Economic and Labor Situation
in Republic of Korea

Takeshi Chujo

I. Economic Situation in Republic of Korea

The Republic of Korea with a land area of 98,000 square kilometers (North Korea — 122,000 square kilometers) is roughly the size of England, the state of New York or Japan proper minus Aomori prefecture. Her total population is 31.41 million with 4.77 million people in Seoul.

The whole land was devastated in the war flames in the three years following the surprise onrush of North Korean troops on the dawn of June 25, 1950. It was not until the beginning of 1960's that her economic reconstruction was set on foot. In 1961 Major General Park Chung-hi entered Seoul, and was elected President in October 1963. In less that the years of the Park administration, her G. N. P. grew twice or more, and her foreign export showed an expansion of more that twenty times.

From 1962 onwards, her economic development went smoothly, and this trend grew even steadier after 1966 into a full-scale development. In 1962 her rate of economic growth in terms of G. N. P. was only about 3.5% whereas the average rate of growth per annum for the period between 1962 and 1968 rose to 9.1%. Her economic expansion continued by leaps and bounds: 13.4% for 1966, 8.9% for 1967, 13.1% for 1968, and 15.5% for 1969. It was in December 1965 that the diplomatic relations between Japan and the Republic of Korea were restored with the effectuation of the Japan-ROK Basic Treaty. In sums of all forms of foreign foreign funds that flew into the Republic since 1965 such as government loans, commercial loans, private investment, etc., the contribution of the
United States ranks first, and Japan's second.

ROK's Economic White Paper shows that the foreign capital introduced into the Republic of Korea between 1965 and 1969 totalled 2.18 billion dollars, with 816.462 million dollars (219 cases) from the United States and 514.773 million dollars (160 cases) from Japan who draws far away from the rest — some 180 million dollars from France, 170 million dollars from West Germany, and 110 million dollars from the United Kingdom.

In commercial loans alone, Japan's share slightly exceeds U. S.'s in the total sums as of the end of 1969. Japan's total of commercial loans extended since 1965 amounts to 265.7 million dollars while U. S. commercial loans extended since 1963 totals 264.4 million dollars.

It is foreign loans, especially private loans that had bolstered up ROK's economic growth before January 1969 when the introduction of foreign capital became active through positive encouragement by the Korean government. In 1968 private loans from Japan since 1965 have already reached in total to the same level as those from U. S. since 1963.

Investment in plant and equipment made possible by loans introduced from Japan accounts for 62.4% of the total production capacity of the plastics industry, 51.4% of that of the cement industry, 50% of that of the synthetic fiber industry, and 30% of that of the fertilizer industry. (Estimated by Ministry of Foreign Affairs)

For her future economic development, however, the main flow of foreign capital will have to come from Japan, and the Korean government naturally places the greatest emphasis on this. Up until 1968, the Republic of Korea had been extremely cautious in dealing with Japan, fearing that the introduction of capital from Japan might revive Japanese economic domination and subjugation of her people. This national sentiment towards Japan prevented the inflow of capital from Japan.

What caused the Korean government to make a complete about-face in her policy towards Japan?

First, the Nixon doctrine brought about a change in the U. S. policy
Economic and Labor Situation in Republic of Korea
towards the Far East, involving the proposed reduction by half of the U.-
S. Armed forces in Korea which means the withdrawal of two divisions
from the current forces of 50,000 servicemen between 1972 and 1976 and
the termination of the U. S. grants-in-aid to Korea by 1971. The Republic
of Korea had to give up her economic dependence upon the United
States.

Second, the repayment of foreign loans has reached an enormous
amount. As of September 1969, foreign loans totalled 2,11177 billion dol-
ars, and their repayment amounted to 101 million dollars in 1969. By
1967 the repayment is estimated to go well over 400 million dollars. Her
foreign currency reserves amounted to 550 million dollars at the end of
1969. It is said that after 1970 the repayment will account for more than
10% of the foreign capital to be received from abroad. The foreign debts
repayment ratio or the ratio between the amount of the repayment and
the sum total of the receipts from visible and invisible trades was 5.1%
for 1968, 11% for 1970, and is estimated to reach 30% in the latter half
of 1970’s. (Estimated by the World Bank.)

It was under these awkward circumstances that the Republic of Korea
suddenly changed her policy in regard to the capital flows from Japan,
declaring a warm welcome to direct investment. Questioned about this
somewhat ticklish problem, some influential quars are reported to have
replied like this: “We welcome all forms of direct investment from over-
seas, and this by no means exclude 100% foreign investment. We wouldn’t
mind Japan’s dominating our enterprises—and we wouldn’t be surprised
to see it happen in future—if, and only if, they were initiated as joint
ventures. The entry of Japanese capital into our country will, we trust,
lend itself to closer cooperation, whereby Japan may be more easily per-
suaded to join hands with us for the cause of mutual security against com-
munist threats.” ROK government explains the policy change this way:
“We welcome foreign investment as it contributes to promotion of exports,
establishment of import-substitute industries, expansion of employment, and
advancement of technology." The Korean government is now watching the movements of the Japanese business circles with keen and eager anticipation of favorable response, hoping that the Japanese will bring an investment boom and that Japan will help her developing overseas markets for her products which will have been improved through the introduction of capital and technical know-how from Japan.

The proximity of Japan and Korea, the close affinity of their languages, customs and manners, all these factors are lopsidedly in favor of Japan. To invite a technical expert from Japan for local training may cost no more that a few hundred dollars a month while to do the same from Europe or the United States may cost three times as much plus the travel cost and other incidental expenses like the hotel bill. The Koreans become skeptical and cautious about the Japanese all the more because of this.

Despite Koreans' inveterate dread of Japan as being "an invisible empire", Japanese investment there showed a rapid increase in the past year or two. It was in January 1969 that the first Korean-Japanese joint venture was launched on the government authorization by Liuchon Industry, Inc., of Korea and Dainippon Kinzoku Kigyo (Japan Metalworking Company) under the name of Korean Machine Tool Manufacturing Company. By the end of October 1970 or in about two years, a total of 27 million dollars (84 contracts) (on the basis of Korean government authorization) flew into Korea to initiate joint ventures.

The Mitsui group, the Mitsubishi group, Teijin, Yakuruto, Toshiba, Sanyo-denki are some of the leading firms participating from Japan. Looking to Japan for economic cooperation in hope that it may serve as the main-springs of her economic growth, and seeking for a happy shift from "leaving Americans" to her neighbor, the Republic of Korea has been showing, under the growing pressure of her economic and security problems, a precipitating gravitation towards Japan. Under these circumstances, the Korean government imposes upon itself an ambitious task of accom-
Economic and Labor Situation in Republic of Korea

plishing the Third Economic Five-Year Plan which is geared to 'heavy-industrialization' or boosting of heavy industry.

The following are the major objectives of this long-range plan.

1) To step up the rate of economic growth to an average annual rate of 10%.

2) To obtain 2.8 billion dollars from the visible trade and 536 million dollars from the invisible trade.

3) To step up the rate of growth of farm and marine products to a minimum of 6% in order to attain self-sufficiency with regard to food.

4) To keep down the annual rate of population to 1.8%.

In other words, the Republic of Korea plans to attain economic independence in the 1980's through a well-balanced development of agriculture and manufacturing by securing a sufficiently high rate of investment and increasing exports.

Now that the repayments of foreign loans and the improvement of the balance of payments loomed up conspicuously as a matter of great urgency, the Republic of Korea was compelled to turn to joint ventures which do not involve the problem of repayments. As an effort in this line, the Korean government is now busy making overall adjustments of investment conditions and improvements of investment environment to insure a smooth inflow of investment from Japan. These include measures for prevention of industrial property rights, and for regulation of the trade union movements.

II. Labor Situation in Republic of Korea

Modernization of the industrial structure is in rapid progress in the Republic of Korea. Figures in Table I prepared by Korean Institute for Industrial Development show that a smooth development started in 1962 but the growth speed picked up tremendously after 1966. The difficulty of obtaining reliable statistics is a common problem of Asian studies stu-
Economic and Labor Situation in Republic of Korea

dents, and I regret to say that I have to use government statistics which
are often found to be too rough.

Changes of Industrial Structure by Industry
(Figures in parentheses are in Billions of Hwans)

Table 1

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary Ind.</th>
<th>Secondary Ind.</th>
<th>Tertiary Ind.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>38.5% (347.1)</td>
<td>14.9% (133.8)</td>
<td>46.7% (421.5)</td>
<td>100% (902.4)</td>
</tr>
<tr>
<td>1966</td>
<td>36.8 (475.6)</td>
<td>17.5 (226.6)</td>
<td>45.7 (590.1)</td>
<td>100 (1292.3)</td>
</tr>
<tr>
<td>1967</td>
<td>31.9 (449.9)</td>
<td>19.8 (278.2)</td>
<td>48.3 (679.9)</td>
<td>100 (1408.0)</td>
</tr>
<tr>
<td>1968</td>
<td>28.9 (454.5)</td>
<td>21.1 (332.7)</td>
<td>50.0 (788.5)</td>
<td>100 (1573.7)</td>
</tr>
</tbody>
</table>

Source: Report on Basic Survey for the Establishment of Longrange Man-
power Development Program, Korean Institute for Industrial Devel-
opment.

Total employment is 7,934,000 persons, including 3,780,000 of laborers,
of which 2,410,000 are the regularly employed, 410,000 are the temporarily
employed, 960,000 are day laborers. (Source: Bureau of Labor Statistics,
Economic Planning Board) of these, workers having potentialities to orga-
ize are 1,960,000 persons who are made up as follows: general workers-
1,854,000; public servants in railways, communications, and tobacco cor-
poration—70,000; workers employed by U. S. Armed forces and foreign estab-
lishments—37,500. Of 1,960,000 workers, only 444,000 are organized. In
other words, organized workers accounts for 22.6% of the total population
of workers.

The percentage distribution by sex of the organized workers (444,000
persons) is as follows: male (333,000)—75%; female (111,000)—25%. The
percentage distribution by type of occupation is as follows: general work-
ers (337,000)—76%; public servants in railways, communications, and tobacco
corporation (70,000)—15.7%; workers employed by U. S. Armed forces and
foreign establishments (37,000)—8.4%.

As for wage rates, we can find considerable wage differentials among
different industries. The rates are by far the highest in financial busiess,
power-supply industry, gas supply industry. The second highest rates are paid to workers employed by U. S. Armed forces and foreign establishments and to those employed by transportation industry. Average wages earned by manufacturing workers are markedly low.

The average salary of all industrial workers (in mining, construction, power and gas supply, and manufacturing, excluding those in railways, U. S. Armed forces and foreign establishments, and financial business) is 8,950 hwans as of March 1969, while the average salary of manufacturing workers alone is as low as 7,380 hwans. The average wage of blue-collar workers is 6,390 hwans (Table 3). One hwan is equivalent or approximate 1.2 Japanese yen.

The initial salaries and wages of factory workers show wide regional differences. In Pusan and Chung-pukto, they are as high as 11,000—12,000 hwans, but in nowhere else are they any higher than 8,000—8,500 hwans (Table 4).

In 1969 the monthly average consumption expenditures (for the average family consisting of 5.5 members) of salarymen are 30,000 hwans while those of wage-earners are 19,000 hwans.

### Table 2

<table>
<thead>
<tr>
<th>Group</th>
<th>Office workers</th>
<th>Technical workers</th>
<th>Skilled</th>
<th>Unskilled</th>
<th>Date of survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railways</td>
<td>16,398</td>
<td>19,958</td>
<td></td>
<td></td>
<td>Dec. '69</td>
</tr>
<tr>
<td>Textile</td>
<td>23,148</td>
<td>21,395</td>
<td>15,400</td>
<td>6,200</td>
<td>May. '70</td>
</tr>
<tr>
<td>Mining</td>
<td>23,288</td>
<td>27,010</td>
<td>17,950</td>
<td>11,910</td>
<td>Oct. '69</td>
</tr>
<tr>
<td>Power Sp.</td>
<td>31,400</td>
<td>24,362</td>
<td></td>
<td></td>
<td>Feb. '69</td>
</tr>
<tr>
<td>Frgn Ests.</td>
<td>28,891</td>
<td>25,604</td>
<td></td>
<td></td>
<td>Apr. '70</td>
</tr>
<tr>
<td>Commnctns.</td>
<td>20,820</td>
<td>18,210</td>
<td>19,020</td>
<td>7,000</td>
<td>Oct. '69</td>
</tr>
<tr>
<td>Transportn.</td>
<td>27,836</td>
<td></td>
<td>11,260</td>
<td></td>
<td>Apr. '70</td>
</tr>
<tr>
<td>Seamen's</td>
<td>24,000</td>
<td>37,000</td>
<td>29,000</td>
<td>17,500</td>
<td>Oct. '69</td>
</tr>
<tr>
<td>Financial</td>
<td>37,650</td>
<td>26,451</td>
<td>13,097</td>
<td></td>
<td>Apr. '70</td>
</tr>
<tr>
<td>Monopoly C.</td>
<td>22,137</td>
<td>15,440</td>
<td>12,103</td>
<td></td>
<td>Aug. '69</td>
</tr>
<tr>
<td>Chemicals</td>
<td>19,700</td>
<td>17,290</td>
<td>11,500</td>
<td></td>
<td>Aug. '69</td>
</tr>
</tbody>
</table>
Economic and Labor Situation in Republic of Korea

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average</th>
<th>Blue-collars</th>
<th>White-collars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal W.</td>
<td>25,210</td>
<td>16,058</td>
<td></td>
</tr>
<tr>
<td>Harbor W.</td>
<td>10,496</td>
<td>8,066</td>
<td></td>
</tr>
<tr>
<td>Publishing</td>
<td>22,500</td>
<td>16,000</td>
<td>7,750</td>
</tr>
<tr>
<td>Autoworkers</td>
<td>17,429</td>
<td>23,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Nat'l Fed.</td>
<td>22,728</td>
<td>22,550</td>
<td>9,470</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>23,352</td>
<td>23,453</td>
<td>18,602</td>
</tr>
</tbody>
</table>

Source: Research Bureau, General Council of Trade Unions of Korea

Salaries by Industry

Table 3

<table>
<thead>
<tr>
<th>Group Industry</th>
<th>Average salaries</th>
<th>Blue-collars</th>
<th>White-collars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>10,410</td>
<td>10,140</td>
<td>11,850</td>
</tr>
<tr>
<td>Construction</td>
<td>10,500</td>
<td>17,410</td>
<td>10,000</td>
</tr>
<tr>
<td>Power &amp; Gas</td>
<td>18,620</td>
<td>18,250</td>
<td>19,030</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7,880</td>
<td>6,390</td>
<td>11,120</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>8,950</td>
<td>8,750</td>
<td>12,280</td>
</tr>
</tbody>
</table>

Source: Industrial Labor As of March 1969

Initial Wages of Blue-Collar Workers

Table 4

<table>
<thead>
<tr>
<th>Sex Region</th>
<th>Male</th>
<th>Female</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pusan</td>
<td>11,000</td>
<td>7,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Kyonggi-do</td>
<td>8,000</td>
<td>6,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Chung-pukto</td>
<td>12,000</td>
<td>5,000</td>
<td>8,500</td>
</tr>
<tr>
<td>Chon-pukto</td>
<td>8,000</td>
<td>6,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Kyong-pukto</td>
<td>8,500</td>
<td>6,800</td>
<td>7,500</td>
</tr>
<tr>
<td>Cheju</td>
<td></td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>9,270</td>
<td>5,860</td>
<td>7,300</td>
</tr>
</tbody>
</table>

Source: Office of Labor Affairs, as of March 1969

The composition of living cost is as follows: food-41%; housing-18%; fuel and light-4%; clothing-11%; miscellaneous-24%.

With economic growth well underway in recent years, the expansion...
of the heavy chemical industry has been in progress with the result that the contribution of this industry to economic growth picked up percentagewise from 1.1% in 1952, 2.8% in 1962, to 4.5% in 1968, and in terms of money, from 6.7 billion, 25.3 billion, to 87.4 billion hwans respectively. Light industry and construction have grown likewise.

Accordingly, wages have shown a large increase. In the period between 1961 and 1967 manufacturing wages increased more than twice. While wages in hitherto relatively low-paid industries like textiles and chemicals skyrocketed from 2.5 to nearly 3 times, those in papers, primary metals, and carriage manufacturing where wage rates have been known to be relatively high have nearly doubled. Hence wage differences have been and continue to be narrowed down.

64% of 112 labor disputes that arose by the end of 1968 were fomented by demands for wage increases. The greatest of all disputes ever staged was that of Eastern Machine Industrial Company, whose 430 union members affiliated to the National Metal Workers Union demanded a 50% wage-hike, Sunday-work allowance, night-duty allowance, and bonus. Declined by the management for the reason of financial difficulty, they went on a go-slow strike on March 20, 1968. The management gathered all employees and threatened them by declaring “those who wish to lift their hands against the management may leave us.” Simultaneously with the announcement of advance dismissal notice to all employees, did the management enforce ‘lock-out’. The union members started a sit-down strike. After 40 days of open hostility, the management went so far as to report to the authorities concerned the close of the shop. The longprotracted dispute, however, came to an end after all when both parties agreed to cease hostilities on the condition that all employees return to work.

The second greatest dispute arose when 30,864 local employees (affiliated to the National Union of Foreign Establishments Local Employees) of the U. S. 8th Army demanded a 37% raise of basic wages a 20% bonus (the current rate was 250%) but the U. S. Army replied a 20% payraise
with no bonus increase. The Union passed a resolution to rise in protest on December 17, 1968. The strife was over when an agreement was conclued to the effect that a 25% pay-hike and the amount of extra bonus will be discussed by the management-labor talks at the wage-readjustment negotiation table in the following year.

Among foreign concerns in Korea, the Korean Semigoa and the Korean Oak (both, American capital) were troubled considerably by labor disputes over a 50% wage-increase. Other disputes worthy of mention are those of JAL, the Automobile Manufacturing Workers Union, the Monopoly Corporation Workers Union, and the Communications Unino. The most noticeable disputes of 1969 are the two that involved the National Textile Union and the Shipbuilding Corporation Workers Union.

The National Textile Union dispute: the dispute arose on June 21, 1969 when the union members in the cotton spinning mills demanded a 28.5% wage-rise. Close on their heels came the union members in the silk-reeling mills and those in the wool-carding mills who demanded a 30.9% and a 25% wage-hike respectively and went on strike on July 1.

A total of 76,221 union members participated in the Textile Union dispute, and the Central Labor Relations Commission decided that their sets of dispute were lawful. Regarding the Commission’s judgment to be unlawful, the Cotton Spinners Association appealed to the Seoul Regional High Court for suspension of the effect of administrative decision and for provisional disposition, but their appeal was turned down.

In the meantime the Union’s Struggle Committee drew up a plan to stage an all-out strife lawfully, and started refusing to work overtime, to work on holidays, and to work at recess. The result was that under the superintendence of the Ministry of Labor Affairs, the Silk Exporters Association representative and the Union representatives sat in conference and reached an agreement that the management accede to the wagehike demands at the rates prompted by Labor for regular workers and apprentices. The dispute was thus settled.

--- 19 ---
Economic and Labor Situation in Republic of Korea

The case of the Shipbuilding Corporation Workers Union, a branch union of the National Metal Workers Union, started on July 2, 1969. 1,768 union members participated in the dispute with the Korean Shipbuilding Corporation.

Demanding 1) a 56.78% increase of the regular wages, 2) revision of the collective bargaining agreement, 3) a separation allowance for the temporarily employed, and 4) a 200% bonus, the Union appealed to force, which in turn evoked an enforcement of lock-out by the management. Enraged with the management, all the union members’ families joined in the picketing, sit-down strike and hunger strike. The Korean government put in motion the emergency mediation right, and the Central Labor Relations Commission’s emergency mediation failed. Ten leaders of the Shipbuilding Corporation Workers Union were arrested on a charge of having demolished furniture and equipment and used violence. After all, the Union agreed to conclude the dispute on the condition that the arrested union leaders be released.

What I felt most strongly on this inspection tour of factories and other places of work are that an overwhelmingly large number of retired military officers were found occupying executive posts, that military training by retired servicemen is a part of factory life there, and that there was an unusually tense atmosphere enveloping workers in their manners and discipline. As one of the characteristics of the Korean industrial relations, I might mention that promotion goes by seniority although this does not necessarily mean a lifetenure of office.

Another characteristic is that there are many young workers under 21, the age of enlistment, who accept a makeshift job as a stepping stone as they cannot hope to be hired on a permanent status. Their wages are about one third of their Japanese counterparts, but in the agricultural sector many people are under-employed. Under-employment or potential unemployment in sluggish rural economy shifts to urban or suburban areas to become revealed unemployment. The rate of unemployment is stated
Economic and Labor Situation in Republic of Korea

to be 5.2% but how to mobilize the jobless or the disguisedly unemployed like these as productive forces to shoulder ROK's economic growth remains to be solved.

The next problem I found in Korea—a problem that can be found in any country of Southeast Asia—is that the labor legislation and its machinery, though nearly perfect in shape, do not function effectively for the betterment of working conditions and the improvement of living conditions of working people. An equally important aspect of the Korean industrial relations is a regrettable lack of autonomy or subjecthood on either party of the labor dealing.

The trade unions were reorganized on industry basis in 1961, but they were placed under fairly strict government control so that the social influence of their voice has been rather weak. With every change in the political environment, workers were organized to meet the political needs under political pressures. Labor legislation was weighed according to political considerations, and industrial relations have not grown sufficiently to meet up to the legislation.

Although the organizational structure of the trade union is nearly perfect in shape, the union activities are restricted in many ways, so that the guiding principles and even the union itself are subject to the will of the Establishment. It is the government whose attitudes alone can decide whether or not the weaknesses of the trade union be covered up or whether or not the interests of the working people be really protected, and that's why the giant capital behind the ruling Power can wield the absolute power over not only the functioning of the trade union but also the existence of the trade union itself.

— The End —

— 21 —