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Brief bio: Yoonkyung Lee is associate professor of Sociology at the State University of New York at Binghamton, NY, USA. She is the author of Militants or Partisans: Labor Unions and Democratic Politics in Korea and Taiwan (Stanford University Press 2011) and other journal articles on labor, social movements, and democracy.
Abstract:
This paper examines the rise and fall of organized labor in post-democratization, neoliberal Korea and traces the process through which a new labor underclass has been created since the late 1990s. Under the sweeping implementation of neoliberal policies, Korean labor has become increasingly fragmented, stratified, and marginalized both in the market and political arena. In this polarizing process, an “insecure class” was born, consisting of irregular workers and the low-income self-employed. These working people are characterized by precarious labor conditions, bare social protection coverage, and frail organizational-political representation. This study explicates such a drastic restructuration of the Korean working people from the interaction of chaebol-centered economic structure, labor unions’ organizational narrowness, and unrepresentative political parties devoid of programmatic competition. The examination of the insecure class in Korea casts light on the significance of class issues in neoliberal political economy and the analytical importance of rethinking social class in contemporary capitalist societies.

Keywords: insecure class, labor, inequality, neoliberalism, Korea
Labor after Neoliberalism: The Birth of the Insecure Class in South Korea

For many observers of South Korean society, there are two contrasting images that characterize the society’s contemporary standing. One is its international economic prowess represented by global brand name products such as Samsung Galaxy phones and Hyundai Sonata, or even K-Pop stars like Psy and Girls’ Generation. On the other side of these triumphant global achievements, there are contentious streets filled with protesters who criticize widening economic polarization in Korean society. While contrasting, these two images speak to the realities lived by South Koreans in the post democratization, neoliberal era. Since the 1990s, especially after the Asian Financial Crisis, the national economy has fully embraced neoliberal policy prescriptions and the consequences of these reforms have been mixed. On the one hand, there are chaebols (large conglomerate groups) that have grown into global corporations accounting for a lion’s share in the production of national wealth. On the other hand, the middle class is dwindling while the working class is becoming increasingly stratified and fragmented.

The production of a Hyundai car illustrates a case in point. Hyundai Automobile is one of the most successful global corporations made in Korea and its 2013 production recorded $75 billion with a net profit of $7.6 billion.¹ This is about a 40 percent increase from 2007 in its production capacity. Yet, during these years, the company employed 2,000 additional workers while filling the remaining labor shortage of 8,000 with irregular workers.² On the assembly line, a full-time worker puts in the right-side wheel while an irregular worker puts in the left-side wheel. They perform the same labor but the gap in their wages, benefits, and job security is startling. They are co-workers laboring at the same shop floor in Ulsan but they are not the same working class due to their hugely differing socioeconomic conditions. And these irregular workers are emerging as a new force of resistance against the rising polarization in Korean society (Chun 2009, Lee forthcoming).

This paper intends to rethink class relations in neoliberal Korea through a careful study of the changing configurations of working people. It traces how a new labor underclass has been created in post-democratization Korea since the late 1990s and identifies insecurity as a common denominator that binds the lower strata of the self-employed and irregular workers. It also explicates the creation of the insecure class as a product of the chaebol-centered economic structure, labor unions’ organizational narrowness, and unrepresentative political parties devoid of programmatic competition. This examination of the Korean case demonstrates that neoliberal

¹ Forbes: http://www.forbes.com/companies/hyundai-motor
² Kyunghyang Shinmun, 5 February 2012.
reforms create a specific form of a race-to-the-bottom by altering the balance of different class forces. It also suggests that as neoliberal policies reconfigure class relations, traditional class categories are insufficient to capture the widening divisions of material and sociopolitical experiences between the workers who are on the secure side and those who are not.

To pursue these arguments in detail, this paper proceeds as follows. The first section examines the rise and fall of Korean labor movements and the actions taken by corporations and the government to restructure the labor market in the 1990s. In the second section, the paper identifies the creation of the insecure class in neoliberal Korea by focusing on low-income self-employed workers and irregular workers. It also presents data that show the characteristic socioeconomic profiles of this new underclass. The third section explains the expansion of the insecure class by investigating the economic structure that became increasingly centered on unfettered large conglomerates, labor unions that lost their organizational basis, and political parties that failed to represent distributional issues. The paper ends with a summary of the main arguments made in this study and a discussion on the theoretical significance of rethinking class divisions in a neoliberal era.

One Step Forward, Two Steps Back: Labor’s Gains and Losses since 1987

Korea’s rapid economic growth under developmental authoritarianism was achieved at the expense of labor’s economic suppression and political exclusion. With political democratization in 1987, Korean workers began to assert their economic and political voice. Unionization rates rose and labor disputes with claims for labor rights and higher wages also soared from the late 1980s up to the early 1990s. As Figure 1 shows, union density increased from 12.3 percent in 1986 to 18.6 in 1989. But it has since declined to stabilize around 10 percent of all paid employees. The frequency of labor disputes marked its peak in the late 1980s and has since decreased. Organized labor also formed a second union federation, the Korea Confederation of Trade Unions (KCTU) in 1995 against the monopoly of the conservative center, the Federation of Korean Trade Unions (FKTU). On the material side, the monthly wage for non-agricultural workers rose almost ten folds from USD 350 (KRW 351,000) in 1986 to USD 3,300 (KRW 3,329,000) in 2013 (in nominal terms).

Figure 1 about here

However, such assertive labor power was half-blown and short-lived in democratized Korea as the country rapidly embraced a neoliberal economic turn in the 1990s. Recognizing labor unions as a collective actor for consultation and co-determination was a foreign concept in
Korean industrial relations because the nation’s political economy had long been dominated by a 
state-capital alliance. Capital’s pressure to restructure the labor market to undermine workers’ 
empowerment began to mount and mainstream media’s portrayal of labor as a militant and 
selfish interest group became pervasive.

From the early 1990s, Korean chaebols started introducing what was known as a ‘New 
Management Strategy’ (shin gyeongyeong jeollyak). This new management approach aimed at 
making their operation more competitive both internally and internationally. First, the chaebol 
strived to globalize their research and development, production, marketing, and sales to become 
top global corporations. At the same time, they targeted to increase the managerial control over 
labor processes against organized labor that was exercising its newly gained, rising influence at 
the shop floor. Firms introduced various methods for tighter management of labor, such as 
automatization of production lines, performance-based remuneration and promotion schemes 
(instead of their previous practice based on seniority), and the cultivation of company-specific 
culture and loyalty (Lee 1999). Chaebols also sought to deregulate the labor market by 
advocating for the introduction of legal stipulations to make hires and dismissals easy and to 
allow unrestricted use of contingent labor.

The first governmental action to reorganize labor relations was taken in 1996 when the 
Kim Young Sam government pronounced the ‘New Labor Relations Plan’ and formed the Labor 
Relations Reform Commission. Stabilizing labor relations was framed as an effort to increase 
the Korean economy’s international competitiveness and to prepare the nation for a membership 
in the Organization for Economic Cooperation and Development (OECD). The Commission 
consisted of three parties, i.e., the representatives of the government, capital, and labor, and 
deliberated on labor law reforms. Capital, represented by the Korea Employers’ Federation 
(KEF), pursued labor market deregulation from the very beginning of the tripartite negotiations 
(Choi et al. 2000). By bringing organized labor into an institutionalized channel, the government 
sought to gain labor unions’ official consent to labor market deregulatory measures.

The labor law revision in December 1996 and the following general strike of January 
1997 represented a clash amongst labor unions that were gaining new strength, Korean capital 
that tried to reclaim its dominance, and the government that failed to act as a credible arbiter. The 
1996 revision overturned the compromise that was reached in the tripartite deliberations and 
instead introduced blatant clauses to make layoffs easy and to increase the scope of contingent 
employment. Both the KCTU and the FKTU organized a nationwide strike against the new law.

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3 Geun-hee Lee, chairperson of the Samsung Group, was first to proclaim this new management strategy in 1991.
4 This was a part of President Kim Young Sam’s Segehwa (internationalization) drive that began in 1994.
5 Moreover, the conservative ruling party (the New Korea Party) railroaded the bill at 4 A.M. on December 26.
Over 200 workplaces participated in the strike that lasted for a month from December 1996 to January 1997, with an average of 200,000 workers participating in daily mobilization (Choi et al. 2001).

Facing the successful strike with widespread public support, the government agreed to rewrite the labor bill. However, the revised bill failed to reflect labor’s demand to withhold the introduction of massive layoffs and precarious labor. Organized labor, especially the KCTU, prioritized the removal of clauses written by past authoritarian regimes that aimed at restricting unions’ basic rights. In exchange of gaining these rights, unions compromised to capital’s demand to insert new clauses for labor market deregulation. Table 1 below compares the changes made in labor laws in December 1996, March 1997, and finally in February 1998 in the aftermath of the Asian Financial Crisis. Labor politics in 1996-1998 presaged the future of Korean labor as it demonstrated organized labor’s incapacity to make a meaningful influence in the actual political process.

Table 1 about here

The Asian Financial Crisis landed in Korea in late 1997 and marked a crucial turning point for the Korean economy by opening the path for unfettered market forces. While it was not the crisis that first introduced a neoliberal shift in Korea, it was under the crisis situation and since then that neoliberalism has made unquestioned penetration into various domains of public policy. The policy recommendations from the neo-liberal camp in the aftermath of the crisis were largely twofold. One was to revive the economy’s macroeconomic stability through deregulation (of the exchange rates and the financial market) and the other was to remove inefficiencies in corporate operations and rigidities in the labor market (Haggard 2000). In corporate restructuring, the government focused on enhancing transparency and accountability in corporate accounting and management, improving financial structure, and streamlining business activities among the chaebol to specialize in core areas of competence.

In the area of labor market restructuring, an institutional tool was required to drastically reshape the labor market. The Kim Dae Jung government formed the Korea Tripartite Commission (KTC) and the three parties signed a historic ‘social pact’ in February 1998, which included another round of labor law reform. As summarized in Table 1, the essence of the pact was to introduce stipulations for massive layoffs and labor market flexibility in exchange for legally recognizing the KCTU and labor unions’ rights for political activity. The pact, however, soon fell apart as both the KCTU and the FKTU rejected the agreement. From organized labor’s

without notifying the lawmakers of opposition parties.
perspective, the government unilaterally enforced reforms in labor market policies but not equally in corporate governance system, i.e., chaebol restructuring (KTC 2003, Gray 2008).⁶

During the brief decade between 1987 and 1997, Korean labor gained greater political freedom such as the legal recognition of the previously suppressed KCTU and labor unions’ rights to engage in political activity. This was an obvious achievement for labor compared to the past authoritarian era when blatant repression of labor was a norm. However, this small step forward was marred by two huge steps back as the introduction of massive layoffs and various forms of contingent labor began to severely undermine organized labor’s structural grounds in the following years. In the democratizing political context, labor unions gained political recognition but faced a fundamental constraint in the labor market that was being restructured and stratified under the preponderance of capital.

The Creation of a New Labor Underclass, the Insecure Class

The Korean economy was swift to recuperate from the Asian Financial Crisis and grew into the world’s 12th largest economy with per capital income of USD 30,800 as of 2012.⁷ Yet, this economic recovery was followed by a widening socioeconomic disparity, or yangkuekhwa in Korean. The rising inequality in the 2000s is closely associated with the creation of a new labor underclass characterized by low income, job insecurity, minimal social protection, and dismal prospect for promotion or social mobility. The labor market deregulation policies since the crisis have created two groups of working people who came to compose a new underclass: the low-income self-employed and irregular workers. This study identifies these vulnerable working people as the insecure class.

Self-employment in itself may have no automatic implication for class relations because it is a form of employment that includes highly diverse income levels and socioeconomic statuses.⁸ There are two reasons why it is crucial to approach the self-employed in Korea as an insecure class. First, the share of the self-employed in Korea’s labor force is considerably high when compared to similar indicators of other OECD countries. The self-employed take up 29 percent of the Korean labor force as of 2010, which is much higher than the OECD average at 16 percent.⁹ Second, a large segment of the self-employed is concentrated in the most vulnerable

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⁶ The leadership of the KCTU was brought down by the revolt from its rank-and-file members who viewed the social pact as a betrayal to the labor cause. The KCTU has not returned to the government-led tripartite consultation since. The Tripartite Commission has also fallen into a perfunctory status since the haphazard execution of the 1998 social pact.


⁸ Self-employment includes a high-tech engineer who runs a small business and farmers who engage in small-scale farming.

economic sectors. Most of Korea’s self-employed are in small retail business (34.5 percent) and restaurant business (30.9 percent), both of which are considered as low value-added economic activities.10

In the post-crisis decade, corporations, buttressed by the massive layoff clause in the revised labor law, shed off a huge number of their employees. During the Crisis alone, more than 220,000 workers, including 63,000 workers from the top five chaebols, 45,000 from the financial sector, and 53,000 from public enterprises, were laid off and few of them were able to return to a job similar to which they had been dismissed from (Lee 1999). Many of these middle-age, male breadwinners turned into self-employed, small business owners in the service sector. Women and young job-seekers also turned to self-employment as they faced a greater barrier in entering the labor market. There are 5.6 million self-employed workers as of 2012 and 72 percent of them run a single-person business.11

These self-employed workers overcrowd the service sector and consequently create a high level of competition leading to frequent turnovers of business. According to national statistics, more than a half of newly starting small businesses go bankrupt within three years. The self-employed with starting investment under USD 50,000 make an average monthly income of USD 1,500, while having an average household debt of USD 90,000.12 Or, the bottom 20 percent of the self-employed are surveyed to make an annual income under USD 10,000. Also, because of the diversity within the self-employed, the degree of income disparity within them is the highest compared to other categories of working people. As such, they account for a large share of overall inequality in the Korean labor market (Kim and Han 2007).

In addition to over-competition, low-income, and high-debt among the self-employed small business owners, their working hours are long and the prospect for job security or social mobility is dismal. The average working hours of the self-employed are 55.7 per week, which is much longer than those of wage workers at 48.9 hours (Keum et al. 2009). More than half of them report that they work over 12 hours a day, trying to keep their business open for seven days a week (ibid). About 38 percent of them identify themselves as the lowest class in Korean society with little prospect for upward social mobility (ibid). While the self-employed sector is known to contribute to market flexibility and innovative industries of the economy, the lower strata of this sector suffers from excessive competition, low levels of net profit, a high burden of household debt, extended working hours, and few possibilities for social advancement.

Another stream of working people that form the new insecure class in Korea is irregular

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10 Statistics Korea: [http://kostat.go.kr](http://kostat.go.kr)
11 Statistics Korea: [http://kostat.go.kr](http://kostat.go.kr)
12 Statistics Korea: [http://kostat.go.kr](http://kostat.go.kr)
workers, or *bijeongkiujik* in Korean, which has emerged as a new term to represent a growing level of social insecurity and disparity. *Bijeongkiujik* includes long-term and short-term temporary workers, part-time workers, dispatch workers, subcontract workers, on-call workers, and others without a secure labor contract (Kim 2012). Many firms, even after the Korean economy’s recovery from the financial crisis, decreased or halted new hires of full-time employees with secure labor contracts. Firms substituted existing regular jobs with contingent workers contracted with precarious labor conditions, as the Hyundai Automobile example illustrated in this paper’s introduction. The rising reliance on precarious labor was a part of capital’s New Management Strategy discussed earlier to reduce labor costs and to increase employment flexibility. The 1998 labor law provided legal provisions for firms to rely on contingent labor instead of regular workers. This applied not only to the private sector, but also to the public sector that shifted its employment practices. Many public services and corporations maintained a hire freeze while increasing outsourcing of their functions. According to a survey conducted by the KCTU, the employment of contingent workers was already found universal by 2001, across firms and industries regardless of their size or sector (KCTU 2001). As of 2011, there are over 250,000 irregular workers in the public sector accounting for 20 percent of the sector’s total employment (Kim and Lee 2012).

What is phenomenal about irregular workers is their proportion in the labor force, a gendered stratification, a drastic gap in their wage and social protection coverage, and the lack of organizational representation compared to the entitlements of regular workers. Figure 2 shows the changing share of regular workers and irregular workers in 1996-2012 with two different statistics. Using the labor research group definition, the ratio of irregular workers soared from 43.2 percent of all paid employees in 1996 to 58.4 percent in 2000 and has since been in a gradual decline to record 48.3 percent as of 2012. With the grave social consequences associated with the rising number of irregular workers, the government introduced some protective measures in 2007 and the drop of irregular workers reflects the effect of such measures. Yet, Korea still has a large share of irregular workers compared to other OECD economies, similar to the international comparison of the self-employed figures. Irregular workers accounting for 51.9 percent of the Korean labor force is considerably higher than 45 percent in the Netherlands (the

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13 In this paper, irregular, precarious, and contingent labor/worker are used interchangeably to indicate workers under this common category. The government and labor activist groups have different definitions for irregular workers. The former includes temporary, part-time, and atypical workers, whereas the latter adds long-term temporary workers and seasonal workers to the government classification.

14 Data on irregular workers come from Statistics Korea’s *Survey on Economically Active Population*, various years.

15 The Irregular Employees Protection Law stipulates for the conversion of an irregular worker with more than a two-year contract to regular employment. The law began to be applied to firms employing more than 300 workers and expanded to firms with more than 5 employees in 2009.
highest within the OECD countries), 28.4 percent in the United Kingdom, and 16.1 percent in the United States.\textsuperscript{16}

Another noteworthy aspect of contingent labor is its gender disparity. Within contingent employment, 46 percent are men and 54 percent are women. Figure 3 shows more women than men are employed as irregular workers and the gap is not closing. As of 2011, 40.2 percent of employed men hold precarious jobs while 61.9 percent of women with a job are in precarious employment. This gender gap becomes even larger when the single/married dimension is added. The share of irregular employment between single male and single female workers is almost identical around 50 percent. However, for married male and married female workers, the chasm is significant at 36.2 versus 66.3 percent.\textsuperscript{17} This means almost two thirds of married women who are in the labor market are irregular workers.

There is also an age factor in contingent labor as shown in Figure 5. Individuals who are under 20 or over 60 years old are most likely to find a precarious job. However, even within the same age group, a gender gap is most pronounced for workers in their mid-thirties up to their sixties. The gap for these age groups ranges from 22.6 to 36 percent. This again corroborates the reality that for married female workers it is highly unlikely to be employed in a secure job.

Figure 2 about here

Figure 3 about here

Figure 4 about here

Regarding sectoral dispersion of the contingent labor force, economic sectors such as agriculture (90.3 percent), construction (62.1 percent), real estate (67.7 percent), transportation (57.6), and art and sports (87.2 percent) rely more than a half of their employment on irregular workers. As expected, occupational categories such as services (74.3 percent), sales (75.8 percent), skilled agriculture (80.7 percent), technical (62 percent), and unskilled manual (85.1 percent) are filled with irregular labor forces more heavily than other occupations. The firm size is also identified as an important factor. While firms with more than 300 workers fill 15.8 percent of their work force with irregular workers, firms with 1-4 workers rest 82. 3 percent of their labor force on irregular employment. This is because the contingent-labor-filled sectors and

\textsuperscript{16} OECD Statistics. This is the sum of fixed-term employment and part-time employment as a percentage of the total labor force.

\textsuperscript{17} National Statistics Office, Additional Survey of Economically-Active Population (2012)
A closer look at the profiles of irregular workers reveals that a majority of them are married women in their mid-thirties or over, employed in small businesses with less than 5 workers, in sectors such as services, agriculture, construction, and manufacturing. An obvious disadvantage that divides these irregular workers from regular workers is not just the terminable labor contract but also the extent of wage differentials. As compared in Table 2, irregular workers, even if they perform the same labor, are paid on average 51.3 percent of a regular worker’s hourly wage. Here again, a gender gap is significant. Compared to a regular male worker, an irregular female worker is paid 40.5 percent of the hourly wage. The wage gap between regular and irregular workers has shown meager improvement from 50.9 to 51.3 percent in the last ten years (2001-2011).

Table 2 about here

In addition to the significant level of wage gap between regular and irregular workers as well as between male and female workers, there are further disparities that disadvantage contingent labor. These workers face substantial discrimination in the coverage of basic labor protection and social welfare programs. As compared in Table 3, the coverage rates of these basic labor conditions and social security between regular and irregular workers are significantly different. Across all of the eight categories, irregular workers remain severely under-remunerated and unprotected, including union representation. This contrast shows that the disparities between regular and irregular workers are not limited to wages and job security but extended to a greater, fundamental socioeconomic inequality.

Table 3 about here

This section has discussed the diverging material conditions and socioeconomic experiences between the lower strata self-employed and irregular workers on the one hand and regular workers mostly employed in large firms on the other hand. Today, the distance between an irregular worker and a full-time worker in Korea might be greater than the distance between a full-time worker and an employer. In fact, the Korea Labor Panel Survey reveals that the percentage of respondents who identify themselves as the lowest class in Korea was the highest in the order of irregular workers, the self-employed, regular workers, and employers (Keum et al 2009). This is a significant restructuration of the working people compared to previous decades when workers were considered a largely homogenous group sharing similar economic, social,
and political destiny (Koo 2001).

The Korean economy, besieged as it was by neoliberal doctrines, moved to create more complex configurations of social classes that require new analytical categories (Koo 2007, Shin 2010). A traditional Marxist approach of dividing class around the ownership of the means of production, a practical approach to use occupational classifications, or even a synthetic method proposed by Goldthorpe (2000), do not properly capture the labor market realities in a neoliberal era when socioeconomic classes have become highly diversified and cross-sectioned with gender, age, and race (Svallfors 2006, Krinsky 2007). Scholars have invented new class vocabularies such as cheap labor (King and Rueda 2008), precariat (Standing 2011), bad jobs (Kalleberg 2011), and informal labor (Agarwala 2013). This new language is informative because it reflects the need to study the diverging material and socioeconomic experiences of various types of working people through more analytically perceptive terms.

This study is a further effort to identify “insecurity” as the common material and sociopolitical condition that defines a new labor underclass in Korea. Yet, the analysis offered here differs from existing studies on renaming class relations. First, while it acknowledges insecurity as a more universal characteristic of working people under neoliberal economic systems, it brings in a section of the self-employed into the analytical synthesis. It is not cheap migrant labor, part-time workers, or an informal sector that defines the labor market stratification in neoliberal Korea, but the lower strata of the self-employed and various types of irregular workers (who often work side by side with regular workers) that share similar material and social conditions of insecurity. This recognition is important because class is understood to embody socioeconomic and political consequences (Wright 1997). A nuanced understanding of changing class relations enables us to construct meaningful statements in regards to class formation, class conflict, and potentials for collective organizing. It further contributes to crafting meaningful social policy interventions by properly locating the most vulnerable class within the social hierarchy.

The Unholy Trinity: Concentrated Chaebols, Narrow Unions, and Unrepresentative Political Parties

Discussions in the previous section reveal that Korean society has witnessed the creation of the insecure class in the last fifteen years. These under-paid and under-protected insecure working people are closely associated with the rising socioeconomic disparity in contemporary Korea. The national economy that was once praised for achieving rapid growth with relative

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18 This is not to deny the presence of cheap migrant labor, part-time workers, and an informal sector in Korea but to emphasize the dominant axis of divisions in class relations.
equality has now turned into the second most unequal economy after the United States among the OECD countries. Various inequality figures indicate that poverty and socioeconomic polarization are serious in Korea. As Table 4 summarizes, the proportion of the middle class has shrunken whereas that of the lower class has risen. The ratio of workers who are paid below the minimum wage level increased from 4.3 percent in 2001 to 11.5 percent in 2010. The gap in market income between the top 20 percentile and the bottom 20 percentile deteriorated from 4.0 in 1996 to 6.0 in 2011. The GINI coefficient that improved up to 0.27 in 1996 has since worsened to 0.32 in 2012. The improvement from the market income GINI coefficient (0.32) to the disposable income GINI coefficient (0.29) is also minimal at 0.03. This indicates that government intervention with social protection policies lends minimal effects on correcting the existing income gap.

Table 4 about here

What are the conditions that have led to the rise of the insecure class and concomitant socioeconomic polarization? Why has labor faired so poorly in Korea against the democratic aspirations for greater freedom and inclusion of the previously suppressed? Is this Korean outcome an inevitable result of ill-timing for a new democracy to survive within the worldwide neoliberal shift? Neoliberalism and neoliberal policy adoptions are known to alter the balance of class forces because capital gains greater leverage vis-à-vis labor when capital market is deregulated and capital uses its exit threat (Rodrik 1997). International financial institutions, too, use their lending capacity to put pressure on the loan receiving countries for greater deregulation of the labor market and further reduction of social spending. This is why neoliberal globalization places labor on an uphill battle, i.e., the race to the bottom. Existing studies on neoliberal globalization and labor, however, have found mixed findings. The race to the bottom is neither uni-directional nor universal because international pressures are mediated through domestic conditions, especially the configuration of political institutions and the resilience of existing associational structures and practices (Lee 2005, Mosley and Uno 2007, Rudra 2008, Caraway

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20 Statistics Korea
21 Among other OECD countries, the countries known for their high spending on social welfare, such as Belgium, Germany, Sweden and Denmark, all rank high in this regard by creating above 0.20 improved corrections between the market income and final disposable income.
22 While the administrations under Kim Dae Jung and Roh Moo Hyun introduced and expanded social protection policies, the development of Korean welfare state is regarded to lag behind the level of its economic affluence. Korea’s social expenditure remains at 7.9 percent, the lowest among OECD countries next to Mexico. The Korean welfare state is premised on “earned” entitlement, meaning that it is largely funded by the contribution of employers and employees with minimal financial commitments by the government. OECD Statistics: [http://stats.oecd.org](http://stats.oecd.org).
Depending on the preexisting institutional arrangement, industrialized democracies use different types of cheap labor (King and Rueda 2008) and introduce different kinds of labor market deregulation measures (Song 2012). Therefore, it is important to understand how existing domestic conditions reshape the global drive of neoliberalism to create specific local outcomes.

To explain Korea’s plunge into labor stratification and economic polarization, this paper employs a holistic political-economic approach and examines the interconnectedness of domestic capital, labor unions, and political institutions against the neoliberal context. It places special attention on tracing their altered power relations and identifying their roles in creating the insecure class in contemporary Korea. The following section demonstrates that Korean chaebols adopted active strategies to globalize their operation and their success in the global market equipped them with unchallenged power in the domestic sphere. When neoliberal reforms accelerated, the already concentrated chaebols gained even greater economic and political power to reorganize the labor market to serve their interest. Labor unions that were narrowly organized primarily in large firms were further squeezed to represent only a small fraction of the labor force. Thus unions have remained organizationally parochial, barely enough to defend their own members’ interests. Yet, the representative democratic system in Korea was deficient to counterbalance the rising dominance of business interests or to embrace labor’s concern for social protection. With continued non-programmatic competition, political parties were slow to develop into effective representative organizations to attend to distributional issues and to institute adequate social protection programs. It is these compound conditions that are accountable for the formation of the insecure working class in post-neoliberal Korean society.

Korean economic structure has been dominated by large conglomerates known as the chaebol. The disproportional ascendancy of large firms originated from the past authoritarian developmental state that ‘picked the winners’ to promote the nation’s growth through export-oriented strategies. Political democratization did not bring a fundamental shift in the economic structure run by a state-capital alliance. Large corporations did not only continue to form the backbone of the Korean economy, but also maintained a close relationship with the government in the post-democratization, neoliberal era. Capital’s influence rose even further to overpower that of the state elite. Capital market deregulation, chaebols’ globalization drive, and the democratically elected government with reduced regulatory power contributed to this power shift.

Under the neoliberal reforms in the 1990s and onwards, the chaebol became increasingly freed from government regulations to the extent to exercise unchecked economic and political

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23 In exchange for preferential treatment, chaebols provided political funds or ‘voluntary donations’ to military dictators to run political machines and buy out political support (Kang 2002).
power. While some aspects of chaebol operations were reformed in the aftermath of the Asian Financial Crisis to meet global standards, such as corporate accounting and financial management, their economic leverage became more disproportional. Chaebols like Samsung, Hyundai, SK, and LG rose to global brand name corporations by globalizing their finance and operations. Becoming global corporations meant that the scope of government regulations was narrowing while the corporations’ financial power within the Korean economy was growing more preponderant. For instance, the asset value of the top 10 chaebols that accounted for 48 percent of Korea’s GDP in 2003 increased to 84 percent in 2012. Their sales also rose from 50 percent to 84 percent of the GDP during the same period. This meant that they have amassed overwhelming private economic power within Korean society to the extent to have no countervailing force to harness their predominance (You 2009). Breaking down the domination of concentrated capital posed a catch 22 dilemma both to the general public and politicians because chaebols accounted for the lion’s share of Korean economy and the nation’s success seemed to depend upon chaebols’ economic performance.

The ability of the chaebolsto exercise unchecked economic and political dominance had significant implications for the restructuration of the working people. First, in the process of large corporations becoming internationally competitive and domestically concentrated, their share of employment shrank. Large corporations used to account for a large share of regular employment compared to small and medium sized firms. However, chaebols have been decreasing the number of regular jobs while supplementing their labor needs with irregular workers. Large conglomerates with more than 1,000 workers employed about 1 million workers (8.3 percent of all employed) in 1998 but the figures dropped to 0.8 million (6.7 percent of all paid employees) in 2010. This means despite their huge share in the economy, they provide a relatively small share of decent employment. The disproportional growth of conglomerates in their market dominance but with a reduced share of employment also influences those in the low-income self-employed group. With decreased job opportunities in a secure sector, more people opt for a self-employed small business and are squeezed into steep competition among tiny business ventures.

Chaebols with growing market influence were able to restructure their subsidiaries and subcontractors. Korean chaebols are known for taking over profitable business items from their subcontractors and placing multiple subcontractors in competition to lower the cost. They also heavily rely on in-company subcontracting and outsourcing to further squeeze production costs.

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24 Kyunghyang shinmun, 16 October 2013.
25 Statistics Korea.
26 Kyunghyang shinmun, 11 February 2014.
Small and medium sized subcontractors that are placed under the highly competitive survival race have to cut their labor cost and increasingly rely on irregular workers instead of employing full-time workers.

Furthermore, chaebols with financial resources to reward their employees with higher wages and generous benefits have contributed to a greater dichotomy in the material remuneration between workers employed in large firms and those in small firms, and in turn between regular workers and irregular workers. Table 5 compares various components of labor costs between firms employing 30-99 workers (the lowest category in the 1996 statistics) and firms with over 1000 workers for 1996 and 2012 respectively. It shows the gap in the total labor cost between small firms and large firms worsened. When the labor cost for large firms is set at 100, small firms offered 63.5 in 1996 and even less at 57.6 in 2012. The most drastic difference in material remuneration is found in bonuses, welfare costs stipulated by law, and welfare costs specifically offered by the firm.

Table 5 about here

On the political front, Korean conglomerates with their rising economic leverage have been increasingly assertive in pressuring the political elite to write laws and regulations to meet the interest of business. The labor law revisions to include clauses on massive layoffs and irregular employment as discussed in the previous section are examples in point. Also, while a rising share of irregular workers in the labor market required the expansion of social protection programs, Korean capital represented by the KEF and the Federation of Korean Industries (FKI) have declared their policy position against the growth of social protection. With major chaebols’ formidable influence on elected politicians, national prosecutors, and mainstream media, they have been able to critically shape the direction of major national agenda. Top chaebols like Samsung amassed USD 4.5 billion in slush fund, hid the illegal fund under borrowed-name stocks, and used the money to lobby prosecutors, lawyers, politicians, and National Tax Service officials (Kim 2013). When chaebol owners are accused of embezzlement or other violations of law, they are rarely convicted guilty and soon pardoned even if they are found guilty (ibid).

There is another linkage between the concentrated chaebol structure and the growing disparity within the working people, mediated by labor unions. Korean unions have traditionally been strong in large corporations in the manufacturing sector (Lee 2011). However, with the shrinkage of the regular labor force in general and within chaebols in particular, union density

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27 Yongcheol Kim, one of Samsung’s corporate lawyers in charge of lobbying whistle-blew in 2007 and disclosed a list of prosecutors, politicians, and high-level officials that Samsung “managed with slush funds.”
has been declining. Because labor unions’ task to organize fragmented non-regular workers or the self-employed is much more challenging than unionizing large shop-floors, their efforts to expand their organizational basis remain largely unsuccessful. The increasing fragmentation in the labor market has thus posed detrimental threats to the very organizational basis of labor unions.

The 2012 unionization data shows that 14 percent of regular workers are organized into unions whereas only 1.7 percent of irregular workers are represented by unions (see Table 3). In other words, 92 percent of all unionized workers (1,761,000) are regular workers in contrast to just 7.8 percent of the union membership coming from irregular workers. Also, the pronounced gender gap in the composition of irregular workers is repeated in union representation. The gap between the share of unionized male workers and that of female workers dramatically increased over the last twenty years. While the gap in 1985 was 15.5 versus 11.1 percent, it diverged to 13 versus 5.1 percent in 2010. These figures point out that because women are predominantly employed in non-regular positions, Korean unions primarily based on the regular labor force grossly under-represent women workers. This further implies that non-regular women workers are not only disadvantaged in the labor market (with lower wages, greater job insecurity, and lack of social safety protection), but are also deprived of the basic organizational representation to raise their socioeconomic grievances.

Under liberalizing market conditions, existing national unions (both the FKTU and the KCTU) have often been criticized for their inadequacy in organizing non-regular workers and female workers. With an average union density around 10 percent primarily based on regular, male workers in large corporations, national federations have remained as narrow representational organizations and thus failed to represent the interests of a broad spectrum of the working people. From the perspective of union members with privileged entitlements in large firms, it was ‘rational’ for them to vigorously defend their own status. Due to the deep chasm between regular and irregular employment, they want to maximize their gains while they stay in the secure side.

Narrowly organized unions also meant their electoral and political clout was severely limited. It is true that the presence of communist North Korea and deep-seated anti-communist ideology in South Korean society have long undermined the political acceptance of labor unions and political parties’ association with organized labor. Yet, unions’ ability to mobilize partisan voting has been questionable even after democratic transition. Workers’ votes were equally

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28 Irregular workers’ eligibility for union membership is not stipulated by any national labor law but varies depending on a given union’s bylaws.

29 This is the percentage of unionized male workers within all waged male employees. The same for female workers.
dispersed to conservative and liberal parties in post-1987 elections while political parties and labor unions stayed distant from each other (Lee 2011). Although organized labor often resorted to militant confrontation with employers and the government, it was unable to make meaningful intervention in the labor policy making process without a partisan ally within institutional politics.

The formation of the Democratic Labor Party (DLP), a pro-labor party organizationally based on the KCTU, and the party’s success to gain elected seats in the Korean legislature in 2004 was an exceptional achievement for organized labor that was placed under an uphill battle. However, the DLP has stayed as a minority party in the 299-member National Assembly with 10 seats in 2004, 5 seats in 2008, and 13 seats in 2012. And more recently, as the DLP disintegrated into a factional strife and organizational splits, the party became even more marginalized in electoral politics. With no effective political party to represent labor’s cause, there is little chance that labor unions would be able to influence labor policy-making processes to protect their constituencies from deteriorating market conditions. When both labor unions and a labor party remain as a minority actor and an institutional outsider, labor market fragmentation cannot be harnessed.

Korea’s political institutions also share a huge responsibility for widening the disparity within the working people and the birth of the insecure class. Such a socioeconomic outcome is not solely created by market forces but concurrently by political interventions (or non-interventions) because markets are constantly shaped by the actions of the government. Although neoliberal globalization creates market conditions against labor, a higher level of labor deterioration is observed in developing economies where institutional channels to mediate labor interest remain under-developed (Rudra 2008). While Korean democracy has made significant progress since the 1987 transition after decades-long authoritarian rule, the development of its representational institutions, especially political parties, has seriously lagged behind.

Korea’s political system has often been characterized by the dominance of the executive, especially presidential power, and chaotic political parties. While both President Kim Dae Jung and President Roh Moo Hyun tried to lay out the foundations of social protection programs, they were limited in tackling the rise of precarious employment and deepening socioeconomic polarization. Political parties, on the other hand, have been slow to attend to distributional issues and social protection programs, at least until the local elections of 2010 when partisan competition began to show a slight sign of programmatic change. Korean parties have

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30 The party was renamed into the Unified Progressive Party in 2011. After the organizational split in 2012, the party was left with 6 elected seats.

31 In the 2010 local election, the center and left parties (the United Democratic Party, the DLP, the Progressive New...
traditionally been created from the top and led by individual leaders with presidential ambitions; they have been organizationally inchoate with repetitive splits and mergers; they have lined up along regional ties instead of programmatic differences; and the emergence of “left” parties to represent distributional issues have long been suppressed until the organization of the DLP (Lee 2011).

With the exception of the DLP, none of the major political parties is organizationally grounded in party membership or systematically linked to sectoral organizations such as labor unions. Moreover, party competition has centered on regional appeals instead of programmatic differentiation. The Saenuri Party (previously the Grand National Party, New Korea Party, and the Democratic Liberal Party) is based on the Kyungsang region, whereas the Democratic Party (previously United Democratic Party, the Uri Party, the Millennium Democratic Party, the National Congress for New Politics, and the Democratic Party) is sustained by electoral support from the Jeolla region. The continued predominance on regionalism in partisan competition has undermined the capacity of political parties to develop policy programs and has delayed the electoral representation of distributional issues. Moreover, the traditional opposition party (the Democratic Party and its predecessors) showed a higher level of organizational instability than the conservative party, thus failing to present a political alternative to neoliberal dominance. In short, Korean political parties that were expected to deliberate and articulate on policy solutions to the rising stratification in the labor market were slow to respond due to their engagement in policy-void regional competition and organizational splits.

While democratic institutions can filter the extent of neoliberal policy adoptions and make policy interventions to cushion the consequences of deregulation, political elites in Korea were quick to embrace neoliberal agenda without much deliberation on the socioeconomic consequences. They failed to represent the interests of the working people, to act as a credible arbiter when organized labor and powerful capital clashed over labor market flexibility, and to make timely policy interventions to minimize the fragmentation and insecuritization of the working people.

The magnitude of the financial crisis in 1997 had hastened the implementation of market deregulation policies in Korean society without much serious deliberation on the socioeconomic consequences or binding social consensus among the contending interests. In this process, chaebols became more concentrated in their market power as well as political dominance to be able to introduce anti-labor policies or to block pro-labor policies. Unions failed to expand

Party, and the People’s Participatory Party) formed an alliance against the conservative ruling party and campaigned for free school meals, free child-care, public subsidies for college tuition, and welfare for the elderly.

The United Democratic Party formed a linkage with the FKTU for the first time in 2012 with the unions’ official share in the party’s decision making structure.
beyond their narrow organizational basis of regular, male workers in large conglomerates and thus were unable to exercise effective political influence in the process of labor market deregulation and to defend for the general cause of the working people. With political parties characterized by organizational inchoateness and non-programmatic competition, the representative democratic system in Korea has been deficient in counterbalancing the unilateral application of neo-liberal policies and the preponderance of business interests. Therefore, the unholy trinity of concentrated chaebols, narrow unions, and weak political parties is responsible for the birth of the insecure class in contemporary Korean society.

Conclusion

This paper began from the post-democratization years in South Korea where the labor movement experienced a short-lived ascendance soon to be undermined by the actions of chaebols and the government to restructure the labor relations system in the 1990s. With sweeping neoliberal policies applied to the labor market, the working people began to disintegrate into a new insecure labor class consisting of the low-income self-employed and irregular workers. They are predominantly women, married, in their thirties or over, with a low level of skills, and employed in small businesses in sectors such as services, agriculture, construction, and manufacturing. They are grossly under-remunerated, unprotected by social safety programs, and under-represented in the political realm either by labor unions or political parties. It is insecurity by all meanings that define their everyday lives and it is these working people who live the rapidly rising socioeconomic inequality in neoliberal Korea.

This paper explained this neoliberal phenomenon as an outcome of three compounding conditions: Korean chaebols that became more concentrated in their market power as well as political dominance, labor unions that remained as narrow organizations with no effective political influence, and shallow political parties that failed to compete on programmatic differences and to represent distributional agenda. Under these structural, organizational, and political conditions, Korean working people were unable to counterbalance the consequences of neo-liberal policies and the preponderance of business interests. The labor market has seriously become stratified between workers on the secure side and those on the insecure side.

This study of the new insecure class and widening inequality in Korea casts light on our theorizing of social classes in the neoliberal era in several ways. First, the Korean experience shows the legacies of the past in setting the path of the present political economy. South Korea’s rapid growth in the past decades was achieved through the strong leadership of the government that nurtured large conglomerates to compete in the international market. These conglomerates, in a sense, became the large horses that cannot be sacrificed at any rate to the extent to exercise
unrestricted market dominance as well as unchallenged political influence. Labor unions, too, were able to exercise their leverage because they were organizationally based on these large conglomerates. Unions’ organizational anchor on chaebol firms, however, turned into the weakness of the labor movement as a whole because it failed to encompass the most vulnerable strata of the working people who mostly labor in non-chaebol small businesses. The legacy of government initiative in economic and political decision-making, on the other hand, strengthened the power of the executive and the president at the expense of the programmatic development of political parties. Therefore, the current outcome of the fractured labor class is the creation of the structural and political conditions that originate from the developmental decades of the past.

By rethinking social classes in the neoliberal era and identifying the common material and social bases that bind them into new class categories, we can better analyze the emerging collective action and political mobilization. Whether the shared material conditions and lived experience of the insecure class would materialize into collective action, visible social conflict, partisan voting, or demand for certain state policies is to be seen. Yet, there are studies that show how the powerless irregular workers use symbolic leverages to reconfigure the meaning of employment in the neoliberal era (Chun 2009) and how they reinvent movement repertoires to get the voices of the weakest heard in the political arena (Lee forthcoming).

This is why it is important to study how neoliberalization creates and complicates class relations and to analyze the sociopolitical consequences of the changing class structures. Labor and class scholars need to work toward a better conceptualization of changing class distinctions and offer more perceptive analyses on the implications of such altered class dynamics. We need to build more knowledge on how the changing socioeconomic character of class is linked to potentials for political mobilization and redirections of social policy regimes.
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Tables and Figures

Table 1. Labor Law Revisions in 1996-1998

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple unionism</td>
<td>Previous ban removed</td>
<td>Previous ban removed</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3-year grace for union federations &amp; 5-year</td>
<td>5-year grace for company unions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>grace for company unions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unions’ political activity</td>
<td>Previous ban removed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Third party intervention</td>
<td>Previous ban removed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Pre-reporting required</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public employees’ union</td>
<td>-</td>
<td>-</td>
<td>Work council with limited union functions</td>
</tr>
<tr>
<td>Massive layoffs</td>
<td>Newly introduced*</td>
<td>Newly introduced</td>
<td>Same as the 1997 law</td>
</tr>
<tr>
<td></td>
<td>60-day prior notice</td>
<td>2-year grace</td>
<td>2-year grace removed</td>
</tr>
<tr>
<td>Substitute labor</td>
<td>Newly introduced</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>For subcontractors only</td>
<td>Company-wide</td>
<td></td>
</tr>
<tr>
<td>Part-time labor</td>
<td>-</td>
<td>Newly introduced</td>
<td>-</td>
</tr>
<tr>
<td>Agency labor</td>
<td>-</td>
<td>-</td>
<td>Newly introduced</td>
</tr>
</tbody>
</table>

Source: Compiled by the author based on Choi et al 2000

Note: The [–] sign indicates no change from the previous stipulation.

*Massive layoffs are allowed for managerial reasons including mergers and acquisitions and the management has to consult with labor representatives.
Table 2. Hourly Wage Differentials

<table>
<thead>
<tr>
<th></th>
<th>Regular Workers</th>
<th>Irregular Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>100.0</td>
<td>51.3</td>
</tr>
<tr>
<td>Female</td>
<td>66.4</td>
<td>40.4</td>
</tr>
</tbody>
</table>

Table 3. Coverage of Basic Labor Conditions and Social Protection Programs

<table>
<thead>
<tr>
<th></th>
<th>Regular workers</th>
<th>Irregular workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement payment</td>
<td>88.0</td>
<td>39.6</td>
</tr>
<tr>
<td>Bonus</td>
<td>71.2</td>
<td>22.1</td>
</tr>
<tr>
<td>Overtime pay</td>
<td>58.4</td>
<td>25.4</td>
</tr>
<tr>
<td>Paid holiday</td>
<td>71.5</td>
<td>34.0</td>
</tr>
<tr>
<td>National pension</td>
<td>96.7</td>
<td>40.0</td>
</tr>
<tr>
<td>National health insurance</td>
<td>97.0</td>
<td>47.7</td>
</tr>
<tr>
<td>National unemployment</td>
<td>95.4</td>
<td>57.8</td>
</tr>
<tr>
<td>Union membership</td>
<td>14.0</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Table 4. Changing Proportion of the Middle Class and the Lower Class

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle class</td>
<td>72.6</td>
<td>69.7</td>
<td>67.1</td>
<td>62.7</td>
<td>65.5</td>
</tr>
<tr>
<td>Lower class</td>
<td>9.1</td>
<td>10.4</td>
<td>12.8</td>
<td>17.7</td>
<td>14.4</td>
</tr>
</tbody>
</table>

Source: Statistics Korea

Note: The middle class is defined by those who make 50-150 percent of the median income. The lower class is defined by those who make less than 50 percent of the median income.
Table 5. Labor Cost Difference by Firm Size (in 1,000 Korean won = USD 1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Firm size</th>
<th>Total labor cost</th>
<th>Base wage</th>
<th>Bonuses</th>
<th>Welfare-Legal</th>
<th>Welfare-Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>A. 30-99</td>
<td>1292.8</td>
<td>840.4</td>
<td>191.5</td>
<td>61.6</td>
<td>91.3</td>
</tr>
<tr>
<td></td>
<td>B. Over 1000</td>
<td>2034.4</td>
<td>1153</td>
<td>430.9</td>
<td>84.5</td>
<td>157.5</td>
</tr>
<tr>
<td></td>
<td>Gap (B/A in %)</td>
<td>63.5</td>
<td>72.9</td>
<td>44.4</td>
<td>72.9</td>
<td>58.0</td>
</tr>
<tr>
<td>2012</td>
<td>A. 30-99</td>
<td>3609.5</td>
<td>2503</td>
<td>384.7</td>
<td>239.4</td>
<td>156.1</td>
</tr>
<tr>
<td></td>
<td>B. Over 1000</td>
<td>6261.5</td>
<td>3249.9</td>
<td>1433.9</td>
<td>369.4</td>
<td>290.4</td>
</tr>
<tr>
<td></td>
<td>Gap (B/A in %)</td>
<td>57.6</td>
<td>77.0</td>
<td>26.8</td>
<td>64.8</td>
<td>53.8</td>
</tr>
</tbody>
</table>


Notes: Welfare-Legal denotes to the welfare payments stipulated by law. Welfare-Firm denotes to welfare payments specific to firms, often determined by collective agreements with labor unions.
Figure 1. Union Density and Labor Disputes

Source: Statistics Korea
Figure 2. Regular and Irregular Workers


Note: Irregular 1 is based on government definition of irregular workers and Irregular 2 is based on labor advocacy groups’ definition.
Figure 3. Irregular Workers by Gender

Figure 4. Irregular Workers by Age