

KCTU Statement Opposing the Grand Agreement to Overcome the Economic Crisis

On February 23, 2009, the Federation of the Korean Trade Unions (FKTU) and the Korea Employers Federation (KEF) announced the Grand Agreement to Overcome the Economic Crisis. The crux of the Agreement is, “workers will try to not go on strike and agree to a wage freeze or wage cuts.” The Korean Confederation of Trade Unions (KCTU) is very disturbed by this Agreement, which we believe will further accelerate the crisis rather than overcome it. This Agreement is completely in line with the so-called “pro-business” policies of the current Lee Myung Bak administration. There is nothing within the Agreement that contains practical details to assist workers in alleviating the crisis; instead, it appears that it is the workers who are actually “paying” to resolve this crisis.

The „Emergency Meeting of Labor, Management, Civic Groups and the Government to Overcome the Economic Crisis“ (hereinafter referred to as the "the Emergency Meeting") which was launched on February 3, 2009, excluded progressive civil society groups and social movements including the KCTU. The restrictive composition of the Emergency Meeting is clearly indicative of the intention to propose an Agreement that is in line with government policy that shifts the economic burden in resolving the crisis to workers only.

This Agreement is an “illicit collusion” between the KEF, which has argued for more labour flexibilization and minimum wage cuts and the FKTU, which from the very beginning has supported the incumbent government under the framework of “policy-solidarity.” Since we believe that the Agreement has no legitimacy or has the interest and concerns of workers as it contains abstract and theoretical language that it is not supported by any practical solutions or commitments. More importantly, as stated earlier the Agreement has been designed to have the workers “pay” for the crisis. Because of this, the KCTU cannot support this Agreement.

The current economic crisis is not limited to only South Korea, but it is a global one. Thus, we believe that we cannot overcome the crisis through previous economic measures such as increasing exports. Instead, we need to change the economic structure so that it is grounded more on domestic demand. If we continue to implement previous policies of “increasing exports” it will only result in greater social and economic disaster. To avoid this, we believe that an increase in workers wages will contribute to increasing their purchasing power which then would lead to stimulation of domestic demand.

In particular, we support innovative proposals such as “job-sharing” which we believe should be encouraged through reduction of work hours rather than unilateral wage cuts. Furthermore, we believe that the burden in resolving the economic crisis should be shared fairly among all social partners; yet, the Agreement merely focuses on wage cuts and contains no details as to the role and responsibilities of both government and employers.

The Agreement argues for fair pain-sharing among employers and workers but in reality, it forces workers to bear the whole economic burden by freezing wages, wage cuts, and wage pay backs, while employers are receiving various benefits such as tax incentives and government policy funds. Moreover, the Agreement allows employers to pay shutdown allowances to workers less than the legal standard. In short, the government is basically encouraging violation of laws. In order to share the “pain” in a fair and equitable way between employers and workers, “job-preserving and sharing” should be done through a reduction of work hours and at the same time, it is necessary for social partners to share responsibilities fairly so as to preserve wage. However, the Agreement recommends only unfair and unjust measures.

The KCTU urges the government to enact the “Special Act for Employment

Security”, which will encourage various measures, in particular reduction of working hours, for job-preserving and also urges the employers to take immediate action to return the trillions of retained earnings to society so as to share the economic burden. As of September, 2008, the retention rate of 10-largest corporations in South Korea is 787.13%(around 194 trillion Korean Won) and their liquid asset is estimated as 42 trillion Won.

In addition, we have to pay attention to the Agreement to ensure that it does not pardon the government for neo-liberal policies including 'failed' policy of neoliberal labour market flexibilization, minimum wage cut and retrogressive reform of precarious workers act. The Agreement will result in decreasing domestic demand and then subsequently worsening the current crisis. It should be also pointed out that the Agreement contains creation of precarious work by implementing six-month, low-wage employment contracts in the construction of the Korea Grand Canal, an infrastructure proposed by the government to create jobs.

For the purpose of creating and sharing jobs, we urge the government to stop the retrogressive reform of precarious workers act and minimum wage act, stop the plan for construction of Korea Grand Canal, and take urgent actions to create “decent jobs” in the public services and not “precarious and low-wage jobs”. Unfortunately, the Agreement fails to contain any of these points. Because of this, we believe that the Agreement provides a good excuse for the government to proceed with its plan for retrogressive reform of precarious workers act and minimum wage act.

Moreover, during the process in concluding the Agreement, the KCTU was not only excluded from the discussions but more importantly was severely repressed in an effort to isolate and exclude a key force within the framework of industrial relations in South Korea. Thus, we cannot accept the representativeness of participants in the Emergency Meeting as reflecting the interests of workers in South Korea.

In conclusion, we do not believe that the Agreement can serve as a momentum to overcome employment and economic crisis. Alternatively, KCTU calls for the following:

1. Ensure decent work and living wages for workers and not wage cuts.
2. Take urgent measures to create, share, and preserve decent jobs and not low-wage, precarious employment.
3. Take immediate measures to create decent jobs in area of public services and environmental-friendly industries.
4. Stop tax reduction policy for the rich.
5. Build and strengthen social safety nets for the unemployed.
6. Introduce employment quota system for the youth.
7. Build universal safety net scheme for the whole ordinary people.
8. Stop the plan for retrogressive reform of Precarious Workers Act and Minimum Wage Act, but strengthen support for precarious and low wage workers.

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Korean Confederation of Trade Unions (KCTU)