

24 The evolution of labour relations in the South Korean shipbuilding industry

A case study of Hanjin Heavy Industries, 1950-2014

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Introduction

The latter half of the twentieth century witnessed rapid changes in the leadership of the global shipbuilding industry. South Korean shipbuilders entered the world shipbuilding market in the early 1970s and within two decades, almost from a standing start, its shipbuilding industry became the world's second-largest producer of ships, after Japan.¹ Along with the rapid expansion of the industry under the military dictatorships of Park Chung-hee (1961-1979) and Chun Doo-hwan (1980-1987), a workers' movement emerged, albeit slowly. Shipbuilding workers took the lead in the 1987 "Great Workers' Struggles", which followed the "June Struggle" for democratisation in South Korea. They succeeded in organising themselves into labour unions, and achieved impressive advancements in wages and working conditions. However, as directly hired regular workers in the major shipyards, they formed a distinct group from increasingly used sub-contract workers, and latterly from migrant workers.²

¹ For the evolution of the South Korean shipbuilding industry, see Amsden, *Asia's Next Giant*; Amsden concentrates on the growth of Hyundai Heavy Industries. See also Jonsson, *Shipbuilding in South Korea*; Jonsson compares the South Korean experience with developments in Japan, the United Kingdom, and Sweden. A more recent treatment is Bruno and Tenold, "The Basis for South Korea's Ascent in the Shipbuilding Industry". Bruno and Tenold argue that the post-OPEC shipping crisis, which led to a dramatic decline in demand for new tonnage from the mid-1970s onwards, may have boosted the ascendancy of South Korean shipyards. The overall shifts in shares of the world shipbuilding market are discussed in Todd, *Industrial Dislocation*, and, with a specific focus on the shift of market share to East Asia, Todd, "Going East". See also Cho and Porter, "Changing Global Industry Leadership". Thanks to Hugh Murphy, who offered many helpful comments on a draft of this paper and informed me of many valuable English-language materials on the Korean shipbuilding industry.

² Migrant workers from various countries such as Vietnam, Mongolia, and Uzbekistan form part of workforce in the South Korean shipbuilding industry. South Korean shipbuilders were reported to employ 6,530 migrant workers at the end of 2012. For example, Daewoo Shipbuilding and Marine Engineering, Hyundai Heavy Industries, and Samsung Heavy Industries employed

As the world's leading shipbuilding nation at the turn of the millennium, South Korea was very wary of the strong challenges posed by emerging Chinese shipbuilders. As such, major Korean shipbuilders such as Daewoo Shipbuilding and Marine Engineering (est. 1978), Hanjin Heavy Industries, Hyundai Mipo Dockyard (est. 1975), Samsung Heavy Industries (est. 1974), and STX Offshore and Shipbuilding (est. 1967) all set up global production networks. With the increase in South Korean shipbuilders' foreign investments, in China, Norway, the Philippines, Romania, Vietnam, and South America, South Korean shipbuilding workers, especially sub-contract workers, have been increasingly threatened by the loss of jobs.³

This chapter outlines the evolution of labour relations of Hanjin Heavy Industries (HHI) located on Youngdo island near Busan, the largest port city in South Korea. Initially formed by Japanese capital in 1937 as Choseon Heavy Industries Inc. (CHI), to build and repair steel ships; after the defeat of Japan in the Second World War, CHI became a semi-state-owned enterprise and was renamed Korea Shipbuilding and Engineering Corporation (KSEC) in 1950. In 1968, KSEC was privatised, retaining its name. In 1989, the Hanjin industrial conglomerate took over KSEC in bankruptcy, and set up HHI. Until the huge Hyundai shipyard was established at Ulsan between 1972 and 1974, HHI's Youngdo Shipyard was the largest in South Korea. By the millennium, HHI had become one of the world's top shipbuilders, especially in the large container-ship market. In tandem, from 2007, HHI operated another shipyard at Subic Bay in the Philippines. Faced with the decreased demand for shipbuilding since the 2008 world financial crisis, HHI has reduced its workforce at the Youngdo Shipyard, which unleashed intense labour disputes from 2010 to 2012. Instead of modernising Youngdo Shipyard, HHI sought to build larger vessels at lower cost in the Subic Shipyard. Alongside outlining the evolution of labour relations at HHI, this chapter also highlights major changes in labour relations at the shipyard focusing on the

1,312, 994, and 939 migrant workers respectively. See, Korea Offshore and Shipbuilding Association, *Shipbuilding Yearbook*, 20.

3 Daewoo has a shipyard in Romania, Daewoo-Mangalia (a 50-50 partnership with the Romanian government), and the Yantai Block-Making Factory in Shandong province, China. Hanjin has a shipyard at Subic Bay in the Philippines, Hyundai Mipo Dockyard has Hyundai-Vinashin in Vietnam, Hyundai-Mipo is a subsidiary of HHI (the world's largest shipbuilder); Samsung has two block-making factories in China, located in Jiangsu province and in Rongchen province. STX has a shipyard and block-making factory at Dalian in Liaoning province, China, and fifteen shipyards in Brazil, Finland, France, Germany, Norway, and Vietnam. In 2007, STX took a two-fifths' stake in the Norwegian Aker group, Europe's biggest shipbuilder. In 2008 it took over Aker, and formed STX Europe. Due to a severe lack of liquidity, STX group was broken up in 2013.

enterprise (firm-specific wage bargaining) union system, sub-contracting arrangements, and militant unionism, which are major features of South Korean shipbuilding labour history.

The evolution of the modern shipbuilding industry in Korea: the colonial period, 1937-1945

The origin of Korea's modern shipbuilding industry can be traced to the Japanese colonial period. CHI was established in July 1937 by Japanese capital, including Mitsubishi, and was equipped with three building berths capable of constructing 3,000-ton ships, two building berths of 500-ton class, and two dry docks for ship repairing in 1941. With the outbreak of the Pacific War, CHI began to build a series of wartime-standard ships under the supervision and planned shipbuilding programme of the Imperial Japanese Navy. CHI completed ten vessels of 13,700 tons in total during the Pacific War, and expanded its facilities for engine manufacturing in the latter half of 1943. By 1944, CHI had produced auxiliary diesel engines of 600 hp and steam engines of 1,200 hp. By the end of the Second World War, there were approximately 2,000 workers in the Youngdo Shipyard, including about eighty Korean shipbuilding technicians.⁴

The Japanese government general of Korea controlled all employment relations including hiring, job training, dismissal, and wages across the country, especially after 1937. Korean workers were treated not as modern wage labourers but as national resources, or as slave-like subjects of the Japanese emperor. The wartime mobilisation from 1937 to 1945 in Korea was a form of colonial fascism. The Factory Law, enacted in Japan in 1916, never applied to Korean workers. The manpower mobilisation of the colonial period, executed through coercion and surveillance by police and administrative agencies, was not followed by any improvement in basic labour rights or any form of industrial democracy. While disseminating a totalitarian ideology of labour service, which emphasised the public spirit of workers, the colonial government never offered any welfare services to Korean workers. In co-operation with the police and administrative agencies, management even tried to control the private and family lives of workers.⁵

4 Bae, "The Management of Choseon Heavy Industries Inc.". References written in Korean and Japanese are translated into English for the convenience of readers; the original Korean is given in the collective bibliography.

5 Shin, "Wartime Mobilisation and Its Legacies in South Korea".

The Japanese governor general of Korea had instituted a factory- and plant-based training system to cope with skill shortages during the war, and the first job training centre at CHI opened in 1939. Even though there were not many opportunities for Koreans to acquire technical skills in constructing vessels,⁶ Koreans did, however, get more chances arising from the wartime military personnel mobilisation of Japanese skilled workers towards the end of the war.

National liberation, the Korean War, and slump, 1946-1960

CHI was administered by the US Military Government from December 1945 and, from August 1948, it was administered by the South Korean government. As the Japanese emperor declared an unconditional surrender to the Allied forces, Korean workers began to organise themselves into a union called Cheonpyoung (National Council of Korean Labour Unions), which had a socialist leaning. At the Youngdo Shipyard, one of the most powerful local branches of Cheonpyoung was established, but the Local could not withstand the fierce oppression of the police and right-wing semi-military forces. Moreover, a great number of Cheonpyoung members were killed by the police across the country after the outbreak of the Korean War on 25 June 1950. On 2 August 1950, 292 workers at the Youngdo Shipyard were detained by the navy, among them were about 100 workers affiliated with left-wing labour unions or political parties. In Busan city alone, more than 1,500 people are thought to have been killed by the military or the police. The numbers of victims in the shipyard detained and killed by either military or police were relatively small.⁷ The reason that most union members detained survived was because of their skills necessary for repairing vessels mobilised for the war.⁸

KSEC

With the establishment of the Law of KSEC in August 1950, CHI was renamed KSEC. Dr Syngman Rhee, the first president of the South Korean government, had appointed six directors of KSEC in the 1950s who were not professional managers but persons close to him. Prior to the

6 Jonsson, *Shipbuilding in South Korea*, 67.

7 Jeon, "A Study on the National Council of Choseon Labor Union of Busan City".

8 Kim, "The Business Management of a Korean Company and Workers in the 1950s", 10.

privatisation of KSEC in 1968, the senior staff of KSEC were recruited from former admirals, who subsequently took their military subordinates into the shipyard. During the Korean War, KSEC repaired a large amount of tonnage. As the shipyard also had to repair welded ships during the war, welding technology was introduced from the USA, replacing riveting as a method of hull construction. In the latter half of the 1950s, KSEC expanded its shipbuilding facilities so as to be capable of building ships of up to 10,000 tons and repairing ships of 15,000 tons. The cost of those facilities was aided by the ICA (International Cooperation Administration) of the USA. For the purpose of learning advanced technologies, KSEC continued to hire a small number of foreign technical advisers, starting with a US advisory group, who remained from March 1950 through January 1951. In 1959, a Dutch technical adviser was invited to the shipyard, and a total of fifteen foreign technicians were brought in between 1962 and 1966.⁹ Although the South Korean government tried to propel “planned shipbuilding”, the total amount of new vessels completed in the country owing to that programme in the 1950s amounted to just 191 vessels of a paltry 10,157 tons. Of this total, KSEC had built twenty-four vessels, including eighteen customs inspection vessels, all of which were under 200 tons. The number of workers employed at KSEC dropped by nearly two-thirds, from 1,034 in 1950 to 348 in 1960.¹⁰

The KSEC Union

Although basic labour rights were officially recognised by the Korean government during the Korean War, they were heavily restricted by the prevailing anti-communist ideology. Occupying a lowly part of the newly established state power, leaders of the Confederation of Korean Trade Unions nevertheless kept union members under strict surveillance, and controlled them on the basis of anti-communist ideology. The demands of labour unions for wage increases and better working conditions were coupled with discourses of anti-communist patriotism, which, in fact, were variants of the Japanese rulers’ totalitarian ideology on labour service during the

9 Nam, *Building Ships, Building a Nation*, 297, n. 9. Nam’s book is the best monograph on the workers’ movement at the shipyard. In contrast to the previous studies on the Korean labour movement, the author emphasises the historical legacies of the Korean labour movement, focusing on the KSEC Union, which was the strongest and most democratic union in the country in 1960s.

10 Bae, “The Attempt at Capital Accumulation and the Causes of Its Failure at the Korea Shipbuilding and Engineering Corporation in the 1950s”, 192.

Pacific War. At the shipyard, the KSEC Union was eventually established on 6 June 1953 immediately after the first Trade Union Act was passed in Korea. The KSEC Union affiliated to the Korean Seamen's Union in July 1957, and concluded the first collective agreements with the management of KSEC through enterprise-level bargaining in 1958. Segmented employment practices between sub-contracting workers, temporary workers, and regular workers were already in place at KSEC in 1958, when more than 200 temporary workers were employed in the shipyard. Beforehand, a rule on the internal promotion of employees and a rule on retirement allowances were already enforced at KSEC in 1954, which suggests that the working conditions of KSEC employees were better than those of other small and medium-sized shipbuilders around the Youngdo Shipyard. In 1960, workers employed for more than five years amounted to 40 per cent of the KSEC workforce.¹¹ Earlier, in 1958, as a result of the extremely poor performance of KSEC generally, the payment of wages for 350 workers was in arrears for 7 months. Consequently, the KSEC Union decided to go on strike on 13 December 1958, demanding the payment of wages. The strikers won a victory after a seven-day strike and received payments for the months in arrears owed to them.¹²

The steady growth and the short rise of democratic unionism, 1961-1969

The South Korean people overthrew the dictatorship of three-time president Syngman Rhee during the student-led April Revolution of 1960. But on 16 May 1961 Major General Park Chung-hee led a military coup. On seizing power, the military government ordered all political parties and associations, including trade unions, to be disbanded. Thereafter, the military nominated leaders of the Federation of Korean Trade Unions (FKTU), who organised fourteen industrial unions including the Metal Workers' Union and the Seamen's Union from above. When basic labour rights were restored, local enterprise bargaining was not only allowed under this pseudo-industrial union system, but in effect became the most important form of bargaining in the 1960s.

The KSEC Local became one of the strongest locals of the Seamen's Union in the latter half of the 1960s.¹³ Employees, including clerical workers, of KSEC numbered 1,542 in 1963, and more than doubled to 3,145 in 1968.

11 Shin, "The Formation and Evolution of Firm Internal Labour Markets", ch. 2.

12 Nam, *Building Ships, Building a Nation*, 66-68.

13 Shin, "The Evolution of the Enterprise Union System in Korea".

During the 1960s temporary workers were widely employed not only in the shipbuilding industry but also in the heavy and light machine building industries across the country. Temporary workers at KSEC numbered 173 in 1963, and increased to 1,162 in 1968, while the direct-hired regular production workers numbered 1,051 in 1963 and decreased slowly to 919 in 1968. Temporary workers received lower wages compared to the regular workers, and suffered from unstable employment. In June 1960, after the April Revolution, the KSEC Union had demanded that all temporary workers should be promoted to regular workers, and that the internal subcontracting company be abolished. However, the management replied that the promotions of the temporary workers were under the control of the Joint Economic Committee of the United States and Korea; thus the union did not succeed. From the end of 1965, however, the KSEC Local affiliated temporary workers within it and, in turn, temporary workers could elect their representatives to the Local.¹⁴

The growth of the KSEC Local was possible under the favourable labour market conditions extant in the 1960s – a decade in which the Korean shipbuilding industry showed a steady growth under the dictatorship's shipbuilding promotion policy. The number of workers employed in the shipbuilding industry increased from 3,000 in 1960 to more than 10,000 in 1967. Beginning with a 350-ton cargo ship in 1962, KSEC built a 1,600-ton vessel in 1964, a 2,600-ton ship in 1966, a 4,000-ton vessel in 1967, and a 6,000-ton ship in 1968. The share of ship repairing in the total output decreased rapidly as new shipbuilding increased. KSEC's total sales of new shipbuilding amounted to about four times of that of ship repairing in 1966.¹⁵ The two cargo ships built in 1964 passed the ABS (American Bureau of Shipping) classification criteria, the first time this standard was achieved by a Korean shipbuilder. In 1965, KSEC concluded a five-year technical assistance contract with Niigata Ironworks in Japan to manufacture marine diesel engines, gained the ability to design a 4,000-ton cargo ship in 1966, and won from Taiwan the first significant export order for twenty tuna-fishing boats in 1968.¹⁶ As Gabriel Jonsson has noted, "Shipbuilding output remained low during the 1960s, but some basis for the subsequent rise of the shipbuilding industry was laid in technical advances and ship exports".¹⁷ In March 1967 the Law for the Promotion of the Shipbuilding Industry

14 Shin, "The Rise and Decline of the Employment of Temporary Workers".

15 KSEC, *A Thirty-Year History of the Korea Shipbuilding and Engineering Corporation*, 192, 338.

16 Korean Entrepreneurs' Association, *Korean Shipbuilding Industry*, 128.

17 Jonsson, *Shipbuilding in South Korea*, 71.

was promulgated, and in 1969 the South Korean government included the shipbuilding industry among the beneficiaries of its Machine Industry Development Fund.

Privatisation

In the late 1960s the South Korean government pushed for the privatisation of state-managed enterprises, and seven public enterprises including KSEC were privatised in 1968-1969. Namgung Yeon, the owner of the Far Eastern Shipping Line, became the new owner of KSEC on 6 November 1968. On 30 November the new management issued instant dismissal notices to all 1,174 temporary workers. Workers spontaneously began to congregate at the metal-structures assembly shop and refused to work. Hence illegal work stoppages continued and the KSEC Local decided to launch a hunger strike by all members, with a mould-loft shop chosen as the site of the hunger strike. On 17 December the management agreed to accept the majority of the union's demands including revoking the announcements of further layoffs of temporary workers. This was considered to be the last victory of the KSEC Local, which was later defeated and became a "state-controlled union" in 1969.¹⁸

As for the KSEC labour dispute of 1969, the two main issues were collective contract revisions and a wage increase. The new management wanted to roll back many articles of the collective contract, which the KSEC Local would never concede. In April 1969, the Local had demanded a 57 per cent wage increase and argued that a pay rise together with workers' participation in management were prerequisites for any productivity-based wage system. On 9 May, 300 workers staged a three-hour sit-in demonstration, and from 31 July the Local went on strike in support of their demands. On 18 August the Local decided that all its members should stage overnight sit-ins, and that its strike committee members should go on a hunger strike. The next day the owner, Namgung Yeon, ordered a lock-out, the first lock-out in the history of the shipyard, as well as in the country. In response, workers and their family members started a sit-in demonstration on the road in front of the company gates, and clashed with riot police. As the lock-out and strike entered its second month, police began to arrest demonstrators. On 9 September, the company announced that it would sack sixteen union

18 Shin, "The Formation and Evolution of Firm Internal Labour Markets", 226-227; Nam, *Building Ships, Building a Nation*, 164-170.

officials and on 18 September the government invoked its power to order an emergency adjustment of a labour dispute. The strike ended when police arrested the union leaders between 2 October and 4 October. This was the end of the short-lived period of democratic unionism in the 1960s at the shipyard.¹⁹ Hwasook Nam interpreted the meaning of the strike as follows:

The 1968-69 struggles at the KSEC yard were one of the major industrial conflicts of the decade in South Korea, and the state's crackdown on the KSEC and other unions at that juncture cleared the stage for a new era in South Korean labor relations and the drive for rapid economic growth.²⁰

In 1969, labour policy became more repressive. With the strikes of the KSEC Local and of the Textile Union, the Korean Employers' Association demanded that the government should be more oppressive to labour movements, which strengthened the dictatorship of President Park.²¹

Explosive growth under “developmental dictatorship” and “state-controlled” unionism, 1970-1987²²

President Park succeeded in revising the constitution through a referendum on 17 October 1969 to enable him to be elected three times. He became president again on 17 April 1971, and an Emergency Act for National Security was enacted on 27 December 1971. Park went even further and declared Emergency Martial Law on 17 October 1972, and became President for Life through the enactment of a new constitution.²³ The Federation of Korea Trade Unions declared its support for Park's so-called October Revitalising Reforms.

In the 1970s, the Park regime denied the workers' basic rights to bargain collectively and to go on strike, regarding workers' unions only as the apparatuses for promoting harmony between labour and management. At first, the legislation denying the right of workers in foreign-invested companies to strike was enacted on 1 January 1970. The legislation was a clear sign towards more oppressive labour policies. According to the above-mentioned Emergency Act of 1971, both labour unions and employers

19 Nam, *Building Ships, Building a Nation*, 170-182.

20 *Ibid.*, 182.

21 Shin, “The Evolution of Korean Joint Consultation Committees”, 62.

22 For the concept of developmental dictatorship, refer to Lee (ed.), *Developmental Dictatorship and the Period of Park Chung-Hee*.

23 Shin, “The Evolution of Korean Joint Consultation Committees”, 63.

should accept the arbitration ruling on wages and working conditions by the executive office. The Emergency Act of 1971 did not allow labour unions from a pluralist-liberal perspective, but only from a totalitarian-unitary view. The main task of labour administration was to prevent industrial conflicts by monitoring and controlling labour unions with the help of other government agencies such as the KCIA (Korean Central Intelligence Agency) and the police. In particular, the KCIA manipulated the union officials of the FKTU and industrial unions, intervening in their election and voting processes. The police usually kept watch on the officials and rank and file of local unions, and intervened in enterprise-level labour relations. Religious figures supporting democratic unionism were also on the list of covert surveillance.²⁴

As the government wanted to exclude the possibility of labour conflicts at the national industry level, the stipulations of the Trade Union Act promoting industrial unionism were dropped in 1973. The Korea Employers Federation had also been critical of the pseudo-industrial union system since the 1960s and made repeated efforts to convert it into an enterprise union system in the 1970s.²⁵ Workers' movements were diminished by the Emergency Act of 1971, and at the same time the bargaining power of unions was weakened so much that the management began to treat trade unions as powerless subordinate partners to labour management.

The Park dictatorship emphasised co-operation between labour and management, and forced employers to establish Joint Consultation Committees from 1974. Clauses concerning Joint Consultation Committees had already been inserted into the Trade Union Act in 1963 under the control of the Military Supreme Committee. In the 1970s the South Korean government regarded the Joint Consultation Committees as a device for advancing productivity and preventing labour conflicts. In 1979 the Joint Consultation Committees were established in 12,780 workplaces, which amounted to 96.4 per cent of 13,256 target workplaces.²⁶

The South Korean state had issued a series of Shipbuilding Industry Promotion Plans since the 1950s. In the early 1970s shipbuilding was developed as one of the core export industries and received stronger support from the state than before. In spite of the worldwide recession sparked by the first OPEC oil crisis in 1973-1974, the South Korean shipbuilding industry was determined to become a major competitor in the world shipbuilding

24 For the labour policy of the Park regime, refer to Choi, *Labor and the Authoritarian State*.

25 Shin, "The Evolution of Enterprise Union System in Korea", 135-137.

26 Korea Employers Federation, *A Forty-Year History of Labour and Economy*, 192.

market. From 1973 under the Long-Range Plan for Shipbuilding Promotion, huge shipyards began to be built by Hyundai, Samsung, and KSEC. The state aided shipbuilders through the “planned shipbuilding” programme and by “financing for exports on deferred payments”.²⁷

During the 1970s, KSEC-built ships reached a total of 820,000 dwt, of which 700,000 dwt was exported, earning USD \$400 mn in foreign currency. In 1970, KSEC won an order from the US Gulf Oil company to build two product tankers of 20,000 dwt each, beating Japanese competitors in the bidding process. KSEC received additional orders from Gulf Oil for two ships of 20,000 dwt and two of 30,000 dwt in 1971. These orders could be interpreted as an example of foreign shipowners’ confidence in Korea’s basic shipbuilding skills.²⁸ Shortly before the Gulf Oil order, KSEC had built a state-financed 18,000-dwt multi-purpose cargo ship. KSEC obtained the basic know-how including design drawings from Osaka Shipbuilding in Japan. This experience was essential for KSEC to build the vessels ordered by Gulf Oil. The basic design for the Gulf Oil vessels was provided by a West German shipbuilder, Howaldtswerke-Deutsche Werft (HDW). KSEC also began to widen an existing ship repair dry dock to enable construction of ships up to 60,000 dwt, and to build a fabrication hall capable of making 60,000 tons of steel a year in 1971. In the mid-1970s, KSEC introduced a pre-outfitting method and improved work-flow system, and began to produce slides for automatic cutting machines, which had been brought in from HDW by 1975. The expansion of the pre-fabrication method brought about a scheduled improvement for works on the building berth and outfitting basin, which enabled the diffusion of the work-flow management system, the so-called Japanese production management system, into the shipyard. From 1980, KSEC could produce final detailed designs for production without outside assistance, and introduced a computerised design system in September 1982.²⁹ In May 1981, KSEC exported a product carrier, *Loja*, to Ecuador, the first vessel designed exclusively by its staff.

With the completion of Hyundai Shipyard at Ulsan City in 1974, the available shipbuilding capacity of South Korea rose enormously, and the labour market also expanded rapidly. Total employment in the shipbuilding industry rose from 11,742 in 1973 to 48,182 in 1977. In October 1973, KSEC began to construct the Okpo Shipyard at Keoje Island, which was taken over by the Daewoo conglomerate in December 1978 when it was only 25 per cent built, as

27 Korean Entrepreneurs’ Association, *The Korean Shipbuilding Industry*, 91–100.

28 Jonsson, *Shipbuilding in South Korea*, 76–77.

29 Shin, “The Formation and Evolution of Firm Internal Labour Markets”, 278–286.

KSEC could not complete the shipyard due to weak management.³⁰ Shipbuilding facilities were, however, consistently enlarged in the 1970s at Youngdo Shipyard. Another dry dock equipped with three 100-ton cranes, and with capacity to build 150,000-dwt vessels, was completed in April 1976, with a loan of DM 39.8 mn from West Germany. The workforce of KSEC numbered 2,073 in 1973 and increased to 5,734 in 1977. As more and more KSEC workers began to quit their jobs, searching for better job opportunities provided by the rapid growth of the heavy engineering and chemical industries in South Korea, the state took measures to meet shortages of skilled labour.

The state played a leading role in creating and administering plant-based job training institutions, while company managers remained passive and trade unions exerted no influence. Various institutions such as the shipbuilding technical high school in 1950s, a training centre for skilled workers in 1960s, and a plant-based job training centre in 1970s were established at the Youngdo Shipyard. More than 250 trainees per year completed the job training centre course at KSEC from 1971, and increased to around 500 people per year between 1978 and 1982. Despite a number of in-plant training facilities, a type of low-skill equilibrium was reproduced continuously, as the skills of the shipbuilding workers were transferable. Managers of KSEC did not invest much in trainees and saw them only as sources of cheap labour. Thus those workers employed after completing the plant-based job training programme made demands for improvement of their labour conditions whenever the union movement grew powerful as in the late 1960s or in 1987. They moved on to other shipyards when it was difficult for them to express their demands through the decade of union repression as in the 1970s. Among 3,221 workers who had completed the programme between 1969 and 1980, more than 80 per cent were reported to have quit KSEC. In 1976, the shipyard hired more than 1,500 new employees, but about 700 left the yard, and between January and August 1978, 1,139 employees left. It seemed that Korean shipbuilding firms could not succeed in establishing either the collectivist solution of the German skill-formation system, or the segmentalist one of the Japanese system to provide for enough transferable skills in the workplace.³¹

From 1973, the Park Chung-hee dictatorship tried to mobilise workers for the economic development of the country from above and initiated the New

30 The Okpo shipyard was eventually completed in January 1981. See Jonsson, *Shipbuilding in South Korea*, 82.

31 Shin, "The Evolution of the Plant-Based Job Training Institution". For discussion and comparison on the evolution of skill training institutions of Germany and Japan, refer to Thelen, *How Institutions Evolve*.

Community Movement in Industry, called “Gongjang-Saemaul-Undong”. The movement emphasised patriotism and a type of unitary and totalitarian perspective on labour service as well. Workers were termed “industry soldiers”, who were to devote themselves to the rapid development of the homeland. In response, KSEC built its own Center for New Community, in which more than 3,000 employees were camp-trained until September 1978. According to a female worker of KSEC, who went through the camp-training by the Korea Commerce and Industry Councils, the trainees experienced many hardships similar to initial entry training for soldiers. They had to rise at 5:00 a.m., sing the entire four verses of the Korean national anthem in unison, and practice the Korean national physical exercise programme, before running for five kilometers with the rallying cry of “Unite! Passions! Practice!” They also had to play leapfrog and squat walk. At night they shouted slogans such as “I believe that the country and I are bound together by a common destiny.” The term of “Saemaul”, meaning new community, had spread so widely as to be used as names for the apartment building of unmarried employees of KSEC, as well as for the flower garden at the main entrance of the Youngdo Shipyard. On the other hand, the shipyard managers actively promoted the movement with a view to rationalising production management as well as to establishing workshop discipline. The managers introduced a payment-by-results scheme, the “Saemaul Wage Scheme”, with an individual personnel appraisal system on 1 September 1977. KSEC also organised middle- and lower-ranking managers into an association whose members patrolled their own workshops, wearing a yellow armband to indicate that they were “establishing official discipline”. As part of the movement, a section of the shipyard began a campaign against “idle talk on the job” and “smoking while walking”, and promoting “standard haircuts” and “getting to work one minute earlier”. The KSEC Local also became a dependent partner of the movement. Even the executives of the Local patrolled the workshop for the purpose of establishing “work discipline”.³² Though the rank and file of the shipyard workers did not make an open stand against the movement or campaign, they seemed to keep some distance from it. At the levels of both state and workshop politics, the shipyard workers had no resources with which to organise protests but at an individual level they could take an exit-option in the favourable shipbuilding labour market.

The management of KSEC had earlier initiated a restructuring of employment relations after officials of the KSEC Local were arrested for the strike

32 Shin, “Gongjang-Saemaul-Undong as a Renovation Campaign of the Management”.

in 1969. According to a survey, fifty-four sub-contractors were operating in the construction, painting, and electricity sectors at the shipyard.³³ Another of the slogans of the above-mentioned strike of 1968 was “stop sub-contracting”. With the expansion of shipbuilding facilities throughout the 1970s, construction sub-contractors had increased. Facing a shipbuilding depression in the latter part of the 1970s, KSEC modelled its response on that of Tsuneishi Shipbuilding in Japan, in which the portion of sub-contracting amounted to more than 80 per cent. In 1979 managers of KSEC established a policy of cutting down the directly hired personnel from 2,500 to 1,200 by using more sub-contractors and reducing personnel in the management section.³⁴ Moreover, six affiliated companies were newly established, and around 600 workers – who had worked at shops for painting and wood working and also at transportation and equipment service sections – were transferred to those companies at the end of 1979. In the 1970s the collective agreement at the shipyard did not apply to temporary workers or sub-contract workers. Although sub-contract workers became members of the KSEC Local, different collective contracts were applied to them. In brief, as the sub-contracting and affiliated companies increased, the labour market began to be divided between regular workers and sub-contract workers. Both groups had affiliated themselves with the same KSEC Local, but had their own collective agreements on the basis of each company, which continued in the 1980s.³⁵

The “New Military”

After the assassination of President Park by the chief of the KCIA, Kim Jae-gyu, on 26 October 1979, the “New Military” came into power through a *coup d'état* on 12 December led by Chun Doo-hwan.³⁶ Only after slaughtering hundreds of innocent people in Kwangju City could the “New Military” crack down on the Kwangju democratic movement in May 1980. Moreover, the “New Military” began a purge on union leaders in the name of the “campaign for social purification”. Regionally based small industrial or occupational-wide unions were compulsorily disbanded, and soon the

33 Research Department of the Small and Medium Bank, *The Reality of Subcontracting in the Korean Machine Industry*, ch. 8.

34 KSEC, *Chogong*, 22-23.

35 Shin, “The Evolution of Enterprise Union System in Korea”, 138-139.

36 Kim Jae-Gyu and five KCIA agents were tried, convicted, and sentenced to death for the assassination of Park Chung-hee.

enterprise-union structure became fixed as the only legal one. The notorious clause banning third parties' interference in labour relations was newly stipulated, and provided a legal basis for punishing not only the Christian Urban Industrial Mission's activity, but also workers' activities supporting other unions.³⁷ Following the above campaign by the New Military, a rally was held to promote the purification of KSEC by the management at the shipyard. In 1981, the management began a campaign for preserving order which demanded that workers abide by working time and attach name tags to their work clothes. Moreover, the workers could neither put their hands into their pockets nor let their hair grow long enough to reach their collars.³⁸

A pseudo-industrial union system changed into an enterprise union system in both name and reality, the KSEC Local of the Metal Workers' Union became the KSEC Union under the Federation of Metal Workers' Trade Unions in 1981. However, both sub-contract workers and employees of affiliated companies remained as members of the KSEC Union, which could control them on behalf of the state and the management. Sub-contracting workers' interests seemed to hardly be spoken for by the union. An anonymous sub-contract worker sent a letter to the president of the KSEC Union at the end of 1982:

Dear President, Why do you beg the representatives of the sub-contracting companies for increases in wages, [when they are] sitting comfortably in a tea shop? They are always playing Hwato [cards] in a tea shop or in an inner room, while we workers are working like dogs covered with sweat and dust [...] Though co-operation between labor and management may be important, please stop being a company-dominated union and face reality as it is.³⁹

The sub-contracting worker knew that the KSEC Union was company-dominated, the democratisation of which became the foremost demand of workers of KSEC in the period of the 1987 Great Workers' Struggle.

Successes and frustrations of new democratic unionism since the Great Workers' Struggle, 1988-2010

Since the second oil shock in 1979 the world shipbuilding industry faced several depressions throughout the 1980s. Total employment in the South

37 Shin, "The Evolution of Enterprise Union System in Korea", 140-141.

38 Shin, "Gongjang-Saemaul-Undong", 353-381, 365, 366.

39 Shin, "The Evolution of the Enterprise Union System in Korea", 142-143.

Korean shipbuilding industry dropped from 75,643 in 1984 to 49,204 in 1988. Employees of KSEC also decreased from 5,640 in 1979 to 3,507 in 1987. With the management crisis of the Youngdo Shipyard, most affiliated companies of KSEC could not do anything but close their businesses at the end of 1980s.

The struggle for democratisation of the KSEC Union began when three workers, one of whom was a woman named Kim Jinsuk,⁴⁰ were elected as union representatives in the slip assembly shop in February 1986. However, for criticising the company and the union, Kim and the other two workers were fired by the company and interrogated by the KCIA and the police. Despite this, they kept up their activities and organised a Task Committee to Normalise the KSEC Union.⁴¹ As soon as South Korean people won some concessions for political reforms from the military government, after a series of countrywide demonstrations in June 1987, workers went on strikes all over the country. At the Youngdo Shipyard about 1,500 workers began a sit-in strike on 25 July 1987, the first strike at the shipyard since the defeated strike of 1969. They achieved the right to elect their union president directly, and an 18 per cent wage increase.

In April 1987, KSEC requested the Seoul District Court afford it protection from its creditors. The refusal of two Norwegian shipowners to accept delivery of six vessels due to shoddy workmanship hastened this decision. KSEC had reported debts of USD \$675 mn against assets of USD \$475 mn.⁴² KSEC went into receivership under legal management in April 1988, was taken over by the Hanjin conglomerate in May 1989, and changed its name to HHI (Hanjin Heavy Industries). HHI obtained an order for fifteen vessels amounting to USD \$400 mn from Hanjin Shipping to escape from the slump, according with the state's view that HHI would use KSEC for Hanjin Shipping's vessel replacement and ship repair. This encouraged the state to contribute an unspecified amount to cancelling KSEC's historic debt of USD \$900 mn.⁴³ From 1987, however, the HHI Union staged strikes

40 In 1977, KSEC introduced a new training programme for female electric arc welding workers; the KSEC training institute accepted women as part of its cohort of trainees in 1981, and then stopped recruiting women directly. For details on women workers in the shipyard, see Nam, "Shipyard Women and the Politics of Gender", 85-86.

41 *Ibid.*, 94.

42 Todd, *Industrial Dislocation*, 195.

43 *Fairplay*, 7 September 1989, 6. Hanjin's shipping interests had been significantly strengthened when the Economic Planning Board was forced to intervene in the affairs of the Korea Shipping Corporation (which was 700 mn won in debt). In order to create a viable restructuring, the firm was transferred to the Hanjin conglomerate and merged into Hanjin Container Lines; see *The Economist*, 19 September 1987. All in all, six major Korean shipping lines with collective liabilities

demanding higher wages in every year to 1991. The shipyard workers went on strike for twenty-six days in 1987, sixty-six days in 1988, forty-two days in 1989, twenty days in 1990, and sixty-three days in 1991.⁴⁴

As a new union leader, Park Changsu acceded to the presidency of the HHI Union on 28 July 1990; the union actively participated in organising the Alliance of Large-Firm Trade Unions across the country. Park died in May 1991 while in custody being interrogated by the police about the Alliance. About five thousand people held a rally in the Youngdo Shipyard on 16 May 1991 to demand the resignation of President Rho Tae-Woo and to condemn Park's murder in prison. The HHI Union also went on a 63-day strike, demanding the discovery of truth about his death. His death, however, was the only beginning of a series of workers' tragic deaths in the shipyard, as a result of the fierce struggles against the anti-union policies of the state and the management.

With the Asian financial crisis of 1997, the HHI management undertook a restructuring programme and pushed the union to accept concession bargaining. In 2001, the management of HHI tried to reduce its workforce, which brought about a series of long labour disputes from the spring of 2002 to the autumn of 2003. In September 2001, HHI also began to press clerical workers to resign voluntarily, and HHI Union members were also made to resign from March 2002. About 650 workers were forced to resign including 280 union members. All workers went on a one-day strike against restructuring on 30 May and 3 June 2002. The management imposed a form of corrective training on 138 workers who had refused to resign voluntarily. Moreover, the management insisted on a wage freeze even though HHI made a clear profit of more than USD \$20 mn, and paid USD \$6 mn of stock dividends to major shareholders in 2002. The shipyard workers had no doubt that the management intended to destroy the HHI Union. The management lodged a series of legal suits for damages against the HHI Union and its officials, whose wages and homes were provisionally seized. Owing to union officials' going on hunger strike, the union had partial success in stopping further restructuring in 2002, but could not get any responses on pay rises from the management. The management even went as far as to pay performance-based bonuses to workers without consulting the union. Moreover, the management insisted on freezing wages again in 2003, and sought to erode the rank and file's resistance, threatening that

totalling 3.2 trn won (USD \$3.84 bn) were rescued by the state's willingness to reschedule their debts.

44 Hanjin Heavy Industries Corporation, "A Sixty-Year History of Hanjin Heavy Industries".

they might be made selectively redundant if they were found to be present at union meetings.⁴⁵

Kim Juik's sacrifice

Faced with these difficult situations, Kim Juik, the leader of the HHI Union, began to occupy crane No. 85, about 35 m high, on 11 June 2003 and stayed there until he committed suicide on 17 October 2003. Beforehand, a tentative agreement had been reached between the management and workers on 19 July 2003 after the Busan Labour Office had intervened. Surprisingly, however, the HHI management broke their agreement forcing the union to call an overall strike on 22 July 2003. A few hundred strikers lived in tents at the yard until the end of the struggle. The management threatened the strikers that each individual striker should pay for damages brought about by the illegal strike, weakening the strikers' will to fight. Kim Juik, who weathered the huge Typhoon Maemi on the crane in September, wrote in his suicide note as follows:⁴⁶

Managers seem to want blood with their naked swords. Yes! I will offer myself up as a sacrifice if you want. But we badly need to get a result from this struggle [...] Using claim for damages, provisional seizure, criminal charges, imprisonment, and dismissal, managers seek to change our union into a "vegetable union", and workers into "human vegetables". If we could not transform this labor control policy through our present struggle, all of us would only fall over the cliff. So, whatever it may happen, we must continue to struggle until we win. I am only thankful and at the same time sorry to comrades who have been with me and believed in me.

Two weeks after the suicide of Kim, another shipyard worker, Kwak Jaekyou, jumped to his death from dock No. 4. He was known to regret that he had not joined Kim in the strike for the last few days. Almost every worker in the shipyard mourned together after the tragic deaths and exploded with rage against the management. The management were forced to accept the workers' demands including a wage increase, job security, a public apology, and punishment for management officials responsible.

45 Hanjin Heavy Industries Union, *The Fortieth Annual Activity Report*.

46 *Ibid.*

Following the end of the tragic dispute, a temporary peace held at the shipyard. The Korean shipbuilding industry flourished in a favourable business climate, and overall employment in the industry increased sharply until the worldwide financial crisis began in the USA in 2008. But the ratio of the sub-contract workers to the total workforce (excluding clerical workers and technicians) in the major shipbuilders had soared sharply from below 20 per cent in 1990 to above 50 per cent in 2002, and to above 65 per cent in 2008. The total employment in HHI increased from 4,804 in 2001 to 6,492 in 2007. In the same period, however, the numbers of direct-hire production workers decreased from 1,787 to 1,373 while sub-contract workers increased from 2,044 to 3,826.⁴⁷ A sub-contract workers' union was organised at the Youngdo Shipyard at the end of 2004, but it could not continue when the HHI management withdrew permission for sub-contracting companies to employ union members.

At that time the Hanjin Local did not give support to the organising efforts of the sub-contract workers. Since the Great Workers' Struggle in 1987, constructing industrial unions out of enterprise unions has been a main goal of the new democratic unionism. As for the automobile sector, though most automobile workers were able to transfer to the Korean Metal Workers' Union, major enterprise locals organised only by regular workers in each of the auto companies such as Hyundai or Daewoo still exerted authority over enterprise bargaining on wage issues. Most shipbuilding workers, however, failed to even affiliate themselves into KMWU. The biggest union of Hyundai Heavy Industries Workers' Union was expelled from the democratic union movement because the union did not show any solidarity for a sub-contract worker who had burned himself to death as a sign of protest against discriminatory practices. The Hanjin Union joined the KMWU on 5 June 2002 and became the HHI Local of the KMWU. Owing to the relatively small numbers employed compared to other big shipyards such as Hyundai or Daewoo, the workers of the Youngdo Shipyard might have felt more need for industry-wide solidarity.

In 2010 another prolonged strike against massive dismissals happened in the shipyard. Four years earlier, HHI had begun to construct a new shipyard at Subic Bay in the Philippines and informed the HHI Local about the situation of construction there in the spring of 2006. The union demanded special collective bargaining to deal with it. In March 2007, the two sides reached a special agreement which stipulated that the management should not endanger the employment security of the union members

47 Korea Shipbuilders' Association, *Shipbuilding Yearbook* (1994-2010).

because of the overseas plant, and that the management should not seek collective dismissals as far as the overseas plant was under operation by the management.⁴⁸ The managers of HHI did, however, propose to make union members redundant in the Youngdo Shipyard in February 2010. The management argued that the Youngdo Shipyard was so small that it could no longer build larger vessels to compete with upcoming shipbuilders in China. More than 3,000 sub-contract workers, who were not organised in unions, have lost their jobs since 2009.⁴⁹ The HHI Local gave little help to those redundant sub-contract workers, but has struggled desperately against collective dismissals of its members since 2010.

In December 2010, the shipyard's labour union launched a full-scale strike in opposition to a reduction in its workforce. This led to the company shutting down its main dockyard and two plants in February 2011. The strike, of 190 days' duration, ended in June 2011, with HHI management agreeing not to continue legal actions and willing to pay workers who voluntarily retired. Kim Jinsuk, who was dismissed in 1986, has occupied the same crane, No. 85, as Kim Juik, for 309 days at November 2011. Thousands of citizens, university students, and various artists across the country gathered together in front of the shipyard taken there by "Buses Carrying Hope", and backed her and the workers' strike. With the help of a new social movement supporting the workers' strike, the collective dismissals have been highlighted as urgent social problems. The CEO of HHI had to attend subsequent televised congressional hearings on 18 August 2011, which dealt with the collective dismissals at the shipyard. Most congressmen present at the hearings criticised him for collective dismissals. Finally he accepted the recommendation of congress members that HHI would re-employ the ninety-four dismissed workers in a year's time, and support them with 20 mn won for living expenses. Thus the HHI Local attained a partial success, but still had to struggle to defend security of employment and union activity.⁵⁰

From December 2011 the management ordered most workers to take time off from work, except those working on warship construction. Moreover, another labour union claiming to stand for co-operation between labour and management was organised at the shipyard and was joined by a majority

48 Korean Metal Workers' Union Hanjin Heavy Industries Local, *The Forty-Fourth Annual Activity Report*.

49 The number of sub-contract workers decreased from 3,652 at the end of 2008 to 501 at the end of 2011. See Korea Offshore & Shipbuilding Association, *Shipbuilding Yearbook* (2013), 15-18.

50 Shin, "The Movement of Buses Carrying Hopes".

of workers in January 2012. The management induced workers to join the new union, persuading them that members of the new union could resume their jobs earlier than those remaining in the old union. In September 2012 the new union became the bargaining representative union according to Korean law, and the old HHI Local lost its bargaining rights. The dismissed workers were re-employed on 9 November 2012, but two days later they were ordered to take time off. The management continued to pursue a lawsuit demanding that the union pay USD \$14 mn for damages brought about by the illegal strike. Facing these difficult situations another worker, Choi Gang-seo, committed suicide in the office of the HHI Local on 21 December 2012. He was a 35-year-old union official and demanded in his last words that the democratic union should be defended at all costs. Still the HHI Local seems to be in a predicament. Only 29 workers out of a total of 189 members of the old HHI Local have resumed their jobs, while 321 workers out of 522 members of the new union have done so as of December 2013.⁵¹

Conclusion

Workers' experiences during past periods could not but influence their present interpretations and ideas on their realities including labour relations. Even though they did not accept ideas or images of workers imposed upon them from above, such as being subjects of the Japanese emperor, the exemplary "industry soldiers" for the homeland, or co-operative employees for the company, they seemed to be unable to establish their common class identities or self-image, which were necessary to long-standing struggles for regulating collective dismissals, and lessening the inequalities of employment relations. Even though the democratic unionism in the Youngdo Shipyard in the latter half of 1960s and also since the 1987 Great Workers' Struggle demonstrated the height of South Korean labour movements in those periods, the HHI Local could not overcome the oppression and "divide and conquer" methods of the Hanjin Conglomerate supported by the state apparatuses.

That the Youngdo Shipyard workers have waged fierce struggles against the Hanjin conglomerate, especially after the 1987 Great Workers' Struggle, is undeniable; however, they could not in the end overcome the enterprise

51 The HHI Local (한진중공업지회), *Forces of workshop* (현장의힘), 477 (7 June 2012), 478 (21 June 2012), 481 (12 November 2012), 487 (3 January 2013). See also the article by Kwon Gi-jeong (권기정) in *Kyunghyang Shinmun* (경향신문), 1 December 2013.

bargaining system, and did not express solidarity with the sub-contract workers in the shipyard.⁵² Considering that the HHI Local was one of the model locals of the KMWU, the new democratic unionism since 1987 might have the same weakness and limits in widening workers' solidarity, and not cover those suffering from the capricious market of contemporary global capitalism.

At the same time, through the struggle against restructuring and collective dismissals, however, members of the HHI Local seemed to have become aware that the struggle against collective dismissals should be a part of the workers' movement against injustice in employment relations and should also be combined with the struggle against discrimination affecting insecure workers including sub-contract workers. I think it is necessary to note and remember at the end of this paper that members of the HHI Local cried out together with many students and citizens not only against collective dismissals, but also against the non-regular workforce arrangements, which were the most outstanding slogans of the movement of "Buses Carrying Hope". Even though they could not succeed in combining these two slogans in their own struggles, their painful, ongoing struggles suggest a direction to the workers' movements of South Korea.

52 That South Korean workers over time struggled to improve their living standards against the threat of imprisonment or death in many cases is testament to their collective bravery and desire not to be cowed by the prevailing orthodoxy on the success story of South Korean economy promulgated by the state.