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Reforming Labor Management Relations: Lessons from the Korean Experience 1996-97

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Reforming Labor Management Relations

Lessons from the Korean Experience: 1996-97

June 2000

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Foreword

This book critically examines the detail development of labor management relations reform in Korea which occurred during 1996 to 1997. It analyses such issues as why Korea launched labor management relations reform. What were the goals and objectives of the reform? How has it been initiated and implemented? What have been the major difficulties and obstacles and how has the reform leadership managed those adversities?

In addition, the book evaluates the reform process from the perspective of effective reform management. How good has the reform managed? Has it been successful? If yes, how come?, if not, why not? What lessons can we draw from Korean experience? The author strongly believes that the Korean lessons can help in developing better strategies for successful reform both for the future Korea and for other developing nations.

There have been many discussions and studies on what to reform in the developing nations, but very little studies on how to reform them successfully. In many cases, we know our goals but we do not know how to get there. We know what we have to do, but do not know how we can do it successfully. I am sure that this book will be an invaluable asset both for academics as well as practitioners.

The conclusions and recommendations, however, reflect the views of the author and not those of the Korea Development Institute.

Jin Soon LEE

President

Korea Development Institute

June 2000

Seoul

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1. Introduction

This paper has two purposes. One is to examine the detail development of labor management relations reform (hereafter it will be called as labor reform) in Korea, which was carried out during 1996 to 1997. Why has Korea launched labor reform? What were the goals and objectives of the reform? How has it been initiated and implemented? What have been the major difficulties and how has the reform group managed those obstacles?

The second purpose is a critical evaluation of the reform process from the perspective of reform management. How good has the reform managed? Has it been successful? If yes, how come? If not, why not? What lessons can we draw from the Korean experience? What can we learn for the development of better strategies for successful labor reform?

In section 2, I will briefly examine the historical background of labor reform to understand the reasons why Korea needed labor reform. In section 3, I will identify the major goals and objectives of the reform and in section 4, I will investigate the detail process of reform step by step from its initiation to its implementation.

In section 5, I will critically evaluate the reform process from the angle of reform management. To what extent the reform was managed successfully and to what extent it was not? What were major determinants of reform success as well as failure? And in section 6, I will draw some lessons from Korean experience for better management of education reform later on in Korea or in other countries.

2. Background of Reform: why labor reform?

Labor reform implies two things in Korea. One is to change labor laws from the old and outdated ones to the new and modern ones. The Korean labor laws were for the first time legislated in 1954, modeling after the Wagner Act of 1935. There have been several amendments since then but the main framework and underlying philosophy of the Korean labor laws have not been changed much. Korean labor laws reflect the philosophy and paradigm of labor relations prevailed in the period of industrialism, but not those in the age of post-industrialism and globalization. So there has been an urgent need to change labor laws into the ones more compatible to the coming age of globalization and information society.

The other one is to change our outdated mindset or view on industrial and labor relations and to change the current confrontational relations full of distrust into cooperative relations based on mutual confidence and respect. Change in ways of thinking and behavior needs much more than change in laws. It takes in fact a considerable time and efforts for new mindset to take root in our daily thinking and behavior. However, this transformation can be speeded up by organized efforts among leaders in industrial and labor relations, namely, union leaders, industrialists, and government.

So in Korea labor reform had two dimensions: one was legal reform and the other one was reform in social physiology. The Korean government believed that both were needed to create new industrial and labor relations suitable for the 21st century.

There were three reasons why the Korean government started labor reform in 1996. First one is that there was a growing consensus in the general public

that Korea needs definitely new industrial and labor relations, namely, more participatory and cooperative ones, to prosper in the future. Second one is that labor laws became unfit and inappropriate to the changing economic environment. So there has been a rising discrepancy between law and reality, between what law says and how people behave. Third one is that there has been a rising pressure to change some parts of Korean labor laws from the international community, such as ILO and OECD. Each reason will be discussed more in detail in turn.

2-1. From Confrontation to Cooperation

The industrial and labor relations in Korea have been subordinated to the government's economic development plan during the past 4 decades. For a rapid economic growth the government has made the social development, of which industrial relations is a part, being lagged behind deliberately. "Growth or efficiency first and distribution or justice later" has always been dominant philosophy of public policy in Korea during the last 4 decades.

So even though the labor laws allowed the right for unionization the government did not permit perfect free and autonomous bargaining as well as free collective action, such as strikes. Whenever there were labor disputes, so-called "quick fix solution" through government intervention has been a norm, rather than an exception during the past 40 years.

Union membership was about 220 thousands in the early 1960s and about 470 thousands during the early 1970s and became about 1 million in the middle of 1980s. However, until 1987, union activities have been rather nominal and unsubstantial. Of course the government policy could not be solely responsible for weak union position. The labor market condition was also unfavorable to union during the 1960s and 70s. The unlimited supply of

labor from the rural sector during this period of early development reduced the union's bargaining power substantially.

The year of 1987 was a turning point in Korean labor history. Being forced by the popular demand, the former President Roh declared a policy reform toward democratization in June 1987. After the declaration, spontaneous outburst of long-oppressed union activities has immediately followed. The labor disputes soared and unionization membership sharply rose. The average number of labor disputes ranged about 200 cases per year before 1997, but it skyrocketed to 3,749 in 1997, 1,873 in 1988, and 1,616 in 1989. Union membership jumped from 1 million to 1.27 million in 1987, to 1.71 million in 1988, and to 1.93 million in 1989. Now Korean union has started to enjoy perfectly the autonomous collective bargaining and free collective action.

The rising trend of number of labor disputes and union membership has been tempered and ultimately restored to normal trend after few years' adjustment period. Now the number of labor disputes dropped to about 100 cases per year and the union membership came down to 1.4 million level.

After the liberalization of union activities, several new developments have emerged. First important development was the emergency of a new national center in the Korean labor movement. Korean labor union movement had been represented by one national center, called No-Chong (Federation of Korean Trade Unions: FKTU) before the 1987. However, since 1987 new competing national center appeared, called Min-No-Chong(Korean Confederation of Trade Unions: KCTU). This new center was very critical of the activities of the No-Chong and called themselves as democratic unions and demanded legitimacy by accusing the No-Chong of being company unions.

Second development was a rapid rise of wages partly due to aggressive union activities and partly due to rapid economic growth during the period. Wages tended to rise faster than the productivity growth. During 1985 to 1995, nominal wages in non-farm sector grew at the annual average rate of 14.2 percent, while corresponding labor productivity rose by the annual average rate of 11.2 percent. Focusing one manufacturing sector, the discrepancy became more vivid. Annual average growth rate of nominal wages in manufacturing sector was 15.3 percent, while that of labor productivity was 11.2 percent during 1985 to 1995. So there was little doubt that labors' working conditions have improved significantly after the union liberalization.

Third development was that the industrial and labor relations seemed to become more confrontational and less cooperative each other. Even after union liberalization there has been no sign of improvement in restoring mutual trust between companies and unions. One survey shows that as of 1995 only 10% of employers and employees said the trust between them is high, while about 55% reported that the mutual trust is low. The rest 35% said neither high nor low.

Company regarded union's improved strength as a threat or challenge to management's prerogative. And union capitalized on the improved freedom for obtaining hegemony in union rivalry by bullying management. So it became evident that union liberalization does not necessarily guarantee the emergency of matured industrial and labor relations, namely, more cooperative and productive relations.

Fourth development was that the cost of immature industrial relations tended to rise. A new concern has been growing about excessive union activities. Even though the number of labor disputes has declined since 1990, the intensity of disputes measured by the number of people involved or number of days lost has increased substantially, well above the level of other

countries. As of 1990, the working days lost due to strikes per 1,000 employees was 448.7 days in Korea. The corresponding figures was 3.0 days in Japan, 57 days in U.S., 83 days in Great Britain, 14.6 in Germany, and 187.7 days in Sweden. In 1994 the situation has been somewhat improved but still the working days lost in Korea was substantially higher than other countries. It was 120.7 days in Korea, but 1.6 days in Japan, 46.5 days in U.S., 12.8 days in Great Britain, 7.3 days in Germany, and 14.9 days in Sweden.

The above developments indicate that Korea needs more than simple union liberalization. To achieve more matured industrial relations, more participatory as well as more cooperative ones, Korea needs specially organized joint efforts of labor, management, and the government. Korean people have begun to realize after 10-year experience of union liberalization that they need more than that. Now people acknowledged that confrontational industrial relations eventually hurt both sides and distrust between them does ultimately a grave disservice to both sides. Thus, people thought they need a fundamental labor reform to change the present confrontational industrial and labor relations into more cooperative relations. Otherwise, they thought that Korean economy could not survive in the age of globalization featured by rising mega-competition. One survey shows that as of 1996, 90.5 percent of the surveyed people (1,542 persons) supported that we need a fundamental labor reform.

2-2. Rising Discrepancy between Labor Law and Reality

As said above, the Korean labor laws were enacted in 1953 right after the Korean War, modeling after the U.S.'s Wagner Act of 1935. So generally their contents were very much outdated. Moreover, since 1953 there have been several amendments, but in most cases the direction of amendments

was to discourage union activities but to strengthen labor standards. In other words, collective rights of workers, such as right to organize union, to bargain with employer, and to go to a strike, have been curtailed significantly over the decades before the 1987's democratic reform. But, interestingly enough, the individual rights of workers, such as right to severance pay, to avoid wrongful dismissal, and to safe and healthy working environment, etc., have been improved substantially over the same period.

Thus, in addition to the overall outdated contents, the Korean labor laws became to hold simultaneously under-protected labor union act with over-protected labor standards act.

To be more specific, key under-protected areas are as follows:

- (1) Multiple unionism was legally prohibited. Thus, the Min-No-Chong, more progressive wing of labor movement, could not be legalized. They performed as a de facto national center of unions but labor union laws could not protect their activities. They could not enjoy all the privilege of being licensed union. The outlaw of Min-No-Chong made them more radical and anti-established.
- (2) Unions could not get any outside help in various unions' activities, such fields as in organizing and negotiating. The labor union law prohibited outside help in the name of third party intervention. So even Min-No-Chong and religious groups could not help individual unions in collective bargaining and collective action. Of course, the rationale of this prohibition was to prevent "impure" elements into labor movement.
- (3) Unions are prohibited from any kind of political activities, such as political donation, participation in election campaign, and support for

any political party, etc. The labor union law has such a clause to ban outright the unions' political involvement.

On the other hands, Labor Standards Act had the following major overprotected areas.

- (1) Dismissal for managerial reasons (redundancy dismissal) was not clearly stipulated in the Labor Standards Act. Case law has supported the dismissal for managerial reasons, but there was no clear-cut written clause in the Labor Standards Act. Thus, the dismissal for managerial reasons always caused serious disputes between union and company.
- (2) Flexible working hour system was not introduced in Korea. So for example, employer could not have a worker work for a specific week in excess of legal working hours (currently 44 hours a week), or for a specific day in excess of legal working hours (currently 8 hours a day), even on condition that worker does agree and the average working hours per week or per day do not exceed certain limit (44 hours a week and 8 hours a day). Thus, flexible adjustment of working hours to rapidly changing business environment was not easy in Korea even based on the mutual agreement between employer and employee.
- (3) Manpower supply business was banned by labor laws for fear of deterioration in working conditions. There was, however, about 220 thousands de facto dispatched workers in Korea who remained outside of the legal protection. By legalizing the manpower supply business and enacting employee dispatch law, not only labor supply flexibility could be improved but also the rights and interests of dispatched workers could be protected adequately by law. But employee dispatch system and the corresponding law was not introduced in Korea.

In a nutshell, laws regulating labor union activities have been too prohibitive and repressive, but, on the other hand, laws regulating labor standards at individual work place have been too protective and idealistic. Thus, the former caused unions' resistance, while the latter created business' discontent. The net result was benign disobedience of the labor laws. People call it discrepancy between law and reality.

2-3. International Pressure

The labor reform was not triggered directly by the international pressure. Domestic factors discussed above played more important and decisive role in initiating labor reform. However, the international pressure provided a very favorable condition to initiate reform and persuade reform-opposing groups both inside and outside of the government.

Korea joined the ILO (International Labor Organization) in 1991 and became a member of directorial countries through the votes in the general assembly meeting of 1996. As is well known, there are three main activities of the ILO: the formation of international labor standards, technical assistance, and investigation and research, and of which the first one is most important.

As already discussed in the above, the Korean labor laws can be characteristically separated into two segments: one is overprotected labor standards sector and the other one is underprotected labor union sector. The ILO did not concern about the overprotected sector, but concerned very much the underprotected sector and issued Recommendations twice to the Korean government in 1993 and in 1996, respectively. Both Recommendations called for the same thing, namely, the revision of labor laws to allow multiple unionism, teachers' union, and unions' political activities, as well as to repeal the prohibition of third party intervention.

Thus, to become a responsible member of the ILO, there was a growing need in Korea to change labor laws following international standards.

Korea applied for the membership of the OECD in 1995 and accepted in 1996. As of 1995, Korea ranked the 10th in the world in terms of the GNP and trade volumes, and its GNP per capita exceeded US\$10,000. The size of Korean economy was much larger than that of new OECD member countries, such as Mexico, Czech Republic, Hungary, and Poland.

In the process of joining the OECD, each and every Committee was to review the main socio-economic indicators of Korea. Among them, the ELSAC (Employment, Labor, and Social Affairs Committee) issued a critical review on the Korean labor laws. The Committee pointed out that Korea's ban on multiple trade unions and the third party intervention does not meet the international labor standards.

The Secretary General of the TUAC (Trade Union Advisory Committee) also sent an official letter to each Committee under the OECD, claiming that "we should constantly urge the Korean government to reform the labor laws so that they meet the ILO standards of freedom of association". Of course, the ILO standards here means to allow multiple unionism, teachers' union, and unions' political activities, etc.

The Min-No-Chong, outlawed but practically very active national center, lobbied the ILO and the OECD aggressively to bring their attention to the Korean labor laws and its problems. The Min-No-Chong wanted to pressure on the Korean government through international organizations for the revision of labor laws.

The reform group in the government, which was preparing a more comprehensive labor reform in Korea, was not extremely unhappy with these

international opinion and pressure. The reform group thought that rising international pressure could provide a favorable condition helpful to bring about a total labor reform in the Korean society. They thought it would be much easier to persuade the reform-opposing groups with international pressure for reform than without it.

Of course, the ILO Recommendation and the OECD demands do not have any legal binding force, but they bear strong moral force and political appeal. Thus the reform group wanted to make best use of them to push the reform. Some people stated that the Korean government pushed labor reform of the 1996 for the admission to the OECD. But that was simply untrue. The truth was that the government capitalized on the international pressure to kick off the labor reform.

The above three factors were the major reasons why the Korean government launched a relatively sweeping and exhaustive labor reform in 1996.

3. Goals and Principles of Labor Reform

3-1. Demand for a New Paradigm

Human civilization seems to be at a great turning point as the age of globalization and information approaches. A new international environment of globalization has brought the age of border-less economic activities, lowering barriers among nations. The era of boundless international competition and a single global market is coming near.

In the meantime, information and knowledge have come to replace the traditional sources of wealth and competitiveness. Thus, the national, corporate, and individual development principles are changing, too.

In the age of globalization and information, the national wealth and competitiveness and quality of working life are determined not by material resources but by the quality and quantity of human resources. To be more specific, they are decided by intellectual capital, such as knowledge, information, and technology. Thus, in order to develop the nation and to raise the quality of working living, the intellectual capital should be improved to the level of advanced countries and should be productively utilized.

However, the Korean industrial relation system was not that kind of system that promotes formation of intellectual capital at the workplace and guarantees productive utilization of human resources. The Korean industrial relations were by and large authoritative and paternalistic from the early 1960s to the late 1980s. During these three decades the relations could be characterized by one-sided submission of labor to business.

As we already examined, in 1987 political democratization, so-called President Roh's declaration, enhanced unions' rights markedly and resulted in putting relations between labor and management onto an equal footing.

But, after 1987, instead of submission, endless confrontation and rising conflict have dominated industrial relations in Korea. Rational dialogue between labor and management and bargaining with wise compromise were not norms but rather exceptions in Korea.

After few years of confrontation and struggle, both labor and management came to realize that neither one-sided submission nor unending antagonism would be advantageous to either of them. What they need was to learn to cooperate each other based on mutual trust and on a truly equal footing. This new understanding was spreading widely and rapidly throughout the country and there was endless discussion in various sectors of society on the need for a comprehensive reform in industrial relations to this effect— changes in attitudes and practices as well as laws and system. In other words, Korea started to seek new paradigm for industrial relations for the 21st century.

One opinion poll in 1996, which covered 1,541 randomly selected persons throughout the country, showed very vividly this spreading new understanding about desirable industrial relations. The results could be summed as follows: (1) 71.6 percent supported that the Korean industrial relations is more confrontational compared to advanced countries. Only 12.5 percent said both are almost same and 14.1 percent said that Korean industrial relations is more cooperative. (2) 90.5 percent supported that we should reform the Korean industrial relations. Only 9.2 percent said we do not need it. (3) 72.3 percent supported that we need labor reform right now but 26.8 percent responded that it might be too early. (4) 86.9 percent supported that labor and management should work together to increase total pie, while 11.5 percent responded that it is natural to be confrontational each

other for each part's interest. (5) 88.8 percent maintained that management should share managerial information with workers and should try to translate the opinion of workers into management. Only 10.1 percent supported for the management prerogative.

This poll clearly revealed that majority of Korean people wants an immediate labor reform and the desirable direction of reform is one from confrontational to cooperative industrial relations. Against this backdrop, President Kim Young Sam invited some 220 representatives of labor, management, and other concerned groups, such as academia and press, to the Blue House on April 24, 1996 and announced his vision for the new industrial relations. In the meeting he also disclosed his plan to establish Presidential Commission for Industrial Relations Reform to carry out a comprehensive labor reform in Korea.

3-2. Five Principles for Labor Reform

In the meeting President Kim outlined five principles of labor reform to create “new industrial relations for the 21st century”.

First, it is **the principle of maximizing the common good.**

The new industrial relations should focus on maximizing the co-development of labor and management. For co-development, the principle of efficient production, by which both sides try to maximize total pie, common good, must be emphasized. The old industrial relations was too much preoccupied with the principle of fair distribution so that there was too much distribution-centered conflicts and too little production-oriented cooperation.

However, to maximize the common good, a company has to transform itself into “a community of production and welfare”, in which both corporate growth and workers’ welfare improvement are guaranteed. The creation of such workplace calls for the formation of a strategic partnership based on mutual trust between labor and management for the growth of the company, stable employment, and the improvement of working life.

Second, it is **the principle of participation and cooperation.**

The new industrial relations should be characterized by co-existence and co-prosperity but not confrontation. To achieve this goal, transparency and openness in management is a prerequisite. It is a must for workers to participate in management, namely, sharing managerial information and take part in various decision-making processes. On the other hand, workers should devote themselves to improving the quality of product and accumulating skills, being fully aware of their leading role in improved productivity of the company.

Workers and management should be conscious of the fact that they are key players in the economy and partners in the improvement of production and welfare. The axis of industrial relations must shift from collective bargaining for short-term distribution issues to workers’ participation and cooperation for long- term prosperity issues.

Third, it is **the principle of autonomy and responsibility.**

The new industrial relations should be based on “labor-management autonomy” characteristic of dialogues and negotiations. They should respect each other and behave as a responsible partner. Labor-management disputes

should not be pushed too extremely where both parties can not but depend on the government's intervention for a solution.

Management should be more active and sincere in solving issues together with workers and labor union must be more responsible and responsive in handling issues with management. The government, for its part, should eliminate unnecessary regulations that block the realization of genuine autonomy and should make every effort to maintain the fairness and neutrality of its industrial relations policy.

Fourth, it is **the principle of emphasis on education and respect for human dignity.**

“Investment on human resources” must be prioritized to better worker's knowledge, information, and technology and to achieve co-development of labor and management. The new industrial relations will be based on a respect for human beings as well as investment on human capital.

Employers should recognize that treating their workers with dignity is as important as rewarding them materially. They also should know that investment on workers' skills and knowledge is the best way to compete and win over others in the age of globalization and information. The labor unions, too, should expand their concerns from the past preoccupation with issue of wage increases to the issue of developing workers' capability, namely, education and training. Future industrial relations would changes its major concern from negotiation for wage increases to joint cooperation for education and training.

Fifth, it is **the principle of globalization of laws and mindset.**

The new industrial relations for the 21st century requires not only changes in laws and institutions, but also changes in practices and attitudes. The current laws and industrial relations system, overly restrictive and rigid, suited for the time of rapid industrialization, have to be replaced and upgraded into more flexible, open, and transparent laws and systems which meet international standards and also suitable for the age of globalization and information.

Labor and management should globalize their ways of thinking and mindset, without being enslaved by the old mindset and vested interests, and both parties must actively participate in the construction of a progressive future society in a more cooperative manner.

Labor reform usually causes conflicts of interest between labor and management and even between labor unions, for example, No-Chong and Min-No-Chong, so requires frequently courageous concessions and painful compromises from vested interested groups. Otherwise, reform is very difficult to be successful. Thus, President Kim, after laying out his vision and principles, has appealed to all parties concerned to share pains, compromises, and come to terms to promote the common good in the Blue House meeting. And at the end of the meeting he disclosed his plan to set up a Presidential Commission to carry out labor reform orderly and extensively in Korea.

4. Initiation and Implementation

On February 15, 1996, the Senior Secretary Office to the President for Social Development prepared a detail plan for labor reform in Korea including philosophy, strategy, and time table and reported to the President. The President endorsed the plan and ordered to move on. He said “ It is rather late to begin labor reform at the moment. In fact, we must have begun it much earlier ----- . Since it is evident that without new industrial relations there is no hope for 21st century, we have to succeed in creating a new ones. We have to change from hostile and confrontational relations to cooperative and participatory relations. We have to carry out the reform based on broad national consensus and through a constant dialogue and civic persuasion between the concerned parties. We should make every effort to inform people the importance of labor reform to the future of Korea”

On February 23, 1996, Minister of Finance and Economy, Minister of Commerce and Industry, Ministry of Labor, Senior Secretary to the President for Economic Affairs, and Senior Secretary for Social Development got together and discussed for detail plan and schedule for labor reform. They also decided the date for announcing the government’s plan for labor reform. In the beginning they planned to announce the launch of reform sometime as early as March to speed up the reform but later postponed it after the General Election of April 13 to avoid any political implication or misunderstanding about the reform.

On April 17, 1996, after the General Election, the Ministry of Labor reported to the President further detailed implementation plan for labor reform. Based on the plan, on April 24, President Kim invited some 220 persons from labor, management, academia, civic leader group, and mass media to the Blue

House. In the meeting he announced his vision for new industrial relations for the 21st century and laid out his five principle for labor reform, which we discussed in the above. In the meeting he also disclosed his plan to establish a Presidential Commission to carry out labor reform.

One significant change appeared in the meeting. That is the government invited Min-No-Chong, the outlawed national center of unions, to the meeting. It was for the first time for the government to invite MIN-No-Chong to official government meeting. There was a debate in the Blue House whether or not to invite Min-No-Chong before they get legalized. Some people in the government still had a strong disbelief and antagonism toward Min-No-Chong. But the reform group persuaded those antagonists and let the government decided to invite so as to embrace all segments of labor movement, legal and illegal, and move toward new industrial relations.

4-1. Presidential Commission

The Presidential Commission on Industrial Relations Reform was formed on May 9, 1996. The Commission was composed of 30 members: five from workers' organization, five from employers' organization, ten from academia, and ten from other public interest groups, such as civil leaders and consumer movement activists. Among the five members of workers, three were associated with FKTU(No-Chong) and other two were with KCTU(Min-No-Chong).

To facilitate communication with the government four persons from the vice-minister level were appointed as special members who could express their views in the meeting but not exercise right to vote. In addition, thirty people from various segments of society, such as mass media, citizen's movement, religious group etc. were appointed as advisors to the Commission.

The underlying rationale of a large advisory group was that industrial relations is no longer an issue only between labor and management. It became an issue of national concern and directly related to the economic and social development of a nation. Thus, new industrial relations movement should be based on a broader participation and consensus of all segments of society since it is too an important issue to be left solely on labor and management.

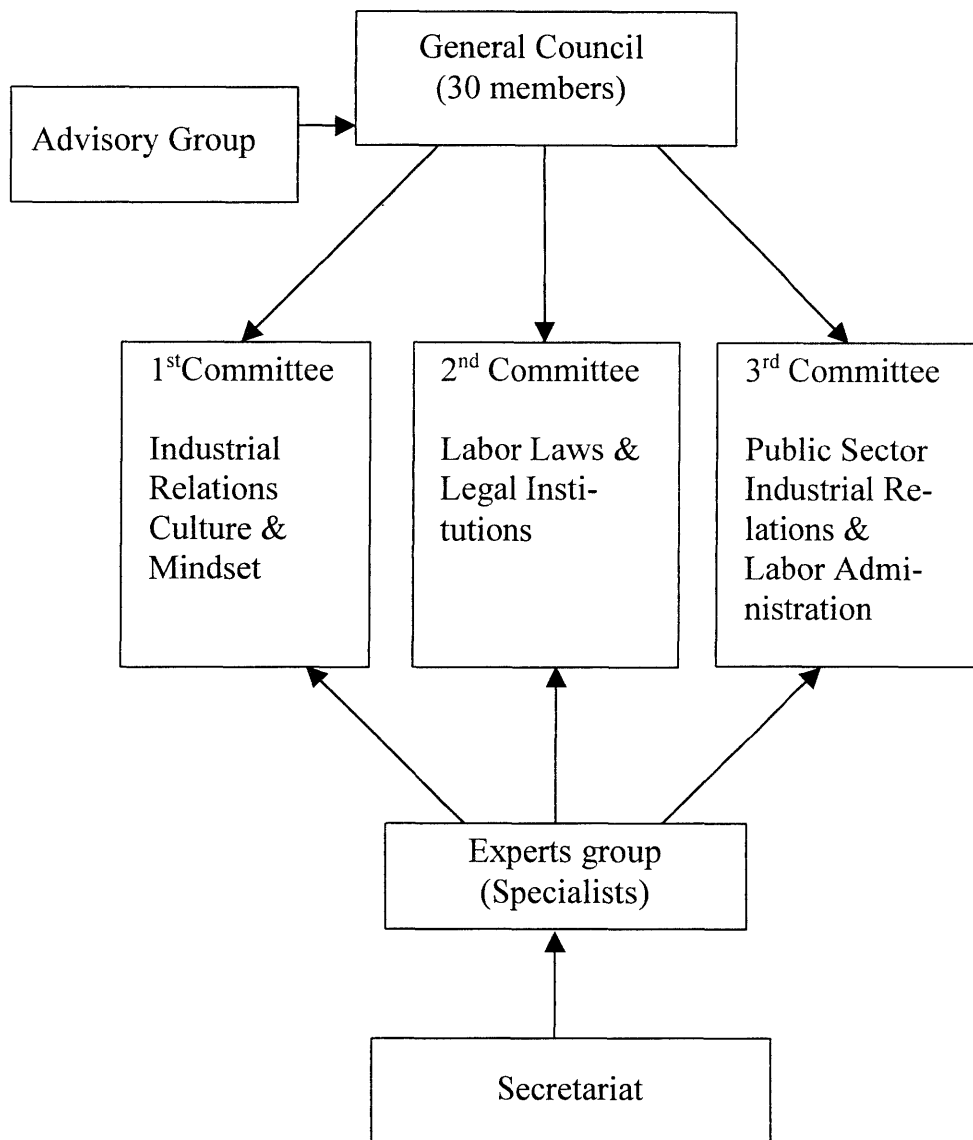
The same philosophy was reflected in the composition of the membership of the Commission. Only one third of the total members was from labor and management. The rest two third was either from academia or public interest groups. This composition revealed implicitly the underlying philosophy of reform group and the way they approach to the new industrial relations movement. They seemed to think that the Commission should not be a place for labor and management to bargain or negotiate each other on the issues of new industrial relations. It should be a place to persuade labor and management to accept new industrial relations, featured by participation and cooperation, by the third party, namely, neutral academia and public interest groups. So active role of the third party to bring labor and management together for mutual concession and agreement became very critical for the success of the Commission.

Besides advisory group, twenty experts on labor issues, mostly university professors and research fellows at various think tanks, were appointed as specialist group to assist technical aspects of labor reform for the Commission.

And under the Commission there were three committees: the first committee dealt with issues of mindset and way of thinking and behavior, the second concerned with labor laws and legal institutions, and the third handled public sector industrial relations and labor administration.

Table 1 shows a brief organizational map of the Commission.

Table 1. Organization of the Commission



The Commission activities were planned to have three phases: the first one was “formation of the reform basis”, the second one was “reform of legal institution and system”, and the third was “settlement of new industrial relations”.

The first phase was identified as the period between the inauguration on May 9, 1996 and June the same year. At this stage the most important was to reach a public consensus on new industrial relations and examine the problems of the existing ones. For this purpose the Commission was supposed to organize a series of public hearings, workshops, seminars, and various public activities to develop a favorable social consensus for new industrial relations.

The second phase was scheduled to last from July to December 1996. During this period it was planned to complete a reform proposal for the comprehensive revision of labor laws and legal institutions. Hopefully, the reform group expected the National Assembly passed the completely revised new laws by the end of 1996.

The third phase was referred to as the period of settlement of new industrial relations, spanning from January 1997 to February 1998. This phase was aimed to make new industrial relations deeply rooted in Korean society and industrial relations culture. To make new industrial relations effectively working it was not enough to change only labor laws and institutions. Practice and convention as well as way of thinking and behavior should be changed. So it was planned for the Commission to launch an active public campaign to assist the settlement of new industrial relations at each workplace level. To this effect it was designed to organize a comprehensive new industrial relations ‘movement’, not only being participated by labor and management but also by other social groups, such as citizens’ movement, media people, academia, and religious groups.

4-2. Labor Management Agreement on the Basic Directions of Reform

In the first phase, the Commission kicked off its activity from directing a nation wide public poll concerning labor reform. The poll was conducted on May 18, 1996 and the result showed that there was a wide consensus about the urgency of labor reform in Korean society. For example, 90.5 percent supported the need for labor reform and 72.3 percent maintained that reform should be carried out as soon as possible. This favorable result of the public poll elevated the morale of the Commission.

Right after the poll, the Commission organized a series of public hearings in three cities, namely, in Seoul (400 participants on May 27, 1996), in Kwangju (200 participants on June 3, 1996), and in Pusan (300 participants on June 5, 1996). The public hearings were held on the subject of what should be done for labor reform in Korea. What were the core problems and how could we solve them? Professors, members of National Assembly, union activists, businessmen, and journalists all actively participated in the hearings and freely presented their views and opinions on the subject. Through these hearings the Commission could identify the problems and issues and specify the differences as well as agreements in views and opinions held by various social groups. Also the Commission could express their views to the public on desirable direction of labor reform. Besides public hearings, the Commission visited two factories, Hyundai Electronics and Kia Auto, to hear the voice of workers at shop-floor level..

The Commission launched ‘public suggestion campaign’ and collected about 20 major reform proposals and 90 minor proposals concerning revision of labor laws from various concerned groups, such as No-Chong, Min-No-

Chong, Kyung-Chong (employers' association), Association of Labor Law Professors, Lawyers' Association for Democracy, etc.

As the Commission accelerated its activities for consensus building, each concerned group began to set up its own committee for labor reform within each organization to collect ideas and opinions from its own members and to organize public relation campaign to obtain a favorable support form the neutral public. The No-Chong established a special committee on May 20, 1996 and Min-No-Chong did on May 28, 1996. The employers' association, Kyung-Chong set up a special committee on May 23, 1996.

From May to July, there were nine general meetings participated by all commission members and four workshops organized by specialists group. Through these intensive inside meetings and extensive outside activities explained in the above, the Commission could slowly develop a consensus about the need and directions of new industrial relations.

There were two important accomplishments during this period. One is an agreement reached by all commission members on the "Self-Reform Tasks of Labor and Management and the Role of Government". It was agreed and publicized on July 9, 1996 and it identified the self- reform tasks of major industrial relations actors, namely, labor, management, and the government for creating new industrial relations. The self-reform tasks were determined as follows:

First, union movement should be geared to "responsible unionism", being supported by ordinary people. Union activities should be organized for the benefit of rank and file members and focused on education and training of its members to improve their human capital. Union should be more participatory and cooperative to the management and need an attitude such as "we will take the responsibility of product quality and labor productivity".

Union should pursue a fair distribution policy which balances the interest of workers with the interest of national economy.

Second, management should aim for “people-centered management” and “open management”. Management should share managerial information with workers and allow workers’ participation in the decision making process, thereby increase creativity and job satisfaction of workers. And this increased creativity and satisfaction should become major source of company growth. Management should increase investment on education and training to improve the international competitiveness as well as the quality of working life. Management should go through organizational restructuring for decentralization of power and emphasis on promoting labor-management cooperation programs.

Third, the government should try for service-oriented advanced labor administration to support the settlement of new industrial relations. The government should set up rational rules of games and strictly supervise the compliance of it. Besides upholding rules, the government should reduce its unnecessary intervention into labor-management autonomy. The government should do every effort to improve the workfare of women workers, workers in small-scale establishments, and the handicapped as well as old workers. The government should work for the expansion of social welfare, tight control over inflation, and revision of income tax system to improve distribution of income.

After reaching agreement on the above, the Commission continued to work hard for another agreement on “Basic Directions of the Reform of Labor Laws and Institutions”. The labor and management agreement on basic direction of labor laws reform came out on July 11, 1996. The major directions depicted in the agreement are as follows:

First, we will promote cooperative industrial relations in production and fair and rational mediation for distribution issues. We will advance education and training.

Second, we will respect the autonomy as well as equality of labor and management. Bargaining powers between labor and management should be equal and most issues should be solved autonomously without government's intervention.

Third, we will prepare institutional arrangement to improve quality of working life as well as labor market vitality to cope with industrial restructuring.

Fourth, we will allow diversities in industrial relations. Labor laws should permit different employment and wage practices across occupations, industries, and size of firms.

Fifth, we will clarify and specify legal terminology to avoid misunderstanding and strengthen the procedural standards and requirement to ensure compliance of labor laws.

Sixth, we will respect international standards and conventions. We will globalize our legal system by introducing widely accepted international standards.

Seventh, we will respect the agreement between labor and management as well as the interest of the nation. We will pursue the revision of labor laws, based on agreement between labor and management, but for the benefit of all people.

The above two agreements were reported to the President and made public on July 15, 1996. It was a real triumph of the Commission to bring labor and

management together to mutual concession and finally common agreement. It was a great accomplishment of the Commission to succeed in a consensus building through dialogue and constant persuasion regarding desirable directions and proper principles of reform. As a matter of fact, it was for the first time in Korean history of industrial relations that labor and management got together and came to agree the self-reform tasks of each party as well as the desirable directions of legal reform to regulate the Korean industrial relations. Thus, there is little doubt that these agreements have an important historical meaning.

However, in the beginning, many people inside and outside of the government were skeptical about the possibility of bringing labor and management together and coming to some agreements because two sides had always been confrontational and frequently even antagonistic. Even though the government decided to launch a new industrial relations movement, based on mutual cooperation and trust, many people were not quite sure whether it was really possible. However, contrary to conventional expectation, the Commission has successfully carried out its job within relatively short period of time. It was partly due to strong commitment of the state leadership to reform and partly due to overwhelming popular support for reform. In sum it was a great success.

From the viewpoint of reform management, it is extremely important to accomplish an initial success in the long journey of reform. Without an initial success it is relatively easy to lose a momentum of reform drive in the rather early stage of reform. Once lost, then it is difficult to regain the momentum later on. In the early stage every reform raises expectation as well as skepticism or cynicism. Initial success tends to elevate expectation and turn expectation into support for reform. But, initial failure tends to increase skepticism and turn skepticism into opposition against reform.

Another reason of the importance of initial success is that people generally do not like a long journey or long march. They want short-term wins to meet and celebrate. Big ideas and grand vision are all important but what is not less important is to organize many short-term wins or victories to maintain momentum of reform and to provide evidence of success as well as confidence of ultimate reform victory. In this regard, the Commission's success in bringing about agreements between labor and management was very meaningful. Of course, its substance by itself has an important historical meaning as already mentioned in the above. But it also has an important strategic meaning from the perspective of successful managing reform.

However, during this early stage, the reform group, especially those in the Blue House, made one mistake in communicating with press. What they planned to do in the first phase of labor reform, so-called during the formation of reform basis period, was to let people speak out freely their opinions about labor reform, its need and desirable directions. They expected that rational and enlightened consensus would emerge naturally through free dialogue, honest exchanges of ideas and opinions, and heated discussion. To be more specific, they expected that union right issues, such as legalizing multiple unionism, as well as labor market flexibility issues, such as allowing massive layoff due to economic reason, would appear in public discussion and come to the rational conclusion of allowing both spontaneously.

So they refrained from presenting their own ideas and opinions about specific objectives and directions of labor reform and expressed their policy intention in rather general words when being interviewed by the press. They did not want to be too specific and give an impression to the public that they lead the reform to a predetermined direction. What they wanted was full, free, and voluntary participation of labor and management in the reform process.

However, the press was not patient enough to wait and see what would emerge through public hearings and public discussion conducted by the Commission. The press tried hard to figure out what were the real hidden agenda behind this labor reform movement. With little and imperfect communication with the reform group, they hastily concluded that the real intention must be to legalize multiple unionism in Korea to get admission into OECD. So many newspapers reported that the hidden agenda would be to allow multiple unions, political activities of unions, and third party intervention, which had been advised and demanded by the OECD and ILO.

That was simply incorrect. This misunderstanding or misinformation was corrected eventually but it provoked some confusion and misconception about reform in the beginning stage of reform and generated a biased image of reform what was tilted toward labor, namely, an image of pro-labor reform. Thus, it incited some distrusts and suspicion from the management.

Of course, the real intention of the reform group was neither pro-labor nor pro-management. They wanted to correct not only many under-protection clauses in labor union laws but also many over-protection clauses in labor standards laws. And the initiation of the labor reform had almost nothing to do with entering OECD. As we already observed in the above, domestic needs, not international pressure, were the main reason for launching labor reform.

Finally all initial confusion and misunderstanding were disappeared as the Commission began its activities at full scale. People came to realize the real orientation and purpose of the Commission through its activities. However, if the reform group had have more effective communication strategy or skills with the press, they would not have confronted unnecessary confusion and misunderstanding in the early stage of reform. To reduce unfounded speculation of the press the best strategy would be honest and

straightforward disclosure of the real intention from the beginning of the reform. In fact there was nothing to hide but the reform group refrained outright disclosure simply to stimulate unconstrained free and open discussion among the concerned parties. But that was a naive strategy in Korea.

4-3. Sub-Committee for the Revision of Labor Laws

After reaching the agreements, the Commission rushed into the second phase of the reform, namely, reform of legal institution and system. From late July the Commission has held intensively a series of general meetings, committee meeting, and specialists meetings, as well as public hearings to collect various ideas and opinions about the labor laws reform. Based on these collected ideas and views, the Commission set up a special Sub-Committee for the Revision of Labor Laws to work on the detail proposal for amendment on August 13, 1996. The Sub-Committee planned to complete its first draft of amendment by September 8, 1996, namely, within three weeks. They were very ambitious and somewhat optimistic.

The Sub-Committee consisted of nine members: Two were from labor (No-Chong and Min-No-Chong), two from management, and five from third party, namely, representing public interests. However, as soon as the Sub-Committee started to work to narrow the differences of views between labor and management on each specific clauses of labor laws, they realized that it was extremely difficult task. In the course of the discussion, they soon found out that it was not productive for all three parties to get together and talk. So they decided to ask the third party which represents public interest, such as professors and civic leaders, to prepare a draft for the amendment and discuss upon the draft and finalize it. Five members representing public interest worked hard and completed their first draft by the September 3, 1996

They presented it to the Sub-committee, but in the form of dual proposals. In other words, they did not present a single proposal or recommendation for each issue, but dual proposals for each issue in order to stimulate discussion. Bases upon these proposals, there was a heated discussion and negotiation in the sub-committee. On some issues agreement was reached, but on key issues, such as multiple unionism, political activity of unions, economic layoff, flexible working hours, etc it was not possible to come to terms each other.

On September 19, 1996, the 7th general meeting of the Commission was held and agreed only one key issue, namely, allowance of political activities of unions and decided to prolong the activity of Sub-committee to narrow further the differences in opinion between labor and management. However, The continued activity of Sub-committee proved that it became more and more difficult to reduce the differences in opinion. It was mainly because each party considered the acceptance of the proposal of the public interest party as “losing their faces” and “giving in” their position. Since each party had its own constituency to are about, they naturally did not want their constituency to think that they had given in.

Even though both sides, labor and management, unanimously agreed the general direction of labor laws reform and basic principle of new industrial relations, they were not ready to make any serious compromise when it came to specific issues.

On October 1, 1996, the 9th general meeting of the Commission was held and planned to decide the final draft of the amendment to be reported to the President by majority vote in the general meeting. It planned not only report to the President the final draft decided by majority vote but also report the minority opinion too, if any. However, the labor party, especially the Min-No-Chong, was mad about the idea of the majority vote. They were afraid

that majority vote meant the dominance of public interest party over the final outcome simply because public interest party outnumbered other two parties, labor and management. So Min-No-Chong declared on October 1, 1996 that they would not participate in the general meeting for the time being, but if the Commission decided to move forward toward the revision of the labor laws, then they would leave the Commission for good. In other words, Min-No-Chong started a “walkout” strategy to push forward their position.

The 9th general meeting did not go for voting and decided to persuade Min-No-Chong continuously and make more efforts through Sub-Committee to bring together labor and management into agreement. Sub-committee continued its discussion, mostly without the participation of Min-No-Chong but sometimes with their participation, on the draft or proposal for the amendment presented by the public interest party. Min-No-Chong took workout and work-in strategy in turn to enforce their position. Anyway, thanks to the hard and arduous efforts of the Sub-committee, they came to agreement on many important issues for the amendment, even though key issues were still not solved. Some important issues agreed upon were as follows:

(1) specifying a dispute settlement procedure to solve difference in the interpretation of the collective agreement or contract; (2) allowing temporary replacement of striking workers; (3) providing full and unconditional right for union representatives to conclude collective agreement or contract with management; (4) allowing flexible working hours system; (5) expanding of compulsory arbitration over some new industries, such as gas, electricity, and piped water; etc.

On October 25, 1996, the 12th general meeting was held and has passed the issues or items already agreed at the Sub-committee and decided to ask the Sub-committee to continue to work on the remaining issues or items.

On November 7, 1996, the 14th general meeting was held and concluded to report to the President the final recommendation for amendment of labor laws. The total number of issues or items for amendment was 148. Out of 148, on 107 issues the Commission could bring labor and management and public interest group into full agreement but on 41 issues it failed. So in case of 41, the Commission decided to present simultaneously three different opinions of labor and management and public interest group in the final report.

On November 12, 1996, the Commission sent its final report to the President. So now the issue of labor law reform moved to the hand of the government.

4-4. Struggle between Past and Future

While people were working very hard in the Sub-committee to reach further agreement on each item or provision, there was an attempt to bring about a big deal or big compromise between the heads of three parties. The attempt took place during October 1996.

As we saw in the above, an intensive negotiation in the sub-committee started from late August. As negotiation reached to late September it became clear that as a last resort a big political compromise was needed among the top decision-makers in each concerned party. As of early October, out of about 150 issues or items for the revision of labor laws, almost 110 issues have already reached to agreement in the Sub-committee and only 40 issues have been waiting for further negotiation. Even among 40 unsolved issues the key issues were about 7 issues only: (1) whether or not multiple unionism should be allowed, (2) who should pay the salary of the full time union staffs, (3) whether or not economic layoffs should be legalized by written laws, (4) whether or not flexible working hour system should be

permitted, (5) whether or not wages should be paid during strikes, (6) the scope of substitution of workers during strikes, (7) whether or not teachers' union should be allowed.

People involved in the process of long and tedious negotiation felt that now it was time for the top decision-makers should make a final big compromise to make a breakthrough the impasses. Otherwise the negotiation would not move on at the Sub-committee in any substantive way. So from early October the reform group at the top started a series of negotiations behind the scene with the heads of No-Chong, Min-No-Chong, and Kyung-Chong (management). The Minister of Labor, the Senior Secretary to the President for Social Development, and the Secretary General of the Presidential Commission have been directly and actively involved in the behind the scene negotiations.

The President Kim, as a sign of support for this last effort, sent a letter of encouragement to the Commission and in the letter he praised the Commission for its accomplishment and called for a big compromise to labor and management on the remaining issues. It was on October 25, 1996. In the letter he also asked the Commission to submit the final recommendation of amendment by November 9, 1996. The reason he put the final dead line was that he wanted for a final concentrated effort for compromise by the Commission and, of course, hoped for its success. But in case of failure, he thought he could not wait for any longer and wanted his administration to take over this task of labor laws reform. He wanted to see the completion of labor laws reform by the end of 1996, in other words, before the end of 1966 National Assembly session. Otherwise the labor laws reform should be inevitably postponed until the spring of 1997 when next Assembly session started.

Encouraged or impelled by the President's letter, all the third party members representing public interest in the Commission issued an appeal on October 31, 1996 to the concerned parties, labor and management. They then visited each head offices to meet the presidents of each organization and pleaded for a big compromise based on broader and enlightened perspective. They urged in their appeal that the labor laws reform was an urgent issue for national development. So it could not be postponed any longer. Since we had already had enough discussions and debates, it became right time for a final enlightened decision on the remaining issues to make our endeavor a monumental success.

In spite of all these efforts, the attempt for last-minute political big deal among the heads of the concerned parties was failed and The Commission sent to the President its final report on November 12, 1996. As we saw in the above, they reported to the President the 107 agreed issues and 41 non-agreed issues and for the latter they spelled out the opinions of each party, No-Chong, Min-No-Chong, Kyung-Chong, and the public interest party, side by side in the report.

Why the last-minute attempt for big compromise has failed in spite of strenuous efforts of all concerned parties? Of course, there must be many factors which hampered the attempt. However, among them the most serious factor was the split or disunity in opinion within the Senior Secretaries to the President in the Blue House. There was a partial change of cabinet members and presidential staffs on August 8, 1996. New economic team, mainly composed of Minister of Finance and Economy, Minister of Commerce and Industry, Senior Secretary to the President for Economic Affairs, was all strongly business-oriented and skeptical and critical against new industrial relations. They were quite different from members of previous economic team who were very supportive to the new industrial relations and

understand the subsequent need for labor laws reform. Especially the previous Senior Secretary for Economic Affairs strongly supported for this endeavor.

However, the members of new economic team were quite different. Among them, the new Senior Secretary for Economic Affairs was most vocal and antagonistic against the on-going labor reform. He personally did not believe in the New Industrial Relations. He believed in the Old Industrial Relations so that labor laws should be changed, if any, to increase the strength of the business and to curtail the strength of unions, but never to balance the interests or strength of two parties. What he believed was that the unions' strength should be weakened in order to stimulate economic growth. Now the Korean economy is in bad shape so that what we need is to encourage business. For that goal we need to change the labor laws to curtail unions' strength. In short, he believed in the old paradigm of industrial relations which prevailed during the authoritarian regime of President Park and President Chun. During the authoritarian regime the government suppressed union in the hope that it would assist rapid economic growth.

New Senior Secretary for Economic Affairs was a typical career bureaucrat who had been very successful in both career promotion and job accomplishment especially during the authoritarian regime. So his belief, a strong attachment on the old paradigm of industrial relations, simply represented his own experience as a successful career bureaucrat during the period of authoritarian developmentalism. In contrast, the previous Senior Secretary for Economic Affairs was a professional economist from a prestigious think tank in Korea. Thus, his opinion was less related to the past success legacy and more oriented toward future desirable direction in the course of history. That was the part of the reason why he could understand and support the importance of new industrial relations. Interestingly enough,

the Senior Secretary for Social Development, who initiated the new industrial relations movement and labor laws reform, was an policy-oriented liberal professor at a prestigious university in Korea. He had no connection with the past and could concern only about the future. These differences in their background could explain at least in part why a split of opinion did occur in the Blue House after the change of its staffs in August. And it could explain why the split could be called a struggle between the past and the future or battle between the old paradigm and the new paradigm.

Even though members of new economic team were not very happy with the on-going new industrial relations movement and labor laws reform, they could not express their opposition publicly. It was because the new industrial relations movement was initiated and backed by the President and the labor laws reform was under the jurisdiction of the Commission, Ministry of Labor, and Senior Secretary Office for Social Development. So they could not speak out their discontent in the beginning. But they thought that they could exercise more power and influence on the reform bill if the recommended reform bill of the Commission was reported to the President and afterwards passed over to the administration. They thought they could try for the revision of the reform bill for the benefit of management in the cabinet meeting. But what they were afraid of was that the Commission succeeded in persuading labor and management and in reaching to a full agreement on the reform bill. If it became possible to have a reform bill unanimously agreed in the Commission, then it became out of question to revise it in the cabinet meeting. Thus, they did not want to see so-called a big compromise or big deal to succeed.

In the beginning of the big deal or big compromise efforts, the reform group spent most of its time and resources to persuade the labor in the hope that to persuade the management later would be relatively easy. Over the several

decades the government has maintained a good working relations with business and the content of big deal was not the one too difficult for management to accept. So they focused on persuading and inducing labor into full agreement. As the inducement efforts approached near to a successful end, they turned to persuade the management. But to their surprise they found that the resistance of the management to full agreement, namely, a big deal, was much stronger than normally expected.

This shift of management's attitude toward a hard bargaining position with respect to a big deal, was influenced and in fact encouraged by the appointment of new economic team in the government and by its pro-business character. The management party thought that they might be better off if the reform bill could be discussed in the cabinet rather than in the Commission. In other words, it would be their interest not to agree on the big deal because the new economic team could affect on the outcome more effectively in the cabinet than in the Commission. So they decided to reject the final compromise offered by the reform group simply to break down the big deal. In this process, the new Senior Secretary Office for the Economic Affairs even sent messages several times to the management party not to agree on the final deal in very subtle and informal ways.

In the short run, the management might get little more through deliberate break-up of the final deal with labor. But in the long run the management could attain invaluable assets by making the final deal a success. It was because the success in final negotiation meant a start of new industrial relations, a turning point in the history of Korean industrial relations, from confrontational and antagonistic ones to cooperative and participatory ones.

Anyhow, it became evident that both the new economic team and the representatives of the management party in the Commission were still prisoners of the old paradigm and outdated mindset.

As we saw in the above, through this process, unfortunately, the strenuous efforts for the success in final political deal was failed and the Commission reported to the President both agreed issues and non-agreed issues simultaneously.

On November 13, 1996 the government established the Committee for the Promotion of Industrial Relations Reform headed by the Prime Minister composed of 14 related Ministers. The Committee began to work on drawing up an amendment for the labor laws reform, based on the recommended draft reported by the Commission. In this process of drafting government's version of labor law reform, a sharp conflict arose explicitly between those who supported the old paradigm and those pushed the new paradigm. The former, new economic team, consisted by Minister of Finance and Economy, Minister of Commerce and Industry, and Senior Secretary for Economic Affairs. They all supported for the management's version of the labor law reform and demanded that the recommendation of the Commission should be substantially modified to stimulate economy that had already been in bad shape. The latter, which pursued for the new industrial relation movement, was composed of Chairman of the Commission, Minister of Labor, and Senior Secretary for Social Development. They were frequently called as "labor team" by the journalism to contrast to "economic team", mentioned in the above. This labor team upheld the public interest group's version of labor laws reform and demanded that the recommendation of the Commission should be strictly respected.

About two weeks ago the Chonsun Daily News summed up the differences in the opinion regarding the labor laws reform in the Blue House as follows: "Senior Secretary for Economic Affairs seems to support the importance of improving international competitiveness in the labor laws reform, while Senior Secretary for Social Development seems to support a balance between

improvement of international competitiveness and improvement of quality of working life in the labor laws reform. In other words, the economic team supports the management's version of labor laws reform and the labor team supports the public interest group's (the third party) version of labor laws reform.”¹

Other members in the Blue House were also divided into two competing groups regarding labor laws reform. Secretary of Political Affairs and Secretary of Investigation lined with the business version of labor laws reform and Chief of Staffs (Secretaries) and Secretary of Policy Development sided with the public interest group's version of it.

This conflict of opinion occurred in the Blue House reappeared and intensified in the discussion of the Committee after it was formed at the cabinet level. As seen in the above, the new economic team supported for “International competitiveness argument” and the new industrial relations team supported for “Balancing argument”

The economic team, however, gained power in the discussion as the economy became deteriorated. Even Minister of Labor moved its position in-between the new economic team and new industrial relations team. So more business side arguments tended to be reflected in the drafting of labor laws reform in the Committee.

However, the Prime Minister was pro-new industrial relations movement and due to his active and leading mediation the Committee could make a compromise between new economic team and new industrial relations group. So the Committee made up a draft for amendment on December 3, 1996. This draft was slightly bent toward the management side than the

¹ The Chosun Daily News, October 27, 1996.

recommendation of the Commission but basically kept the original principle of reform, namely, balancing the needs of management and of labor.

But, in the discussion between the administration (the Committee) and the government party (the Ruling Party), the new economic team and business group attempted few additional retreats from the recommendation of the Commission towards further favorable consideration of the business interest. Of course, this attempted was faced with a rising criticism from the labor and the civil society including academia. But the government party was not reform minded and basically pro-business in outdated sense. So after further few compromises in this respect the Government draft was finalized on December 10, 1996 and sent to the National Assembly.

4-5. Fatal Mistake in the National Assembly

On December 10, 1996, the final government's draft for labor laws reform was sent to the National Assembly. However, the draft was not welcome by labor and academia because they thought it reflected the demand of management too much. To certain extent it was true. So labor criticized against the draft harshly. The opposition party was also against the draft but they did not present their own alternative draft.

At this critical juncture, however, the opposition party behaved very opportunistically. They opposed the government's draft because labor and academia was against it. But they did not prepare at all their own policy position or alternative draft of labor laws reform. They viewed the labor laws reform as a hot potato. As a matter of fact, not only the opposition party but also the ruling party did not want to deal with labor laws reform. They knew that labor laws reform could easily cause oppositions and criticisms from

both sides, labor and management, no matter how fairly and impartially it was dealt with.

In case of the ruling party, however, they did raise the awareness of the urgent need for labor laws revision through in-party discussion. But the opposition party continued to resist without presenting any policy alternative. Therefore no serious deliberations were done, except for one public hearing, at the National Assembly level. Besides one public hearing, the opposition party blocked physically any serious discussion and deliberation at the National Assembly. As a result, the regular session of the national assembly closed without any constructive outcome and so did the following ad-hoc session. The opposition party proposed a postponement of discussion until February of 1997. The ruling party wanted to finish up the issue of labor laws reform by the end of 1996. As a ruling party they did not want to see labor laws issues lingering around and causing social quarrel and unrest continuously. They also thought that the opposition party would not be serious and sincere even though the discussion was to be postponed.

Thus, the government and the ruling party passed the new labor laws bill in the absence of opposition lawmakers in the very early morning of December 26, 1996. They did not notify the meeting to the opposition party and the bill was passed without any deliberation. Besides this serious procedural flaw, the passed new bill contained one clause, which was for both labor and civil society impossible to accept. It was that the legalization of multiple unionism would be postponed for three years. This clause was not existent in the final government's draft sent to the National Assembly. Even the final government's draft, which received much criticism because of its tilt toward management, did not contain such anti-labor clause. In fact, the final government's draft allowed an immediate legalization of multiple unionism. However, such a clause was inserted into the passed new bill without any

serious discussion even within ruling party. So even most lawmakers of ruling party did not realize that the bill they passed had such a clause. Anyhow this incident of December 26, 1996, triggered nationwide general strikes and anti-government protests from civil society.

Passing a bill by ruling majority without presence of opposition lawmakers was definitely a procedural defect. There was no doubt that it should be blamed for. But what actually mattered more was the secret change of the bill without due discussion in the party as well as in the government. The Senior Secretary for Political Affairs, Senior Secretary for Economic Affairs, the Chief Representative of the ruling party, and Chairman of the Policy Committee of the ruling party were those who participated in this secret attempt. Not to speak of discussion, they did not even inform this change of the bill to the Prime Minister, Chief of Staff, and Senior Secretary for Social Development.

The real problem was the substance of the bill change. From the beginning of the labor reform there had been an implicit understanding or gentleman's agreement among those involved in the reform process. That was the legalization of the Min-No-Chong as an outcome of new industrial relations reform. That was the reason why President invited Min-No-Chong, which had been outlawed for long time, to the Blue House meeting of April 24, 1996 when he announced his vision for the new industrial relations for the 21st century. The invitation clearly sent a message to society that the government wanted the participation of Min-No-Chong in the process of new industrial relations movement as a responsible social partner. The same spirit was expressed again in the composition of the Commission membership, which allowed two seats for Min-No-Chong. And the Min-No-Chong's participation into the Commission implied that in principle they also wanted to be social partner in the new industrial relations movement if their voices

were respected to a reasonable degree. Thus, legalization of the Min-No-Chong was an implicit contract among those involved in labor laws reform. And in return the reform group expected Min-No-Chong to accept the improvement of labor market flexibility, such as legalization of economic layoff or redundancy dismissal, as a responsible partner of new industrial relations movement.

Thus, from the viewpoints of this implicit contract, the incident of December 26, 1996 was a big deception to Min-No-Chong and a serious breach of the contract by the government and ruling party. So far the government had asked Min-No-Chong to participate in the new industrial relations movement and asked to behave as responsible partner, but suddenly it withheld its promise of legalization for three years without any prior discussion or explanation. In other words, the government suddenly turned its back and decided to outlaw the Min-No-Chong for another three years. The ruling party did exactly what not only Min-No-Chong but also civil society could not accept. It was a direct attack and challenge to the social consensus built up through the Commission during the past 8 months from May 1996. It was also a sever denial and negation of the people's expectation about new industrial relations formed since the President's announcement of his vision for the 21st century in April 1996.

The incident was not only absurd but also really unfair. How come this kind of event could happen? It was partly because those who attempted this incident were not experts on industrial relations. They did what they did not understand its full impact and repercussion. In Korea, there is an old saying that layman can kill an ox. In other words, person not trained, qualified, and experienced can make an irrecoverable mistake rather easily. That was exactly what happened on December 26, 1996. If those who attempted this incidence had had internal discussion within the Blue House or the

government, this kind of absurd mistake surely would have not occurred. If the reform group promoting new industrial relations movement had known that attempt in advance, the incident must have been blocked by them at all costs. However, unfortunately, reform group was completely uninformed and the attempt was carried out clandestinely.

More fundamental and structural reasons for this tragic mistake in the National Assembly are related to the peculiar characteristics of Korean political party system. It will be discussed in detail later.

4-6. Anger of Civil Society

Right after the passage of the tainted labor bill in the National Assembly, a tide of protests spread out all over the country. From the very day of the passage, December 26, 1996, Min-No-Chong declared a general strike without ending day. 57 unions joined the strike including Hyundai Auto Co. No-Chong also participated in a general strike from December 27, 1996. The government expected that the general strikes would be slow down due to new-year holidays and from early January of 1997 workplaces would be stabilized. However, contrary to the expectation, the general strikes continued without any sign of easing up even after the new-year holidays. No-Chong and Min-No-Chong decided to join together for general strikes in solidarity from January 14, 1997.

No only unions but organizations representing civil society also joined in a series of protests against the passed labor bill. Religious groups, citizens' movement activists, lawyers' group, university professors, and civic leaders all expressed their strong opposition to the passed labor bill. Their main criticism concerned two things: One was that the bill was too much tilted toward the interest of business, so that its fairness was seriously hampered.

The other one was that there was an unacceptable flaw in the procedure of passing the bill. The procedure ignored the basic and fundamental rule of games. Due to these two reasons, the civil society groups cried out strongly for nullity of the passed bill.

The opposition party was in silence for a while after the incident of December 26, 1996. But after seeing the mounting anger from the labor and civil society, the opposition party began to join in the opposition movement. In addition, international society also expressed its concern. Right after the incident, ICFTU appealed to the ILO, maintaining that new labor bill passed in Korea contains many clauses violating the ILO conventions. On December 30, 1996, OECD sent a protest letter to the President asking for exercising presidential veto power to the new labor bill. Representatives from OECD, ILO visited to Korea on January 11, 1997, to express their concern directly to the government and National Assembly.

In the beginning the government took a tough and hard position toward the opposition movement but later on they began to realize that strong-arm policy would not work. After a series of meeting with religious and civic leaders, the President decided to meet the head of the opposition party to discuss the revision of the passed labor bill. The meeting took place on January 21, 1997 and decided to bring all social wrangling related to the new labor bill into the National Assembly and revise the new bill based on unanimous agreement between ruling and opposition party. The labor was positive about this decision but the management was against any revision of the new labor bill.

In Korea, labor strikes or protest can not persist long and can not make real difference unless middle class joins to their cause and supports their movement. Especially the attitude and stance of urban dwelling middle class is of critical importance. Urban dwelling middle class is, in fact, the key

group determining public opinion. Citizens' movement, NGO, religious group, and professional groups, such as lawyers, university professors, journalists, all are the major pillars of urban middle class, thereby being the determinants of the prevailing public opinion. These groups usually do not like extreme demands or radical collective actions of labor unions. They acknowledge the importance of unionism but do not agree its excessive activities.

However, this time the urban middle class unanimously supported for the labor's opposition movement. They even joined in the street demonstration or even in hunger strikes, which showed the degree of their anger against the fatal mistake of the government and the ruling party. How come it was possible? Maybe one reason was the continuous discussion in the Commission and the subsequent negotiation in the Sub-committee must have educated the general public tremendously. The 8-month struggle, namely, open discussion and negotiation, to reach full agreements between labor, management, and the public interest group, provided an invaluable opportunity to the public to learn about the significance, underlying philosophy, and the desirable direction of the new industrial relations reform. So they could easily discern that the new labor bill passed on December 26, 1996, did not fit to the philosophy and principle of new industrial relations reform at all. In other words, even though the Commission failed in producing agreement, the general public already reached a consensus regarding desirable direction of the new labor bill.

Another reason might be that Korean civil society must have become much stronger and swiftly matured during the past 10 years. While not so many people noticed it, there must have been a big transformation from relatively weak civil society under authoritarian rule to a stronger one under new democracy in Korea. Now the civil society seemed to become stronger

enough to change even the course of history especially when the establishment committed a fatal mistake.

4-7. Enactment of New Labor Laws and Thereafter

According to the agreement between President and the opposition head, an extraordinary session of the National Assembly was held on February 17, 1997, and resumed discussion on the revision of labor laws bill. After several rounds of discussions, the ruling and opposition parties reached an agreement on the contents of the labor laws bill, but they decided to draft new bill instead of revising the passed one. And the new labor laws bill, newly drafted, was finally legislated on March 10, 1997.

Now, the first phase or first round of new industrial relations reform was ended. It started from April 1996 and concluded by March 1997. Thus it was roughly one-year march. In this one-year struggle, there were many backs and forths as well as ups and downs. There were conflicts and tensions as well as compromises and antagonism between labor and management, between the reform group and new economic team in the government, and between old paradigm and new paradigm. In the middle of the march there were some dangerous occasions of losing the fundamental spirits of reform due to various attacks from anti-reform groups. In the last stage of reform progress, the Korean civil society as well as international community also participated in the new industrial relations movement and contributed greatly for the correction of the course of history.

Anyhow the final outcome was quite satisfactory in the sense that the new labor laws reflected the need of improving international competitiveness and of enhancing quality of working life rather in a balanced way. In other words, the new labor laws improved the workers' basic human rights significantly,

but also allowed various labor market flexibility to increase management's efficiency. In addition, the new labor laws corrected many outdated and irrational clauses that had been frequently observed in the old labor laws but politically difficult to amend them. In fact, through this new industrial relations movement, the Korean labor laws, of which basic structure and texture had not been changed since 1954, was completely overhauled and renovated.

However, two flaws should be pointed out in the final outcome. One is that the new labor law introduces so-called employment adjustment for managerial reasons (redundancy dismissal or economic layoff). It details the specific conditions and procedures to dismiss workers for managerial reasons. But unfortunately its enforcement is postponed for two years by the same law. It was a kind of political compromise to please the labor and strongly demanded by the opposition party. But it was vividly wrong decision. Law should not be a subject for political dealing or short-term political bargaining. The law-makers introduced the redundancy dismissal procedure correctly but they incorrectly postponed its effectuation for two years. In December 1996, the ruling party secretly postponed the multiple unionism for three years to please the management, but now in March 1997, the opposition party demanded for and succeeded in the postponement of redundancy dismissal for two years to please the labor. Both were simply wrong.

Another flaw was that new labor laws could not include the legalization of teachers' union. Not only ruling party but also opposition party tried to avoid the discussion on the teachers' union. But it must have been discussed and legalized either in the form of labor union or other lawful association.

In sum, besides these flaws, it goes without saying that the new labor laws should deserved high evaluation by any criteria.

However, the new labor laws, no matter how great their contents are, formed merely the institutional basis of new industrial relations reform. Of course, a change in legal framework could not be enough to root new industrial relations deeply into Korean society and workplace culture. To change law is one thing but to make it take root is quite another. Practice and convention must be changed. Outdated mindset and old way of behavior must be altered as well. So the movement should move to the third phase, namely, the settlement period of new industrial relations, which was originally planned to start from January 1997. But due to the delay of labor laws reform, the third phase was to begin from April 1997. In light of these considerations, the second Presidential Commission on Industrial Relations Reform was formed on April 14, 1997. From the first Commission ten members were replaced for various reasons and twenty members remained in the second Commission

The second Commission dealt with the following issues: (1) how to improve negotiation culture, (2) how to strengthen industrial relations education, (3) how to revitalize labor-management council, (4) how to activate alternative dispute resolution, (5) how to expand public sector unionism, (6) how to do income tax reform, (7) how to upgrade social insurance system, (8) how to reform retirement and pension system, (9) how to rationalize working hour and holidays system, (10) how to enhance employment stability, (11) how to overhaul vocational training, (12) how to bolster employment service, (13) how to raise female labor force participation, (14) how to introduce employee dispatch system. These are some of major examples of the issues handled in the second Commission.

They organized a series of public hearings and experts meetings on each issue. They also solicited suggestions and opinions on the issues from various industrial relations groups, such as unions, employers associations, NGOs, and academic associations. Based on these discussions and studies,

they passed a series of policy recommendations to the government at the general meeting of the Commission.

Sometimes the recommendation was extended to the labor and management groups. For example, the second Commission passed a guideline for effective collective bargaining (or cooperative negotiation) on June 17, 1997. It was a gentleman's agreement regarding how to proceed collective bargaining more productively based on mutual trust. It was like a step-by-step manual for effective and productive negotiation at the bargaining table. It detailed how to prepare effective negotiation and also "dos" and "do-nots" in the collective bargaining process. This recommendation was sent to the government for labor education through public institution and to the labor unions and management associations for their direct use at the bargaining table.

Another example was the recommendation, passed on September 9, 1997, for revitalizing labor-management council. Labor-management council (works council) system was introduced by law from early 1980s but was not rooted firmly in the Korean industrial relations practice and culture. So the Commission's concern was appropriate and timely. The Commission detailed the means and ways to activate labor management council and sent its recommendation both to labor and management for direct application at individual workplaces.

Most other recommendations were directly addressed to change in the government's policy. So after being reported to the President the recommendations were sent to the Committee for the Promotion of Industrial Relations Reform headed by the Prime Minister for implementation.

As a matter of fact, the second Commission accomplished many important labor- management agreements on many critical issues. However, the

activities of the second Commission received less media attention mainly because that most confrontational and controversial issue was over with the completion of labor laws reform. Most issues dealt with in the second Commission were less controversial and less conflicting issues. They were basically common interest issues mutually gainful both to labor and management. Thus there was less social attention regarding their accomplishment but in fact they contributed greatly to the progress of new industrial relations movement in Korea.

4-8. Major Contents of New Labor Laws

The followings are some of the major contents of new labor laws, which was passed the National Assembly on March 10, 1997 after one year of struggle.

- (1) The new labor law fully permits the multiple unionism. Nevertheless, in case multiple unions are established immediately at individual enterprise level, a flood of unions and confusion of bargaining procedures may result in. Thus, the multiple unions are first allowed at the national level and those at the enterprise level will be allowed from 2002 after introducing complementary measures. Those complementary measures concern bargaining methods and procedures under multiple unionism.
- (2) The new labor law allows political activities of unions, such as political campaigns and collection of political fund, which were strictly prohibited in the old labor laws. But in order to keep trade unions from becoming a political organization, the new labor law establishes the “cases in which the main purpose is to promote political movement” as a reason for disqualification. Like other public organizations, labor

unions' political activities are to be regulated according to the political finance and election laws.

- (3) The new labor law permits, in principle, so-called Third Party Intervention, which was rigidly prohibited in the old labor law. However, the new labor law blocks any reckless and disturbing intervention in the bargaining process by third party without getting permission either from union or management. In other words, the new law allows all outside assistance or guidance upon the request of labor or management. The labor can be either individual union or national center. And the same is true for business as well.
- (4) The new labor law admits the replacement of strike workers within the same enterprise concerned. The old law prohibited not only replacement of striking workers but hiring new workers during acts of dispute. The new law continues to prohibit new hiring but now allows substitution by other workers in the same company. It was designed to balance the workers' right to strike and the employers' freedom of operation especially for emergency purposes.
- (5) The new labor law authorizes the union representatives to hold both the right to bargain collectively and the right to contract collective agreement. The old labor law stipulated only the right to bargain and did not mention the right to contract explicitly, so that the agreement reached by representatives of both parties were frequently put into the vote at the general meeting of union members. If the agreement was refused in the vote then re-bargaining was called for. New labor law rectified this inefficient practice, protracting bargaining process.
- (6) In principle, full-time union officers should be paid by the union. But Korea's industrial relations developed a bad practice, that is, payment

of full-time unionist by employer. In the new law, it is stipulated that full-time union officers are not allowed to receive payments of any kind from employers and such payment is defined as an unfair labor practice that invades the autonomy of trade unions. Nevertheless, in case the payment of wages is restricted all at once, many financial difficulties in union activities are expected. Thus, five-year probation period is granted so that union and management get ready for the implementation of this law.

- (7) The new labor law introduces flexible work-hour system. It allows workings hours up to more than 44 hours per week or more than 8 hours per day under the condition that the average weekly hours do not exceed a 44 hour-limit. Of course there is another limit on this flexible work-hour system, that is, working hour can not exceed more than 56 hours for a specific week and can not extended to 12 hours for a specific day.
- (8) The new labor law introduces so-called employment adjustment for managerial reasons, or redundancy dismissal (or economic layoff). It specifies conditions and procedures to “dismiss workers for managerial reasons”. This redundancy dismissal has been admitted by the court law (juridical precedent) without any clause in the written law. Now the new law stipulates it. According to new law, in order for management to lay off for managerial reasons, there must be (1) urgent managerial needs, (2) prior efforts to avoid dismissal of workers,(3) reasonable and fair criteria for selection, (4) sincere consultation with labor unions or workers’ representatives. However, its enforcement was postponed for two years, namely, until 1999.
- (9) The new labor law stipulates two conditions before collective action. One is a good faith negotiation. Employers and unions are obliged to

respond in good faith to collective bargaining and any rejection or neglect becomes an unfair labor practice. The other one is mediation by the Local Labor Relations Commission. The mediation is to be requested either by labor or management. And this request is a prerequisite for union to institute a strike or for the imposition of a lockout by the management. The old law required a good faith negotiation only to employers, not to unions. And the old law did not demand mediation before collective action. The major reason of change is to induce more sincere negotiation between two parties as well as more serious mediation effort by neutral body before appealing to work stoppage, either in the form of strike or lockout.

- (10) The new labor law greatly enhances the independence, fairness, and expertise of the Labor Relations Commission (or Industrial Relations Commission), which is a tripartite body and whose major function is to adjudicate matters concerning contradicting opinions and interests between labor and management. The new law elevated the position of the Chairman of the Central Labor Relations Commission to that of Minister and guarantees independence and autonomy as a quasi-judicial body. It also increases the fairness and transparency of the operation in order to make the organization trusted and frequented by both labor and management.
- (11) In this labor law reform, the Labor-Management Council Act was replaced by the Act on the Promotion of Workers Participation and Cooperation. The new act significantly expands the issues to be dealt with by the Labor-Management Council and establishes workers' right to demand submission of reports from the management on such subjects as general management plan and results, quarterly production plan and results, manpower plan, and economic and financial conditions. It

newly specifies the managerial issues which can not be implemented unilaterally by management but must be carried out based on the resolution of the Labor- Management Council.

The above 11 points are some of important changes, among more than 150 issues, dealt with and amended in the new labor laws. There is little doubt that the new labor laws legislated on March 10, 1997 was really a epoch-making, comprehensive, and sweeping labor law reform in modern Korean history.

5. Evaluation of Reform Management

5-1. Importance of Leadership

The importance of leadership can not be exaggerated in successful reform management. It is especially more true in so-called new democracies, namely, newly democratized countries. In new democracies some authoritarian political culture still remains and plays important role in political decision making. Thus the opinion and determination of leadership concerning reform becomes frequently the most critical factor in reform development.

The leadership role in Korean labor reform was double-edged. The leadership made a politically very difficult and burdensome decision to initiate labor reform which had been delayed for years mainly due to potential political risky. Labor reform in any country is in fact politically very dangerous endeavor. It is almost impossible to generate supports from both sides, labor and management, in labor reform. In fact, both sides are more likely to oppose the reform. It is because that each side tends to consider the reform as a zero-sum game and is likely to focus on what they lost and not on what they gained. So both sides are likely to think they are losers. Thus, there is a saying in Korea that labor law reform is as much difficult as changing constitution.

In this regard, the leadership deserves high praise and esteem. But in the second half part of the reform process the leadership trembled in its principle of reform. Especially the economic downturn made leadership retreat from the original vision. This change of attitude was illustrated by the fact that the economic team became quite vocal and tried to slow down reform or distort it only for the benefit of business. The labor team would contend that if the

leadership continued to stick to principle of reform, there could be no hindrance or interference to reform from economic team. And labor reform could be concluded successful much earlier, let say sometime October or November of 1996, without the intervention of civil society to correct the course of reform in January or February of 1997. However, it was not clear which came first. Did the leadership's backsliding on reform, caused by political judgement on the new development of economic downturn, trigger the economic team more active and vocal or the new economic team, influenced by the business group, induced the leadership's backsliding and change in attitude.

At any rate, it was a tragedy that the leadership trembled and became confused in its principle of reform. Usually there are two pitfalls for the reform leadership, who tries to be popular politically, easy to confront. One is economic ups and downs and the other one is political election cycle. When economy moves to downturn or when next election approaches near, the temptation of delaying or distorting reform tends to grow. Anti-reform groups raise its voice and organize vigorous anti-reform campaigns. They usually argue that reform is hazardous to economic recovery as well as gaining votes in the election. But there is no theoretical or empirical evidence to support this argument.

Let us look at the economic argument against reform. Anti-reform group frequently argues that reform is basically desirable but should not be proceeded at the present because of failing economy. Since economy is bad, reform must be delayed. This is the typical argument most frequently used against reform. Sometime to prove the urgency of economic recovery, anti-reform group even deliberately produces a poor performance in the economy. For example, it can be generated by collectively postponing private investment for a half or one year. If many big conglomerates join in this

endeavor, it can result in a substantial negative impact on the economy in the very short run.

However, it is fundamentally wrong to try to stimulate economy by changing the course of reform. It is because reform is related to changing in rule of games, which has long- term effect on economy. So short term economic performance can not be improved by change of reform itself. To change rule of games to make immediate improvement of economy is not only theoretically absurd but also practically ineffective. In this respect, the new economic team was wrong in their attempt to change the labor laws reform tilted toward business interest to stimulate short-term economic recovery. It may seem to assist the business activity in the short run, but in the long run it will definitely hamper the business activity because labor will not uphold the new labor laws due to its inherent unfairness. So new industrial relations movement, which try to balance equally the interest of business and that of labor, is the right direction for public policy and will help the economy more effectively in the long run.

Let us look into the political argument against reform. Sometimes, anti-reform group argues that reform will cause a setback in election because the loser tends to be very vocal but the gainer tends to be silent. It is true that the cost of reform tends to be concentrated but benefit tends to be widespread. But basically it is a matter of public communication and political advertisement. If the government campaigns to inform the general public the benefit of reform, it can easily get majority support. Another encouraging evidence or sign is that the public polls usually show a strong and rising popularity of the government when reform is carried out without hesitation or distortion. And they reveal a sharp declining popularity when the case becomes the opposite.

Anyway, in most cases, the empirical observations seem to show that not the reform but lack of it is more hazardous to political support. However, in most cases, the opposite argument, promoted by the anti-reform groups, tends to gain influence more easily among career bureaucrats and career politicians. So they join quickly to anti-reform coalition. Then the leadership faces a mounting political pressure calling for a change in the course of reform, either delay or distortion.

In sum, for a successful management of reform, the reform leadership and reform group should not be bothered and distracted by the argument of economic difficulties or political necessity as an excuse for reform delay or slowdown. The reform leadership should stick to the principle of reform and original reform idea if they really want to succeed in reform and to help economy as well as to gain more political support at the same time. No one dispute the fact that strongly principled leadership is the most important determinant of reform success, especially in new democracies. In this respect, the leadership in Korean labor reform revealed a mixed picture in its performance. In the beginning it showed an excellence but in the later distraction and retreat.

There is one way to handle this requirement of strongly principled leadership for reform, especially when the head of state is already overburdened with other obligations. That is to delegate the reform to single person or organization entirely. Complete delegation of power to make final decision on reform could be better choice than direct management of reform by already overburdened head of state.

5-2. Reform Group and Power Circle

The experience of labor reform in Korea suggests strongly that the reform should be carried out by reform group as team and any conflicts within reform group (for example, Commission), or power circle,(for example, Presidential Office), is extremely detrimental to reform success.

As we saw in the above, there was no conflict or friction within both reform group and power circle in the first half of the reform period, let say, until the end of August, 1996. So reform proceeded quickly and smoothly during this period. But in the second half, as new economic team came into the scene, difference in opinion began to emerge sharply within power circle. As we saw, the “labor team” tried to balance the interest of labor and that of business, but the “new economic team” insisted on tilt toward business interest. That was the main reason why the reform was tumbled over and slipped from the right track for quite a while.

In this regard, especially the composition of the Blue House, Presidential Office, is extremely important in Korea. If there is any conflict of opinion or confrontation of philosophy among the staffs in the Blue House then reform is almost doomed to fail. So staffing the Blue House by all reform-minded people is of critical importance. Usually those groups opposing reform make every effort to capitalize on any internal conflict, if any, in the Presidential Office. They try to widen any difference in opinion as large as possible in order to produce reform failure. Thus, to arm the Blue House with reform minded group of people is the first surest step toward a reform success.

When staffing the Blue House, career bureaucrats must be shunned if the regime is really serious about reform. Career bureaucrats are excellent at managing the status quo but mostly harmful in managing reform. For example, since they are very much used to the old paradigm of unequal

treatment of labor and management, it is very difficult for them to understand and accept the new paradigm of equal treatment. It is especially difficult for those who have had many successful records as competent career bureaucrats in dealing with labor and management issues during 1960s and 1970s in Korea. It is because believing in new paradigm means for them to negate their own successful experience of the past. But that is exactly what is needed for successful reform.

The difference between the labor team and economic team was not accidental difference in opinion of few individuals representing each team. In fact it was a conflict or difference in belief and philosophy between two social groups or social forces in Korea. The economic team represented the past developmental strategy, which recorded quite successful performance during the 1960s and 1970s of early industrialization under the authoritarian regimes. And the labor team stood for new development strategy, which looked more appealing under democratic regime which took place after late 1980s and seemed more workable in the coming age of post-industrialism in the 21st century.

Quite understandably the high-rank career bureaucrats and big businessmen supported the economic team because their limited but successful past experience told them to do so. On the other hand, the academics and those representing civil society, such as NGOs, religious leaders, civic leaders, and professional groups, supported the labor team. Because they believed that old paradigm would not work any more in the coming age of information and globalization. Thus, fundamentally, it was a struggle between believes and philosophies among different social political groups. Considering this aspect, we could say that it might have been inevitable in Korean labor reform to experience the split and conflict in opinion in the power circle.

To repeat, reform is a struggle between the old way of thinking and new way of thinking, between the past and the future. At the same time it is a real power struggle between two competing groups; those who believe in new paradigm and those who believe in old one. It is philosophical and ideological struggle as well as sheer political power struggle between two contending groups. Reform has such two dimensions. However, reform designer or manager should keep in mind that ideological supremacy does not guarantee success in the power struggle, at least in the short run. In the long run, ideological superiority will definitely raise the likelihood of success. But definitely not in the short run. So the reform designer should be not only good at theory but also good at real politics. But problem is that there are not so many people who are good at both. That is part of reason why reforms do succeed much less frequently than are needed actually in the history.

Anyway, in terms of successful management of reform, it was deadly wrong to allow any split and conflict in the power circle in the middle of reform process. Thus, it was a grave mistake to change the economic team in the midst of reform on August 8, 1996. If the Korean government was really serious about the success in labor reform, the economic team must have not been changed and the unity (unanimity and consistency) in the power circle must have been maintained.

Some people speculate that the anti-reform group outside of the government, for example some people in the big industries with old paradigm, might have induced the change of economic team to block the smoothly on-going labor reform. This kind of conspiracy story is possible only in theory but there is no hard evidence either against or for it. However, one thing is very clear. That is, in terms of managing reform, the anti-reform attempt out of the power circle is rather easy to handle if those in the power circle can unite

firmly for reform. But if anti-reform attempt occurs within the power circle or reform group, then the reform is doomed to fail. In other words, enemy within is more destructive and perilous than outside enemy. Thus, it might be a natural course of event that anti-reform attempt tries hard to capitalize on any possibility of split or conflict in the power circle or in the reform group.

In sum, well-coordinated and single-minded teamwork is the key to the reform success. Tide of reform often becomes weak not because of outside attack but because of inside split. Thus, maintaining united teamwork, characterized by unanimity and consistency, is of paramount importance for reform success. In order to attain such teamwork, the reform group should do two things. One is to maintain firm unity in reform group and the other one is to obtain unanimous support for reform from the power group. If reform group prevails on the power circle, then best condition for reform success does occur. In other words, for example, staffing Blue House all by reform-minded people is the best condition for reform success. In less favorable condition, thus, the reform group should make every effort to persuade those in the power circle to support for and side with reform. To repeat, without internal support, external victory is almost impossible.

5-3. Presidential Commission and the Need for Micro-Strategy

The commission played the most important role in bring together the diverse opinions regarding labor reform from various segments of society. In this respect, the tripartite composition of the commission, namely, labor, management, and neutral group, was a good arrangement to stimulate convergence of opinions. Especially the inclusion of those representing public interest as independent third party to the Commission was an excellent and well thought out decision. In other advanced countries tripartite organizations tend to include government as the third party. But in Korea the

government has not been perceived as a neutral party mainly due to frequent interventions in the industrial relations to side with business interest. So choice of academics, civil and religious leaders, instead of government, as third party was quite correct and proper judgement. Since an important role of the third party was mediation, the strict neutrality and firm integrity should be the most critical character of the third party. In this regard, persons from academia and civil society definitely could play more independent and neutral role rather than persons from the government.

The reform group or labor team seemed to have a macro-strategy of reform but they were unprepared for micro-strategy of reform. Macro-strategy implies overall plan of reform, such as when and how to start the reform, who are in charge and how to carry it out, what is the timetable for major events, and how to conclude it. In contrast, micro-strategy means more tactical or professional approach to the individual issues under overall plan of reform. For example, A decision to develop a draft of new labor laws bill through a tripartite committee is a macro-level strategy, but how to make the tripartite negotiation successful is a micro-level strategy. How to deal with labor and management? How to bring them into an agreement? What should be done if negotiation reaches an impasse? Which rule of decision should be adopted, simple majority rule or unanimous vote? Whether or not should professional mediator be hired to stimulate negotiation? Etc. These are issues all subject to micro-strategy.

Looking back the performance of the Commission from late August to early November in 1996, it seemed evident that the reform group was not well prepared in advance to such micro issues as how to make negotiation productive and successful.

First of all, the Sub-committee for the Revision of Labor Laws under the Presidential Commission should have agreed on procedural issues before

starting negotiation on substantive questions. But they did not. Without more detail discussion or agreement on how to handle procedural issues, they rushed into substantive discussion to come to agreement as quickly as possible. This attitude was naïve and insufficient. They should prepare more seriously in advance for the case of impasse or deadlock. It simply shows that they were lack of sufficient micro-strategy for reform.

What if labor and management could not come to a unanimous agreement? Should they decide the final recommendation to the President by majority voting or should they go to some other means for solution? If they wanted for majority voting rule, then what they should have done was to reorganize the committee by equal numbers for each party. Otherwise, the majority voting rule would be an unfair game because currently the third party outnumbered other two parties. If they decided not to use majority rule and instead preferred unanimous vote, it is perfectly O.K. But in such case they should prepare for the case of impasse.

For example, they could employ professional mediators and follow their advises to stimulate more effective and productive negotiation or they could adopt a voluntary arbitration method to settle down differences, whose conclusion are final and binding. Even in arbitration method there are many varieties. For example, instead of presenting his or her own offer, the arbitrator can choose one among the last two offers made by labor and management, respectively, which is called “last-best-offer arbitration”. It is one easy way to put pressure on the parties to be more reasonable and realistic.

The point is that the Sub-committee should have sought for an agreement on these procedural issues before beginning discussion on substantive issues. But they did not make clear all these procedural issues and simply assumed that unanimous voice would be possible through sincere discussion and

negotiation in good faith. Of course, unanimous agreement was the most desirable one, but in practice to attain unanimous agreement was extremely difficult, almost next to impossible, so that it easily turned into an obstacle for the Sub-committee to move on. The labor and management became tougher and tougher and deliberately moved to a hard bargaining position after they knew that the reform group was seeking for unanimous agreement. This implicit principle or attitude of seeking for unanimous agreement became a trap for the reform group and the labor and management tried hard to take advantage of it to their interests. All these problems and confusions occurred because the Sub-committee did not clarify procedural issues before starting discussion on substantive issues.

Second, the Sub-committee should have developed so-called its own BATNA (Best Alternative to a Negotiated Agreement). The Sub-committee should develop a clear idea or a best policy alternative about what to do in case they failed in negotiating agreement. Not only should they define their BATNA but also should they inform it clearly to the concerned parties, labor and management. For example, they should make it clear that even though negotiation failed the government would move on to the revision of labor laws based on its own opinion. Or the government would move on by itself based on the “Basic Directions of the Reform of Labor Laws and Institution”, which was unanimously agreed by labor, management, and the public interest group on July 11, 1996. Having a stronger and better BATNA usually implies having more power in effective negotiation. Thus, the Sub-committee should have developed BATNA and put pressure on both labor and management side to come to terms each other. However, unfortunately, they were not conscious of the importance of BATNA in successful negotiation.

Third, the third party representing public interest, so-called public interest group, such as academia and civic leaders, could not play a genuine role of neutral third party in activities of the Sub-committee. In other words, they took too active position and aggressive attitude in bring two other parties, labor and management, into an agreement. So negotiation tended to take place between the third party and labor and between the third party and management. More desirable course of events was that negotiation took place between labor and management and when they could not come to agreement the third party began to play a role of neutral party to help them come to terms of each other.

As we saw in the above, the third party prepared a draft for the amendment and the three parties discussed upon the draft. Then the negotiation became inevitably between the third party and each concerned party, namely, labor and management. So the third party must work hard to persuade each party to accept its proposal. Little direct negotiation happened between labor and management. More negotiation occurred between the third party and labor and management, respectively. More desirable course of events was to let labor and management get together to work on a draft and after they made some tentative drafts then the third party came in and presented its preference or choice on the drafts from neutral position. Then it became much easier for the third party to work on and it could capitalize on its neutral position as much as possible. In other words, the third party could play a role as mediator or arbitrator in the negotiation between labor and management. However, as we saw in the above, unfortunately the third party could not play such role in the process of Korean labor laws reform. They were directly involved in the negotiation as an important directly concerned party, not being as a neutral party who could have casting vote in the negotiation of the other two, labor and management.

Fourth, there is little doubt that the third party really worked hard to persuade the two concerned parties to come to terms each other. However, they approached the negotiation process with lots of wishful thinking, but not with sophisticated strategic mind. In this regard, not only the third party in the Sub-committee but also the reform group even in the Blue House committed same mistake. They all believed that they could persuade successfully the two parties, labor and management, because their position and idea would ultimately benefit both sides in the long run. They thought they could succeed in negotiation because their position and contention were right. But negotiation is not that simple phenomenon. In negotiation it is always possible that mutually beneficial outcome can not be attained. To make a negotiation successful we need professionally trained strategic mind. But that is exactly what Korean society needs most. Korean society is extremely in short supply of professionally trained mediator as well as arbitrator. Scientific study on negotiation or conflict resolution is quite new field in Korea. Most third party members in the Sub-committee were excellent professionals on labor laws and industrial relations but they were not professionals on science of negotiation.

The above are some of the typical examples shown in Korean labor reform related to the issues of micro-strategy for successful reform.

5-4. Political Party and the National Assembly

The experience of Korean labor reform clearly reveals that Korean political party system is seriously handicapped and has many critical problems. Among many problems, the following three deserve special attention.

First, Korean political party system is too hierarchical and authoritarian and its decision making process is extremely centralized only to the top few. It is

very much like a private firm owned by a single person and run directly by this owner manager. Only the top can make a final decision. The president of party behaves like an owner-manger in a private firm. For example, the president de facto monopolizes the power to decide party candidate for National Assembly election. And the president assumes major responsibility to raise money not only for the operation of party but also for the election campaign. Thus, person who can not mobilize enough money for party and election can not be president of political party in Korea.

Under such circumstance, politicians, including national assembly members, become inevitably dependent on the president for two reasons: one is to get party nomination and the other one is to get election finance. Thus, they should be all loyal to the president and severe competition for loyalty to the president takes place.

In other words, there is no democracy in Korean political party. The voice from rank and file members is almost non-existent and even that of lawmaker is quite limited. Thus, even ordinary lawmakers just follow the directives or orders given from the top with little critical thinking. So the miss-judgement of the top can easily convert into mistakes of all. That was exactly what happened in the ruling party on December 26, 1996. The ruling party made a fatal mistake on that day but it was a direct result of wrong judgement of the top few.

Second, Korean political party does not give high priority on policy studies or agenda development. It was mainly because that political parties and politicians do not compete in political market by policy idea or agenda. Money plays an important role in party nomination and local election. So it is usually a great burden for ordinary politician to raise money sufficient enough to compete in election. Personal connection also plays critical role in both nomination and election. And still regional sentiment or regionalism is

a dominant factor in deciding the outcome of local election. Party that is considered to represent certain region usually hits a sweeping victory in that region. How is particular party considered as representing a certain region? It is usually decided by the hometown of the president of the party. If the president was born in certain region, his party is considered to represent that region and those nominated by the party almost always win in the election. Thus, getting nomination from the right party implies, in most cases, success in election. Of course, in the election campaign candidates often raise policy issues and have policy debates, but nobody, including voters, is serious about them. Candidates and voters all know that policy debate is festival of empty promises.

Thus, the ordinary lawmakers have little interest in and little understanding on policy issues. So the mistake of the top in policy issues cannot easily be checked by ordinary lawmakers in the same party. This is another reason why the ruling party lawmakers passed the seriously distorted labor bill, on December 26,1996, which contained a fundamental flaw, without even noticing it. In other words, they did not know what they were doing.

This general lack of concern as well as expertise in policy formulation and agenda setting appears not only in ruling party but also more seriously in opposition party. That was the main reason why the opposition party could not suggest its own version of new labor laws in Korea. They just criticized new bill proposed by the government and ruling party without suggesting any solid policy alternative. They have never developed their policy position regarding labor laws reform. Part of the reason was political. In other words, they were afraid that their policy stance might invite huge criticism from both sides, labor and business regardless of whatever position they stand for. They knew that it was extremely difficult to formulate a policy to be welcomed by both sides. Thus, they chose a very opportunistic road, namely,

not to present their policy position. But more fundamental reason of not presenting their policy alternative was lack of ability or expertise. Basically due to the same reasons discussed in the above, the opposition party also has not been interested in policy formulation, so that they could not develop capacity to deal with policy issues solidly and rigorously. Their lack of capacity to develop solid policy was vividly revealed in their insistence on the postponement of redundancy dismissal (employment adjustment for managerial reasons) for two years. They also did not know what they were doing.

Third, another serious problem, both Korean political party and National Assembly share, is the lack of transparency and accountability in their operations. For example, people do not know how the policy position is decided in the party and specifically who are responsible for certain policy being promoted by the party. The lack of transparency and accountability is most serious in the operation of National Assembly. People simply do not know what their representatives say in the committees or in the general assembly and how they vote for certain bill. Aggregate voting record is sometimes publicized through newspaper. For example, certain bill passed by how many supports and how many objections. But individual voting record is never collected and reported. Namely record on who voted for and who did not is never known to the people. Speeches in the general assembly are recorded and publicized but very limited in its circulation. But speeches and debates in the committee are recorded but never circulated to the public.

This lack of transparency and accountability causes many problems. Among them, the most serious one is that it reduces the cost of corruption significantly. Since people generally do not know the individual voting as well as speech record, the cost of wrongdoing or any voting behavior influenced by lobbyists becomes almost zero. In other words, it becomes

much easier for the Assembly Members to be captured by the vested interest groups. Because benefit of being captured is very high but the cost of it is very low due to lack of transparency and accountability.

This problem becomes most serious when it comes to reform-related legislation. Anti-reform group usually takes the following course or steps of anti-reform campaign. First, they start a media campaign to stop or slow reform. Second, they try to persuade the bureaucrats to stop or distort the reform. Third, they attempt to split up the reform group or separate it from power circle. Fourth, if they failed in all the above attempts, then finally they try to block reform legislation or attempt anti-reform legislation to undermine the reform. These steps are sometimes taken step by step or sometimes used simultaneously. At any rate, anti-reform group's attempt to block reform through the National Assembly becomes much easier in Korea mainly because of the lack of transparency and accountability in the operation of the Assembly.

The above discussion clearly shows that Korean political system has serious fundamental flaws. These systemic defects or weaknesses need definitely an overhaul and restructuring. Without it, it becomes more and more difficult to implement reforms in Korea, whatever reforms they may be. In other words, political reform is very urgent in Korea and it should proceed other social and economic reforms. Otherwise, reform efforts in social and economic fields would be continuously challenged, frustrated, and thwarted primarily because these serious fundamental flaws of Korean political system.

5-5. Role of Media and Civil Society

As mentioned earlier, little media campaign in the initiation period of labor reform was a problem. Especially the intention of the reform group regarding

labor laws reform was not clearly transmitted to the media.

Their goal or intention was to change labor laws to improve both workers' basic human rights and flexibility in labor market. The former was basically pro-labor revision and related to the advancement of quality of working life. And the latter was basically pro-management revision and concerned with the improvement of international competitiveness.

The reform group refrained from speaking out these concrete intention and goal in the beginning of reform, let say, before the launching of the Presidential Commission. This restraint was intended to encourage free discussion, thus, spontaneous consensus building from the bottom about labor laws reform. The reform group expected such bottom-up movement of consensus building would arrive at the same conclusion as the one intended by the reform group. Thus, they refrained from clarifying their concrete intention in the beginning of the reform. But, it was a mistake. The press speculated that real intention must be pro-labor revision of labor laws and the revision was designed to obtain the OECD membership. Without clear and hard information, they began to speculate with whatever information they have and portrait the reform as they speculated. This biased and incomplete image of the reform was ultimately corrected as the Commission began to work. However, there were much unnecessary confusions and misunderstandings in the beginning of the reform. Thus, one lesson we could learn from this experience was that more open and honest exchange of information and opinion between reform group and media is always a must for successful management of reform.

Commission's media campaign was relatively effective. It maintained quite favorable relationship with media. The Commission constantly provided to the media the detailed information of the progress of negotiation at a regular

basis. The Commission correctly adopted the policy of transparency and honesty towards media. And it worked quite well.

But still there was a problem. It was that the media always reported the ongoing negotiation in the Commission in confrontational fashion. The media portrayed the negotiation between labor and management as a zero-sum game on every occasion. The reform group wanted it to be described as a positive-sum game. Or at least they hoped that the media emphasized more on the mutually gainful aspect of the negotiation and its progress. But the media always disappointed the reform group. There were two reasons probably responsible for it. One was that positive sum or mutual gain approach in industrial and labor relations was quite new paradigm to most people. Thus, media could not understand and believe in it. The other one was simply due to media's populism or commercialism. In other words, people in general like to see confrontation and conflict, rather than cooperation and harmony. So, media tends to focus more on conflict and less on cooperation in making and reporting news. Under such circumstance the reform group should have worked harder to persuade the press that positive sum game was not only theoretically desirable but also practically possible and feasible by providing more information on successful experiences in other advanced countries.

The role of civil society in Korean labor reform was a mixed one. It was rather passive or reactive in the early stage of reform. It did not contribute much to the negotiation process between labor and management. But the civil society became very active and even aggressive in the later stage of reform. It was even militant in correcting the mistake made in the National Assembly.

In the early stage, the support for reform from academics, religious groups, and citizens' movement was relatively weak. Of course, those in civil society

supported the labor reform individually, but did not help in an organized form. Part of the reason of this benign neglect was that there were two directly concerned parties in labor reform, namely, labor and management. Thus, the civil society wanted to see how they solve their problem. They decided to wait and see. This decision seemed proper and quite understandable from the viewpoint of civil society. But this passivity was in fact far from being satisfactory from the viewpoint of successful reform management. The reform group should have organized broader reform-coalition in civil society to increase the pressure to labor and management to come to terms with each other during the negotiation period.

Some representatives of citizens' movement were included in the Commission as regular members, so that the views and opinions of the civil society must have been channeled into the labor-management negotiation process. But there was no voice and no participation of civil society in the negotiation process as an organized force. In fact, the civil society must have participated in the labor-management negotiation, not as an individual but as an organized force, promoting public interest, neither labor interest nor management. Then the final outcome of negotiation could have been different. With the participation of civil society as an organized force, the likelihood of compromise or agreement between labor and management must have increased undoubtedly. In this regard, the reform group should be criticized for its failure to organize broader but more militant reform-coalition into civil society. And the reform group must have used this coalition force to persuade aggressively labor and management to compromise each other for the safeguard of public interest. But unfortunately they did not explore this possibility of reform coalition with civil society.

However, interestingly enough, after reform was misguided and slipped out of the right track, which happened on December 26, 1996, the civil society

rose up suddenly and attacked the government and ruling party aggressively. The civil society became suddenly volatile and explosive. They loudly cried for bringing back the reform on the right track. And finally they succeeded in correcting misguided reform and putting it back on the right track. This sudden change happened spontaneously. What forces were working behind this change?

First of all, there has been a fast growing new middle class in urban area as a direct consequence of rapid industrialization during the past 3 to 4 decades.

Second, this new middle class is now seeking more active political role in Korean society. They have grown economically to be powerful but they could not have enjoyed political influence matching to their economic power. Now they are seeking for more political role.

Third, the main reason of political under-representation of middle class was the systemic flaws and various backwardness of Korean political system we discussed in the above. The current political system could not absorb the political aspiration of middle class and reflect it properly into policy agenda. So the frustrated middle class demand more elements of direct democracy.

Fourth, the demand for more direct democracy frequently appears in the form of various citizens' movements. Citizens' movements usually deal with non-political issues as their daily activities, such as helping the poor and old, education reform, environmental issues, regional development problem, woman's liberation, and cultural activities, etc. But they get together if political crisis comes and speak out in unity and if necessary take a concerted action, such as street demonstration, protest rally, media interview, signature movement, and visiting the government's officials to protest, etc. in quite organized fashion. If things develop to such level, then usually leading academics and influential civic and religious leaders step in and support the

cause of citizen's movement and play a role of mediation between the government and the citizens' movement for peaceful solution.

In sum, the new middle class takes action in organized fashion only when the political and economic situation stands at a critical juncture.

What is the implication of this new phenomenon in terms of managing reform. The main implication will be that the reform group must try every effort to persuade the new middle class to support and side with reform. The reform group should develop direct contact and channel with various organizations representing middle class and should build up a firm reform coalition with them. It must be listed in the top priority of work agenda for reform group. Building a direct coalition with middle class is especially important in newly democratized countries. Because in new democracies political system still has many structural weaknesses so that middle class's voice is not adequately reflected on political debate and policy discussion.

The reform group should build various formal and informal channels for dialogue and information and idea sharing with diverse citizens' movement as well as eminent academics and key civil and religious leaders. To build up mutual trust, this effort must be carried out consistently at regular basis.

One advantage associated in the reform coalition with new middle class is that in general new middle class is strongly reform-minded in its ideological orientation. New middle class prefers to change, rather than to preserve, the structure of vested interests, but does not want to go too far or too extreme. Their ideological orientation is near to the so-called golden- middle or third – way. They believe in market economy and democracy. But they want due attention of the government to the weak, disadvantaged, and helpless. They do not like too much inequality but at the same time they know the importance of private incentive system as well as the possible waste of

government intervention. In this ideological propensity, the new middle class shares many common elements with reform group. Thus, it is much easier for reform group to persuade new middle class and develop reform coalition with them.

At the same time, there is one important merit in this coalition, that is, due to this ideological propensity of new middle class, they can play an important role as a catalyst for change as well as a watchdog to maintain the principle of reform in reform implementation. If reform became tainted and moved into wrong direction, then the new middle class group could object and criticize openly, and threaten to break up the coalition. Thus, it could help the reform implementation remain on the right track and stick to original principle.

6. Lessons and Conclusion

The Korean labor reform was a huge landmark in Korean reform history.

First of all, it was a big success. Even though there was a time of digression and confusion, even time of off-track, the final outcome was very much close to the original vision and principle of reform. As far as the labor laws reform is concerned, it was a great success. Literally it overhauled the whole structure of labor laws for the first time since 1954. But in terms of creating new industrial relations, the reform was only half done. It restructured legal institution successfully but could not proceed much into the next stage of reform, namely, the change of mindset and culture.

If the Commission succeeded in bring about a unanimous agreement between labor and management on labor laws reform, this very success, of course extremely difficult one, could generate a powerful momentum for a cultural revolution in Korean industrial relations. That was exactly what the reform group originally expected and planned for. They knew well it was not that easy but they really worked hard and seriously hoped for it, because it could provide an important turning-point or stepping stone for the next stage of development, namely, a quantum jump to new industrial relations culture. They expected it could bring about a sweeping change of psychological atmosphere at every workplace, from confrontational and distrustful one to cooperative and mutually trustful one. But unfortunately this original plan failed and the cultural revolution to change mindset and way of behavior could not materialized much.

Second, the Korean labor laws reform was completed by the full agreement between ruling party and opposition party for the first time in Korean labor

laws history. There have been several revisions since the first introduction of labor laws in 1954, but always carried out unilaterally either by ruling party or coalition of opposition parties. So for the first time in history, new labor laws bill has passed the National Assembly by unanimous vote. It was, on course, possible because there was a long, hot, and open discussion on the issues in the Commission. And through this discussion, a broad social consensus has been fully developed in Korea regarding the desirable direction and contents of new labor laws. Thus, it was not that difficult for the political parties to come to complete agreement on details of new labor laws.

Third, the labor laws reform was carried out with full participation of labor and management. In the past revisions of labor laws, the direct concerned parties, labor and management, have been always excluded in the discussion for amendment. Almost always the revisions of labor laws were enforced unilaterally by the government. And the whole process of preparation was carried out in strict secret usually by few high-rank bureaucrats.

The labor laws and their revisions have been simply an instrument of government's policy primarily for rapid economic growth and secondarily for the improvement of workers' welfare. So the labor laws revision could not be a subject for discussion with labor or management. But this time the labor laws reform was quite different. First of all, the goal was different. It was not solely for rapid economic growth but for balancing economic growth with social equity. Much more emphasis was put on the social justice aspect of labor laws reform compared to the past revisions. Thus, more open discussion and active participation of the concerned parties, labor and management, could become possible for the first time in Korean labor laws history.

Fourth, civil society participated in the reform process and constantly watched over it. Leading academics and preeminent civic and NGO leaders joined directly in the Commission as regular members. Many academics, citizens' movements, lawyers association, and religious groups documented their opinions on the labor laws reform and filed to the Commission. Many of them also presented their opinion in the various public hearings organized by the Commission. As we pointed out, they did not participate as an organized political force in the early period of labor laws reform. But they took part very actively in reform as individuals. Thus, various voices of civil society could be transmitted to the reform process.

After the tragic mistake at the National Assembly, the anger of civil society exploded and was transformed into organized activities on the street, protest rallies, various anti-government campaigns. The civil society became to move as an organized political force and then finally succeeded in correcting the misguided reform process. The civil society has begun its participation in labor laws reform rather quietly and gently, but finished it quite vocally and violently. Anyway no one will dispute the fact that civil society has contributed significantly to the reform success in Korea.

Seeing the above, there is little doubt that labor laws reform will be recorded as a historical event or a turning point both in the history of labor laws and in the history of institutional reform in Korea. Having said that, let us move back to the main thrust of this paper.

What are the lessons we can learn from the experience of Korean labor reform? The following will be the major lessons.

1. The reform leadership should stick to the principle of reform and original reform idea all throughout the reform development. Strongly principled leadership is the most important determinant of reform success

2. Usually to reform leadership there are two temptations of distraction from reform or for backsliding on reform. First one is to overcome the on-going economic difficulty and the other one is to win the coming election. Both arguments are frequently used as pretexts for promoting reform delay or retreat. The reform leadership should not be tempted by these false arguments pushed by anti-reform camps.

3. One way to deal with the rising demand for strongly principled leadership for reform success is to delegate fully the power to reform and responsibility of reform to single person or organization. This is especially important institutional arrangement when the head of state is already overburdened with other obligations. In such case, complete delegation of reform leadership is much better choice for successful management of reform than direct control by the overburdened head of state.

4. The reform should be lead by reform group as a well-coordinated team.

Teamwork is extremely important for reform success. Any conflict within reform group is very detrimental to reform success.

5. What is of critical importance is that reform group should occupy the key posts in the main power circle. Any conflict between reform group and main power circle or any significant split in the main power circle makes the reform success extremely unlikely. Thus, reform group should prevail on the main power circle.

6. In this regard, the composition of Blue house, the Presidential Office, is extremely important. The reform- minded people must occupy the key positions. If there is any significant conflict in the philosophy regarding reform among staffs in the Presidential Office then reform is doomed to fail.

7. Career bureaucrats should be shunned from staffing the key posts in the Presidential Office. They are excellent at managing status quo but not good at managing reform and sometime even harmful to reform management. Especially career bureaucrat with successful record should be avoided. Because the past success tends to make him or her a firm believer in old paradigm.

8. Reform has two dimensions: one is struggle at ideological level and the other one is battle at sheer power politics between reform camp and anti-reform camp. Reform managers should keep in mind that ideological supremacy does not guarantee success in sheer power struggle. They should be good not only at theory but also at real politics. Of course there are not so many people who are good at both. But that is what is needed most for reform success. We need macro-level strategists who can do both.

9. The reform group in Korea was short of micro-level strategy. They were not prepared enough to tackle such micro-level issues how to deal with labor and management, how to bring them into agreement, and what to do if negotiation reaches an impasse. Reform group tends to ignore the importance of these micro-level issues and loves to think only big things. But the success or failure of reform is in many cases dependent on how to successful deal with these micro-level issues.

10. There have been many scientific studies on dynamics of negotiation and conflict resolution. Based on these studies many skills and techniques for effective mediation and arbitration as well as win-win (positive sum game) type of conflict resolution have been developed. And they have been tested to be powerful in many real cases. The findings and lessons form those studies and real world applications must be incorporated into the development of micro-level strategy for reform.

11. The nature and the operational characteristics of the National Assembly play very important role in determining the success or failure of reform.

If the Assembly is too conservative and anti-reform minded, then it is difficult to pass necessary reform bill. Even though the Assembly is not too conservative, but if its operation is not transparent and accountable to the public, then another problem does occur. Namely, the National Assembly could be easily a capture of vested interest groups, so that reform bill would be easily blocked or distorted in the assembly by intensive lobbying. Thus, political reform strengthening transparency and accountability of National Assembly is very urgent task. It is needed not only for its own sake but also for the success in other reforms.

12. Another problem of Korean political system and culture, an important obstacle to reform, is the extreme partisanship with little care or interest in policy issues or agenda setting. Ruling party usually pushes a policy without much sincere preparation and broad consensus building in advance. And also the opposition party opposes for the sake of opposition itself without striving for any alternative vision or policy blueprint. Under such situation, reform bill is likely to be floating around with other bills and frequently killed without being noticed because of excessive partisan fight in the Assembly. So without political reform, it becomes increasingly difficult to succeed in social and economic reforms. Hopefully political reform should proceed reforms in other fields or at least should be implemented simultaneously with other reforms.

13. Media campaign for reform is very important for reform success. The reform group should not shun media. They also should not attempt to manipulate media. Best policy is honesty, openness, and taking initiative from the beginning of the reform process to the end. The reform group should constantly persuade the media to become active reform ally or at least

very favorable reform sympathizer. Without inducing the media to become ally of reform, it is difficult to convert general public to be friends of reform.

14. The role of the civil society in the process of reform becomes increasingly more important. It is especially true in case of newly democratized countries. In such countries it is critical for reform success to build up a strong reform coalition with those groups representing civil society, such as citizens' movement, leading academics and journalists, civic and religious leaders. They represent the views and aspirations of urban new middle class occupying majority of population. They are also public opinion leaders.

15. In general new middle class is strongly reform-minded in new democracies. Due to this ideological propensity the new middle class can play an important role as an effective catalyst for stimulating change as well as a dreadful watchdog for monitoring the maintenance of principle and original idea of reform. So it is important to use this characteristic of middle class for the cause of reform by organizing it as a political force participating, supporting, and monitoring the reform.

16. Anti-reform group usually takes the following steps to block or distort reform. First, to persuade the middle level bureaucrats in charge of implementing reform to report to the above that the reform is not appropriate due to side effects or technical difficulties. Second, to persuade the media, especially those in editorial board, to the same effect. They want to see editorials opposing the reform as many as possible. Third, to persuade people in the main power circle and induce split of opinion within the circle.

They want to exploit all possibility of splitting and division within circle.

Fourth, to lobby the member of National Assembly to block or distort the passage of reform bills. If their attempt is failed, then they lobby to enact anti-reform bill to nullify the passed one.

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