly through greater investment activity and technical progress). As the domestic markets were opened to foreign competition and improved in the side of supply, the tendency of high inflation was reduced. The integration into the EC favored specialization and economics of scale in Spain (Heywood 1995: 223).

However, the Europeanization of national economy entailed significant economic and political costs at the same time. A sharp increase in import ratios was of particular significance. It reflected the reduction of tariff barriers, real exchange rate appreciation of the peseta and a change in the composition of trade. The pattern of trade was marked by a dramatic shift towards the EC with the accession: In 1980, the EC accounted for 31 percent of imports and 52 percent of exports, which respectively increased to 60 and 71 percent in 1991 (Heywood 1995: 224).

### **7.1.3. Reforms towards Social Democratization**

In such a dynamic situation as described above, the Spanish state carried out significant reforms towards social democratization. This part introduces the process of reform, focusing on two areas: democratic labor reform and the expansion of social security programs.



### 7.1.3.1. Democratic Labor Reform

In the mid-1970s, Franco's death was followed by an escalation of industrial and social militancy as trade unions strived to take steps toward strengthening the social citizenship of workers. Combined with demands for political democracy, workers protested against the economic policies of the conservative government. Although the government was reluctant to expand social citizenship too fast, it had to take significant measures to meet the expectations of workers and carried out substantive reforms in the institution of industrial relations. The significant measures for labor law reform were conducted with regard to three provisions: constitution, Workers' Statute and Law on Trade Union Freedom (*Ley Organica de Libertad Sindical: LOLS*).

The first reforms were carried out between 1977 and 1978, when new and more direct forms of union representation were adopted, with which the current forms of Spanish unionism were shaped. In April 1977, all unions achieved legal status and gained the right to strike. This was provisional pending the approval of a new constitution, which occurred in late 1978. Replacing the old Labor Chart in the Franco era, the constitutional reform guaranteed the right to associate, to bargain collectively, and to strike. It called for the establishment of the Workers' Statute to build an industrial relation framework based the general principles of the constitution. With this initial labor reform, trade unions were normalized and institutional bases were established to foster the pluralist system of industrial relations, which strengthened the status of the two large unions afterwards (Martinez Lucio 1992: 488-9, 498; McElrath 1989: 131-2).

The second reform was done with the enactment of the Workers' Statute in March 1980. As the 'centerpiece of Spanish labor law', it established the cornerstone for the future and basic framework of democratic industrial relations<sup>274</sup> (Martinez Lucio 1992: 498, 505). If the constitution had defined the nature of worker, employer, and trade union rights, the statute provided the statutory structure for the exercise of those rights in individual and collective employment relationships (McElrath 1989: 132). This law was comprised of sections on contractual matters, electoral procedures, and collective bargaining with negotiating

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<sup>274</sup> The trade unions took part in the deliberations for creating this and had considerable influence on the contents. The social pacts ABI and AMI were related to this.

procedure; and, provided for an annual minimum wage to be fixed by the government (Lawlor and Rigby 1986: 253).

Following the example of the Italian and French models, it contained mechanisms to guarantee the predominance of majority unions. As an instrument to determine the representative of unions, work council elections were adopted. Workers in firms with ten to fifty employees were obliged to be represented by up to three delegates, and works councils were compulsorily established in firms with more than fifty employees. Unions represented by ten percent or more of work council members were granted the status of 'most representative union,' regardless of formal membership levels. Automatically, such unions were entitled to join in a negotiating committee for collective agreements and to nominate representatives to the boards of public bodies (Heywood 1995: 251-252).

The third reform was the enactment of the Labor Relations Act (LOLS) in July 1984. It developed the constitutional rights and duties of trade unions. Patterned by the ILO Convention, which Spain had ratified in 1977, it defined the right of employees to join trade unions and recognized the rights of unions to form branches at the company level; however, expressly outlawed the 'closed shop'. Combined with the Workers' Statute, the LOLS established dual channels of worker representation and further reinforced the legal recognition of the UGT-CCOO (General Union of Workers - The Workers' Commissions) duopoly on union representation to the exclusion of other unions. With regard to the definition on the representational scope of trade unions and to the sanctioning rules on the collection of non-union-members' fees, the LOLS encountered stiff opposition from trade unions and political organizations. After harsh political debates, the Constitutional Court ultimately approved the validity of the LOLS in July 1985 (Estivill and de la Hoz 1990: 293; McElrath 1989: 149).

### **7.1.3.2. Strengthening of Social Security**

Traditionally, the authoritarian state of Spain had been far from being a welfare state. Through the last years of the Franco regime, the social welfare system in Spain was underdeveloped in comparison to advanced Western European countries. In 1973, social spending reached 8.6 percent of the GDP, including unemployment benefits (Moreno and Sarasa 1992: 7).

The level and coverage of social security benefits improved during democratization. The predicament of the democratic governments in Spain was not only about the economy but also about demands for social welfare and equality. Democratization promised, for most people, not only political rights but also social transformations.<sup>275</sup> Paradoxically, even the economic crisis had an egalitarian impact. The share of total consumption of the high social class sharply declined from 31 percent in 1973 to 19.3 percent in 1981. Social demands multiplied with democracy. This was very much a result of the crisis rather than of redistributive policies (Maravall 1993: 90). The distinctive enhancement of social citizenship of Spanish workers implicated the successful consolidation of democratization.<sup>276</sup>

The UCD government considerably increased the social budget to provide further means to legitimize the new democratic regime, oriented to give better social services under popular pressure. Various calculations have proved the quantitative expansion of social security programs: welfare expenditure substantially increased between 1975 and 1982, so that social spending grew by 47.9 percent in real terms and a share of GDP rose up from 9.9 to 14.7 percent (Heywood 1995: 228); the social welfare expenditure doubled between 1973 and 1981 to 17.7 percent of the GDP, although this figure was far behind average social spending of the EC countries, which stood at 25.9 percent in 1982 (Moreno and Sarasa 1992: 8). Public expenditure increased from 24.9 percent of the GDP in 1975 to 38 percent in 1982, largely owing to the expansion of the budget for social security, health, education, and other areas where social demand existed (Maravall 1993: 89).

The PSOE government, which had been expected to generously respond to the demands for social equality, sought in reality rather to balance economic efficiency with redistribution. Parallel to the expansion of the state's role in social policies, it allowed for a greater role of the market in the economy (Heywood 1995: 228). As a result, the increase of social expenditure was not very dramatic. From 1982 to 1992, the GDP share of social expenditure (health,

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<sup>275</sup> According to a study on 'European Values' carried out in thirteen countries in 1981, Spain ranked highest in reformism and support for social policies.

<sup>276</sup> Bresser Pereira said: "Spanish social policy was sufficiently extensive to be conceptualized by the government and perceived by the population as progressing towards 'social citizenship': a guarantee of reasonably adequate and equal welfare protection for all members of the political community. This policy was financed by a significant increase in fiscal revenues, originating in progressive taxation and distributed through a decentralized system of regional self-government. This experience of social citizenship was distinctly tied to the consolidation of political democracy. In spite of widespread unemployment, people learned that political democracy brings social rights (Bresser Pereira, Maravall and Przeworski 1993: 205-206)."

pensions, and unemployment benefits) increased from 19.4 to 21.4 percent. It was still below the average of the EC, which respectively amounted to 25.9 in 1982 and 25.7 percent in 1992 (Moreno and Sarasa 1992: 17).<sup>277</sup>

Furthermore, some welfare programs, as a result of the explosive increase of social welfare programs during the UCD government, became already so burdensome in the early and mid 1980s that the governments pursued to retrench benefits. For instance, pensions, which accounted for over sixty percent of total social security expenditures, rose between 1977 and 1985 by nearly 40 percent in real terms (Lopez-Claros 1988: 27). In the mid 1980s, the PSOE government undertook a comprehensive reform of the pension system, due to the unsustainable nature of the imbalances between contributions and beneficiaries, and the risks they posed for the budget. The new law significantly tightened eligibility requirements by increasing the length of the period required to qualify for a pension by raising the coverage of the income on which contributions are paid.<sup>278</sup>

The readjustment of the unemployment insurance system was another similar case. Already at the end of the 1970s, the unemployment benefits became burdensome, as the cost of benefits to the state rose up with the gradual increase of unemployment figures. Even the UCD government took a step to control and reduce it, passing the Basic Law on Employment (*Ley Basica de Empleo: LBE*) in 1980. This law stipulated that a longer period of contribution was necessary before a worker was entitled to unemployment benefit, and established a link between the period of receiving benefits and that of contribution. As a result, the gross rate of coverage of unemployment insurance dropped from 61.5 percent in 1980 to 37.8 percent in 1984, although long-term unemployment was further on the increase. In the mid 1980s, the period of benefit was again extended and complementary allowances were increased in the cases of warranted dismissals, as the PSOE government tried to increase protection for the unemployed. However, it was just a palliative measure to counteract the harsh and contradictory economic policy of the Socialists (Toharia 1988: 138-9).

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<sup>277</sup> In 1984, when the share of the national budget in the total social security system reached twenty percent, it was just about half of the equivalent average figure for the EC countries in the same year (Moreno and Sarasa 1992: 7-8).

<sup>278</sup> This brought about negative reaction of workers and unions, which became one of the main factors that led the state-labor relationship in the late 1980s to fall in serious tension in Spain.

#### **7.1.4. Reforms towards Economic Liberalization**

Spain carried out economic reforms towards a more liberal market economy such as deregulation of labor markets and industrial restructuring. These measures were taken hand in hand with the political transformation to democracy. The two governments attempted to carry out economic reform with different strategies. Efforts made during the UCD government were relatively weaker and less successful, than those during the PSOE government (Bermeo and Garcia-Duran 1994).<sup>279</sup>

In the period of nearly three years under the PSOE government, the Spanish economy went through a fundamental adjustment to create the conditions for sustained growth in the future. A number of structural reforms were initiated, including a new national energy plan that emphasized the need to increase the share of domestic energy sources in total consumption; liberalization of financial markets; privatization of public enterprises; and industrial modernization (big private business) (Maravall 1993: 95; Wozniak 1991).

This part introduces the Spanish experiences of economic liberalization, focusing on the two major measures: deregulation of labor markets and industrial restructuring. The latter can be further divided into two programs: industrial re-conversion and privatization.

##### **7.1.4.1. Deregulation of Labor markets**

During the Franco regime, the Spanish labor markets had been strictly regulated in both terms of employment termination and detailed regulation of the internal labor market structure. The highly authoritarian and interventionist practices of the state were enacted, which were functional in the regulation of collective and individual industrial relations. In the form of labor ordinances, redundancy was subjected to an extensive array of bureaucratic procedures. Detailed regulations and specifications were provided with regard to the structure of internal labor markets (Martinez Lucio and Blyton 1995: 345-6). In the post-Franco regime, the old institutions were revised and deregulated.

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<sup>279</sup> It was considered a major paradox that the socialist government was able to carry out more vehement and intensive reform leading to economic liberalization, which could be harmful to the interests of workers (Petras 1990).

The UCD government wanted to deregulate the labor markets in the comprehensive reform programs it pursued to realize. A series of reform measures allowed some margin of flexibility, after the labor reform in 1976 had established and confirmed a rigid contract system (Estivill and de la Hoz 1990: 276). Before the constitutional reform, the grand political pacts, namely Moncloa Pacts in 1977, reflected this as a formative step to promote temporary jobs.<sup>280</sup> The Workers Statute in 1980 gave a legal form to temporary work, which was authorized in a certain number of 'normal' instances and in the special cases that the government could determine as part of its policy to promote employment (Toharia 1988: 138). Nevertheless, all of these measures remained just as preliminary steps. Temporary works were not immediately expanded. Until the early 1980s, part-time employment was ten times less frequent than the EC average, and temporary contracts were rare (Lopez-Claros 1988: 26).

The PSOE government took over the task, after the conservative government had failed to substantively deregulate the labor market institutions. In the mid 1980s, it made a more rapid and controversial change of the labor market institutions. The decisive initiative was conducted in 1984 with the revision of the Workers Statute, which adopted significant measures towards flexible labor markets. In concrete, two major laws were passed to facilitate hiring workers on a temporary or part-time basis and to lower the barriers for dismissing workers (Bermeo and Garcia-Duran 1994). Through this reform, a case of 'normal' temporary work emerged with the motto of 'creation of a new activity', and the recruitment practices became more flexible (Toharia 1988: 138). A series of new, temporary contracts (training placements, new activities, etc.) were adopted, which were placed outside the realm of redundancy payments (Lawlor and Rigby 1986: 253). With this reform, the percentage of new hires in the category of 'special employment' rose from 28 percent in 1982 to almost 40 percent in 1985.

In addition, further decisive measures towards a flexible labor market were taken in 1987, as the PSOE government introduced a plan to reduce the unemployment rate of youths, which was skyrocketing to reach almost 42 percent. It proposed the 'Youth Employment Plan (PEJ)' to provide employment for 800,000 youths over a three-year period by reducing employers' social security contributions and fixing wages at the statutory minimum (Burgess 1999: 13). This was an attempt to introduce a new kind of temporary contract for young people with even fewer rights than any of the already existing kinds of contract (Recio and Roca 1998: 146).

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<sup>280</sup> The Moncloa Pacts is more intensively dealt with in the next section.

#### 7.1.4.2. Industrial Restructuring

The UCD government pursued industrial restructuring in the early 1980s, concluding industrial adjustment agreements with employer representatives in eleven sectors and five individual firms. In the agreements, it was stipulated that the state would provide monetary concessions to facilitate investment and to reduce the unprofitable capacity of labor. Due to the lack of time and flawed execution, these efforts bore little fruit. They only provided the next government with the institutional framework for successive reforms (Smith 1998: 120).

The Socialist leaders decided to move quickly. Aware of Spain's competitive handicap due to the delay of industrial adjustment, they took an ambitious tactic to modernize industries with the program of 'industrial re-conversion and reindustrialization'. Fifteen sectors were targeted, which formed a key component of Spanish industry. Although representing less than one percent of all industrial firms, they accounted for 6.6 percent of total production, 13.3 percent of exports, and 8.1 percent of employed workers. Taking into account their size, international exposure, and failing market performance, the Socialist government selected groups, which varied in number of employees, in average firm size, in ownership composition, and in degree of concentration. They were rationalized through work force reductions, structural reorganizations, and infusion of new capital investment (Smith 1998: 93, 119-121).

Broadly, the re-conversion strategy achieved the goals, although the implementation of this program was hard. The introduction of various measures required considerable sacrifice the workforce and caused an extensive loss of jobs. In the four targeted industries, more than one-quarter of workers were dismissed, which amounted to approximately 83,000 members. These cuts were of course far from superficial or painless. By 1990, over 90 percent of the job cuts were undertaken. Total employment in the four largest sectors – integrated steel, specialty steel, shipbuilding and home appliances – plummeted from 118,000 in 1982 to 60,000 in 1990. The two dominant sectors – steel and shipbuilding - accounted for over half of the projected job cuts (Bermeo and Garcia-Duran 1994: 110-111; Smith 1998: 121, 130).

Meanwhile, the privatization of the state industries was another main program of industrial restructuring in Spain. The main reform objective was the national industrial holding agency, INI (National Institute of Industry: *Instituto Nacional de Industria*), which had been originally designed by Franco in 1941 as a standard-bearer of state enterprise to foster self-sufficiency

rather than technological progress. The mission of the INI was to develop Spain's capacity in industries deemed important for national defense and economic security. For the first two decades, the INI established public firms in various fields: such as armaments, electricity, oil refining, motor vehicles, coal mining, and metal production. In the 1960s, its mission changed in conjuncture with Spain's opening to world trade. As the technocrat elite guided economic policy to promote private business, a new mission was given to the INI: to intervene only in situations, where the private sector had failed to invest in economic projects necessary for national advancement. This 'subsidiarity' policy prevented the INI from competing directly against private firms (Smith 1998: 117).

Under the UCD government, the INI served as a social safety valve, saving jobs and staving off mass discontent. During the economic crisis in the 1970s, the INI became a salvation for firms teetering on the verge of financial collapse. Between 1971 and 1982, it nationalized twenty-five firms in the steel, shipbuilding, automobile, chemical and other industries. As it became a refuge for companies about to collapse, the number of workers employed by its seventy firms exceeded 215,000 in the early 1980s (Smith 1998: 114, 117).

The PSOE government, after power alternation, viewed the INI as a fiscal relic incapable of stimulating economic dynamism, and moved to rationalize the sector. Setting the rationalization of the INI as a primary goal, the government sought to improve the efficiency of the public firms by ordering them to cut their losses and even to privatize some firms. It made a steady effort to cut personnel. As a result, the number of workers in the INI firms dropped from 219,000 to 142,000 between 1982 and 1993 (Smith 1998: 114, 118). In the 1980s, the government sold off or dissolved more than thirty enterprises of the INI including the SEAT motor and the national truck company (Bermeo 1990: 3; Bermeo and Garcia-Duran 1994: 111). In concrete, the privatization of the INI had some different purposes. One was to ensure the survival of chronic money-losing firms whose recapitalization would have heavily burdened the budget. This was the case with automotive firms like Seat, which was sold to Volkswagen, and Enasa, sold to Fiat. Another one was to strengthen several profitable firms by selling minority interests to private investors, as in the cases of Ence (paper) and Endesa (electricity) (Smith 1998: 118).<sup>281</sup>

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<sup>281</sup> In fact, the largest wave of privatizations occurred in the late 1980s, when partial or full ownership of forty-six companies were sold off.



## **7.2. Configuration of Actors**

During democratization, political and social actors shaped a peculiar configuration in Spain. This section introduces their characteristics, focusing on the features of organized labor in four specific dimensions: (i) union density, (ii) inter-union relationship, (iii) structure of collective bargaining and union confederations, and (iv) union-party relationship. Those are all sensitive with regard to the theories of neo-corporatism. In addition, the features of employers' organizations and strong state tradition are briefly described.

### **7.2.1. Trade Unions**

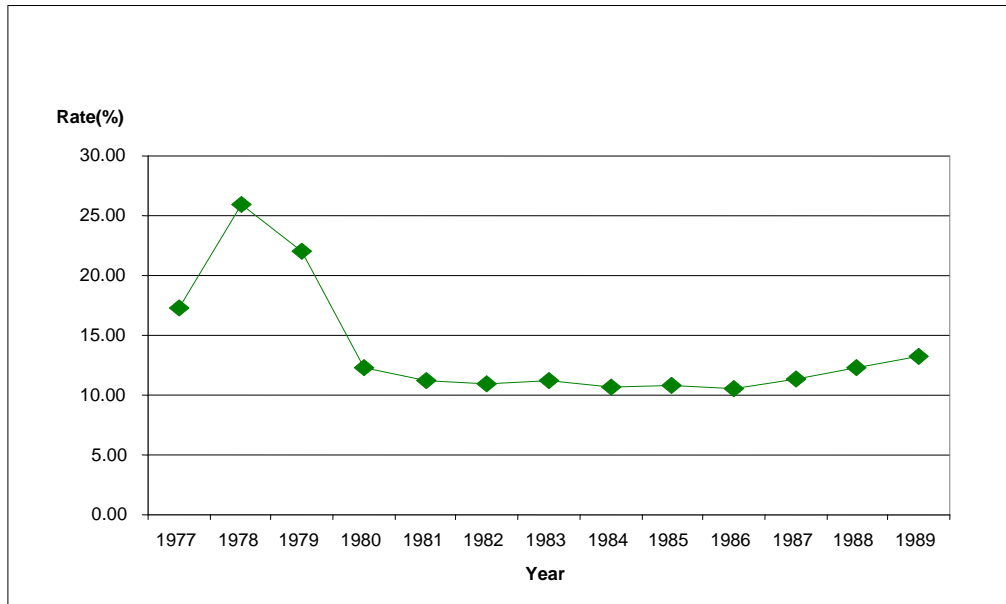
#### **7.2.1.1. Union Density**

Spain had a low union density during democratization. Throughout the 1980s, the rate of union membership remained below fifteen percent, which was very low in comparison to strong-corporatist countries like Sweden and Austria, whose unions usually enjoy high organizational capacity (more than seventy percent). From this point of view, Spain did not have the sufficient preconditions for neo-corporatism.

In the beginning of democratic transition, union membership increased so dramatically, that more than half of the Spanish workforce was affiliated with a union. When Franco's OSE was dissolved and trade unions were legalized in 1977, many workers quickly signed up with the newly legal and genuine unions, carrying widespread beliefs to provide themselves with better service as union members. This initial enthusiasm of workers for union membership was due to the highly politicized atmosphere of the democratic transition and the prominent opposition role played by labor movement (Fraile 1999: 272; Hamann 1998: 434; Roca 1987: 250).

However, the size and rate of membership subsequently dropped as trade unions failed to develop an adequate infrastructure for their services. Starting in 1978, the total number of union members spectacularly dropped. Between 1979 and 1981, it declined very sharply. For several years, this low density continued and only slowly began to rise to previous levels after 1986 (Fraile 1999: 272; Roca 1987: 250).

**Figure 13. Union Density in Spain during Democratization**



Source: Jordana (1996: 215)

#### 7.2.1.2. Division and Competition

The second configurative aspect is the disunity of organized labor. During democratization, the Spanish labor movement was, most of all, characterized by the competition of the two major unions that had ideologically different orientations: the socialist UGT (*Unión General de Trabajadores*) and the communist CCOO (*Comisiones Obreras*). The inter-union relationship was not so hostile, because they had been commonly oppressed by the authoritarian state and were all swiftly legalized during the very initial period of democratic transition<sup>282</sup>, while the institutional setting for pluralist industrial relations was being established. Nonetheless, their competition restrained the Spanish workers to establish a strongly unified organization after

<sup>282</sup> The competing relationship between the two unions in Spain was in fact not very hard in comparison to other countries, whose official union had been utilized to oppress the independent labor movement before democratization: such as Korea and Poland. In those countries, two unions were apt to fall into a 'hard competition' after democratization. By contrast, the two Spanish unions shared the history of cooperation and protest against the dictatorship.

democratization, and such a configuration functioned as a significant factor that enabled and restrained the experiments at corporatist policy-making.

The organizational segregation of the Spanish labor movement originated from the different strategy of the Socialists and Communalists against the Franco regime in the 1930s and 40s. While Franco severely oppressed trade unions and leftwing parties, the socialist leaders went into exile and the socialist union UGT remained clandestine. Playing a role in the resistance movement only in a few regions, the socialists, who remained in the country, refused to participate in the distorted structure for workplace order under the Franco regime. By contrast, the communist leaders remained in the country and were strategically involved in the state-controlled institutions for workplace order, trying to utilize them for their political purposes. In time, the communist party (PCE)'s workplace organizations gradually grew, so that they managed to be independent workers' commissions in 1958, when Franco introduced the mechanism of collective bargaining for the first time. In the 1960s, the PCE decided to infiltrate the state-controlled union apparatus and ran candidates in works council elections. Maintaining a semi-legal status, the communist organizations operated in clandestine and evolved from a diverse movement comprised of a plurality of Christian and leftist groups dominated by the communists to a coherent group. The PCE and its organizational units in the various workplaces played the most significant role as the main drivers of the democratization campaign during the dictatorship (Hamann 1998: 428).

At the end of the Franco regime, unions were ideologically and strategically divided. Competing for membership and democratic legitimacy, they differed in their preferences on the new democratic system of industrial relations. Although there were heated discussions for several months after the death of Franco on the organizational unity of trade unions on the topic of whether there would and indeed should be a single labor organization or a variety of unions, they decided to remain segregated. Soon, the workers' commissions of the communists were crystallized to a crucial organizational unit, CCOO, which became a legal actor of industrial relations and one of the two major unions after democratization together with the UGT. As all unions were legalized in 1977, the competition between the UGT and CCOO became stronger (Fraile 1999: 272; Martinez-Alier and Roca 1987: 73-74).

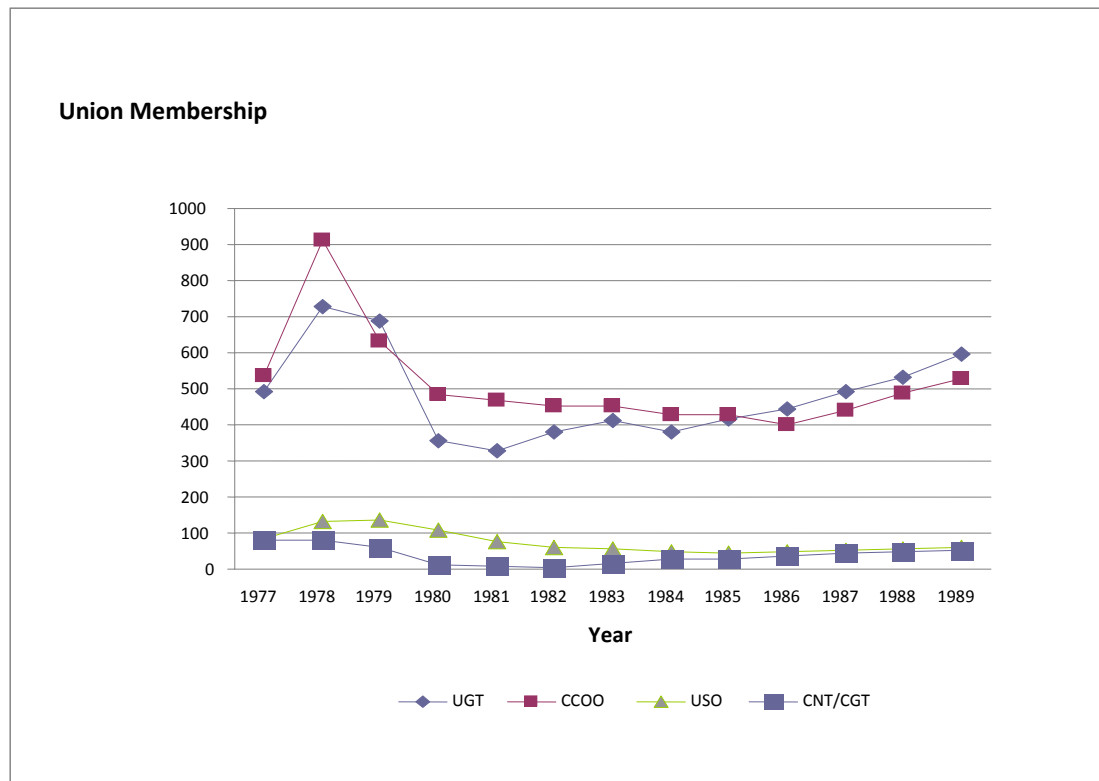
The CCOO swiftly grew up from a semi-clandestine workplace organization to an institutionalized actor in the early years of transition, after having already become the largest

union at the end of the Franco regime. Based on its political and organizational resources as a social movement organization rather than a tightly structured organization, it favored a model of industrial relations, which retained the integrative and participatory character of the union, including all workers regardless of affiliation. Intending to sustain its monopoly of representation, the communist union conceived assemblies of all workers in a firm, and emphasized 'open lists'. Then, it provided a bulk of workplace leaders, who were personally known for their activities, with an expectation that workers would support their individual leaders they knew from their struggle against the dictatorship (Fraile 1999: 272; Hamann 1998: 436; Martinez Lucio 1992: 499).

The UGT took a different path of reconstructing itself. In the beginning of the democratic transition, non-communist workers and activists, who preferred moderate strategies contrasting to the radical CCOO, reconstructed the UGT from above. In fact, the UGT was organizationally inferior to the CCOO, because it had played a less prominent role in fighting against the dictatorship. The socialist union tried to woo members, relying on the workers' memory of their organizations from pre-dictatorship history. It put less of an emphasis on individual union leaders; and preferred 'closed lists' for union elections as well as strong union sections within firms, where individual leaders would be less visible. Gradually, it was able to recover a leading role, overcoming its nearly total eclipse in the past decades. In order to empower itself, the UGT needed to rely on the support of the state and searched for to establish new institutional frameworks favorable for it (Hamann 1998: 435-6; Martinez Lucio 1992: 489).

The proportion of union membership can be a crucial index to understand the competing constellation of trade unions as well as their dynamics. From the beginning of democratic transition, the organizational resource of the unions changed, while the UGT and CCOO continued to be dominant among the four unions. The initial superiority of the CCOO was maintained till the mid 1980s, while the UGT gradually narrowed the gap between them. The socialist union could ultimately take the superior position beginning in the mid 1980s with a slight difference.

Figure 14. Trend of Union Membership according to Confederations



Source: Jordana (1996: 216)

In addition, the result of works council elections shows another decisive dimension of inter-union competition. Between 1978 and 1982, the factory elections were held every two years and thereafter every four years. In 1978, the results of the first elections established the superiority of the CCOO (34.5 percent of the vote), followed by the UGT (21.7 percent).<sup>283</sup> Subsequent elections confirmed the dominance of both unions, while a pluralistic and competitive setting of industrial relations were being consolidated. Usually, support for the CCOO was based in the industrial sector and in large factories, whereas in UGT it was stronger in small- and medium-sized firms. Gradually, workers shifted their support from the CCOO to the UGT, as the socialist union banked on traditional worker-identities and the electoral

<sup>283</sup> It had a far greater distance from the USO (3.37%), while the CNT refused to participate in the elections.

ascendancy of the PSOE.<sup>284</sup> In 1982, the UGT won a majority of votes for the first time, surpassing the CCOO (Fraile 1999: 272; Heywood 1995: 250; Royo 2000: 4).

Under the PSOE government, the CCOO tried to utilize the chance to regain workplace hegemony, as the government was enthusiastic in anti-social reforms. Competition was further accentuated by the ideological and organizational closeness between unions and parties, while the vertical cleavages between the two major unions prevented them from establishing a unitary union movement (Hamann 1998: 436).

However, the decade of competition came to an end in the late 1980s as both of the unions came to emphasize the 'unity of action'. Against the labor markets reform in 1987, the UGT allied with the CCOO and waged a general strike in 1988. As the relationship with the PSOE seriously deteriorated, the UGT started to reorient its strategy immediately after the works council elections, and tried to enhance solidarity with the CCOO, which was endeavoring to strengthen mobilization against the Socialist government (Recio and Roca 1998: 148).

**Table 23. Results of the Works Council Elections in Spain (1978-86)**

Year	1978	1980	1982	1986
UGT	21.6%	29.2%	36.7%	40.9%
CCOO	34.5%	33.8%	33.4%	34.5%
USO	3.8%	8.6%	4.6%	3.7%

Source: McElrath (1989: 173)

### 7.2.1.3. Structure

The third aspect of configuration is the internal and vertical coherence of union confederations, which has a close relationship with the structure of collective bargaining. The crucial fact is that the organizational units and the collective bargaining practices in the industry-level took a significant proportion in Spain, although enterprise bargaining was mostly dominant. Enjoying associational freedom, confederations in the national and industrial level were able to

<sup>284</sup> The USO, a third confederation with a social-Christian orientation, who also played a role in the labor movement under Franco, retained only a very small presence after it split in 1979 to join UGT (Fraile 1999: 272).

intervene in the labor relations in the workplace and company level, while concentration and centralization were institutionally encouraged as mentioned above.

Historically, the authoritarian state in Spain developed a unique and distorted institution of industrial relations. In 1938, Franco founded a huge organization, named the OSE (*Organizacion Sindical Espanola*). It was a compulsory vertical syndicate, which integrated both employers and workers under the guardianship of the state. At this time strikes, autonomous workers' organizations as well as collective bargaining were banned. No wage bargaining was observable for the first two decades, while the state unilaterally determined the level of wage increase<sup>285</sup> (Encarnacion 1997: 398; Martinez-Alier and Roca 1987: 64).

The institution of collective bargaining was introduced in 1958 for the first time at all levels of industrial relations, parallel with political liberalization. Nevertheless, it was not a substantially free collective bargaining between the autonomous representatives of labor and business. While the principles of the OSE were still prevailing, the authoritarian state appointed the top officials from the bodies that were supposed to represent organized interests. Although collective agreements were signed in the decentralized levels, the government disallowed them in case of inflationary notice. Those were just considered as an economic instrument to link wage increases to productivity gains (Martinez-Alier and Roca 1987: 66, 69).

After democratization, industrial relations significantly changed, as autonomous bargaining was adopted and anchored in the workplaces and industries. Collective bargaining was able to occur at all levels of industrial relations. While very few collective agreements were signed below the enterprise or provincial level, most collective bargaining agreements were concluded at the enterprise level. Many enterprises employing a large number of workers tended to sign their own collective bargaining agreements, but almost all smaller enterprises joined together (by industry, geography, or both) to negotiate multi-employer agreements. Although enterprise agreements were mostly numerous, they covered a relatively small number of workers. The vast majority of workers and enterprises were covered by either provincial or national level agreements in the 1970s and 1980s (McElrath 1989:167-8).

Meanwhile, the structure of union confederations was quite centralized with a high formal profile in collective bargaining at the provincial/industrial as well as at national level; but with a

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<sup>285</sup> Sometimes, the *dirigiste* style of policy-making and the state-corporatist institution caused tension (Anderson 1970).

relatively weaker influence at the plant level (Lawlor and Rigby 1986: 259). The two major confederations - UGT and CCOO - had two co-existing forms of internal organization: sectoral and territorial. They were not only based on particular industries but also covered national, provincial, and district (region) levels. Below the national level, the important levels were the province- and district-level. Having a dual allegiance, the two unions had activists at the provincial level, who were often the same people in the sectoral and territorial structures (Lawlor and Rigby 1986: 258).

In concrete, the UGT had three channels, through which the union branches at the enterprise level affiliated with the national confederation. The most important structural unit was the industry-based federations. Union branches in a particular industry were grouped together at the district, provincial, regional and national level. Approximately fifteen industry federations existed, whose responsibilities included collective bargaining and policy formulation. The second decisive channel was geographically based units, among which the lowest level was the district or local union. Regardless of industry, all the unions in the applicable area were grouped to build the units. This was followed by the provincial unions, which grouped the local unions and the provincial industry federations within a province. The geographically lowest channel was the regional-level unit, which comprised the industry federations and geographic based unions within a region (McElrath 1989: 107-108).

The structure of the CCOO was not fundamentally different from that of the UGT. The communist union was divided into two main sections based on industry and geography, and the basis for both structures was provincial units. The industry unions began at the provincial level, and these in turn were the foundation for the industry federations at the regional and national level. The CCOO had twenty two industrial federations covering essentially the same industries as those of the UGT. Geographic based unions were organized at the provincial and regional levels. The latter took in the regional and provincial industry federations. Same as the UGT, the industry federations were more involved in collective bargaining than the regional organizations (McElrath 1989: 112).

### **7.2.2. Party Politics and Union-Party Relationship**

The fourth decisive aspect in the configuration of trade unions is the union-party relationship. From the beginning, the unions were controlled by their political parties. Before the Franco



regime, the Socialist union (UGT) and the anarcho-syndicalist union (CNT: *Confederación Nacional del Trabajo*) had been the two major unions, representing a large number of workers (Fishman 1990). After the leftwing parties had been innovatively legalized in the very beginning of democratic transition, major political parties in Spain came to shape a strong relationship with trade unions, which enabled labor movement to be deeply integrated in national politics. The working-class parties became either major oppositions or even absolute ruling party, while they were dominating their sister unions.

Most of all, the growth of the Socialist party (PSOE) was impressive in the post-authoritarian political environment. At the time of Franco's death, when the PCE was much larger having 20,000 members, the PSOE had only 4,000 members. It grew very fast in the wake of legalization, and its members amounted to 100,000 by late 1977. Before the first elections in 1977, the PSOE feared that an alliance with the PCE would smother itself (Smith 1998: 50). Together with the UCD, the PSOE soon came to be a dominant party in the post-authoritarian political environment.<sup>286</sup> During the first and second elections, when the UCD received only 30 percent of the votes, the PSOE was only slightly inferior to the ruling party.

The third election in October 1982<sup>287</sup> was decisive for empowering the Socialist party. It won an absolute majority, attaining ten million votes, which represented 60 percent of the voters, and doubled its vote from the previous election, which amounted to ten million voters. Even about one-fifth of former UCD voters voted for the PSOE (Smith 1998: 61). While the elections witnessed a large increase of voters, the PSOE captured most of the newly mobilized voters. It drew votes not only from the UCD but also from other parties, notably the PCE. Even about half of the Communist voters in 1979 shifted to the PSOE in 1982 (Smith 1998: 62). Then, the Socialist party continued to achieve enormous success in the 1980s. In the elections in 1986, it again achieved a great success although it experienced a slight drop in votes.

The PSOE-UGT tie had been fraternal since the PSOE leaders had founded the UGT in 1888. The two organizations overlapped considerably in membership. The UGT's executive committee was overwhelmingly (though not exclusively) composed of PSOE members, and the PSOE members were required by party statutes to join the UGT. During democratization, the tie was strengthened as over three quarters of UGT members supported the PSOE in the early 1980s.

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<sup>286</sup> The UCD and PSOE received an average of 65 percent of the vote and 82 percent of the seats in the lower house (Field 2006: 209).

<sup>287</sup> Defeated in the third elections in 1982, the UCD was soon dissolved (Share 1989).

Although the union staunchly proclaimed its autonomy from the PSOE, some PSOE leaders considered the UGT to be the party's extension in the workplaces (Smith 1998: 50). Ironically, the PSOE-UGT relationship deteriorated after the PSOE became the ruling party. When the fourth election was held in 1986, the UGT abandoned its support for the PSOE.

**Table 24. General Elections in Spain (1977-1986)**

Year	Party	%	Seats
1977	UCD	34.52	166
	PSOE	29.39	118
	PCE	9.35	19
	AP	8.23	16
1979	UCD	35.08	168
	PSOE	30.54	121
	PCE	10.82	23
1982	PSOE+PSC	48.34	202
	AP-PDP	26.46	107
	UCD	6.47	11
	PCE	4.04	4
1986	PSOE	44.33	184
	AP-PDP-PL	26.13	105
	CDS	9.27	19

Source: Wikipedia

### 7.2.3. Business Associations

During democratization in Spain, the main organizational actor representing the social interests of business was the CEOE (Spanish Confederation of Employers' Organizations: *Confederacion Espanola de Organizaciones Empresariales*). Observing an explosive rise of industrial conflicts in the context of democratization, the CEOE was established in June 1977 (Gunther, Montero and Botella 2004: 126; Martinez Lucio 1992: 497). It fulfilled the empty space of interest representation after the OSE was abolished by Suarez. Different from the authoritarian regime, when employers had belonged to the OSE without having their own organization, an organizational unit was urgently necessary for them to effectively respond to the powerful and politicized labor movement as well as the new democratic government.

The CEOE was established, as the representatives of four organizations, which were newly created and legalized, decided to amalgamate to form a unity. Initially, the new federation was merely a nucleus of directors with very few members, and was engaged in competition with many small associations proliferating in the beginning of democratization. In a few years, the CEOE consolidated itself as practically the only organization of employers, grouping the large, medium-sized and small businesses all together (Roca 1987: 250).

As an amalgam of various territorial and sectoral organizations, some of its organizational units had their roots in the old OSE system. This element of continuity enabled the CEOE to quickly establish an organizational structure. At the time of creation, the organizational rate of the CEOE amounted to about 60 percent. In a decade, it expanded to gain some 1.4 million firms and 95 percent of the total Spanish businesses as its members. It had a relatively flexible structure as a combination of around 100 territorial and 50 sectoral bodies, which combined the economic functions of trade associations with the role as an employers' association in the area of industrial relations. It nearly maintained a monopoly of representation, which enabled it to negotiate and conclude major labor agreements (thanks to its broad representation among employers) and to actively shape relations with the unions. Although it tended to follow a more directive line in industrial relations than in other matters, its loose organizational structure sometimes created problems in getting its member organizations to follow central policy (Estivill and de la Hoz 1990: 278; Martinez Lucio 1992: 97, 496).

The CEOE represented large and small, foreign and national, public and private firms as well. However, there was a tendency to rely on small and medium capital since the large-firm sector was dominated by multinationals that tended to be less active in the organization. Internally, it distinguished between indigenous capitalist-class and foreign capital; and between large companies and small to medium-sized firms. The latter established an affiliated association for themselves, the CEYPME (*Confederacion Espanola de la Pequena y Mediana Empresa*). It represented the companies with eighty percent of its total employment in Spain (Martinez Lucio 1991).

The relationship between the CEOE and the UCD government was strained. At the beginning, the employers disliked the UCD's policies, which were relatively generous to labor in terms of expanding the public sector, tax reform, labor legislations. It actively attempted to forge an employer identity around deregulatory labor market policies, making direct forays into politics.

This relationship improved during the second term of the UCD government. After the first power alternation, the CEOE, took a much more confrontational stance against the unions and the Socialist government. Soon, its political intervention decreased as the PSOE government increasingly favored market principles, deregulation of labor markets, and pay-restraint (Estivill and de la Hoz 1990: 278; Martinez Lucio 1992: 497).

#### 7.2.4. The Strong State Tradition

The tradition of strong state in the practice of policy-making continued to be dominant during and after democratization in Spain.<sup>288</sup> The strong-state tradition had been developed in the process of modernization and industrialization, while the Prime Minister (PM) and core executives had possessed great power and resources for policy-making. As the unambiguous head of a strong executive, the PM had been constitutionally empowered to monopolize the most important decisions of national policy, as well as the basic organization of the government. Under his authority, the central government had possessed extensive means to influence legislation, including abilities to place priority on its own bills over those proposed by the opposition. It had enjoyed the widespread use of legislative devolution and the option of issuing decrees in urgent cases. After democratization, the bureaucracy-centered practices and institutions were deeply anchored in the process of policy-making (Anderson 1970).

The real centre of decision-making power was the Ministry of the Economy and Finance (MEH: *Ministerio de Economía y Hacienda*), known as the ‘super ministry’ (Heywood 1995: 29; Heywood 1999: 105-6). The MEH took responsibility for all aspects of national economy, ranging from fiscal and monetary policy to overall economic planning and domestic and overseas trade. It exercised immense authority over the elaboration of government spending priorities and, by extension, the capacity of individual departments to formulate policy. Key budgetary decisions have been taken within the MEH, with only selected issues being discussed by the Council of Ministers. Groups outside the state administration have possessed

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<sup>288</sup> The emerging concertation regime was likely to have tensions with the dominant institutions of a strong state. For a more precise understanding, it is necessary to comparatively analyze the diverse features of the institutions and practices of policy-making. This was not done in this study due to the limits of the resource. Nonetheless, it is imaginable that the concertation regime needs special endeavors under this constellation to be properly integrated in the policy-making process; and the experiments at corporatism in Korea and Spain share this similar condition of unfavorable environment.

no formal or institutionalized means of influencing government spending priorities (Heywood 1999: 114).

The state-centered mechanism of governance did not shrink but became stronger during the period when the Socialist government devoted itself in the policy-drive toward economic liberalization in the 1980s. Before and after Spain joined the EC in 1986, the MEH particularly served as the hub of government policy. Technocratic economists dominated economic policies, and the Ministers of Finance and that of Industry strongly supported the liberalization policies of the government (Etchemendy 2004; Heywood 1995: 249; Share 1989).

### **7.3. Experimental Corporatism under the UCD Government (1977-1982)**

This section introduces the experiences of experimental corporatism under the conservative government in Spain in the late 1970s and early 1980s. In this early phase of democratic transition, the UCD government was required to cope with the vigorous challenge of civil society and labor movement. While economic crisis was prevailing, the government set swift reform drives, which were more oriented towards social democratization than to economic liberalization. The political conditions were favorable for labor movement (political success of labor party and relatively centralized structure of confederations). In this situation, experimental corporatism emerged.

Four political and social pacts were concluded, which included measures for restraining wage increases and shaping new institutions of industrial relations, labor markets and the social welfare system. These pacts ultimately made contributions to strengthening democratic transition and to managing an economic crisis. It started with the Moncloa Pacts (1977), a pioneering pact before the constitutional reform. It was succeeded by ABI (1979) and AMI (1980), which had special implications for institutional reform. Then the ANE (1981) followed, which contained compound purposes to protect parliamentary order, to moderate wage increase and to expand employment.

### 7.3.1. The Moncloa Pacts (1977)

Attempts at corporatist policy-making began with the so-called ‘Moncloa Pacts (*Pactos de la Moncloa*)’.<sup>289</sup> In October 1977, the ruling political elites and the leaders of the opposition parties signed the Pacts. It was immediately after the first parliamentary elections that had taken place in June 1977. Containing decisive and innovative measures for the transformation of the Spanish society, the Pacts made a contribution to revise the Constitution, in which ‘the spirit of cooperation among the state, capital, and labor (Encarnacion 1997: 403)’ was reflected.

The Moncloa Pacts were initiated by the new ruling party UCD and the Prime Minister Suarez, who intended to build a positive impression that pact-making would be a successful feature of the new democratic regime. The reason of the UCD’ enthusiasm in pact-making and political compromise has to be understood from the political constellation at that time, when any single party had failed to head the majority government during the parliamentary elections. The government needed to rely on other parties’ support to avoid risking political turmoil during the process of democratization (Hamann 1997: 117).

The Moncloa Pacts had characteristics of a political pact instead of a social pact because interest associations did not sign it despite the government’s endeavors to persuade them. Several reasons explained the reluctance of social actors. First, a settlement of social negotiation was strange for them. They were afraid of the feedback-effect because such a political action could bring about workers’ resistance. Second, unions were in a dynamic process of self-construction and transformation. Four main unions were competing with each other, while each one was struggling to build or solidify support for its own organization. The logics of competition hindered them to decide making compromise with the government as no union was willing to take the risk of controversy, which any compromise with the state could inevitably bring about. Third, no independent organization existed representing the business interests. The CEOE was still forming itself (Bermeo and Garcia-Duran 1994: 93; Royo 2000: 71).

The Moncloa Pact was concluded outside of the parliament although political parties were the main signatories. The legislation process in the parliament gave teeth to the Pacts (Foweraker 1987: 66). It was immediately ratified and legitimized with little discussion in both the Congress (October) and the Senate (November) (Roca 1987: 252). The leaders of trade unions, who were parliamentary representatives, obviously voted in favor of the agreement, while

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<sup>289</sup> It was named after the Prime Minister’s residence in Madrid’s Moncloa Palace (Roca 1987: 252).

unions were well represented by political parties (Roca 1987: 253). Union leaders supported the Pacts, although they did not formally sign them in the name of trade unions. Striving to build an image as a reformer, the UGT explicitly rejected the Pacts, which was only a tactical gesture. More explicitly, the CCOO supported the Pacts with an aim to build an image as a responsible social actor, which was opposite to the UGT.

The Pacts embodied the definition of a 'foundational pact' (Karl 1990). Its passages included path-breaking and innovative measures to reshape the state-society relationship. Ensuring the survival of the new regime, it simultaneously restricted the scope of representation. Comprehensive agreements contained promises made by the UCD government to carry out major economic and political reform in exchange for a package of measures designed to stabilize the national economy. During a climate of responsible cooperation it was expected to contribute to the consolidation of democracy. The Pacts were targeted to create political consensus that would facilitate the swift acceptance of a new democratic constitution (Encarnacion 2005: 188; Roca 1987: 253).

The Pacts could be characterized as a socio-economic pacts, as they contained wide-ranging and affluent measures on economic policies. They had significant implications for the transformation of Spanish society and economy, ranging from wage increase to industrial and employment policies. Most urgently, it was targeted at curbing inflation, which was an important step to alleviate the disruptions triggered by the domestic repercussions of the oil shocks at that time (Encarnacion 2005: 188). The main discourse it carried on the macroeconomic arguments was to reestablish an equilibrium of price levels, investment slump, unemployment, and balance of payments (Roca 1987: 253). As major adjustment measures, the Pacts contained a twenty percent devaluation of the peseta against the U.S. Dollar; extensive price and wage controls, a limited relaxation of job-protection legislation, fiscal reform, and reform of the monetary and financial systems (Heywood 1995).

In addition, the Pacts included a promise to define a new framework for labor relations. It would provide maximum flexibility for contracting employment and other provisions relevant to structural reform (Bermeo and Garcia-Duran 1994: 94). The government made a concession to swiftly dismantle the OSE. It promised to transfer the assets of the OSE to trade unions in exchange for the support of labor. The unions secured a constitutional provision guaranteeing them an official role in the national policy-making process (Encarnacion 2005: 191).

Finally and decisively, the Pacts were oriented to expand the welfare state. It carried redistributive aspects of social democratic quality, attempting at political exchange between wage concessions and increases in social spending. In concrete, the Pacts were designed to allow a thirty percent increase in state investment in employment benefits along with significant increases in spending on education, training, job creation, and housing, as a compensation for their sacrifices (Encarnacion 2001: 346). In short, the Moncloa Pacts were a milestone in the transformation of Spain towards a democratic welfare state.

In the aspect of integration, the Pacts accompanied some decisive problems. First, political integration was limited. The UCD government failed to honor some of the pledges it made in the Pacts. Later, union leaders argued that many of the promises were not fulfilled, for instance, those to compensate labor for some of the costs of adjustment, such as an extension of unemployment insurance. The promise to create an extra-parliamentary council for social- and economic policy-making with the participation of workers' representatives was not faithfully implemented either. These commitment problems of the Moncloa Pacts led the trade unions to mistrust the UCD government in general (Bermeo and Garcia-Duran 1994: 102; Encarnacion 2001: 344; Hamann 1997: 125; Heywood 1999: 107).

Second, social integration was limited as well, although the target of wage restraint was achieved and social actors thought they were not seriously overcharged in the calculus of costs and benefits (Martinez-Alier and Roca 1987: 76). According to a survey in the spring of 1978 (with a sample 4,200 workers), around 36 percent found the Pacts harmful and useless. While nearly forty percent did not know or did not answer and only one-fourth of them found it reasonable (Martinez-Alier and Roca 1987: 76).

In terms of effects, the Moncloa Pacts should not be considered to represent the general style of policy course in Spain. It served only for a very specific purpose at a particular moment during transition to democracy. Although the Pacts eased the immediate economic pressure, they were short-lived and one-sided in their impact, demanding considerable sacrifices from the workforce in return for pledges which ultimately remained unfulfilled. They instilled a lasting suspicion within Spain's union federations of government-sponsored economic accords and maintained the broad parameters of an essentially inefficient economic structure (Heywood 1995: 219).



### 7.3.2. ABI (1979)

After the conclusion of the Moncloa Pacts, the UCD government urged the social partners to make a compromise on wage increase once again, as the wage issues continued to be burdensome in the Spanish economy. Nonetheless, no agreement immediately followed due to the different stances of the two unions. The CCOO insisted on 'political pacts', in which the government participated. Whereas, the UGT defended bilateral socioeconomic pacts between labor and business without the government's intervention (Royo 2000: 75-76).

In this situation, the legislation of the Workers' Statute provided a new opportunity to create a corporatist arrangement. The UGT initiated a new round of concertation. In July 1979, a new social pact was concluded in the name of ABI (National Multi-Industry Basic Agreement: *Acuerdo Basico Interconfederal*). It carried an aim to influence the process of new legislation in the next year, focusing on the agendas for shaping a new industrial relations system.

In fact, the leaders of the two unions – UGT and CCOO - and the CEOE had held several meetings and tried to reach an agreement in the spring of 1979. Against governmental intervention, the UGT and CEOE insisted on a bilateral agreement, whereas the CCOO wanted the government to participate in it. The two unions also had some different opinions regarding the contents of the newly proposed labor law, for setting the new regulations of industrial relations. Ultimately, the CCOO refused to sign up the ABI and the UCD government did not officially recognize this pact.

The ABI was characterized as a declaration of principles for future agreements. It contained various measures on the institutional reform of industrial relations, which the two signatories of labor and business recommended: in concrete, introduction of the 'union delegates' from individual firms, specification of their functions and rights, and management of the unemployment problem. Participation of unions and business organizations in the management of state agencies such as the National Institute of Employment (NIE) was also included. Yet, the income policy was not addressed (Royo 2000: 76-77). In the following year, it had a crucial impact on the legislation process. The PSOE, which was not only the major opposition party in the parliament but also the indirect initiator of the ABI, strongly advocated the main contents of the social pact.

### 7.3.3. AMI (1980)

Soon after the conclusion of the ABI, the UGT made another proposal to the CCOO and the CEOE in September 1979, intending to enter into negotiations on the broader issues of economic policy and industrial relations, such as unemployment, wages, productivity, and union rights. In January 1980, another social pact was concluded, in the name of the AMI (National Multi-Industry Framework Agreement: *Acuerdo Marco Interconfederal*). The signatories of the pact were the UGT and CEOE. The government and the CCOO were excluded from it. Afterwards, the minor union USO subscribed to it as well. The pact contained various recommendations for economic policies and joint-resolutions between the peak associations of labor and capital on the range of wage increases, in addition to the legislation issues. This was the first social pact covering the broad issues of economic policy, industrial relations and wage increase at the same time.

In fact, the government had expected successful reproduction of the Moncloa Pacts regarding wage restraint. As the interest associations could not reach an agreement, it unilaterally developed its own wage provisions for the next year, setting wage increases between 11-14% (with an expected inflation of 10%). In the following year, it continued to expect social coordination of wage increase, in concrete, the Minister of Economy fostered an agreement between social partners. Because the government was longing for a wage restraint in the wake of economic recession, it was of a positive opinion on the initiative of the UGT and the conclusion of the pact. Moreover, the PSOE actively tried to utilize the corporatist engagement of the UGT as well, lending its full support to the AMI 'in the role of the loyal opposition grooming itself for government (Foweraker 1987: 66-67). Therefore, the AMI did not have any serious problems of political integration.

However, inter-union discord continued, as the CCOO did not support it. The communist union bolted out of the concertative process and argued again for the participation of the government. Criticizing the government for not fulfilling some clauses in the Moncloa Pacts, the CCOO showed a skeptical opinion to any kind of pact-making without the government. It believed that mobilization strategy would pay off in the long run, over than making an agreement without the government.

Designed to be valid for two years (1980-81), the AMI covered a broader scope of issues than the ABI and for the first time included income policy. Aiming to establish an effective basis for a

modern system of collective bargaining and to expand the involvement of unions in management, the pact acknowledged the importance of workplace relations and recommended negotiations on important issues such as productivity, absenteeism, and technological innovation (Toharia 1988: 135).<sup>290</sup> Such contents in the pact had significant implications both for wage restraint and institutional change.

The pact was well integrated in various dimensions. The part on the provisions of the new settings of industrial relations was soon incorporated into the Workers' Statute, and the part on the reduction of work-hour was accepted in the political society as well. Most decisively, the part on the setting of wage increase was relatively welcomed by industrial actors and successfully implemented as well. On average, wages increased by 15.33 percent in 1980, which was quite close to that suggested in the pact. The number of workers covered by national agreements increased rapidly. Next year, the UGT and the CEOE managed to renew the AMI regarding income policy. They established a bargaining range for wage increases between 11 and 15 percent with an expected inflation rate of 13 percent<sup>291</sup> (Foweraker 1987: 66; Royo 2000: 78-79).

Meanwhile, the proper implementation of the AMI had a certain kind of political implication in the relationship between the two major unions. The successful implementation and reconfirmation of the AMI symbolized the workers' support of the moderate strategies of the UGT and a major defeat for the CCOO. Intimidated by rising unemployment, a majority of workers came to favor a less combative attitude toward employers and government

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<sup>290</sup> Concretely, the agreement comprised fourteen chapters, which can be divided into four parts: (i) provisions dealing with the industrial-relations setting; (ii) provisions regarding several specific issues of industrial relations: such as the autonomy of the social actors, the naming of actors who had the legitimacy to participate in negotiations; the need to rationalize the number of collective agreements; the individual rights of workers; the need to handle productivity, absenteeism, security and hygiene; the need to establish mechanisms of arbitration; and the role and rights of union delegates; (iii) work hour policy: the annual number of work hours was suggested to be reduced from 2,006 hours in 1980 to 1,880 hours in 1982; and (iv) income policy: it predicted an inflation rate of 15.3 percent for 1980, and the range of wage increase was set between 13 – 16 percent. It adopted a 'safeguard clause,' i.e. if inflation rose more than 6.5 percent after six months, the pact allowed for a revision of the wage increases already negotiated. It adopted a 'dropping-out clause' as well, which allowed firms that could prove having had business losses in 1978 and 1979 to negotiate wage increases below those established in the pact (Royo 2000: 77-78).

<sup>291</sup> This revised version included clauses allowing firms with duly certified losses to increase wages by less than 11 %, and clauses to revise wage increases in case of higher inflation after six months. That year, wages grew by 13.2% and inflation by 14.5%.

(Foweraker 1987: 66) Most of all, the CEOE had a clear strategy in this pact to isolate the CCOO, bestowing a leading role upon the UGT (Martinez Lucio 1991: 45).

After having refused to sign the AMI, the CCOO opposed the implementation of the pact at the company level, which had however only little impact. The number of industrial disputes rather declined: in concrete, the frequency of strikes sank from 1,789 occurrences in 1979 to 1,351 in 1980. Visibly, the UGT made considerable gains in the works council elections following the signing of the AMI. Although the CCOO again managed to confirm its supremacy in 1980, receiving 31 percent of votes, the UGT almost caught up with it (29 percent) (Foweraker 1987: 66; Royo 2000: 79). Observing this disappointing result, the CCOO started to consider shifting its course and more actively participating in subsequent agreements.

#### 7.3.4. ANE (1981)

The second social pact initiated and led by the UCD government was concluded in 1981. It was directly influenced by a serious political crisis, which occurred as a group of Spanish military officers attempted a coup d'état and attacked the parliament in February 1981. Although this rebellion could not continue long, successive threats by the military did not totally disappear and social consensus was desperately necessary for protecting democracy. The government and the social partners concluded a social pact, the ANE (National Employment Agreement: *Acuerdo Nacional de Empleo*), in June 1981<sup>292</sup>. For the first time, the government and all of the major social actors - two major unions (UGT and CCOO) and the employer association (CEOE) - signed a comprehensive social pact (Royo 2000: 80).

In the beginning, the new Prime Minister Sotelo<sup>293</sup> invited the social actors for a new social concertation, recognizing them as equal partners for the first time. As the conservative government was fully engaged in the process of concertation, it provided a good ground for the CCOO to sign the new pact. The leaders of the communist union had always wanted to negotiate directly with the government. In fact, the union was in the middle of its own crisis, having suffered serious losses in the works council elections, which continued to go badly.<sup>294</sup>

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<sup>292</sup> The ANE was called the 'pact for fear.'

<sup>293</sup> He was the successor of Suarez, who resigned in early 1981.

<sup>294</sup> During the works council elections in 1982, the UGT gained 36.7 percent of votes from the elected representatives, which led the CCOO to lose its supremacy. The radical union ran a close second with

Signing the ANE, the CCOO hailed it as a 'Plan of Solidarity', although the contents of the pact were not essentially different from the AMI it condemned it (Foweraker 1987: 67; Royo 2000: 79-80).

With a very unique political context, the ANE had an extraordinary implication for consolidating democracy. The corporatist representation adopted a direct procedure that bypassed parliament. It was expressed with the term of 'strategic displacement': from parliament to the neo-corporatist context, with a purpose to regulate conflict and underpin parliamentary democracy (Foweraker 1987: 67).

The process of negotiation was not smooth but very complicated. On several occasions it almost broke down. Ultimately, the two unions managed to make the overtly political decision to restrict their economic demands and even to incur short-term sacrifices in order to protect the vulnerable polity of democracy. The main debates were derived from the issues of financial compensation to unions and limits on temporary contracts of employment (Royo 2000: 79). The unions wanted to include measures to tackle some of the most challenging problems - such as increase of unemployment, institutional neglect of unions, and increasing expansion of the underground economy -, which were however excluded in the end (Royo 2000: 80). The crisis of the ANE also came out of the employers' side, as the CEOE boycotted the agreement for a while. It complained with the excessive interventionist role of the state mainly in the policies to massively create new jobs (Martinez Lucio 1991: 45).

The ANE had eight chapters, divided into three major parts. First, it included income-policy measures by establishing a wage range of increases between 9 and 11 percent. Here, it incorporated 'safeguard clauses', which would apply in six months if inflation increased more than expected. Second, it included provisions allowing the members of union and business organizations to sit on the boards of many public institutions, such as the National Institute for Employment, the National Institute for Social Security, and the Health Institute. These measures insured the participation of social actors in economic policy-making as well as their institutional role in the political system, which empower them politically. Third, various other provisions were also included: such as wage increases for public servants, pension increases,

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33.4 percent. These results confirmed that the majority of Spanish workers at the time supported the moderate strategies of the UGT. Thereafter, the CCOO was almost forced to reflect on its confrontational strategies.

minimum wage, the expansion of unemployment benefits to cover more people for a longer period of time by establishing a fund of 15 billion pesetas (Royo 2000: 79-80).

Most decisively, the main idea of political exchange in the ANE was focused on wage restraint and employment expansion. For the first time, the scale of wage increase was set lower than the forecasted rate of inflation as trade unions accepted the reduction of real wages. As a compensatory measure, the government promised to create 350,000 new jobs. Due to this promise, the ANE was characterized as an 'agreement on employment' rather than just on wages (Roca 1987: 255; Toharia 1988: 135).

However, the ambitious goal on the expansion of employment was not completely realized, although the ANE was the only pact that contained a formal commitment on unemployment. The commitment led nowhere and the number of employed wage-earners actually dropped. The pact could neither slow down the expansion of unemployment nor reveal a definite positive correlation between business profits and increased investment (Roca 1987: 260). Most of all, the terms of the promise on job creation remained vague, as the agreement failed to specify which economic measures could make it possible to achieve such a goal. For instance, the volume of public investment was not quantified by sectors. There was no concrete clause regarding the steps the state could take to provide incentives to private investors. In addition, the CEOE also opposed the plan, which was another obstacle in realizing the pact (Martinez Lucio 1991: 45; Roca 1987: 255; Toharia 1988: 135).

#### **7.4. Experimental Corporatism under the PSOE Government (1983-1986)**

After the first power alternation, the arrangements of experimental corporatism were reproduced and revised in Spain, as the PSOE government tried to utilize the close relationship with the UGT in dealing with the difficult reform tasks. The concertation regime was divided into two levels. One was national level pacts, which were respectively named AI and AES. In the former, the PSOE government was excluded; in the latter, the CCOO was excluded. The other was a semi-institutionalized type of corporatist arrangements created in the sector-level,

especially for making consensus on the job security in the process of industrial restructuring. Here, the CCOO was excluded as well.<sup>295</sup>

#### **7.4.1. AI (1983)**

The first agreement was the AI (*Acuerdo Interconfederal*) concluded in February 1993, soon after the launch of the new government. The new government sought a social partnership with interest associations from the beginning, emphasizing the value of dialogue and cooperation not only with unions but also with bankers, industrialists, and employers. It was willing to start with the legislature, evading disputes and conflicts. With pact-making, the PSOE intended to defuse potential opposition to its policies of economic restructuring, utilizing the close link with the UGT. The pact could help to eradicate traditional suspicion of socialism by leading economic interests and gaining support for its policies (Heywood 1995: 245).

For the first year of the new government, the relations between the government and organized labor were not so difficult, although the main actors had different expectations and intentions in the corporatist engagement. During negotiation, the PSOE tried to convince the unions and the CEOE of tackling the economic crisis through negotiations and pact-making. Having only participated in the negotiations, the PSOE government did not sign it on purpose. It was afraid that the close relationship with the UGT could have a negative effect on the pact. Thus, the signatories of the AI were UGT, CCOO, CEOE, and the CEPYME but not the government.

Meanwhile, the social partners took different attitudes toward making a pact. The CCCO insisted on its conventional stance that social agreements should have a form of tripartism, including the government. Moreover, the communist union wanted to deal not only with wage policies but also with more general economic policies and social benefits. Contrary to its conventional stance, the CEOE wanted the government to be involved in the agreement with an expectation that concertation substantially function to realize its willingness in making economic policies. The UGT continued to reject the participation of the government even though the party in power was its political ally. The Socialist union feared that the involvement

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<sup>295</sup> Although the CCOO joined in the concertation regime for industrial restructuring after 1987, it was excluded from this discussion.

of the government could “tie its hands”, and thereby force it to modify the Socialist policy program that had been promised during the elections (Roca 1987: 255).

The AI was a familiar reproduction of the previous pacts. It was comprised of nine chapters. Many of them were imported from the AMI: for instance, unemployment measures, productivity, security and hygiene in the working place, absenteeism, and the institutional position of unions. Among those, labor market issues were the most dominant. The unemployment policies and measures to create jobs were included. The retirement age was recommended to be lowered to 64 years. Retirement with full compensation was allowed if companies hired unemployed people. Extra hours and multiple employments became prohibited. The reform of collective bargaining and social partners were encouraged to introduce changes in all aspects of the bargaining system. The National Consultative Commission (NCC) was proposed to be created (Royo 2002: 83).

In addition, the AI allowed a relatively comfortable round for annual collective bargaining for wage increase, which was designed to be in effect for a year and to cover all employers and workers in the country regardless of their affiliation. The level of wage increase was set between 9.5 and 12.5 percent, including a ‘safeguard clause’ in case inflation surpassed the level expected in nine months. The annual number of work hours was reduced to approximately 1,826 hours (40 hours a week) (Royo 2002: 82-83).

The agreement on the wage increase and work-hour regulation was well implemented as promised by the social partners. Decisive resolutions on the policy- and institutional reform did not accompany serious problems either. Only some problems were observed with regard to the resolution on the establishment of the NCC, which was not swiftly implemented. Most significantly, the pact failed to be renewed the next year, as the talks on the extension of its term broke down (Share 1989: 75).

#### **7.4.2. AES (1984)**

The government took a new initiative to push interest organizations to conclude another social pact in the following year, while it tried to implement reform programs to cutback and reduce employment in the key industrial sectors under a serious deterioration of economic situation.



At that time, unemployment increased by 400,000, despite the modest wage increases attributed to the AI and inflation exceeded the government forecast (Martinez Lucio 1990: 92).

In this situation, all of the major social actors joined the new round of concertation, carrying and expressing a highly diverse spectrum of opinions. As the government introduced the national budget in early 1984, which implicated the restriction of the social expenditure,<sup>296</sup> the CCOO abandoned the concertative round, considering a new social pact as a sign of supporting the restrictive and ‘anti-social’ policies of the government. In a crisis situation, the Prime Minister Gonzalez intervened in them, respectively meeting the leaders of the UGT and the CEOE. He tried to persuade them to resume negotiations and to sign a new pact the government was preparing. At the end, the social actors except the CCOO<sup>297</sup>, decided to conclude a new pact (Royo 2002: 85-86; Share 1989: 75). In October 1984, namely AES (Economic and Social Agreement: *Acuerdo Economico y Social*), which was valid for two years (1985-1986). The main rhetoric of the AES was to increase the competitiveness of the national economy through ensuring the country’s entry into the EC (Encarnacion 2005: 188). Signing the pact, the UGT argued to introduce the model of ‘negotiation without pressure’. It attempted to tie social and employment benefits with the sacrifices of workers in various industries, where restructuring programs of the PSOE were being implemented: for instance, shipbuilding, car manufacturing, domestic electrical goods manufacture, and the steel industry (Martinez Lucio 1990: 92).

The AES was comprised of two parts. The first contained clauses on various socio-economic policies<sup>298</sup>, including investment and tax policies, employment policies, social insurances reform, management participation of social partners in public agencies, regulation on the return of union’s properties lost in the authoritarian regime, and reform of the industrial relations system appropriate to EC standards. Especially, the last clause of the first part, which was

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<sup>296</sup> The PSOE sought to reduce inflation to 7 percent, reduce the public deficit by a half point, increase investment; reduce state expenditures, and maintain existing tax levels (Royo 2002).

<sup>297</sup> The PSOE, UGT, CEOE and CEPYME were the signatories.

<sup>298</sup> More concretely: (i) government’s declaration on economic issues; (ii) tripartite agreements on investment, taxes, wages (public sector), unemployment benefits, and the creation of funds to promote investment and employment; (iii) reform of the social security system and the retraining of workers; (iv) provisions to extend participation of business and unions in certain public institutions; (v) promise by the government to enact a law allowing the return of the resources to unions that had been expropriated during the Franco dictatorship; (vi) statement on the need to reform the Spanish industrial relations system in order to align it with the norms of the other countries in the European Community (Royo 2002).

adopted after serious debates, had a highly ambiguous form and an implication to commit itself to follow the labor dismissal policy of the EC. The second part included the bilateral pacts on wage increases including clauses on wage ranges and a safeguard clause. In addition, they agreed to develop several commissions for the first time to interpret, implement, and follow up the AES provisions (Royo 2002: 86).

The implementation of the AES was more problematic than that of the previous pacts, although it could partially bring about political stability at the national and factory levels and enable the restructuring programs to be implemented (Martinez Lucio 1990: 95). First, social benefits promised in the pact were not faithfully implemented. Although the government promised in the AES to offer benefits to nearly half of the unemployed, the promise was unfulfilled (Encarnacion 2001: 344).

Second, the pact was unable to quiet the complaints of workers, although wage setting was again smoothly implemented and successfully reproduced. For the first two years of the PSOE government, industrial conflicts doubled in the major industries. With rising workers' militancy, the UGT leaders faced criticism not only from the CCOO but also from internal activists employed in various industries, which weakened the legitimacy of the concessive stance of the leadership (Martinez Lucio 1990: 95; Smith 1998: 104; Wozniak 1991).

Third, the CEOE was displeased with the implementation of what they had expected to be more actively realized. In concrete, the employers expected substantive and swift measures with regard to the reconsideration of the rigidities inherent in labor legislation. In the second year, the employers undermined the agreement, as they felt that not enough attention was being paid to the aspect of flexibility in the labor markets. They refused to accept the agreement for that year and opposed its development (Martinez Lucio 1991: 46).

#### **7.4.3. End of Pact-Making**

After having concluded the AES, the PSOE government tried to restructure the outdated public industrial sector in exchange for vague promises of economic recovery and more jobs. It also wanted trade unions to accept wage demands for five percent, expecting the unions to conclude a new centralized agreement on wage increase. However, the unions would not accept these plans and decided to demand higher wage increase to compensate workers for

the losses of previous real income. Arguing for higher increases of wages, they emphasized the positive economic prospects and refused to accept the target of the government's policy. They demanded wage increases by two digits, stressing the need to boost demand and to increase social expenditures in order to create new jobs. At the same time, they underscored the negative effects of the AES, which had not only caused a drop of real wages for workers but also failed to reduce unemployment. As a result, no new agreement was concluded (Martinez Lucio 1991: 46; Royo 2002: 89). Then, the government tried to influence wage negotiations in various ways, unilaterally setting the salaries of civil servants and the minimum wage. It instituted campaigns in the mass media and made suggestions on the acceptable level of wage increases. At the same time, it threatened to bring more restrictive monetary policies, if their suggestions were not be accepted by social partners (Recio and Roca 1998: 145).

In this way, the first corporatist era substantially came to an end. Thereafter, pact-making did not continue until the early 1990s. There were three concrete and decisive reasons that brought about such a result. First, the government gradually lost motivation to incorporate social partners in making public policies. By the mid-1980s, several key members of the government's economic team became convinced that the process of centrally negotiated agreements had more disadvantages than advantages for their economic program. Increasingly, this conviction led them to adopt uncompromising positions in their negotiations with the unions. Furthermore, the PSOE was able to gain a comfortable victory during the parliamentary elections in June 1986, retaining an absolute majority of seats in the parliament. As it successfully renewed its power, the government put a greater priority on economic developments than on the course of negotiation (Perez 2000b: 347).

Second, the UGT-PSOE relationship became strained from 1985 onwards. It was essentially attributed to the fact that the PSOE was less committed to a socially-oriented and pro-welfare understanding of its role. The dissension between the two socialist units involved several areas. In 1985, the UGT leaders opposed the reform of the public pension system, having felt cheated by the government, which did not keep the promises for unemployment benefits that had been agreed in the AES.<sup>299</sup> When the PSOE introduced more flexible measurers in employment relations, the UGT leadership was under great pressure to distance itself from the ruling party (Martinez Lucio 1990: 95; Recio and Roca 1998: 149). Increasingly, the UGT leaders perceived

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<sup>299</sup> In fact, the government agreed to increase the coverage of unemployment benefits to the level of 48 percent by the end of 1986. Yet, this figure was about 30 percent in 1988 (Royo 2000).

that the PSOE was not seriously committed to a corporatist strategy of making centralized agreements, and that they were invited only to support measures previously decided by the government. If the support was effective, that was celebrated; but if not, the union was systematically accused of defending selfish interests, the interests of employed workers against the interest of unemployed people (Recio and Roca 1998: 148). In 1988, the government refused the UGT's requests to compensate the income categories the government had set,<sup>300</sup> for the rise of inflation, which was larger than expected, and those to extend collective bargaining rights to public servants. Then, the UGT leaders concluded that the party leadership was unwilling to offer compensation for the sacrifices that the union had made during the economic crisis and that a global wage agreement could no longer be reached (Perez 2000b: 347).

Third, the CCOO played a key role in calling for stoppages and demonstrations against redundancies that the PSOE adopted. The resurgence of mobilization recalled the role played and image cultivated by the CCOO in the 1960s and 1970s. These developments contributed to the isolation of the UGT. In many occasions, the UGT supported its local branches, which signed the employment and redundancy agreements with companies and industries, without the CCOO (Martinez Lucio 1990: 93-94). The CCOO's strategy of aggressively pursuing wage increases and refusing to sign negotiated pacts, such as the AES, began to pay off among the UGT voters. The works council elections in late 1986<sup>301</sup> were a decisive turning point. Although the UGT superficially managed to maintain its majority, it could not achieve strong support as in the early 1980s (Burgess 1999: 13). This crisis led the UGT to no longer be engaged in broad social pacts or to rely upon party-allies in the parliament. Instead, the UGT and the CCOO reached an accord in February 1987, which included a plan for collective bargaining and a demand for profound change in the government's economic policies (Burgess 1999: 13; Hamann 2001: 165).

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<sup>300</sup> The ministers of labor and public administration decided to increase pensions and public servants' wages by 5.5 percent (Perez 2000b).

<sup>301</sup> This shift in workers' preference was exemplified by the highly publicized results of the works council elections in the fall of 1986. While the UGT increased its overall lead, and even won in sectors affected by restructuring, it lost considerable ground to the CCOO in the public sector and large enterprises. According to official data, the UGT only won in workplaces with fewer than one hundred workers (Austudillo Ruiz 2001: 287, 295).

#### 7.4.4. Concertations for Industrial Restructuring

Taking grand scale reform measures for industrial restructuring, the PSOE government established specific mechanisms for concertation at the industry level. Representatively, there were two kinds of institutions. One was the 'Funds for the Promotion of Employment (FPEs)'; and the other was the 'Control and Oversight Committees', in which representatives of labor, management, and the central and regional governments were included in sectoral negotiations as members of the bodies (Smith 1998: 130).

The FPEs were mechanisms established for job security and reemployment of workers. Criticizing the labor policies of the UCD, which had addressed only income support for laid-off workers, the PSOE government established tripartite agencies. The FPEs were made out of representatives of firms and unions in the sector as well as government officials to support retraining and reentry of dismissed workers into the job market (Smith 1998: 121). The Funds not only provided income support (normally 80 percent of a worker's most recent pay for up to three years), but also job training and placement, offering businesses financial incentives to create jobs. Four sectors were their specific targets, which were considered the heart of the 're-conversion program': shipbuilding, integrated steel, specialty steel, and home appliances (Smith 1998: 122).

The Control and Oversight Committee was a mechanism defined in the Re-conversion Act - the legal instruments made in July 1984 -, which obliged the social concertation process in the whole processes of policy-making and implementation for reconversion. The Act spelled out not only the elements of state initiative but also group consultation. The chief inter-ministerial committee for economic affairs would appoint a group of civil servants (usually called the Executive Committee) to draw up reconversion plan. Then, this Committee would draft a proposal covering labor reductions, capacity cutbacks, new investments, firm mergers and reorganizations, and other issues, after having consulted with management, labor, and regional government representatives. The Committee would be formed in this process. If industrial partners created agreements in the committee, the proposal would be returned to the inter-ministerial committee for review, approval, and submission to the prime minister and the cabinet (*consejo de ministros*). The government would finally approve it, then, the proposal would become a royal decree that would establish a control and oversight commission to guide the reconversion process (Smith 1998: 122).

The UGT supported the effort of the government towards re-conversion and its cooperative attitude encouraged government officials to consult UGT leaders throughout the formulation phase, from the issuance of the white paper in June 1983 to the passage of the final law in July 1984. During the implementation phase, the UGT signed agreements on labor issues for all of the affected sectors (Smith 1998: 125).

By contrast, the CCOO staunchly opposed these programs from the outset, excluding itself from the FPEs and the Control and Oversight Committee. Concerning the status of laid-off workers, the CCOO did not agree with the policy of the government that wanted to treat the contracts of workers who joined the FPEs as canceled but favored it to consider merely suspended (in fact same as the UGT). The communist union also refused to sign the agreements defined in the Reconversion Act, as the government decided to exclude those unions that did not sign reconversion agreements from the Control and Oversight Committee. The union denounced this measure as a form of pressure and blackmail on the unions (Smith 1998: 124).

Accordingly, the CCOO officials were mostly absent from the sectoral negotiations, and the government officials considered the union an obstacle to be circumvented. Choosing an opposing stance, the union mobilized workers' discontent in the targeted regions. Between 1983 and 1985, the confederation spearheaded countless strikes and demonstrations in various cities. Only after 1987, the new leadership of the communist union took a more cooperative stance to concertations.<sup>302</sup> With the CCOO in the streets, the UGT usually found itself alone on labor's side of the negotiating table and signed agreements for all of the reconverted sectors before 1987 (Smith 1998: 124-5, 130).<sup>303</sup>

The evaluations of these programs varied. Smith carefully presented a positive opinion on the political effect, saying "although it is difficult to judge the impact of the *concertacion* process on Spain's quest to create a stable democracy, it is reasonable to assume that the impact was, on balance, salutary (Smith 1998: 130)". On the economic effect, he cast rather doubt on the effect: "whether *concertacion* was also economically beneficial is a more difficult judgment

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<sup>302</sup> *Concertacion* continued even after the breakdown of the government's political *pactada* with labor over macroeconomic policy in 1986.

<sup>303</sup> In addition, the participation of organized labor varied not only across organizations but across different levels within organizations. Especially, the metalworkers' federations in each of the two major confederations were important because much of the 'reconversion program' targeted such basic industries such as steel and shipbuilding (Smith 1998: 124).

(Smith 1998: 130)” Bermeo was also skeptical of the overall effect of concertations on economic change. She attributed the success of industrial restructuring rather to “communication and labor’s institutional associations with the ruling party, distinct from corporatism or pact-making (Bermeo 1994: 608).”

## **8. Comparison between Korea and Spain**

This chapter compares the experiences of experimental corporatism in Korea and Spain. It analyzes the similarities and differences of the experiments between the two countries in terms of formation, integration and effects, taking into account their contextual and configurative factors. It is comprised of four sections. After it compares the features of contextual and configurative factors in both countries in Section One, it elucidates the features of the corporatist arrangements in terms of formation and integration in Section Two. Section Three discusses the effects of corporatist experiments in institutional reform in both countries. Finally, Section Four pays special attention to some particular issues. These comparisons from various aspects can lead us to intensify our knowledge of the characteristics, chances and limits of experimental corporatism in both countries, as well as on the peculiarities of the Korean experiments.

### **8.1. Contextual and Configurative Factors**

#### **8.1.1. Context**

This part compares the context of dual transformation in both countries in two ways, describing the similarities and differences of the reform policies under the two different governments in each country on the one hand, and those in terms of their strength and sequence on the other hand.

##### **8.1.1.1. Features of Reform Policies under Two Different Governments**

Under the conservative governments, the two countries were different in carrying out the reforms towards political and social democratization, whereas they were similarly passive in carrying out economic liberalization. The UCD government in Spain significantly enhanced the political and social citizenship of workers, from the early phase of democratization, while the economic crisis, which occurred in the early phase of democratization, as well as the



radicalization of workers protests constrained the choices of the government. As a result, democratic labor reform towards associational freedom and a pluralist setting of industrial relations was talem very swiftly. Social insurance programs were so significantly expanded with the increase of social expenditure that they became burdensome for the national economy later in the mid 1980s. These are different from the conservative government in Korea, under which reforms towards democratic industrial relations and a welfare state were delayed or just passively carried out, while the national economy was performing relatively positively. On the other hand, both countries failed to achieve economic liberalization to a significant extent. Commonly, reforms towards flexible labor markets were only projected and planned without significant institutional reform. Also, massive industrial restructuring was not undertaken.

After the power alternation, the center-left governments, in both countries, vehemently carried out the reforms towards economic liberalization. Decisive measures for the deregulation of the labor markets and the programs for massive industrial restructuring were simultaneously undertaken. These reforms were motivated by the common purposes to adapt their national economy to the international economic environment.

**Table 25. Reform Policies towards Dual Transformation under Two Governments in Spain and Korea**

<b>Governments</b>	Conservative	Center-left
<b>Years</b>	<ul style="list-style-type: none"> <li>• Spain: 1977-1983</li> <li>• Korea: 1988-1998</li> </ul>	<ul style="list-style-type: none"> <li>• Spain: 1983-1986</li> <li>• Korea: 1998-2003</li> </ul>
<b>Reforms towards Social Democratization</b>	<ul style="list-style-type: none"> <li>• Spain: Active</li> <li>• Korea: Passive</li> </ul>	<ul style="list-style-type: none"> <li>• Spain: Passive (less active)</li> <li>• Korea: Active</li> </ul>
<b>Reforms towards Economic Liberalization</b>	<ul style="list-style-type: none"> <li>• Spain: Passive</li> <li>• Korea: Passive</li> </ul>	<ul style="list-style-type: none"> <li>• Spain: Active</li> <li>• Korea: Active</li> </ul>

Meanwhile, the two counties in this period were different in terms of reforms towards political and social democratization. The Kim Dae Jung government in Korea was simultaneously

enthusiastic in the reforms towards social democratization, while it endeavored to cope with the serious economic crisis. As a result, social citizenship of organized labor was innovatively enhanced: various social insurance programs were strengthened and social expenditure significantly increased. Although the PSOE government in Spain continued to strengthen the already expanded social insurances programs, its endeavors were not so strong enough to satisfy the expectations of its supporters.

#### **8.1.1.2. Patterns of Dual Transformation**

We can describe the contextual similarities and differences in another way, focusing on the strength and sequence of the reform policies in both countries. In the reforms towards social democratization, they were different. In Korea, the attempts to establish democratic industrial relations were delayed, after the constitutional reform done in the early phase of democratic transition and did not contain comprehensive reform measures. Social security programs were expanded very slowly under the conservative governments, accompanying small scale institutional reforms. Only after the power alternation, were the institutional reforms to establish democratic industrial relations innovatively carried out and the new institutions to construct a welfare state were significantly strengthened. By contrast, reforms towards social democratization were accelerated in Spain already under the conservative government in the early phase of democratization. The principles and values of democratic industrial relations were conceptualized, and the successive reforms (enactment of Workers' Statute) were immediately followed. Measures to strengthen social insurance programs were taken by the conservative governments to a significant degree.

In the reforms towards economic liberalization, the two countries were similar. In Korea, the deregulation of the labor markets was carried out relatively later through the labor law reform in February 1998.<sup>304</sup> Vehement measures for industrial restructuring were taken in late 1990s and early 2000s. In Spain, substantive measures for the deregulation of labor markets were also taken under the center-left government, although the relevant reforms had been pursued from the conservative government. Massive industrial restructuring was conducted also under the center-left government with an aim to access the EC.

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<sup>304</sup> It was still under the conservative government that the legislation was complete. Nonetheless, it was led by the new government party a couple of weeks before the inauguration of new government.

**Table 26. Sequence of Reform Policies in Korea and Spain during Democratization**

Major Reform Programs		Korea	Spain
Social Democratization	Democratic Labor Reform	Late	Early
	Strengthening of Social Insurance Programs		
Economic Liberalization	Deregulation of Labor Markets	Late	Late
	Massive Industrial Restructuring		

### 8.1.2. Configuration

The two countries shared significant similarities in terms of the actors' configuration, for which their experiments at corporatism were significantly distinguished from 'societal corporatism' of the advanced continental Europe. Decisively, the structure of trade unions were not encompassing and the structure of collective bargaining was not centralized. The labor movement was divided into two or more camps which had different ideologies and contended with each other. Despite this structural weakness, the labor movement played a significant role as one of the main drivers of democratization and as the representatives of emerging civil society. In addition, the characteristics of strong state in the practices and institutions of policy-making, which were inherited from history, remained strong.

Under these similarities, the configuration of trade unions in both countries had significant differences mainly in three dimensions. First, the Spanish confederations had a more coherent structure than the Korean. This difference was found from the degree of collective bargaining in the industrial level. While collective bargaining practices in Korea were extremely fragmented and industry-level bargaining almost did not exist, the industry and sector level relationship between the social partners was formed in Spain to a certain degree in the transition period.

Second, the competitive relationship between the divided unions was qualitatively different between the two countries. The contending relationship between two of the unions was very serious in Korea. Due to the historical experiences and the delay of democratic labor reform, the old confederation played a role to hinder the growth of the new one. By contrast, the two

unions in Spain, which had been commonly oppressed by the authoritarian state, shaped a fairly competitive relationship during democratization. Although they were contentious, they were not as hostile as in Korea.

Third, the two countries had distinctive difference in the degree of political empowerment of trade unions. The Korean unions did not have any 'privileged relationship' with political parties as they totally failed to politically empower themselves during democratization. Labor parties having close relationship with trade unions were absolutely underdeveloped and unions' political participation was prohibited until the late 1990s.<sup>305</sup> By contrast, the Spanish unions, which were almost controlled by the socialist and communist parties, maintained very close relationship with them. The two leftwing parties swiftly achieved political success during democratization. Most of all, the UGT achieved great political success through its sister party, PSOE, to already become the first opposition party after the first general election in 1977 and to continuously maintain a crucial position in the parliament.

**Table 27. Configuration of Actors in Korea and Spain during Democratization**

	Similarities	Differences	
		Korea	Spain
Structure of Union Confederations	Decentralized	Extremely Fragmented	Relatively Coherent
Relationship between Union Confederations	Competitive	Hostile Contention	Soft Competition
Political Empowerment of Trade Unions	Main Driver of Democratization	Extreme Frustration	Enormous Success

<sup>305</sup> This has a close relation to the delay of democratic labor reform on the one hand and the lack of an union-party relationship even in the authoritarian regime on the other hand.

## 8.2. Formation and Integration

### 8.2.1. Experiments under the Conservative Governments

#### 8.2.1.1. Overview

Entangled with the contextual characteristics, various corporatist arrangements emerged in both countries. The main motivation of the formative attempts at corporatism under the conservative governments was to cope with the tasks of dual transformation in a consensual way. At the same time, they were implicitly aimed to calm down the rise and challenge of the labor movement searching for wage increases as well as the enhancement of the socio-political rights of workers.

Meanwhile, none of them were able to innovatively and substantively contribute to intensifying economic liberalization. Although the deregulation of the labor markets was, from the beginning, one of the crucial agendas of reform policies in both countries, corporatism for the agenda had only a symbolic meaning, as the governments did not take significant reform measures. In Spain, the Moncloa Pacts contained the relevant contents, but were not implemented. The attempts to strengthen the measures through concluding the ANE were not realized. In Korea, the LLRC and IRRC ended without any innovative achievements. In addition, none of the corporatist channels in either country were purposed to manage social conflicts during industrial restructuring, so long as the governments did not vehemently pursue to carry out industrial restructuring,

The contextual difference between the two countries in the characteristics of reform policies towards social democratization had significant influences in the formation of corporatist arrangements. In Korea, the corporatist channels dealt with the agendas of democratic labor reform for a long while, whereas they were shortly done in Spain, as the government was more willing to carry out the reforms. The issues of strengthening the social insurances system were not the main issues in the corporatist arrangements in Korea, whereas they were important from the beginning in Spain.

In addition, the configurative features of the actors, which were significantly different between the two countries in two aspects - the political empowerment of trade unions on the one hand

and the relationship between the two confederations of unions on the other - had significant influences on the formation and integration of the corporatist arrangements.

First, concertations were supposed to have an influence on the administrative actors in Korea, which were enjoying strong power in the practices of policy-making, while the political parties were indifferent to the corporatist engagement of the social partners. Consultative committees were established, which were either directly designed by the government agencies or voluntarily launched by the social partners. Apart from the initiators, all of the attempts were decisively limited in terms of political integration without support by labor parties. The experiments at corporatist policy-making were insufficient to change and move the administrative actors.

Second, the governments tried to utilize corporatism as a means to passively respond to and isolate the new labor movement, although they did not directly incorporate the new labor organizations despite their continuous and vehement mobilization. It had a characteristic as an attempt to form a moderate reform-coalition between the official union and the conservative governments. The FKTU was motivated to protect its status and strengthen its institutional power and political capacity through the corporatist engagement. Although the leaders of the FKTU seemed to play a role as a co-manager or co-governor of the national economy in the corporatist arrangements, they were unable to have sufficient influences in policy-making without support from the new labor movement.

#### **8.2.1.2. Corporatist Arrangements initiated by the Governments**

This part comparatively analyzes the Moncloa Pacts and the ANE in Spain as well as the LLRC and IRRC in Korea in terms of formation and integration. All of them had the same characteristics as the corporatist arrangements initiated by the conservative governments.

**Formation.** They had a decisive difference in the degree of the governments' involvement. The Spanish government was more deeply involved in pact-making, not only as a main initiator of pact-making but also as one of the signatories of the two pacts.

By contrast, the Korean government was neither the main actor during the concertations nor was it a signatory of any agreements made in the two concertative platforms, which were established under the Ministry (LLRC) and the President (IRRC) as governmental bodies and

advisory boards. The main characteristics of the concertations remained only consultation for making recommendations for revising certain labor laws. The absence of the government had ambivalent implications. On the one hand, it was advanced, because social actors could autonomously interact without the intervention of the state, which had been unimaginable before democratization. On the other hand, it was vulnerable because the government was not bound to the recommendations and agreements between the social partners. Especially, political respect for the corporatist arrangements was very low.

**Integration Problems.** Some problems of political integration were observed in the corporatist arrangements in both countries. It was clear whether the governments respected the results of concertations. In Spain, the expansion of the social insurances system, which had been promised in the Moncloa Pacts, was not sufficiently carried out from the viewpoint of the unions. The decisive promise of the government in the ANE to create massive new employment was not thoroughly realized either.

In Korea, the recommendations made in the LLRC and IRRC on the expansion of union freedom were arbitrarily revised in the process of administrative as well as parliamentary coordination. In comparison to Spain, the political integration of the corporatist arrangements in Korea was more seriously restrained due to the configurative vulnerability. It had a very critical meaning as how to bind powerful economic bureaucrats into the realm of concertation regimes in Korea. Due to the lack of vertical and horizontal networks with political parties and administrative actors, the partial consensus created in the corporatist arrangements would not be able to have direct power, and the limits of political integration brought about social resistance. The Korean unions had to rely on mobilization and direct contact with the political and administrative actors for political influence in addition to the vulnerable corporatist channels.

In addition, the social integration of the pacts and agreements were limited as well. In Spain, the agreements on the wage restraint in the Moncloa Pacts were not thoroughly implemented. In Korea, the LLRC was not strongly supported by the workers who did not trust the FKTU. Although the IRRC was different from the other previous experiments due to the participation of the KCTU, the new confederation was not deeply involved in the concertative process and the social partners were unable to create an ultimate consensus.

### 8.2.1.3. Corporatist Arrangements initiated by the Moderate Confederations of Trade Unions

This part compares the formation and integration of the corporatist arrangements initiated by the moderate confederations of trade unions in the two countries: between ABI and AMI in Spain on the one hand, and NESC and the two Wage Pacts in Korea on the other hand.

**Formation.** Corporatist arrangements initiated by the relatively moderate confederations of trade unions were implicitly oriented to rule out their rival confederations. In Spain, the UGT tried to use corporatist engagement as a means not only for strengthening its political influence but also for gaining advantage in the competition with the CCOO. In Korea, the FKTU tried to utilize corporatist channels to strengthen its institutional power against the growing new labor, pursuing to reshape its identity and searching for effective channels for political influences.

In both countries, the governments, which were not directly involved in corporatism, implicitly and commonly supported these initiatives. The willingness of the governments to incorporate the social partners was not so high, being keener to the short-term effects of corporatist policy-making: such as wage restraint and industrial peace. The Korean governments tried to utilize the FKTU in controlling the activism of new labor and evading radical labor reform, instead of recognizing and directly communicating with the new labor movement. The Spanish government also supported the centralized wage coordination and wage restraint (AMI) led by the UGT.

The decisive difference between the two countries was the power relationship between the two confederations. In Korea, the FKTU possessed institutional power. Its corporatist engagement was a means to defend the challenge of the new labor. In Spain, the UGT was a new challenger, while the CCOO was possessed stronger power in terms of organization and political influences. The corporatist engagement of the UGT was a means to challenge the hegemony of the CCOO.

**Integration Problems.** The political integration of these arrangements was seriously limited in Korea, in contrast to Spain. In Spain, integration problems derived from the discord between corporatist arrangements and political parties were not so serious. The UGT was encouraged and supported by the PSOE to be involved in social dialogues with employers and the government. Owing to the thick linkage between the PSEO and UGT, the ABI and AMI had an implication to press the UCD government to carry out a more profound labor reform. Although



the contents of the two pacts were not thoroughly implemented in the process of legislation, the PSOE respected the contents of the pacts and tried to enact the Workers' Statute as the pacts suggested.

By contrast, the problems were serious in Korea due to the lack of the corporatist network between the political parties and trade unions. The NESC and the social pacts were not respected by the administrative actors and political parties during and after consultation. The recommendations for the reform of employment insurance, which were made through the two social pacts, were not smoothly implemented due to the discords of Ministries. Although the Wage Pact II was distinguished from the precedent attempts due to the participation of the government, political respect was not high due to the administrative discord on the implementation of the agreements.

The problems in Korea were mainly attributed to the lack of a labor party in the parliament. Functional representation of social interests was not able to be realized at all through the parliamentary channel. The governments did not explicitly recognize the legitimacy of corporatist arrangements or join in consultation. The distance between the parliament and the corporatist channels was very far, while neither government agencies nor political parties were involved in the corporatist arrangements.

The problems of social integration were derived from the discord between the rival confederations of trade unions. In both countries, the radical confederations criticized and would not cooperate with the moderate initiator. In Spain, the CCOO refused to sign the two pacts. Due to the boycott of the CCOO, these could not receive strong social support. In Korea, these arrangements experienced serious limits in terms of social integration due to the exclusion of the new labor movement. The two weak social pacts especially failed to be smoothly integrated after concertation.

The effect of the mobilization of the radical confederations was not identical. In Spain, the CCOO was not able to effectively hinder the UGT. In Korea, the mobilization of the new labor camp was powerful enough to lead the FKTU to stop the involvement in corporatist wage bargaining. It weakened the power and legitimacy of the FKTU. While the structure of collective bargaining was fragmented, the weak national leadership of the FKTU could not control the rank-and-file revolts led by the leaders of the new labor. Although the FKTU took

some careful measures to enhance its internal coherence through activating the leader-member communication in the second wage pact, it did not essentially solve the problems.

## **8.2.2. Experiments under the Center-Left Governments**

### **8.2.2.1. Overview**

Experimental corporatism was reproduced after the first power alternation in both countries. With the change of the political constellation and economic situation, the characteristics of reform policies changed as well, which ultimately led the corporatist experiments in this time to be different from the former experiments. Decisively, the center-left governments accelerated reforms towards economic liberalization, which was the most critical contextual factor that led corporatist experiments to persist and be expanded. The role of corporatism was commonly oriented to legitimize the reforms towards economic liberalization. Expected to take more active measures for the necessary labor- and social reform favorable for unions and workers, the governments tried to utilize the corporatist channels to meet such an expectation.

Commonly, the governments were involved in the corporatist arrangements in both countries. In Korea, the Tripartite Commission was qualitatively different from the LLRC and IRRC, in which neither ruling parties nor government agencies directly participated. During consultations for institutional reform, they were relatively strong in recognizing the status of the consultative channel. As the case of the consultation for work-hour-reduction shows, the government was able and willing to take substantive measures for such a reform, although the social partners failed to make a final agreement. In Spain, the PSOE government was involved in all of the corporative arrangements, although it did not sign the AI on purpose.

Under this similarity, there existed a decisive difference. In Korea, the state took innovative measures to reform institutions towards democratic industrial relations and to construct a welfare state. Therefore, the reforms towards social democratization were able to be emphasized as much as those towards economic liberalization. In Spain, the socialist government was relatively more enthusiastic in carrying out business-friendly reforms than social democratic reform. The innovative implication of the programs and decisions towards a

democratic welfare state were not very high, since political and social citizenship of workers had been significantly enhanced in the previous government. Nonetheless, it does not mean that the degree and level of social democratization was higher in Korea than in Spain. In terms of the level of social citizenship, the characteristics of the reform agendas dealt with in the corporatist channels were far lower in Korea than in Spain.

The different combination of the reform policies formed different opportunities and optional resources for the governments in both countries to utilize the corporatist channels. Trying to cope with the two grand tasks of socio-economic reforms, the Korean government was able to relatively easily incorporate organized labor, because the delay of democratic labor reform and weakness of the social insurances system opened a leeway to be able to take innovative measures favorable for the interest of labor. The Spanish government was hard to utilize the optional card of social democratic reforms as a measure to compensate for the loss of the reforms towards economic liberalization. Instead, it possessed a strong configurative resource, the close relationship with the UGT. This was in contrast to the Kim Dae Jung government, which still did not have close ties with organized labor, although it had center-left characteristics.

Broadly, the corporatist arrangements in both countries were categorized in two ways. First, they were divided into two phases in terms of participants. The radical confederations of trade unions - CCOO and KCTU – were involved only in the beginning, when the center-left governments managed to persuade the two confederations to sign pacts or join concertations. In a year, the radical confederations bolted out of the corporatist arrangements, frustrated by the unilateral reform drives of the government towards economic liberalization. The Gonzalez government in Spain failed to utilize the corporatist channel as a political center, as the CCOO was not persuaded to accept the measures of economic liberalization.

Second, they were divided into two categories in terms of functions: those for institutional reforms and those for industrial restructurings. The former is a national agendas, for which the national confederations trade unions and the political as well as administrative actors are the main players. The two social pacts in Spain – AI and AES – covered agendas of social security reform and labor market deregulation. The Tripartite Commission in Korea produced more than one hundred agreements throughout the five years of the Kim Dae Jung government. The large part of them covered the agendas of institutional reform - industrial relations, labor

markets and social welfare – and was purposed to have influence in the process of legislation and policy-making. The latter is industry-level agendas to temporarily mediate the social conflicts in the reform processes. Interestingly, corporatist arrangements were established only at the national level in Korea, whereas those formed at the national level were for the former agendas and at the industry-level for the latter.

### **8.2.2.2. Corporatist Arrangements with the Two Confederations of Trade Unions**

This part analyzes the corporatist arrangements, in which the contending two union confederations joined. These were unique and short-lived in both countries. **Formation.** After the first power alternation, the initial arrangements of corporatism in the new center-left governments incorporated not only the moderate but also the radical confederations of union in both countries. The CCOO signed the AI and the KCTU signed the Grand Social Pacts (KTC I) and the successive agreements in the KTC II. Commonly, the two confederations tried to utilize the pacts and agreements in the new political constellation although their corporatist engagement lasted only for a short while during the first year of the new governments.

Despite this similarity, the two corporatist arrangements had qualitative differences in two terms. First, the goals of the union's corporatist engagement had some qualitative differences, which were attributed to the institutional characteristics of industrial relations and ultimately to the different speed of democratic labor reform. In Spain, the swift labor reforms, which had been carried out from the beginning of democratic transition, by the UCD government converted all unions to become legal actors of industrial relation. The corporatist engagement of the CCOO was supposed to be recognized as a co-manager of the national economy, after the CCOO and its communist party had been legalized. In Korea, the KCTU remained illegal, when it was involved in the KTC I and II. In joining the corporatist arrangements, its most desperate concern was to be recognized as a legal actor representing workers' interest. It implicitly considered the new concertation regimes as an effective channel to be recognized as an institutional actor.

Second, the AI excluded the measures to deregulate the Spanish labor markets although the PSOE government tried to persuade the union confederations. In Korea, the Kim Dae Jung government managed to succeed in drawing consensus from the KCTU, although the decision was later rejected by the members.

In the opinion of this author, the success in Korea and failure in Spain to incorporate the radical union in the corporatist channel derived from the different patterns of transformation and different socioeconomic contexts. In the context of reform-clash, the Korean government possessed innovative means to console organized labor through expanding programs compensating trade unions. Furthermore, the impact of the serious economic crisis and the urgency to carry out industrial restructuring were very crucial for the KCTU to make such a decision. In the context of reforms centering economic liberalization, the Spanish state lacked the innovative resources to satisfy trade unions.

**Integration Problems.** The two corporatist arrangements in both countries were strongly supported by political actors during consultation. Although the PSOE government did not sign the pact, it initiated and encouraged the social partners to conclude the social pact. The Kim Dae Jung government and the politicians of the new ruling parties were actively engaged in the process of social dialogue and tried to coordinate social actors to make a grand and substantive compromise.

In terms of political integration after consultation, the two countries significantly contrasted. The government respected the major contents of the AI, although it did not sign it. The implementation of the AI was not seriously difficult, although the government did not thoroughly keep the promises. By contrast, some clauses of the Grand Social Pacts and the agreements concluded in the KTC II, which were oriented toward the expansion of union freedom, experienced serious problems of integration due to the limits of administrative and parliamentary coordination.

This showed the importance of administrative and political coordination among actors. In Spain, the Gonzalez government not only had a close relationship with the UGT and union leaders but also enjoyed absolute power in the parliament. The trade unions in Korea again learned that the political integration of consultation would be problematic without their own political parties in the parliament

In particular, the difference can be explained by the electoral power of the two governments. The constellation of a divided government was a crucial reason that caused the problems of political integration. As a weakly coalesced government, the Kim Dae Jung government had problems in coordinating with the strong opposition party. The veto power of the conservative GNP was strong enough to hinder arbitrary legislation of the new government.

In terms of social integration, the CCOO and KCTU experienced contrasting results. In Spain, the AI did not bring about any serious problems to the CCOO. By contrast, the KCTU experienced extremely serious internal rebellion after the signing of the Grand Social Pacts in Korea. The national leadership of a confederation, which was only about one year old and whose vertical structure was not so coherent, was not able to cope with the reaction of its members to the concessive decision-making it had made. The Grand Social Pacts caused enormous turbulence and incoherence of the radical members inside the KCTU. Although the critical unionists could not hinder measures for the deregulation of labor markets to be implemented, the Pacts were hard to successfully evaluate due to the failure of intra-organizational coordination.

This difference can be explained most of all by the different characteristics of the agreements. The leadership of the CCOO managed to hinder the clause on the deregulation of labor markets to be inserted in the AI, whereas the leadership of the KCTU was ultimately persuaded to recognize it in the Grand Social Pacts.

In addition, the structural features and coordinative skills of the leadership were also problematic. In terms of structure, the CCOO was more coherent and stable than the KCTU. The capability of the CCOO's leadership in the intra-organizational coordination was not clearly analyzed in this volume. At least, the leadership of the KCTU was not competent in managing intra-organizational communication with the rank-and-file members as well as its middle range leaders.

### **8.2.2.3. Corporatists Arrangements with the Moderate Confederations of Trade Unions**

This part analyzes the corporatist experiments after the center-left governments failed to further incorporate the radical confederations of trade unions in both countries.

**Formation.** The other corporatist arrangements in this time had a characteristic as a coalition between the center-left governments and the moderate confederations of trade unions. The AES in Spain was signed and joined by the UGT and the PSOE government, with the CCOO excluded. The socialist party tried to utilize its' traditional relationship with the UGT, searching for corporatism as a symbolic supporter for the difficult reform programs it needed to make.

The KTC III in Korea was a kind of coalition between the strong center-left government and the moderate FKTU.

In terms of the strength and characteristics, the corporatist arrangements were different between the two countries. In Spain, the coalition was relatively stable, because the UGT was forming a privileged relationship with the PSOE. Until the end of the first term of the Gonzalez administration, the coalesced relationship of the socialist camp continued. This coalition had a risk to be a kind of state corporatism because the UGT was almost subordinate to the PSOE. The corporatist engagement of the UGT was a kind of voluntary cooptation.

The coalesced relationship in Korea was only temporary and unstable. Although it persisted to the end of the Kim Dae Jung government, the FKTU vacillated in and out of the KTC III, while the KCTU endeavored to mobilize workers. The weak and temporarily coaliated relationship in Korea was a kind of critical compromise because the FKTU was not subordinate to the NCNP. While the two unions were competing, the FKTU utilized the KTC III to legitimize its policy-line: for instance, in the debates on the unification of the social insurance systems.

**Integration Problems.** The limits of political integration of the two corporatist arrangements in both countries were not very serious. In Spain, the AES showed some limits after conclusion, as the PSEO government did not sufficiently increase unemployment benefits. This commitment problem of the AES was exceptional. In Korea, the limits were not very serious. The KTC III had another limit. Although its institutionalization was a reactive measure to strengthen its political integration, the consultation became rather rigid and too official. It was in contrast to the relatively flexible and vivid processes of consultation in the KTC I and II, both of which were in fact led by the ruling party leaders.

Corporatism remained shallow as the governments failed to incorporate the radical confederations of unions into the corporatist channels. They faced some problems of social integration due to the inter-organizational discord.

In Spain, the CCOO strongly criticized the socialist camp (PSOE-UGT) and the corporatist engagement of the UGT in the AES. The boycott of the communist union restrained the consultation. While a large number of workers supported the protest of the communist union, the UGT was able to neither sufficiently legitimize itself nor be very concessive during consultation. Later, the breakdown of national level pact-making was attributed not only to the

deterioration of the PSOE-UGT relationship but also to the legitimacy crisis of the UGT, whose moderate stance was seriously criticized by the CCOO.

In Korea, the boycott of the KCUT to join the KTC III for negotiating the agendas of institutional reforms restricted the behavioral range of the FKTU. Already, the confrontations between state and labor escalated from 1999. Due to the mobilization and threatening of the KCTU, the FKTU shrunk and became reluctant to make concessive decisions. Some preliminary agreements concluded in the KTC III were criticized by the KCTU, which influenced the successive negotiations, which came to an end without ultimate consensus between the social partners in the consultative institution. Despite the superficial progress of institutionalization, neither social peace nor significant change in policy-making practices were made.

### **8.2.3. Synthetic Features**

#### **8.2.3.1. The Two Grand Pacts**

The two grand pacts in Spain and Korea – the Moncloa Pacts (1977) and the Grand Social Pacts (1998) - can be characterized as ‘foundational pacts’. They were concluded, when the states were strongly required to carry out political, social and economic reform, faced either a serious economic crisis. They included comprehensive reform agendas covering a broad range of political and social actors<sup>306</sup> and contained various innovative measures to realize and strengthen the programs of a democratic welfare state and liberal market economy. In particular, the two pacts were oriented to enhance basic rights of workers, which the working-class in Western Europe had already achieved in the early twentieth century or immediately after the Second World War.

It is to be emphasized that the main contents and the expected functions of the Grand Social Pacts in Korea were corresponded to the context of social and economic pacts in transitional societies. Although it was concluded in late 1990s, the characteristics of the Grand Social Pacts were far from those of the new social pacts in Western Europe in the 1990s. In the latter cases,

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<sup>306</sup> It may be controversial to consider the Grand Social Pacts a kind of foundational pact. So far, no one interpreted the Pacts in this way and no one has compared it with the Moncloa Pacts. In the literatures on Korea, the Grand Social Pacts were rather interpreted in the context of new social pacts in the 1990s, based on social change in Western Europe.



in which the political tasks of welfare retrenchment were the main issues, corporatism was projected to strengthen the competitiveness of national economies through welfare retrenchment.

In some parts, the Grand Social Pacts were even inferior to the Moncloa Pacts from the view point of organized labor. The characteristics of the concessive measures for workers, which had significant implications on the level of social citizenship, were more burdensome for organized labor in Korea. In other words, the frame of political exchange in the Grand Social Pacts were hard for Korean workers to accept. It was an exchange between the agendas in the early twentieth century (union freedom) and those in late twentieth century (deregulation of labor markets). Organized labor was required in the Grand Social Pacts to allow for deregulating labor markets, which was a kind of long-term and institutional concession and more fatally disadvantageous for the interest of the working-class. By contrast, the Spanish workers were required in the Moncloa Pacts to accept wage restraint, which was a short-term and temporary concession. Although the Moncloa Pacts contained broad measures for the economic liberalization, those were not implemented. This unique scheme was formed due to the simultaneous delay of democratic labor reform and economic liberalization.

### **8.2.3.2. Institution-Centeredness**

Political empowerment of labor movement and union-party relationship had an extraordinary implication with regard to the formation of corporatism. In Korea, the concertation regimes were dominantly ‘institution-centered’. Most of the corporatist interactions took place within certain frames of institutions, committees or commissions, which the governments devised and designated official platforms for corporatism. Those were aimed to explicitly recognize the legitimacy and authority of the negotiations between the social partners and the governments.<sup>307</sup>

In Spain, a ‘pact-centered’ type of concertation regime developed. A series of social pacts were concluded without special frames that designated and recognized the interactions of actors.

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<sup>307</sup> The sole exception was the attempts at central wage coordination in 1993 and 1994, in which concertation took place without any institutional frame. After the power alternation, the Tripartite Commission (KTC I, II, III) monopolized its role as a corporatist channel. It evolved to a crucial platform in formulating and implementing the reform policies and became a more administration-centered body, after party leaders were excluded in the KTC III.

Neither additional instruments to recognize and legitimize the corporatist arrangements nor any institutions of corporatism were necessary. Pacts played a role as functional equivalents of such institutions, being supported by political parties.

The degree of political empowerment of organized labor and the union-party network can explain the difference between the two countries. In Spain, the socialist party and the UGT did not need to construct any additional institutional frames thanks to the existing network. The parliament had a characteristic not only as a place for territorial representation but also for functional representation. Despite the absence of institutional frames, consultation and pact-making were able to be a significant means of policy-making and labor market governance.

In Korea, the lack of union-party networks and the extreme isolation of organized labor in the political arena led the actors to need more visible, official and explicit recognition from the government. An institutionalized form of corporatism was an experimental endeavor of trade unions to build “vertical corporatist networks” through strengthening “junction points” (Lehmbruch 1984). While the unions were unable to have strong influence in the parliamentary channel and the parliament was not suitably made up for an effective representation of working-class interests, they were more interested in direct negotiation with government agencies.

### **8.2.3.3. Political Learning and Dynamics of Corporatist Arrangements**

The failure of political and social coordination was interactive and it had crucial implications for the dynamics of corporatist arrangements. One of the decisive reasons that led the union confederations to stop being involved in corporatism was the limits of political integration. In Korea, the two wage pacts faced the limits of administrative and parliamentary coordination, which deprived the FKTU of the motivation to be involved in concertation. The limits and failure of administrative and parliamentary coordination after the conclusion of the Grand Social Pacts and during the KTC II caused the permanent retreat of the KCTU out of the Tripartite Commission. In Spain, the limits of commitment in a couple of social pacts led the unions to refuse to join in corporatism. Indicating the limits of the Moncloa Pacts, the CCOO did not join the ABI and AMI, in which the government did not take a part in. The UGT boycotted the continuation of concluding the social pacts after the AES was not properly implemented.

In particular, severe limits of political integration brought about the institutional changes of corporatist arrangements in Korea. It was mediated by the political learning of the actors. The trade unions constantly attempted to consolidate the horizontal corporatist networks through constructing certain institutional mechanisms. They expected those mechanisms to supplement the configurative vulnerability - the lack of a labor party and domination of technocrats – and intended to strengthen the political integration of corporatist arrangements. The institutional strengthening of the corporatist arrangements led the union confederations to join in concertation. The establishment of the IRRC was targeted to attract the KCTU. The purpose of the creation of the KTC III was purposed to incorporate the FKTU.

However, institutionalization could not solve the problems. On the one hand, political respect for the KTC III was further limited. On the other hand, institutionalization brought about other side effects. The KTC III became too rigid and formal to produce creative and innovative solutions. It again had an effect on the declining social dialogue in Korea.

### **8.3. Effects and Implications on Institutional Reform**

Corporatist arrangements were specifically oriented to institutional reform, which covered three agendas: democratic labor reform, social insurance reform towards a welfare state, and deregulation of labor markets. This part discusses the effects of experimental corporatism in the transformation of institutions.

#### **8.3.1. Concertations and Creation of Democratic Industrial Relations**

Under the conservative governments, corporatism contributed to reshaping the institutions of democratic industrial relations in both countries. The ABI and AMI in Spain and the LLRC and IRRC in Korea were specialized in the task. The two pacts in Spain were oriented to make contributions to enacting the Workers' Statute. Those in Korea were targeted for the revision of the concerned labor laws.

The difference of political integration of the corporatist arrangements made their effect on political reform different. In Spain, the two pacts made significant contributions to enacting

the new labor law, Workers' Statute; although a very innovative compromise between the social partners was not made and the pacts did not have a dramatic contribution to changing the legislative direction of the government. In Korea, the effect of experimental corporatism was not very strong or decisive, while the state was still reluctant to take innovative reform measures for dual transformation.

In Korea, the old institutions of industrial relations prevailed longer than in Spain, because the conservative governments were not very active in enhancing the social citizenship of workers or in reshaping the institutions of industrial relations. The two corporatist arrangements could have had a very innovative meaning but were not able to lead social actors to completely reach a dramatic compromise. Although some partial consensus was made in the corporatist arrangements, they experienced serious problems of integration. It was hard for the results of the consultation to be powerful or substantive while the political actors (government agencies and political parties) were excluded, who were the responsible parties for the agendas.

Under the center-left governments, corporatism continued to play a role with regard to the institutional reform towards democratic industrial relations. It was very innovative in Korea, whereas this issue was not the main concern of the two social pacts in Spain.

In Korea, associational freedom was still one of the main agendas of consultation. The KCTU was especially sensitive to its institutional status. Before it was officially legalized in late 1999, it was engaged in the KTC I and II, and struggling to acquire its' social citizenship. The legalization of the teachers' union, which was one of the main agendas of consultation in the KTC II and III, had a decisive implication for it. The Grand Social Pacts and the agreements in the KTC II innovatively enhanced the collective rights of workers despite some limits of political integration. With those measures, the KCTU was granted legal status.

Nevertheless, institutional reform to establish a pluralist and democratic setting of industrial relations - autonomy of trade unions and collective bargaining (coalition freedom or freedom of association) – was incomplete. Despite the expanded and comprehensive negotiations in the KTC III, corporatism was not able to make further innovative developments. The controversial agendas on the organizational rights of unions were what had been swiftly solved in Spain with either constitutional reform in the very beginning of democratic transition without any consultation or the innovative enactment of the Workers Statute under the UCD government.

Consultation in the Tripartite Commission on the expansion of basic labor rights was limited. The Grand Social Pacts initiated and fostered the reform drive, as the government promised to take some critical measures for the political and organizational rights of workers. However, some decisive agreements were not properly implemented. The role of the KTC II remained only a reproduction and confirmation of the agreements in the KTC I. The KTC III could not make further significant contributions to enhance the basic rights of workers. A large part of consultation came to an end without ultimate consensus (immobile corporatism). While the KCTU boycotted the KTC III, the continuance of labor disputes and the deterioration of the state-labor relationship led the government to be reluctant to expand union freedom.

### **8.3.2. Concertations and Construction of a Welfare State**

Under the conservative governments, some corporatist arrangements were oriented to construct welfare states in both countries. In Spain, the three pacts except for the ABI were supposed to quantitatively and qualitatively strengthen the social security programs. The UCD government already promised to expand the social welfare system in the Moncloa Pacts. The AMI and ANE had implications for the further expansion of social securities. Various measures to strengthen the social citizenship of workers were adopted, although those were not thoroughly implemented as had been promised.

In Korea, the impact of corporatism was absolutely limited in constructing a welfare state. Although the NESK and the social pacts led by the FKTU made some recommendations to strengthen social security programs, they were narrow. The sole contribution was the establishment of the unemployment insurance programs, which faced problems of political integration. In addition, the IRRC II managed to produce several agreements on the unification and expansion of social welfare programs, which were however not directly reflected in the legislation process. Despite these contributions, the significant expansion of the social welfare system was not realized under the conservative governments in Korea.

Under the center-left governments, corporatism contributed to constructing a welfare state and strengthening social security programs in both countries. They played a significant role in strengthening the legitimacy of the decisions to strengthen and elaborate the social welfare programs of the state. In Korea, the reform drive of the government to expand the social

security system was strong and far more innovative than in the previous time. The agenda on the strengthening of social security covered the largest part of the Grand Social Pacts. Several crucial resolutions were successively made in the KTC II and III. In Spain, the two social pacts made some contribution to expand and change the institutions of social security as well.

In Korea, it was not hard for the center-left government to increase and expand those. The decisions made in the corporatist channels had decisive implications for institutional change. The social expenditure had been very small and the expansion of the social security system had been limited in the previous governments. The economic crisis legitimized such policy lines as well. The previous government had already started strengthening the social security programs and the social partners had already intensified their consultation in the previous channels of corporatism. The agenda of social security reform was not very controversial between labor and business in the Tripartite Commissions. Most of the policies belonged to the boundary of the state's work, which did not create a serious burden for the social partners.

In Spain, the PSOE government had already started to be concerned about too rapidly expanding the welfare state, faced with the deterioration of the labor market situation.

The measures promised in the Tripartite Commission were usually what the government could have taken even without the frame of corporatism. What counter-measures were provided to the unions as compensatory measures for their concessive decision-making were crucial. Although the compensative measures were commonly oriented to expand social citizenship of workers, the Korean unions attained measures to enhance their organizational and political freedom as compensation, whereas the Spanish trade unions tended to take it for granted to take measures for the expansion of social welfare.<sup>308</sup>

Despite the contributions, it is doubtful whether corporatism was highly innovative and decisive in constructing the Korean and Spanish welfare states. Corporatism was utilized to support the decision-making of the government. Yet, its role was not very decisive. A large part of the resolutions in the corporatist channels were just purposed to add some contributions to elaborating the newly amended and enacted programs. It is hard to be compatible with the social partnership and neo-corporatism in Western European countries.

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<sup>308</sup> The counter-agendas of labor market deregulation in this setting were not union freedom but expansion of the social welfare system as well as the strengthening of unions' participation in labor market governance from the beginning.

### 8.3.3. Concertations and Deregulation of Labor Markets

Under the conservative governments, the effect of experimental corporatism in the agendas of labor market deregulation was extremely limited in both countries. In Spain, the Moncloa Pacts contained some principle promises, which were not implemented. The government failed to use the ANE for the reform tasks. In Korea, the LLRC could not make any visible achievements despite the unofficial and indirect consensus. The IRRC could not make consensus on the most critical issues of labor market deregulation. Although some slight progress was made through the labor law reform in 1997, it was not directly derived from the consensus made in the IRRC. In spite of consultation and reform, the implementation of the new measures to make lay-offs easier was postponed.

Under the center-left governments, the contribution of the social pacts in the deregulation of the labor markets was commonly observable in both countries. In Spain, the AES contained a weak statement, which implicated deregulation of labor markets. In Korea, the Grand Social Pacts played a crucial role to revise the legal instrument to make and expand the institution of agency temps although the successive attempts at elaborating the institution in the KTC III came to an end without fruitful results.<sup>309</sup>

It is doubtful whether the national level pacts played a strong role in deregulating the Spanish labor markets. Although the PSOE government initiated various important programs and measures for economic liberalization, the social pacts were not the core channels. The AES only vaguely included some statements on the reform, which was however not thoroughly concretized, and the necessary reform measures were taken by the government in a unilateral way, as the PSOE revised the Workers Statute in 1984. In Korea, the effect of the Grand Social Pacts in deregulating the labor markets was enormously strong. Even though it experienced a serious problem with social integration, they were not able to dilute the symbolic effect of the Pacts.

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<sup>309</sup> In Korea, the agenda for the deregulation of the labor market covered the largest part in the corporatist arrangements and persisted for a decade from the LLRC to the KTC III.

## 8.4. Special Attention

### 8.4.1. Concertations and Wage Restraints

This part discusses the formation, integration and effects of the corporatist arrangements that were devised for wage restraint in the two countries. Some corporatist arrangements had a characteristic as a platform of centralized wage bargaining. In Spain, the three major pacts, except for the ABI, dealt with the issues of wage increase. Those pacts included the agenda of wage restraint and institutional reform. The main setting of political exchange was between the enhancement of social citizenship and wage restraint (industrial peace). In Korea, the two wage pacts contained policies for wage restraint and some reform measures towards enhancement of social citizenship of workers. The implicit concept of political exchange was formed between social security reform and wage moderation.

All of the pacts in Spain were free from the problems of intra-governance failure of trade unions. The leadership of the UGT did not have serious problems in implementing the pacts. In Spain, the three pacts played a very decisive role in restraining wage increases and reducing labor disputes. They were quite successfully implemented. By contrast, the corporatist arrangements in Korea showed serious problems of social integration due to the limits of intra-organizational coordination. Although the attempts at wage moderation were not thoroughly unsuccessful, so long as the trend of wage increase was controlled and industrial disputes decreased in the mid 1990s. It is doubtful whether the result can indeed be attributed to the influence of the wage pacts. The major enterprise unions in large companies, which searched for an alternative labor movement, critically responded to the decision of the FKTU. The national leadership of the FKTU was unable to thoroughly enforce the social pacts, faced with the serious challenge and incomppliance of the new labor. In the major workplaces, it failed to be implemented as had been decided in pacts. The political and organizational cost of the pact-making was excessive for the FKTU.

It can be a way to interpret the difference between the two countries through paying attention to the different organizational resources of their unions. In Spain, unions had relatively strong structures in terms of vertical coherence, which enabled them to draw the compliance of workers. In Korea, the labor organizations were differentiated without cooperation or coordination. Due to the vulnerability of the vertical structure and the extremely fragmented



system of collective bargaining, it was hard for the unions to draw compliance and cooperation from workers in implementing the pacts.

#### **8.4.2. Concertations and Industrial Restructuring**

Finally, this part compares the corporatist arrangements devised for mediating social conflicts in the processes of industrial restructuring in the two countries.

**Formation.** Corporatist arrangements were formed for industrial restructuring in both countries, while the governments drove the relevant reforms very strongly. The reform drives were strategically accelerated in some sectors: such as public enterprises and private big businesses. In Spain, it was the industry-level channels of concertation, which were designed for the job security of workers during industrial restructuring. This was a passive measure to buffer the shock of labor markets that accompanied the neo-liberal policies of the socialist government. In Korea, the KTC IIb and IIIb were specialized in the tasks of job security. The corporatist channels especially worked with regard to the restructuring of the reform of the state-owned enterprises and financial institutions, and not a small number of agreements were concluded in it. Various measures including the plans of industrial restructuring as well as worker job security were dealt with.

The corporatist channels can be divided according to the levels of concertation. In Spain, it was established in the sector-level. Concertation for the agendas of industrial restructuring took place in the specific institutions made in the industry- and sector-level, apart from the social pacts on the national level. In Korea, it was dealt with on the national level, although the characteristics of the agendas were sector-specific. Enterprise unions in various companies and the new industrial union in the banking-sector joined in the national level consultation, together with their national confederation (FKTU). On the one hand, such a concentration was indispensable in order to maximize the authority of consultation. On the other hand, it made the identity of the Tripartite Commission confusing. It was obviously burdensome for actors to deal with the different agendas within the same frame and at the same level of consultation.

This difference in the two countries contains a message on the relationship between institutional, configurative features of industrial relations and the formation of corporatism. The level of concertation was influenced by the structural features of unions and industrial

relations. In Spain, the meso-level industrial relations were already quite developed. The unions possessed an industry level structure. In Korea, the path-dependent development of an enterprise bargaining system and the delay of labor reform continuously disabled multiple unionism and industry-level bargaining after democratization. The fragmented degree of collective bargaining was extremely high and the industry- and sector-level industrial relations were underdeveloped. Under this condition, it was impossible to establish an industry-level concertative body.

**Integration Problems.** In the aspect of political integration, concertative arrangements for industrial restructuring were limited in both countries. The experiments remained as a type of shallow corporatism. The corporatist experiments were not able to intervene deeply in the real process of policy-formation. When the governments formulated the restructuring plans, the trade unions were excluded from the process of policy-formation. Comprehensive agendas including the formulation of the core measures for restructuring were excluded from the agendas of concertation. Only narrow and practical issues of job security in the area of policy-implementation were set to be negotiated. Therefore, it was hard for the concertation to overcome the government-centered and unilateral practices of policy-making.

In Korea, the technocrats were reluctant to share the public sphere with social partners, although some agreements in the KTC III had effects in the process of legislation, which was in contrast to the sector-level corporatist arrangements in Spain. Nevertheless, the marginal and powerless concertative practices of the KTC II did not fundamentally improve in the KTC III. Although the government agencies became more strongly bound to the institutionalized form of consultations, the relationship between organized labor and the policy-technocrats was far from a genuine partnership.

Corporatism remained shallow due to the problems of social integration as well. The limits of social integration can be elucidated into two aspects. First, the malfunctioning and diminishment of corporatism was attributed to the failure of incorporating radical unions and the disunity of the two contending unions. The radical confederations, CCOO and KCTU, did not join the concertative arrangements for industrial restructuring, except the KTC II in Korea for half a year. The state in both countries had to be just satisfied with incorporating only the moderate confederation of organized labor. In Spain, the exclusion of the CCOO seriously weakened the implication of the concertation and the legitimacy of the UGT. Blaming the

socialist coalition enthusiastically, the CCOO mobilized its members against the restructuring policies, while a large number of workers were not persuaded to make concessions. As a result, the concertative practices could not make substantive contributions to achieving social peace and the effect of the corporatist experiments were limited. In Korea, the mobilization strategies of the KCTU constantly led the FKTU to vacillate between the entrance in and exit from the KTC III.

Second, the intra-organizational coordination was also limited and problematic inside the moderate confederations, UGT and FKTU. Although this study could not attain clear and concrete evidences of intra-organizational discord in Spain, it was obvious that works council leaders and rank-and-file members resisted the UGT. In Korea, there was clear evidence in the two public corporations (electricity and railway). The resolutions made in the KTC III experienced rank-and-file revolts and the enterprise unions belonging to the FKTU suffered from internal incoherence.

**Effects.** It is hard to exactly measure the effect of corporatism for industrial restructuring. It is obvious that the limits of political integration during consultation restrained the effects of corporatism. In both countries, it is doubtful whether the corporatist channels were able to function as the genuine center for harmonizing the various social interests in the process of industrial restructuring. The governments in both countries did not thoroughly rely on the means of concertation but tried to utilize it as an auxiliary place of policy-implementation.

### **8.4.3. Further Grand Effects**

#### **8.4.3.1. Political Effects in Democratization**

The role of the political and social pacts in promoting the drive of democratization was more decisive in Spain than in Korea. The two pacts in the Moncloa Pacts and ANE under the UCD government respectively had a crucial implication as an alternative and decisive platform of policy-making in the critical moments of the democratic transition and consolidation. The Moncloa Pacts were decisive for building social consensus to create the new constitution and to govern the turbulent process of democratic transition. The ANE an made extraordinary

contribution to consolidating democratization and in protecting parliamentary democracy against the threats from the militarists.

By contrast, no political pact was explicitly concluded in Korea. The implication of various social pacts and corporatist arrangement were dominantly oriented to the institutional reform of the socio-economic system. They did not have a direct or strong implication for democratization. This was different from the narrow range and limited effect of corporatist arrangements in Korea. Neither LLRC nor the IRRC played a dramatic or decisive role in the democratic transition under the conservative governments. Although direct communication of the social partners was supported by the state, organized labor was not the genuine negotiation partner of the state.

Meanwhile, the social pacts in Korea had negative aspects as well. Although the constant attempts at and the evolution of the corporatist arrangements contributed to the reshaping of the institutions to enhance the social citizenship of the working-class in a positive way, they had a negative effect on democracy, because only selected actors joined in the privileged political interactions. For instance, the NESC and the two wage pacts were designed to exclude the new labor movement camp. The LLRC had a similar characteristic. Although they dealt with some innovative measures, the exclusion of the alternative labor movement was far from a genuine political innovation. Even the Grand Social Pacts in 1998 had a negative side. It played a role to protect only the interests of organized workers and excluded the representatives of the non-standard workers, who were not organized but covered a part of the workers, in an unintended way. The priority of the corporatist interactions was set for currently organized labor. The interest of non-standard workers was not effectively represented in the corporatist channels, although they took up a large proportion of the working-class.

#### **8.4.3.2. Changes of Policy-Making and Industrial Relations**

The impact of corporatism in changing the practices of policy-making was not highly innovative in either Korea or Spain. Most of the corporatist arrangements, which played a role in supporting the legislative processes, faced various problems of integration.

The institutionalization of the Tripartite Commission could have had the most decisive implications for the innovation of industrial relations in Korea. Although the corporatist

institutions in Korea were seemingly consolidated as a permanent platform of social dialogue and as a body for consensual policy-making, they constantly suffered from integration problems. The picture of social partnership in Korea after 2002 was more frustrating. Eventually, the Tripartite Commission lost its status as a permanent platform for policy-making in 2006, and it has already been further weakened under the new conservative government in 2008.

A series of social pacts in Spain failed to be consolidated in the 1980s. It may be significant to notice Spain in the 1990s, which was not dealt with in this volume. After the unions did not attempt to make social pacts for several years in late 1980s and early 1990s, consultation again resurged and a series of small scale social pacts were concluded. Some scholars interpreted this as positive and even argued that this is a new version of a socially coordinated market economy in Southern Europe (Royo 2006; Royo 2007).

The practices of corporatism were only auxiliary and temporary. The experiments were hard to overcome a characteristic as a decorative means. It was 'still the century of strong-state', in which democratic corporatism was not able to be as powerful and innovative as to replace the deeply anchored practices of state-centered policy-making. It implicated conflicts between the new innovative institution and the old, deeply-rooted dominant path of policy-making.

The limits of corporatism in reforming the institutions and practices of policy-making implicated its limits in making innovations in its' relationship among the tripartite actors of industrial relations. It is hard to evaluate the practices as successful. The partnerships between the social partners (labor and capital) and between state and labor were not fundamentally innovative. Although the state-labor relationship obviously changed through the institutional reform, it was just a reform towards building a pluralist and autonomous relationship in a normal liberal democracy. Experimental corporatism in Korea and Spain was 'corporatism to foster pluralism', to make organized labor just an ordinary institutional actor of industrial relations.

## 9. Conclusion

The final chapter is comprised of three sections: a summary on the features of experimental corporatism in Korea; discussions on the theoretical issues introduced in the beginning of the volume; and some suggestions for the intensification of studies on transition corporatism.

### 9.1. Summary: Features of Experimental Corporatism in Korea

This section summarizes the features of experimental corporatism in Korea mainly in the three aspects: formation-evolution, integration and effects on dual transformation.

#### 9.1.1. Formation and Dynamics

The features of corporatist arrangements in Korea can be divided into three periods: before and after the critical year 1998, when corporatism was strongly emphasized and activated, the Grand Social Pacts were concluded and the Tripartite Commission was established in the wake of serious economic crisis. Each period was different in terms of the functional goals of and the participants in the corporatist arrangements. Here, two factors were decisive: the attitudes of the governments and those of the new labor movement.

##### 9.1.1.1. Three Periods

The first period was between 1990 and 1997 under the two conservative governments, when the political order gradually shifted to a liberal democracy and a less serious economic recession appeared. The governments were relatively less enthusiastically trying to drive reform policies towards socio-economic reforms.

In terms of function, the corporatist experiments were designed in two ways. The first was suppose to achieve wage restraint and to strengthen social insurances, especially for employees, between 1993 and 1994, when the national economy was trapped in a slight recession. Two wage pacts were concluded, after the very formative and vulnerable experiment at concertation between the old social partners (FKTU and KEF) in the name of the NESK. The second pact was oriented to reform labor laws towards establishing democratic

industrial relations and creating flexible labor markets. After a formative and vulnerable attempt in the early 1990s with very low capacity (LLRC), the corporatist platform was strengthened in the mid 1990s (IRRC).

The FKTU and KEF were the main actors. The governments were not directly involved in the concertations, in still maintaining authoritarian characteristics and in being reluctant to intensifying a partnership with social actors. The new labor movement was excluded in most cases. As their organizations were being formed towards an independent national center, their political and organizational power was not very strong. The state was not willing to swiftly recognize them. Only after the creation of their own national center (KCTU) in 1995, were they invited to a corporatist arrangement. As most of the corporatist experiments were conducted without the government or the new labor, it was hard for their implications and decisiveness to be strong at this time.

The year of 1998 was the heyday of experimental corporatism in Korea. Corporatist experiments were vitalized in the wake of a serious economic crisis and parallel to the strengthening of the reform drives towards dual transformations. The Grand Social Pacts were concluded in February 1998, as a decisive means for crisis management. In June, the Tripartite Commission, which had played a crucial role in creating the Pacts, was revived in the name of KTC II. This worked through the end of the year, making a contribution toward intensifying the agreements in the Grand Social Pacts and to coordinating the colliding social interests in the process of industrial restructuring.

In terms of function, the interactions of the tripartite actors were dominantly oriented to form policies to carry out institutional reforms of industrial relations, labor markets and social insurances, which had been conducted during the previous formative period. The attempts at wage restraint through centralized coordination disappeared. Instead, an attempt to build a consensus in the process of industrial restructuring emerged within the range of corporatism (in the KTC II).

In terms of participants, two features were unique. First, the new government and its party leaders were directly involved in establishing and managing the corporatist arrangements during and after the power alternation. Second, the organization of the new labor movement was not only invited into corporatism but also deeply involved in it, signing the Grand Social Pacts and the derivative agreements in the KTC II.

During the third period between 1999 and 2002, the corporatist channel was more firmly institutionalized (KTC III) through an official enactment of the Tripartite Commission Act. The concertations in this advanced channel persisted to the end of the Kim Dae Jung administration, while they continuously drove the two reform tasks of institutional reform and industrial restructuring.

In terms of function, the corporatist channel was oriented to cope with the two grand agendas, as had been in the KTC II: the various agendas of institutional reforms, which were inherited from the Grand Social Pacts; and the agendas of industrial restructuring, particularly for articulating social conflicts in reforming the State-Owned Enterprises and banks.

In terms of participants, two features were crucial: exclusion of political parties and the boycott of the KCTU. Party leaders were excluded without serious debates, as the political urgency to manage the economic crisis decreased. Instead, the major Ministries and government agencies responsible for economic, social and labor policies were more deeply bound to corporatist policy-making. As the KCTU refused to join the KTC III despite the strongest institutional capacity, it was hard for the concertations to have highly innovative effects and implications.

#### **9.1.1.2. Further Aspects of Dynamics and Evolution**

The dynamics and evolution of corporatist arrangements in Korea can be understood in two additional ways. First, the participation of the alternative labor movement can be an important criterion to distinguish the different characteristics of corporatist experiments. It was the most urgent goal to pacify and institutionalize the challenges of the new labor movement so long as they were the sole actors capable of paralyzing industrial order by mobilizing workers. Although the corporatist channels were mostly targeted to achieve the goal, they joined the channels that existed only between 1996 and 1998: IRRC, KTC I and KTC II. Superficially, the low frequency of strikes and the participation of the KCTU in the corporatist channels seems to be logically connected.

Second, the institutional forms of corporatist arrangements changed, evolving from an advisory committee for a ministry (LLRC) over temporary committees to advise the President (IRRC, KTC I and II) and to an independent institution with a specialized definition (KTC III). The



change was derived from the revision of the actors' strategies. After having experienced certain problems of coordination, they reshaped the forms and capacity of the institutions in order to solve the problems. Thus, political learning was the main factor that made the institutional evolution and dynamics of the corporatist arrangements in Korea, which needs further specific analyses.

### **9.1.2. Integration**

Corporatist arrangements in Korea were not properly integrated in the political and social arenas due to the failure of coordination, while the social and political actors lacked in the experiences and skills to cooperatively manage or effectively utilize the corporatist arrangements. Beneath the limits, the lack of corporatist networks and institutional properties were fatal and fundamental. The extreme underdevelopment of the working-class party, the domination of bureaucrats in policy-making, the vulnerable structure of trade unions, and the severe contention between the two confederations of unions were all crucial factors in Korea. The problems were extraordinarily serious in comparison to Spain. Although the difficulties of coordination were observed due to strong-state tradition and inter-union competition, the Spanish experiments did not bring about serious problems in terms of parliamentary and intra-organizational coordination. The differences between the countries can be explained by the configurative factors. In Spain, the union-party relationship was very close and the union confederations had a more coherent structure than in Korea. The main integration problems of the corporatist experiments in Korea can be summarized in the following section.

#### **9.1.2.1. Political Integration**

The frequently repeated discords between the powerful technocrats and the corporatist arrangements were the first and most represented problem of political integration. It was essentially derived from the state-centered practices of policy-making inherited from the strong state tradition. The problems occurred in two ways. First, the technocrats were not cooperative in the legislation process, which the corporatist channels had influence over. The most decisive task was how to bind the government agencies that had possessed strong policy-resources into the new and vulnerable channels of experimental corporatism. In most of

the experiments, the government agencies were powerful veto-players, who neglected either the process or the results of the concertations. Second, corporatist decision-making, which was designed to influence the process of industrial restructuring, remained only restrained in the realm of policy-implementation. This was relevant to the vacillating state thesis of Przeworski. The state in Korea vacillated “between the technocratic political style inherent in market-oriented reforms and the participatory style required to maintain consensus (Przeworski 1991).” So long as transitional corporatism was designed to support the technocratic style of decision-making, its participatory style of decision-making was to remain auxiliary and it was difficult for participatory style to be the stronger than the main style.

Meanwhile, the lack of an union-party relationship was another serious problem in the corporatist experiments in Korea. Perhaps, this problem was the most peculiar problem of the country among other transitional societies. It was attributed to the extreme failure of political empowerment of trade unions before and after democratization. Unions were frustrated, having observed the frequently repeated discords between the corporatist arrangements and the parliament. Additional endeavors at lobbying and mobilization were often followed during and after concertations. This distinguished Korea from Spain, where labor parties managed to swiftly empower themselves in the beginning of democratization and became the major political actors in the arena of national politics. While union-leaders and party leaders overlapped and corporatist networks were thickly formed, political coordination and integration of transitional corporatism did not bring about serious problems in Spain.

#### **9.1.2.2. Social Integration**

The problems of social integration were typically observed in two areas. First, problems occurred due to the failure of coordination between the national leaderships of trade unions and their internal opponents within the confederation. This kind of problem was extraordinarily serious in Korea and even fatally harmful for the workers' organizations. Both the FKTU (in 1993 and 1994) and the KCTU (in 1998) experienced rank-and-file-revolts, which seriously battered the leaderships and paralyzed the functioning of corporatism. On the one hand, the coordination skills and experiences of the leaderships were absolutely limited. On the other hand, the problems were attributed to the vulnerable structure of union confederations and the fragmented structure of collective bargaining. In comparison to other

transition societies, these kinds of problems were more frequent and serious in Korea, where meso-level industrial relations were extremely underdeveloped. Contrastingly, the national leaderships of trade unions in Spain more easily managed to draw the compliance of their members, as the industrial organizations of workers and the sector-level industrial relations were more advanced than in Korea.

Second, another typical type of problems occurred due to the discords between the divided confederations of labor movement. It was especially problematic, if a confederation excluded from corporatism was able to effectively check the rival union included in corporatism and to hinder the implementation of the resolutions made out of the channels through counter-mobilization (class-mobilization). In this case, the included union became especially keen to the disadvantageous results which could be followed if it would make a concessive decision. Therefore, the confederation became reluctant and shrunken, and such an attitude could lead the corporatist experiments to remain just shallow or immobile. After having experienced disadvantageous results in the previous rounds, the participating organization could become de-motivated to be further involved in corporatist policy-making. Then, corporatist experiments could become even marginalized and restrained.

### **9.1.3. Effects**

Tasks of dual transformation were comprised of programs oriented toward social democratization and economic liberalization. In the former, establishment of democratic industrial relations and the construction of a welfare state were the two major agendas. In the latter, deregulation of labor markets and industrial restructuring were the two major agendas. These four reform tasks were the main contents in the various rounds of corporatist arrangements in Korea as well as in Spain. The corporatist experiments contributed to the carrying out of the reforms.

#### **9.1.3.1. Effects on Social Democratization**

The task to establish democratic industrial relations took the largest part of corporatism in Korea from the LLRC to the KTC III. The most decisive contribution was made by the intensive consultations twice: in 1996 in the IRRC I and in January in the Grand Social Pacts, with which

the collective labor rights such as union freedom were significantly enhanced. However, the corporatist experiments were limited to complete construction of the new institutions. Plural unionism was not allowed on the company level and various groups were continuously banned to enjoy organizational freedom, as the successive consultation in the KTC III failed to produce a significant consensus. This is in contrast to Spain. Even without the means of corporatism, highly innovative reforms for collective labor rights were achieved from the beginning of the democratic transition. Therefore, this issue did not take a large part of the corporatist arrangements as in Korea.

The corporatist channels made contributions to strengthen the social insurance programs towards a welfare state. While the conservative governments neglected to carry out comprehensive and substantive reforms, the contribution of experimental corporatism was not so significant before the power alternation. Only the employment insurance program was adopted as a result of formative concertations, through the wage pacts of the early 1990s. The Grand Social Pacts were the beginnings of the significant contribution, as it contained various measures to expand social insurance programs and to create institutions of external labor markets. The successive arrangements (KTC II and III) played a role as an auxiliary means to continuously strengthen and reshape the social security system. Nevertheless, the reforms remained only a formative step. The level of a welfare state as well as the role of the corporatist channels in realizing it was still limited and low. This is also in contrast to Spain, where the agendas of social insurances took the largest part of the corporatist policy-making throughout the entire experiments.

### **9.1.3.2. Effects on Economic Liberalization**

Parallel to the attempt to build the institutions of democratic industrial relations, consultation played a role in deregulating the labor markets. From the early 1990s, this was a crucial agenda in the social debates on labor law reform. The corporatist channels – LLRC and IRRC - were built for this task under the conservative governments, which however failed to see significant progress. It was the Grand Social Pacts that took the most significant step for the tasks (on the regulations of lay-offs and agency work), as the agreement was immediately legislated and started to be implemented, making contributions to promoting industrial restructuring. Successive consultation on the KTC III on the task of reregulating atypical employment did not

bring about substantive results and failed to make further contributions. By contrast, no corporatist experiments in Spain played such a decisive role as the Grand Social Pacts did in Korea. Although the Moncloa Pacts contained the relevant contents, it was not just abstract and implemented. The similar initiatives of the PSOE government managed to create an agreement (AES) in its initial time, which remained very vague. More decisively, it failed to incorporate the radical union confederation (CCOO) in the social pact.

Finally, corporatism was designed to promote the process of industrial restructuring in Korea. It was the KTC II and KTC III under the center-left government, which accelerated the drives of economic liberalization. Among the three main drives of reforming the Chaebols, SOEs and banks, the corporatist arrangements dealt with only the last two. The role of the KTC II was extremely limited, as it was not highly recognized by the government agencies responsible for the reforms. The capacity of the KTC III was enhanced and its role was different in each reform agenda. For reforming the SOEs, its role was dominantly similar with that of a government agency for mediating labor disputes. Most of the agreements which amounted to more than ten contained fragmented prescriptions with regard to disputes in several industries and companies. For reforming the banks, only two comprehensive agreements were concluded as a result of direct interaction and confrontation between the trade union (KFIU) and the government. Meanwhile, it was unique in Korea that corporatist channels would be established in the national level in order to cope with the agendas of individual industries. This is in contrast to Spain, where similar functional arrangements were created in the level of individual industry level. In both countries, corporatist arrangements played only an auxiliary role in the process of policy-implementation and failed to have significant influence in the process of policy-formulation.

### **9.1.3.3. Further Aspects of the Effects**

Two features of corporatism in terms of effects can be mentioned with regard to the Korean experiences. First, the role of experimental corporatism was trivial in the field of wage policies. The attempts existed only for a short while, when the FKTU led the initiative in the formative period, and its role was limited due to the problems of social integration, which proved the difficulties of corporatist wage policies without a centralized structure of labor organization. This is in contrast to the Spanish experiences, where experimental corporatism was mostly

targeted for centralized wage coordination and the series of experiments accompanied significant and direct effects in wage restraint.

Second, it is doubtful whether the macro-level industrial relations or the state-labor relationship were substantively innovated in Korea despite the superficial consolidation of the tripartite partnership by the institutionalization of the Tripartite Commission. The relationship of the actors remained still far from social partnership and the contending relationship between state and labor was not significantly reformed, as the government failed to incorporate the new labor movement after the heyday of corporatism in 1998.

## **9.2. Theoretical Implications**

### **9.2.1. Implications on the Theories of Neo-Corporatism**

#### **9.2.1.1. Organizational Properties of Interest Associations**

With regard to the formation of corporatist arrangements, the analyses of this study has evidence that previous theories are incorrect on two points. First, the structural preconditions of interest associations, which the classic theory of neo-corporatism considered indispensable, do not matter in the emergence of transitional corporatism. The experiences of the two countries prove that corporatist arrangements can emerge, so long as organized labor has the capacity of mobilization into a significant degree, and it is necessary to incorporate their representatives in certain political decision-making towards transformation, although the union confederations have little structural resources and their leaders are incapable of drawing compliance from their members.

Second, the analyses also shows that the division of the labor movement and the lack of inter-union unity can rather motivate the emergence of corporatist arrangements, as a relatively moderate confederation is likely to prefer corporatist engagement as a means to strengthen its hegemony in the power competition with its rival. Since the threshold of the former to be engaged in corporatist policy-making is relatively lower, governments are likely to utilize it. Therefore, it is not the encompassingness and unity of unions, but their division and

competition that prompts the formation of corporatist arrangements. This leads us to reconsider the skeptical views on the possibility of corporatist engagement in which unions are in sharp division, such as that of Valenzuela, who predicted that union leaders are inclined to focus on competition with their rivals for rank-and-file support rather than on the economic and political effects of their actions (Valenzuela 1989). They did not pay attention to the possibility that union leaders may pursue to utilize corporatist engagement not only for strengthening political effects but also for wooing more members.

Nevertheless, further analyses on the integration of the corporatist arrangements prove that the emergence of corporatist arrangements does not directly implicate their successful integration, which implicates that it may be wrong to deny the main theses of neo-corporatism theories. The Korean experiences especially support the validity of the theses in various ways. The social integration of corporatist arrangements was seriously limited and the problems were frequently repeated more often in Korea than in Spain, which was closely related to the more vulnerable characteristics of the union confederations in terms of organizational properties. Even within the Korean experiences, the problem was different according to the sectors, which had different structural features of unions, as the different characteristics of concertations in the KTC III on the restructuring of the SOEs and banks. This conclusion supports not only the concepts and logics of neo-corporatism theories but also those of democratization theorists, who considered certain structural elements of interest associations in transitional societies as decisive prerequisites for the corporatist style of interest intermediation. Valenzuela's emphasis on the 'unity' of the labor movement, Schmitter's concepts of 'class governance' and 'congruence' as well as his critical indication on the 'volatility of interest associations' in the context of democratic consolidation are all valid.

Meanwhile, this does not implicate that the recent findings and arguments criticizing the classic theory of neo-corporatism are invalid. The deficits of structural conditions and those of coordinative skills are closely connected. Therefore, we need to take into account not only structural properties but also experience resources in explaining the problems of social integration. The failure of active coordination between the members and leaders of trade unions in Korea was both a cause and a result of the structural deficits of social actors. It is necessary to elaborate on the logics of the relationship between the organizational properties and coordinative capacities of associations. It is too hasty to expect union confederations and

their leaders in transitional societies to make such behavioral innovations as in Italy and in Ireland in the 1990s.

#### **9.2.1.2. Logic of Influence and Logic of Membership**

The decisive problems of social integration, which the Korean experiments showed, can be explained in another way by virtue of the theory on the two logics in the corporatist way of interest intermediation. Especially, the two wage pacts in 1993 and 1994 and the Grand Social Pacts in 1998 experienced intra-organizational turbulence in Korea. Interacting with their interlocutors, the leadership of the FKTU and KCTU failed to sufficiently interact with their constituents. In other words, they could not balance the 'logic of influence' with 'that of membership'. Under the tension between the two logics, the leadership of the FKTU vacillated between participation in and retreat out of the KTC III. In most cases, it was difficult for the national leaderships of the union confederations to balance the two logics, while they had neither strong institutional mechanisms nor organizational properties in order to cope with the difficulties in balancing the logics.

#### **9.2.1.3. Corporatist Networks**

Experiences in the two countries show the necessity to extend the analytical perspective of corporatism research beyond interest associations. Although the structural vulnerability of organized social interests is definitely one of decisive factors that can explain the functional limits of transition corporatism, it is not the sole factor.

Similar to the arguments above, the traditional notion in theories of neo-corporatism, which consider corporatist networks between trade unions and social democratic parties indispensable, may not matter highly for transition corporatism in terms of formation and emergence. Despite the conservative characteristics of ruling parties and governments without privileged relationships with trade unions, corporatism was pursued in Korea and Spain before the first power alternation. The IRRC in Korea and the ANE in Spain show that even a radical union confederation having very low trust with the leading politicians can join in concertative rounds or make socioeconomic pacts in a specific context. Even the center-left government in Korea, which was relatively active in incorporating organized labor, did not have an officially



strong relationship with the trade unions. More ironically, the center-left government in Spain ultimately failed to incorporate not only the radical union confederation but also the moderate one, which was in a privileged relationship with it. Therefore, the thesis of Valenzuela is incorrect, which emphasized a trustworthy relationship between the leading political elites and trade unions in new democracies for the emergence of socioeconomic pacts.

Nevertheless, we should not neglect the problems of political integration. Especially, the Korean experiences show that the tasks of political coordination derived from the incongruent power relationship between the administrative and political actors on the one hand and the social actors on the other hand are as important as the tasks of social coordination. Even though they emerged without a trustworthy relationship between political and social actors, they were unable to properly work without such networks and relationships in Korea. The experiences of Spain, where the party-union networks which had inherited from the pre-democratization era developed during transition period far stronger than in Korea, support this conclusion as well. As a result, the corporatist arrangements in Spain faced less frequent and less serious problems of political integration, although commitment problems of social pacts were sometimes observed.

As the political parties in Korea were not able to be involved in the corporatist arrangements most of the time and institutional constraints without a strong corporatist network and a privileged union-party relationship, the actors in Korea pursued the building of solid arrangements for corporatism with institutional constraints in order to solve the problems of political integration. The attempts were crystallized to an institutionalized form of tripartism with an aim to substitute the 'corporatist networks' (Lehmbruch 1984), which led the corporatist arrangements in Korea to take a dominant 'institution-centered' form, different from a 'pact-centered' form in Spain. Nonetheless, the domination of institution-centeredness in Korea does not implicate its advanced and stable characteristics. This proves the validity of the classic logics that strong corporatist countries are inclined to have weak forms of institutionalization in the horizontal dimension of corporatist concertation (Lehmbruch 1984).

Finally, the empirical analyses in this study show that the strong state tradition and the established type of state-centered governance matter with regard to the political integration of experimental corporatism. In the context of democratization, the states are likely to possess strong power that was inherited from an authoritarian tradition and the state-centered

characteristics of governance are apt to be dominant. If technocrats possess high autonomy and power, they may be unwilling to be bound to the new experiments at corporatist policy-making. Even though they may be involved in corporatist arrangements, it does not directly implicate their successful integration into the established arena of policy-making. When a swift action choice is necessary, corporatism and social deliberation are likely to be considered ineffective. Then, decrees and unilateral decision-makings can be pursued together with attempts at concertation. So far as social actors and political parties are unable to control the powerful state-agencies, the state is likely to 'vacillate' between the old path of etatism and the new experimental path of corporatism, as Przeworski emphasized. In this constellation, the political integration of the corporatist arrangements can be seriously restrained.

### **9.2.2. Implications on the Theories of Democratization**

This part discusses the implications of experimental corporatism in the theories of democratization, focusing on the effects of transition corporatism in democracy, corporatism and types of democracy, and the effects of corporatism on economic reform.

#### **9.2.1.1. Effects of Transition Corporatism on Democracy**

The Korean experiences in most parts prove their validity of the argument that negotiations with privileged social groups in transition societies are hard to be compatible with the vitalization of civil society, which was emphasized by the main theorists of democratization - such as O'Donnell and Schmitter, Karl and Przeworski. The arguments indicate the legitimacy deficits of corporatist experiments, and the problems of social integration in the Korean experiments refer exactly to them. The corporatist experiments especially accompanied serious problems in terms of social legitimacy, when only the FKTU was engaged as the sole official union in the formative experiments under the conservative governments. This was similar in the case of the KTC III, when the KCTU voluntarily refused to join the concertative institution.

By contrast, the problem of social legitimacy was relatively less serious when the two union confederations joined together. The IRRC and the Grand Social Pacts between 1996 and 1998

were the decisive channels that played a significant role in recognizing the new labor movement through replacing the old institutions of industrial relations. The incorporation of the KCTU significantly enhanced the legitimacy of the corporatist-policy-making. Nevertheless, the tension between the mobilization-oriented members and the compromise-oriented leadership did not disappear. The intra-organizational turbulence in the KCTU, when it concluded the Grand Social Pacts, happened because the opponent groups did not recognize and support the action choices of the leadership. It was ultimately unsuccessful due to the deficits of democratic legitimacy. As the radical groups continuously considered the participation of their leadership in any corporatist channels as an elaborate way of being co-opted by the state, a two-union-concertation-regime was not realized again. As a result, the KTC III constantly suffered from the limits of social legitimacy.

#### **9.2.1.2. Corporatism and Types of Democracy**

Karl predicted a close relationship between the modes of transition and the types of democracy. According to her, a pact type of transition can produce corporatist and consociational democracy. Schmitter elaborated this idea further, arguing that the politics of interest associations may not be decisive in the aspect of quantity and duration of democracy but in the aspect of quality. Because the emergent properties of associability are still not evident, their impact may be delayed; and what they determine may not be whether democracy or not but what type of democracy. It is hard to evaluate the qualitative difference in the type of democracy between Korea and Spain, based only on the empirical analyses of this study. Here, I only discuss the relationship between the mode of transition and the characteristics of transitional corporatism in the two countries.

In Spain, the corporatist experiments had more decisive implications and the corporatist arrangements were more deeply integrated into the political and social arenas than those in Korea. It must be an exaggeration that corporatist and consociational democracy was established in post-authoritarian Spain with a series of pact-making. The collapse of the corporatist experiments at the national level in the mid 1980s proved their essential limits. Superficially, the institutionalization of the concertative channel in Korea (KTC III) seemed to falsify Karl's thesis. Yet, the intensive analyses in this study showed that the institutionalization did not directly refer to the qualitative strengthening of corporatism. We can interpret this

difference between the two countries with the help of Karl's argument, attributing it to the difference in the modes of democratic transition.

In changing the political order towards a democracy, the Moncloa Pacts and the ANE in Spain had some extraordinary and direct implications as an alternative channel of policy-making, although those pacts partially experienced some problems in terms of political integration. It is controversial whether democratic transition in Korea was a type of pacted transition despite its' moderate and consensual way, as it did neither accompany grand social compromise nor depend on grand pacts like the Moncloa Pacts. Although the June Declaration in 1987 contained some characteristics as a political pact, political organizations representing the working-class were neither formed nor were involved in it. No corporatist arrangements in Korea were able to play such an innovative role as the two pacts in Spain.

This difference was attributed to the difference in the constellation of actors in and around the corporatist arrangements between the two countries during and after the democratic transition. The relatively vulnerable and shrunken characteristics of corporatist experiments under the conservative governments in Korea were attributed to the vulnerable configuration of actors, which was ultimately related to the mode of transition. In Spain, the constellation of actors was nearer to that of corporatist democracy, although hardly considered to be the highly advanced corporatist democracy as in continental Western Europe.

Meanwhile, Schmitter's argument implicitly emphasizes the importance of organizational resources of interest associations. It predicts that the role of corporatism may not be decisive during democratization due to organizational vulnerability. The characteristics of transition corporatism both in Korea and Spain support this thesis. Although the Spanish actors and experiments were nearer to those in Western Europe, they were nonetheless still vulnerable, auxiliary, temporary and shallow, because their interest associations did not possess organizational and institutional resources for policy-implementation. The experiments at corporatism cannot directly implicate the consolidation of associational/deliberative/consociational/corporatist democracy, which proves the validity of Schmitter's argument.

### 9.2.1.3. Effects of Corporatism in Economic Reform

It must be an ambitious goal to cope with the grand projects of macro economic reform through an innovative means incorporating the representatives of social interests in the process of policy-making. Corporatist governance is more effective than either unilateralism or non-reform, which may bring about political chaos and economic recession. Through making a social consensus, political confusion can be evaded; political cost can be reduced; and social coherence can be enhanced. All of these values can positively work for the successful transformation of political and economic order in new democracies.

However, the analyses in this study lead me to give a negative answer on the supreme question of this study - whether experimental corporatism could be a decisive means to govern the complicated process of dual transformation, although it is undeniable that corporatist experiments played certain roles for the macro socio-economic changes in Korea and Spain. With regard to the deregulation of labor markets, only the Grand Social Pacts in Korea had extraordinarily decisive implications. This kind of decisiveness was not found in Spain, although AES contained an agreement on the deregulation of labor markets. However, the agreement in the Grand Social Pacts were immediately faced with serious limits of both political and social integration, and failed to create successive consensus on the issue. The role of concertation for economic restructuring and reform was also not convincing. For this role, corporatist arrangements in both countries were commonly limited and restricted as a means for the implementation of the policies devised by the governments and were not supported by the radical union confederations. The radical union confederations were not persuaded to accept a limited role in the corporatist channels in both countries. Even though concertation was carried out without them, it could not properly function to create the broad concept of social consensus on the reform tasks but was faced with serious social challenge and ultimately legitimacy crisis.

This conclusion can have certain theoretical implications with regard to the argument of Przeworski and his colleagues, who expressed positive opinions on the functioning of concertations for economic reform in new democracies. Obviously, it is not to say that concertations or corporatist experiments for economic liberalization were harmful or worse than a unilateral way led by state. The critics should focus on the question of how nearly the practices in Korea and Spain approached to the ideal of 'consensual liberalization'. As analyzed

in this study, no corporatist arrangements in Korea were able to be called substantive social partnerships among the tripartite actors responsible for national economy.

### **9.3. Towards Intensifying the Studies of Transition Corporatism**

Finally, Section Three extends the discussions for intensifying the studies of transition corporatism in three aspects: discussions on the subtle characteristics of transition corporatism, tentative frameworks for elaborating analyses, and further issues to be empirically studied.

#### **9.3.1. Characteristics of Transition Corporatism**

We can intensify discussions on the subtle characteristics of transition corporatism, dealing with two specific themes: their characteristics defined in the logics of neo-corporatism theory and the concept of foundational pacts.

##### **9.3.1.1. Which Corporatism?**

Within the definitional scheme of the neo-corporatism theories, transition corporatism has two general features. First, it is a temporary arrangement, which is different from a consolidated system of interest intermediation and functional representation such as societal corporatism in Western Europe. It is a product of the specific context of dual transformation, which is devised for particular purposes in the critical juncture. The word 'partial regime' (Schmitter 1992), which has been used as an analytic unit in this study can well express these characteristics.

Second, transition corporatism is distinguished from the two ideal types of corporatism: state corporatism and societal corporatism. On the one hand, it is different from state corporatism because interest associations are no longer subordinate to the state. It is based on their autonomous and voluntary participations: especially, trade unions and their confederations, which possess significant capacity to mobilize their members against state and business. Thus, the transitory type of corporatism contains necessary conditions to be considered societal

corporatism, because the formation of corporatist arrangements relies on the voluntary participation of social partners (interest associations).

On the other hand, it does not have sufficient conditions to become societal corporatism in terms of functional resources. If we comprehensively pay attention to the three dimensions of corporatism – formation, integration and effect –, the qualitative differences between transition corporatism and societal corporatism are observable. In transition corporatism, the participating interest-associations are likely to be neither responsible nor substantively integrated in the process of policy-making. Only a small space in the field of policy-formation can be open to them, and only limited responsibility is given to the associations in the whole process of policy-making. This is a decisive difference from societal corporatism in Western Europe, in which trade unions and employers' associations possess substantive capacity to govern the arenas of corporatist policies.

#### **9.3.1.2. Foundational Pacts?**

Discussing the subtle characteristics of transition corporatism, we can examine the concept of Karl, 'foundational pacts', which have specific characteristics such as the 'substantive', 'procedural', 'comprehensive', 'inclusionary', and 'rule-making', 'pacts to make pacts' and 'bargaining about bargaining managerial accords' (Karl 1990). It is obvious that some corporatist arrangements and their products in Korea in the 1990s contained the similar characteristics of the series of social pacts in Spain during the period of transition, although it needs more analyses and discussions to conclude which of them can be exactly named 'foundational pacts'.

However, the findings of this study do not totally match with the understanding of Karl on some points. Most of all, transition corporatism is likely to be non-substantive rather than substantive. According to my definition, substantive corporatism should deal with the core agendas of socioeconomic change; be well coordinated by the relevant actors during concertation; produce decisive and innovative resolutions; and the pacts and agreements should be highly respected and well implemented after concertations. The experiences of Korea and Spain were far from the ideal characteristics of substantive corporatism. The agendas of concertation were often restricted, the organized social actors and the political actors fell in severe discords so that concertations were uneasy; concertations ended without

meaningful products or only with trivial and superficial consensus; and innovative agreements were not thoroughly implemented. The frequent failure of multiple-coordination and the successive problems of integration implicate that corporatism is not sufficient enough to play a central role in governing the complicated processes of dual transformation, which makes transition corporatism distant from substantive characteristics.

In addition, the concept of foundational pacts needs to be differentiated more, parallel to the differentiation of socio-economic pacts with the progress of democratization – from democratic transition to democratic consolidation. Although Karl sharply and legitimately distinguished ‘foundational pacts’ from ‘managerial accords’ (Karl 1990), she did not pay attention to the diversity of foundational pacts and the spectrum of pacts between the two ideal types. It needs special academic endeavors to know whether various types of pacts exist within the category of foundational pacts.

### **9.3.2. Conceptualization and Tentative Frameworks for Elaborating Analyses**

The concepts and frameworks, which were devised for this study in the second chapter (2.2.) and used in analyzing the experiences of Korea and Spain in the main body, can be applied for analyzing the experiences of corporatist experiments in other experiences. In addition, two frameworks can be created for elaborating the comparative analyses on the general experiences of transition corporatism.

#### **9.3.2.1. Types of Non-Substantive Corporatism**

The first scheme and concepts to be discussed are on the different types of corporatism, which can be constructed to understand the limits of transition corporatism as well as their variations. A two-by-two table can be constructed according to two factors: whether a corporatist arrangement produces and contains resolutions that are decisive in the targeted policy-domains; and whether certain resolutions produced out of the concertative platforms have been well integrated thereafter.

The most idealistic and strongest type of corporatism is substantive corporatism, which contains the core agendas of reform policies and social conflicts, and is well-integrated as a



result of successful coordination among actors. On the opposite side of it, the weakest type is symbolic corporatism. Herein, the resolutions made out of the corporatist channels have weak and indecisive implications; concertation is not strongly recognized, but blocked or disregarded; and weak resolutions are not able to be thoroughly implemented due to the lack of political respect or social acceptance.

Between the type of substantive and of symbolic corporatism, two more types can exist, which are nearer to the reality of experimental corporatism in new democracies. The first one, namely shallow corporatism, is limited in terms of integration during concertations, so that it may produce only non-decisive resolutions or fail to make any resolutions. Different from substantive corporatism, the produced resolutions can only cover peripheral agendas or remain abstract with weak implications, which can lead them to have no serious problems in the process of implementation. Another type, named restrained corporatism, meaningful and decisive resolutions can be produced as a result of innovative compromises among actors, whereas they are blocked, neglected or distorted in the process of implementation.

Substantive corporatism can have the most significant and strongest influences. It is hard to transform the tripartite relationship onto the national level without persistent reproduction of substantive corporatism, which is hard to expect in new democracies due to the configurative limits, lack of coordination skills, and the successive problems of integration.

**Table 28. Types of Non-Substantive Corporatism**

		Decisiveness of Resolutions	
		Weak	Strong
Integration of Resolutions	Weak	Symbolic Corporatism	Restrained Corporatism
	Strong	Shallow Corporatism	Substantive Corporatism

### **9.3.2.2. Patterns of Dual Transformation as the Decisive Factor**

The second framework can be constructed by focusing on the relationship between the characteristics of dual transformation and the functional goals of corporatist arrangements. This notion is derived from the observation of this author in this study that reform drives in a given context of dual transformation in Korea and Spain gave decisive impulses for the emergence and persistence of a corporatist arrangement. With this framework, we can more systematically understand the variation of experimental corporatism and explain the relationship between the types of context and the features of corporatism. Tentatively, four ideal types of dual transformation can be assumed: reform-lag, reforms centering social democratization, reforms centering economic liberalization and reform-clash. In each context, different characteristics of concertation regimes can emerge.

The context of reform-lag is likely to emerge in the model of democratization without economic crisis or in the situation, when international pressure towards globalization is still not so strong. Due to the delay of political and social reform, the political and organizational rights of trade unions may be restrained. Labor movement can endeavor to achieve basic labor rights and to expand social security programs on the one hand, and to hinder formulating and implementing reform measures for economic liberalization on the other hand. If experimental corporatism emerges in this situation, it can resemble state-corporatism among the actors advocating a slow process of reforms. This situation may not last long with the growing impact of democratization and globalization.

The context of reform centered social democratization may be expected to appear, if a working-class party becomes a ruling party or the challenge of the working-class is very strong during democratization. In this situation, corporatism may not be needed urgently, as the government may already have strong willingness or necessity to enhance political and social citizenship of workers. Perhaps, if the resistance of business is very strong or a conservative political force is reluctant to carrying out labor-friendly reform, the government may pursue to build a round for social dialogue as a means to cope with the strong challenge of labor movement, to control the speed of reform, and to ask for the patience of business.

**Table 29. Contextual Variations of Reform Policies during Dual Transformation**

		Economic Liberalization	
		Passive	Active
Social Democratization	Active	Reforms centering Social Democratization	Reform-Clash
	Passive	Reform-Lag	Reforms centering Economic Liberalization

The context of reform centered economic liberalization emerges, if a conservative government has a strong power basis, or if the challenge of the labor movement is not very strong. If a center-left government is to cope with such a context usually in a serious economic crisis, or a conservative government has to cope with the strong challenge of the working-class, experimental corporatism may be necessary in this context.

In the context of reform-clash, the state may be domestically and internationally required to carry out reforms towards social democratization and economic liberalization in a swift and simultaneous way. In this situation, the plausibility that experimental corporatism can emerge is mostly high, as the state may need to have special political skills to persuade both labor and business, emphasizing the advantage of reforms for each party in different ways.

### 9.3.3. Further Issues

This study is expected to lead to further research. The tentative theses and conclusions on the theoretical implications and characteristics of transitional corporatism are insufficient to be generalized due to the small number of cases. More comparative analyses should be done to verify and elaborate the frameworks and concepts of this study, analyzing the experiences of transition corporatism in various regions: Southern Europe, Eastern Europe, Latin America and East Asia. It can lead us to gain a more intensive and systematic knowledge on the features of transition corporatism.

Representatively, the framework on the integration of corporatist arrangements needs to be elaborated more through being applied to various other experiences. In terms of political integration, their experiences of administrative and parliamentary coordination under the general vulnerability of a democratic institution are to be analyzed. In terms of social integration, the internal weakness of union confederations and the organizational division between them needs to be elaborately discussed.

In addition, the analyses on the experiences of Korea and Spain can be intensified and expanded. Three ways are possible. First, the analyses on the dimension of effects and roles of corporatist experiments in dual transformation were insufficient. It should be analyzed more elaborately what contributions corporatist experiments made to shaping the institutions of democratic industrial relations, constructing welfare state, establishing flexible and liberal market economy, and restructuring industries. Attention should be paid to how agreements made in the corporatist channels played a role in making the ultimately decisive decisions for reform policies.

Second, historical factors need to be integrated more in the logics explaining the diverse paths of corporatist evolution. This study was not able to investigate more deeply the relationship between the historical legacies and the corporatist evolution after democratization. Historical factors restrain the relationship among the actors during and after democratization, influencing the process of shaping their peculiar configuration. The systematic differences in the characteristics of state-corporatism under the authoritarian regimes need be carefully taken into account from a comparative point of view, which can significantly contribute to explaining the creation of various types of concertation regimes during and after democratic transition not only in Korea and Spain but also in other transitional societies.

Third, the further trajectory of corporatism in Korea needs to be analyzed. First of all, the failed attempts to revive the Korean Tripartite Commission in the Roh Mu Hyun government between 2003 and 2007 need to be analyzed. Although the second center-left government pursued to activate tripartism and to conclude meaningful social pacts, it ended without significant achievements. The failure can be explained in various ways that can also have some theoretical implications. From the intuition of this author, one of the crucial factors contributing to the failure was intra-organizational discord within the KCTU, whose relatively moderate leadership failed to effectively cope with the internal opponents.

Recently, a new social pact was concluded in 2009 in the wake of the current economic crisis, while the vision of corporatism was very dark after power alternation in 2008. The conservative government, which enjoys relatively strong parliamentary power, does not have any willingness to incorporate social interests and is even hostile to civil society. The conclusion of the pact needs to be analyzed in connection with analyzes on the previous experiences carried out in this study as well as those on the experiences in the Roh Muhyun government.

It must be interesting and meaningful to compare the Korean trajectory with that of Spain. In terms of dynamics and evolution, the successive experiences of corporatist policy-making in Spain were dramatic. After a long-break in late 1980s and early 1990s, the attempt revived from the mid 1990s and a series of social pacts have been continuously concluded since then on the issues reforming social welfare programs, labor market institutions, and industrial relations institutions. In particular, the contrasting picture of the corporatist experiments in both countries can have certain implications on Karl's argument which predicted the relationship between the pattern of democratization and types of democracies.

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## Newspaper Articles

Signal	Name of the Newspaper
CA	<i>Ch'ungangilbo</i>
CS	<i>Ch'osönilbo</i>
DA	<i>Dongailbo</i>
DM	<i>Daehanmaeilsinmun</i>
HK	<i>Hankukilbo</i>
HKK	<i>Hankukkyöngchesinmun</i>
HKNC	<i>Hankuknoch'ong</i>
HKR	<i>Hankyöresinmun</i>
KH	<i>Kyönghyangsinmun</i>
KM	<i>Kukminilbo</i>
MH	<i>Munhwailbo</i>
MN	<i>Maeilnotong News</i>
ND	<i>Notongilbo</i>
NDSG	<i>Notongkwasege</i>
SK	<i>Söulkyöngchesinmun</i>
SL	<i>Söulsinmun</i>
YH	<i>Y önhap News</i>

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CS/13/Apr/95	Nodongwan'gyepöp kaejöng yubo	4.3.4.
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NDSG/24/Sep/01:01	Minjunoch'ong chohabwondül, kongigan ipöp kanghaeng ttaen ch'ongryökt'ujaeng	6.2.2.
NDSG/24/Sep/01:03	Nodongsigan tanch'uk kwallyön chohabwon yöron: kongigan kangryökpandae, ch'ongryökt'ujaeng	6.2.2.
NDSG/01/Oct/01:01	Kongiganün yöksi munje simgak	6.2.2.
NDSG/21/Feb/01:01	Poksunojo 5nyön yuye sangimwi sangjöng	6.2.4.
NDSG/05/Mar/91: 01	Poksunojo 5nyön yuye kkünnae kukhoe t'ongkwa	6.2.4.
NN/04/NOV/00: 20	Chöngbu süsüro nosajöngwi haech'ejung	6.3.2.

SG/17/Jan/98:2	Nosajöngwi 16in kich'owi kusöng	5.1.1.
SG/09/Feb/98:2	Nosajöng taehyöbyak 12gae pöban naeyöng	5.1.4.
SG/09/Feb/98:27	Nosajöng habüi muhyohwa, hallajung nojowon nongsöng	5.1.4.
SG01/Jun/98:02	Chöngbu 2gi nosajöngwi ch'ulbumganghaeng paegyöng	5.2.1.
SG/14/Dec/98:26	Silchikcha nojogaip / siröpkübyö taesangjaman höyöng	5.2.4.
SK/10/Nov/00	Han'guknoch'ong, nosajöngwi nonüi chungdan	6.3.2.
SK/12/Dec/00	Ŭnhaengnojo <i>miröbuch'igi habyöngttaen ch'ongp'aöp</i>	6.3.5.
SK/14/Dec/00	<i>Happyöng an toenda</i> nojobanbal hwaksan	6.3.5.
SL/13/Feb/98:1	Minnoch'ong, p'aöp pangch'im ch'ölhoe / öjetpam marat'on hoeüi kküt kyölchöng	5.1.4.
SL/14/Feb/98:22	Chidobu kongbaek. Chulböm hu ch'oedae wigi / minnoch'ong ödiri	5.1.4.
SL/16/Jul/98: 2	<i>Paöbün moduga siröпча toenün kil...</i> Kim Won'gi nosajöngwijang mundap	5.2.2.
SL/24/Jul/98	Minnoch'ong ch'ongp'aöp yubo. Nojöngdaepyo kyöngjech'öngmunhoe tüng 8gae hang habüi	5.2.2.
YH/22/Mar/90	Nosamunje, taehwawa kyosöbüro chayul haegyöl	4.1.2.
YH/10/Apr/90	Kungmingyöngjesahoehyöbüihoe onül palchok	4.1.2.
YH/30/May/90	Kyöngsahyöp che 1hoe chönggich'onghoe kaech'oe	4.1.2.
YH/26/Jun/90	Kyöngsahyöp, chugöbigongjejedö sinsöl ch'okku	4.1.2.
YH/25/Sep/90	Kyöngsahyöp, küllöja punyangjut'aegö nokjido chögyönggönüi	4.1.2.
YH/29/Jan/91	Kyöngsahyöp, <i>nosagongdongsönönmun sönpo</i>	4.1.2.
YH/12/Jan/93	Chaekye nosajayul t'onghae imgümhyöpsangk'iro	4.2.1.
YH/27/Jan/93	Noch'ong, orhae imgüminsang yoguan palp'yo ank'iro	4.2.1.
YH/09/Feb/93	Tanilimgüman ponkökchögin hyöpsang dorip	4.2.1.
YH/03/Mar/93	Nosa, imgüminsangökje chönnejökön habüi	4.2.1.
YH/01/Apr/93	4.1 imgümhyöbyak tanil imgüminsangan habüi üüiwa paegyöng	4.2.1.
YH/07/May/93	Imgüminsang kaidürain tanwinojo panballo yumyöngmusil	4.2.1.
YH/27/Oct/93	Nosajöng kyöngjeheobok kyölüimun ch'aetaek	4.2.2.
YH/03/Feb/94	Noch'öng sanbyöldaepyoja hoeüi, 94nyön imgüminsangül chedöjöngch'aek gaesönkwa yöngyehayö ch'ujinkiro hwakchöng	4.2.2.
YH/30/Mar/94	Orhae imgüminsangryul 5.0-8.7% pömwiro habüi	4.2.1.
YH/28/Feb/94	Nogyöngch'öng imgümhyöpsang ch'aksu	4.2.2.
YH/02/Mar/94	Nosajöng imgümhyöpsang ch'öt silmuhoeüi kaech'oe	4.2.2.
YH/03/Mar/94	Kyöngch'ong imgüminsangryul chesi	4.2.2.
YH/30/Mar/94a	Orhae imgüminsangryul 5.0-8.7% pumwiro habüi	4.2.2.
YH/30/Mar/94b	Nokyöngch'ong imgüminsangryul chamjöng habüi	4.2.2.
YH/31/Mar/94a	Chönnodae nogyöngch'ong imgümhyöpsang chöjit'ujaengk'iro	4.2.2.
YH/31/Mar/94b	Chönhyöp, 3oin isang saöpchang koyongbohöm chögyonge pandae	4.2.2.
YH/01/Apr/94	Chönhyöp, koyongbohömje 3oin isang chögyonge kanghan panbal	4.2.2.
YH/24/Jun/94	Koyongbohöm chögyöngdaesang puch'ögan igyönjöng chint'ong	4.2.2.
YH/29/Oct/94	<i>Koyongbohöm chögyöngdaesang ch'uksohaeya chunggiöpkye, hyet'aegöpsi pudamman kajung</i>	4.2.2.
YH/02/Nov/94	Imgümgwanllyön nosabunkyu k'üge churö, kiöpch'e, chökchöng imgüminsangryul oemyön	4.2.2.

YH/02/Nov/94	Kyöngsahyöp, koyongbohöpöp chögyong pömwi chipchung nonüi	4.2.2.
YH/09/Nov/94	Chunggiöpkye, koyongbohöm chögyongdaesang ch'ukso kangryök yogu	4.2.2.
YH/17/Nov/94a	Koyongbohöm tullössago ch'ömyehan taerip	4.2.2.
YH/17/Nov/94b	Noch'ong, imgüminsangryul tüng nosajöng habüi köbu ch'önmyöng	4.2.2.
YH/25/Nov/94	Koyongbohömje öttök'e sihaengdoena – 3oin isang saöpchang, chönch'e küllöjaüi 49.9%	4.2.2.
YH/10/Feb/95	I nodong nogyöngch'ong imgümhabüi ch'oedae chiwon	4.2.3.
YH/13/Feb/95	Kyöngje 5danch'ejang, noch'onge chungangdanwi imgümhyöpsang ch'okku	4.2.3.
YH/23/Feb/95	Noch'ong, imgümhabüi köbubangch'im chaehwagin	4.2.3.
YH/02/Mar/95	Noch'ong, ol imgüminsang yoguyul 12.4% hwakchöng	4.2.3.
YH/07/Mar/95	Kyöngch'ong, tökcha imgüm insangryul maryünk'iro	4.2.3.
YH/21/Mar/95	<Ch'ochöm> Puhwaldoenün imgümgaidürainüi naeyonggwa chönmang	4.2.3.
YH/27/Mar/95	Taehyöngsaöpchang nojo, 15% anp'ak imgüminsangan hwakchöng	4.2.3.
YH/30/Mar/95a	Nogyöngch'öng, nosahwahap kongdongsönönmun palp'yo	4.2.3.
YH/30/Mar/95b	Nogyöngch'öng kongdongsönönmun palp'yo paegyönggwa üimi	4.2.3.
YH/16/Apr/98	Chöngbu, nosakwan'gye paljönwi ch'ulböm palp'yo	4.4.1.
YH/06/May/98	Nogaewi wiwonjang Hyön Süngjong chönch'ongni naejöng	4.4.1.
YH/09/May/96	Nogaewi ch'öt hoeüi, kongsik hwaltong kaesi	4.4.1.
YH/15/May/98	Nogaewi, chönmunwiwon zomyöng sönim	4.4.1.
YH/15/Jul/96a	Nogaewi, nodongpöp kaejöng kibonwonch'ik palp'yo	4.4.2.
YH/15/Jul/96b	Nodongpöp mit chedogaesön kibonwonch'ik yoji	4.4.2.
YH/14/Aug/96	Nodongpöp kaejöng yogang sowiwonhoe palchok	4.4.2.
YH/19/Sep/96a	Nojo chöngch'ihwaltong höyong... nogaewi nodongpöp kaejöng sian	4.4.2.
YH/19/Sep/96b	<Ch'ochöm> Nodongpöp kaejöng sian üimiwa chönmang	4.4.2.
YH/25/Oct/96	Nogaewi nodongpöp gaejöngsian yoji	4.4.2.
YH/12/Nov/96	Kim taet'ongnyöng nogaewi pogohoeüi chujae	4.4.2.
YH/02/Jul/96	Na buchongni kijahoekyön ilmunitap	4.4.3.
YH/03/Jul/96a	Chöngnihaegoje tüng ch'ujinbangch'ime nodonggye panbal	4.4.3.
YH/03/Jul/96b	Nogaewi, chöngnihaegoje düng toip kyölchöngdoen pa öpta	4.4.3.
YH/10/Nov/96	Kowidangjöng yönnae nodongpöp gaejöng ch'ujink'iro	4.4.5.
YH/11/Nov/96	<Ch'ochöm> Nodongpöp kaejöng, chöngbu nae üigyönjoyul chint'ong k'ül tüt	4.4.5.
YH/10/Dec/96	Nodongpöp kaejönggwa tallajin nodonghwnagyöng	4.4.5.
YH/20/Jan/97	Kaejöng nodongpöp yöya chaengchömsahang	4.4.5.
YH/08/Mar/97	<Ch'ochöm> Yöya nodongpöp chaegaechöngan maryön, naeyongkwa üimi	4.4.5.
YH/10/Mar/97	Kukhoe ponhoeüi t'ongkwa nodongkwan'gyepöp yoji	4.4.5.
YH/03/Dec/97	Chöngbu, nodongpöp kaejöngan hwakchöng	4.4.5.
YH08/Jan/98	Nodonggye, nosajönghyöbüich'e sasilsang köbu	5.1.1.
YH13/Jan/98	Noch'ong, nosajönghyöbüich'e chamyö chaech'a köbu	5.1.1.
YH/13/Jan/98	Kim Tangsönja. Chaebulch'ongsu, kiöpgujojojöng 5gaehang habüi	5.2.3.

YH/14/Jan/98	Sumgappattön nosajönghyöb'ich'e habüigwajöng	5.1.1.
YH/15/Jan/98	Hannaradang nosajöngwiwonhoe palchoksik pulch'am paegyöng	5.1.1.
YH/04/Feb/98	Hannaradang nosajöngwiwonhoe palchoksik pulch'am kyölchöng	5.1.1.
YH/17/Jan/98	Nosajöngwi üijehabüi naeyongkwa üimi	5.1.2.
YH/19/Jan/98	Nosajöngwi habüimun toch'ul makp'an chint'ong anp'ak	5.1.2.
YH/20/Jan/98	Nosajöngwi sönönmun chönkyök t'agyöl anp'ak	5.1.2.
YH22/Jan/98a	Nosajöngwi yangdaenoch'ong tallaeigi pusim	5.1.2.
YH22/Jan.98b	Nosajöngwi 10dae üije chaengchömyööl 3ja ipchang	5.1.2.
YH/26/Jan/98a	Chöngnihaego pöpchehwa, naedal imsikukhoesö ch'ujin	5.1.2.
YH/26/Jan/98b	Nosajöngwi taech'aekhoeüi, nodongbuan yoji	5.1.2.
YH/31/Jan/98	Nosajöngwi, minnoch'ong pulchamsönönüro chint'ong ködüp	5.1.2.
YH/31/Jan/98a	Nosajöngwi nojönggan igyönüro chint'ong	5.1.2.
YH/31/Jan/98b	Nosajöngwi, minnoch'ong pulch'amsönönüro chint'ong ködüp	5.1.2.
YH/01/Feb/98a	Kukminhoeüi zilkkaji nosajöng chaengjöm t'agyöl sido	5.1.2.
YH/01/Feb/98b	Kukminhoeüi nosajöngwi hyöpsangsihan sölchöng paeköngkwa chönmang	5.1.2.
YH/02/Feb/98	Nodonggye, nosajöngwi pulch'am üigyöl	5.1.2.
YH/02/Feb/98a	Kukminhoeüi, chöngnihaego chölch'a mit yogön maryön	5.1.2.
YH/02/Feb/98b	Nosajöngwi haeksimjaengchöm makp'an chölch'ung	5.1.2.
YH/04/Feb/98	Hannaradang nosajöngwi pulch'amgyölchöng	5.1.2.
YH/05/Feb/98a	Kim tangsöngjach'ük chöngyojo höyong tüng chogönüro nodonggyewa makhugyosöp	5.1.2.
YH/05/Feb/98b	Hyöpsang t'agyöl aptun nosajöng p'yojöng	5.1.2.
YH/05/Feb/98c	Kyoyukkye, kyowonnojo höyong ssago kükhan taerip	5.1.2.
YH/06/Feb/98a	Nosajöngwi sango anp'ak	5.1.2.
YH/06/Feb/98b	Nosajöng taet'ahyöp irwö	5.1.2.
YH/06/Feb/98c	Nosajöngwi t'agyöl üimiwa naeyong	5.1.2.
YH/06/Feb/98d	Che 2ch'a nosajöng kongdongsönönmun	5.1.2.
YH/21/Apr/98a	Kim Taet'ongnyöng, hankuknoch'ong kanbu ch'och'öng och'an	5.2.1.
YH/21/Apr/98b	Kim Taet'ongnyöng minjunoch'ong kanbudülghwa kandamhoe	5.2.1.
YH/04/May/98	Ch'otchöm 2gi nosajöngwi kwajewa chönmang – minnoch'ong ipchangí pyönsu	5.2.1.
YH/08/May/98	Che 2gi nosajöngwiwonjange Kim Wongí komun naejöng	5.2.1.
YH/14/May/98	Chöngbu.noch'ong, konggonbumun kujojöng sajönhyöbüi habüi	5.2.1.
YH/01/Jun/98	Hankuknoch'ong, che 2gi nosajöngwi ch'amyö kyörüi	5.2.1.
YH/03/Jun/98	Che 2gi nosajöngwi kongsik ch'ulbum	5.2.1.
YH/05/Jun/98	Minnoch'ong, ch'ongp'aöp ch'ölhoe. Nosajöngwi ch'amyökiro	5.2.1.
YH/18/Jun/98	Nosajöngwi, chönwon habüijero unyöngkiro	5.2.1.
YH/10/Jun/98	Kümyungnoryön, kujojöng chöji kyörüidaehoe	5.2.2.
YH/19/Jun/98	Kümgamwi, ünhaeng kujojöng kibonbanghyang palp'yo	5.2.2.
YH/28/Jun/98	Ünhaengkwön taedaejök p'andobyönhwa yego	5.2.2.
YH/03/Jul/98a	P'ochöl, Hanjung tüng 5gae konggiöp chükkak wanjön minyöngghwa	5.2.2.
YH/03/Jul/98b	1ch'a konggiöp minyöngghwa üimiwa munjechöm	5.2.2.
YH10/Jul/98	Tu noch'ong, nosajöngwi pulch'am sönön	5.2.2.

YH/13/Jul/98	Nosajöng wiwonjang yang noch'ong samusil pangmun... ipjangch'a chaehwagin	5.2.2.
YH/15/Jul/98	Kümsoknoryön it'ültchae p'aöp, nojönggan taeripsimhwa	5.2.2.
YH/23/Jul/98	Minjunoch'ong ch'ongp'aöp yubo, paegyöng, chönmang	5.2.2.
YH/16/Oct/98a	Nodonggye, siröpcha chojikhwa pon'gyök ch'ujin	5.2.4.
YH/16/Oct/98b	Yangdae noch'ong, siröpcha seryökhwa chudogwon chaengt'aljön	5.2.4.
YH/07/Nov/98	Tangjöng, kyowonnojo kwallyön nosajöng habüi ch'uin	5.2.4.
YH/29/Nov/98	Kukhoe hwangyöngnodongwi gyowonnojöpöp pyogyöllo t'onggwa	5.2.4.
YH/04/Dec/98	Kyowonnojo höyong pandae – saripjunggoböbinhyöbühoe chönggich'onghoe	5.2.4.
YH/06/Dec/98	Ya hwangyöngnodonwi üiwondül kyöwonnojöpöp ch'öri kosim	5.2.4.
YH/07/Dec/98a	5dae kürup kyeyölsa p'yönggyun 50%, 13ogaero ch'ukso	5.2.4.
YH/07/Dec/98b	5dae kürup kujojöng ch'ujin habüimun	5.2.4.
YH/07/Dec/98c	Kiöp kujojönggwa koyongsünggye	5.2.4.
YH/08/Dec/98	Nodonggye, 5dae kürup koyongsünggye ch'ongryökt'ujaeng umjigim	5.2.4.
YH/10/Dec/98	Kongonbumun 3gae yönmaeng, ilbangjök kujojöng chungdanch'okku	5.2.4.
YH/12/Dec/98	Kujojöng yöp'a nosagaltüng kümjuga kobi	5.2.4.
YH/14/Dec/98	Minjunoch'ong, habüisahang purihaengsi nosajöngwi haech'e	5.2.4.
YH/16/Dec/98	Taeu-Samsöng habüibalp'yo, taeryangsiröp wigí nömgjötna	5.2.4.
YH/17/Dec/98	Samsöng, chaemugujogaesönyakchöng ch'egyöl	5.2.4.
YH/17/Dec/98	5dae kürup kujojöng nosajöngwi ponhoeüisö nonüi	5.2.4.
YH/19/Dec/98	Minnoch'ong, nosajöngwi haech'e tüng ch'ongryökt'ujaeng chöngaekiro	5.2.4.
YH/22/Dec/98	Konggiöp nojodaep'yodül nosajöngwisö ch'öryadaegi	5.2.4.
YH/24/Dec/98	Ya kyowonnojöpöp kyoyuk, hwannowi kongdongwimüi cheüikiro	5.2.4.
YH/25/Dec/98	Hwannowi kyowonnojöpöp konggae p'yogyöl ch'öri pandae	5.2.4.
YH/28/Dec/98	Nosajöngwi chöngyojo happöphwa yönae ch'öri tangbu	5.2.4.
YH/30Dec/98a	Kyoyugwi, poksugyowondanch'e höyongböban t'onggwa	5.2.4.
YH/30/Dec/98b	Kyowondanch'e böban t'onggwaro kyowonnojo yönae happöphwa musanwigí	5.2.4.
YH/31/Dec/98	Minjunoch'ong, nosajöngwi t'alt'oe, taechöngbu ch'ongryökt'ujaeng sönon	5.2.4.
YH/23/Apr/99	Hannaradang, nosajöngwiwonhoepöp pandaekiro	6.1.1.
YH/26/Apr/99	Chöngbu, yadange nosajöngwiwonhoepöp ch'öri yoch'öng	6.1.1.
YH/25/Jun/99a	<i>Kujojöng sasilsang chönmyönsujöng</i> - nojönghabüi	6.1.1.
YH/25/Jun/99b	Chaegye, nojönghabüie panbal	6.1.1.
YH/28Jun/99	Nosajöng taep'yo hoedong, <i>chedogaesönwi</i> hyöbüi	6.1.1.
YH/30/Jun/99	Int'öbyu – Kim Hojin nosajöngwiwonhoe wiwonjang	6.1.1.
YH/14/Jul/99	Chaegye, pparümyön idaljung nosajöngwi bokkwi	6.1.1.
YH/29/Jul/99	Nosagwangye chedogaesönwi palchök... onül ch'öt hoeüi	6.1.1.
YH/30/Aug/99	Hankuknoch'ong, nosajöngwi pokkwigyörüi	6.1.1.
YH/24/Mar/00	Hankuknoch'ong, nosajöngwi pokkwi kyölichöng	6.3.2.
YH/22/Nov/00	Hanjönnojo, sasang ch'öt chönmyönp'aöp toriphana	6.3.4.

YH/24/Nov/00a	Hanjönnojo p'aöp kanghaeng... nojöng chöngmyönch'ungdol wigi	6.3.4.
YH/24/Nov/00b	Hanjönnojo p'aöp yubo... nojöng ch'ungdol wigi momyön	6.3.4.
YH/29/Nov/00	Hanjönnojo <i>nae chönmyön p'aöp</i> nojöngch'ungdol ch'oilki	6.3.4.
YH/30/Nov/00	Hanjönnojo tto p'aöp yubo... nojöng ch'ungdol wigi momyön	6.3.4.
YH/04/Dec/00a	Hanjönnojo, chönkyök p'aöp ch'ölhoe	6.3.4.
YH/04/Dec/00b	Sanjawi hanjönminyöngghwapöp ch'öri anp'ak	6.3.4.
YH/26/Feb/01	Ch'ölto minyöngghwa kibonbanghyang	6.3.4.
YH/21/May/01	Ch'öltonojo ch'öt chiksön wiwonjange Kim Jaegil ssi tangsön	6.3.4.
YH/22/May/01	Posusangjing ch'öltonojo, minnoch'ongüro kana	6.3.4.
YH/15/Aug/01	Yangdaenoch'ong <i>se pulrigi</i> kyöngjaeng torip	6.3.4.
YH/15/Nov/01	Kigansanöp minyöngghwa chöji taech'aegwi kyölsöng	6.3.2.
YH/04/Dec/01	Kagüi ch'ölto minyöngghwapöp tüng üigyöl	6.3.4.
YH/07/Dec/01	Ch'öltonojo minyöngghwa pandae ch'ongp'aöp györüi	6.3.4.
YH/27/Feb/02	Ch'ölto minyöngghwa öttök'e toena	6.3.4.
YH/03/Mar/02	Palchönnojo tangyölröge nangam	6.3.4.
YH/25/Mar/02	Palchönp'aöp küktandaech'i paegyönggwa chönmang	6.3.4.
YH/02/Apr/02	Palchönp'aöp t'agyöl paegyönggwa hyanghu nosagwangye	6.3.4.
YH/08/Apr/02	Minjunoch'ong imwonjin sat'oe	6.3.4.



## Appendix

### List of the Interviewees

**Dates and Places:** Between December 2003 and February 2004 in various Places in Seoul, Korea

Signal	Name	Affiliation	Status	R: recorded N: not-recorded
C-FKI	<i>Seong Soo Choi</i>	FKI	Current Staff of the FKI	R
C-KCTU	<i>Nam Yool Cho</i>	KCTU	Current Staff of the KCTU	R
C-KTC	<i>Eui Seok Chang</i>	KTC	Current Staff of the KTC / Former Staff of the MOL	R
J-Expert	<i>E Hwan Jeong</i>	Expert	Current Professor / Former Public Commissioner	R
J-KCTU	<i>Jin Woo Joo</i>	KCTU	Current Staff of the KCTU	R
J-KTC	<i>Kyong Yeon Jeong</i>	KTC	Current Staff of the KTC / Former Staff of the Democrats	R
K1-KCTU	<i>Tae Won Kwak</i>	KCTU	Current Chairman of the Democratic Financial Union Alliance	R
K1-KTC	<i>Hoon Shik Kim</i>	KTC	Former Expert Staff (SpWH and SpFS)	R
K1-MOL	<i>Byong Hee Kown</i>	MOL	Current Staff of the MOL	N
K2-KCTU	<i>Tae Hyon Kim</i>	KCTU	Former Staff of the KCTU	R
K2-KTC	<i>Seong Hoon Kim</i>	KTC	Current Expert Staff of the SbIR	R
K2-MOL	<i>Young Soon Kwon</i>	MOL	Current Staff of the MOL	N
K3-KCTU	<i>Yoo Seon Kim</i>	KCTU	Former Staff of the KCTU	R
K-FKTU	<i>Deok Yeon Kim</i>	FKTU	Current Staff of the KFIU	R
L1-FKTU	<i>Jeong Shik Lee</i>	FKTU	Current Staff of the FKTU	R
L1-KEF	<i>Dong Eung Lee</i>	KEF	Staff of the KEF	N
L2-FKTU	<i>Yong Deuk Lee</i>	FKTU	Current Chairman of the KFIU	R
L2-KEF	<i>Hyong Joon Lee</i>	KEF	Staff of the KEF	R
L-KCTU	<i>Hoi Soo Lee</i>	KCTU	Former Staff of the KCTU	R
L-KTC	<i>Hoo Keun Lee</i>	KTC	Current Expert Staff (SpAE and SbES)	R
M-KTC	<i>Kang Boon Moon</i>	KTC	Current Expert Staff (SpFS)	R
P-MOL	<i>Hwa Jin Park</i>	MOL	Current Staff of the MOL	R
R-FKTU	<i>Chin Kwi Roh</i>	FKTU	Current Staff of the FKTU	R
S-Expert	<i>Ho Keun Song</i>	Expert	Current Professor / Former Public Commissioner	N
W-KTC	<i>Jong Oh Woo</i>	KTC	Current Staff of the KTC / Former Staff of the Democrats	R
Y-KTC	<i>Wan Shik Yang</i>	KTC	Current Expert Staff of the SpPS	R

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## Resolutions in Detail

### Chapter 4.

**App4.2.1.** (i) Five recommendations to the government, which had been core agendas of their recommendations in the NES: price stabilization, real name financing, tax reform, political funds reform, and introduction of employment insurance; (ii) advices to employers: to share managerial information with trade unions; to control product prices; and to restrain dismissal voluntarily; (iii) advices to workers: to cooperate with employers for the enhancement of productivity and economic vitalization; (iv) Exceptional rules in applying the first part of the agreement on wage increase, especially for the benefit of poor workers (monthly income less than 300,000 Won per month), whose wage should increase higher; (v) Joint-Decision to take measures to simplify wage bargaining rounds through unifying the bargaining practices on wage issues and other issues on the general working condition.

**App4.2.2.** For instance, (i) Autonomous decision through company-wage-bargaining in the workplaces paying less than 530,000 Won (monthly average excluding bonus); (ii) maximum and minimum limits in applying for individual workplaces: either increase rate from 5 to 6.85% if the average monthly wages would be higher than 884,000 Won; or from 6.85 to 8.7% if those are less than that amount.

**App4.2.3.** (i) Stabilization of price increase for maintaining substantive income for workers (ii) adoption of the employment insurance system in the workplaces with more than 30 employees (iii) unions' participation in importing foreign workers (iv) enhancement of workplace participation through strengthening the works councils (v) faithful consideration of the state on the opinions of labor and business in reforming labor laws (vi) fair and strict application of labor related laws (vii) the reduction of income taxes (viii) stabilization of workers' housing condition through supplying 100,000 new houses (ix) the enhancement of welfare system especially for lowly paid workers (x) institutional reform and financial expansion for the development of occupational capability of workers (xi) the discharge of imprisoned unionists put in jail due to union movement (xii) fair trade order between large and small business (HKNC/31/Mar/94: 1).

**App4.3.1.** (i) Allowance of multiple-unionism at the higher levels over the company level; (ii) allowance of unions to be engaged in politics in so far as political activities would not be the main purpose of the organizations; (iii) abolishment of the rules prohibiting the third party intervention; (iv) simplification of the administrations regarding trade unions (registration, organizational transformation, leadership elections, and membership dues); (v) revision of the regulations on the labor disputes in the Essential Public Workplaces through shrinking the range of their application; (vi) abolishment of the obligatory mediation rule in labor disputes and readjustment of the institutions of disputes arbitration; and (vii) prohibition of workforce substitution in the workplaces in strike with restrained exceptions.

**App4.3.2.** (i) Inducement of the non-unionized workplaces to establish the LMCC and the already unionized workplaces to decide whether to establish the LMCC through consensual deliberation between unions and employers; (ii) revision of the rules on the redundancy and lay-off through adding the cases occurring by transforming work organizations and introducing new technology into the agendas of the LMCCs; (iii) entitlement of the LMCCs in non-unionized workplaces to decide basic working conditions including wage level.

**App4.3.3.** (i) Introduction of flexible work-hour systems in principle, with the condition of employers' obligation to codetermine the time-amount of and payment for overwork with unions; (ii) unification of the dual payment system into a single standard payment system; (iii) abolishment of the regular monthly leaves and adoption of a 14 days annual leaves system for the workers attendant in their works more than 80% of the working days; and (iv) abolishment of some special protective regulations for female workers.

**App4.4.1.** As tasks all of the actors should endeavor to realize: (i) rational rearrangement of confrontational practices of industrial relations and enhancement of cooperative relationships; (ii) realization of equal autonomy between labor and management; (iii) improvement of quality of working life and vitalization of national labor markets; (iv) consideration on the varieties of sectors, company-sizes and work-forms in strengthening international competitiveness, and equal development of various economic sectors; (v) clarification of legal regulations and rearrangement of procedural standards; (vi) respect for international standards and practices generally accepted and valid; and (vii) articulation of particular interests, adequate to national interest.

**App4.4.2.** For instance, (i) revision of the rules restraining union establishment; (ii) eradication of the regulations presuming and inducing enterprise unionism; (iii) simplification of the procedures transforming an enterprise union to a part of an industrial union; (iv) deletion of the article banning political engagement of unions; (v) reduction of the previous announcement period for a general assembly of a union; (vi) obligation of nominating an initiator for temporary assemblies of unions; (vii) adjustment and reduction of the articles enabling the administrative offices to intervene in unions' affairs; (viii) deletion of the regulations enabling an administrative office to examine unions' affairs; (ix) allowance of unions to autonomously set their union dues; (x) deletion of the regulations banning union officials to conduct other tasks; and (xi) establishment of new rules on the changes of unions' organizational form.

**App4.4.3.** For instance, (i) establishment of special institutions for arbitration; (ii) establishment of procedures for dealing with labor disputes having occurred due to interpreting collective agreements differently; (iii) categorization of the main defense industry and arbitration of labor disputes in the workplaces of the defense industry; (iv) revision of the regulations restraining labor disputes in the defense industry; (v) redefinition of the indispensable public interest industries and reduction of the cases, which need authoritative arbitrations; (vi) procedural improvement of the regulations on the labor disputes at the public interest industries; (vii) rational adjustment of the mechanisms restraining labor disputes; and (viii) extension of the urgent mediation period.

**App4.4.4.** For instance, (i) flexibilization of work-hours together with the diversification of employment forms; (ii) adoption of an alternative leave-system replacing the previous mandatory system based on monthly and yearly holidays; (iii) protection of temporary workers; and (iv) reform of the pension system.

**App4.4.5.** For instance, (i) strengthening of the Labor Commission to become more independent, specialized and neutral; (ii) unification and simplification of the administration of industrial relations; and (iii) expansion of the applicable range of the Work Standard Act to the workplaces with less than four employees.

**App4.4.6.** For instance, (i) unification of the act on trade union and that on labor disputes; (ii) readjustment of definitions on trade union and union affairs; (iii) revision of the procedural regulations regarding the elections of union officers; (iv) readjustment of the regulations on labor disputes (especially, replacement of the expression 'cold period' by 'adjusting period'); and (v) to enhance the minimum age of employees.

**App4.4.7.** (1) Establishment of the common principles for the practices of collective bargaining to standardize and rationalize the fragmented system of collective bargaining; (2) Establishment of a new system to manage and prevent industrial disputes: in concrete, to strengthen education on the affairs of industrial relations through constructing graduate schools and experts specialized in the

field of industrial relations; (3) Strengthening of the Labor Management Cooperation Council (LMCC) by expanding the ranges of information-sharing between labor and management, by adjusting the fields of endeavor for the LMCC and wage bargaining, and by restructuring the central tripartite council for industrial cooperation; (4) Strengthening of a non-public system to mediate and arbitrate labor disputes: for instance, to support civil experts and promote the Labor Relations Commission (LRC) for it; and (5) Gradual reform of the industrial relations system in the public sector by requiring the government to establish works councils for public servants.

**App4.4.8.** (1) Establishment of the principles and basic directions for the programs promoting job security; (2) Strengthening of the programs for the activation of vocational training and job mediation (for instance, to strengthen the public and private system of vocational training; to expand the financial bases of the system; and to activate the tasks of job information and mediation); (3) Expansion of female employment and child-caring services – especially, to strengthen job mediation and vocational training for women; (4) Recommendation (to the government) to define the current system of payment, which were separated into average wage and normal wage, in a clearer way and to unify them; and (5) Revision of the work-hour system including holidays and leaves (in concrete, to connect the agendas of work hours and holidays; to gradually reduce the nominal work hours, taking into account the business size; and to establish a tripartite consultative body for further negotiation).

**App4.4.9.** (1) Reform of the Earned Income Tax (EIT) through increasing the highest level of special deduction and expanding its items to improve the livelihood of employees; (2) Revision of the rules on the National Pension Plans to increase workers' benefits through distinguishing the public pensions from the retirement payment; (3) Improvement of the social insurances system through unifying the separate programs into one and strengthening the participation of interest groups in managing the system; (4) Application of the Work Standard Act for the small sized companies with less than four employees to broaden the applicable range of the basic rules on employment contracts as well as the regulations of work hours, holidays, dismissal, and retirement pay; and (5) Reform of the occupational disability insurance program (in concrete, application of the program for the workplaces with less than four employees and the financial sector; and improvement and stabilization of their management programs).

## Chapter 5.

**App 5.1.1.** (i) Enhancement of the corporate transparency and structural adjustment; (ii) price stability; (iii) conceptualization of the policies in general to manage the rapidly growing unemployment; (iv) flexibilization of labor markets; (v) expansion of the social insurances system; (vi) wage increase moderation and cooperative industrial relationship; and (vii) enhancement of basic labor rights.

**App5.1.2.** (i) Measures to integrate the nation; (ii) initiation of national movement to enhance the export; and (iii) other issues to overcome the economic crisis.

**App5.1.3.** In concrete, (i) the government should take a responsibility for the economic crisis, and form a robust base for economic development by closely investigating the causes of the crisis; (ii) business should start to take decisive measures for structural adjustment and faithfully try to evade indiscreet lay-offs and unfair labor management; (iii) trade unions should try to do their best to assure quality of products for reviving companies and enhancing their competitiveness, as well as to actively cooperate with each other in restructuring wage and working hours in order to minimize unemployment in cases of imminent managerial situation; (iv) the unions and employers should try to maintain industrial peace, solving all problems by negotiations and compromises; and (v) the Korean Tripartite Commission should do its best to build an environment favorable for attracting foreign capitals, and to immediately make large scale compact compromises over the agendas adopted and deliberated in it, while actively considering the schedule of the National Assembly in February.

**App5.1.4.** (i) Management transparency; (ii) price stabilization; (iii) job security and unemployment policy; (iv) social insurances; (v) stabilization of wage increase and industrial cooperation; (vi) basic labor rights and democratic industrial relations; (vii) flexibilization of labor markets; (viii) national integration; (xi) movement to enhance export and improve the balance of international payments; and (x) further measures to overcome the crisis.

**App5.2.1.** (i) Labor-management cooperative program-manuals for job security in the companies preparing for out lay-offs; (ii) job security in the 55 financial companies the FSS had designated to close their businesses; (iii) employment policy for the next year; (iv) employment policy for daily workers in the winter season; (v) support for jobseekers in small- and medium sized companies as well as overseas; (vi) emergency loan for the companies having experienced long-term pay-due; (vii) public hearings for employment; (viii) construction of think-tank groups responsible for employment expansion project; (iv) general revision of the employment policy towards more efficiency and adequacy; and (x) expansion of governmental expenditure for the employment insurance fund and employment supporting budget.

**App5.2.2.** (i) Holding a public hearing to examine the economic crisis; (ii) eradication of the unfair management; insurance of further employment or existence alternative for the workers in the 5 financial institutions ordered to withdraw; (iii) insurance of job security for the workers in the 55 companies order to withdraw; (iv) employment insurance for the workers employed in the Sam-Mi Steel, general concepts for the jobless; (v) minimal execution of the punishment to the union leaders having led the strike; and (vi) enhancement of the Tripartite Commission's status.

**App5.2.3.** (i) The KTC should be managed not in a bilateral but in a tripartite way; (ii) illegal strikes should not be an agenda for the negotiations in the KTC, and (iii) particular labor disputes in a certain workplaces should be dealt with and solved by the very concerned subjects there (not in the KTC).

**App5.2.4.** (i) Committee for the management of the whole programs at the office of the Prime Minister (towards policy-coordination among the concerned ministries); (ii) expert group, who could effectively create suitable programs for the management of unemployment; (iii) monitoring platform for the evaluation and control of the core policy areas (employment maintenance, job creation, training and education and job security, etc.).

## Chapter6.

**App6.1.1.** (i) Labor policies related to workers' employment security and working conditions, and issues on industry, economy and social policies which heavily affect labor policies; (ii) principle and direction of structural reform in the public sector, etc.; (iii) improvement of system, ideas and practices of industrial relations; (iv) methods to properly implement the agreements made in the Commission; (v) measures supporting activities to increase cooperation among tripartite partners;

and (vi) other issues on the questions posed by President.

**App6.1.2.** For instance, (i) Establishment of a division to enhance the quality of life for the construction of the productive welfare system; (ii) faithful concertation on the structural reform of the public corporations and the financial organs at the KTC III; (iii) establishment of the CRIRI to make rational alternatives on the employers' payment for union officials and the reduction of working-hour; (iv) measures to revise or supplement the social security system such as the National Pension Plans and the National Health Insurance Plans; (v) enactment of the Basic Livelihood Insurance Act (BLIA); (vi) strengthening of the unions' right to share the management information; (vii) immediate formulation of a bill to enable the jobless to have membership of unions; and (viii) immediate reform of the Political Fund Act to allow the political donation of unions.

**App6.2.1.** In concrete, (i) increase of holidays to the level of the international standards; (ii) settle-down of the 5-days-a-week system in the whole workplaces; (iii) reduction of the weekly work-hour below 40 hours; and (iv) further reform of the Work Standard Act and so on.

**App6.2.2.** The government should (i) make suitable policies to reduce the number of illegal foreign workers, (ii) conduct large social surveys on the human rights and working-conditions of foreign workers; adopt suitable policies to protect the human rights and livelihood of them; and take steps to revise the current rule in case of necessity, and (iii) enforce measures to prevent their pay-due and occupational disaster; and (iv) the social partners and the government should jointly try to lead both domestic and foreign workers to mutually respect and better understand each other.

**App6.2.3.** (i) The common tasks of the tripartite actors: to effectively and efficiently develop and utilize human resources, and to cooperate to realize the measures; (ii) the tasks of the government: to construct infrastructure for the unification of the information on the practices in utilizing manpower, long-term perspectives of workforce supply, jobs and vocational education; (iii) to open the information derived from the infrastructure and to create jobs through expanding the social infrastructure at the various fields such as education, environment, housing, welfare, etc., which contribute to solve the problem of youth unemployment and to enhance the quality of life for the nation; (iv) to promote the investment of companies, which can create jobs; (v) defined the task of business to correct irrational practices in recruitment such as discrimination from various reasons; and to endeavor to create jobs and develop human resources for youth; and (vi) the common tasks of the tripartite actors to make legal and institutional apparatuses, which can support the transition (of youth) from education to labor markets.

**App6.2.4.** (i) The government should promote the interest associations' participation in the process of policy-making concerning the development of the occupational competency of employees; (ii) the government should take steps to enhance the efficiency of the current system of vocational competency; (iii) the trilateral actors should share the opinions on the importance of 'autonomous education and training for workers', and should commonly endeavor to construct suitable institutions for the realization of the goal; and (iv) the trilateral actors should take common steps to finance the so-called the "workers' learning resources" in order to accelerate the development of the vocational competency of employees.

**App6.2.5.** (i) to form the WLF; (ii) to establish a committee for the examination and evaluation of the WLF (CEEWLF); and (iii) to make the funding programs directed to develop the general program for the development of workers' vocational competency, in which the representatives of labor and business would together join.

**App6.2.6.** (i) Strengthening of the infrastructure to properly calculate the real income level; (ii) gradual increase of the deduction rate on the earned income; and (iii) payment assurance for the GBLP receivers.

**App6.2.7.** The government should (i) reform the taxation system of the National Pension with a long-term perspective: for instance, the premium of every public and private pension should be deducted from the income, and a tax should be imposed on the pension income; (ii) increase the maximum

limit of the health insurance deduction among the special deduction lists in the EIT system; (3) improve the standard income taxation rate in order to correctly calculate the income level of the self-employed, and enforce the register-based taxation practice with a long term perspective.

**App6.2.8.** (i) The government should actively consider how to reduce the EIT including various ways of income tax deduction for workers; and (ii) the trilateral partners should further continue concertations how workers could take advantage through the reform of the EIT.

**App6.2.9.** (i) The government should establish the necessary infra-structure such as computerization to more accurately grasp the general income level; (ii) the deductions rate of the earned income should be increased step by step, based on the surveys concerning the income and property as well as the results of the GBLP; and (iii) the government should take necessary measures not to deteriorate the substantial income of the GBLP receivers.

**App6.2.10.** In concrete, (i) the trilateral actors would require the National Assembly to enact the BWWA, which is expected to improve the quality of workers' life, their motivation to work and the productive welfare; (ii) the government should try to activate the ESOP through suitable tax policies; and (iii) it should establish and manage the Central Commission for Workers' Welfare Policy (CCWWP), in which the trilateral parties all participate, in order to substantially negotiate and implement the welfare programs for workers.

**App6.3.1.** (i) Work-hour reduction, (ii) stoppage of the unilateral measures for structural adjustment, (iii) enhancement of the substantiality of collective bargaining and eradication of unfair labor management, (iv) assurance of payment for union officials in an autonomous way, and (v) abandonment of dividing and selling infrastructures of electric industry.

**App6.3.2.** (i) Assurance of autonomous payment for union officials; (ii) the stoppage of the second structural adjustment of the financial sector; (iii) stoppage of the privatization of the railway and electric industries; (iv) stoppage of the unilateral adjustment of public corporations; and (v) allowance of public servants' union. As additional suggestion: several innovative measures for the management of the tripartite commission as a prerequisite for its return to the KTC III.

**App6.3.3.** (i) Reduction of 998 workers – instead of 3,756 in 2001, (ii) increase of workforce volume in the new branches or those with heavy works in 2002 more than the project team had recommended; and (iii) all possible steps to decrease work density in the Postal Service.

**App6.3.4.** (i) On to the KTRD: assurance of business rights; maintenance of partial ownership; and the ESOP. (ii) On the KTT: expansion of business; assurance of business rights; and maintenance of partial ownership and so on.

**App6.3.5.** (i) For the KORCM: recommendation to carry out privatization according to the results of the newly enacted act; (ii) for the KHMC: recommendation to postpone privatization for a year after an active innovation of management.

**App6.3.6.** For instance, (i) assurance of business rights; (ii) principles of new corporate governance; (iii) schedule of privation; (iv) job security in the reform process; (v) principles of retirement pay; and (vi) assurance of stability in industrial relations.

**App6.3.7.** As general recommendations: (i) announcement of the price for the cargo and transport service in the harbors and railways; (ii) abolishment of maximum price in the railway transport service; (iii) industrial order in the cargos of harbor and railway; (iv) continuance of negotiations on the job security of the Namdong Power Plant in Youngdong district.

As recommendations for the Namdong Power Plant: (i) sharing the opinion that the mechanization was indispensable; (ii) compensation for the dismissed; and (iii) compensation procedures and ways through consensus of labor and management.

## Abbreviations

### - In Korea -

#### Political Parties and Parliamentary Institutions

<b>DJP</b>	Democratic Justice Party	<i>Minjeongdang</i>
<b>DLP</b>	Democratic Liberal Party	<i>Minjudang</i>
<b>DP</b>	Democratic Party	<i>Minjudang</i>
<b>GNP</b>	Grand National Party	<i>Hannaradang</i>
<b>KDLP</b>	Korea Democratic Labor Party	<i>Minnodang</i>
<b>MDP</b>	New Millennium Democratic Party	<i>Minjudang</i>
<b>NCNP</b>	National Congress for New Politics	<i>Kookminhoiyi</i>
<b>NDRP</b>	New Democratic Republican Party	<i>Shinmindang</i>
<b>NKP</b>	New Korean Party	<i>Shinhankookdang</i>
<b>PNP</b>	People's New Party	<i>Kookminshindang</i>
<b>PV21</b>	People's Victory 21	<i>Kookminseungri Eshipil</i>
<b>RDP</b>	Republican Democratic Party	<i>Gonghwadang</i>
<b>SCE</b>	Standing Committee for Education (in the National Assembly)	<i>Kyoyukwi</i>
<b>SCEL</b>	Standing Committee for Environment and Labor (in the National Assembly)	<i>Hwannowi</i>
<b>ULD</b>	United Liberty and Democracy	<i>Jaminyon</i>

#### Administrative Actors and Institutions

<b>CCWWP</b>	Central Commission for Workers' Welfare Policy	<i>Chungangkeullojabokjiwiwonho</i>
<b>EPB</b>	Economic Planning Board	<i>Kyongjekihoikwon</i>
<b>FSS</b>	Financial Supervisory Service	<i>Keumkamwon</i>
<b>LRC</b>	Labor Relations Commission	<i>Nodongwiwonhoi</i>
<b>MOCI</b>	Ministry of Commerce and Industry	<i>Sanggongbu</i>
<b>MOCIE</b>	Ministry of Commerce, Industry and Energy	<i>Sanjabu</i>
<b>MOCT</b>	Ministry of Construction and Transportation	<i>Keonkyobu</i>
<b>MOFE</b>	Ministry of Finance and Economy	<i>Jaekyoungbu</i>
<b>MOGAHA</b>	Ministry of Government Administration and Home Affairs	<i>Haengjabu</i>
<b>MOHW</b>	Ministry of Health and Welfare	<i>Bokeunbokjibu</i>
<b>MOIC</b>	Ministry of Information and Communication	<i>Jeongtongbu</i>



<b>MOJ</b>	Ministry of Justice	<i>Beopmubu</i>
<b>MOL</b>	Ministry of Labor	<i>Nodongbu</i>
<b>PBC</b>	Planning and Budget Commission	<i>Kihweckyesanwhiwonhoi</i>

### Trade Unions

<b>FKTU</b>	Federation of the Korean Trade Union	<i>Hankooknochong</i>
<b>KCIIF</b>	Korea Congress of Independent Industrial Union Federations	<i>Opjonghweui</i>
<b>KCTU</b>	Korean Confederation of Trade Union	<i>Minjunochong</i>
<b>KCTUR</b>	Korean Council of Trade Union Representatives	<i>Chonnodae</i>
<b>KFCITU</b>	Korean Federation of Construction Industry Trade Unions	<i>Keonseolyonmaeng</i>
<b>KFIU</b>	Korean Financial Industry Union	<i>Keumyungsanupnojo</i>
<b>KGCLU</b>	Korea Gas Corporation Labor Union	<i>Gasgongsanojo</i>
<b>KNEWU</b>	Korean National Electrical Workers Union	<i>Jeollioknojo</i>
<b>KPPIU</b>	Korean Power Plant Industry Union	<i>Baljeonnojo</i>
<b>KPSU</b>	Korean Federation of Transportation Public and Social Service Workers' Union	<i>Unsoonnojo</i>
<b>KPWU</b>	Korean Postal Workers' Union	<i>Chaeshinnojo</i>
<b>KRWU</b>	Korean Railway Workers' Union	<i>Cheoldonojo</i>
<b>KSIU</b>	Korean Social Insurance Union	<i>Sahoiboheomnojo</i>
<b>KTGLU</b>	Korea Tobacco and Ginseng Labor Union	<i>Dambaeinsamgongsanojo</i>
<b>KTU</b>	Korean Teachers and Education Workers' Union	<i>Jeonkyojo</i>
<b>KTUC</b>	Korea Trade Union Congress	<i>Chunnohyup</i>
<b>NHICJU</b>	National Health Insurance Corporation Jikjang Union	<i>Gungmingeongangboheomjickjangnojo</i>

### Business Associations and Corporations

<b>FHC</b>	Financial Holding Company	<i>Keumyungjijuhoesa</i>
<b>FKI</b>	Federation of Korean Industry	<i>Jeonkyungryon</i>
<b>GFE</b>	Government-Funded Enterprises	<i>Jeongbuchooryonkikwan</i>
<b>GIE</b>	Government-Invested Enterprises	<i>Jeongbutujakikwan</i>
<b>KAEL</b>	Korea Association of Economic Leaders	<i>Hankookkyongjeinhyopoi</i>
<b>KB</b>	People's Bank	<i>Kookmineunhaeng</i>
<b>KEA</b>	Korean Economy Association	<i>Hankookkyongjehyopoi</i>
<b>KEF</b>	Korean Employers Federation	<i>Kyongchong</i>
<b>KEPCO</b>	Korea Electric Power Corporation	<i>Hankookjeolryock</i>
<b>KFB</b>	Korea Federation of Banks	<i>Eunhaengyonhaphoi</i>
<b>KFSB</b>	Korea Federation of Small and Medium Business	<i>Jungsokipyonhaphoi</i>
<b>KGC</b>	Korea Gas Corporation	<i>Gasgongsa</i>

<b>KHB</b>	Korea Housing Bank	<i>Jutaekeunhaeng</i>
<b>KHMC</b>	Korea Highway Management Corporation	<i>Gosokdorokwanrikongdan</i>
<b>KHTCC</b>	Korea Highway Telecom Communication Corporation	<i>Gosokdorojeonbotongshingongsa</i>
<b>KIT</b>	Korea Informatics Telesis	<i>Hankooktongshinjinheong</i>
<b>KOMSCO</b>	Korea Minting & Security Printing Corporation	<i>Jopaegongsa</i>
<b>KORAIL</b>	Korean Railroad	<i>Cheoldogongsa</i>
<b>KORCM</b>	Korea Construction Management	<i>Hankookkeonseolkwalrikongsa</i>
<b>KRC</b>	Korea Rail Corporation	<i>Hankookcheoldo</i>
<b>KRNA</b>	Korea Rail Network Authority	<i>Hankookcheoldoshiseolkongdan</i>
<b>KT</b>	Korea Telecom	<i>Hankooktongshin</i>
<b>KTRD</b>	Korea Telecom Research and Development	<i>Hankooktongshinsaneopgaebal</i>
<b>KTT</b>	Korea Telecom Technology	<i>Hankooktongshinkisool</i>
<b>KTXCC</b>	Korea Train Express Construction Corporation	<i>Hankookgosokchoeldokeonseolkongsa</i>
<b>NBFIs</b>	Non-Bank Financial Institutions	<i>Bieunhaengkeumyongkikwan</i>
<b>NHIC</b>	National Health Insurance Corporation	<i>Gungminkeunkangboheomkwaligongdan</i>
<b>POSCO</b>	Pohang Iron and Steel Corporation	<i>Pohangjecheol</i>
<b>SOEs</b>	State-Owned Enterprises	<i>Gongkiop</i>

### Corporatist Arrangements and Concertative Institutions

<b>CRIRI</b>	Commission for the Reform of the Industrial Relations Institutions	<i>Nosakwankejedokaeseonwiwonhoi</i>
<b>DCI</b>	Division for Checking the Implementation	<i>Ehaengjeomgeomban</i>
<b>IRRC</b>	Industrial Relations Reform Commission	<i>Nogaewi</i>
<b>KTC</b>	Korean Tripartite Commission	<i>Nosajeongwi</i>
<b>KTC I</b>	The First Round of the KTC	<i>Ilgj Nosajeongwi</i>
<b>KTC II</b>	The Second Round of the KTC	<i>Igi Nosajeongwi</i>
<b>KTC III</b>	The Third Round of the KTC	<i>Samgi Nosajeongwi</i>
<b>LLRC</b>	Labor Law Reform Committee	<i>Nodongbeopyonkuwi</i>
<b>PC</b>	Preliminary Committee (in the LLRC)	<i>Kichowi</i>
<b>SbEP</b>	Sub-committee for Employment Policy (in the KTC II)	<i>Koyongsowi</i>
<b>SbER</b>	Sub-committee for Economic Reform (in the KTC II)	<i>Kyongjaesowi</i>
<b>SbES</b>	Sub-committee for Economic and Social Affairs (in KTC III)	<i>Kyongje Sahoj sowui</i>
<b>SbIR</b>	Sub-committee for Industrial Relations (in the KTC II and III)	<i>Nosasowi</i>
<b>SbSI</b>	Sub-committee for Social Insurance (in the KTC II)	<i>Sahoisowi</i>
<b>SG</b>	Sub-commission for Guideline (in the IRRC)	<i>Yogangsowi</i>
<b>SpAE</b>	Special committee for Atypical Employees (in the KTC III)	<i>Bijeonkyujik teukwui</i>
<b>SpFS</b>	Special committee for reforming Financial Sector	<i>Keumyoongteukwi</i>

<b>SpPS</b>	Special committee for reforming the public sector	<i>Gonggongteukwi</i>
<b>SpUL</b>	Special committee for controlling Unfair Labor Management	<i>Budangnodonteukwi</i>
<b>StC</b>	Standing Committee (in the KTC II and III)	<i>Sangmuwoi</i>

### **Acts and Policy-Programs**

<b>AEOTC</b>	Act on the Establishment and Operation of the Tripartite Commission	<i>Nosajeongwibeop</i>
<b>APSREI</b>	Act concerning the Promotion of the Structural Reform of the Electricity Industry	<i>Jeollyoksanop Kujogaehyek Chokjinbeop</i>
<b>APWPC</b>	Act concerning the Promotion of Worker Participation and Cooperation	<i>Keulroja Chamyewoa Hiopryk Chokjinekwanhan beop</i>
<b>BASRRRI</b>	Basic Act on the Structural Reform of the Railway Industry	<i>Cheoldosanupgujogaehyokgibonbeop</i>
<b>BPSRGI</b>	Basic Plan for the Structural Reform of the Gas Industry	<i>Gassaneopkujogaehyeokeulwihankiponk ehoik</i>
<b>BWWA</b>	Basic Workers Welfare Act	<i>Keulroja Bokji Kibonbeop</i>
<b>CPP</b>	Corporate Pension Plans	<i>Giupyonkeumje</i>
<b>EAS</b>	Employment Allowance System (for foreign workers)	<i>Goyongheogaje</i>
<b>EPF</b>	Emergency Public Fund	<i>Gingeupgongjeokjakeum</i>
<b>EPS</b>	Essential Public Service	<i>Pilsoogongiksaup</i>
<b>FHCA</b>	Financial Holding Company Act	<i>Keumyungjijuhoesabop</i>
<b>FWL</b>	Funds for Workers' Learning	<i>Keulrojahakseopkikeum</i>
<b>LMCA</b>	Labor and Management Cooperation Act	<i>Nosahyopyhoibop</i>
<b>MEC</b>	Management Evaluatoin Commission	<i>Kyongyeongpyonggawiwonhoi</i>
<b>NHI</b>	National Health Insurance	<i>Gungmingeongangboheom</i>
<b>NPP</b>	National Pension Plans	<i>Gungminyionkeum</i>
<b>PFA</b>	Political Fund Act	<i>Jeongchijakeumbeop</i>
<b>TULRAA</b>	Trade Union and Labor Relations Adjustment Act	<i>Nodongjohapmit Nodongkwankejojeongbop</i>
<b>ULS</b>	Union Learning Fund	<i>Nojohakseupkikeum</i>
<b>WLF</b>	Workers' Learning Fund	<i>Keulrojahakseopkikeum</i>

## - In Spain -

### Actors

<b>CCOO</b>	The Workers' Commissions	<i>Comisiones Obreras</i>
<b>CEOE</b>	Spanish Confederation of Employers' Organizations	<i>Confederación Española de Organizaciones Empresariales</i>
<b>CEYPM</b>		<i>Confederación Española de la Pequeña y Mediana Empresa</i>
<b>CNT</b>	Confederation of Labor	<i>Confederación Nacional del Trabajo</i>
<b>INI</b>	National Institute of Industry	<i>Instituto Nacional de Industria</i>
<b>PCE</b>	The Communist Party of Spain	<i>Partido Comunista de España</i>
<b>PSOE</b>	Spanish Socialist Workers' Party	<i>Partido Socialista Obrero Español</i>
<b>UCD</b>	Union of the Democratic Centre	<i>Unión de Centro Democrático</i>
<b>UGT</b>	General Union of Workers	<i>Unión General de Trabajadores</i>
<b>MEH</b>	Ministry of the Economy and Finance	<i>Ministerio de Economía y Hacienda</i>

### Corporatist Arrangements

<b>Moncloa Pacts</b>		<i>Pactos de la Moncloa</i>
<b>ABI</b>	National Multi-Industry Basic Agreement	<i>Acuerdo Básico Interconfederal</i>
<b>AMI</b>	National Multi-Industry Framework Agreement	<i>Acuerdo Marco Interconfederal</i>
<b>ANE</b>	National Employment Agreement	<i>Acuerdo Nacional de Empleo</i>
<b>AI</b>		<i>Acuerdo Interconfederal</i>
<b>AES</b>	Economic and Social Agreement	<i>Acuerdo Económico y Social</i>
<b>NCC</b>	National Consultative Commission	
<b>FPEs</b>	Funds for the Promotion of Employment Control and Oversight Committees	

### Acts and Policy-Programs

<b>LBE</b>	Basic Law on Employment	<i>Ley Básica de Empleo</i>
<b>LOLS</b>	Workers' Statute and Law on Trade Union Freedom	<i>Ley Orgánica de Libertad Sindical</i>
<b>OSE</b>	The Spanish Syndicalist Organization	<i>Organización Sindical Española</i>

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Myung Joon Park

## Erklärung

nach § 6.6 der Promotionsordnung vom 9. März 2005

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