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Combining Developmentalism with Social Policy: Instrumental Characteristics of the Social Welfare Programmes of the Park Government in Korea

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Abstract

This paper focuses on the nature of welfare policies of the Park regime in Korea within the context of developmentalism. Taking over the power by coup, President Park launched a wide range of policies to develop Korea. Welfare policies were also strongly influenced by the nature of the economic development plan and those two policy areas were interdependent with each other. The paper examines a variety of economic and welfare policies through which the government tried to mobilise private resources and participation of the people from a historical point of view. It argues that President Park's government successfully combined economic developmentalism with welfare policies, which resulted in the strong characteristics of public and private mix of welfare policies under the Park regime.

Key words: Welfare to Work, Workfare, New Community Movement, Private Resource Mobilisation for Welfare, Private Welfare Sector, Developmental State

Introduction

After a quarter century of his death the late President Park is still vividly living in the memories of ordinary people and standing as a hot topic in the political debates and dividing the voters in the elections. Both of those who positively think his role in the rapid economic development dubbed as 'Miracle of Han River' on the one hand and those who consider his authoritarianism the original sin of all the current political, economic and social ills are in

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common, however, in that his economic policies were closely linked with his authoritarianism and they would have been inconsistent with the democracy. That is why those praising economic development during the Park period argued the authoritarianism was inevitable and those criticising President Park blamed his economic policies for the underdevelopment of the welfare programmes for workers and the poor (Kim, 2001, Chung, 2001, 7-9). This view of intrinsic linkage between the authoritarianism and economic development can also be found in the discussions of Park's social policy. The argument that his residual, bureaucrats-friendly and occupational welfare programmes were necessary to pre-empt the explosive uprising of workers and the poor and to solicit the bureaucrats is in line with this "intrinsic linkage" theory (Kwon, 1999; Yi, 2002). In this context of the discourse the argument by Amartya Sen (1999) has a significant meaning in the interpretation of the social welfare policy development. Discussing the relationship between the democracy and the economic development he argued that the helpful policies for the rapid economic development in developing countries may co-exist with not only democracy but also authoritarianism. The policies themselves are not inherently authoritarian and they are just instruments to achieve the policy goals. The causal relationship can be found in more complex policy networks rather than monolithic character of the political regime.

Taking the insight from the Sen's argument, the paper will explore the process of the development of Park government's social policies with a focus on the instrumental characteristics for government's goals which were continuously changing depending on the circumstances.

Explaining how President Park's government with authoritarianism and economic developmentalism expanded welfare policy programmes this paper argues that President Park's social welfare programmes are the results of the skilful mobilisation of private resources and participation. Through the successful strategy to mobilise the resources and the participation of people, the Park government could combine developmentalism with productive welfare component and consequently contribute to strengthening the legitimacy of the authoritarianism.

1. The Military Junta and Principles of Welfare Policies

As soon as General Park took over the power through the coup in 1961, the junta justified the

coup by reference to the previous government's inability to address political, economic and social problems. They announced the principles of action called the "Revolutionary Pledge (Hyŏngmyŏng Kong'yak)". It called for the eradication of "all social corruption and the deep-rooted political evils which had prevailed under former regimes" and the promotion of a "national morality and spirit", while emphasising "anti-communism, observance of the UN charter, stronger ties with the U.S. and other democratic allies." Since the national unification, the ultimate goal of the nation, was considered to be accomplished by fostering a national strength sufficient to overthrow the North Korean communist forces in the pledge it emphasised that they would devote their energy to "the reconstruction of an independent national economy" and solve "the general living difficulties of the people now wandering on the borderline of starvation" (Park, C., 1970a, 58-9). The eradication of the poverty began to have not only intrinsic value but also instrumental one in the Park's government.

These changes meant the establishment of a new social *policy paradigm* specifying how social problems should be perceived, which goals should be attained through policy, and which techniques should be used to reach those goals (Hall, 1992, 91). Blaming the previous regimes and politicians for their incompetence to solve the problem of absolute poverty, in the book titled, *Our Nation's Path*, General Park, the leader of the junta, made it clear that one of the most important tasks he would tackle urgently was the economic one rather than the political one, and that he would address the problems of the poor above all (Park, C., 1962, 34-5).

The Junta also needed to address social problems such as poverty and unemployment before launching a long-term programme to solve the economic problem. Increasing unemployment was particularly serious in urban areas, which had resulted in severe poverty. In August 1962, of the 9.8 million economically active population, 0.7 million were unemployed (the Editorial Committee of the History of Korean Military Revolution, 1963b, 510-1). Since the survey included people working more than 12 hours per week (20 days per three months) in the category of the employed, the number of the unemployed was underestimated. The unemployment rate in urban areas was four times bigger than that of rural areas in 1963 (the Economic Planning Board, 1971, 48). The situation of urban unemployment was a much more serious problem, since they could not get basic foods and clothing without money. To solve the problem of unemployment was also quite an important matter to the junta in justifying the military *coup d'état*.

In making policies to solve these problems, the military junta established various institutions which had the following characteristics; the “welfare to work” principle, workfare for the poor, firm-based welfare system, a government-controlled private welfare sector, and social welfare conforming to economic development.

1-1. Establishment of Principles of Welfare to Work and Workfare

Unemployment was on the increase (Table 1) and, in order to justify the *coup d'état*, measures to address this problem were urgently needed. On 18 May 1961, the junta changed its official name from the Military Revolutionary Committee (Kunsa Hyŏngmyŏng Wiwŏnhoe) to the Supreme Council for National Reconstruction (Kukka Chaegŏn Ch'oego Hoeüi), and also announced that they would continue the National Construction Project which had been carried out by the Chang government (Korea Development Institute, 1995, 197). On 18 July 1961, the Supreme Council for National Reconstruction announced the Emergent Economic Policy which promulgated to continue the public works project to reduce unemployment (Korea Development Institute, 1995, 201). Until this time, there had not been much difference between the Chang government's social policy and that of the Supreme Council for National Reconstruction.

While preserving this “workfare” element, the junta introduced and actively promoted a “welfare to work” element. It was the restructuring of the benefits distribution system for war veterans by which the Supreme Council for National Reconstruction introduced the element of “welfare to work”. Blaming the previous government's neglect of war veterans and patriots under Japanese colonialism, the Supreme Council for National Reconstruction expanded the Office of Veterans' Administration in August 1961 in order to

Table 1. Trends of Unemployment

Source: The Economic Planning Board (1964) 1st Five-Year Economic Development

	1962	1963	1964
Total Population	26,136,000	26,867,000	27,592,000
Economically Active Population	15,420,000	15,864,000	16,321,000
Unemployment	779,000	815,000	829,000

Supplementary Plan. Seoul, Economic Planning Board

make the benefit distribution system more efficient. The Office of Veterans' Administration (Wŏnhoch'ŏng) was established at central governmental level in the same month with five branches, and 191 civil servants were assigned to staff them. The Office of Veterans' Administration established 25 local offices

throughout the country and integrated previous relief organisations, such as the Military Relief office, under a unified system. From April 1962 onwards, benefits were distributed to the families of those who had fought and died for national independence, the wounded of the April Uprising, wounded anti-communist prisoners, and refugees from North Korea. It was a compulsory hiring scheme through which the Supreme Council introduced a "welfare to work" element in the social policy for war veterans. The Supreme Council made it compulsory for both public and private enterprises to hire 3 to 8 per cent of their total workforce from among wounded veterans, relatives of the war dead, and other recipients of war veteran pensions (the Ministry of Protection of Patriots and Veterans, 1981, 44). As of 31 August 1966, the Office of Veterans' Administration provided jobs for 48,959 people in government organisations, state-run enterprises, schools and private firms (the Ministry of Protection of Patriots and Veterans, 1981, 202). This was made possible because of the Supreme Council for National Reconstruction's strong authority.

It was the Livelihood Protection Programme through which the Supreme Council for National Reconstruction pursued the workfare principle intensively. It established the

Table 2. Composition of "People who need to be protected"

Year	People living in their own home but who need to be protected	People living in welfare institutions such as orphanages, nursing homes, etc	People living in poverty
1961 (December only)	15,000	67,730	0
1962	101,000	51,910	1,806,897
1964	283,000	48,910	1,269,267

Source: the Editorial Committee of Administration White Paper (1962), *Administration White Paper*. Seoul, Government of Republic of Korea, 311-2.

The Editorial Committee of Administration White Paper (1964), *Administration White Paper*. Seoul, Taehan K'ongnonsa, 247-99.

Livelihood Protection Act (Saenghwal Pohopöp) on 30 December 1961 in order to address the increasing poverty (Chon, 1962, 191). The rationale behind the law was to relieve the poverty of the extreme poor, who had no relatives or families and were not able to work. Therefore the programme targeted those aged 18 or below, those aged 65 and above, pregnant women and disabled men who had no relatives or families to rely on. They were categorised as “People who need to be protected (Saenghwal Pohoja)”. “People who need to be protected” was again divided into two categories: “People living in their own home but who need to be protected (Köt’aek Pohoja)”, “People living in welfare institutions such as orphanages, nursing homes, etc. (Sisöl Pohoja)”. Assistance to these people was composed of four kinds of service; livelihood protection, medical protection, maternity protection and provision of costs for funeral ceremony. Despite the efforts to address the people who had no relatives or families, there were many people suffering from a lack of basic food and clothing who were left outside of government assistance. These were the unemployed and low waged workers in urban areas, and seasonal workers in rural areas who had no relatives or families. They earned some income, but too little to survive. In 1962, the Supreme Council for National Reconstruction selected these people, categorised them as “People living in poverty (Yöngsemin)” and assigned them to public works projects.

As we can see in Table 2, the major recipients of this programme were those in the “People living in poverty” category who were required to work to get benefits as wages. The Supreme Council established a strong workfare principle by combining the National Construction Service and the Livelihood Protection Programme.

1-2. Public Control over the Private Welfare Sector

In July 1961, the Supreme Council for National Reconstruction drafted the First Economic Development Five-Year Plan, the original idea of which was derived from the Chang government. This plan demanded enormous financial resources and, in order to achieve the goals set out in the plan, the government should allocate all possible resources to industrial development. Facing poverty and increasing unemployment, the government also had to find considerable resources to alleviate increasing social problems. To solve this dilemma, it decided to utilise resources from foreign private aid organisations which had been running social relief operations in the country for the Supreme Council for National Reconstruction’s

public works project.

The junta had previously made a proposal to the U.S. government that the Korean government could use grain and other basic materials which the U.S. government supplied to international private welfare agencies. International private welfare agencies used these materials as wages for workers participating in works projects privately organised by foreign welfare agencies. The Korean government's proposal was that it wanted to use grain as wages for people participating in the Supreme Council for National Reconstruction's public works projects. In other words, the Korean government wanted to use the U.S. aid which the voluntary agencies had been using for relief projects for the Supreme Council for National Reconstruction's public works projects. The proposal met with strong opposition from aid organisations. The government, however, managed to break through the opposition by forming a multi-party organisation in 1962 called the National Relief Central Committee (Chungang Kuho Hyupuihoe) comprised of representatives of the United States Operation Mission, other major foreign aid institutions and the Korean government (the Government of Republic of Korea, 1962, 312-3). This became the official administrative body co-ordinating the activities of foreign aid institutions in order to prevent the "misuse" of aid. It was intended to plan the distribution of resources, check against fraudulent use of aid resources and enhance transparency and efficiency in the distribution of aid resources. In practice, however, it functioned as a branch of the Supreme Council for National Reconstruction and, from 1962, the National Relief Central Committee began to use relief grain for funding public works projects and also applied strong workfare principles to recipients of foreign aid.

Under this organisation, 2,800,000 people who had received a cumulative total of 115,000 metric tons of flour and corn for the fiscal year of 1966 had to participate in a public

Table 3. The Number of Participants in the National Centre for Leaders of Social Work

Year	Head of the Institutions	Social Workers	Civil Servants	Others	Total
1957	-	50	-		50
1958	72		29		101
1959	237	32	53		322
1960	93	69	36	59	257
1961	25	307	18		350
1962		141	262		403
1963			206		206
Total	427	599	604	59	1689

Source: the Editorial Committee of the History of Korean Military Revolution (1963) *History of Korean Military Revolution 1*. Seoul, Supreme Council for National Reconstruction, 1306.

works project in order to get benefits (the Editorial Committee of the History of Korean Military Revolution, 1963, 1291-2). In order to enhance the government's control over private welfare institutions and their efficiency, the Supreme Council for National Reconstruction also increased the number of civil servants participating in the National Training Centre for Social Workers (Kungnip Sahoe Saöp Chongsacha Hullyönwön) - an educational programme established in 1957 for social workers in private welfare institutions such as nursing homes and orphanages (the Editorial Committee of the History of Korean Military Revolution, 1963, 1306). Most participants had been working for private institutions before the *coup d'état*. After the *coup d'état*, the Supreme Council for National Reconstruction reorganised this programme and educated more civil servants in order to properly supervise and control the private institutions (Table 3).

1-3. Welfare for Workers

A firm-based welfare system was developed in the context of the military government's strong control over labour.

The first measure of the junta against labour activists and trade unions was quite harsh. As with other political organisations, trade unions were also ordered to be disbanded, many trade union leaders were arrested, and trade union activities were banned. However, this ban did not last for long and on 3 August 1961, the Supreme Council for National Reconstruction allowed workers to organise trade unions again by establishing temporary laws. But the Supreme Council established several rules to restrict trade union activity. The most noticeable change was that a trade union should get a licence from the government in order to be legally recognised as a bargaining unit in a firm. Before the *coup*, trade unions were recognised as bargaining units when they reported to the authority; they now had to get licences from the authority in order to be a bargaining unit.

In 1963, the Supreme Council established new labour laws, such as the Trade Union Act. This further strengthened restrictions on trade union activity. The Supreme Council reformed the Labour Standards Act in December 1961. It attempted to make it much more realistic than the previous Act of 1953. Contrary to other labour laws, which had focused on the restriction of trade union activities, the Labour Standards Act contained many

clauses increasing occupational welfare and improving working conditions. The Supreme Council for National Reconstruction included, as a compulsory clause, a retirement pay scheme, and set the size of companies to which this clause would be applied. According to this clause, companies with more than 30 employees should establish a compulsory retirement pay scheme. According to the law, the employer was required to pay retirement pay that was not less than 30 days of the average wage per year for the number of consecutive years employed at the company. As for the employee who had worked for less than one year, the employer was not required to pay retirement pay (Min et al., 1984, 18-9). The Act also required companies with more than 30 employees to include a clause about retirement pay in the employment contract (Min & Park, 1984, 19).

The new Labour Standards Act also contained other clauses to address the grievances of the labour force. The Act made it compulsory to establish pre- and post-maternity leave. With regard to the companies hiring employees under 18, the employer was also required either to pay school fees to them or establish educational facilities for them.

To ensure the implementation of the new Labour Standards Act, the Supreme Council established the Office of Labour Affairs (Nodongch'öng) as an independent ministry which replaced the Labour Bureau in the Ministry of Public Health and Social Affairs in August 1963 (Office of Labour Affairs, 1973, 57).

The organisations of employers, such as the Federation of Korean Industries (Chön'gyöngnyön) and the Korea Chamber of Commerce and Industry (Taehan Sanggong Hoeüiso), strongly protested against clauses pertaining to the improvement of working conditions and occupational welfare since they could cause additional costs to employers. On 7 February 1964, the Korea Chamber of Commerce and Industry submitted a petition to the National Assembly and the government to amend the Labour Standards Act and other labour laws. In the petition, the Korea Chamber of Commerce and Industry argued that labour laws concerning trade union activities should be amended to restrict those activities, and that the standards of working conditions and the level of occupational welfare should be lowered. In particular, they proposed amendments to four clauses in the Labour Standards Act: 1) to establish a regulation on the reduction of retirement pay and allowances where employees inflicted a loss on the properties of the company; 2) to abolish clause 47 which mandated monthly paid leave; 3) to increase the overtime working hours of women up to 520 hours per year; 4) to reduce maternity leave from 60 days to 40 days (the Federation of Korea Trade

Unions, 1979b, 617-8). It further demanded the making of other labour laws stricter in order to control trade union activities.

In response to the Korea Chamber of Commerce and Industry's proposal, the Select Committee for Health and Social Affairs of the National Assembly invited representatives of the trade unions, employers' associations, and academics to hold a public hearing. The Federation of Korea Trade Unions refused to attend and prevented it from being held by demonstrating at the venue (the Federation of Korea Trade Unions, 1979b, 616-9). The strong protest from the trade unions succeeded in blocking the suggested amendments in spite of strong protest from the employers' organisation.

As for the 47,500 employees in the 17 state-owned companies, the military junta took a more authoritarian stance than that on workers of private companies. On 1 September 1961, it promulgated the Special Measure on the Control of Remuneration in State-Owned Companies in which the government set the level and contents of the remuneration package, cancelling all the collective agreements between employers and employees established during the Second Republic (the Federation of Korea Trade Unions, 1963, 504). This measure froze the wages of employees in state-owned companies and abolished the guarantee of retirement pay and several other allowances established during the Second Republic.

In 1962 and 1963, the Federation of Korea Trade Unions demanded the abolishment of the Special Measure and the restoration of previous collective agreements through the submission of a recommendation and the threat of industrial action. The government accepted this demand and abolished the measure. Instead of the measure, the government established the Law for Controlling Remuneration for Personnel Working at Government-Managed Enterprises, which was enacted on 7 August 1963. Although this law guaranteed retirement pay, it did not mention the restoration of the collective agreement on various allowances. Facing strong protest from the Federation of Korea Trade Unions, Hee-Sup Chung, the Minister of Health and Social Affairs announced that the government would establish the allowances in a separate enforcement decree directed at individual companies. This suggestion of the government split the united front of state-owned companies since employees of each individual company had interests in different allowances. The Federation of Korea Trade Unions recognised this situation and decided to end the petition on the remuneration of the employees of state-owned companies (the Federation of Korea Trade Unions, 1964, 513). This decision shows the incapacity of the Federation of Korea Trade

Unions to integrate the interests of employees of individual companies in different allowances.

1-4. The Committee for Social Security and the Industrialisation-Friendly Social Insurance Schemes

On 22 February 1962 the Supreme Council for National Reconstruction established several research committees in order to create a well-organised and efficient system to address urgent social problems. These were the Committee for Social Security, set up to introduce social welfare programmes (Cabinet Decree No.469, 22 February 1962), the Committee for Counter Measures Against Unemployment (Cabinet Decree No.470, 22 February 1962), the Committee for Employment Stabilisation (Cabinet Decree No.471, 22 February 1962), and the Committee for Emigration (Cabinet Decree No. 472, 22 February 1962)(Chon, 1962, 60-3). Among these, the Committee for Social Security, the Committee for Counter Measure Against Unemployment and the Committee for Emigration were institutions which previous governments had either established or considered establishing. The Committee for Employment Stabilisation was the only institution which the Supreme Council for National Reconstruction had originally introduced. Therefore it can be said that in terms of governmental organisations dealing with welfare issues, the junta did not bring about a great change. In addition, these institutions were nominal ones and, except for the Committee for Social Security, did not produce policy proposals. For instance, the Committee for Employment Stabilisation and the Committee for Counter Measure Against Unemployment did not produce any proposals until 1972 and 1973 respectively (Office of Labour Affairs, 1973, 313). Among those institutions, the Committee for Social Security was the only one which had experts in relevant fields (Kwon, 1999, 52-3).

The main difference which the Supreme Council brought in was the policy direction this organisation formulated. Although the Committee for Social Security studied the feasibility of introducing various social insurance programmes for both workers and retired people, they had to prioritise welfare schemes for workers and the national medical insurance system over others because the junta wanted those welfare programmes to be brought in first (Choi, 1991, 130). They proposed the Industrial Accident Insurance programme first, and then the National Health Insurance programme.

The proposal of the Industrial Accident Insurance programme had the effect of reinforcing and complementing the clauses of the Labour Standards Act. The new Labour Standards Act of 1961 called for precautionary measures and devices to guard against work dangers and hazardous materials and to prevent occupational diseases. It also required medical check-ups and other measures for safety and health. The introduction of the Industrial Accident Insurance Programme was an attempt to complement these clauses of the Labour Standards Act. Since there was no insurance scheme for casualties and families of the dead, the costs of compensation for injured workers and dependents were a big burden on employers, and compensation for injury was meagre. In some cases, employers were unable to pay compensation and failed to address the needs of injured workers. Both employees and employers needed a measure which could reduce the financial burden. The Committee of Social Security suggested the introduction of the Industrial Accident Insurance as a solution to the heavy financial burden to employers. The Industrial Accident Insurance Act was promulgated on 1 January 1964 to cover all companies with more than 500 workers. By 1964, a total of 81,929 workers in 17 mines and 47 manufacturing factories were covered by the insurance (Government of Republic of Korea, 1965, 340).

The National Health Insurance programme was launched in 1965 as an experimental project in two firms with more than 300 employees – one was a fertiliser factory and the other a mining company, both of them state-owned companies, comprising 1,200 households. It provided insurance against injury, conception and accidental death, and was financed by contributions from employers, employees and the government. The National Health Insurance programme was not, however, implemented due to funding difficulty. Since only those who were not healthy or had large families joined the programme while the healthy and better off simply ignored it, it became clear that the insurance programme could not survive funding problems without substantial government support (Kwon, 1999, 55). However, the government did not want to spend additional funds on the implementation of this programme and thus it was not implemented until 1976.

In 1963 the Committee for Social Security proposed an income compensation programme for retired workers, the Scheme of Deduction for Retirement Pay. The Committee found that, without a compulsory system for the deduction of money from profits to create a fund for retirement pay, few companies would be able or willing to give lump sum retirement pay to their employees. Therefore they proposed introducing a compulsory system.

This system was similar to a funded-pension system in that it collected regular contributions to fund retirement pay. Based on this proposal, in the same year the Supreme Council for National Reconstruction planned its implementation from 1964 (the Editorial Committee of the History of Korean Military Revolution, 1963, 1306-7). According to the plan, employers would set aside an amount of money which would be used for lump sum retirement pay for employees. The Scheme aimed to contribute to the effective implementation of retirement pay as set out under the Labour Standards Act by establishing compulsory deduction from companies' profits. However, this compulsory system for retirement pay was not implemented on the grounds that it would put a financial burden on companies.

The interactions between the government and the Committee for Social Security demonstrates important aspects of government's attitude towards social insurance programmes. Firstly, the government did make an effort to develop social insurance-type welfare programmes. Secondly, the government's main emphasis was placed on social insurance programmes for workers. Thirdly, the one of government's main concerns in establishing programmes was the financial burden on employers. The financial burden on employers and workers' welfare, typical issues in bargaining over occupational welfare at the firm level, were the main concerns of government in the developmental process of welfare programmes.

1-5. Promoting a Self-Help Culture: the National Reconstruction Movement

To institutionalise new principles of social development, the Supreme Council for National Reconstruction used not only the welfare programmes but also mass mobilisation through national campaigns.

The Supreme Council for National Reconstruction launched the National Reconstruction Movement as a national campaign for the reconstruction of the country in May 1961 just after the coup. It established organisations for this movement on two levels; the regional level organisation dealing with the people of each administrative district, and organisations in each institution comprised of personnel from specific governmental, industrial and other organisations. One of the main objects was to raise the people's living standard by fostering a self-help culture. Members of various committees on different levels

were appointed by the Supreme Council for National Reconstruction, and independent organisations such as the Reconstruction Youth Society and the Women's Association were organised.

Despite a huge national budget and the human resource for the campaign, the achievements of this movement were meagre. The lukewarm response to the initiative of the government for the national campaign was partly attributable to worsening condition of the economy.

The government's project for social development encountered the hard test of reality soon after the emergency currency reform of 10 June 1962 which devalued the Korean Won. A pronounced business slump and general economic stagnation following the currency reform called for a shift of emphasis in fiscal policy from the expansion of investment, to induce long-term economic growth for the attainment of a short-term price stability. After the emergency currency reform, the task of reconciling the two conflicting goals of rapid growth and price stability was prioritised. The military junta passed a financial stabilisation programme with the goal of attaining a money supply ceiling of 40 billion Won by the end of the year to suppress the inflationary flare-up. It was a major financial policy shift which influenced the policy for social development in general. It was amended on 30 April 1963 in order to adjust that goal to 38.5 billion Won, on the grounds that tighter financial policy was required to suppress the recent inflationary flare-up.

As this shift of emphasis in macro-economic policy continued through 1963, the public works project began to have difficulties in securing government funding; the project was dramatically downsized. The reduction of the public works projects had a negative effect on the national campaign of the National Reconstruction Movement. Declining aid from the U.S. government added to the difficulties in continuing the project.

2. The Third Republic: Social Welfare Conforming to Economic Development

With a party comprised of key figures in the military junta, General Park won the presidential election in October 1963, and became president of the Third Republic. After he won the presidency he began to blame poverty on individual laziness instead of on the administrative failure of previous governments (Shin. 1970, 310). The strong authority of the military

government made this politics of the blaming-the individual effective.

The fundamental cause of poverty was said to be found in such individual factors as the lack of a proper work ethic. The change in attitude concerning poverty and President Park's way of enhancing the people's well-being had a tremendous effect on social policy making. In his opinion, the role of government was to help people to solve their problems themselves through the provision of jobs rather than the distribution of benefits. Social policy should be designed to encourage the spirit of self-help and independence of the individual, and the government should play a marginal role in welfare provision. The fundamental strategy was changed. The emphasis shifted from systematic efforts to reform the administration to the promotion of an individual work ethic. The spirit of self-help and independence was emphasized as the way out of the poverty trap.

The economic development plan launched in 1962 was another major factor in changing social policy. Mindful of the country's limited natural resources and small domestic market, the new government adopted an outward-looking development strategy that emphasised export expansion. In the 1960s, the essence of this strategy was the promotion of export-oriented industrialisation, mainly labour-intensive light industries such as textiles, plywood and shoes. There were certain requisites; a cheap but well-trained labour force and financial resources to be invested in this industry. Therefore, social welfare programmes should also conform to this industrialisation strategy and the government established social policies mainly for industrial workers.

Furthermore, since the investment of all possible financial resources of the government for the economic development plan was prioritised, the government should design low-cost welfare programmes and avoid programmes with heavy financial burdens.

These factors contributed to the structuring of social policy in the late 1960s. Although they were similar to those of the two-year rule of the military junta, more emphasis was placed on self-help and welfare policies conforming to economic development. These features provided the basis for the development of occupational welfare in Park's Third Republic.

2-1. Welfare Schemes To Enhance Labour Productivity

In order to create a cheap but well-trained labour force, the government invested in the training of technicians and skilled workers who would ensure the success of the First Five-

Year Economic Development Plan. In 1964 an unprecedented subsidy of 131,470,000 Won was granted for the purchase of laboratory and testing equipment and the expansion of on-the-job training facilities in engineering, agriculture, fisheries and other “trade” schools. Vocational training institutes were established at 13 companies with suitable facilities for on-the-job training and experiments. In March 1964 749 certified technicians graduated, with 37 classes and 956 trainees enrolled (Table 4). The investment in vocational education was accelerated in 1965 after President Park visited West Germany. He was very impressed by vocational education there, and in particular by the fact that most German companies had their own schools for vocational education. In a speech following his visit to West Germany, he expressed his strong wish to establish similar institutes of vocational education (Shin, 1970, 23-4), and in 1965 the government appropriated additional 342,310,000 Won for vocational education in high schools.

Efforts toward industrialisation were coupled with the operation of the Industrial Accident Insurance Scheme. Adopting the proposal from the Committee for Social Security, the government established the Law of Insurance of Compensation for Industrial Accidents in 1963, which took effect from 1964. A total of 81,778 employees of 64 companies in mining and manufacturing industries came under the protection of the insurance system, for the first time in 1964 (Table 5). Coverage expanded gradually year by year, although the coverage rate in the total work force still remained low.

Table 4. Quantitative Growth of Vocational Education

Year	Schools		Students		Teachers	
	Number	Growth Rate	Number	Growth Rate	Number	Growth Rate
1960	282	100	99,071	100	4,347	100
1965	312	111	172,436	174	6,214	143
1970	481	171	272,015	275	10,009	230
1975	499	177	474,868	479	15,340	353
1980	606	215	764,187	771	23,468	540

Source : Korean Overseas Information Service, Ministry of Culture and Information (1983) *A Handbook of Korea*. Seoul, Samhwa Printing Co.Ltd., 693

Table 5. The Coverage of Industrial Accident Insurance

	1964	1965	1966	1967	1968	1969	1970
Number of the Employed (A)	8,210,000	8,522,000	8,659,000	8,914,000	9,261,000	9,347,000	9,574,000
Industry covered	Mining, Manufacturing	Mining, Manufacturing, Electricity, Gas, Transportation, Storage	Same as the previous year	Same as the previous year	Same as the previous year	Mining, Manufacturing, Electricity, Gas, Transportation, Storage, Construction, Wholesale and Retail Trade, Water Sanitary, Communication, Services	Same as the previous year
Firm size covered	More than 500 employees	More than 200 employees	More than 150 employees	More than 100 employees	More than 50 employees	More than 50 employees	More than 50 employees
Number of establishments covered	64	289	594	1,142	2,389	3,696	5,583
Number of employees (B)	81,778	161,150	222,456	336,159	488,628	683,628	779,053
B/A x 100 (%)	1	1.9	2.6	3.8	5.3	7.3	8.1

Source : Office of Labour Affairs (1971a) *Easy Labour White Paper*. Seoul. Office of Labour Affairs, 112

Office of Labour Affairs (1971b) *Yearbook of Labour Statistics*. Seoul, Office of Labour Affairs, 10.

2-2. Welfare Schemes Mobilising Financial Resources for Investment in Industrialisation

After the First Five-Year Economic Development Plan, followed the Second Economic Development Five-Year Plan for the period 1966-1971. The continuation of export- industry promotion needed more financial resources for investment, and the government had a great

interest in mobilising financial resources through the promotion of domestic savings and the structuring of the capital market (Korea Development Institute, 1995, 258-9). A decrease in foreign aid was another factor to force the government to pay attention to mobilising domestic capital essential to accomplishing the goals set out in the Second Economic Development Five-Year Plan (Woo, 1991, 79-80). The government attempted to establish a law called the Act on the Promotion of the Capital Market. The proposal was submitted to the National Assembly on 27 June 1968 by the ruling party. Two clauses in the proposal were directly related to the interests of the workers. The first would allow workers the rights to buy a certain amount of newly issued shares in their own company. The other would allow the government and state-owned enterprises to pay pensions, retirement pay, bonuses and various forms of compensation to civil servants and employees of state-owned companies in the form of stocks and bonds. It represented the government's strong intention to utilise those monies for investment purposes and the occupational welfare initiated by the state's industrialisation purpose. Although it would have the effect of encouraging employees to participate in management, the rationale behind it was to mobilise domestic funds for investment. While the Federation of Korean Industries which had already made various proposals to mobilise domestic capital strongly supported this proposal (Federation of Korean Industries, 1983, 247-8), the trade unions strongly protested against the idea of the provision of occupational welfare benefits in the form of stocks and bonds.

The stock market in Korea during the 1960s had a bad reputation due to the rumors of political manipulation by the KCIA (Korea Central Intelligence Agency), which was the Junta's intelligence office, as well as the falling stock prices (the Korea Securities Dealers Association, 1984, 62-75). Given falling stock prices and the political manipulation of stock prices, workers understood this proposal as a means to take away their benefits. The Federation of Korea Trade Unions strongly protested against the proposal and organised demonstrations in the National Assembly against the passage of the bill (Federation of Korea Trade Union, 1979b, 621-2). Facing strong protest from the Federation of Korea Trade Unions, the government and the ruling party removed the clause allowing companies to pay benefits in the form of stocks and then passed the remaining proposal in November 1968.

This incident had two significant implications in the development of occupational welfare. Firstly, the government's effort to stimulate capital markets introduced a stock-sharing scheme as a new form of benefit in the occupational welfare field. Secondly, the

prevention of the clause allowing companies to pay benefits in the form of stocks was a success for the Federation of Korea Trade Unions in defending workers' interests. Despite tight control by the government, the Federation of Korea Trade Unions demonstrated that it could exert a veto power in the government's economic and social policy making.

The Korean economy showed an outstanding performance between 1965 and 1973. Output grew at an average annual rate of 10 per cent, and price increases were relatively modest at an average of about 8 percent as measured by the Wholesale Price Index (Bank of Korea, 1965, 1970, 1980).

Although the current account of international transaction was in deficit throughout the period, the continuous expansion of exports and large inflows of foreign capital, induced by the monetary reform in 1965, helped to reduce anxiety over the growing deficits. The deficit remained at a level of over 8 percent of the GNP between 1968 and 1971 before falling to about 3 percent in 1972 and 1973. In sum, the period of 1965-73 can be called a "golden age" in Korea's economy, characterised by relative price stability and a high growth rate (Park, Y.C., 1991, 76).

As the economy showed good performance, the government began to impose social responsibilities on enterprises and employers in order to protect the work-force that was essential for further industrial development. In order to enhance work safety, firms and factories were ordered to improve safety standards in the work-place. In 1968, 2,284 factories and firms were ordered to improve the conditions in their working environment, and in more than 4,000 industrial firms 401,499 employees were given a medical check-up. Among industrial firms, 449 had their own hospitals, 1,064 had restaurants, 217 had barber shops, 1,073 had public baths, and 1,142 had entertainment facilities (Hapdong News Agency, 1969, 254-5).

Apart from efforts to improve working conditions, in 1968 the government designed an unemployment insurance system applicable to all enterprises with more than 200 employees in the categories of mining, manufacturing, electric power, gas and the construction industry. According to this plan, any employee who had been laid off was supposed to be paid for a certain period. Moreover the insurance funds were to be financed by instalment deposits with equal contributions from employer, employee and the government. However, the government did not legislate it on the ground that it could put financial burdens on all parties involved.

2-3. Demands from Workers

Although the wage level of workers was improved, the average individual wage remained below the cost of basic necessities such as food, housing, fuel and clothing. As Table 6 and Figure 1 show, there was a huge gap between wages and the living costs of production workers' households. The wage level of workers did not meet the costs of basic necessities such as food, housing, fuel and clothing; it did not even cover the cost of food and beverages until 1967.

The workers' discontent mounted with the continuing low wage level. However, this discontent could not be expressed collectively until 1963 when the ban on collective action was lifted. On 17 April 1963 the military junta gave its official sanction to the right to strikes and trade unions were legally allowed to take collective action.

The Federation of Korea Trade Unions and 14 major industry-based trade unions with 96,831 members began to focus on the improvement of working conditions and wages. However, industry-based trade unions had to face restrictions imposed by the laws on trade union activity. According to the laws, trade unions should obtain authorisation from the government in order to gain legal status. The government could take away the licence of a trade union. It introduced a closed-shop system replacing the union-shop system and banned third-party involvement in the collective bargaining of the enterprise. These clauses effectively diminished the influence of industry-based trade unions and had the effect of preventing them from participating in enterprise-level bargaining. In addition, the laws included a cooling-off period of twenty days during which the government could intervene and settle a conflict.

Under these circumstances, trade unions were under almost the complete control of the government, which had the right to grant the union charter and to order settlements whenever they felt it necessary. These laws significantly weakened the power of the trade union. In addition, the decreasing rate of unionisation weakened trade union power (Table 7).

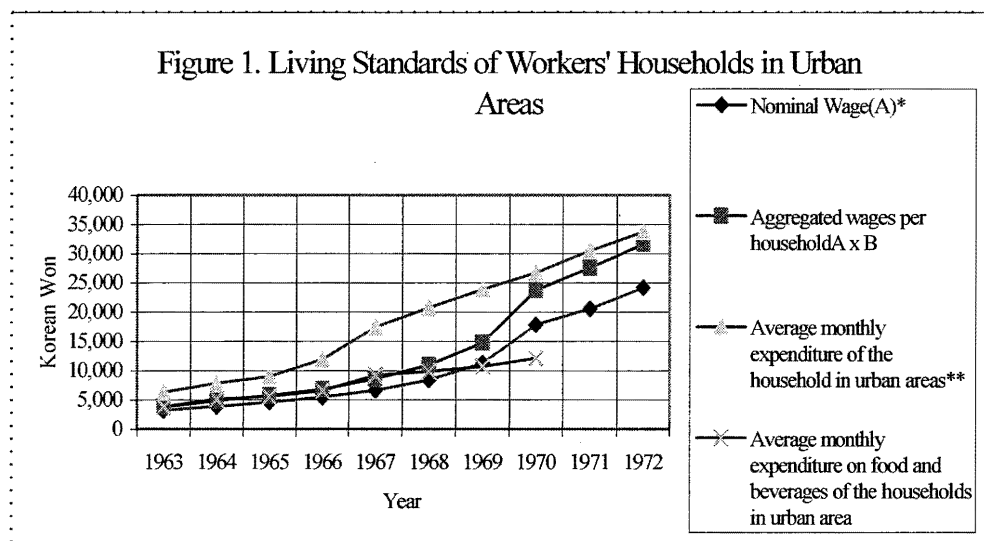
Although there was an increase in the number of industrial disputes during the period 1964 – 1968, due to legal restrictions on union activities as well as the low rate of unionisation, the industrial trade unions could not properly function as collective bargaining bodies. In most cases of labour disputes, these industrial unions were confined to negotiating with employers rather than exercising their right to collective action in the form of strikes.

Table 6. Living Standards of Workers' Households in Urban Areas

Year	Average monthly nominal wage of workers in the manufacturing industry in Korean won (A) *	Average number of members per salary & wage earners' households (B)	Average number of earners per salary & wage earners' households	Aggregated wages per salary & wage earners' households A x B	Average monthly expenditure of the salary & wage earners' households in cities (Korean won)	Average monthly expenditure on food and beverages, housing, fuel and light and clothing of the salary & wage earners' households in cities (Korean won)
1963	3,180	5.8	1.1	3,784	7,010	5,500
1964	3,880	5.8	1.2	4,850	8,500	6,830
1965	4,600	5.8	1.2	5,750	9,560	7,690
1966	5,420(+17.8%)	5.8	1.2	6,775	13,100	10,170
1967	6,640(+22.5%)	5.46	1.29	8,566	19,980	15,030
1968	8,400(+26.5%)	5.44	1.30	10,920	23,310	16,610
1969	11,270(+34.2%)	5.42	1.31	14,764	27,020	19,040
1970	14,561(+29.2%)	5.34	1.33	23,715	30,300	21,240
1971	17,349(+19.1%)	5.28	1.34	27,579	34,810	24,460
1972	21,104(+21.6%)	5.27	1.31	31,674	38,780	27,000

*Data of the period of 1963-1969 are those of production workers in the manufacturing industry based on the Bank of Korea data. Data of the period of 1970-1972 are those of employees in the non-agricultural and fishery enterprises with more than 10 employees based on the data of the Ministry of Labour.

Source: the Office of Labour Affairs (1974) *Yearbook of Labour Statistics*. Seoul, the Office of Labour Affairs



Source: the Bank of Korea (1966, 1970) *Economic Statistics Yearbook*. Seoul, the Bank of Korea

Table 7. Trends in Unionisation

*Establishments with more than 5 employees.

Year	Number of establishments with more than 10 employees in whole industries	Number of workers in companies with more than 10 employees in whole industries(A)	Number of unions(Head quarters, local chapters and branches)	Number of union members(B)	Unionisation rate of companies with more than 10 employees in All industries (B)/(A) x 100
1963	24,021*	583,470*	2,149	224,420	n.a
1964	9,323	480,098	2,462	271,579	56.6%
1965	10,184	520,496	2,632	301,523	57.9%
1966	10,433	563,016	2,734	336,974	59.6%
1967	2,319**	443,709**	3,021	377,576	n.a
1968	2,539**	483,959**	3,133	412,906	n.a
1969	10,910	821,486	3,372	444,783	54.1%
1970	15,469	1,084,063	3,439	473,259	43.7%
1971	25,367	1,251,503	3,604	481,961	38.5%

**Establishments with more than 50 employees

Source: the Department of Labour (1974), *Yearbook of Labour Statistics*. Seoul, The Department of Labour.

Table 8. Trends of the Labour Disputes and Demands

Year*	Number of disputes	Numbers participating in disputes	Industrial disputes by principal issues					
			Wage increase	Temporary allowances	Opposition to lay-off	Working hours	Working rights	Others
1963	89	168,843	66.3			1.1	22.5	-
1964	126	207,406	80			0.9	12.4	-
1965	113	103,707	69.1			2.1	14.4	-
1966	104	121,428	69.2	9.6	0.9	3.8	13.5	3.0
1967	105	150,535	80.0	3.9	-	0.9	14.3	0.9
1968	112	205,941	54.3	5.3	6.2	-	22.3	1.9
1969	70	108,248	70.0	2.9	2.9	-	22.8	1.4
1970	88	182,808	70.0	-	2.5	-	25.0	2.5

*Data for the period of 1963-65 were derived from the Economic Planning Board and data for the period of 1966-71 were derived from the Department of Labour Affairs.

Source : Department of Labour (1974) *Yearbook of Labour Statistics*. Seoul, Department of Labour. Economic Planning Board (1965) *Economic White Paper*. Seoul, Economic Planning Board

Therefore, most disputes were settled by formal or informal intervention of the government. All these constraints upon trade union activities provided an environment where occupational welfare issues were actively dealt with.

Most disputes between 1963 and 1970 were over wages, bonuses, allowances and retirement funds (see Table 8). Among the most common causes of disputes were issues relating to retirement pay. Some trade unions demanded retirement pay for employees who were laid off for alleged misconduct, while others demanded a higher rate of retirement pay than that stipulated in the Labour Standards Act of 1963. According to the Labour Standards Act, companies with more than 30 employees were supposed to provide retirement pay of not less than 30 days' wage per year for the number of consecutive years an employee had been employed at the company. Trade unions demanded more than 30 days of average wage per year for the number of consecutive years employed at the company in the case where the employees concerned had worked for more than a certain period such as 5, 10, or 20 years (Federation of Korea Trade Unions, 1979, 753-85).

Since the activities of industry-based trade unions were restricted by law and by oppressive government measures, trade unions could not always succeed in attaining retirement pay. However, strong demands from trade unions achieved significant improvements. As there was an increasing number of labour disputes over unpaid retirement pay when a company went bankrupt, the Supreme Court decreed that although retirement pay was a kind of social security measure and a reward for meritorious service, it should nonetheless be considered as deferred wages, a part of the remuneration for labour and it should be paid as unpaid wages. That decision elevated the status of retirement pay from employers' benevolence to workers' rights (The Ministry of Court Administration, 1969, 281).

Despite strong demands from the trade unions, the rate of retirement pay remained low in the manufacturing, mining and service industries and only 945,675 employees in companies with more than 30 employees, which was just 9.7 per cent of total employees in 1970 (Min & Kim, 1990, 105).

The Federation of Korea Trade Unions focused during this period on legal issues concerning labour affairs. It strongly protested against the military junta's amendment of the Act on Trade Unions in April 1963 which significantly reduced the power of trade unions, as explained in the previous section. Although the Federation of Korea Trade Unions was trying to protest against the amendment through general strikes, martial law which had been proclaimed in 1964 due to the student demonstrations against the Korea-Japan Talks, prevented the Federation of Korea Trade Unions from calling a general strike.

The Federation of Korea Trade Unions did, however, have some achievements. Among these, one of the most notable ones was the protest against the Bill for the Promotion of the Capital Market, which would have enabled the government and state-owned enterprises to pay pensions, retirement pay and bonuses in the form of stocks and bonds to workers. Another achievement during the 1960s was the proposal of the minimum wage for workers. In 1969, the Federation of Korea Trade Unions, for the first time, proposed a minimum wage for workers. Although this proposal was not taken seriously by the government, it became a reference point for subsequent collective bargaining and collective action.

From 1969 onwards, the government began to tackle labour disputes which were sharply increasing. In particular, the increasing number of labour disputes in foreign firms gave rise to government concern that foreign companies might pull out of Korea. In 1969, the

government promulgated the Special Law on Labour in Foreign Invested Firms which outlawed most union action in these firms. Oppressive measures of this kind reached a peak when President Park declared a State of Emergency, in which all collective rights of labour were suspended. The State of Emergency lasted from 1972 to 1981. During this period workers were not allowed to strike since the State of Emergency made any disruption of the social order a punishable crime.

2-4. Demands from Employers

During the 1960s employers had a significant influence on the formation of labour policies. The Federation of Korean Industries, a major organisation of employers owning big companies, played a significant role in reinforcing the oppressive labour policy. The history of the Federation of Korean Industries is traced back to December 1960 when the Korea Economic Council (Han'guk Kyōngje Hyōbūhoe) was established. The Korea Economic Council professing the separation of economy from politics was dissolved by the *coup d'état* force. Employers were forced to establish a new employers' organization by the *coup d'état* force who needed a partner in the civil sector for industrialization. Employers re-established the Korea Employers Association (Han'guk Kyōngjein Hyōphoe) in August, 1961, and renamed it the Federation of Korean Industries (Chōn'guk Kyōngjein Yōnhaphoe) in 1968 when it expanded to include 50 organisations representing 50 trades and 100 big companies (The Federation of Korea Industries, 1983, 170-171.)

After the establishment of the Third Republic in October 1963, the Federation of Korean Industries put forward an economic policy proposal emphasising the importance of the procurement of foreign and domestic capital for industrial investment. With regard to social welfare issues, they insisted that in order to procure domestic capital, an "austere life" should be led by the people (Federation of Korea Industries, 1983, 181).

The concern for the procurement of capital raised by the Federation of Korean Industries received government support as the government became more focused on its economic development plan. As the government itself began to align all other policies with economic development, employers' organisations such as the Federation of Korean Industries and the Korea Chamber of Commerce and Industry produced various policy proposals which would make the procurement of capital easier. They demanded strong policy measures to

reduce industrial disputes and labour costs.

In February 1965, the Korea Chamber of Commerce and Industry announced a Policy Proposal for the Economy. It contained a range of issues concerning labour affairs. They argued that the trade union system should be changed from an industry-based to an enterprise-based system in order to prevent the industry-based unions from engaging in collective bargaining at enterprise level. Menstruation leave, which allowed female workers to have one day paid leave per month, should be abolished. Paid maternity leave should be reduced from 60 days to 40 days. Restrictions on overtime should be changed from 60 hours per week to 72 hours and the overtime payment rate should be reduced from 50 per cent to 25 per cent. The size of companies subject to the Labour Standards Act should be increased from 30 to more than 50 employees. The Prosecutors' Office should not bring prosecution against employers for any violation of the Labour Standards Act. The government should stop any labour disputes in companies with an export letter of credit (L/C) which should meet the production schedule for exports. Employers should be allowed to ask for the government's intervention any time when they faced industrial disputes (Federation of Korea Trade Unions, 1979, 620–621). All these demands from employers were to reduce the scope of occupational welfare schemes set in the Labour Standards Act, to make working conditions more demanding, and to restrict the activities of the trade unions. The government did not accept these proposals due to strong protest from the trade unions. Despite the negative response of the government, the Federation of Korean Industries and the Korea Chamber of Commerce and Industry preserved and submitted similar policy proposals to the government in June and December 1968, February 1969 and November 1969.

These demands for strong measures to restrict trade union activities were eventually addressed in December 1971 when President Park issued the "Law Concerning Special Measures for Safeguarding National Security", which gave the President almost unlimited power to restrict civil liberties and mobilise the whole population for the purpose of national security, and to set wages and prices. From 1972 all collective bargaining and collective action were practically banned. Although the strong restrictions on trade union activities were in line with the demands from the employers' organisations, it is difficult to claim that this resulted from the demand from the employers' organisations alone. It was the change of the political circumstance which demanded a more strong control over the society that brought about the strong restrictions on trade union activities.

3. The Yushin Regime: the Mobilisation of Private Resources

President Park felt threatened by the strong support gained by the opposition party in the two elections of 1971. He came to see elections, even under strong government influence, as too politically dangerous to be allowed. He experienced that even a restricted form of democracy could be used by the opposition force as a means to challenge the government. This would mean a return of the “corrupt” and “irresponsible” politicians who had led Korea to the brink of total collapse and communist takeover. This interpretation of the political situation led him to lose the incentive to maintain democracy even in restricted form. He needed some drastic measures to overcome these perceived dangers. This led to the establishment of an overtly repressive authoritarian regime, *Yushin* (meaning Revitalisation) (Im, 1987, 239, 241).

In October 1972, President Park issued an emergency presidential decree which announced that the Park government was forcibly dissolving the parliament and establishing a new constitution. The new constitution concentrated power heavily in the hands of the president. It abolished restrictions on the number of times an incumbent president could run for office. Direct presidential elections were changed to indirect elections by a newly established electoral college known as the National Conference for Unification. Although members of the electoral college were elected by popular vote, since the participation of political parties was officially banned, the election was a nominal one. In the election of members of the electoral college, candidates were not allowed to discuss political issues in public during the campaign. By banning public debate over political issues, the Constitution effectively emptied the electoral process of any democratic content and favoured the ruling party which had strong administrative power during the election process. In addition, elected members of the National Conference for Unification were not allowed to join a political party. The constitution also significantly reduced the power of the legislature and the judiciary. The president was empowered to dissolve the National Assembly (*Yushin* Constitution Article 59) whenever he wanted to, and to ‘nominate’ one third of the members of the National Assembly to the National Conference for Unification (*Yushin* Constitution Article 40) with regard to which the National Conference for Unification had just two options; wholesale acceptance or rejection of the list. In most cases the candidates ‘nominated’ by the president became members of the National Assembly through the acceptance of the National

Conference for Unification. The one third of the members of the National Assembly hand-picked by the president effectively reduced the power of the National Assembly as a legislative body. The constitution deprived the National Assembly of the right to oversee the government. The accountability of the prime minister and the cabinet to the National Assembly was also severely reduced. The Constitution granted the president new powers to appoint and dismiss judges of all levels in the courts, including the Supreme Court. This significantly reduced the independence of the judiciary.

Furthermore, the Constitution undermined basic civil and political rights. Freedom of speech, press, assembly and association could be suspended at any time (*Yushin* Constitution Article 18) and civilians could be tried at a martial court if the president resorted to emergency judicial measures (*Yushin* Constitution Article 24(2)).

With the significantly strengthened political power, the president could more deeply intervene into the private sector and the government capacities to mobilise resources for both economy and social policy greatly increased.

3-1. Promotion of Heavy and Chemical Industries

After the *Yushin* Constitution was established, political competition was sharply curtailed and President Park gained extraordinary powers. With this power, he designed new national planning for rapid economic growth. The centrepiece was the promotion of heavy and chemical industrialisation, which needed enormous financial resources for investment and a skilful, industrious and efficient labour force who were willing to work hard, even for poor wages.

Following his re-election as president according to the new *Yushin* constitution, President Park always maintained that his priority was economic development.

In the early and mid 1960s, government strategy for economic growth was based primarily on export promotion. All exporters, regardless of what they exported, benefited from bank loans on preferential terms, the exemption of taxes and custom duties on imported materials for manufacturing goods for export, and discounts on the costs of public utilities such as transportation and electricity. The government punished companies who did not follow export-promotion policies, with penalties such as unfavourable tax rates, the restriction of import licences and the rejection of bank loans. During this period, therefore,

almost all industries were forced to participate in the government's export promotion policy (Jones & Sakong, 1980, chapter 4).

This strategy changed to one of targeting and promoting specific industries, formally launched on 30 January 1973, with the publication by the Blue House of the Declaration of Heavy and Chemical Industrialisation. It announced the government would promote industrial chemical, oil refining, plastic products, iron and steel, nonferrous metals, metal products, non-electrical machinery, electric machinery and transport equipment industries by giving support to qualified firms in these industries. The government's support ranged from targeted credit subsidies, selective protection and entry regulations, to favourable tax treatment. For instance, the state-owned banking system was ordered to channel its loans to targeted companies. Since the real rates on these loans were negative, the loans were tantamount to a subsidy. In addition, the government placed a guarantee of repayment on foreign loans destined for the selected companies for the heavy and chemical industrialisation projects, thereby lowering the cost of foreign capital. The companies selected by the government were protected from non-Korean competitors in the Korean market, sometimes with outright import bans of the products in question. As for domestic competitors, often only one Korean company was allowed to sell on the domestic market in the initial phase of a new industry. Companies that undertook heavy and chemical industrial projects could count on favourable tax treatment. The tax system provided selected firms with numerous incentives such as tax holidays, special depreciation rates for fixed capital, and temporary investment tax credit. The legal bases for this preferential treatment were provided by various laws promoting the development of important industries that were already in place at the beginning of the 1970s, and by the Tax Exemption and Reduction Control Law of 1974.

Targeted companies could also use utilities such as electric power at subsidised rates and buy state-owned land at below-market prices. Finally, the government helped companies to overcome financial difficulties as long as those companies were profitable. President Park, in his regular meetings with leading businessmen, personally issued orders to cabinet ministers to solve the problems that the industrialists faced (Stern et al., 1995, 40-41).

The government's heavy and chemical industrialisation drive became the main driving force of a rapid growth in the manufacturing sector in Korea. In the period from 1970 to 1978, the average annual growth of the manufacturing sector reached almost 20 per cent

and the average annual growth rate of the heavy and chemical industries was about 30 per cent per annum (Stern et al., 1995, 69). The heavy and chemical industrialisation also contributed to a change in the employment structure in Korea. Employees in the manufacturing sector increased from 13.2 per cent of total employees in 1970 to 22.9 per cent in 1979, while those working in the agricultural sector decreased from 50.4 per cent of total employees in 1970 to 35.8 per cent in 1979 (Administration of Labour Affairs, 1980, 15). This growth in the number of production workers in large-scale heavy and chemical industries was noticeable during the 1970s. In 1970 the main manufacturing industries were light industries such as textiles, food and apparels; 55.7 per cent of employees in the manufacturing industries came from these industries in 1970 (Office of Labour Affairs, 1971b, 44). Heavy and chemical industries continuously grew and had become the major industries by the late 1970s. In 1979, employees of heavy and chemical industries accounted for 53.2 per cent of employees in the manufacturing industries (Administration of Labour Affairs, 1980, 48). Large companies grew as the heavy and chemical industrial sector grew. The employees of companies with more than 500 employees increased from 36.8 per cent of total employees in the manufacturing sector in 1970 to 41.3 per cent in 1979, and the employees of companies with more than 1000 employees from 21.6 per cent to 29.3 per cent (Office of Labour Affairs, 1971b, 15; Administration of Labour Affairs, 1980, 48).

As the number of workers rapidly increased, their welfare as well as labour control became an important issue. The social policy of the government was formed in these political and economic contexts.

3-2. Mobilising Private Resources Through Insurance-type Welfare Programmes

The government's heavy and chemical industrialisation drive was not an easy process. In order to achieve a successful result, the government needed to overcome two major difficulties: a lack of resources for investment, and the mobilisation of workers' willingness to devote themselves to the industrialisation drive. The government's concern to overcome these difficulties was incorporated into and reflected in the design of its welfare policies.

a. National Welfare Pension Plan

In the first part of 1972, the Korean economy was not in good shape because of international economic recession and high inflation. The government's policy to buy grain at a higher price than the market price to ease the burden of farm households, began to influence the price and to contribute to inflation. There had been increasing pressure on wages and, between 1966 and 1970, nominal wages rose by over 160 percent and real wages by 65 per cent. The most serious difficulty was the financial instability of companies. Many companies with short-term debts could not hold out for long under the international recession. Profits declined and business debts mounted (Haggard, 1994, 29-31).

In responding to urgent appeals from employers, the government bailed out ailing firms by issuing a wide-ranging Emergency Measures Regarding Economic Control and Growth on 3 August 1972. The government replaced all existing agreements between firms and unofficial lenders with new ones more favourable to the borrowers. These measures mitigated the difficulties of debt-ridden firms and contributed to the increase in economic growth in the second half of 1972 (see Table 9).

Although these emergency measures contributed to stabilising the economy for a while, the government still needed financial resources for massive investment in the heavy and chemical industries. The increasing difficulty in getting financial assistance from abroad in early 1972 caused the government to look towards mobilising more domestic private financial resources. One of the fastest ways to mobilise the resources was to encourage the people to save (Haggard, 1994, 31-2). The establishment of the National Welfare Pension Plan was in line with the rationale behind this saving encouragement.

The National Welfare Pension Plan was put to the National Assembly in September 1973. Its proclaimed purpose was to provide social security and welfare benefits to the working masses in their retirement or in cases of disability resulting from work. The plan comprised two types of pensions. One was for those who had reached 60 years of age. The other was a compensation fund set up for injured workers and bereaved families.

Although the government strongly argued that the plan came about due to concerns for the income security of workers and their families, there were several other reasons, one of which was political. Since the launch of the *Yushin* regime, the government had continuously suffered from attacks on its legitimacy. While the policy to purchase grain at a higher price than the market price from farmers and the New Community Movement (See section 3-3.

Table 9. Major Economic Indicators (Increase Rate)

	First Quarter 1972	Second Quarter 1972	Third Quarter 1972	Fourth Quarter 1972
GNP	6.4	4.2	8.2	8.3
Productivity	6.2	12.5	9.2	17.3
Export	36.9	37.6	60.6	53.1
Import	4.4	- 8.2	3.0	15.6

Source : The Economic Planning Board (1973) *Economic White Paper*. Seoul, the Economic Planning Board, 6.

New Community Movement and Occupational Welfare) which improved living conditions in rural areas had played a role in cementing Park's standing among his conservative rural constituents, there was no visible policy to attract support from urban workers. Therefore the government expected that the establishment of the National Welfare Pension Plan for workers would contribute to enhancing the legitimacy of the regime (Kwon, 1999, 56).

However, the Plan had a much stronger flavour of resource mobilisation than this immediate political purpose. President Park had announced that the government would do its best to promote heavy and chemical industries and invest as much as possible in those industries. Scheduled investments far outstripped anticipated savings and existing sources. The government suffered from a lack of funds for its programme and looked for a way to mobilize the funds. The National Welfare Pension Plan was seen as a vehicle of saving. The intent to mobilise the private resources through the Plan can be seen through several facts. The government did not consider playing the role of financier but would put that obligation on employers and employees. The plan covered not only high-waged employees but also the low-income group and hence would establish a broad savings base. The strong intention to mobilise private resources was also demonstrated in the government's proposal for a National Investment Fund Act (Kukmin T'ucha Kikūmpōp). The bill was proposed to specifically mobilize domestic resources for investment in heavy and chemical industries. The government expected that the fund from the National Welfare Pension Plan would be one of the major sources of the National Investment Fund (The Economic Planning Board, 1974, 171).

The proposal for the National Welfare Pension Plan, however, faced strong public

criticism in that it imposed financial burdens on low income earners. Criticising the absence of government funding for the Plan, opposition parties argued that it was motivated by the government's desire to mobilize investment resources rather than by concern for workers' income security (The National Assembly Secretariat, 1973, 325-329). Workers who would have benefited from retirement pay which had already been established and operated did not support the plan since they worried that this new plan would nullify their established right to retirement pay.

However, the Plan was legislated on 1 December 1973. It called for the mandatory affiliation of salaried persons and wage earners who received a monthly salary of 15,000 Won or more. Every business establishment which employed 30 persons or more would be required to affiliate with the pension schedule. The old age pension allowance was estimated at 40 percent of the average monthly salary prevailing at the time of the pension dispensation. The pension programme would be financed almost exclusively by the contributions of employers and employees, except relatively small administration costs subsidised by the government .

This pension plan was problematic since to low-waged workers contribution to a pension plan was still a heavy burden. In 1973, according to the statistics of the Department of Labour, the monthly average wage earners' income stood at 26,059 Won. This was 7,721 Won less than the 33,780 Won which was the required income for an average wage-earning household calculated by the Economic Planning Board (The Economic Planning Board, 1974, 215).

In addition to the burden of contribution, the high rate of inflation caused employees who would be covered to worry about the lower value of payments of the Plan. The inflation rate reached its peak in December 1973 (The Economic Planning Board, 1975, 281) when the government legislated the pension plan and the experience of high inflation in the previous two years gave rise to concerns about the future value of pensions.

Although the situation was slightly improved in 1974 when the worker's monthly average wage reached 36,050 Won, the increase of the wage was mostly offset by the inflation rate.

It was the oil crisis hitting the Korean economy severely in 1974 that caused the implementation of the Plan to be postponed. The Plan was not implemented. The oil crisis deepened after 1974. The government continued to postpone the implementation of the Plan

on the ground of economic reasons.

b. Private School Teachers Pension Plan

The Private School Teachers Pension Plan was legislated in 1973, delayed for one year, and finally enacted in 1975. This process demonstrates the importance of the role of the president in policy making during the Park regime.

A pension plan for teachers in private schools was discussed from 1960 when the Civil Servants Pension Scheme was established. From 1953, when the government enacted the Act on the Employment of Civil Servants in Educational Institutions (Kyoyuk Kongmuwŏn Imyongpŏp), teachers in public schools which were owned, funded and run by the state had the status of civil servants. They were covered by the Civil Servants Pension Scheme, as were other civil servants. Since teachers in public schools could enjoy the various benefits given to civil servants, public schools were more attractive than private schools for graduates of educational colleges and universities. Graduates of the national educational colleges and universities, who were considered to have a better quality of education than those from private educational colleges and universities, chose public schools and there was an increasing gap between public schools and private schools in terms of educational quality as well as in their wages (Editorial Committee of 50 Years' History of Education, 1998, Chapter 8). From 1963, as the number of students increased, the role played by private schools gradually increased. The percentage of private school teachers as a percentage of total teachers also increased (see Table 10).

Despite the increasing importance of private school teachers, there was no significant improvement in their pay and occupational welfare. In addition there were frequent disputes over retirement pay.

Although teachers in private schools strongly demanded that the government should

extend the Civil Servants Pension Scheme to teachers in private schools, this was not accepted by the government. Being rejected by the government, teachers of private schools established the Mutual Society for Korean Private School Teachers in 1963 to collectively manage the reserved fund for retirement pay of private school teachers, and pressed the owners of private schools to pay retirement pay to their teachers (The Korea Teachers Pension, 1994, 71).

Table10. Trends of the Number of Students and Teachers in Public and Private Schools

	1963	1965	1967	1969	1971	1972	1973	1974	1975
The number of teachers in public schools	89,231	99,696	111,372	122,200	138,347	144,480	149,849	152,850	157,363
The number of teachers in private schools		25,383	29,077	36,132	41,575	44,982	48,654	52,129	56,161
The number of students in public schools(C)	5,069,206	5,596,476	6,070,994	6,446,629	6,951,904	7,071,330	7,142,871	7,196,379	7,312,245
Increase rate of students in public schools		10.4	8.5	6.2	7.8	1.7	1.0	0.7	1.6
The number of students in private school(D)	638,813	780,455	963,791	1,185,575	1,389,914	1,497,837	1,630,247	1,784,478	1,923,847
Increase Rate of students in private school		22.2	23.5	23	17.2	7.8	8.8	9.5	7.8
$B/A+B \times 100$		20.3	20.7	22.8	23.1	23.7	24.5	25.4	26.3
$D/C+D \times 100$	11.2	15.1	16.9	15.5	16.7	17.5	18.6	19.9	21.4

Source : The Ministry of Education (1965) *Annual Survey of Education*. Seoul, the Ministry of Education.;The Ministry of Education (1969, 1973, 1975) *Statistics Yearbook of Education*. Seoul, the Ministry of Education.

Facing strong pressure from the Mutual Society, owners of private schools also preferred to have the same type of pension system as that for civil servants in which the government took some responsibility for contributions.

The effort of establishing a pension scheme for private school teachers pressed the Minister for Education to put forward a proposal for discussion at cabinet level for a Private School Teachers' Pension Plan for government to pay a third of the contribution. At first this was not agreed upon due to strong opposition from the Economic Planning Board on the grounds of a lack of government resources. The Minister for Education, Kwanshik Min, who was continuously under pressure from owners and teachers of private schools, persuaded the president to order the bill to be passed in the cabinet meeting, and the bill was legislated in 1973 (The Korea Teachers Pension, 1994, 77).

The Private School Teachers Pension Plan was composed of six kinds of benefits; three short-term payments such as convalescence payments for suffering inflicted in the course of performing one's duty, medical examinations, and disaster relief payments, and three long-term payments such as severance pay, disability and survivors payments. Private school teachers were supposed to contribute 5.5 per cent of their salary, the government 2 per cent, and employers 3.5 per cent.

The Private School Teachers Pension Plan was also used for the purpose of investment in heavy and chemical industrialisation. In 1975, the Plan covered 1,513 schools and 40,347 employees. The total fund for investment was 4.4 billion Korean Won. This fund was not allowed to be invested in any other fund than the National Investment Fund established specifically for investment in heavy and chemical industries, despite the fact that investment profits from the National Investment Fund were far less than those of others (The Korea Teachers Pension, 1994, 84).

3-3. From Social Insurance Type Programmes to Occupational Welfare Programmes

Although two acts regarding the National Welfare Pension Plan and the Private School Teachers Pension Plan were legislated to be implemented from 1974, the economic recession caused by the international oil crisis led the government to delay their implementation.

Due to the oil crisis, the government postponed the pension plans and, instead,

introduced fiscal welfare measures for low-income earners who had been badly hit in the oil crisis.

In January 1974, President Park issued Presidential Emergency Measure No. 3 titled “Emergency Measure for the Stabilisation of the People’s Livelihood”. This included a set of sophisticated measures; 1) the reduction of the burden of oil-price increases on low-income groups to sustain their standard of living, 2) the imposition of heavy taxes on high-income groups and on the consumption of luxury goods, 3) the improvement of working conditions for low-wage earners, and 4) the postponement of spending policies including the National Welfare Pension Plan and the Private School Teachers Pension Plan for one year. One of the principal objectives of the measure was to bring about an equitable distribution of the burden of the imported inflation caused by the oil-price increase.

For this purpose the government preferred “fiscal welfare” to “social welfare” in Titmuss’ sense, notably in a substantial, one-year temporary cut in income tax, ranging from 30 to 100 per cent, increasing as the level of income decreased. It also suspended travel tax on trains, cars, buses, vans and passenger-ship fares, and reduced travel tax on taxi-cabs from 20 per cent to 10 per cent.

One noticeable element of this Emergency Measure of January 1974 contained was a reinforcement of the state’s role in forcing employers to provide benefits to workers by enforcing labour laws rather than government-led insurance type welfare programmes. This signalled a change in policy direction of the government in social affairs.

When the government’s attempt to establish social-insurance type welfare programmes to mobilise private resources encountered an obstacle due to the worsening economy resulting from the oil crisis, it changed its strategy to provide welfare to workers from the social insurance type of welfare programmes to firm-based occupational welfare programmes which were funded and regulated by firms. The government began to engage in mobilising resources through welfare provision in the private sector rather than organising and redistributing them in the public sector.

a. Encouraging Occupational Welfare Through the Revision of Labour Laws

Shifting an emphasis on social insurance to occupational welfare was paralleled with the change in policy to control labour.

Although there was a spate of labour unrest, the subversive threat it posed in the

late 1960s does not in retrospect look serious. However, sometimes what matters is not how it actually is but how it seems (Busch, 1999, 34). In the tense political atmosphere of the late 1960s, even the occasional wild-cat strike was perceived to be grave enough to the Park government. In addition, the situation where foreign investment declined rapidly made the government pursue a tougher labour policy to calm down labour disputes.

The *Yushin* constitution severely restricted labour rights. Basic labour rights – the rights of association, of collective bargaining, and of collective action – were severely restricted (*Yushin* Constitution Article 29), and there were provisions to deny the right of association in state-run enterprises, public utility businesses, and other enterprises considered vital for the national economy by the government (*Yushin* Constitution Article 29 (3)).

The government justified its suppression of the labour force in several ways: the urgent necessity to respond to the increased instability of the international environment; the necessity to unite national efforts and to concentrate on economic growth; and the need to take action against the threat of North Korea's infiltration into the labour movement. In fact, the suppressive labour policy had started well before the *Yushin* Constitution. The government had shown its labour policy orientation in the "Law Concerning Special Measures for Safeguarding National Security" of 1971. According to this, all kinds of labour disputes such as strikes and go-slows became illegal. The *Yushin* constitution signalled the completion of an oppressive labour regime, where any action of a trade union was subject to intervention by the authorities and any kind of labour dispute was oppressed.

Although labour disputes decreased from 124 in 1972 to 76 in 1973, just after the launch of the *Yushin* regime, they increased again to 137 in 1974 (The Government of the Republic of Korea, 1975, 504). The government responded by measures to prevent labour disputes from developing into strikes. When bargaining between workers and employers could not be settled locally, the Labour Committee - one of the governmental body dealing with labour issues - intervened and settled the dispute with a legal binding decision.

After 1961, the Park government never again allowed the unions to become an independent source of political power. The government tried to further confine the activities of trade unions to economic matters rather than political ones and, therefore, to matters at enterprise level rather than national level. The government's intention was institutionalised in the amended Trade Union Law of 1973, which strengthened the role of the Labour Management Council. The law specifically stated that the Council would deal with issues of

production, education, job training, working conditions, workers' grievances and related matters. Most activities, except collective action, could be dealt with by the Labour Management Council according to the law (Korean Legislation Research Institute, 1973, Vol.28, 102-15).

The intention of the government to establish a workers' organization obedient to management was again clearly demonstrated in the amendment of the Trade Union Act in 1974 when "issues to prevent industrial disputes" were included in the functions of the Council (Korean Legislation Research Institute, 1974, Vol.28, 102-16). The government wanted the Labour Management Council to replace the trade union and become a quasi-trade union.

Another major change of labour policy after the *Yushin* constitution was tightening control of national unions, ranging from close surveillance of union activities to intervention in the election of leaders. Capitalising on unions' internal strife, the government could easily mobilise them in its support by threats and inducements.

In addition to the Law Concerning Special Measures for Safeguarding National Security which significantly reduced the power of all unions, the government again tightened control over the national industrial unions by rejecting the demands of leaders to extend their tenure of office. In 1973, the presidents of several national industrial unions, including the Transportation Workers Union, the Mining Workers Union and the Electrical Workers Union, attempted to extend their tenure from three years to four or five years through amendments to their union constitution. The government nullified these attempts by disapproving the amended constitution presented for its approval (Park, Y., 1979, 52; Choi, J. J., 1989, 164). This showed that the pattern of government policy towards the unions had changed to greater constraints and fewer inducements. The government's primary concern was to exercise control over the national industrial unions and this control was backed by the strengthened authoritarian rule.

By suppressing the emerging dissident labour movement and tightening its control over the established trade unions, the government could successfully reduce the power of trade unions. By so doing, the government could turn unions and their members from independent and autonomous interest groups to collaborators for the government's design for economic development.

Together with this strong oppressive policy towards workers, the government

addressed workers' discontents with poor working conditions and low living standards by enforcing employers to provide occupational welfare.

In order to make employers comply with the government's policy, it used several tools; one of these was the establishment of legislation and the reinforcement of existing laws protecting workers.

The most important legislation was the Labour Standards Act which had been in place since 1953. In 1974 and 1975, the government amended the Labour Standards Act. The amended Labour Standards Act extended its coverage from firms with more than 16 workers to those with more than 5 workers, and eventually to all enterprises. The amended Labour Standard Act included an expansion of compulsory medical compensation for occupational injury or disease, the prohibition of workers aged 13 to 18 from working more than 7 hours a day, and a reinforcement of penalties for employers who violated legal standards.

The government also extended coverage of the Industrial Accident Insurance Scheme. The insurance system, under the complete administrative control of the Office of Labour Affairs, initially began by covering only large enterprises which employed more than 500 in the manufacturing and mining industries. This amounted to approximately 80,000 workers in 1964, and the law later continued to develop as a comprehensive insurance scheme. Up to the end of 1979, it covered 3.6 million workers, in virtually all work-places which employed more than 16 persons, and 5 or more in the manufacturing and mining industries. Since its enactment in 1963, the extension of the coverage of Industrial Accident Insurance was mostly made during the 1970s.

b. Encouraging Occupational Welfare Through Campaign: the New Community Movement

The New Community Movement (Saemaül Untong) was another means to mobilise private resources designed by the government. This was a national campaign launched in 1970 which aimed to mobilise voluntary efforts of the people to achieve goals set by the government.

It was the institutional expression of the President Park's solution to poverty and the strong capacity of the government to penetrate society and to organize social relations enhanced by the despotic power (Hall and Ikenberry, 1989, 71).

Ever since he was elected in 1963 President Park had promoted the idea that people

should recover economic independence and self-sufficiency without reliance on government help. In the domain of social policy, he wanted to reduce free handouts to the poor. Although he frequently mentioned the term “welfare state”, he did not think the government was ready to provide welfare services to the poor. President Park’s idea about the state’s role in providing welfare to people was clearly shown in his New Year’s Message of 1968.

I have racked my brain to contrive a means of elevating the income of farmers. However, the means of enabling our farmers to lead a better life should be found in their own diligence rather than in government policy or welfare provision. ... If we continue to work hard for several more years, the gate to self-support and prosperity will soon be finally opened. When this day comes, I am confident poverty will recede to make room for complete employment, and our country will make a first step toward a welfare state in which the government takes the responsibility for promoting the welfare of its citizens (Shin, 1970, 136, 140).

It was an announcement that the Korean government would take the “output growth (Growth-based strategy)” rather than the “public-expenditure route (Welfare-based strategy)” to improve individual welfare (Sen, 1980, 31-8; Kuznets, 1994, 110). Under the output growth strategy, real incomes would increase and also therefore individual access to food, housing, medical care, and other goods and services that contributed to welfare by concentrating industrialisation. President Park also thought welfare benefits should be provided to workers who deserved them for their hard work. Furthermore, it was the employer who should be the provider of benefits to workers.

In order to achieve the goals of the Factory New Community Movement, employers should provide welfare benefits to employees and employees should do factory work like their own business. Factories should participate in the Factory New Community Movement and employers should do their best to enhance the welfare of workers (The Ministry of Home Affairs, 1980b, 465).

Occupational welfare benefits for workers began to be considered a prize or a gift for industriousness, and those who wanted to receive these benefits should work hard to contribute to companies. Therefore, occupational welfare benefits were a means to encourage workers’ industriousness. This was a temporary measure to provide welfare provision until

the government was ready to take responsibility for the welfare of its people.

However, there was another important reason for the government's promotion of occupational welfare; labour control by establishing a tight relationship between employers and employees. In his government budget presentation to the National Assembly on 25 November 1969, President Park explained

Now, as to social welfare issues, the main emphasis will be placed upon the establishment of a new moral atmosphere and values, healthy consumption, the promotion of the development of human capability, and the protection of people from all kinds of diseases. This objective will be attained by the following policies. First, the government will take care of public health and by doing so labour-power, which is the most essential factor for industrial development, will be preserved. Secondly, the government will support those who render exceptional service to the country and those who are incapable of earning their livelihood. The government will establish a foundation for the livelihood of people of low income by implementing self-help public works projects. It will also quicken the development of rural communities and cultivate the cooperative spirit of the rural people. Thirdly, *the government will further strengthen management-labour relations by inducing the employers to provide their employees with more and better welfare facilities* (Shin, 1970, 379) (the author's italics).

President Park's ideas on the alleviation of poverty and welfare provision first materialised as policy measures in a rural development project.

Although President Park had written off the debts which had haunted farmers and fishermen for years and had made an effort to modernise the agricultural sector, the income gap between cities and rural areas had not been reduced. As industrialisation speeded up, the gap between urban and rural areas widened (Lim, H., 1997, 21-2). Wrestling with the problems of rural areas, President Park found one village which had achieved significant improvements in the living environment after suffering a natural disaster, and had done so without any help from government. This was perceived as a sign that villages could (or should) follow suit and improve their living conditions by their own efforts. In the Provincial Governors' Conference on 22 April 1970 the president ordered the encouragement of self-help efforts in rural communities through joint cooperation among the rural populace, village

leaders and public organisations. This was the beginning of the New Community Movement whose three principles were the spirit of independence, self-help and cooperation (Kim, J.R., 1995, 187-191).

The rationale behind this community-work project was to help those living in rural areas to develop their assets and improve their living conditions by themselves. The government supported initiatives by rural people to plant trees, to widen roads, to repair embankments and ditches, and to build public washing places. Although the government provided raw materials such as cement, in principle the villagers were to implement and finance their own projects. The government's financial support was not larger than the expenses of the villagers themselves until 1975. (The Ministry of Home Affairs, 1980b.,18). It was the government's intense efforts in administration and propaganda at both local and national levels that made the campaign a national one. The government introduced competition amongst towns to secure government subsidies in order to promote people's participation in work projects.

In 1972, 26.4 billion Won-worth of labour and material (84 per cent of total investment) was invested by the villagers themselves. About 16,000 out of 35,000 villages showed good performance and further support was given to these villages. In addition to material support, the government educated and dispatched New Community Movement Leaders who would oversee local development projects. People from various backgrounds such as intellectuals, church ministers, chief community administrators, farmers and provincial officials of the National Agricultural Co-operative Federation were selected and educated by the government.

Since President Park had initiated and supported this movement with the full weight and prestige of his office, all government branches including the police and locally based army units had to engage in the development of New Community Movement projects.

In the initial stages the government assessed the performance of each village by counting the number of improved roads, bridges, wells, washing facilities, toilets, irrigation, flood-control projects and the replacement of thatched roofs with longer lasting materials. Therefore, most projects concerned the improvement of the community's physical environment.

The Ministry of Home Affairs played a dominant role in the operation of the Movement. The Ministry had control over local government officials and the police force and

could provide the organisational links necessary to bring about an effective coordination of efforts (Brandt, 1980, 279-80).

Although since 1973 there had been a gradual shift away from the movement's initial emphasis on improving the physical environment of the village towards various methods to increase household incomes in rural areas, the improvement of the physical environment remained the main symbol of the New Community Movement which was not only a campaign but also a well-designed rural development plan designed and implemented by the public and private sectors (Wang, 1986, 228).

The success of the New Community Movement in rural areas encouraged President Park to adopt a similar policy to develop the urban areas, particularly the improvement of working conditions in factories. This campaign "spillover" was done through various institutions (Zahariadis, 1992). The government established the Training Institute for New Community Leaders in Seoul and regional training centres throughout the country in order to produce leaders to serve urban as well as rural areas. People from various segments of society, such as presidents and executives of companies, trade union leaders, leaders of women's organisations, government officials, religious leaders, professors, presidents of universities and presidents of press companies were trained and educated at this institute.

In addition, special divisions for the New Community Movement were established in many departments of the government, such as the Ministry of Agriculture and Fisheries, the Ministry of Commerce and Industry, and the Ministry of Education, and in provincial governments, and county offices in urban areas. The Movement as a rural development project evolved into an urban development project in 1973.

The Factory New Community Movement, a significant part of the New Community Movement in urban areas, began in June 1973. Facing economic recession due to the oil crisis for the first time since the take-off stage of economic growth, the government designed various ways of overcoming these difficulties. One of them was to encourage the work ethic and effort. The emphasis of the Factory New Community Movement was placed on encouraging employees to save materials and energy, to enhance the quality of products and productivity (The Ministry of Home Affairs, 1980a, 238). However, as the oil crisis hit in October 1973 and the Korean economy worsened, the Factory New Community Movement spread only slowly.

The Factory New Community Movement made visible progress in 1976 when the

government established the Committee for the Promotion of the Factory New Community Movement in the Ministry of Commerce and Industry. The Committee was headed by the Minister for Commerce and Industry. Its members were all vice-ministers of the cabinet, presidents of the Korean Chamber of Commerce and Industry, the Federation of Korean Industries, the Korea International Trade Association, the Korea Federation of Small Business and the Federation of Korea Trade Unions. The following year the Headquarters for the Promotion of the Factory New Community Movement was established in the Korean Chamber of Commerce and Industry.

The role of the Korean Chamber of Commerce and Industry was particularly important. The Korean Chamber of Commerce and Industry was one of the major employers' organisations of which all employers and merchants automatically became members when they established a business. They had well-organised and active local branches throughout the country. Due to this organisational strength, it was frequently used by the government as an agency to perform governmental functions. In carrying out the Factory New Community Movement, the Korean

Table 11. The Number of Participating Factories By Year

Year	1974	1975	1976	1977	1978	1979	1980
Number of factories	500	1,034	1,469	3,190	4,567	20,209	23,000

Source: the Ministry of Home Affairs (1980b.) *10 Years of History of New Community Movement (Data Book)*. Seoul, the Ministry of Home Affairs, 77.

Chamber of Commerce and Industry, strongly advised by the government, placed emphasis on creating harmonious industrial relations. They stressed the firm-as-family motif under the slogan of “(treat) employees like family, (do) factory work like one’s own personal work”(The Ministry of Home Affairs, 1980a., 239). Since the Korean Chamber of Commerce and Industry took charge of the Factory New Community Movement, the number of participating factories rose to 20,209 in 1979 (Table 11).

The successful cases of the Factory New Community Movement were published in various media and most of them were reported to have succeeded in their projects based on the principle of reciprocal and voluntary contribution. The case of Taeyang Metal Industrial Co.Ltd. shows that the emphasis of the New Community Movement was placed on reciprocal

and voluntary contributions of employers and employees. The Taeyang Metal Industrial Co. Ltd., established in 1954, was a large company which had about 500 employees by the 1970s. The management adopted the Movement's slogan "[Employers should] take care of employees as family members, [and] consider the company as [their] own venture, and [both employers and employees should] make the factory like home", and emphasised reciprocal contribution. (The Ministry of Home Affairs, 1980b., 184). Employees were asked to contribute to inventing new products and technology, as well as to improving productivity and the quality of the products. Diligence and self-reliance were praised, with an emphasis on avoiding wastage of raw materials. In return, employers were supposed to display social responsibility for employees' welfare (The Ministry of Home Affairs, 1980, 249-68).

The government stressed that conflicts and controversies in industrial relations could be solved easily through friendly dialogue between employers and employees. Slogans such as "working place as second home", "treat the employee as a member of your family" and "do your job just as your private business" were common ones for most factories participating in the Factory New Community Movement. Employees were urged to adopt a sincere and serious attitude towards their duties, which would enable them to increase productivity and, as a consequence, increase the profits of the employer, who would return the benefits by improving working conditions and workers' welfare. Within the framework of the New Community Movement, occupational welfare benefits became considered as a prize for or a gift to workers who willingly contributed to enhancing productivity.

Several types of organisation were established at factory level to institutionalise the idea of the Factory New Community Movement at factory level. Most companies participating in the Movement established organisations directly related to the Factory New Community Movement, such as the Promotion Committee composed of employers and employees, or special departments called the Department of New Community or Section of the New Community. In 1979, factories with Promotion Committees numbered 3,733 and factories with special departments numbered 3,901 (The Ministry of Home Affairs, 1980b., 78). They dealt with a wide range of projects of the Factory New Community Movement. Since these organisations were supposed to deal with a whole range of matters from production to the welfare of workers, they gradually superseded trade unions. The circumstances where trade union activities were severely restricted facilitated these organisations to substitute for trade unions.

However, the activity of these organisations was focused more on productivity issues than on employees' welfare issues. Group discussions during which they exchanged opinions on ways to further increase productivity were held periodically among employees and employers. Although workers were allowed to discuss a variety of issues, in most cases these discussion groups dealt only with productivity issues (Kim, H. E., 1980, 170-1).

Another organisation to carry out the Movement was the Labour-Management Council. The Labour-Management Council attained legal status following the amendment of the labour law of 1963 in March 1973. The Trade Union Law of 1963 did not make it compulsory to establish a Labour Management Council; therefore, there were not many companies which had a Labour Management Council. In addition, since trade unions were active during the 1960s, employers were worried that another workers' organisation could be used as a step toward collective bargaining and consequently industrial disputes. The situation changed after the enforcement of the Law Concerning Special Measures for Safeguarding National Security in 1971. According to the law, the rights to collective bargaining and collective action were severely restricted and industrial disputes were to be handled by the government, specifically the Office of Labour Affairs. The scope of compulsory arbitration by the government expanded to all industries. The government amended the Trade Union Law in March 1973. According to the amended law, companies which had trade unions should establish a Labour Management Council which would deal with issues of vocational training, working conditions and the settlement of workers' grievances in order to prevent labour disputes and increase productivity. Under the circumstances where the trade unions were greatly constrained by the law, the establishment of a Labour Management Council meant the replacement of a trade union with a Labour Management Council. Many companies began to establish a Labour Management Council and the number of companies with a Labour Management Council reached 12,303 in 1978, a three times greater number than that of trade unions including all local branches, 4,305 (the Administration of Labour Affairs, 1980, 328).

As the Factory New Community Movement became widespread, the number of companies who used the Labour Management Council as the central organisation for the Factory New Community Movement and the number of companies with a Labour Management Council increased from 2,900 in 1972 to 13,000 in 1979. According to the Korea Employers Federation's data, while the unionisation rate among member companies of

the Korea Employers Federation was 20 per cent, the organised rate of Labour-Management Councils in member companies had reached around 97 per cent by the late 1970s (The Korea Employers Federation, 1990, 117).

The Factory New Community Movement provided further momentum for the development of Labour Management Councils and, once established, the Labour Management Councils became the main organisations of the Factory New Community Movement.

The establishment of these organisations was further encouraged by the intention of the government to replace trade unions with more business-friendly employees' representational organisations and to confine the demands of labour to a definite institutional framework. Since these organisations were not allowed to undertake collective bargaining, the issues they could deal with were mostly confined to those of productivity and employees' welfare. In particular, when workers dealt with welfare issues in these organisations, it was more like an "asking" than a "demanding". While repressing the "excessive" demands of the trade unions, the government tried to establish a new channel which could replace the collective bargaining function of the trade unions. The government wanted to make employees more cooperative and obedient to the management.

Various informal organisations emerged through the Factory New Community Movement. Management wanted harmonious industrial relationship to trickle down not only to workers but also to their families. In many companies, choirs, called in most cases the "New Community Choir", were formed consisting of either female workers, employees of both sexes or housewives from company houses. Employee club activities such as hiking, fishing, sports and flower arranging were organized. Many of these activities were supported by the companies as being conducive to improving relations among employees. In the companies which had their own housing complexes, housewives' clubs were formed. Some companies took the families of their employees on guided tours of the factories from time to time. By doing this, employers tried to ensure a close relationship between home and factory and encourage the sense of integrity between workers and management. The message was that workers could survive only if the company survived and that the management would strive to increase employees' welfare and benefits (Kim, H.E., 1980, 169-74). The main idea behind this was that if family members of workers shared a sense of identity with the company, this could contribute to reducing industrial disputes.

In addition to these organisations which were active at the local level, the government established several institutions to install co-operative attitudes in industrial relations at the national level. One of the most important organisations was the Central and Regional Labour-Management Forum (Nosa Kandamhoe). This was a tripartite organisation, comprised of representatives of the government, employers and workers, which served as a channel of communication between them, and dealt exclusively with matters relating to industrial relations. The Central Labour-Management Forum was the prime consultative body for industrial relations at the national level; it comprised 15 members, 5 of whom were labour representatives, 5 of employers and 5 of the government, including the chairman of the Federation of Korea Trade Unions, the chairman of the Korea Employers Federation, and the director of the Agency of Labour Affairs. It met twice a month. The Central Labour-Management Forum was augmented by the Regional Labour-Management Forum established at the provincial level. In addition, the Labour-Administration of Labour Affairs Forum (Nochŏng Kandamhoe) and the Working-level Meetings for the Factory New Community Movement (Kongjang Saemaül Undong Silmu Hyöbūihoe) in the Ministry of Commerce and Industry were established. Along with these institutions, the Workers' Welfare Policy Deliberation Committee and the Social and Economic Council were established. The Workers' Welfare Policy Deliberation Committee (Külloja Pokchi Chöngch'aek Simüi Wiwönhoe) was set up by a presidential ordinance issued in June 1978 to "synthesise and coordinate important labour policies formulated throughout the various government agencies concerning wages, workers' welfare, safety and working conditions" (The Economic Planning Board, 1980, 11). This Committee was comprised of approximately 20 members including ministers of the Economic Planning Board and the Ministry of Health and Social Affairs, and representatives of employers' organisations and trade unions at the national level. It brought together almost all of the highest ranking economic policy-makers as well as such associational leaders as the chairpersons of the Federation of Korea Trade Unions and the Korea Employers Federation. This committee, adjunct to the Economic Planning Board, was thus by far the highest consultative and deliberative committee in Korea primarily concerned with labour problems. It also had a working committee, chaired by the director of the Administration of Labour Affairs and composed of bureau chief-level administrators from the concerned executive branches, which had four functional subcommittees on wages, labour standards, safety and health, and special protection of women and juvenile workers.

All these institutions were the expression of the growing need for the state authorities to establish formal channels of interaction through which they could mobilise work efforts and make workers obedient and cooperative to management (Choi, J.J., 1989, 243).

Through the creation of these institutions, the pattern of interaction between representatives from both sides of industry changed. In previous years, union leaders and employers' representatives had seldom met at national level, while each had frequent contacts with authority groups. Now, through these new institutions, they were to exchange information and consult over labour questions in order to air their differences and thus avert possible labour disputes and promote labour-management harmony. It meant the establishment of corporatism with the strong ideology of industrial harmony.

At the Central Labour-Management Forum, the representatives of national trade unions presented their demands to the authorities, and representatives of the government conveyed state policy and sought support for policy implementation. There was no limitation on the agenda to the meetings or on the issues that could be discussed. A variety of issues and a wide array of demands were presented in these meetings by the unions as well as the employers. These ranged from political issues, such as labour demands for revisions of the repressive labour laws which would bring about less control and greater participation in politics, to minor technical matters, such as the settlement of a grievance occurring at a specific enterprise, the arrangement of a joint visit of consolation to a patient hospitalised for an industrial accident or preparations for the Labour Day Ceremony. While political demands such as the revision of the repressive labour laws were not accepted by the government, the issue of occupational welfare which was one of the most important issues discussed at these meetings was reflected in the policies of the government and companies. Occupational welfare issues became much more important as the meetings became more regularised. In a series of regular meetings, while such perennial political issues as the demand for revisions in the labour laws receded into the background, issues that were less political but more feasible began to come forward. The union leaders were to demand more protection from the 'benevolent state' and, as a logical consequence of this, the state acquired more control over industrial relations and labour unions. Implicit in these arrangements was a mutually reinforcing relationship between labour dependency on state authority and state control over labour (Choi, J. J., 1989, 246).

c. Encouraging Occupational Welfare Through Campaign: Workers' Saving Scheme for Asset Building

Occupational welfare was encouraged by another campaign for saving in 1976 which the President promulgated as “the Year of All-Out National Saving”. This campaign had a strong flavour of the government’s intention to mobilise private resources for investment in heavy and chemical industrialisation and workers’ self-help in the provision of welfare.

The government established the Workers’ Saving Scheme for Asset Building in April 1976 to encourage people to save. Employees with wages of less than 250,000 Won per month could participate in this saving scheme where the government and employers provided additional interest other than annual interest, which was also higher than the normal interest, to people participating in the scheme. Since not many occupations received more than 250,000 Won per month, most employees were allowed to participate (the Office of Labour Affairs, 1977, 168-9). In contrast with the resistance from workers shown in the case of the National Welfare Pension Plan, this scheme was so successful that within nine months, 802,488 employees, 11.5 per cent of the employees in the non-agricultural sector, participated in the scheme (The Government of the Republic of Korea, 1977, 164).

The government also encouraged the banking industries to establish various kinds of savings schemes and granted tax exemption for interest. It is noticeable that the government strongly emphasized the effect of savings on the welfare of people. A vivid example is the Medical Savings Scheme run by the state-owned Kukmin Bank. Medical Savings Account holders of the Kukmin Bank were given 20 per cent discount on medical treatment fees at the 108 hospitals which had a contract with the Kukmin Bank (The Government of the Republic of Korea, 1977, 165).

3-4. The Outcome of Government Efforts to Increase Occupational Welfare

From 1978 when both national and local level institutions of the Factory New Community Movement were established and actively operated, the amount of spending on non-statutory welfare schemes by companies increased rapidly (Table 12). According to the Ministry of Home Affairs, the average spending on non-statutory welfare provisions of factories with

more than 50 employees increased from 20 million Korean Won in 1978 to 24 million Won in 1979 (The Ministry of Home Affairs, 1980a, 558). One of the most successful welfare schemes during the 1970s was the co-operative society which sold products at a cheap price to employees. In 1978, about 635 factories established co-operative societies and the number increased to 1,079 in 1979. Sales in 1979 were 29.4 billion Won compared to 25.3 billion Won in 1978. Apart from co-operative societies, there were significant improvements in welfare facilities during this period, as is shown in Table 12 (The Ministry of Home Affairs, 1980a., 557-563).

The development of occupational welfare during this period reflects the government's intention to enhance productivity. This is shown in the rapid increase in the facilities for education and vocational training. Night classes (Yagan Tükpyöl Hakküp) and company school (Sanöpch'e Pusöl Hakkyo) for employees were among the major welfare provisions. These schemes had been launched in 1966 but were now expanded. The government established various rules in order to encourage this. Factories with more than 1,000 employees were encouraged to establish special schools covering middle- and high-school courses for their employees.

For small factories, schools in the vicinity were encouraged to establish special night classes for workers. Employees could gain a certificate of graduation from middle and high school with two thirds of the regular course requirement, and there were no entrance exams. The number of schools affiliated to companies increased to 42 (with 29,070 students) in 1980 from 5 schools (with 2,210 students) in 1976. The number of schools offering special night classes increased to 99 (with 26,642 students) from 25 (with 3,278 students) (The Ministry of Home Affairs, 1980a, 562-3).

According to research carried out by the Federation of Korean Industries, one of the major employers' organizations, in 1978, 85.7 per cent of surveyed companies provided meals, 81.3 per cent clothing for the work-place, 66.7 per cent table-tennis facilities, 61.7 per cent public baths and 60.5 per cent recreation facilities. However, cash benefits which could have complemented low wages were not established in many companies. Although companies spent much on various amenities and facilities, few companies provided for example a children's education allowance or a housing allowance (The Federation of Korean Industries, 1979, 16-9).

Table 12. Improvement in the Occupational Welfare Schemes
During the Period 1977-1979

		1977	1978	1979
Cooperative Society	Factories	-	635	1,079
	Amount	-	25.3 billion	29.4 billion
Dormitory	Factories	1,945	2,413	2,782
	Employees Benefited	220,000	280,000	330,000
Company Restaurant	Factories	2,894	3,548	4,022
Recreation Room	Factories	2,682	3,288	3,737
Shower Facility	Factories	2,350	2,881	3,356
Medical Facility	Factories having company nurse	732	-	1,021
	Factories having own hospitals	64	-	81
Company Gym	Factories	2,458	-	3,346
Scholarship	Factories	919	1,070	-
	Amount	-	3.2 billion	5.5 billion
Commuting Bus	Factories	-	1,448	1,800
Company Dinner	Factories where partly paid	-	1,470	1,833
	Factories where fully paid	-	1,197	1,734

Source : The Ministry of Home Affairs (1980a) *10 Years of History of the New Community Movement*. Seoul, the Ministry of Home Affairs, 556-563.

3-5. The Government and the Employers

a. The Employers' Organisations: the Korea Employers Federation

The government's attitude towards employers in labour affairs during the 1970s was slightly different from that of the 1960s. As labour disputes were on the increase in the late 1960s, the government saw the labour movement as a political threat which could be capitalized on by the opposition. They needed other measures than brutal oppression, and a partner to carry out these measures. They naturally chose employers as the partner to deal with labour affairs and wanted to establish a channel to communicate with employers over labour issues.

The idea was obviously supported by the employers. Since 1963, when the trade unions at national level were established along industrial lines, industrial disputes had been

Table 13. Labour Disputes in Large Companies

Year	Total participants in the labour disputes (A)	Participants in the labour disputes at a company with more than 1000 employees (B)	(B)/(A) x 100
1966	121,400	80,731	66.5%
1967	150,000	96,750	64.5%
1968	206,000	166,242	80.7%
1969	108,000	69,120	64%
1970	182,800	147,520	80.7%

Source : The Korea Employers Federation (1989) *The Forty Years History of Labour Economy*. Seoul, the Korea Employers Federation, 102.

Table 14. Policy Proposals by the Korea Employers Federation by Issues

Item	Wage	Vocational training	Social insurance	Labour management council	Collective bargaining	Tax system	Labour Standards Act	Others
%	32	15	13	13	8	8	6	5

Source : The Korea Employers Federation (1990) *The Twenty Years History of Korea Employers Federation*. Seoul, the Korea Employers Federation, 408-62.

increasing, notably in large companies (see Table 13).

In their own interests employers needed institutions which could deal with labour issues. From the experience of unsuccessful bargaining at industry level, they realised they lacked the knowledge and information to deal with industrial relations. For instance, in the textile industry which was the main industry of the export-oriented industrialisation during the 1960s, collective bargaining had been carried out at industry level since 1967. The Korea Cotton Spinning and Weaving Industry's Employers Association agreed to have collective bargaining at national level with the National Textile Workers Union in 1967. However, the two parties failed to reach an agreement during the collective bargaining process in 1969, and 56,000 workers of the National Textile Workers Union went on strike (The Korea Employers Federation, 1990, 103). Employers thought this was due to a lack of knowledge and information on labour issues

including collective bargaining, and that they needed an institution which would provide such information and knowledge and help them to be able to respond to the government's

labour policies in a professional way.

These common interests of the government and employers resulted in the establishment of the Korea Employers Federation in 1970. Its functions were 1) establishing cooperation between employers and employees in order to increase productivity; 2) pursuing an improvement of the work environment and rationalisation of management, and increasing vocational training; 3) pursuing a rational wage system, investment for reproduction on an enlarged scale and the increase of consumers' benefits in order to redistribute profits rationally; and 4) assuming social responsibility by widening the channels through which employers and employees communicate. The achievement of industrial peace was the main goal of the organisation (The Korea Employers Federation, 1990, 371).

From the perspective of employers this organisation was a perfect channel to communicate with the government and present policy proposals over a wide range of labour issues. Between 1970 and 1979, the Korea Employers Federation presented 45 proposals on a range of issues to the government, the majority on welfare issues (See Table 14).

In general, the Korea Employers Federation demanded that the government should reduce the financial burden caused by the introduction of social insurance programmes and statutory in-house vocational training obligation. For instance, with respect to the Industrial Accident Insurance, the Korea Employers Federation strongly urged the government to reduce the contribution of employers by readjusting rates for office staff who were argued to be less exposed to industrial accidents. It proposed to postpone the introduction of the National Welfare Pension System. It argued that it was more urgent to enhance the living standards of present workers than those of the retired. As for the statutory vocational training obligations, the Federation requested the government to financially support the programme.

The Korea Employers Federation wanted the government to give them tax benefits in return for occupational welfare costs. This request was addressed by the government in 1976 and the government reduced the taxes on the expenses of some occupational welfare programmes such as company meals, school fees for children of employees and medical support for employees and their families (The Korea Employers Federation, 1990, 440).

With regard to working conditions, the Federation called for a new Labour Standards Act for small and medium companies. The Labour Standards Act was said to be too hard for small companies to comply with. Despite the strong demand, this was not accepted by the government.

b. Employers and the Factory New Community Movement

The government needed support from employers to promote the Factory New Community Movement. However, in its initial stage, the attitude of employers towards the Factory New Community Movement was not favourable. Many employers complained in particular about compulsory participation in educational courses (Park, J.H., 1981, 86-88). The government's continuous efforts brought about a change in attitude. Above all, President Park's strong emphasis on the movement played a role in enforcing employers to participate in it. The response of employers to the Factory New Community Movement turned positive in the late 1970s. Employers came to consider this national campaign as an opportunity to enhance productivity.

In 1974, the government selected 500 factories as model cases for the Factory New Community Movement and directed and supported the operation of the movement in those firms. The number of selected factories increased to 15,000 in 1979 (21 per cent of all the factories in Korea). From 1977, the government launched an evaluation of the achievements of the movement by randomly selecting companies. In 1977 and 1978, the government selected 2,190 and 3,367 factories out of 4,790 and 5,247 factories with more than 100 employees. In 1979, the sample size increased to 7,000 out of 10,819 with more than 50 employees. While factories performing well were awarded medals and received support from the government, those performing poorly went on the list of Factories Needing Guidance and put under pressure to achieve certain goals set by the government.

Employers now paid more attention to the movement, both in terms of productivity and occupational welfare provisions, since the government assessed performance of both categories. The growing interest in welfare was reflected in the Korea Employers Federation's 1979 survey on the occupational welfare programmes of 1,025 companies which had more than 100 employees (Table 15).

According to this survey, costs for voluntary occupational welfare accounted for 7.2 per cent of total labour costs, contributions of employers to social insurance programmes such as Industrial Accident Insurance and National Medical Insurance 1.5 per cent and both statutory and voluntary retirement pay 8.3 per cent¹.

¹ This survey did not break down statutory retirement pay under the Labour Standard Law and voluntary retirement pay was added to the statutory retirement pay.

Table 15. Classifications of Occupational Welfare by the Korea Employers Federation

Occupational welfare provisions	Programmes
Help for Improvement of Living Conditions	company meals, work outfit, commuting bus, child school fee assistance
Mutual Financial System	Congratulations and condolences, national disaster assistance, loan, credit society, workers' saving scheme for asset building, stock option
Education and Training	On-the-job training, general education, night classes and school
Culture, Sports and Entertainment	Facilities, assistance for events
Medical and Health	Medical facilities, assistance for medical expenses, sanitary facilities
Housing	Company housing, dormitory, housing loan and benefits

Source: the Federation of Korea Industries (1979) *The Survey on Actual Situation of Welfare in the Company*. Seoul, the Federation of Korean Industries, 10-12.

A notable point is the attitude of employers towards welfare for workers. In reply to the question “who do you think should provide welfare to workers”, 88 per cent of respondents replied that “the company should be the major or only provider”, and only 7 per cent answered that “occupational welfare should be transformed into the state social insurance programme”. These answers show a striking contrast to the initial hesitance of employers when the Factory New Community Movement began in 1973. It showed that employers had begun to realise the effects of occupational welfare on their business, and possibly suggested the social responsibility taken by companies.

3-6. The Role of Trade Unions

The Park government wanted to have a state-controlled official union structure, where the labour union movement was unified, friendly to government policies and possessed a measure of internal discipline extending from leadership down to the rank and file. Under the increasingly repressive labour policy of the government, most unions could not but confine their activities within narrow legal boundaries, and the ideology of the trade unions became

economic unionism or business unionism (Choi, J. J., 1989, 110).

Occupational welfare was one of the main issues which trade unions at both national and local level could take on within the restricted institutional framework set up by the government. Since there was still a big gap between legally stated working conditions and reality, observance of the statutory welfare clauses stated in the Labour Standards Act was consistently demanded and in some cases achieved by the trade unions.

a. Trade Unions at the Firm Level (Local Level)

Although trade union activities were severely restricted and unionisation remained at a low level, the number of trade unions and membership gradually increased during the 1970s (see Table 16).

Table 16. Unionisation in Korea (1963 – 1978)

	Increased rate of employees of mining, manufacturing, social overhead capital and other service industries	Increased rate of employees of manufacturing industries	Increased rate of trade unions	Increased rate of membership	Coverage Ratio (Union Members / Employees of mining, manufacturing, social overhead capital and other service industries x 100)
1963	0	0	0	0	7.94
1967	38.3	67.4	23.3	68.2	9.66
1970	23.6	25.6	8.5	25.3	9.80
1974	24.3	56.7	3.1	38.6	10.92
1978	38.4	49.9	27.8	60.8	12.69

Source : The Office of Labour Affairs (1973b) *Yearbook of Labour Statistics*. Seoul, the Office of Labour Affairs.; The Ministry of Labour (1982) *Yearbook of Labour Statistics*. Kwachŏn, the Ministry of Labour

This reflected the atmosphere in the labour movement during the 1970s, where the central issue was either the establishment of independent union or the maintenance of union autonomy. Controversy over leadership legitimacy was pervasive and the representativity of labour unions was continuously questioned by the rank and file. In several cases workers tried to establish an independent trade union which was free from the influence of

management. This was called the “Democratic Union Movement (Minju Nojo Undong)” and independent unions established as a result of this attempt were called “democratic unions”. The legitimacy of these unions was derived from the rank and file members’ support rather than from external sources.

It is noteworthy that leaders of both unions, whether company-sponsored or independent democratic unions, thought the expansion of welfare programmes in the company a statutory duty and primary function (Choi, J. J., 1989, 142-3).

In the case of company-controlled unions, whatever the reward structure and mechanism was to protect leadership, leaders could not totally overlook the demands of members, although they deliberately avoided hard bargaining over wages and benefits, work rules and the handling of grievances. They designed non-conflicting union activities, such as friendship clubs and mutual help and welfare functions, which was not threatening to companies and which gave members partial incentives. In this structure, both employers and trade unions’ leaders tended to see occupational welfare programmes as a measure to preempt the worker’s discontent.

In the case of autonomous and independent unions, the leadership would face tighter control by the state. Since they were exposed to various threats from the authorities and the management, they gave priority to welfare programmes rather than to struggle for wages and the like through collective action.

b. Trade Unions at the National Level

In the 1970s trade unions at the national level maintained the organisational structure where one national umbrella union, the Federation of Korea Trade Unions, had 17 constituent unions which had been organised along industrial lines². Since this was not an outgrowth of the unions’ own development but a result of the superimposition of the military junta, these national level trade unions lacked some typical features of industrial trade unions in western countries. In general, while industrial trade unions could not intervene in local issues and

² 17 industrial unions were the Railway Workers Union, the Textile Workers Union, the Mining Workers Union, the Electric Power Workers Union, the Foreign Institution Workers Union, the Postal Workers Union, the Transportation Workers Union, the Shipping Workers Union, the Financial Institution Workers Union, the Monopoly Workers Union, the Chemistry Workers Union, the Metal Industry Workers Union, the Stevedores Workers Union, the Federation Workers Union, the Publication Workers Union, the Automobile Transport Workers Union and the Tourism Industry Workers Union.

disputes, they played a significant role in dealing with macro-economic issues and government policies at the national level. This usually commits these unions, nationally, to strong positions on legislative matters and to radical politics (Wilson, 1973, 134). In Korea, however, leaders of national level unions did not have the experience and knowledge to deal effectively with these matters since experienced union leaders had been almost completely disposed of by the military junta in 1961 and new leaders were recruited from junior members of the union (The Federation of Korea Trade Unions, 1979, 570).

The national level industrial unions did not have much political leverage through which they could influence the policymaking process, notably because of a lack of political parties that could politically represent trade union interests.

For several reasons Korean industrial unions did not have support from the local unions. There was fierce factional strife within unions. This was not so much over policy differences as over the lucrative perks attached to leadership positions. This, together with the election system itself, encouraged corruption. Since election was indirect by representatives of local chapters, it was more important for candidates to attract support from representatives than from the rank and file. They preferred to bribe representatives rather than develop policy proposals which would appeal to members. Hence industrial unions at national level lost touch with local labour unions. This separation of the national level unions from the local chapters was also due to the government's policy to restrict trade union activities. In the early 1970s the government deprived union leaders of even minimal public-forum opportunities to present their demands to the relevant authority.

The national level unions became active when the government established several national level corporatist institutions. For instance, as labour disputes at local level increased from 1974 (The Government of the Republic of Korea, 1975, 504), the government changed the way of dealing with labour problems by establishing consultative bodies linking the unions at national and at local levels. They set up a consultative body at the national level to discuss a broad range of industrial relations issues and wanted to disseminate their findings to individual factories. In 1975, the government established the Central Labour Management Forum. The minutes of the Central Labour-Management Forum show that representatives of labour utilised this institution quite effectively. While they pledged to support government policy wholeheartedly, they presented a list of demands, e.g. that the authorities and employers' representatives should press employers to abide by the labour standards stipulated

by the law; that employees be prevented from conducting unfair labour practices; that they should widen the opportunities for union leaders at enterprise level to participate in production planning, quality control, etc., through the labour-management council; and that employers should fully respect the 'model collective bargaining' which the union recommended. They demanded in particular that employers should be obliged to divert company profits into improving workers' welfare (The Federation of Korea Trade Unions, 1975, 1976, 1977, 1978, 1979a). As the Central Labour-Management Forum went on, the demands became less political and labour representatives became more focused on welfare issues.

The leaders of trade unions at national level were, however, not satisfied with the Central Labour-Management Forum. They wanted greater participation in industrial policy making and, in order to achieve this, they needed an institution of a higher level than that of a consultative body. Facing strong demands from the Federation of Korea Trade Unions, the government established the Workers' Welfare Policy Deliberation Committee in 1978. As shown in the name of this committee, however, the government did not want the leaders of trade unions to discuss matters beyond the issues of welfare for workers. The intention of the government not to give leaders of trade unions access to important policy-making processes was demonstrated in the operation of this committee. After its establishment the government was reluctant to convene meetings, and it was held a year after its establishment. Though this committee consisted of top economic policy-makers, its agenda and organisational goal were basically no different from those of other consultative bodies such as the Central Labour Management Forum. This constituted the boundary within which the government would allow union leaders to exercise influence. Leaders of trade unions at national level were confined to concentrate on workers' welfare issues and could not go beyond this line.

Conclusion

The reform programmes introduced during the three years of the Supreme Council for National Reconstruction's rule had three major achievements. First, nominal policies on labour and social affairs were transformed into practical provisions. Secondly, the welfare system started to function, although coverage was not wide and the extent of benefits was not sufficient. Lastly, policy principles such as welfare to work, workfare, firm-based welfare

provision and industrialisation-friendly welfare programmes were institutionalised in both programmes and governmental activities. These achievements were made, based on expansion of the state governance into both the public sector and private sector, and on an increase in the state capacity resulting from strong political authority. The expanded welfare, however, was not a result of the naked suppression of the authoritarianism but the skilful governance of the Park regime to combine the developmental efforts and the welfare policy to enhance the legitimacy.

Apart from the Supreme Council for National Reconstruction, trade unions played an important role in laying down the framework for occupational welfare during this period. In spite of government oppression, labour organisations including the Federation of Korea Trade Unions succeeded in having their demands for occupational welfare heard. It is noticeable that the demand for the legislation of retirement pay from the Federation of Korea Trade Unions influenced the government's policy and the establishment of retirement pay.

Employers' organisations, such as the Federation of Korea Industries and the Korea Chamber of Commerce and Industry, demanded amendments in the Labour Standards Act and other labour laws concerning trade union activities. However, their demands - in particular those concerning occupational welfare - were not accepted by the government.

The Third Republic changed its politics of the blaming-the previous government to the politics of blaming-the individual in its initial stage. This was possible because of the lack of resistance from civic organisations and the strong authoritarian government suppressing any such resistance. Within the context of the politics of the blaming-the individual, the military government resolved the urgent need to address poverty by establishing an economic-growth model for the development of welfare. In this framework, welfare programmes should conform to the goal of economic development. Several welfare programmes were designed with the focus on mobilising private resources and producing a skilled labour force, and costly programmes were not implemented.

As the economy gradually grew, the government enforced employers to improve working conditions to a standard set out in the Labour Standards Act. Other than administrative measures, there was no specific legislation to enforce the Act to develop occupational welfare.

Although the trade unions were suppressed by the authoritarian regime, they were able to make some achievements by associating their actions with principles in the Labour

Standards Act. Frequent labour disputes over retirement pay resulted in a reconfirmation of right to retirement pay through the verdict of the Supreme Court. This shows that trade unions have participated in and influenced the policy-decision-making process for specific programmes, whereas they could not influence the overarching design for welfare provision.

Although employers were strongly against the relatively progressive elements of government's labour policies, their opposition was not influential enough to change the government's direction. The fundamental change in the government's policy towards labour came from President Park's political needs rather than from employers' influence.

The establishment of the authoritarian *Yushin* regime was accompanied with more ambitious industrialisation plan which demanded a much stronger capacity to control private business and mobilise private resources; heavy and chemical industrialisation. In order to achieve this, the government sought to overcome two difficulties: financial resources and workers' motivation. These concerns influenced the welfare framework as well as other policies, such as labour policy, and resulted in a welfare system conducive to the mobilisation of private financial resources and based on firm-level welfare programmes. While the government suppressed the political mobilisation of the labour force with various measures, it forced companies to give incentives to workers in order to make them participate more willingly in the industrialisation process. They used organisational and financial resources not only from the government but also from the private sector, mainly from private companies. In order to mobilise resources in the private sector, various laws, regulations and organisational institutions were established and the New Community Movement campaign launched. These institutions, together with the New Community Movement, played a significant role in developing occupational welfare. Employers who became incorporated into various corporatist institutions supported this government's labour and welfare policy. Trade unions which were under severe repressive control by the government played a limited role by participating in national level institutions in developing occupational welfare.

The overtly repressive authoritarian government with an ambitious heavy and chemical industrialisation drive needed a labour-control strategy of sticks and carrots; the social protection system was considered an instrument to mobilise workers for industrialisation efforts.

It was the enhanced administrative capacities and strong authority concentrated in the hands of the President Park himself that led the government to successfully mobilise and

organise private resources for welfare purpose (Yi and Lee, 2005). The period may be labelled as the stage of the state-induced occupational welfare development where all the principles facilitating occupational welfare and indirect measures forcing employers to provide benefits to their workers at the firm were established and successfully implemented. Through government-led economic strategy, the Park government could enhance infrastructural power to penetrate into the private sector, and organise and mobilise manpower and material resources for welfare purposes as well as for economic investment.

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