

## STATE AND WAGE POLICY: IMPLICATIONS FOR CORPORATISM\*

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*Focusing on the change in state wage policy and conflicts surrounding wage negotiation, this paper addresses three questions; first, what are principles of former state wage policy and how does the ultra elitist agreement differ from the previous wage policy?; second, why did organized labor tolerate wage concession through the 'ultra elitist agreement' which entirely excluded worker participation?; third and finally, what kind of customs and rules are observed in workplace wage negotiation? The analysis of survey data reveals that under the restriction of enterprise unionism, wage negotiation at workplaces has developed rules and customs that actually surpass firms boundaries. The negotiation result of reference firms is taken as the most decisive index in wage negotiation. Without state intervention, it is likely that these rules would be institutional foundation for 'sectoral corporatism.'*

### INTRODUCTION

A "Wage Agreement" was announced on April 1st 1993 between capital and labor for the first time in Korea's labor history when only one month had passed since the new civilian government had launched. Most Press highly praised the April 1st Wage Agreement for the cooperative spirit in harmony with the construction of 'New Korea,' the political platform which the new government successfully exploited in its political campaign to consolidate democratization. Since the new government played an important role to complete the Agreement as was reflected in the Agreement Document, it was virtually a 'tripartite negotiation' at least in its outlook.<sup>1</sup>

The April 1st Wage Agreement exerted tremendous impact on wage negotiation at workplaces so as to successfully curb wage increase within a tolerable range and to discourage industrial dispute remarkably in 1993.<sup>2</sup> According to a survey report (Lee 1993), over 90% of respondents agreed

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<sup>1</sup>The Consensus Document delivered government promise to carry out political reform for industrial democracy in a limited range. These included improvement of worker welfare, abolishment of repressive labor laws, enactment of banking transaction using real name, and tax reform.

that wage negotiation of 1993 was heavily affected by the Wage Agreement in ways which curbed sizable wage drift. Another survey conducted by the Korean Federation of Trade Unions (FKTU) reported that 50.9% of respondent unions accepted the need to introduce a peak-level wage agreement like the April 1st Wage Agreement (FKTU 1993). Needless to say, the Wage Agreement evoked and precipitated fierce opposition from competing organizations such as Korean Trade Union Congress (KTUC) and Korean Confederation of Independent Industrial Federation (KCIIF). However, the opposing voices were substantially weakened by national political sentiments favoring industrial peace as a prerequisite to get out of economic downturns.

The relative success reinforced the consensus among state, capital and labor to move toward a peak-level wage agreement as a policy platform to accomplish the 'corporatist' type of labor politics. Virtually, the corporatist model has been a focal point of discussion as an alternative to authoritarian labor repression over the years of transition to democracy since the 1987 labor dispute, especially among labor leaders and academicians. Despite social and political conditions do not seem to induce corporatist tendency in Korea, procorporatist analysts emphasize the virtue of corporatist labor regime in the achievement of industrial democracy, contending that it is desirable and necessary to evaluate its adequacy in search of its applicability to Korean context (Lim and Kim 1991; Ihm 1991). Counterargument also exists, contending that the corporatist reform only means a termination of worker struggle for democratic reform in circumstances in which state and capital still exert a dominant power over organized labor (Im 1993; Kim 1993).

Although the April 1st Wage Agreement shaped like tripartite negotiation in its outlook, it is obvious that the Agreement was 'ultra-elitist' because of, as has been criticized severely and frequently by opposition groups in organized labor, the lack of consensus-building procedure and the complete exclusion of KTUC, KCIIF, and even member unions of FKTU in the process of policy making. In spite of these drawbacks and criticism, the Agreement was quite effective as was reflected in the small number of labor dispute and the low rate of wage increase.

Focusing on the change in state wage policy and conflicts surrounding wage negotiation, this paper addresses three questions as follows; first, why

<sup>2</sup>The yearly number of strike reduced from two thousands in 1987-1989 to a range of one hundred or so in 1993. The real wage increased at the rate of 6-7% in 1993 in contrast to two-digit increases for 1987-1992.

was the ultra-elitist agreement enacted and enforced on the working class in the beginning stage of democratic consolidation; what are the principles of former state wage policy and how does the ultra-elitist agreement differ from the previous wage policy? The answers to these questions lie in the mode of transition to democracy and political characteristics of the new regime.

Second, why did organized labor tolerate wage concession through the 'ultra-elitist agreement' which entirely excluded worker participation? They were the angry workers for the past five years that destroyed production facilities in factories, set the fire on police stations and city Hall, implemented impressive struggle on the 'Goliath Crane' over half a month,<sup>3</sup> and ultimately, achieved state political concession to relax labor repression and not to intervene in wage negotiation and any conflict at workplaces. This question will be explicated in relation to recent changes of labor orientation in the process of democratization and economic globalization.

Third and finally, what kind of customs and behavior are observed in workplace wage negotiation? What kind of institutions, formal and informal, have been developed by unions to overcome the limitation of enterprise unionism in wage negotiation? If any, are these customs incompatible with corporatist wage negotiation at all? In consideration of the recent emergence of opposition alliance to the Agreement, it is obvious that the ultra-elitist Agreement will lose its effectiveness, or else, will be faced at least with formidable resistance.

The analysis of survey data reveals that, under the restriction of enterprise unionism, wage-negotiation behavior at the firm level has developed rules and customs that actually surpass firm boundaries. The outcome of competing firms in a same industrial branch is considered as the most decisive reference in wage negotiation. The custom becomes institutional foundation for the opposition movement in some sectors of manufacturing and service industries, which calls for 'crafts-union-based wage negotiation' as an alternative to peak-level wage agreement. The new movement can be developed to 'sectoral corporatism' (Lehmbruch 1984), and, supposed that it is extended over the entire industrial sectors, it can be a beginning step toward tripartite negotiation.

<sup>3</sup>The strike of the Hyundai Heavy Industrial Company occurred in May, 1990 is called as 'Goliath Crane Struggle' for strike leaders occupied the top of Goliath Crane, the height of which was tantamount to fifty story building, to continue struggle.

## STATE WAGE POLICY: FROM WAGE RESTRAINT TO ELITIST AGREEMENT

State wage policy is a function of two politics in authoritarian regime: politics of economic stabilization and labor politics (Song 1988; cf., Morley 1982; Martin 1985). While politics of economic stabilization concerns the role of the state in governing external equilibrium, labor politics concerns to placate worker discontent in an attempt to improve regime stability.

The external equilibrium refers to the nation's economic performance in world markets in terms of competitiveness and the market share of industrial goods exported. A decline of competitiveness of exportable goods in the international market emerges as a balance-of-payment crisis, which eventually brings about increase of production costs and prices in domestic markets. Inflation is the most sensitive indicator of external equilibrium. How to curb inflation is crucial for the state-led capitalism in promoting high-speed growth. Wage policy is one of the essential levers for controlling inflation and external equilibrium. However, options of wage policy for economic stabilization are restricted by interest conflicts among social groups that policy reform necessarily entails (Katzenstein 1985; Lindberg and Maier 1985).

Especially in authoritarian capitalism like Korea, however, wage restraint had been implemented over an extended period to achieve successful capital accumulation. The state relied upon guideline-regulation in an attempt to curb annual wage increase far below a sum of productivity growth and inflation throughout the period of high-speed growth. It seems, however, that the authoritarian state ignored the political function of wage policy to console discontented workers, overemphasizing the importance of economic growth as a mainstay of political legitimacy. The consequence was the sacrifice of the working class under the low-wage system. Worker militancy grew rapidly and was eventually exploded into the massive labor dispute in 1987. The political abertura began as a result of the Announcement of Political Reform on June 29, 1987. It terminated the era of wage restraint by guideline.

Wage restraint by guideline was compatible with the 'repressive control by market mechanism' (Valenzuela 1989). In contrast to the corporative labor repression in Latin America which preempts and coopts some segments of organized labor, it means exclusionary labor repression without the preemption of organized labor (Stepan 1979). However, the political abertura disturbed the wage regime substantially and allowed the

promotion of wage negotiation at workplaces along with the decline of the state intervention.

The relaxation of state intervention allowed industrial workers to enjoy sizable wage increase afterwards so as to make 'wage explosion' from 1989 to 1991. The nominal wage increase amounted to a 16.3% on average for 1987-1992. The gain was 4% larger than the average rate of 12.2% in the first half of the 1980s. Due to the collapse of repressive labor regime, organized labor could develop its bargaining power vis-a-vis the state and capital substantially. In years of 1988-89, unions won everywhere, and capital could not but help accept worker demand for the improvement of working conditions. The consequence was that wage almost doubled for five years after 1987 in absolute term. The wage hike contributed to discouragement of worker militancy but tremendous increase of labor cost. According to a comparative analysis of labor cost increase, Korea recorded 11.8% increase of labor cost in 1987-92 on average, compared to 6.5% in Taiwan, 0.6% in Japan, and 1.4% in the United States (Chung et al. 1994). It eroded national competitiveness in world markets and eventually gave rise to the deficit of balance of payment. Economic growth declined below a rate of 5% in 1991 for the first time in a decade. Such an achievement was intolerable and even regarded as an 'economic crisis' for Korean people who have been accustomed to high-speed growth. The feeling of 'economic crisis' had been frequently mobilized and exploited as a political platform to resume labor repression by the state in confrontation of regime instability. Most people recognized the platform as a tactic but the problem was that the tactic had always been effective and useful to resume repressive means in Korean context.

It is not correct to say that state wage regulation was entirely absent for the period of wage hike. It was virtually existent but ineffective. In order to curb excessive wage drift the state carried out two kinds of wage policy: 'one-digit wage policy' in 1988-1991 and 'total-wage-concept policy' in 1992. One-digit wage policy was a mere variant of guideline regulation but differed in its administrative recommendation with a substantial relaxation of repressive control. As the guideline regulation aimed at curbing wage increase far below a sum of productivity growth and inflation, one-digit wage policy also laid a focus on the lower rate of wage increase than 10% regardless of economic growth and inflation. But the policy was not so successful and effective as to allow wage explosion.

In the end of 1991, the state decided to introduce total wage concept as an extension of one-digit wage policy, which recommended to apply one-digit increase rate to total amount of monthly pay instead of base pay as an object

of wage negotiation. At that time, there emerged numerous workers, skilled and semiskilled, that were paid over one million Won in a month due to the sizable wage increase over years. The monthly pay for university graduates starting their career as managerial employee amounted to five hundred thousand Won or so. Statistics revealed in the early 1990s that a large proportion of blue-collar workers were paid far more than white-collar workers for the first time in Korea's labor history. The reversal also provoked discontent of white-collar employees, promoting unionization in financing and service industries. The total-wage-concept policy differed from the previous ones in its discriminatory method. The state selected 430 monopolies and Chaebol firms as a booster of wage hike and classified them under a special administrative surveillance. They were labeled as pattern setter. Nevertheless, the policy was fruitless because of the lack of control device over firms violating regulation and the structural change of labor market, i.e., the labor shortage.

The elitist Agreement emerged in this background. The new government, born in February through free election for the first time since three decades, was assigned to eradicate authoritarian legacy through political reform and to reactivate the civil society. To accomplish democratization that was prone to be attacked by conservative political camp, economic stabilization was urgently called for as a stepstone; the state should resolve the crisis of external equilibrium and provide favorable conditions for manufacturers by alleviating soaring labor cost. The state pushed top leaders of FKTU to pay back the legal protection and extra-funding in order to facilitate political bargaining with them. Eventually, the state achieved the 'tripartite negotiation' with the consensus on wage increase in a range of 4.5-8.7% on April 1, 1993.

The Agreement was not so different from the previous ones except two points: to regulate wage increase not by the strict guideline but by a range, and to contain some important issues for political bargaining. And, it was successful and effective more than expected not because the Agreement contained a new principle of wage policy but because organized labor was not strong enough to break through the people's abhorrence of labor unrest. Furthermore, organized labor weathered a decline due to the 'dual failure' to expand organizational space and political space. This will be explained later.

As O'Donnell and Schmitter argue, "social pacts are not always likely or possible in democratic transition, but they are desirable—that is, they enhance the probability that the process will lead to a viable political democracy" (O'Donnell and Schmitter 1986c, p. 39). Korea can be evaluated

as a relative success in transition to political democracy. However, there are two sorts of social pacts: elitist one and negotiated one. Obviously, the April 1st Wage Agreement is ultra elitist. In democratic transition, an ultra elitist agreement emerges in society where labor-party linkage is absent and civil society has been long frozen under authoritarian rules (O'Donnell and Schmitter 1986b). Comparatively, Spain achieved negotiated reform through negotiated Social Pacts on macroeconomic issues without being blocked by interest conflict among social classes that already developed close link to political parties (Fishman 1990). However, in Korea where elite cleavage has been so predominant that class cleavage can not affect regime changes, democratic transition, triggered by organized labor, has been led by political elites. Korea's path tells that the role of organized labor in democratic transition is 'preempted' by political elites in the 'elitist reform.'

#### UNIONS IN THE ELITIST REFORM: ADJUSTMENT AND CONFLICT

Despite Korea's labor unions have made a desperate effort to survive under authoritarian rules for almost three decades and thus can be evaluated to improve their adaptability to changing environments, the post 1987 era is virtually the first period for organized labor to learn how to operate union organization and manage rank-and-files. In this sense, it is proper to say that just half a decade has passed since Korea's labor unions began to acquire knowledge and skills required to the management of union organization in a considerably liberalized political atmosphere. This statement is also true of the state and capital since they have never thought of the working class as a menace to the domination. The problem is that the adaptability of the state and capital to changing environments far exceed that of organized labor in Korea for various reasons.

Korea's democratization is not a 'rupture democratica' but a 'reform democratica' (O'Donnell and Schmitter 1986a). In spite of the breakdown of authoritarian regime, the reform democratica does not change the state structure fundamentally but alter the incumbents of state power. The state still remains as a nucleus hegemony over capital and labor. On the other hand, capital dominates labor, theoretically and practically, in a capitalist society in which capital's logic of collective action is monological in contrast to the dialogical action of labor (Offe 1985). The disparity of power relations due to two logics of collective action aggravates in economic downturns that is detrimental to the working-class solidarity.

For the past six years after 1987, organized labor experienced both rise and decline in organizing rate and the collective bargaining power. There

have emerged numerous symptoms indicating the decline of organized labor especially in the second half of the Roh regime (1987-1992) (Song 1993; 1994). Above all, the working-class division, organizational and ideological, is the most important factor undermining the further advancement of unified labor movement.

These are not the kind of social and political conditions for corporatism (or neo-corporatism) as a form of political regime.<sup>4</sup> A variety of studies on corporatism have revealed that in Western Europe it had emerged in the historical background that social classes had struggled for political power for a relatively long period and thus come to recognize the advantage of class compromise over class conflict in order to survive the intensified competition in world markets (Maier 1984; Korpi 1983; Katzenstein 1985; Esping-Andersen 1985). The role of the state should be emphasized in the historical compromise as a central agency of interest representation in the late 1930s and early 1940s, and of constructing the mode of interest intermediation particularly in the development of the welfare state after the postwar period (Schmitter 1979). Examining social scientists' attack on the pluralist body of thought in the 1970s, Korpi explains the term, corporatism, in light of three possible structural changes: modes of interest mediation (from pluralism to corporatism), the mode of production (from capitalism to corporatism), and the form of the state (from parliamentarism to corporatism) (Korpi 1983, p. 9).

It is important to remind, however, that the path and trajectory to reach corporatist political regime differ among nations. But a variety of comparative studies seeking to account for the difference provide a striking factor common to corporatist countries in Western Europe (Goldthorpe 1984; Katzenstein 1985). According to Goldthorpe, "the fact that the countries in which [corporatist] tendencies have been most sustained are ones in which social-democratic parties have played a dominant role in government is readily intelligible; union movement will be more prepared to enter into political bargaining, and will have greater confidence of eventual gains from it, where they possess close ideological as well as

<sup>4</sup>The definition of corporatism varies according to analysts so that various concepts coexist in this study area. Wilson classifies five usages in the literature on neo-corporatism by identifying the specific object of the theory (Wilson 1983). This paper follows the definition suggested by Philippe Schmitter, the most important of neo-corporatist theorists. He prefers the term "interest intermediation" over interest representation because the latter still contains the notion of pluralist democracy. His concept can be applied to a more extensive system of political participation and the mode of structuring interest conflicts among social classes (Schmitter 1982). Corporatism as a form of policy-making suggested by Lehmbruch (1979) can be regarded as a subtype of the extensive concept.



organizational ties with the ruling party" (Goldthorpe 1984, p.326). In all, it seems that corporatism requires, at least, two fundamental conditions: the strong party-labor linkage as a basis for the dominance of social democratic parties and the presence of reformist social democracy in power.

These conditions are totally absent in the elitist reform in Korea. This explains why two Social Pacts, one on June 29, 1987 in the beginning stage of political opening and the other on April 1, 1993 in democratic consolidation, are by nature ultra elitist. Despite the civilian government led by Young Sam Kim significantly contributes to consolidating institutional foundation for political democracy by various reformist measures, it shows a conservative attitude to the reform of authoritarian labor rules. The President Kim appointed "Y-J" Lee, a progressive and active lawyer in opposition movement, as Minister of Labor in his first cabinet but never empowered him to reconstruct labor regime. Minister Lee attempted to change the mode of state intervention in favor of workers in the frustrated strike of the Hyundai Motor Company, which erupted against the April 1st Wage Agreement in May 1993, but in vein. He was severely attacked by the conservative camp including Federation of Korean Industries (FKI) and political elites who survived the regime change. He was severely pushed to resign and, eventually, was selected out in the second cabinet. President Kim kept silence throughout the strike, repeating the importance of industrial peace as a basis for further reform. Consequently, labor laws remain almost unchanged but with a little relaxation of political repression. Virtually, Young Sam Kim promised to eradicate repressive labor laws in his campaign during the Presidential election, but violated his promise fall, 1993. The new government finally decided to call off labor legislation next year in excuse of its impact on economic recovery.

Whether to recognize multiple unionism and industrial unionism is the most sensitive issue generating interest conflict among state, capital, and labor. It means for the state and capital to abandon advantages and merits of enterprise unionism in labor control. The state and capital have long preferred enterprise unionism under the banner of industrial paternalism emphasizing the cannon that 'firm likes family.' It contains a Confucian virtue that encourages workers to think of socio-economic rewards as employers' benevolence. They are assured that enterprise unionism is the institutional foundation for harmony and cooperation at workplace. Consequently, they are reluctant to permit the presence of multiple unions within a firm for its conflictual tendency and to the recognition of industrial unionism for its affinity with class conflict, the idea that has been thought of as Western disease alien to East Asian people.

However, more practical dilemma lies behind this official doctrine. That is the rise of the opposition labor movement and its growing challenge to the uncertain and indecisive attitude of the new government to labor politics. KTUC and independent union federations (KCIIF), the radical division of organized labor, have long strived for a new democratic labor legislation in demand for multiple unionism and industrial unionism. So far six independent union federations have won state recognition through a couple of court struggles. FKTU still remains as a legalized partner with the state and capital in wage agreement but the emergence of these union federations significantly undermines FKTU's status in labor movement. In order to cope with the challenge efficiently without political repression, the state and capital have attempted to consolidate enterprise unionism more firmly on the basis of labor codes restricting collective bargaining and wage negotiation within workplace.

It is hardly conceivable for organized labor to break through this barrier in years to come due to the organizational and political weakness. In a comparative perspective, democratization and redemocratization commonly encourage the degree of worker participation and unions' bargaining power in political exchange. However, it seems that the Korean path is far different from what Spain and Brazil, for instance, have experienced in the 1970s and 1980s (Keck 1988; Martins 1986; Maravall and Santamaria 1986; Fishman 1990). In Korea, democratization is triggered by organized labor but ended up with unfavorable conditions for working-class politics. Moreover, democratization does not permit organized labor to enjoy further gains than economic well-being such as increase of wage and welfare benefits. It is noticeable that Korea's organized labor is characteristic of "dual failure" to expand organizational space and political space in the transition to democracy (Valenzuela 1989). Comparatively, the failure is closely associated with the mode of transition, that is, in Korean case, the elitist reform.

Crucial factors explaining the failure is multiple. Unlike the 'negotiated reform' in Spain, the role of organized labor tends to be preempted by political elites in the absence of party-labor linkage and worker propensity for class voting. With a rapid collapse of authoritarian repression in political arena it seems that organized labor changes its orientation from political to economic and pragmatic concerns. Consequently, political unionism has declined rapidly but instead economic unionism takes place. The change of labor orientation is partially responsible for the dual failure.

The restructuring of international trade regime, i.e., "globalization" can be also mentioned. It means the completion of economic liberalization that has

been carried out since the early 1980s in Korea. It mandates to withdraw state intervention but to promote market conformity in the national economy. The outcome is the intensification of market competition in both domestic and world markets. As for organized labor, the trend toward "globalization" is quite detrimental to the development of labor movement since it significantly undermines institutional basis for working-class solidarity everywhere. Globalization renders yesterday's comrade as today's competitor in labor market. It is hardly plausible that working-class politics will be well advanced to cope with internal and external pressures and tensions in Korea in years to come (cf., Turner 1991; Deyo 1993; Song 1993).

Finally, the working-class division is detrimental to the development of working-class politics. Organized labor is divided into three parts: FKTU, KTUC, and KCIIF. Of 18% of organizing rate in 1994, FKTU shares the largest part, 15%, and the rest belongs to KTUC and KCIIF. It is said that about 20% of organized labor, that accounts for 400,000 workers in number, is opposed to FKTU and belong to independent union federations (Song 1994). There exists a strong cleavage between FKTU and independent unions in terms of labor orientation and attitude toward state labor politics and wage policy. In the intensification of market competition promoting the segmentation of work, "divided workers" facilitates the subordination of organized labor to hegemonic power (cf., Gordon et al. 1982).

#### IN SEARCH OF A DESIRABLE MODEL OF WAGE CONTRACT MODEL: 'SECTORAL CORPORATISM'

Does this mean that a corporatist policy-making is impossible at all in the elitist reform such as in Korea? Obviously, an ultra elitist agreement is neither sufficient nor desirable as a long-term policy over an extensive period for the lack of consensus among social classes. The lack of consensus and institutional means to carry out enhances fragility of ultra elitist agreement. The exclusion of unions and workers in policy-making inevitably leads to worker discontent, which, in turn, undermines the effectiveness of the policy. Then, can Korea develop to a corporatist country? More specifically, will Korea adopt a corporatist wage policy such as tripartite cooperation? Because, as Cameron (1984) clarifies, corporatism is the most outstanding regime in terms of economic achievement, allocative and distributional justice.

As has been described, however, social and political conditions for corporatism are absent in Korea. Furthermore, organized labor shows

inconsistent and conflictual views in respect to wage contract model. Which model is the most desirable and adequate is open to debate. What a variety of empirical studies on unions' attitude to wage contract model have revealed can be recapitulated as follows (Park and Park, 1992; Lee 1993; FKTU 1993); (a) most unions recognize the drawbacks of enterprise wage-negotiation system; (b) pros and cons coexist with regard to the peak-level wage agreement; (c) because of the lack of experience, they do not have an accurate evaluation on various systems of wage negotiation; (d) finally, even if a wage negotiation at the peak level is permitted, they do not want to lose the autonomy of enterprise unions entirely.

Although such an inconsistency disturbs the way, it is clear that the proportion favoring wage negotiation at the peak level has dramatically increased, compared to the period prior to 1987. It is important to remind at this point that Korea's wage policy can be improved even to a corporatist tendency if it strives to remedy the disparity between what the state intends to achieve and real customs practiced by union leaders on wage negotiation at the firm level. To accomplish this, policy makers in industrial relations must pay extraordinary attention to the virtue of the new movement emerging from some industrial subsectors with a strong worker solidarity.

An analysis of a questionnaire survey provides a useful evidence for the argument that union leaders have strived to create formalized rules and customs by which to overcome the restriction of enterprise unionism in wage negotiation. More in detail, wage negotiation has proceeded within the firm boundary but the existence of "reference firms" is the most decisive and influential on the final outcome. It means that a firm in the process of wage negotiation takes a couple of firms as a group of reference considered as having a market niche similar or close to that firm. Usually, the reference firms share much similarities in product and labor markets, and belong to the same industry. In this respect, these firms in a reference group are a competitor in product and labor markets so that they are likely to develop a pay system similar to each other. The reference group takes place not at the industrial level but at the sectoral level within industry. To put another way, the reference group plays a decisive role in creating "wage community" at the meso level (cf., Doeringer and Piore 1971). Table 1 displays the analytical result.

The cross-tabulation analysis provides important facts with regard to real custom in wage negotiation. It can be summarized as follows: (a) larger firms prefer the sectoral wage negotiation more than smaller ones, and independent and Chaebol firms show a higher preference than subcontractors<sup>5</sup>; (b) a higher preference is found in the financial and service

TABLE 1. INFLUENTIAL FACTORS ON WAGE NEGOTIATION, 1992\*(UNIT: %)

Types	Outcome of Reference Firms	Others**	Case (N)
<b>1. Firm Size</b>			
large	59.2	40.8	98
small	54.2	45.8	142
<b>2. Firm Type</b>			
subcontract	47.7	52.3	44
independent	59.6	40.4	114
Chaebol	54.3	45.7	70
<b>3. Industry</b>			
heavy	53.0	47.0	134
light	57.5	42.5	73
financial & service	66.7	33.3	30
<b>4. Market Type</b>			
domestic	54.7	45.3	170
export	62.8	37.2	43
Total	56.3	43.7	240

\* Question: "Which is the most influential factor on wage negotiation in your firm?"

\*\* 'Others' include 'neighbor firms,' 'regional level of wage increase,' 'firm's pay capacity,' 'guideline of industrial federation,' 'government wage policy.'

\*\*\*All statistics are proved by chi-squares.

industries than in the manufacturing industries. It is closely associated with the level of homogeneity of labor force. Manufacturing industries comprise a wider spectrum of skill and the division of labor; (c) firms producing export goods have a higher preference than those for domestic consumption. This is also related to the level of homogeneity of labor force and the intensity of competition between firms. Firms producing goods mainly for domestic consumption are likely to be thrown into an intensive competition and pressure within a limited market. In contrast, firms for export market can avoid the competition by exploring unlimited foreign market. In sum, however, firms considering the outcome of reference firms most importantly in wage negotiation amount to more than a half.

The finding tells that labor unions have long developed such rules and customs as composing 'subindustrial or sectoral wage negotiation' under the restriction of enterprise unionism. 'Sectoral corporatism' refers to a corporatist interest intermediation that is limited to specific sector of the economy. For this purpose, it is required that sectoral organizations are

<sup>5</sup>A survey reports that Chaebol firms like to conduct pattern bargaining as a variant of sectoral wage negotiation (Sung 1992).

centralized and are granted representational monopoly (Lehmbruch 1984, p.62). Lehmbruch continues that sectoral corporatism dates far back to the restoration of 'chambers' and 'guilds' in the Medieval era in Western Europe, and the modern counterpart can be found in the agricultural policy in Germany and France in the 1930s and 1940s.

Since sectoral corporatism means to confer a privilege upon a specific sector to have an easy access to government protection and favor, it might be defective to distributional justice. The defect can be successfully remedied by securing national interest through political exchange between the state and sectoral organization.

Furthermore, this paper contends that once the state and capital recognize and admit the importance of the custom practiced over an extensive period in Korea, it could be a point of departure for 'sectoral corporatism' as a subtype of corporatist wage contract. In this sense, it is the time for the state to turn its attention to the emergence of new labor movement from some industries, especially the ship-building industry.

Early in 1994, six unions in the ship-building industry officially announced the launch of Ship-Building Unions Federation (SBUF). Ship-building workers are well known for the militant and violent strikes in years after 1987. They are likely an archetypal proletarian worker, compared to automobile workers, due to bad working conditions and job characteristics. Since the industry enjoys extraordinary prosperity for the past two years as to make Korea the second largest shipbuilder in world markets, workers' bargaining power improves remarkably. This challenge gives rise to tremendous impact on policy makers involved in wage agreement in 1994 and, more in general, the trend of labor movement. More importantly, SBUF claims to conduct sectoral wage negotiation in resistance to government recommendation and FKTU's wage policy. Although the new government has declared a strict regulation against violating labor laws, the effort of SBUF will not be fruitless in the strong support by KTUC and KCIIF.

## CONCLUSION AND DISCUSSION

The state in democratic consolidation is well aware of the importance of wage policy in regime stability. The state abandoned repressive wage policy in an attempt to induce cooperative negotiation at least at the peak level in form of ultra elitist agreement. An ultra elitist agreement has a limitation to secure worker commitment due to the lack of consensus-building procedure. Most unions were entirely excluded from the April 1st Wage

Agreement so as to provide the reasonable ground for the opposition movement. The relative success of the wage agreement is attributed not to the adequacy of the policy but to the people's abhorrence of worker demand for higher wage and fear for the economic recession.

There emerged a lot of symptoms indicating the decline of organized labor due to the transition of labor orientation from political to economic and pragmatic concerns. But it never means a complete collapse of labor movement in Korea. Theoretically and practically, labor movement repeats ups and downs according to political and economic conditions. Elitist reform generates unfavorable conditions for labor movement because the role of organized labor is preempted by political elites in the democratic transition and consolidation. But it is important to remind that the capacity of organized labor improves persistently in the reiterated experience of success and failure.

Social and political conditions in Korea do not have affinity with corporatist ones. Especially, the state and capital are reluctant to the rise of working class and carry a strong opposition to corporatist tendency. Virtually, corporatism is viable in a regime in which the working class is not dominated by the ruling class, and vice versa. The necessity of negotiation takes place in a regime where power relation among social class power is balanced. Accordingly, the further growth of organized labor is firstly required to advance wage negotiation in a corporatist way in Korea. Subordination and fragmentation of organized labor lead at best to 'corporatism without labor' like Japan (Pempel 1979).

This paper argues that unions have developed rule and customs pertinent to sectoral corporatism under the restriction of enterprise unionism on wage negotiation, and if the state and capital strive to incorporate them to the elitist agreement in order to obtain the working-class support, a desirable wage model close to corporatist tendency can be achieved. To accomplish

TABLE 2. INCREASE RATE: WAGE, PRODUCTIVITY, AND LABOR COST (UNIT: %)

Year	Nominal Wage	Productivity (a)	Labor (b)
1981-86	12.2	11.8	12.5
1987-92	16.3	11.6	19.4
1992	15.2	8.7	12.0
1993			

Source: Lee, Sun (1993, p.11) (a) It includes all industries except agriculture in nominal price. (b) Labor cost per capital in the manufacturing industries. Korean Bank, *The Analysis of Firm Management*, annual.

this, the state should abolish repressive constraints but be more progressive to introduce inducements in form of tax benefits and subsidies to encourage corporative negotiation.

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