



LABOR AND PUBLIC SECTOR RESTRUCTURING IN SOUTH KOREA: A COMPARATIVE ANALYSIS OF TELECOMMUNICATIONS AND RAILWAYS

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LABOR AND PUBLIC SECTOR RESTRUCTURING IN SOUTH KOREA:
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AND RAILWAYS

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LABOR AND PUBLIC SECTOR RESTRUCTURING IN SOUTH KOREA:
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In the face of growing global competition, unions had common challenges and difficulties in retaining their bargaining power. Yet, their responses to market restructuring varied within and across countries resulting in a variety of outcomes. This dissertation tries to answer the question of why union responses differed and why they had varied degrees of success in their attempt to influence the restructuring designs. For this, this study examines labor responses to privatization and public sector restructuring in Korean telecommunications and railways.

The main findings of this dissertation can be summarized as follows: first, the changes in the political contingency increased opportunities for the Korean Railway Workers' Union (KRWU) while reducing them for the Korea Telecom Trade Union (KTTU). Due to this difference in the extent of political opportunities, KTTU was constrained to take a defensive position whereas KRWU escalated its militancy. In the Korean institutional context where both unions were deprived of institutional access, the increase in political opportunities tended to increase labor militancy for KRWU while the reduction of the latter contributed to the restraint of militancy for KTTU. Second, the persistent replacement threat of the leftist faction sustained the leadership inclination towards militancy at KRWU while the waning of such a threat reduced the incentives for militancy for the KTTU leadership. Third, in regards to strategic effectiveness, KRWU was more successful in obtaining concessions from government/management than KTTU. Such variation can be explained by a greater strategic ability of KRWU leadership in mobilizing membership and socio-political

resources.

Findings contribute to the current debate on national models theories. Unlike the expectation that non-coordinated industrial relations polity would be associated with market-driven unilateral restructuring, this dissertation argues that there exists a sub-national variation in restructuring outcomes related to the differences in the strategic capability of unions. This led to questioning the uniformity of national models. Instead, this dissertation found the central role played by the strategic choices of labor unions in creating within-country variations in the restructuring outcomes.

BIOGRAPHICAL SKETCH

Heiwon Kwon grew up in Seoul, Korea. She received her Bachelors of Arts from Korea University in 1992. In 1998, she graduated from Seoul National University with a Masters in Sociology. She has been a doctoral student at the School of Industrial and Labor Relations at Cornell University since 2002.

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LIST OF ABBREVIATIONS

CDMA	Code Division Multiple Access
EPB	Economic Planning Board
DLP	Democratic Liberal Party
DR	Depository Receipts
FKI	Federation of Korean Industries
FKTU	Federation of Korean Trade Unions
GBE	Government Backed Enterprise
GE	Government Enterprise
GIE	Government Invested Enterprise
GIERA	Government Invested Enterprise Regulation Act
IMF	International Monetary Fund
KCTU	Korean Confederation of Trade Unions
KDLP	Korea Democratic Labor Party
KDRL	Korean Democracy Railroad Labor
KEF	Korean Employers' Federation
KGCU	Korea Gas Corporation Union
KHIC	Korea Heavy Industry Corporation
KHSRCA	Korea High-Speed Rail Construction Authority
KNEWU	Korea National Electricity Workers' Union
KNR	Korean National Railroad
KNRA	Korean National Railroad Administration
KOGAS	Korea Gas Corporation
KORAIL	Korea Railroad Corporation
KPSU	Korean Federation of Public and Social Service Union

KRNA	Korea Rail Network Authority
KRWU	Korean Railway Workers' Union
KT	Korea Telecom
KT&G	Korea Tobacco and Ginseng
KTTU	Korea Telecom Trade Union
MFE	Ministry of Finance and Economy
MIC	Ministry of Information and Communication
MOC	Ministry of Communication
MOCT	Ministry of Construction and Transport
MPB	Ministry of Planning and Budget
MSF	Ministry of Strategy and Finance
NALD	National Association of Locomotive Drivers
PBC	Planning and Budget Committee
PPIU	Power Plant Industry Union
PSO	Public Service Obligation
PTT	Post, Telegraph and Telephone administrations
SKT	SK Telecom
SCPSR	Special Committee on Public Sector Restructuring
UDP	United Democratic Party
UFW	United Farm Workers

CHAPTER ONE
‘VARIETIES OF UNIONISM’: CONCEPTUALIZING THE VARIATION IN
THE RESPONSES AND IN THE STRATEGIC EFFECTIVENESS OF LABOR
UNIONS TO PUBLIC SECTOR RESTRUCTURING

1. Overview of the Study

Research Questions

The current era of global competition and deregulation brought about drastic changes worldwide by promoting market liberalization at an unprecedented pace. Along with these developments, public sector restructuring swept up almost every country leading to the privatization of public sectors in many cases. As governments sought to roll back the state, public sectors were under the banner of change and reform. They were considered as barriers to increase competitiveness and were criticized for their inefficiency, which brought about a general tendency towards the curtailment of the public sector. Thus, public sector restructuring was “at the center of things: as protagonist, as scapegoat, as political symbol of change” (Ferner, 1994: 52), and privatization became one of the pillars of these reform policies.

In this changing environment, labor unions and their members have had difficulties retaining their bargaining power and have been faced with new challenges. Market liberalization and public sector restructuring have been accompanied with large-scale labor restructuring and workforce reduction. The consequences of the latter have particularly been severe for labor unions because they had difficulties in developing effective strategies to confront the restructuring policies that hurt their constituencies and organizations. Thus, debates on the effects of public sector restructuring and privatization usually had common assessments of the decline of

union power in the face of worsened labor market situations that created massive dismissals and eroded established bases of union influences.

Yet although unions have had hard times everywhere in their attempt to preserve their influence and to defend labor interests, union responses to public sector restructuring have not been uniform and have varied both within and across countries. Some unions indulged primarily in militancy and they either organized or threatened industrial action to impact the pace and the form of restructuring. Yet others restrained militancy and complied with governments' reform policies. The unions that fall in the latter category can be subdivided into the unions that actively sought cooperation with the government by endorsing government reform policies and the unions that defensively acted on the proposed policies and responded in a concessionary manner.

Moreover, although the decline in union power has been a general trend in the face of similar challenges presented by public sector restructuring, the patterns and the shape of restructuring differed within and across countries, and unions had different degrees of success in retaining a certain influence over the restructuring processes. In some cases, neither militant industrial action nor restraint to government/management-led restructuring has been effective due to labor unions' lack of capacity to obtain concessions from their counterparts. In these cases, unions subordinated themselves to the unilateral process of restructuring and labor's countervailing power has been significantly undermined. In other cases, unions have been more effective in exerting some bargaining leverage. Although they could not completely halt the move towards privatization and market liberalization, they contributed to the successful negotiation of some agreements that prevented fundamental deterioration of employment condition. In this way, they could ensure that the restructuring process is being mediated by labor. And yet in some other cases, labor unions went further in their efforts to obstruct the proposed reform and exerted significant influences on the pace

and shape of restructuring to ultimately derail the initial plan.

Hence despite the fact that the process of change imposed broadly similar challenges to labor unions, their responses to the restructuring differed along diverging strategies, and their effectiveness also varied. The purpose of this study is to explain the reasons that underlie the variation in union responses and in the differential union influence over the outcomes of the restructuring. For this, the research will center around two key questions:

1. How and why union responses to the proposed privatization/restructuring plan have differed?
2. To what extent unions have succeeded or failed in affecting the restructuring outcomes? What explains unions' different capacities in obtaining concessions from government or management?

Related to these critical questions, previous studies have also revealed the differences in the content and outcomes of restructuring in the industries such as telecommunication and automobile. According to their findings, "even in the face of common trends toward deregulation and privatization, there is much variation in the focus of the restructuring" (Katz, 1997: 2). According to whether labor unions have been capable of influencing the nature and extent of deregulation and restructuring, country cases can be classified into contrasting categories: 'market-driven restructuring' versus 'labor-mediated restructuring, or 'unilateral restructuring' versus 'negotiated restructuring'. In countries where technological and market pressures prevailed without the integration of labor into processes of change, the outcomes of restructuring have been marked by cost-cutting strategies, employment reduction and substantial decline in union power. By contrast, in countries where unions had

significant influence over the pace, the pattern and the outcomes of restructuring, market pressures have been modified and mediated by labor (Turner, 1991; Katz, 1997; Batt & Darbishire, 1997).

Unlike the explanation that draws upon the ‘race to the bottom’ thesis¹, and in line with the above studies, this dissertation will argue that the process of market liberalization and public sector restructuring did not result in a uniform curtailment of union power. On the contrary, it will draw attention to the variation in labor unions’ ability to gain concessions, which in turn, marked the divergence in the shape or pace of the restructuring process.

Focus on the Explanation of Subnational Variation

Past studies mostly focused on explaining cross-national variations by treating national institutions of industrial relations as the basic unit of analysis. They often relied on the premise of the institutionalist approaches that emphasized the particular national institutions for explaining contrasting national outcomes (Turner, 1991; Hall & Soskice, 2001; Thelen, 2001; Yamamura & Streeck, 2003). By doing this, they rejected “the notion that previously diverse economies are all converging on a single model of capitalism” (Streeck & Thelen, 2005) and argued for the persistent cross-national divergences in terms of the forms and speeds of market liberalization. For them, the diverse outcomes were the products of different institutional endowments: while some countries inherited corporatist institutional arrangements that could mediate international pressures for market liberalization, others lacked such institutional legacies for labor incorporation. Thus, they commonly focused on macro-

¹ There are numerous works that emphasized downward pressures on wages and working conditions in the face of growing market competition. According to these, such tendencies weakened labor’s bargaining power, and as a consequence, “a race to the bottom in wages and working conditions has been unleashed on a world scale.” (Silver, 2003: 4)

institutional features for explaining the distinct national differences.

The institutionalist approach helps us understand how labor integration into the process of restructuring or its exclusion from the very process has been conditioned by different domestic institutions, and how this has resulted in the distinct national patterns of outcomes. But when one finds that the outcomes varied not only across countries but also within each country, the comparative typologies based on the macro-institutional differences seem less relevant. Furthermore, researchers also evidenced the fact that the within-country variation has widened in recent decades (Katz, 2000). For this reason, researchers over the past have questioned the uniformity of national models and have increasingly developed an alternative approach that focuses more on ‘micro-level developments’ and ‘the politics of strategic choice’ to explain subnational variation (Locke, 1992; Frost, 2000; Murillo, 2001). For them, “although national level variables help to understand national-level patterns, they cannot explain subnational variation” (Murillo, *ibid*: 25).

This study will extend the claims developed by these alternative approaches by examining within-country variation in union responses and in their strategic effectiveness. Specifically, this study will examine privatization and public sector restructuring in South Korea selecting two representative industry cases that had previously been or that have still remained public sectors: telecommunication and railway. Privatization of both sectors was initiated, yet only Korea Telecom (KT) was fully privatized. By contrast, the privatization plan of the railway industry was withdrawn and the operation of the industry that had once been under the direct control of the national department (Korean National Railroad, KNR) has now been handed over to the public enterprise (Korea Railroad Corporation, KORAIL) while the public ownership has been maintained. Furthermore, union influence on the government-initiated public sector restructuring and privatization were also different.

The role of Korea Telecom Trade Union (KTTU) was marginalized in the restructuring process and the union failed to obstruct the government-led radical restructuring process. By contrast, The Korean Railway Workers' Union (KRWU) succeeded in forcing the government to withdraw the initial plan and in obtaining concessions. This study will examine why such subnational divergence has occurred focusing on the variation in union responses and their effects on the proposed privatization/restructuring plans.

The Impact of Public Ownership on Union Strategies

This study will also draw attention to the distinctive logic of action of public enterprises and its impact on union strategies. Although commercialization brought about drastic changes in public sector industrial relations and tended to push public enterprises towards greater market exposure, there have remained significant differences between public and private enterprises. In particular, the differences lie in the fact that public enterprises operate through the political process and that their objectives and strategies are determined by the “political contingency” (Batstone et al., 1984; Ferner, 1988; Ferner et al., 1997). Political contingency means the forces that act on public enterprises that include:

formal rules and targets, ministerial intervention, the policies of political parties, public opinion, the demands and investigations of a variety of other state bodies, including parliamentary select committees or state committees of enquiry, and the pressure and claims of public user bodies and private sector interest groups (Ferner, 1988: 10).

It is therefore evident that “public sector labor relations are inherently suffused in politics” (Kearney, 1992), and that they are colored by the political interplay between

unions, government, state bodies, elected officials and interest groups. Thus it becomes important for unions to engage in political bargaining with governments and with various state agencies, and to mobilize public support to press governments to come to a compromise with organized labor. In other words, the political nature of public ownership also affects union strategy. “The resources at the disposal of unions are a function of the political contingency as much as of economic power and market position” (Batstone et al., 1984: 11).

The fact that political resources are central to public sector unions makes it also important to consider the changing characteristics of political contingency. State and party policies, political alliances, political procedures and targets are not fixed systems but all are changeable and contingent upon the changes in political regimes or other environmental changes. In this sense, political contingency can either provide or constrain opportunities for labor unions, and it is therefore important to look at the differences in the timing of the initiation of the restructuring program. The differences in timing reflect different political contingencies that involve shifting public policies and strategic alliances among different political actors including labor unions, government officials, ministries, political parties, public enterprise managers, and public service recipients. These factors shape the conditions for union strategies by either providing or reducing political resources for them. But the strategic effectiveness of labor unions is not solely determined by the political context. Differences in union capacities in mobilizing political resources also play an important role in producing divergent outcomes. Especially for public sector unions, their ability in forming alliances with various actors involved in political and public agencies as well as in gaining public support by appealing to public interests will make differences in the outcomes.

The Politics of Strategic Choice

To understand different union strategic capabilities in affecting the restructuring outcomes, this study will call for the need to analyze the politics of strategic choice. And as far as the importance of strategic choice made by labor unions is recognized, the alternative framework that combines strategic choice model with dynamics of contention model becomes relevant to examine the research questions of the proposed study. The strategic choice approach highlights the continuously evolving interactions of environmental pressures and organizational responses (Child, 1972, 1997; Kochan, Katz & McKersie, 1986). A key premise of the framework is that differences in industrial relations outcomes reflect the differences in strategic choices made by government, labor and management. Although “the explanatory power of the framework has been limited because empirical studies using it have tended to downplay the role of labor and other non management actors” (Frost, 2000: 560), the model provides an alternative framework to institutional determinism by bringing the interactive mechanism between changes in the environment and the choices made by the key actors. Thus this study will adopt the strategic choice framework while complementing the bias towards employer-dominated strategies.

In this respect, this study is in line with recent union strategy literatures that recognize the importance of union strategies in creating a variety of outcomes (Frost, 2000; Turner & Hurd, 2001; Hurd et al., 2003; Turner, 2005; Frege and Kelly, 2003, 2004a, 2004b). For sure, the strategic response of labor unions is not the single factor that explains the divergent outcomes. Rather the outcomes result from the strategic interaction among different groups and actors including government, management, and labor unions. Yet labor unions constitute one of the key actors and the differences in the outcomes may result from different strategic capacities of labor unions. Such capacities allow them to exert certain influence over the restructuring process while

lack of the latter will marginalize their role. Once one admits that diverse union strategies may have different bearings on the outcomes, the combination of a strategic choice model with the dynamics of contention model becomes particularly useful as it sheds light on the reciprocal interaction between changes in the political opportunity structures and the responses of social movement actors to these changes. The social movement theory of dynamics of contention pays attention to the changes in the political environment that provide certain opportunities or constraints on actors' choice. But it does not understand the environment as a fixed structure that unilaterally determines actors' choice, but as a strategic site in which actors interpret the situation, set specific goals accordingly and strategize effective tactics to achieve their goals (Mc Adam et al., 2001). When applied to the purpose of this study, the model will highlight the process in which changes in the political contingency pose certain opportunities or constraints for unions, against which unions prioritize particular goals and strategies over others, and develop different patterns of interaction with government or employers to better obtain their objectives. Hence, this study will argue that political opportunities/constraints will condition labor unions' strategic choice by either increasing or decreasing political resources for them. But political opportunities do not automatically determine the outcomes. Whether labor unions succeed in achieving their goals will be dependent on their strategic capacities to actually take advantage of opportunities. If unions fail to seize the opportunities, the desired goals have less chance to be achieved. In this regard, this study draws upon the same basic argument presented in recent studies on union strategy that underscores the determining role of strategies. In other words, political opportunities are important but they are not decisive because labor unions may or may not act on given opportunities, and the role of agency becomes more critical (Turner & Cornfield, 2007; Turner, 2009).

Moreover, the Korean institutional context makes the strategic choice approach

even more important. In Korea, labor unions have been denied institutional access to the state and have also been excluded from political participation. The incumbent parties have never forged a stable partisan alliance with labor although they had accommodated some corporatist arrangements and ad hoc electoral alliance with government-sponsored unions. The absence of any stable institutional structure for labor incorporation means that the variation in the patterns of union-government/management interactions and in their outcomes becomes wider than in countries where the presence of centralized bargaining and corporatist regulation reduce within-country variation by narrowing employers' discretion. Thus, it is noteworthy that "in light of weak institutional structures for stakeholder participation, the strategic choices of the companies and unions have played a far stronger role in determining the variation of outcomes" (Turner, 1991 cited in Batt & Darbishire, 1997: 68). Lack of corporatist bargaining arrangements increases power differentials among unions, and makes it more likely that the outcomes become more dependent on strategic choices made by unions.

2. Key Variables, Hypothesis and Definition

2-1. Key Variables and Hypothesis for Explaining the Variety of Union Responses

This study will analyze the role of labor unions in influencing public sector restructuring at KT and KNR by treating union strategies as both dependent and independent variables. First, in trying to answer the question of *why union responses to the proposed privatization/restructuring plan have differed*, union strategies will be treated as a dependent variable. Here, the focus of analysis will be on the political dynamics of public sector restructuring: the changes in the political contingencies and

in the internal politics of labor unions.

Macro institutional variables will be considered to be insufficient to explain the subnational variations in strategy formulation of labor unions. Political institutional legacies that conditioned the responses of KTTU and KRWU have been rather similar. In the past, both unions have been affiliated to the Federation of Korean Trade Unions (FKTU), which can be characterized by its moderate and cooperative relationship with government and management. In Korea, the FKTU unions have long been conceived as pro-government unions although they were deprived of stabilized institutional access to policy making. Thus, although they had forged ad hoc political alliances with the incumbent government in the past, their relationship with government was not based on partnership but rather on co-optation. Besides, both unions have undergone union democratization: KTTU in June 1994 and KRWU in May 2001. Hence when the Kim Dae Jung government announced the restructuring and privatization plan for KT and KNR, the union was already democratized (KTTU) or was going through the union democratization movement (KRWU). In this situation, the labor relation came to be either adversarial or strained, and the political participation of labor was further excluded. Yet, within this common national institutional context, the two unions diverged in their strategies. Thus, the national institutional variables cannot adequately explain why the identical industrial relations institutions led to different responses by labor unions.

Instead, this study identifies two critical dimensions that condition diverse union responses: *the nature of political contingency* and *the internal organizational dynamics of labor unions*.

The Nature of Political Contingency

In the first instance, as public enterprises are politically regulated and their labor

relations are highly political, the nature of political contingency has significant impact on unions' strategy formulation. As previously discussed, political contingency refers to a variety of political factors that include the action of governments, ministries, parliaments, political parties and other political groups, their demands, intervention and negotiation over the policy generation and implementation as well as the public opinion and the pressure of public service recipients. And it is noteworthy that the changes in political contingency can occur without the transformation of institutional rules that establish a framework within which the labor relations system is regulated. In other words, government objectives and political priorities can differ along the changes in the administration, and labor unions may either find or lose allies within the changing political universe. As for the two cases presented in this study, the nature of political contingency changed at the time of restructuring and the two unions faced different political opportunities. The privatization of KT was both initiated and achieved under the Kim Dae Jung government. By contrast, the privatization of KNR was only initiated under the same government and due to the delay of its implementation, the task was handed over to the Roh Moo Hyun government. And although they can both be categorized as centrist, the Kim Dae Jung Administration and the Roh Moo Hyun Administration differed markedly in their approaches towards privatization.² The former government was reluctant to engage in negotiation with labor and refused to bargain with KTTU on the issues while the latter government took a more cautious attitude towards the privatization of network utilities and opened

² President Kim Dae Jung held office from February 1998 to February 2003. The economic reform plans of the Kim Dae Jung Administration had been initiated in the context of the Korean economic crisis and had been forced by the International Monetary Fund (IMF). Thus the IMF context has been critical in underlying government policies towards market liberalization. Roh Moo Hyun was elected in December 2002 and held the presidency from February 2003 to February 2008. Although the two presidents came from the same centrist party, the political contingency that characterized the two governments were not identical. The privatization plans of KT and KNR had both been initiated under the Kim Dae Jung Administration but only the former had been completed during his presidency while the task of privatization of the national railway industry had been handed over to Roh Moo Hyun government.

space for political bargaining with KRWU.

Thus this study will pay attention to the changes in political opportunity structures for labor unions. The political opportunities will be measured along three dimensions: the government openness to the negotiation with organized labor, the presence of political allies within and outside the state bodies and the degree of stability of elite alignments. It will be assessed that political opportunities increase when government is more open to bargain with labor and when there occurs a fissure in elite alignments at the same time that there exists an increased presence of labor's political allies within and outside of a polity³. And political opportunities will be considered to decrease when political arrangements go to the opposite. These differences in the political opportunities will offer an analytical tool to explain divergent union responses because they impact on union strategies by increasing or decreasing political resources for labor unions

Much of past literature linked labor militancy to weak institutionalization of labor incorporation (Shorter & Tilly, 1974; Collier, 1982). And it is true that broad national patterns support their claims by evidencing the fact that labor militancy is greater in countries where organized labor is excluded from political access. Yet the two cases presented in this study eschew this explanation because union responses were different albeit the fact that they had similar institutional context. Thus militancy is not an exclusive pattern of union-government interaction in countries where labor integration has not been institutionalized. Rather, it is more relevant to consider that unions are more likely to resort to militancy where labor still lacks institutionalized political participation but where political opportunities open greater possibilities for labor to

³ The dimension of political opportunities presented here partly recapitulates Mc Adam's definition that lists: "1. the relative openness or closure of the institutionalized political system, 2. the stability or instability of that broad set of elite alignments, 3. the presence or absence of elite allies and, 4. the state's capacity and propensity for repression" (Mc Adam, 1996: 27 cited in Goodwin & Jasper, 2004: 7).

engage actively in a variety of collective action. By contrast, labor unions tend to retreat from militancy and to subordinate to concession bargaining when they have to confront both the weak institutional arrangements and the contraction of political opportunities.

The above discussion offers the following hypotheses:

1. *If the changes in political contingency increase the political opportunities for labor unions while they are deprived of institutionalized political access, labor unions will be likely to resort to militancy*
2. *If, on the contrary, labor unions face both lack of institutionalized political access and reduced political opportunities for labor unions, they will be constrained to act defensively and to restraint militancy*

Micro-organizational Dynamics of Labor Unions

But the framework of strategic choices for labor unions is not solely shaped by the changes in political opportunity structures. The above hypothesis points to a general tendency for militancy or restraint. Whether labor unions actually resort to confrontation or restraint also depends on the internal political dynamics of labor unions.

Recent literature has already emphasized the importance of micro-organizational dynamics of unions. For example, in her multi-level comparative studies of union responses to market liberalization in Latin America, Maria Victoria Murillo argued that differences in union behavior result from the internal dynamics of the union and the leadership's search for political survival (Murillo, 2001). According to her, when leadership competition grows among rivals associated with different political parties and when union leaders believe that their rival leaders are taking advantage of their

restraint, they increase militancy in order to avoid being replaced. “Calls for militancy are aimed to show their constituencies that they have not sold out” (Murillo, 2001: 16), thus “we should expect militancy to increase after leadership competition regardless of the effect of such militancy, because it is related to the internal dynamics of the union” (ibid: 181).

In line with Murillo, this study will assume that increased replacement threat will raise the probability of militancy. When the support of union constituencies for the old entrenched leadership weakens, not only the old leadership but also the electoral opposition groups are likely to increase militancy in order to be responsive to the changes in members’ attitude. Moreover, when the constituencies’ discontent grows despite the increase in confrontational tactics of the incumbent leadership, the opposition groups are likely to win the union election. If such leadership replacement occurs as a result of leadership competition, it will bring about transformation in the strategic orientation of the unions. The new leadership will make it explicit that they depart from the previous leadership and will formulate platforms that serve members’ interest in a way different from the past. Consequently, militancy will continue to grow for a while after the leadership change.

Such was the case for both KRWU and KTTU as they have undergone radical transformation of their organizations along with union democratization. The unions had a quiescent and cooperative relationship with government/management before union democratization, but they both broke from past tradition and turned to more militant and confrontational tactics.

Yet it is also important to consider the timing of labor unions’ internal change. In this respect, it is noteworthy that the risk of replacement was at its peak at KNR at the time when government initiated the privatization plan for railways whereas KT had already undergone leadership replacement in 1994, hence four years ahead of the

launch of a full-scaled privatization plan for telecommunication. Although leadership competition among diverse political factions persisted at KT, the replacement threat from the candidates of the militant faction (Minju Dongwoo Hoe, Association of Democratic Comrades) gradually withered. The Korean labor unions were divided into two national confederations, the Federation of Korean Trade Unions (FKTU), which had had a cooperative relationship with government/management and the more militant Korean Confederation of Trade Unions (KCTU). The 1994 union election at KT marked a breaking point from the past unionism run by the FKTU-affiliated leadership, and the militant group could win the election by appealing to militancy. Since then the union hasn't faced a significant replacement threat from the rival confederation throughout the restructuring period. Yet KTTU union leadership also departed from the first militant leadership. The profile of union leadership altered again when a more moderate leadership came to power after being elected in 1997. As the result of 1997 election showed, union members' support for militant leadership decreased as militancy turned to be more or less ineffective in the face of adversarial government/management strategy. Hence although the union remained affiliated to KCTU until recently, KTTU became more moderate. For this reason the leadership has been denounced by both militant dissidents within KTTU and activists within KCTU for being compliant to management initiatives without defending labor interests⁴. Nevertheless the influence of militant activists substantially waned.

⁴ KTTU withdrew from FKTU to join KCTU in November 1995 after the new militant leadership came to power in June 1994. But the union ultimately seceded from KCTU again on July 17th, 2009 after the union resolution, which ended up with 94.9% votes for the disaffiliation from KCTU. This was the result of the history of gradual moderation of KTTU, which aroused controversies within KCTU that reached their peak in 2006 when KTTU expelled two union activists (Yoo Duck Sang, who had been elected president of KTTU in 1994, and Lee Hae Kwan, who was the former vice-president of KTTU) from the union organization on the grounds that they disgraced KTTU by attempting to bar KTTU representatives from participating in the KCTU annual convention, criticizing KTTU's compliance to management/government policies. This action furthered the debates within KTTU on whether it should expel KTTU from KCTU or not. The withdrawal of KTTU from KCTU in 2009 was the ultimate result of this fissure. The origin of this moderation can be traced back to 1997 with the replacement of 1994 militant leadership by a more moderate branch.

Although electoral competition persisted at KTTU, the replacement threat from the militant opposition group was not strong enough for the leadership to increase the incentives for militancy. By contrast, at KRWU, the replacement threat for the old leadership escalated in 2000 in the midst of a government push for railway privatization, which ended up with the election of an opposition group in 2001 at the peak of the second round of union-government conflict. From the late 1990s, members' discontent grew rapidly as they were concerned with the uncertainty of their employment condition brought by the launch of privatization/restructuring program. This fueled the union democratization movement and heightened leadership competition. In this situation, leadership survival increased the incentives for militancy in order to eschew replacement. And unlike KTTU, the influence of militant faction did not wither but grew steadily during the process of restructuring. The new leadership took office in 2001 and similar to KTTU, it disaffiliated from FKTU to join KCTU in November 2002. A leadership competition took place thereafter between two militant groups, which originated from the union democratization movement: between militant leadership and more leftist militant dissidents. The replacement threat of the latter group grew during the 2nd round of the restructuring struggle and hence increased the incentives for militancy.

The above discussion offers the following hypotheses that complement the first two hypotheses:

3. *The incentives for militancy increase when the replacement threat for union leaders escalates.*
4. *The incentives for militancy decrease when the replacement threat for union leaders withers.*

Combined together, the hypotheses 1, 2, 3, 4 can be presented as the figure below:

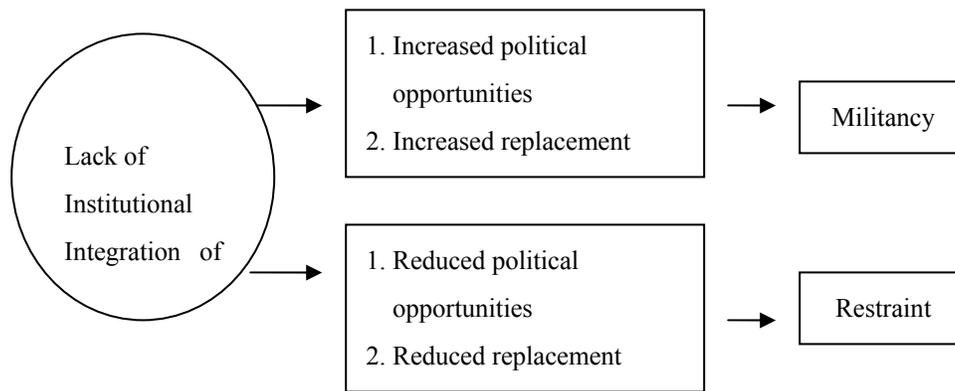


Figure 1.1 The effect of political opportunities and internal politics of unions on union behavior

2-2. Key Variables and Hypothesis for Explaining the Variation in Strategic Effectiveness of Labor Unions

The variation in the outcomes of union strategies constitutes the second central area of investigation of the study. This will lead to the attempts to answer the question of ‘why do some unions obtain more successful results than others and what explains the differences in union capacities?’ When trying to answer the question of why labor unions responded differently to the proposed reform, union strategies will be treated as a dependent variable. But when the study focuses in turn on the reason why labor unions had different abilities to influence the restructuring processes, union strategies will be analyzed as an independent variable.

In the first place, this study will be based on the premise that militancy *per se* is not directly associated with strategic effectiveness of labor unions. Past studies often saw militancy as an equivalent of successful strategies. For example, Kelly argued that militant unions that build their organizational power upon greater membership

mobilization are more successful than moderate unions (Kelly, 1996). But moderate unions can still obtain considerable gains through negotiation if they are able to exert pressure on government/management through membership mobilization. Likewise, militant unions can fail in achieving the desired goals if their militancy is not built upon mobilizing power of its membership and external supporters, and ends up with isolated resistance. Thus labor unions' ability to gain concessions is more related to the strength of unions than to labor militancy and there are other factors that affect the power of unions.

In this respect, this study will draw upon Frost's identification of two central factors to explain the heterogeneity in union responses and in their strategic effectiveness: union resources and union capabilities. For her, network embeddedness and political vitality are two central resources in creating the conditions necessary for successful strategies, and they are linked to four union capabilities- the ability to access information, to educate and mobilize the membership, to communicate with management and to access decision-making- that play a critical role in union successes (Frost, 2000). In line with her argument, this study will also focus on union resources and their strategic abilities to explain the divergent outcomes. In the first place, the differences in the resources will raise or decrease the probability of successful engagement of labor unions in the restructuring process. Yet the effect of union resources is not deterministic. Unless union leadership has the ability to take advantages of the resources, labor unions will not succeed in countervailing the government/management initiatives for privatization and restructuring. The hypotheses based on these arguments are summarized in the next section.

Union Resources Shape the Strategic Conditions for Labor Unions

This study will highlight that two resources are critical for successful outcomes:

political resources and membership resources. In the first place, the changes in political contingency could either provide more political resources or deprive them from labor unions along with the changes in government policy and the shift in political alliances. Paul Johnston claimed that public sector workers' strength rests chiefly on political-organizational resources than market power. According to him, these political resources include:

first, legal rights, organizational status, and established procedures; second, strategic alliances within the shifting political universe of the public agency, including clients, constituents, and other participants in that political universe; third, forms of voice that can help mobilize new organization, build or prevent alliances (Johnston, 1994: 11).

Hence, if the range of political resources was made wider by the changes in political contingency, labor unions are in a more advantageous position to leverage the bargaining process as they can increase points of engagement and gain more allies who could help labor unions pressure their counterpart. If, on the contrary, the range of political resources was made narrower by the changes in political contingency, labor unions are less likely to increase their bargaining power as the limited resources will constrain labor unions to act defensively.

Secondly, membership resources are also critical in raising the possibilities of successful outcomes. The participation rate of union members in union activities indicates the political vitality of labor unions. Such political vitality is essential for union leadership in exerting bargaining power. Hence the increase or decrease in mobilizing power affects the strategic capacities of labor unions. If membership mobilization remains high over the course of negotiation or strike, the possibility of successful outcomes will also increase. If, on the contrary, union membership becomes

demobilized over the course, labor unions will be less likely to succeed in either their negotiation with government/management or in their collective action.

Yet for the political and membership resources to be effective, they must be mobilized by labor unions. The basic argument of this study is that strategies count. It means that resources alone will only increase or reduce the probabilities for either success or failure. The increase in the resources raises the probabilities of successful union strategies, but it does so only when labor unions actively engage in mobilizing these resources and extend broad-based support for their strategic action. If labor unions fail to take advantage of political opportunities and lack strategic capacities to form alliances with various political groups and organizations, chances for success will be slim notwithstanding the favorable political environment. Similarly, membership resources can be effective only if union leaders make it possible to use the mobilizing power to increase their bargaining power. If, on the contrary, union leaders lack responsiveness to the interests of the members and fail to strengthen the internal organization despite the increase in membership discontent, they will be unable to halt the unilateral restructuring process that will harm the union's best interest. Moreover, the extent of mobilizing resources is not pre-determined but will also be dependent on strategic capabilities of unions. Effective strategies can result in the increase of mobilizing power while lack of strategic abilities will only undermine the latter. For this reason, the role of the strategic capacities of labor unions in creating different outcomes will be highlighted.

The Strategic Capabilities of Labor Unions Determine the Variation in the Outcomes

As already argued, although the political and organizational resources increase the opportunities for labor, they do not end up with successful union gains unless the

unions have abilities to exploit the favorable circumstances. “Particular opportunities make activist strategies credible and allow those strategies to gain both leadership and grassroots support. Unions, however, may or may not take advantage of opportunities” (Turner, 2009: 295). Similarly, labor unions that are constrained by the reduced opportunities do not always fail in gaining concessions and are able to negotiate labor protective agreements. The strategic capacities of labor unions can compensate organizational weakness and can bring fruitful outcomes. For example, Marshall Ganz’s studies on United Farm Workers (UFW) found that organizations with little internal resources can sometimes devise successful strategies. He contrasted the failure of the better-resourced Agricultural Workers Organizing Committee (AWOC) with the success of the insurgent UFW in organizing California’s 400,000 farm workers. According to him, the differences in strategic capacities can explain why “the newly formed, uncertainly funded, and independent United Farm Workers succeeded, while the well-established union with which it found itself in competition failed” (Ganz, 2000: 1004). Hence “resourcefulness” can compensate for lack of resources and new organizations can sometimes take advantage of their newness by relying on the richness of their strategic capacity while “the abundance of internal resources to which well-established groups have access may make it harder to innovate” (Ibid: 1043). Drawing upon Ganz’s insights, this study will highlight how union capabilities have been developed to different degrees during the process of restructuring. Thus, the way this study brings the union resources into consideration differs from the resource mobilization model of social movement theories, which claim that strategic effectiveness results from organizational resources of well-established professional organizations (McCarthy & Zald, 1977; Zald & McCarthy, 1987). For sure, this study shares the view that emphasizes the importance of resource flows and mobilization process. Yet it differs from the latter in that it does not consider the availability of

resources and the existence of older, established organizations as central components of organizational competitiveness. Instead, this study will argue that although labor unions that lack the already available institutional or organizational resources will face greater constraints than resourceful unions, they may still be strategically efficient by complementing their organizational weakness by developing innovative strategies over the course of the action. Attention paid to this procedural divergence in the development of strategic capacities will help account for the differences in the outcomes. Hence this approach emphasizes mobilizing capacity of unions over the availability of their preexisting resources.

In short, if labor unions fail to develop effective mobilizing strategies, they will be marginalized in the process of restructuring and they will gain little or no concessions. On the contrary, if labor unions are capable of formulating innovative strategies by mobilizing various resources, they can increase their bargaining leverage that can ensure that the outcomes of restructuring incorporate some benefits and protections for labor. Four union capabilities will be critical in explaining differences in the strategic effectiveness of labor unions: the ability to educate and mobilize union members; the ability to balance negotiation and confrontation; the ability to create political channels at multiple points; the ability to build broad social coalition and to appeal to public interest in order to pressure the government.

- i. The ability to educate and mobilize members

Labor unions should retain and reinforce their organizational integrity in order to challenge their counterparts effectively. For this, union leaders should be able to educate their constituencies to increase members' commitment to the proposed strategies and they should also possess the capacities to mobilize their members through a variety of activities. The use of extensive member education through the

union's communicative channels will enhance both the membership engagement in union activities and membership responsiveness to leaders. Hence, it will increase the organizational power of the union and will make it more likely for the union to achieve its desired goals. By contrast, if labor unions fail to mobilize its organizational power, they will be less effective in exerting bargaining leverage and will tend to give concessions without equivalent gains or protections.

ii. The ability to balance negotiation and confrontation

As already argued in the previous section, labor unions can effectively protect their members' interests either through restraint or militancy if they are able to mobilize both the grassroots and public support. For such capacity, this study will argue that the flexible combination of negotiation and confrontation is better than confining union strategies to a single method, either cooperation or militancy. Cooperative approaches that neglect active membership mobilization will often end up with concession bargaining and will reinforce the dependence on employers. In such cases, the union-government interaction will be characterized by subordination and co-optation. Likewise, militant approaches that intransigently hold to confrontational tactics will put labor unions at risk of being isolated unless the unions demonstrate their abilities to mobilize broad-based support by actively engaging in the negotiation procedures and by using the process to forge alliances with political allies, to voice their appeals to public interests and to escalate their political pressures. The neglect of taking advantages of various negotiation channels to influence government decisions will bar unions from increasing power resources and will make it more likely for the union to be retreated into defensive opposition. In such case, militancy will turn out to be ineffective.

iii. The ability to create political channels at multiple points

The mobilization of political resources is central to the power of public sector unions. Yet those resources are meaningful only when labor unions have the capacities of mobilizing them. Such capacities are particularly important when labor unions lack institutionalized political access because they can still increase their bargaining power by creating political channels to voice their opinion and to use them to gain labor allies in order to push the government to accept union demands. Hence the more labor unions have abilities to create multiple political channels, the more they have chances to counterweight the government in the political bargaining process as the unions get more possibilities to find strategic allies who will support their demands. These political networks will also help them increase their influence and pressure the government more effectively.

iv. The ability to build broad social coalition and to appeal to public interest

Broad-based social coalition is the key to the success of public sector unions as it helps gain public support for them. One of the power sources for public sector unions can be drawn from the political and social alliances they build with the constituents of various socio-political organizations including the recipients of public services. Thus, Johnston emphasized that “forms of voice that can help mobilize new organization, build or prevent alliances, and by framing and appealing to the public interest put a potent political edge on the workers’ demands” (Johnston, 1994: 11). Drawing upon Johnston’s argument, this study will stress the importance of organizing social coalition to gain broad public support. Union capacities for framing their claims as public needs will be essential to build such strategic alliances. In sum, greater social mobilization capacities will raise the likelihood of successful outcomes by providing society-wide leverage of labor unions in pressuring government.

To summarize, the hypothesis for strategic capacities of labor unions is:

5. The difference in union abilities is the key variable that explains the variation in the strategic effectiveness of labor unions. Union abilities in four areas are central to success and they are: the ability to educate and mobilize union members; the ability to balance negotiation and confrontation; the ability to create political channels at multiple points; the ability to build broad social coalition and to appeal to public interest in order to pressure the government.

It will be assumed that labor unions are most likely to succeed when they are able to employ effective strategies in all of these four areas. By contrast, they are most likely to fail when they lack abilities in all of these four areas.

The synthesis of hypotheses 1, 2, 3, 4 with hypothesis 5 will offer an alternative typology that will be substituted for the dichotomy of militancy/restraint. Based on whether unions had the ability to mobilize the political and organizational resources or not and by linking such strategic capacity with the actual outcomes, I will classify the union-government interactions into four categories in their effect in achieving the goals: 1. effective militancy (opposition), 2. ineffective militancy (resistance), 3. effective restraint (cooperation), 4. ineffective restraint (subordination) (Figure 1.2). The proposed typology builds upon Murillo's classification of four different types of union-government interactions.⁵

⁵ Based on the variation in union reactions to market reforms and on the different degree of success in achieving concessions from the government, Murillo distinguished four different categories: opposition (successful militancy), resistance (unsuccessful militancy), cooperation (successful restraint), and subordination (unsuccessful restraint) (Murillo, 2001: 12).

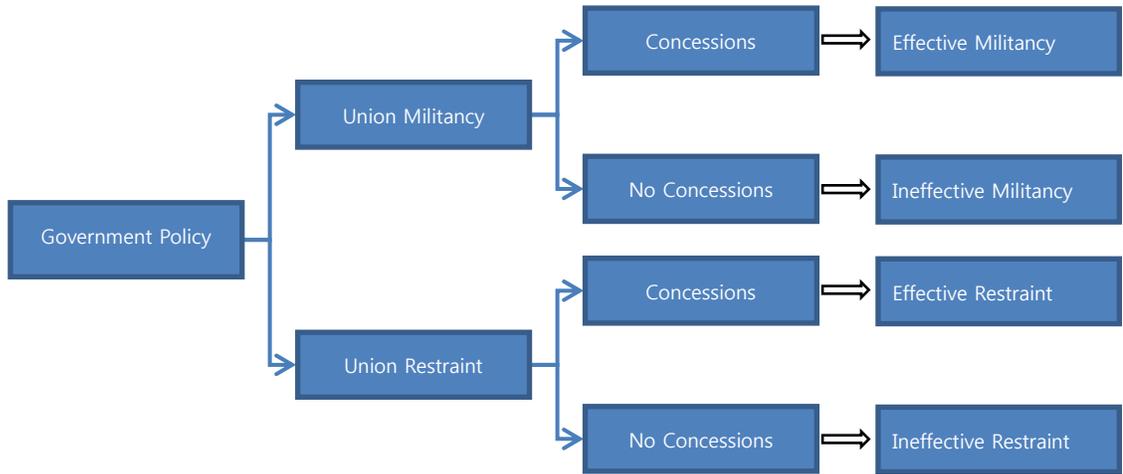


Figure 1.2 Classification of union-government interactions

If union opposition builds on the mobilizing power of union constituencies as well as on public support, militancy will be associated with strategic effectiveness. If, on the contrary, opposition remains defensive and isolated due to the low strategic capacity, union militancy will be in vain and ineffective. Likewise, effective restraint strategy that takes advantages of both political and membership resources will help the union gain concessions. In this case, the union will have a cooperative and participatory relationship with the government. But union restraint that results from ineffective strategic capacity will end up with a subordinated or co-opted union that will fail to prevent unilateral restructuring. Successful strategies, whether based on restraint or militancy, will guarantee that the restructuring process is mediated by labor. Yet in the opposite cases in which either militancy or restraint turns to be ineffective, unions will fail to halt the market-driven restructuring that will deteriorate the terms and conditions of employment.

Based on this typology, this study will attempt to capture the differences in union responses of KTTU and KRWU and in their effect on the government-initiated restructuring. The analytical framework is presented in Figure 1.3. The framework

categorizes four variations in the strategic effectiveness of labor unions, but as this study has only two cases for the object of analysis, the cases will be classified into two out of four categories. Drawing upon the framework, this study will try to determine into which categories the two unions can be classified.

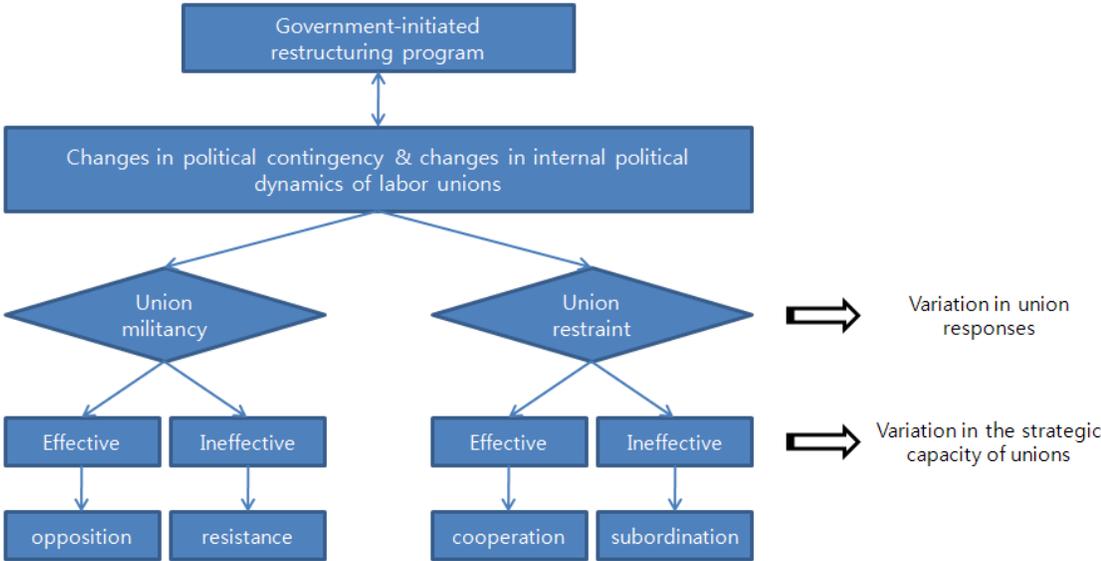


Figure 1.3 Analytical framework for explaining the variation in union responses and their strategic effectiveness

3. A Note on the Research Design

This research aims at explaining the reasons for the subnational variation in union responses to privatization and public sector restructuring and in their varied success. For this, this study selected two cases within a single country (Korea): KTTU and KRWU, which represent workers of KT and KNR respectively. They were chosen to

test the hypothesis because the unions have some commonalities that permit to control the macro-institutional effects, and hence can provide some supporting evidences for the key explanatory variables presented in this study. To begin with, both unions were in sectors that have been under public ownership whereby strong state intervention ruled over management autonomy. Hence, although technological changes and market competition became more acute in the telecommunication sector than in the railway sector, restructuring strategies in both sectors did not derive from economic considerations alone but were heavily influenced by government decisions. Thus it is important to note that employer strategies in these public monopolies have not been fully formed out of the changes in technological and market condition but have always been mediated by political processes that have been tightly controlled by government regulation.

The focus on the political processes draws attention to the political variables to explain the variation. Yet the differences lie neither in the national-institutional framework nor in the industrial relations at the firm level. The institutional framework has been identical for the two sectors thereby not allowing institutionalized labor integration into polities. Besides, both unions have commonalities in that they broke their long tradition of restraint, increased militancy along with the union democratization movement and disaffiliated from the moderate national confederation FKTU to be affiliated with the more oppositional and militant confederation KCTU. Hence, labor relations in both companies became strained at the time of restructuring, and the degree of consensus between management and union was rather low.

Yet despite these commonalities, the two unions responded differently. To explain the variation, two central factors were identified: changing political contingency and micro-organizational dynamics. According to this study's hypothesis, within the same institutional setting in which labor is excluded from co-determination or political

participation, unions are more likely to resort to militancy when political opportunities increase whereas they tend to retreat in defensive restraint when such opportunities contract. To test this hypothesis, an attempt was made to measure the political opportunities by the openness of government to the negotiation with organized labor, the presence of labor's political allies within and outside the state agencies, and the changes in elite alignments. The latter is assessed by paying attention to whether there was consensus among elites on restructuring strategy or not. Political opportunities are considered to increase when government is more open to negotiations, when labor's political allies expand, and when elite alliance becomes looser through divided strategic views among the elites. The evidences are based on the collected data from official documents and interviews with government officials as well as with union leaders. Then based on the collected data, we can observe how the changes in political opportunities affect union behavior and whether they increase militancy or not. Here, militancy is measured by the number of strikes, the threats of strikes and other forms of protests.

Yet this study also presents another independent variable to explain the variation in union responses that provides the possibility to test micro-organizational level hypotheses. The proposed hypotheses are: the replacement threat for leadership results in increased militancy whereas the weakening of such threat reduces the incentives for militancy. The replacement threat is measured by both the process and the result of union election. The voter turnout for election and the electoral results for rival candidates indicate whether the election is contested and whether the replacement threat increased or not. For this, this study relies on the official election data of labor unions.

Meanwhile, this study also examines how changes in political opportunities and in internal organizational dynamics affect union responses by increasing or decreasing

union resources. The increase in the resources is expected to create a favorable environment for union strategies. Political resources are measured by the same criterion applied to assess the political opportunities, that is, the increased channels for political bargaining with government, and the widened pool of political allies both within and outside the government. Membership resources are analyzed by looking at the political vitality of the unions, which is measured by the degree of responsiveness of union leadership to the interests of its membership and by the broad-based activity of its membership drawing upon Frost's analysis (Frost, 2000). The voter turnout for union election, for union-initiated collective action and other union activities are taken account for measuring such political vitality.

Then this study analyzes whether union leaders actually mobilized the resources to enhance the strategic effectiveness of their unions. The hypothesis states that four union abilities are key to the success of union: the ability to mobilize the membership, the ability to flexibly combine negotiation and confrontation; the ability to create multiple political channels; the ability to build broad social coalition. The more unions demonstrate their abilities in these areas, the more they are likely to succeed. Based on this hypothesis, ratings of (+), 0, (-) for each category of the four areas will be given: (-) is rated when the union lacked such capacity (no strategic capacity). (+) is rated when the union showed high capacity for the category (full strategic capacity). 0 is rated when the union showed some ability but not fully developed such capacity (partial strategic capacity). The higher the total rate is, the more the union is strategically capable. If the union obtains + 4 in total, the union's strategic capacity is highest. If the union gets -4, the union is considered to be the least strategically capable. The closer the rate is to + 4 the higher the strategic capacity is, and the closer the rate is to -4 the lower the strategic capacity is. Broadly, a union rated from + 2 to + 4 is considered to have high strategic ability, and a union rated from -4 to -2 is

considered to have low strategic ability. Unions rated from -1 to +1 are considered to have moderate strategic ability with mixed results.

Regarding the assessment of strategic effectiveness, it is important to note that this study does not use ‘the withdrawal of the privatization plan *per se*’ as the only indicator of union success. Although labor unions can play a critical role in shaping the outcomes of restructuring, some areas remain beyond the reach of union capabilities. For KT, the gradual restructuring process that started in the late 80s preceded the radical reform plan that was launched in the context of economic crisis. Thus, given the fact that the privatization of KT was not done in one stroke in the year 2002, holding the withdrawal of the privatization plan as the criteria for accounting for the success or failure of union strategies seems unjust. Yet if one takes different criteria to evaluate the strategic effectiveness of labor unions, union strategic capabilities still play an important role in shaping different outcomes. Although labor unions cannot derail the privatization plan, they can contribute to the pace, to the delay or to the obstruction of the restructuring process in order to gain more concessions from the government/management. They can also shape the outcomes of the restructuring by succeeding or failing in lessening the scale of downsizing and in obtaining some protective measures that can prevent a fundamental deterioration in employment conditions. This can be achieved by negotiating employment security guarantees that help avoid compulsory workforce reduction and by obtaining concessions from the government that could protect collective bargaining conditions. In sum, however tight the constraints, there still exists a degree of choice for labor unions, and depending on how effective the strategies may be, labor unions can either succeed or fail in influencing the outcomes of restructuring. In this regard, this study highlights the strategic capacities of labor unions in explaining the variation in outcomes, which is measured by different degrees in union abilities to obtain

concessions from government. In other words, concession means the inclusion of union demands into the final design of restructuring plans, and it is assessed by comparing the original goals and the final design of reforms. If many of the union demands are included into the final design, union strategies are considered to be effective. On the contrary, if few or none of the union demands are reflected in the final design, their strategies are considered to be ineffective. In sum, concessions are measured based on the analysis of the demands of unions with regards to the restructuring issues and the number of such demands that are included in the final agreements.

The empirical findings of this study comes from expert interviews with government officials in the Ministry of Labor, managers of KORAIL and KT as well as union leaders and activists in KTTU, KRWU, KCTU, Korea Federation of Public Services and Transportation Workers' Union. The unionists include union officers of the 1st, 2nd, and 3rd democratic leaderships of KTTU, union officers of KRWU including former union presidents and officers in the policy making division. The managers work or worked in KT's department of human resources and KRWU's department of human resources and labor relations. As a research strategy this study has chosen a matched pair of case studies drawing upon interviews and archival sources supplemented with a secondary literature review. The method of case study is considered to be appropriate to examine the research questions and objectives of this study. Researchers have argued that the method is particularly useful for such a research where 'how' and 'why' types of questions are examined. The reason for this is because 'how' and 'why' types of questions make it necessary to examine the process by which events unfold, and to explore causal relationships, especially for researching motives, power relations, or processes that involve understanding complex social interactions (Yin, 1994; Remenyi et al., 1998; Kang, 2002). The objective of this

study is to answer the questions of ‘how and why labor unions responded differently to the government-initiated restructuring plans’ and ‘why the strategic effectiveness of the unions differed’. Thus it can also be best achieved by the case study method, which will conduct an in-depth investigation on the selected cases. For this, the strategy of paired comparison is employed. Although multi-case analysis is more apt to test the generalizability of the findings, paired comparison “provides an intimacy of analysis that is almost never available to large-N analysis” (Tarrow, 2010: 243). And it draws on deep background knowledge of the cases being examined while facilitating causal-process analysis (Tarrow, *ibid*). Hence it can complement the weakness of a single case study that lacks representativity for generalization while offering a descriptive depth of the cases. Yet there is an awareness of the limits of such a strategy as paired comparison does not draw upon sufficient cases to test the generalizability of the findings and to refine theory. To complement this weakness, this study will broaden the cases and conduct a brief comparative study with the Japanese telecommunication and railway cases.⁶ I will also examine the restructuring case of the Korean electricity sector to determine whether the argument can be applied to broader cases within a single country. Although the multi-level comparison will not be systematic, it will still strengthen the argument by providing more evidences.

4. The Structure of the Dissertation

The dissertation is structured as follows. In the first chapter, an overview is provided of the research questions, the hypotheses, and the research strategy of this study. This

⁶ The evidences are collected through interviews with union officers: an interview with union officers of the Japan Railway Trade Union Confederation (JRTU) and a round-table discussion with union officers of All NTT Workers Union of Japan (NWJ). But the analysis mostly draws upon secondary literature that examines the process of privatization of Telecom and Railway in Japan by focusing on union responses.

study also presented an alternative analytical framework that grounded its argument in the context of contemporary debates of political economy and industrial relations theory. In Chapter 2, the development and the changes in structural conditions of Korean telecommunication and railway industries are described. The greater competitive pressures for telecommunications underlies the implementation of a full privatization program for KT while the absence of market competition in railways made the gradual privatization program the only plausible option for the privatization of KNR. Yet these differences are not considered to be a determining factor in explaining the differences in the strategic effectiveness of unions. As this study focuses its analysis on the variation in union success by comparing the final design of restructuring with the original union goals, the differences in strategic condition of the industries cannot give an account of the reason for the differences in union abilities in obtaining concessions.

For this reason, in the next chapters, a case study analysis is used to explain how differences in the political dynamics of changes impacted on union responses and how union strategic choice played a decisive role in creating differentials in union influence that eventually resulted in divergent restructuring outcomes. In Chapter 3, an analysis of the patterns of union-government interactions is presented: If KRWU continued to escalate militancy, KTTU oscillated between militancy and moderation to end up with restraining militancy and subordinating itself to management initiatives. In the chapter, this difference is associated with the changes in political contingency that increased political opportunities for KRWU while contracting them for KTTU. As both unions were institutionally excluded from political participation, such changes made it more likely for KRWU to mount aggressive opposition to government proposals while they made it more likely for KTTU to be on defensive. In this chapter, an analysis of how the internal dynamics of unions consolidate such tendency is

provided. The co-occurrence of a union democratization movement with the government push for railway privatization contributed to militant mobilization of KRWU as opposed to the KTTU case where reduced replacement threat and membership demobilization decreased the incentives for militancy. In Chapter 4, the strategic effectiveness of KRWU and KTTU is compared by emphasizing the central role of union strategic capacity. KRWU was more effective in mobilizing members and in mobilizing political and social resources. The greater strategic capacity enabled KRWU to incorporate its demands into the finalized restructuring bills while KTTU could not influence the pace and patterns of restructuring. Also, this study extends the comparative analysis to the Korean Power Plant Industry Union (PPIU), The British water unions, the Japanese telecommunication union and railway unions in Chapter 4. The additional cases support the central argument on the centrality of union strategy by proving its broad applicability.

Taken together, these findings suggest that countervailing power of labor unions makes a difference for the shape of restructuring. The fact that there were differentials in union influence refutes both convergence theory and traditional theories of national models. The findings suggest that restructuring outcomes vary across and within countries depending on the differences in labor's strategic capacity. In the conclusion, the findings are summarized and their theoretical implications are examined.

CHAPTER TWO

THE LAUNCH OF THE PRIVATIZATION AND RESTRUCTURING PROGRAM AT KNR AND KT

In the past, KNR and KT maintained their monopolistic position in the industries of railway and telecommunication under state ownership. The industries were protected from market competition and natural monopolies were considered necessary in railways, telecommunication, gas and electricity for their strategic importance in state-led economic development in the 1960s and 70s. Public ownership remained intact throughout the 80s and the industries were less subject to market pressures than to political control.

Yet from the 1990s a general move towards market liberalization came to create greater market pressures for hitherto protected public enterprises. As a result, public enterprises went through remarkable transformation coupled with changes in government policies that promoted deregulation and privatization of selected public enterprises, including KT and KNR. The changes at KT were more fundamental as they were boosted by rapid structural changes such as technological advances and heightened market competition. But the pressures for the restructuring of the railway industry also became intense in the 90s. This chapter will attempt to describe the process of changes that occurred in both industries focusing on the contents of privatization and restructuring plans adopted in the midst of these changes.

1. The Launch of Privatization and Restructuring Program at KT

1.1 KT as a Government Invested Enterprise

KT was founded in 1981 as a government invested enterprise (GIE). Before 1981, KT

was a division of the Ministry of Communication (MOC, now Ministry of Information and Communication, MIC) and was under the direct control of the ministry. Thus, it was a government department that was actually run by the state, and it was subject to the Government Organization Act that tightly regulated the whole operation of the enterprise. Under this structure, KT held a monopolistic position in the telecommunication industry, the development of which was planned and led by the state. The industry at that time can be characterized as a regime of post, telegraph and telephone administrations (PTT) in which the MOC commanded the whole developmental process of the industry. In the 70s, state-owned enterprises and their infrastructural services were considered to be central to the state-led economic development strategies of the military government led by Park Chung Hee. As a result of this, the government centralized control of KT and focused on building a telecommunication infrastructure. By doing this, it aimed to provide universal telephone services and maintained the monopolistic supply of telecommunication services under state ownership.

In 1981, KT was converted from a government enterprise to a GIE. It was no more a division of MOC but the government still owned a majority of the shares.⁷ And little had changed in the 80s regarding the centralized political control that characterized the past of KT. Direct government intervention and strict regulation by the Government Invested Enterprise Regulation Act (GIERA) made little room for management autonomy. The Act required that key managerial decisions concerning investment strategy, budget plans and personnel management should be approved by the GIE's

⁷ Government enterprises (GEs) are government departments subject to Government Organization Act and the employees at GEs are civil servants. Government invested enterprises (GIEs) are public corporations in which the government holds the majority of the shares. These enterprises are regulated by the Government Invested Enterprise Regulation Act (GIERA). They can still be distinguished from government backed enterprises (GBEs), which are public corporations where the government has less than a majority of the shares and which are no longer regulated by the GIERA.

governing board, which included government officials from MOC and from the Economic Planning Board (EPB).⁸ Through their influence on the GIEs' steering committees, the government and sponsor ministries not only had the final authority to approve the annual budget plans and to evaluate their performances regularly but they also set strict quota on the number of employees as well as the number of employees in each grade. Hence, the state control on GIEs remained direct and comprehensive.

Under this governing structure, the key characteristics of PTT regime (state monopoly of post and telecommunication services, centralized state control to carry out its industrial policy, the priority on providing universal services) remained intact. The President still had formal responsibility to appoint the Chief Executive Officer of each GIE and the chairman of each GIE board (hence KT) at the recommendation of the supervisory minister. And there was detailed ministerial oversight on the board in all management areas including budget plans, pay determination and staffing.

While centralized control was being sustained, competition was restrained and KT continued to have a monopoly on all telephone services and installation services throughout the 80s. From 1981 to 1986, the construction of a basic fixed line network was pursued as part of state-led economic development project, and the government-owned monopoly was viewed necessary by the ministries and government officials to complete the construction of the national telephone network. As a result of this, KT concentrated on equipment installation and invested more than one billion won every year (approximately 100 million US dollars) and installed one million lines each year.

⁸ The Economic Planning Board (EPB) was a super-ministry that set a common set of regulations and guidelines for GIEs. The EPB was established by the military government of Park Chung Hee who came to power after his coup d'état in 1961 and it played a vanguard role in implementing Park's five-year economic development plans. As GIEs were strategically important for achieving the goals of state-led economic development plans, the EPB also intervened in the operation of the GIEs. It required them to submit their budget plans to their supervisory ministries, which in turn had to consult with EPB. The EPB had the ultimate authority to finalize the plans. It later became the Ministry of Finance and Economy after its merger with the Ministry of Finance in 1994. In 2008, the name changed to the Ministry of Strategy and Finance after being amalgamated into the Ministry of Planning and Budget.

By 1987, national telephone automatization was achieved with the supply of ten million lines nationwide. At the time, the primary goal of KT as a GIE was to construct a nationalized telephone network and to provide universal telephone service through the network. Hence, until the late 80s the telecommunication sector in Korea had been rather protected from competitive market pressures, and the goal of expanding public services had prevailed over the logic of profitability. The latter can be proven by KT's focus on providing public services such as local lines, public telephone, 114 directory enquiry services and telegraph.

1-2. Structural Changes in the Korean Telecommunication Market: the Drive for Market Liberalization

Throughout the 70s and until the 80s, KT retained a monopoly in the telecommunication sector that mainly relied on wire line telephone services. Competition had also been repudiated during the same period. Yet rapid technological changes radically affected the telecommunication industry, and gave impetus to the development of competitive markets. These changes weakened the hitherto protected sector and increased competitive pressures on the former monopoly.

In the first place, technical innovation made it possible to create new areas of services such as wireless and internet. For example, KT sought to develop the mobile telephone and pager services market by establishing a subsidiary company (Korea Mobile Telecom) in 1984. But it was not until the mid-1990s that the long-standing features of PTT regime began to erode. At the time when the government primarily focused on accomplishing nationwide telephone automatization, the telecommunication market continued to rely on wire-line services and KT had a monopoly in all segments of the telephone service market. Yet from the mid-90s,

alternative telecommunication services began to proliferate spurred by rapid technological advances. The digitalization of switching and transmission systems was made possible by technological developments in fiber optic cables and it accelerated the growth of new services such as internet, wireless and cable television. For example, in the early 90s, wireless technology was still underdeveloped in Korea, but it grew so rapidly that after the successful combination of code division multiple access (CDMA) technology⁹ with Korean TDX-10 switching system, Korea Mobile Telecom began commercial services using the CDMA method from 1996. Indeed the technological development took place in such a relatively compressed period of time that the CDMA-based wireless service started five years after the first development of CDMA technology and less than ten years after the very beginning of digital technology research in Korea (Lee J-K., 2000). In the subsequent years, the wireless commercial service expanded rapidly, and subscribers of mobile telephones outpaced those of fixed line telephones by 1997. The sharp rise in wireless subscribers, which reached approximately 29 million in 2001 (60% of Korean population), reflected the radical transformation of the traditional wireline market (KISDI, 2008). In addition to the mobile phone services, high-speed internet also emerged as a core telecommunication business in the late 90s when KT began its first pilot service in September 1998, and which reached 10 million subscribers by 2002 (KISDI, *ibid*). Altogether, these facts demonstrate the remarkably fast pace of network digitalization coupled with the

⁹ CDMA employs a special coding scheme to allow multiple users to send information simultaneously over the same physical channel. It can be distinguished from the time division multiple access (TDMA) system, which divides access by time. While major companies in advanced countries possessed TDMA technology, Korea developed CDMA technology by signing a co-development agreement with Qualcomm. At first, MIC contacted other companies such as Motorola that had employed TDMA technology. But as they were concerned with the rise in competitive power of Korean companies as a result of their technological transfer, they refused to collaborate with the Korean research center that was backed by the government and the MIC. Hence the MIC turned to Qualcomm which was more willing to transfer its technology and signed a co-development agreement. Qualcomm accepted the proposal because it wished to establish CDMA technology as a global standard by transferring the technology to as many countries and companies as possible.

proliferation of new telecommunication services that tended to be mobile, high-speed and broadband¹⁰. It had fundamentally reshaped the traditional service market in that the fixed line telephone and telegraph ceased to be the sole and most important means of telecommunication and gave way to the diffusion of wireless telephone, high speed internet and data services. This tendency resulted in the erosion of the natural monopoly. As the demand for new telecommunication services rose sharply along with the growth of highly profitable newer telecommunication businesses, the competitive pressures also increased as the monopolistic supply of telecommunication services came to be considered inefficient to meet the diversifying customer demands. Hence technical innovation gave impetus to the formation of a new competitive environment in which the goal of telecommunication policy no more resided in ensuring universal wireline telephone service but in advancing the network digitalization and in diversifying telecommunication services in the related areas.

It was in this context that the Korean government decided to introduce competition in the telecommunication sector. The reason for this change was to satisfy customer demands for the new services as well as to enhance the competitive power of domestic telecommunication businesses. The competitive era was signaled in 1991 when the government allowed Dacom to enter the international telephone service market and to compete with KT. This was soon followed by market liberalization in long distance calls where Dacom and Onse Telecom began to provide services in 1996 and in local calls where Hanaro Telecom entered the market in 1999. Hence by 1999, competition was brought to all areas of wireline telephone services. Similarly, in 1999 Hanaro Telecom began its ADSL service and set out in competition with KT and other cable companies in the high-speed internet service market. In the mobile telephone service

¹⁰ As the digital transformation of the network accelerated with the development of satellite communication, it also created the possibility to integrate the once separate service areas and bundle digital network services altogether.

market, competition was introduced in 1996 when SK Telecom started to provide services after purchasing Korea Mobile Telecom and when other new private wireless telephone service companies also began to offer their commercial services. In sum, the former monopoly was replaced by duopolies in all the areas of telecommunication services by the mid-90s, which was later opened to full competition (Table 2.1).

Table 2.1 The Structural changes in the Korean telecommunication market

Service Type	Market Structure	Number of Service Providers
Local call	Monopoly → Duopoly (1997) → Competition (2004)	3
Long-distance call	Monopoly → Duopoly (1996) → Competition (1997)	5
Oversea call	Monopoly → Duopoly (1990) → Competition (1996)	5
Mobile telephone	Monopoly → Duopoly (1994) → Competition (1996)	3
High-speed internet	Monopoly (1998) → Duopoly (1999) → Competition (2000)	6

Source: Ministry of Information and Communication (2005)

Hence the diversification of telecommunication services brought about radical transformation in the market structure. By the early 2000s, the state monopoly had given way to a competitive environment in which a number of service providers contested to attract more subscribers. At the same time, the rapidly evolving wireless and information service market gave incentives for new firms to enter the lucrative market and this in turn heightened competition in related service markets. When the Kim Dae Jung Administration announced the radical privatization plan of KT in 1998, the telecommunication service market had already been fundamentally reshaped and had become more and more competitive.

1-3. The Privatization and Restructuring Plan for KT

1) Privatization Program before 1998

The privatization plan for KT had been discussed before the market became competitive and when the firm still retained a monopoly under state ownership. Indeed, the EPB established the Committee for Privatization of Public Corporations in 1987, which proposed to privatize KT in the same year. Yet at that time, the market condition was not mature enough for the government to push the privatization plan forward. Although the rapidly evolving telecommunication industry heightened its strategic importance in the economy and fueled the investment in technological development of alternative telecommunication means, the competitive market was not yet formed to lay the groundwork for the immediate privatization of KT. Hence the privatization proposal of 1987 was not seen as a feasible plan and soon withered without any significant effort to carry on it.

And it was only in 1993 that the privatization plan of KT came to the surface again. In 1993, a committee was established to evaluate management efficiency at KT under the instructions of President Kim Young Sam¹¹, which asserted the need for privatizing the firm. The committee's final report argued that KT should go through a restructuring and privatization process to enhance its efficiency and to adapt to the changing telecommunication environment (Committee for the Evaluation of KT

¹¹ President Kim Young Sam was originally the chairman of the United Democratic Party (UDP). But after having failed to be elected as a UDP candidate in 1987 presidential election, he became the chairman of the Democratic Liberal Party (DLP) in 1990. The new party resulted from a merger with the Democratic Justice Party, the ruling conservative party, and with another conservative party, the New Democratic Republican Party. Kim Young Sam became the presidential candidate of the ruling DLP and was elected as President in December 1992. During his five-year reign, he emphasized that the new government was a civilian government, but the political orientation was not much different from the former government. He was the candidate of the Democratic Liberal Party, which inherited the political legacy of the past military governments and which was conservative in nature.

Management, 1995). In parallel with the view of the report, the Kim Young Sam government pressured KT to remove organizational rigidity and to adopt new policies such as flexible staffing and performance-based personnel management. The objective of the latter was to direct the firm towards a more market-oriented system that emphasized profitability and competitiveness over the provision of basic telecommunication services. The privatization plan was at the pillar of this policy change, and consequently, the Kim Young Sam government sold 28.8% of its government share from 1993 to 1997 (Kim Y-D, 2002). As a result of this, KT became a government-backed enterprise (GBE) and ceased to be regulated by the GIERA. This meant that the official power to finalize managerial decisions was handed over to management from political authorities.¹² Yet, it could not be said that KT was exempt from political control. Although political regulation was no longer statutorily defined, government influence still prevailed through the intervention of sponsor ministries and their supervision over the governing board of KT.

In sum, an irreversible trajectory toward the privatization of KT was set as a political agenda under the Kim Young Sam government. It was pursued as part of the more comprehensive public sector reform program that targeted privatizing 58 public enterprises. The plan was initiated in 1993 by the Privatization Committee led by the vice minister of EPB. Regarding KT, the first step of privatization targeted Korea Mobile Telecom, the subsidiary company, and its ownership was transferred to a private *chaebol*¹³ company named SK Telecom in 1994. At the same time, the

¹² In the past, the President appointed the CEO and the director of the governing board of Korea Telecom. Also, the supervisory ministries oversaw every aspect of the firm's activity from strategic goal setting to performance evaluation and imposed detailed regulation on budget, staffing as well as wages and compensation. None of the managerial decision could be implemented without the approval of the GIE steering committee in which the supervisory ministries held substantial authority to command each GIE's governing board.

¹³ 'chaebol' refers to a South Korean form of business conglomerates. They are large, family-controlled, government-assisted corporate groups that have occupied a central place in South Korean economic development. They came to dominate Korean economy since 1960s when the military government of

government tried to deconcentrate KT by adopting a professional management system. The objective of this was to transform the monopolistic public corporation into a market-prone company by making the firm more apt to operate in an increasingly competitive environment. The 1997 Privatization Act laid the groundwork for these changes to occur. The Act covered four big public enterprises: KT, Korea Tobacco and Ginseng (KT&G), Korea Heavy Industry Corporation (KHIC), and Korea Gas Corporation (KOGAS)¹⁴, and it “envisaged that these four large public enterprises would develop into ‘large, commercial, private firms to be run by professional managers who strive to maximize the shareholders’ monetary interest” (Nam, 2004: 111).

Yet the original privatization program was not successfully implemented under the Kim Young Sam Administration. Apart from nine firms having completed the ownership transfer and 10 other firms having partly sold government shares, the initially targeted firms were not privatized by 1997. Originally, more than 40 public enterprises were subject to privatization by 1994, and large corporations such as Korea Gas Corporation (KOGAS) and Korea Heavy Industry Corporation (KHIC) were planned to be privatized by 1995. Yet the privatization of most public enterprises was delayed and targeted large corporations including KOGAS and KHIC remained public corporations.¹⁵ As with the latter, the radical restructuring and privatization of KT could only start when the Kim Dae Jung Administration launched a far more comprehensive public sector restructuring program of an unprecedented scale and

Park Chung Hee (1961-1979) made state-chaebol alliance to give chaebol firms privileges that allowed them to grow and to gain monopolistic market position.

¹⁴ Korea Telecom, along with KOGAS, KHIC and KT&G were classified as public corporations that were more market-oriented corporations than others by government officials.

¹⁵ Korea Gas Corporation is still a public enterprise at this time and Korea Heavy Industry Corporation was privatized in 2001, when Doosan Heavy Industry Corporation took over the ownership. The privatization of the latter was originally proposed to be done by 1995 according to the 1993 government proposal.

pace.¹⁶

2) Privatization Program under the Kim Dae Jung Administration

President Kim Dae Jung took office in February 1998 at the peak of an economic crisis, and he immediately pushed ahead with a radical public sector restructuring plan in a determined way. On July 3 1998, the Planning and Budget Committee (PBC) of the Kim Dae Jung Government¹⁷ announced “the First Privatization Plan for Public Enterprises”, which comprised 11 enterprises and their 21 affiliates including KT (Table 2.2). Privatization and public sector restructuring were driven as part of a broader market restructuring plan of the new government amidst a severe economic crisis and the IMF bailout of the South Korean economy.¹⁸ Under the burden of the financial crisis and within the framework of the IMF’s structural reform guidelines, the Kim Dae Jung government pursued a far more fundamental restructuring policy than the previous government.¹⁹ For this, the Kim Dae Jung Administration set to reform

¹⁶ Kim Dae Jung was elected President as candidate of the Democratic Party in December 18, 1997 and took office in February 25, 1998 in the midst of an economic crisis. During the five years of his presidential term, he vigorously pushed for an economic restructuring program recommended by the International Monetary Fund.

¹⁷ The Planning and Budget Committee was under direct presidential control based on Article 19 of the National Government Organization Act. The president of the committee was thus appointed by President Kim Dae Jung who established the committee immediately after he took office. The committee was in charge of pushing the government’s public sector restructuring program forward which aimed at privatizing and reforming the management systems of targeted public corporations. It later was merged with the National Budget Administrations and was renamed the Ministry of Planning and Budget in May 1999.

¹⁸ The IMF bailout program provided a comprehensive financing package of about US\$ 65 billion on both multilateral and bilateral bases. In return, the Korean government was required to provide containment of inflationary pressure through tight monetary and fiscal policy, fundamental restructuring of the financial sector, and reduction of corporations’ excessive reliance on short-debt financing. In particular, the IMF requested the Korean government to take steps to improve labor market flexibility (Kim & Kim, 2003: 352).

¹⁹ The range of the restructuring program was very extensive so that it covered not only the financial sectors but also large firms in both public and private sectors. Moreover, it also targeted promoting labor market flexibility and thus brought about statutory reforms that allowed employers to lay off redundant workers and use temp agency workers.

the public sector in the first place in order to make it an exemplary showcase for the rest of the economy. By proceeding with the radical privatization program of large public corporations, it paved the way for broad economic restructuring.

Table 2.2 The first privatization plan for public enterprises in 1998

Complete Privatization	Gradual privatization
Pohang Iron and Steel Company (16)* Korea Heavy Industry Corporation(3)* Korea Chemicals (1)* Korea Technology Bank (1)* National Textbook Printing and Publishing Company 5 public corporations	Korea Telecom Korea Tobacco and Ginseng (KT&G) Korea Electric Power Corporation (KEPCO) Korea Gas Corporation (KOGAS) Daehan Oil Pipeline Corporation Korea District Heating Corporation 6 public corporations

Source: the Planning and Budget Committee (PBC) (July 3, 1998)

*The number in the parentheses indicates the number of subsidiaries

It was in this context that the privatization of KT entered the implementation stage. The Kim Dae Jung government hastened to carry on the proposed plan and subsequently released the second privatization plan only a month after the announcement of the first plan. The second one was made public on August 4, 1998, and extended the targeted group of public corporations from 11 to 19 corporations and from 21 to 55 subsidiaries (Table 2.3).

Table 2.3 The list of targeted public corporations in the 2nd privatization plan

Korea Telecom (13)	Korea Electric Power Corp.(7)
Korea Tobacco and Ginseng Corp.(1)	Korea Gas Corp.(5)
Daehan Oil Pipeline Corp. (2)	Korea District Heating Corp.(3)
Korea Minting and Security Printing Corp.	Korea Tourism Organization (1)
Korea Agro-fisheries Trade Corp.(7)	Korea Rural Corp.
Korea Resources Corp.	Korea Coal Corp.
Korea Trade Investment Promotion Agency	Korea National Oil Corp.(2)
Korea National Housing Corp. (6)	Korea Land Corp.(2)
Korea Expressway Corp. (3)	Korea Water Resources Corp.(2)
Korea Appraisal Board (1)	

Source: PBC (August 4, 1998)

*The number in the parentheses indicates the number of subsidiaries

And not only was the number of targeted corporations increased but it also comprised detailed restructuring guidelines emphasizing the need for focusing on core businesses and for slimming down organization and workforce. The plan clarified three main privatization strategies:

1. restructuring the organizations around core businesses by disposing of non core businesses and non-related subsidiaries;
2. establishing a professional management system; promoting competition by deregulating the monopolistic market and by transferring the businesses to the private sector (PBC, August 4, 1998).

It thus envisaged to transform public monopolies into ‘ready-for-privatization companies’ and urged them to adopt new business strategies such as downsizing,

outsourcing and organizational restructuring. Moreover, the plan presented outlines of the restructuring programs for each corporation and it also specified the number of workers to be reduced for each corporation. Regarding the restructuring of KT, the plan proposed:

- To become a pivotal service provider in telecommunication market by being prepared to deal with intensifying competition and market opening;
- To maintain 26 businesses including domestic calls and to transfer four businesses including public phone calls
- To outsource or sell satellite telecommunication and telegraph businesses
- To withdraw from eight businesses including collect call and easy fax²⁰

And according to the plan, each corporation must go through personnel restructuring. For KT, it indicated that the parent company should reduce its workforce from 59,491 to 51,241 which accounted for the reduction of 8,250 employees (13.9%). The proposed workforce reduction was the largest among the targeted corporations and given that public employees had strong employment security, government guidelines for such job cuts heralded drastic changes in public sector employment relations.

Hence, it is noteworthy that “this plan differed from previous privatization efforts in its ambitious scope and its determination to transfer the control of public enterprises to the private sector, instead of stopping at partial sale of government shares” (Lim W., 2003: 40). And unlike the preceding governments, the Kim Dae Jung Administration took actual steps to implement the privatization program. It organized the Committee

²⁰ The easy fax service allows customers to send out same fax messages on a large scale without being restricted by time and place.

for Proceeding Privatization in which the president of the PBC became the president, and the vice-ministers of the Ministry of Strategy and Finance and of the sponsor ministry (MIC for KT) became the vice presidents. And each sponsor ministry had to set up a working committee for privatization to decide on the specific method and timing of privatization and to map out effective privatization strategies. It was in this context that the PBC announced the final privatization plan of KT on August 21, 1998. The plan envisaged to sell 5% of its old stocks and 10% of its new stocks (15% in total) to international telecommunication operators and to make strategic alliances with these foreign investors. It also decided to sell 13% of its shares through the issuing of depository receipts (DR). The time for stock listing was not specified by the plan, but it said that it will be decided after raising the corporate value through strategic alliances with foreign operators and that it will simultaneously go with issuing DRs in the international stock market (the PBC, December 14, 1998). Hence it is undeniable that Kim Dae Jung's government was determined to transfer the ownership of KT to the private sector and that share sales to overseas investors were conceived as a major means to pursue the privatization plan.

3) The Outcomes in Brief

After having announced the privatization plan of KT in July and August 1998, Kim Dae Jung's Administration led the organizational restructuring and massive workforce reduction in 1998 and 1999 successively, and in June 2000, it also decided to achieve a complete ownership transfer of KT to private investors. In terms of outcomes, it can be said that the privatization of KT became more radicalized in its implementation process.

Originally KT was classified as a public corporation to be gradually privatized,

but the government soon changed its plan and decided to fully privatize the corporation. This objective was achieved under the Kim Dae Jung government. In May 1999, KT shares were listed on the New York Stock Exchange and London Stock Exchange, and as a result of this, government shares were reduced to 58.99% by the end of 1999. In December 2001, the government issued DRs in the international market for a second time and reduced its shares to 40.15%. In the subsequent years 2001 and 2002, KT shares were additionally sold to both international and domestic private investors, and remaining government shares were completely sold. Hence KT was fundamentally transformed from a public corporation with 100% government-held shares in 1992 to a private firm with 0% of government shares in 2002 (see Table 2.4). All of this radical change occurred under the Kim Dae Jung government, which aggressively pressured the corporation to adopt a comprehensive restructuring program and pushed the radical privatization plan forward by selling all the remaining government shares.

Table 2.4 The Changes in KT's Ownership Structure (%)

	Government	Other Domestic Investors	Foreign Investors
Dec. 1992	100.00	—	—
Dec. 1998	71.20	23.80	5.00
Dec. 1999	58.99	22.30	18.71
Dec. 2001	40.15	22.65	37.20
May 2002	—	51.00	49.00

Source: Lim, W. (2003:51)

The final outcome was not only accomplished but even went beyond the original goals of the government. In the first place, along with full privatization, KT's ownership was completely transferred to the private sector by May 2002. The overseas

sales were also at the heart of privatization process. Consequently foreign investors came to be the major shareholders after the privatization of KT²¹.

Besides, the restructuring process was the most radical in terms of corporate restructuring and massive employment reduction. The outcomes reflected the comprehensive restructuring guidelines set by the government's second privatization plan. The key component of the proposal was to downsize the organization by selling or outsourcing non-core businesses and by reducing 13.9% of the workforce (hence reducing 8,250 KT employees). KT fully endorsed the government policy and took prompt measures to speed up the restructuring process. In December 1999, KT management announced an "Acceleration Plan for Management Innovation" in response to government initiative. KT's plan not only recapitulated the restructuring plan as proposed by the government but it also radicalized the employment reduction plan by amplifying the scale of workforce reduction. Hence the goal was readjusted to reduce 15,000 employees (25.2% of the total workforce).

In the end, the goals of the proposed government plan were all achieved. KT withdrew from eight businesses such as easyfax, CT-2 and CATV transport network and transferred eight businesses to its subsidiaries. It also outsourced several businesses such as telegraph and 114 directory enquiry services, and reduced or sold off its shares in CATV, telecommunication card, etc. Organizational restructuring was achieved through merger and abolition of organizations. And in terms of personnel

²¹ When KT's privatization was completed, government shares were all sold out and the shares of foreign investors increased every year. Immediately after privatization, a chaebol company, namely SK Telecom (SKT) became the largest shareholder with an equity stake of 11.34%. But when SKT sold out its stake in exchange for KT's divesture from SKT in 2003, Brandes Investment Partners became the largest shareholder. In 2004 and 2005, three major foreign investors (Brandes Investment Partners, Franklin Templeton International, and Capital Research and Management Company) owned 22.85% and 21.73% of shares in total respectively. In 2007, the shares owned by foreign investors accounted for 45.50% of the total shares while treasury stocks and employee stocks accounted for 26% and 5.6% of the shares. "Apparently, the foreign investors had less than 50% of the total shares. Nonetheless, given that treasury stocks lacked the voting right, foreign investors could be considered to be the most influential shareholder group. In fact, they became the largest shareholders of KT" (Roh, 2008: 70).

restructuring, the actual workforce reduction far exceeded the original goal set by the government and 15,180 employees were dismissed by June 2001. Apparently, the employment reduction was done mainly through voluntary redundancies. But they were compulsory in nature as the employees had gone through one-on-one interviews with managers who mobilized various threatening methods to force them to resign (KTTU, 1999; KDLP Seoul Regional Office, 2005; Personal Interviews). And most of these ‘voluntary redundancies’ occurred during the period of 1999-2001 which reached the number of 11,895 (see Table 2.6). The number of voluntary redundancies in this less-than-three-year period was 20 times more than the number of redundancies that had occurred over the 10 years before 1995 (There had been only 509 voluntary redundancies in KT from 1986 to 1994. See Table 2.5).

Table 2.5 The number of redundancies in KT from 1986 to early 1994

Year	1986-89	1990	1992	1993	1994	Total
Number	31	31	54	111	99	509

Source: Consortium for the Evaluation of KT Management (1994)

Table 2.6 The Number of Redundancies in KT from 1995 to 2001

Year	1995	1996	1997	1998	1999	2000	2001	total
Redundancies	5,085	1,521	1,959	3,203	9,335	1,437	1,947	24,487
Voluntary Redundancies	3,068	—	—	95	8,968	1,428	1,499	15,058

Source: KTTU internal data; KT internal data (several years)

As a result of this, the number of KT employees decreased by 26% from 1997 to 2001. The total number of KT employees reached 59,278 in 1997 but it dropped to 43,799 by the year 2001. In sum, the restructuring program for KT was radicalized and

precipitated under Kim Dae Jung's government. It was the combination of government's fast-paced public sector reform program and KT management's enthusiastic embracement of this radical policy that resulted in the achievement of government objectives.

2. The Launch of the Privatization and Restructuring Program at KNR

2.1 Korean National Railroad Administration under Government Control

One of the features that mark differences in the starting point for the privatization of KT and KNR lies in the fact that KNR remained a state-owned and state-run authority at the time when the restructuring plan was proposed by the government. Unlike KT, which ceased to be a government enterprise (GE) in 1981 to become a government invested enterprise (GIE), KNR continued to be a government organization until January 2005 when KNR was divided into the Korea Railroad Corporation (KORAIL) for railway operation and the Korea Rail Network Authority (KR) for infrastructure construction. Hence KT had been corporatized before Kim Dae Jung's government pushed the radical privatization program onward while KNR continued to be a GE even after President Kim Dae Jung left office. Besides, KT was converted to a GBE in October 1997 and was thus no longer regulated by GIERA, which had deprived KT of management discretion and had given government officials the authority to directly control the governing board of KT (see the previous section of this chapter). After KT became a GBE, although the government still exerted political control and commanded KT's restructuring process, its intervention was no more statutorily defined. By contrast, the regulatory framework that governed KNR continuously ensured government control throughout the presidency of Kim Dae Jung and

afterwards. Unlike KT, the intervention of the government and sponsor ministries was still enacted by laws such as the Railway Act, the Railway Transport Act and the Government Organization Act. Based on these laws, the government could impose a number of regulations as follows:

- The Ministry of Construction & Transport (MOCT), as the sponsor ministry of KNR, has the power to draft and submit bills, to make national railway policies, to adjust railway fare in consultation with the Ministry of Finance & Economy (MOFE), and to analyze relevant regulations concerning railway transport.
- The Ministry of Planning & Budget (MPB) has the exclusive power to draft and deliberate KNR's annual budget, to review KNR's five-year plan for approval, and to finalize reform plans for government organizations.
- The Ministry of Government Administration and Home Affairs (MOGAHA) has the authority to determine the number of public employees, to adjust their wages, and to approve the promotion or penalty for the employees.
- The Ministry of Finance and Economy (MOFE) has the power to control railway fare, to approve public borrowing or external funding, to manage national properties including railway infrastructure, and to audit and inspect KNR's accounts (Kang, 2002: 150).

Such government regulations had been in place since Park Chung Hee military government enacted the Government Organization Act in 1973. The Act defined that it was the President who had the exclusive right to command and supervise the heads of each government organization. The president of each government organization who also held the position of the Chairman of the board of directors was appointed by the President, and the board members were appointed by the ministers of supervisory ministries. Under Chun Doo Whan's government, the rest of the board members were no longer appointed by the President but the CEO of a GE was still appointed by the President. And government officials from supervisory ministries and the EPB directly

served as board members. Kim Dae Jung's government revised the Act and allowed the establishment of a CEO recommendation committee composed of non-permanent board directors and civil members, but the right to nominate and appoint the CEO was still held by the President and the ministers in charge. The same regulation was applied to KNR. As the railway bureau within the Ministry of Transport was reorganized as a semi-independent government authority named the Korean National Railroad Administration (KNRA) in 1963, KNR became subject to the rule of the Government Organization Act. And government control had remained thorough and extensive since then. Besides, although the Chun Doo Whan and Kim Dae Jung governments made minor revisions regarding budget control, little has changed in the underlying principle that gave the central government the power to impose a common budget planning guideline to each government enterprise. Hence the management prerogatives to draft budget plans, to decide the wage rate, and to fix the number of employees fell into the hands of the government and ministries. KNR employers could not make any independent managerial decisions without the approval of the supervisory ministries and their performance was annually evaluated by the ministries. In sum, not only did the supervisory ministries held the right to set railway policies, to approve investment programs and the overall price increases but they also had statutory power to set and impose management guidelines before the board of directors drafted its budget and investment plans on its own. In this way, managerial strategies at KNR were heavily influenced by government regulations that ensured direct political control of the government.

2.2 The Development of Korean Railway

The Korean railway transport first began its operation in 1899 linking the 33.2

kilometers (km) distance between Seoul and Incheon. It expanded rapidly during the Japanese colonial period to achieve a basic railway network infrastructure in 1942 with the opening of the central railway line. By the time of liberation from Japanese colonial rule in 1945, the railway reached 6,363 km of rail length with 762 stations, but after the division of Korea into South and North soon after the liberation, the remaining part in South Korea only covered 3,378km of rail length (2,642 km of route length) with 300 stations.

During the Japanese colonial period, the Korean railway was run by Japanese private companies, but after the liberation it was nationalized to form the Korean National Railroad (KNR) in 1946, and began to be operated by the Ministry of Transport in 1948 after three years of temporary rule by the American military government. But it was not long before the Korean railway network was severely damaged again during the 1950-1953 Korean Civil War. Thus the Korean government strived to rebuild the network after the War and expanded investment for the reconstruction. As a result of this, the Korean railway developed considerably thanks to increased government investment until the mid-1960s. Yet during the second term of the implementation period of the five-year economic development plan (1967-1971) of Park Chung Hee's military government, the government investment for road transport began to outstrip the investment for railway (Table 2.7).

Table 2.7 Government investment in transport (%)

	1962-66	1967-71	1972-76	1977-81	1982-86	1987-91	1992-96
Railway	60.6	28.7	29.4	21.7	12.1	10.1	12.8
Road	17.2	52.0	51.6	47.1	46.7	79.6	58.3
Subway	—	3.8	2.7	16.2	30.6	1.1	12.3
Others	22.2	15.5	16.3	15.0	10.6	9.2	16.6

Source: KNR (2000a); Kang (2002).

*Others include air and sea transport and other transport infrastructures.

Since then, the main problem facing the Korean railways was the unrelenting growth of road competition. As a result of the disproportionate concentration of government investment for road construction, the road transport grew rapidly and substituted the railway to become the major means of transport. Thereafter, the share of railways in transport steadily declined. In 1965, the railways' share of passenger traffic was 45.7%, but it fell to 24.5% in 1975 and to 21.2% in 1985. By contrast, the road's share of passenger traffic increased from 52.7% in 1965 to 73.8% in 1975. In 1985, its share was 73%, hence more than triple the railways traffic. The share of railway passenger traffic increased slightly to 23.8% in 1995 but it remained well below the share of road traffic, which was 58% in the same year (MOCT, 1998).²² In sum, low government investment had been characteristic of the Korean railway industry since the late 1960s. Faced with reduced government support and increased road competition, the railway industry retrograded with its shrinking role in national transport. The railway infrastructure and equipment also became obsolete rendering the railway performance poorer in terms of both passenger and freight transport. Government investment was so centered to construct road infrastructure that it neglected to expand and modernize the railway infrastructure. As a result, both the extension of new railway lines and railway modernization such as railway electrification, automation and double tracking were delayed (KLI, 2007: 104). It was not until the 1990s that the government invested more resources in railways and launched the high-speed railroad construction²³.

²² The share of road passenger traffic dropped to 58% in 1995, hence a 15% decrease from 1985. But the decrease was not the result of the increase in the share of railway passenger traffic (which only increased 2.6% compared to 1985) but derived from the increase in the share of subway passenger traffic that jumped from 4.2% in 1985 to 11.8% in 1995. The latter resulted from the construction and extension of subway lines in Seoul and surrounding metropolitan areas. Consequently, subways have increasingly become an alternative transportation means for commuters living in the metropolitan areas.

²³ The high-speed railway has been under construction since 1992 with the Seoul-Pusan line. Capable of running at a maximum speed of 300km/h, it was expected to transport 520,000 passengers per day when it started its operation from 2004. For this, the Korea High-Speed Rail Construction Authority

Together, these factors worsened the financial condition of the Korean railway by causing chronic deficit. Nevertheless, the Public Service Obligation (PSO) for railway remained extremely insufficient²⁴. In Korea, the allocation of PSO grant was statutorily defined by the ‘Special Law on the Operation of National Railway’ of 1995. According to the law, the government subsidizes KNR for running services that are non-profitable but that must be provided for social purposes albeit the deficit in revenue. Yet the PSO grant to KNR fell short of the required amount of compensation by more than 70% from 1992 to 2000 (Table 2.8).

Table 2.8 The results of PSO compensation by the government

(Unit: 100 million Won)

	Compensated Amount	Non-Compensated Amount	CompensationRate
1992	0	818	0%
1993	0	1,214	0%
1994	0	1,235	0%
1995	459	806	36.3%
1996	675	1,070	38.7%
1997	944	1,154	45.0%
1998	996	2,052	32.7%
1999	331	2,799	10.6%
2000	1,516	2,426	38.5%
Total	4,921	13,574	26.6%

Source: KRWU (2002b)

(KHSRCA) was established for the construction of the high-speed railway, as a public enterprise subject to direct control of the MOCT and independent of KNRA (Kang, 2002: 149).

²⁴ The PSO is an arrangement in which the government offers subsidies to the public transport sector, and which is one of the oldest regulations of the European Economic Community that dates back to the regulation No. 1191/69 of June 26th, 1969. The regulation builds on the special position of state subsidies in the public transport services whereby public authorities compensate public service operators for costs incurred. It is a requirement to ensure the provision of public transport services to meet the general interest.

The low PSO compensation rate further aggravated railway deficit, and while the increasing debt became a lasting problem for KNR, the low government investment and the resulting low transportation capacity also caused chronic deficit in its operation.

To conclude, Korean railway had been underdeveloped until the mid-1990s. Thus, unlike KT that operated in an environment marked by rapidly evolving technology and heightened market pressure, the technological progress in railways was slow and KNR operated in an economy of scale that had not undergone structural changes similar to telecommunication industry. Hence KNR provided monopolistic provision of railway services that stagnated and lagged behind due to lack of government investment for their improvement while low the government compensation rate aggravated the railway deficit.

It was not until the late 90s that the Korean government changed its attitude and began to place more weight on railway transport. The imperatives for change came from the structured deficit of KNR and the need to solve such problems, but the government also saw the growing importance of railway transport as an alternative to road transportation that posed severe transportation problems along with the increase of traffic congestion. It not only raised the transportation and distribution cost but also heightened pollution problems.²⁵ Faced by the rising cost of road transportation, the government and the MOCT turned their attention to railway transport and came to acknowledge the advantages of the latter in terms of safety, transportation efficiency and its environment-friendly characteristics. Hence in 1999, Kim Dae Jung's government drew up a "Plan for Traffic Network Infrastructure" and decided to increase government investment for railway transport. According to the plan, the

²⁵ According to the MOCT, the average increase rate of traffic congestion cost was 22.40% from 1994 to 1997, and the average increase rate of distribution cost was 13.40% during the same period (MOCT, 1999).

railway operation would be extended to 3,125km by 2001 and to 4,792km by 2019. The plan also envisaged to construct high-speed railway infrastructure and to expand double-tracking and railway electrification (MOCT, 1999).

But the move towards a more railway-centered policy and the decision to increase its infrastructural investment were coupled with a broader restructuring program of KNR that ultimately aimed at privatizing the railway monopoly.

2.3. The Privatization and Restructuring Plan of KNR

While KT confronted growing competitive pressures from its private counterparts in the telecommunication sector, it did not suffer from chronic deficit. The financial condition of KT was relatively stable and the net profit continuously increased until the privatization plan was announced²⁶. Hence the rationale for the privatization of KT was not grounded in the deficit problem but rather in the greater exposure to market competition and intensified pressures for market liberalization. By contrast, a growing deficit was at the center of industrial problems for the Korean railway that motivated the government to push the privatization of KNR. But initially when the government launched the restructuring program in the early 1990s, privatization had not been proposed yet. It was not until 1999 that the privatization of KNR was decided by Kim Dae Jung's government as a means to restructure Korean railways.

²⁶ The net profit increased from 79,689,900,000 won in 1997 to 258,319,000,000 won in 1998, the year when Kim Dae Jung government successively announced the first and second privatization plans of KT. The net revenue also increased from 6,996,295,740,000 won in 1996 to 7,785,159,819,000 won in 1997 to 8,773,912,000,000 won in 1998 (KISDI, 1999: 57).

1) The Restructuring Plan before the Kim Dae Jung Government

The restructuring plan of KNR lacked consistency and fluctuated with the changes of political regimes. Yet since the late 80s, the governments in power all sought to restructure the industry in order to enhance the railway competitiveness. At first, Roh Tae Woo's government proposed the corporatization of KNR by enacting the 'Railway Corporation Act' in 1989. According to the Act, KNR will still remain a government enterprise with 100% government share, but it will become a corporation instead of a government authority by 1993.²⁷ By legislating such an Act, the government intended to establish a more autonomous management system that would take over corporate responsibility and increase commercial activities to enhance business performance. But in 1992, Roh Tae Woo's government postponed the corporatization of KNR worrying that the financial burden would excessively increase while the basis for management independency would still remain weak (Sam-Il Accounting Corporation & MOCT, 2000: 13).

When Kim Young Sam's government took over the reigns, it decided to maintain the state-owned railway structure and thus revoked the previous corporatization plan. The reason for the annulment of the plan was the same as the reason for its postponement. While the debt of KNR increased to 700 billion won by the late 1995, an additional 620 billion won would be spent for the severance pay and other labor costs if KNR was to be corporatized. Despite this financial overburden, the prospect for management improvement was also dim as a deficit of 100 billion won was expected to be incurred every year. The possibility of greater labor management dispute also prevented the government from implementing the plan as KRWU would

²⁷ The corporatization of KNR was initially recommended by International Bank for Reconstruction and Development (IBRD) in the late 1960s. But it was not until the late 80s that the Korean government began to consider the option for actual implementation.

obtain the right to collective action with the corporatization of KNR whereas the union would be deprived of such right by the Government Organization Act if KNR continued to be a state-owned government authority (Sam-Il Accounting Corporation & MOCT, *ibid*; KRWU, 2002b; Kang, 2002).

Instead, the Kim Young Sam government enacted the ‘Special Law on the Operation of National Railway’ in December 1995 and attempted to expose KNR to more profit-oriented businesses. The law clarified government responsibility for PSO compensation although the actual compensation rate was insufficient as previously discussed. At the same time, the law envisaged to improve management performance of KNR. According to Article 7 of the law, the Committee for Improving Railway Management would be established for this purpose in which the vice minister of MOCT would be the president. By enacting such a law and organizing such committee, Kim Young Sam’s government looked for ways to increase efficiency by adopting the principle of commercialism within the government enterprise. Article 12 laid the groundwork for this to happen since it distinguished the finances of railway operation from the construction of its infrastructure and thus the government intended to embark on restructuring the operational businesses of KNR while taking responsibility for investment in the infrastructural part. Based on this new regulation, the government set up a commercialization plan in 1996 titled ‘Master Plan for Management Reform of KNR 1997-2001’ (Kang, 2002).

In the past, KNR was considered to be a government enterprise that operated on the basis of social services as well as of the economic needs. The principle of a ‘social railway’ persisted as the railway was seen to be the backbone of public transportation. Thus the foremost mission of KNR was to provide public transportation services for the general interest of the whole population. Yet with the announcement of the commercialization plan, the government pressured KNR to take a more commercial

approach that sought to maximize profits. Similar to KT, the new approach made KNR take actual measures to cut costs and increase efficiency. Thus, at the same time that the government proposed new railway policies such as establishing PSO compensation system and increasing government investment, KNR stepped towards a new commercialization strategy that sought to abolish or reduce non profitable operations and to slim down the organizational structures through mergers of stations and offices as well as through workforce downsizing. It also looked for ways to contract out the non core operations such as ticketing services, maintenance of railway tracks and rolling stocks.

In sum, from the early 1990s, the government began to make efforts to raise railway competitiveness and urged KNR to go through an organizational restructuring process by adopting a more profit-oriented management strategy. Thus, new government policies were coupled with the rise of commercialism in railway industry. It was in this context that the privatization plan of KNR came to be pursued under Kim Dae Jung's government.

2) The Restructuring and Privatization Plan under Kim Dae Jung's Government

Under Kim Dae Jung's government, the railway restructuring program entered a more radicalized track. During the first year of Kim Dae Jung's presidency, the privatization of railway sector had not been proposed yet while the privatization plan of other major network utilities including gas, electricity and telecoms was announced soon after he took office in February 1998. Instead, the government conducted an evaluative research on KNR's management efficiency from October 1998 to February 1999. Based on this, the Cabinet decided to privatize KNR while establishing a public authority for railway construction at a May 1999 meeting (Commission for Railway

Restructuring, 2001b: 1)²⁸. For the ministries of Kim Dae Jung's government, privatization was the most effective means to raise efficiency and service quality of railway transport. They argued that unless KNR underwent a fundamental restructuring process and established an autonomous management system through privatization, it would never get over the chronic deficit that structurally constrained KNR (MOCT& KNR, 2000; KNR 2000c; MOCT, 2001a).

Thus the Kim Dae Jung government swerved the railway restructuring policy from corporatization to privatization and framed the basic design of the privatization method, one that is based on the vertical separation of KNR into service operations and infrastructure. The model proposed to privatize the former while handing the infrastructural division over a public authority that would take responsibility of constructing new railway infrastructure including high-speed railways.

At the same time, the government conceived of a tight and compressed privatization process instead of a slow process that builds on negotiation among the interested parties. According to the initial government plan of 1999, the privatization would be achieved by January 2002, hence within only one year and half after the first announcement of the privatization plan. This plan was modified after a fine-tuning process among the ministries and KNR. While there was consensus among the ministries (the MPB and the MOCT) and KNR on the restructuring model based on the vertical split of the railway industry into operation and infrastructure, there existed different opinions over the specific method and time setting for privatization. The MPB endorsed the most radical form of privatization by supporting the original government plan of achieving the complete privatization of KNR by the late 2001. It

²⁸ Based on this decision, the ministries in charge (MOCT and MPB) commissioned a private consulting company, Sam-II Accounting Corporation to develop the most viable method for privatization in the same year, the recommendations of which were supposed to be reflected in the final government plan of 2001.

also argued for the divided ownership of passenger, freight and vehicle maintenance. Hence MPB's model was based on both the vertical separation between operation and infrastructure and the horizontal split within the operation company. By contrast, KNR supported an integrated privatization model by opposing to dividing the operation company. It also proposed to delay the final privatization until 2004 as it expected to spend at least two years and seven months for the transfer. The MOCT sided with KNR for the time schedule. The modified time horizon for the privatization process was presented as such:

- 1st stage (~2002): The separation between service operation and infrastructure
 - Establishment of the Railroad Construction Authority
 - Contracting-out some railway lines to private companies
- 2nd stage (2003-2004): The shift to privatization
 - Establishment of Railway Operation Co. (2003)
- 3rd stage (2005-2010): Creation of competitive market
 - Incremental sale of government shares
 - Building competitive environment by separation of passenger and freight transport
 - Expanding the participation of private companies in the ownership and management of railway (MOCT, 2000)

The finalized government plan recapitulated the gradual privatization process of 1. the vertical separation of operation and infrastructure→2. the transformation of KNR from a government organization to a public corporation with 100% government share→3. the ownership transfer of the Korean Railroad Operation Co. to private companies and the creation of a competitive market environment by selling government shares and by giving private service providers free access to railways (MOCT, 2001a). But regarding the horizontal division between passenger and freight transport, the finalized plan supported MPB's opinion and envisaged to separate them

by 2006 (MOCT, *ibid*). The plan also proposed to give the Railroad Construction Authority the power to plan, to finance and to supervise the maintenance and repair work ultimately. But it also said that the actual maintenance work would be temporarily undertaken by the Korean Railroad Operation Co. until the separation between freight and passenger would occur (MOCT, *ibid*). To achieve the goal of creating a competitive environment, the plan proposed to induce private companies to participate in railway operation businesses by selling or contracting out some railroad lines to private companies. According to the plan, both the establishment of the Railroad Construction Authority and contracting out some lines to private competitors should be accomplished by 2002 without any setbacks (MOCT, *ibid*; The Commission for Railway Restructuring 2001a). The basic scheme of the government plan is presented in the Figure 2.1.

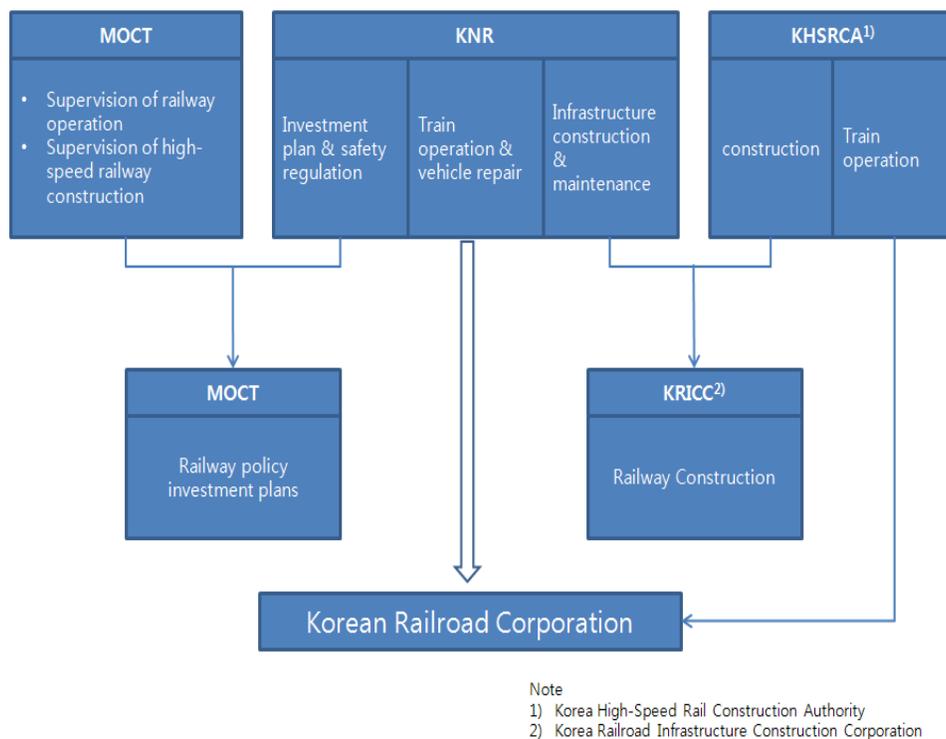


Figure 2.1 Railway restructuring model of Kim Dae Jung’s government

Based on this scheme, Kim Dae Jung's government stipulated the railway restructuring plan into two relevant bills in 2001: the Basic Law on the Development and Restructuring of Railway Industry in February and the Railroad Infrastructure Corporation Act in July. The bills statutorily defined the method of restructuring, one that is based on the split between railway infrastructure and operation: while the newly established Railroad Construction Authority would remain a government authority that takes the responsibility of constructing railroad infrastructure as well as its maintenance and repair, the Korean Railroad Operation Co. would be set up to manage the railway operation service, one that would be gradually privatized. Thus the Law made it clear that competition would be brought to the operation sector based on the rules of market economy albeit its status of public corporation for the time being. In the end, the law envisaged to completely privatize the operation sector and to hand its ownership to private companies. According to Article 18 of the Law, "the state will gradually sell its share of Korean Railroad Operation Co. to private parties in view of business condition of the latter" (MOCT 2001a: 10).

The bills passed the Cabinet council and were then introduced to the National Assembly in December 2001. But the deliberation of the bills was delayed at the Assembly, and consequently, the bills were not passed until President Kim Dae Jung's term ended in February 2003. The change in leadership of KRWU in May 2001 and the mounting opposition of the union to the railway reform bills played a key role in postponing the legislation (the responses of KRWU will be discussed in more detail in the following chapters). Hence the task of railway restructuring and related legislation fell in the hands of Roh Moo Hyun's government, which was inaugurated on February 25th 2003.

3) The Withdrawal of the Privatization Plan and the Re-introduction of the Corporatization Plan under Roh Moo Hyun's Government

The railway restructuring took a new turn when President Roh Moo Hyun came to power in 2003. The presidential undertaking committee reviewed the railway restructuring policy as Roh Moo Hyun promised to call off the privatization plan during his electoral campaign. Eventually, the new government withdrew the latter to replace it with a corporatization plan. The fierce opposition of KRWU to privatization contributed to this policy change, which came out of union-government agreement of April 20, 2003.

Straight after reaching the agreement, Roh Moo Hyun's government introduced new railway restructuring bills to the National Assembly in June 2003: The Basic Law on the Development of Railway Industry, the Railroad Infrastructure Authority Act and the Korean Railroad Corporation Act. The push for such legislation was based on the vertical separation between infrastructure and operation. Although the framework of vertical separation was the same as Kim Dae Jung's government plan, the difference lay in the fact that the former government statutorily clarified that the ownership of the newly established Korean Railroad Operation Co. will ultimately be transferred to private service providers along with the gradual sale of government shares. By contrast, the new bill deleted the related article and hence officially abandoned the railway privatization policy. Still, KRWU went on strike on June 28th to resist the passage of the bills on the grounds that the decision to corporatize KNR was not built on social consensus. The union called for a longer review period during which the method of railway restructuring could be determined by social agreement among various interested parties including not only the government and KNR management but also labor and civil representatives.

Nonetheless, the Basic Law on the Development of Railway Industry and the Railroad Infrastructure Authority Act were legislated after the passage of the bills at the National Assembly on June 30th 2003. The Korean Railroad Corporation Act was also approved in the Assembly on December 18th 2003. With this, the privatization-corporatization issue came to a conclusion. KNR was separated into the Korea Rail Network Authority (KRNA), which was established in January 2004 to take charge of railway infrastructure construction and the Korea Railroad Corporation (KORAIL), which took over the railway operation businesses from January 2005.

4) Outcomes in Brief

Since 1990, government policy for KNR's restructuring fluctuated with the changes of political power: from corporatization → to the withdrawal of corporatization → to privatization → to the withdrawal of privatization → to corporatization again. Each time a newly elected president took office, the railway policy also changed because the new Administration overturned the previous restructuring plan to set up a new one.

Besides, in contrast to the restructuring policy for KT, which changed from gradual privatization to full privatization, the restructuring plan for KNR was temporarily radicalized under Kim Dae Jung's government with the push for privatization, but soon turned into a moderate reform policy. In the end, the corporatization of KNR was adopted as a final plan, the one that had been proposed 13 years ago. Thus the finalized plan for KNR went back to the starting point, which demonstrates the delayed process of restructuring. Hence while the Kim Dae Jung government successfully implemented the privatization plan of KT, which became a private company in 2002, the government failed to carry out the original privatization plan of KNR until Kim Dae Jung's term ended. In the end, KNR was transformed into

KORAIL, a public corporation with 100% government share in January 2005. With this, the vertical separation between infrastructure and operation was achieved and KNR was split into KORAIL, the service operation company and KRNA, the railroad construction authority. But the process was slower than the one conceived by Kim Dae Jung's government. According to the original plan, the corporatization was expected to be done by 2003, and corporatization was not set as an ultimate destination of the restructuring process but as a preparatory stage for full privatization. Hence the government plan envisaged to incrementally sell government shares from 2005 in order to hand over the ownership to private companies. Yet in the outcomes, the corporatization occurred in January 2005, more than one year later than the scheduled time. Moreover, corporatization was adopted as a substitute for privatization not as a preliminary step to ownership transfer. Thus the article that specified 'the issue and sales of government shares' was eliminated in the Basic Law on the Development of Railway Industry of 2003, and the privatization policy was officially abandoned by the government. As a result of this, KORAIL has continued to be a public corporation with 100 % government share up to the present time. Altogether, these facts evidence the delayed process of KNR restructuring.

Moreover, the government made concessions in other restructuring issues. The final legislation made by Roh Moo Hyun's government specified KORAIL's responsibility for infrastructure maintenance work in opposition to Kim Dae Jung's government plan, which proposed to pass it on to KRNA. And the article that laid the groundwork for 'contracting out some lines to private competitors' was also removed in the finalized law. In addition to these legislative modifications that sided with labor's claim, employment security and preventive measures against the deterioration of working conditions were also guaranteed by the enacted law. Besides, the scale of employment reduction was also very modest compared to KT. Similar to other public

sector restructuring cases, the MPB under Kim Dae Jung's government coupled the privatization policy with employment reduction for KNR. In 1999, the ministry announced its plan for KNR's employment cut that set the goal of reducing 4,193 employees by 2001 (MPB, 1999: 5). As of the result, the total workforce in KNR decreased from 31,954 in 1999 to 30,720 in 2001. The number of redundancies was 1,234, approximately 4% of the total employees, but it was well below the targeted number. This contrasted with KT case where the actual redundancies outnumbered the original target. Hence, not only was the number of actual redundancies at KNR 2,959 less than the targeted number, but it was also much smaller than KT in its volume. The number of voluntary redundancies at KT reached 11,895 during the period of 1999-2001, which accounted for almost one quarter of the total workforce and six times more than the redundancies of KNR. The opposition of KRWU to employment cut and its tenacious demand for hiring new employees played a key role in curving sharp employment reduction during the restructuring period. Hence attention must be paid to the dynamics of union-government interaction to compare the divergent outcomes, and this study will shed more light on this dynamics in the following chapters.

3. Comparative Remarks

This chapter overviews the contents of privatization and restructuring program of Korean government for KT and KNR and their outcomes in brief. Before moving on to the comparative analysis of the two cases based on the differences of union responses and their impacts on the outcomes, it will be necessary to make short remarks on the industry differences in their starting points from which restructuring proceeded.

First of all, when Kim Dae Jung's government announced its plan, KT had already

been converted to a government-backed corporation along with the sale of 28.8% of government shares by 1997 whereas KNR was still a government organization. Hence the issue of corporatization versus privatization was confined to KNR's case, and for this reason, the ownership transfer to private competitors was not considered as an immediately viable option for KNR. By contrast, KT had already done partial sales of government shares gradually from 1993 to 1997, and was considered to be more prepared for being listed on the stock market.

Moreover, the degree of exposure to markets also differed for the two comparative cases. While the technological innovation gave birth to an increasingly competitive market in new telecommunication service sector, the railway industry was still heavily characterized by state monopoly and the economy of scale. Technological advancement was sluggish in railways as compared to the telecommunication sector that had already been saturated by newly emerging wireless, internet and cable services spurred by rapid technological development. Thus, unlike the telecommunication sector that already had a competitive basis to induce private investors, KNR had to create a competitive environment prior to full privatization.

Hence if we focus on whether Kim Dae Jung's government privatization policy had met the goal, we can conclude that it had succeeded with KT while it had failed with KNR. But given that KT had an advantageous market condition for ownership transfer, it would be irrelevant to make a parallel comparison between the two cases focusing on whether full privatization has been achieved or not. For sure, KTTU would have little chance to obstruct privatization itself as the telecommunication sector had undergone structural changes that pushed it toward market liberalization. On the contrary, as gradual privatization was the only feasible option for KNR, full privatization would have not been adopted as a prompt measure regardless of KRWU's strategic choices.

Yet although greater competitive pressures in the telecommunication sector sped up the process of full privatization for the latter, there still existed considerable room for unions to make differences in the outcomes. Even though KTTU could not make the government withdraw the privatization plan, it could still exert a certain degree of influence on the pace and the patterns of privatization process by getting labor's demands reflected in the final outcomes. Obtaining concessions for the maintenance of employment and working conditions as well as negotiating a labor-protective agreement would have prevented the unilateral restructuring process. Such was not the case for KT, where the government succeeded in implementing a fast-paced radical privatization program, and where KTTU had to subordinate to the unilateral enforcement of the plan. By contrast, KRWU succeeded in delaying the implementation of the original restructuring plan and in making the government modify its privatization policy. It was also capable of pressuring the government to include union demands in the final legislation and restructuring plan.

Besides, the differences in the conditions of the industry are insufficient to answer the question of why Kim Dae Jung's government granted concessions in railways and not in the telecommunication sector. The expansive character of the telecommunication industry may have been favorable for the union and KTTU could have been effective in achieving concessions while the retrograding railway industry was saddled with a chronic deficit problem that may have constrained the union to concessionary bargaining. Such was not the case and the actual process went in the opposite direction. For sure, the economic crisis significantly impacted the process as the government hastened to implement the IMF-mandated restructuring program. This has in turn limited the strategic choices of labor even in the expanding industries. Yet the national economic context did not directly impinge on the outcomes. Although the economic condition improved when Kim Dae Jung's government launched its railway

restructuring in 1999, the recessionary period had not finished yet, and government officials still heavily resorted to the rhetoric of economic crisis to force labor to make more concessions. Added to this, the deficit of the railway industry could increase labor restraint and damage its strategic effectiveness. But the union was rather successful in attaining its objectives albeit in this unfavorable economic and industry situation. For this reason, this study will turn its attention to the variation in the government-union strategic interactions to explain the differences in the outcomes.

CHAPTER THREE

THE CHANGES IN THE POLITICAL CONTINGENCY AND IN THE MICRO-ORGANIZATIONAL DYNAMICS OF KTTU AND KRWU

Government enterprises primarily operate through a political process whereby the policies of government officials, ministries and political parties play a key role in setting the objectives and the rules of operation for the enterprises. In this context, the political negotiation between government and organized labor becomes particularly important as it can provide political resources and increase bargaining leverage for public sector unions. On the contrary, if labor's participation in political bargaining is foreclosed by government, the power resources for public sector unions will be reduced and the unions will have less opportunity to mobilize various means to pressure the government. For this reason, this study will highlight the changes in the political contingency and the way they increase or reduce political opportunities for labor unions. They will be dealt as one of the important variables to understand differences in the patterns of union responses. In this regard, it is also noteworthy that the political contingency was not the same at the time when the government pushed for the privatization of KT and KNR and provided different sets of political opportunities for KTTU and KRWU. This chapter will thus examine how the changing characteristics of the political contingency conditioned the two unions differently.

Yet union responses do not automatically derive from the changes in the political contingency but also result from the internal dynamics of the unions. For this reason, this chapter will also examine the timing of the union democratization movement in KTTU and KRWU and its impact on the leadership competition. The replacement threat associated with the leadership competition will be considered as one of the key variables that explain the variation in the pattern of union-government interaction because the increased replacement threat provided the incentives for greater militancy

for union leadership.

1. The Changes in the Political Contingency in the Restructuring Process of KT

As previously discussed, the privatization and restructuring program for KT stepped into a fast-paced and radicalized track under Kim Dae Jung's government. The privatization of KT became an immediate goal for government, which announced the first and second privatization plans for public enterprises in July and August 1998 (including KT).

In the first place, it is noteworthy that President Kim Dae Jung took office in December 1997 at the peak of the Korean financial crisis. In the following year, the IMF bailout program was introduced, and by signing on the memorandum, Kim Dae Jung's Administration had to comply with IMF-mandated market liberalization policy in exchange for the provision of 65 billion US dollars. Hence increased external pressures compelled the Kim Dae Jung government to speed up the restructuring process in four major areas (labor and public sector reforms along with finance and corporate restructuring) as recommended by the IMF. As extended loans from foreign banks and increased investment from foreign investors were considered to be essential to revive the Korean economy, it was hard for Kim Dae Jung's government to refuse to accept IMF policies. For this reason, "the IMF intervention in economic restructuring was closer to mandates than simple advices" (Lim S-H et al., 2004: 33). Moreover, the IMF had the formal authority to review the restructuring process once for two weeks in early 1998 and once a quarter later on until 2001. It was under the inspection of the IMF that the government also promised to immediately privatize five public corporations including their 21 subsidiaries and six other public enterprises by 2002 (Lim S-H et al., *ibid*: 35). Hence, the 1998 announcement of the privatization

plan was made in a situation where the Korean government had to consult with the IMF on the scope and the pace of restructuring, and where the IMF regularly checked the process and requested to carry out prompt reformatory measures for market liberalization, privatization and deregulation.

Yet although the Korean government had to submit to IMF recommendations and to adhere to its market restructuring policies, it was also its own strategic choice that led to the radical privatization and restructuring of KT. Kim Dae Jung's government's top priority was to overcome the national economic crisis by the earliest possible time and it thus stressed that such a goal could only be achieved by pushing large-scale market reform forward. Hence, the economic hardship was promptly translated into political decisions to take radical measures for market restructuring. For this, Kim Dae Jung's government set up the Planning and Budget Committee (PBC) under the President's direct control in February 1998 immediately after the new President came to power, and the PBC took charge of commanding the whole process of public sector restructuring. The establishment of such a committee gave it power that differed from the responsibility taken by each individual ministry. Not only did it take charge of state budget planning but it also had the task of leading comprehensive public sector reform that went beyond the boundary of individual ministries and covered the whole public sector. In response to this government initiative, the PBC brought a large group of consultants, treasurers, lawyers and researchers from the private sector to create a new principle for public sector restructuring, the principle that promoted market-oriented restructuring and that ultimately aimed at large-scale employment reduction and privatization for targeted public corporations. Its objective was to achieve a far more comprehensive public sector restructuring that differed from the past restructuring strategy that had remained partial and fragmented.

Such a process gave opportunities for economic bureaucrats to seize the political

initiatives and to take control over the restructuring process.²⁹ Although the political orientation of President Kim Dae Jung differed from those of right-wing governments of the past and advocated centrist principles, he appointed economic bureaucrats who had been key policy makers in past governments to the posts of the Ministry of Finance and Economy (MFE) and of the PBC.³⁰ Paradoxically, right wing neo-liberalist economic bureaucrats were brought to power by the so-called left to center President. Kim Dae Jung felt growing pressures for fast and effective crisis management, which made him adopt “the technocratic political style of restructuring” (Lim & Han, 2003: 203) rather than the more sluggish, consensus-building approach that involved consultation with various social groups. As the priority was put to overcome the economic crisis at the fastest pace, Kim Dae Jung’s government chose to overtly embrace IMF policy and appointed the economic bureaucrats who could promptly translate the IMF- mandated programs into their actual implementation. This resulted in the weakening of power of centrist reformists whom President Kim Dae Jung originally relied on to pursue government policies. The reformists who centered around presidential secretary Kim Tae Dong intended to formulate key economic

²⁹ From Park Chung Hee’s military government, economic bureaucrats exerted strong control on economic policy by commanding the state-led economic development and overseeing the whole national economic activities. They dominated the EPB, which was a super-ministry that not only took responsibility for drawing budget plans and setting national economic policies, but that also exerted overwhelming power over the policies and directions of the individual ministries as well as over the operations of industrial sectors in general. The EPB merged with the Ministry of Finance to form the Ministry of Finance and Economy (MFE) in 1994. In 1998, the MFE’s budget planning task was handed over to the Planning and Budget Committee (PBC), which became the Ministry of Planning and Budget in May 1999 after the merger with the National Budget Administration. In 2008, the MSF merged with the MPB to form the Ministry of Strategy and Finance. The MSF took responsibility for everything related to the national economy from budget planning to economic policymaking.

³⁰ For example, he appointed Lee Kyu Sung who was the minister of Ministry of Finance in the previous government as the minister of MFE. And as the president of PBC, he appointed Jin Nyum who had held a series of government posts in Park Chung Hee’s and Chun Doo Whan’s military governments as well as in Roh Tae Woo’s and Kim Young Sam’s governments. Jin Nyum started his career in EPB under Park Chung Hee’s military government to become the chief of the ministry’s Office of EPB during Park’s reign. He was successively appointed to the chief of the ministry’s Office of Finance in 1990, as minister of the Ministry of Energy and Industry in 1991 and as minister of the Ministry of Labor in 1995. In 2000, he was appointed as minister of the MFE by President Kim Dae Jung (cf. “There are no Progressives without economic bureaucrats” *Media Today* October 21st 2007).

policy grounded on the principle of ‘democratic market economy’ emphasizing distributional justice and equity. Yet the neo-liberal structural adjustment program under the IMF trusteeship created an environment in which the reformist principle gave place to a fast-paced, sweeping restructuring strategy.³¹ By occupying top ministerial and governmental positions, economic bureaucrats seized hegemonic power in designing and implementing restructuring policies and thus made the centrist reformists retreat from central bureaucratic machinery. As a result, the reformists resigned from their positions and the Kim Dae Jung government became entirely dependent on the conservative economic bureaucrats for guiding key restructuring policies in its early period. In this context, neo-liberal market reform came to be accepted as a panacea to cope with economic crisis, and pressures for public sector restructuring intensified to reach the point where targeted public corporations were compelled to adopt a radical reform program that aimed at downsizing and privatizing the former public monopolies.

Moreover, the economic stringency gave little room for dissidents to make political objection to this neo-liberal drive. While the imperatives for market liberalization became the top political priorities for the nascent government, the political basis of the new government was weak as it was the first time for a centrist politician from an opposition party to be elected as president after decades of militarist or conservative reigns. Despite this weak institutional ground, the challenge of overcoming the severe economic crisis became an immediate task for Kim Dae Jung’s government. Hence the government sought to push the radical restructuring plan forward in order to get through the trials as rapid as possible. It was in this context that Kim Dae Jung’s government established the PBC and granted it the exclusive power to

³¹ The analysis of changes in the political contingency related to the declining power of reformists draws upon newspaper articles, notably the article in *Media Today*: “There are no Progressives without economic bureaucrats” *Media Today* October 21, 2007.

lead the restructuring program. This was followed by the announcement of the first and second privatization plans, in which KT became one of the primary targets of privatization. All of this happened within six months of the inauguration of the new government, which demonstrates how strongly the government was committed to public sector restructuring.

In its pursuit of privatization plans, the government bypassed KTTU and other related public sector unions by refusing to negotiate with KTTU on the matter of privatization and restructuring of KT. At the national level, the Kim Dae Jung government established a Tripartite Commission, which appeared to accommodate a corporatist arrangement to reach social agreement. In fact, the government had a contradictory tendency between its centralist policy orientation towards labor integration and its immediate political objectives that aimed at rapidly recovering from the economic crisis based on IMF-mandated neo-liberal restructuring strategy. Hence, while it pushed radical restructuring forward, it simultaneously set up a Tripartite Commission in January 1998 to negotiate a peak-level social pact among representatives of government, business and organized labor.³² The Commission particularly focused on dealing with the economic crisis and sought to gain labor's approval for the government's restructuring plans. Although the three parties reached a social agreement a month after the establishment of the Commission, the relationship among the parties was very fragile and labor was far from being incorporated into the social partnership.³³ Indeed, there was persistent tension and conflict among the

³² The Commission was composed of 11 members with the ministers of finance and labor, representatives of four political parties, two representatives from the employer associations (representatives of Korea Employers Federation (KEF), Federation of Korean Industries(FKI)) and two representatives from the national confederations of labor unions (representatives of FKTU and KTTU).

³³ The three parties reached an agreement called the "social agreement to overcome the economic crisis" in February 1998. Yet the agreement was controversial in the sense that it brought about severe criticism from rank and file delegates within KCTU accusing their leaders of giving consent to the legalization of redundancy layoffs and to the establishment of temporary employment agencies for the flexible utilization of labor. In return, labor unions were granted legalization of teachers' unions, the

parties that ultimately resulted in the boycott and withdrawal of KCTU from the Commission in 1999 (Tripartite Commission, 1999). The same was true for the ‘Special Committee on Public Sector Restructuring (SCPSR)’, a machinery of consultation and negotiation within the Tripartite Commission that took charge of fine-tuning different views regarding public sector restructuring³⁴. Yet at odds with this consultative principle, the government and the PBC announced the privatization plans without the agreement of the tripartite committee and without the appropriate process of consultation and negotiation within the SCPSR. The negotiation itself proceeded with difficulties in reconciling conflicting opinions, and the government made it clear from the beginning that the negotiation would be limited to reaching consensus on the general direction of public sector restructuring and that the subjects regarding the method and the content of restructuring are non-negotiable. Above all, the most serious problem that hurt the core principle of social agreement was the arbitrary decision made by the PBC that circumvented the very process of negotiation and that made labor representatives repeatedly recede from the SCPSR (Tripartite Commission, 1998, 1999). For example, the government announcements of the first and second privatization plans were made without the agreement of the SCPSR members. Actually, the first announcement was done a day after the SCPSR proposed the core principles for public sector restructuring, which emphasized the need for preservation of public interests, for transparency of the decision-making process that ensured participation of employees, for efforts to avoid layoffs and to guarantee job security.³⁵ Yet the PBC

removal of the ban on unions’ political activity and unionization of public servants. The agreement was disapproved by the KCTU delegates who called for a general strike to oppose to it.

³⁴ The committee was made up of two labor representatives from the two national confederations, KCTU and FKTU, two business representatives from the national employer associations FKI and KEF, three government representatives from related ministries (PBC, Ministry of Finance and Economy, Ministry of Labor), representatives from three political parties and three other labor relation experts who represented public interests.

³⁵ It also claimed the promotion of corporate accountability as well as the need for distributing a certain portion of disposed shares to the public or allocating employee owned stocks first when public

went on publicizing government privatization plans without consulting the committee members. This PBC-led restructuring plan immediately evoked contestation from the members of the SCPSR, and labor representatives decided to boycott the committee to protest against this unilateral process (Tripartite Commission, 1998).³⁶ Yet the same non-negotiated process was being repeated on August 4th 1998, when the government announced its second privatization plan. Two days before the announcement, the SCPSR members demanded to reflect the key principles that they proposed a month ago. It also recommended that the government participate in faithful bargaining with labor unions of targeted public corporations. In doing this, it emphasized that the timing and the scale of employment cuts as well as the changes in terms and condition of employment should be negotiated with labor and be based on labor-management agreement. At this time, labor representatives also got back to the committee and asked the government to stop unilateral restructuring and to proceed with deliberate consultation with labor. But the PBC pressed on and announced the second privatization plan without reflecting these demands, circumventing negotiation among the parties (Tripartite Commission, *ibid*). In fact, the government and the PBC impaired the consultative mechanism of the tripartite committee and neglected negotiating a social agreement. The role of labor was restricted to *ex post facto* consent to the PBC's unidirectional push for neo-liberal restructuring.

Hence the political opportunities for labor unions shrank when the government launched the privatization and restructuring of KT and other targeted public corporations. The imperatives for economic recovery made Kim Dae Jung's

corporations will be sold.

³⁶ The two representatives from the national union confederations decided to boycott the Tripartite Commission on July 10th 1998 in opposition of the July 3rd announcement of the 1st privatization plan. They did not attend the meetings from the 6th to 8th of the Special Committee for Public Sector Restructuring demanding an official apology from the government for pushing a one-sided restructuring program without appropriate negotiation (Tripartite Commission, 1998).

government take radical measures for market reform, including privatization and restructuring of the public sector. This situation contracted political space for labor unions and labor-friendly politicians while providing overwhelming power to the neo-liberal economic bureaucrats who were in key ministerial positions in the MFE and the PBC. The communicative channels were also closed for KTTU and other related public sector unions as the government refused to engage in political exchanges with them and to allow them to participate in decision-making. In fact, the government handed the task of political negotiation over to the Tripartite Commission, but the principle of the social pact got lost in the government's recurring breach of its promises to reach agreements via tripartite consultation. The PBC bypassed such consultation and went on announcing and implementing government plans without going through the tripartite negotiation. This caused KCTU's withdrawal from the Tripartite Commission and ended up with non-negotiated, unilateral policy implementation.

2. The Changes in the Political Contingency in the Restructuring Process of KNR

KNR encountered different political opportunity structures as the timing for its privatization was set for a later date than KT. In its early days, the Kim Dae Jung government had an uncompromising attitude towards public sector reform and was determined to accomplish privatization of targeted corporations (including KT) as a showcase to prove government commitment to IMF-mandated neo-liberal restructuring strategies. At the time, the privatization of KNR was not considered as an immediate option because the state monopoly still heavily dominated the railway industry. In contrast to KT, which was set as a target for privatization instantly after President Kim Dae Jung took power, KNR was not included in the list of targeted

public enterprises for privatization as announced in the first and second privatization plans³⁷. The government targeted public corporations that had already been more market-prone than others for objects of immediate privatization. For the less marketized enterprises for which it was not plausible to adopt an early privatization program, the government envisaged to introduce an intensive restructuring program to be implemented on an annual basis in order to transform the enterprises from state monopolies into market-oriented business organization (the PBC, June 27, 1998). Such was the case for KNR for which the creation of a competitive environment was needed prior to the implementation of immediate privatization. Hence while the privatization of KT was announced in July 1998, it was almost a year later that the privatization of KNR was decided by the Kim Dae Jung Administration. Yet although the decision was made in a May 1999 cabinet meeting, the privatization plan was not given concrete shape and made slow progress until the government finalized the plan in early 2000.

This gap meant more than just a difference in time schedule as it involved changes in the political contingency. Firstly, the political constraints imposed by economic stringency came to be loosened. After two years of crisis, President Kim Dae Jung declared that the economy has recovered from economic crisis on the ground that the macroeconomic data proved that Korea's economic growth ranked top among the 29 members of OECD in 1999.³⁸ Thus the economic urgency that had been associated with tight political decisions changed. In the early days, Kim Dae Jung's government

³⁷ KT was listed on the targeted public corporations for gradual privatization on July 3rd 1998, but it then was included in the targeted corporations for full privatization in the announcement of 2nd privatization plan on August 4th 1998. Hence, within only a month, the privatization plan for KT became even more radicalized.

³⁸ President Kim Dae Jung invited 130 participants of the "International Forum: For 2 Years of IMF" to the Blue House on December 2nd 1999 and declared that the Korean government had already overcome the financial crisis. Cf. "Retrospection on Korean Economy: The Restoration of Korean Economy", *Yeonhap News* December 11, 1999.

was determined to push the proposed reform at an unprecedented pace and had an uncompromising attitude for this purpose. Thus it was difficult for labor to find political space to raise objection to the government's unidirectional push for market restructuring notwithstanding the presence of Tripartite Commission, because the latter was rendered ineffective by the unilateral decision made by the PBC. Yet such political tightness decreased as the government began to be relieved of economic exigency. Thus when the Cabinet decided to privatize KNR, Kim Dae Jung's government was less pressured by the immediate need for crisis management and had more political leeway than in its early stage.

This change in the political climate increased possibilities for labor-sided policy contenders to voice their opposition to the PBC-led restructuring process. For sure, the PBC's unilateral push for the first and second privatization plans and for the other proposed public sector restructuring did not stop, which heightened labor's contestations within the Tripartite Commission. Indeed, the recurring conflicts between labor unions and government resulted in the breakdown of the social agreement when KCTU officially decided to withdraw from the Tripartite Commission at its meeting of union representatives on February 24th 1999 (Tripartite Commission, 1999). Yet despite the continuation of government's avoidance of labor integration at the peak-level negotiation, political opportunities increased for KRWU to engage in political exchanges with the government. In early 2000 when the government finalized its railway privatization plan, the government resorted to the negotiation in the tripartite committee (SCPSR) for fine-tuning oppositional approaches to railway restructuring. Within this consultative framework, there was more room for compromise. In contrast to KT's case in which the PBC took the sole lead by bypassing the SCPSR, the government representatives engaged more faithfully in the negotiation with labor for railway restructuring. Hence, the SCPSR had

substantial discussions about the restructuring issues, notably regarding the employment cuts and the introduction of a single-driver system, and tried to come to an agreement with union representatives. From November 1999 to December 2000, the SCPSR held six meetings on railway restructuring and eventually reached an agreement (Tripartite Commission, 2002).³⁹ The agreement can be summarized as such:

1. Employment cuts

1) Regarding the proposed cuts for 1999

- The contracting out of shunting drivers and women train crews needs further examination.
- The reduction will be made in the managerial and supportive positions.

2) Regarding the planned cuts for 2000

- The single driver system for passenger trains will be gradually implemented after supplementing the safety facilities.
- The single driver system for freight trains will be delayed.

2. Railway Privatization

- The claim of KNR: given that privatization requires minimum time for administrative arrangements, KNR will consult related ministries in order to get sufficiently prepared for privatization.
- The claim of KRWU: the increase in the competitive power of railway- through the expansion of infrastructure facilities and the operation of high-speed railways- is a prerequisite for the railway privatization (Tripartite Commission, 2002: 1678-1679).

The contents of the agreement could not satisfy the KRWU members since it could not prevent the employment cut planned for 2000. Nor could it make KNR withdraw the introduction of a single driver system. But it nonetheless proved that KRWU was

³⁹ Yet the agreement was disapproved by union members. Prior to the agreement, the rank and file members voted on the strike against railway privatization, and 81% of membership supported the strike action. When the strike was cancelled after the agreement was made, the opposition group within the union organized a ballot on the agreement in which 9,036 members participated, and 85% of them rejected the agreement (Kang, 2002: 246).

able to persuade KNR to rein back the precipitated drive for railway privatization by reaching consensus on the need for sufficient time for preparation. And in turn, this provided more room for KRWU to increase political pressures on the government and KNR.

The tension between the MPB (which was created out of the merger between the PBC and the National Budget Administration), the MOCT and KNR also contributed to increase the political opportunities for KRWU as it put a brake on the PBC's unilateral decision-making process. Unlike the pursuit of the KT restructuring program, which was overwhelmingly dominated by the PBC's guidelines, the method of railway restructuring constituted a more contested political sphere that undermined the hegemonic authority of the PBC. As discussed in the previous chapter, contrary to the KT case where objection could hardly be made against the PBC-led restructuring policy implementation, there were conflicting views among the political authorities on the timing and method of railway restructuring that had been subject to negotiation before the government finalized its plan (MOCT, 2000). While MPB pushed for a fast-paced privatization plan, KNR proposed to delay the process in order to be sufficiently prepared for privatization (KNR, 2000b; MOCT, 2000). It contrasted with the KT case where management subordinated itself to the lead taken by the PBC. KT management not only adhered to the policy of the PBC and actively cooperated in its implementation, but it also went beyond the proposed plan by carrying out drastic workforce reduction that actually exceeded the number of reductions proposed by the government. Similarly, other restructuring strategies were put into practice with the active support of KT management. This was not the case of KNR, in which management did not fully embrace the MPB-initiated restructuring strategies, and rather objected to the hastened policy implementation of the latter. In the end, the MOCT tried to mediate between the two conflicting views and sided with KNR in

acknowledging the need to go through a preliminary stage that will create competition and lay groundwork for privatization (MOCT, *ibid*). In consequence, while the economic bureaucrats within the PBC and later in the MPB exerted irresistible power over the process of KT's privatization and restructuring, the coherence of its political control had weakened during KNR's restructuring process. The fragmentation of political authority among the ministries and KNR required the negotiation of contending views, and hence opened possibilities for KRWU to forge a tacit alliance with KNR management within the public agency (Personal interview). The latter contributed to the obstruction of the MPB-led restructuring process.

Yet the most distinctive change in the political contingency occurred when the political environment altered again with the 2002 presidential election and when President Roh Moo Hyun took office after winning the election. First, the electoral campaign widened the political space in which KRWU could take advantage to publicize union claims and to try to get support from various political and social constituencies including the presidential candidates and political parties. Such a process was made possible because in the electoral context, chances are greater that the political parties and their candidates become more responsive to the demands of various social groups (including labor unions) as the competing candidates strive to win the election by expanding their electoral base. Indeed KRWU sent a questionnaire to all the presidential candidates asking them to disclose their key railway restructuring policies, and in return, three candidates responded to the inquiry. The candidate of the Democratic Party, Roh Moo Hyun claimed that privatization of network utilities including the railway should be entirely reconsidered. He also said that 'KNR should recognize KRWU as a bargaining partner and engage in faithful negotiation with the union' (KRWU, 2003b: 8-9). The candidate of the Korean Democratic Labor Party (KDLP), Kwon Young-ghil supported all the major demands

of KRWU and promised that the party would fight with the union to achieve union objectives⁴⁰. He also opposed the privatization of KNR and argued for the need to preserve and expand public services (ibid, 10-14). Even Lee Hoi-Chang, the candidate of the conservative right-wing party (the Grand National Party) stated that the party opposed the privatization of KNR and promised to pursue the railway restructuring policy in a cautious way, giving priority to building social consensus based on the consideration of public interest. He also made it clear that the party would not review the privatization bill during the regular session of the National Assembly (ibid: 15-17). In sum, let alone the pro-labor KDLP, which had always supported KRWU's demands even before the presidential campaign, the two major parties came out on the side of KRWU by criticizing Kim Dae Jung's government's railway restructuring policy and both parties called for the revision of railway privatization. Apart from the candidate of the KDLP, the candidates of the two major parties avoided directly responding to the eight major demands of KRWU and only vaguely stated their principles for railway restructuring. Nonetheless, they agreed to revoke the proposed government plan and to readdress the railway restructuring issues from the starting point. Above all, they both claimed that they would revise the privatization plan and that they would go through public hearings and other social consultation process to decide a reliable railway restructuring program. Thus the presidential election made it possible for KRWU to use the electoral campaign to advance its claims and to gain political support from the candidates of major parties. As far as the candidates tried to gain the railway workers' votes, the electoral space also multiplied channels for KRWU to

⁴⁰ The demands were: to withdraw the damage suit and provisional seizure of salary and union funds; to stop disciplinary punishment of union members for their strike and union activities; to file a petition for union members who had been indicted or punished for their union activities; to introduce a special employment plan for 25 laid off employees; to implement an allowance pay program; to call off the plan for the single-driver system; to recruit new employees for the shortage of staff quotas; to call off contracting out and to stop expanding non standard workers.

escalate political pressures. Moreover, as all the candidates acknowledged themselves the need to incorporate the union into the decision making process, KRWU had greater possibilities to ensure its participation in the latter and to disrupt the unilateral restructuring process. Together, the presidential election created a more favorable political environment that KRWU could use to mobilize political support against the proposed privatization plan. In the end, such a process helped delay the implementation of KNR's privatization plan as well as block the passage of the related privatization bill in the National Assembly.

The political opportunities continued to expand when Roh Moo Hyun was elected President in December 2002. As he promised to withhold the steps towards privatization and to revise the planned schedule on the basis of social agreement, KRWU was in an advantageous position to put pressure on the new government to keep the public pledge⁴¹. Actually, right after his election, Roh Moo Hyun suggested on January 17th 2003 in a speech made to foreign businessmen in Korea that he will modify the privatization plan for network utilities. In several other occasions later, in press conferences and during broadcast TV debates, he recapitulated his intention to revoke the railway privatization plan.⁴² It was no doubt that such a policy switch threw more weight behind KRWU's campaign to halt the hastened move to railway privatization. In line with the President's turn to a more cautious approach to privatization of railway and other network utilities, the presidential undertaking committee also announced that the new Administration will discard the railway

⁴¹ In his policy booklet, Roh Moo Hyun stated that "he will completely postpone the schedule for privatization of the key national industries such as electricity, gas, railway and water resources" and that "he will revise the reform policies based on social agreement." Cf. Roh Moo Hyun's Campaign (2002), Policy Booklet for 2002 Presidential Election.

⁴² The statements aroused criticism from not only the domestic press but also from the Financial Times, which expressed concerns about the delay or postponement of privatization of gas and railway. Other domestic newspapers also denounced the president's decision to halt the privatization policy and urged him to implement the original privatization policy without modifying it (cf. *The Korea Economic Daily* January 12, 2006; *Pressian* January 20, 2003).

privatization plan of the previous government and that it would reflect the opinions of not only related ministries but also experts and civic groups to draw up an effective railway restructuring plan⁴³. This process of policy revision created an environment whereby KRWU saw the increased possibilities to push its demands more aggressively and to expand the scope of its demands.

Such increase in political opportunities also allowed the union to make headway on political bargaining with the government. Kim Dae Jung's government had also recognized KRWU as the official bargaining partner and had negotiated with the union on the matter of railway privatization and restructuring. Officially, the government argued that its privatization policy could not be the object of union-government bargaining. But at the actual level, the government accepted the request of the union to bargain on the privatization and restructuring issues and reached an agreement with the union on February 27th 2002, which stated that 'both union and management will make cooperative efforts for public development of railway industry' (KRWU, 2003a: 188). Such an agreement demonstrates the presence of political bargaining between the government and KRWU at the time.⁴⁴ Moreover, the political bargaining took another step forward and made progress in negotiating union-government agreement under Roh Moo Hyun's government. As the new president promised to revise the railway privatization policy and to incorporate labor's opinion into decision making during the electoral campaign, KRWU was in an advantageous position to pressure the new government to fully engage in political bargaining with the union once Roh Moo

⁴³ The president of the undertaking committee, Lim Chae-Jung said on January 15th 2003 that "privatization of railway and electricity should be approached very cautiously and should be decided after gathering broad public opinion", because "the privatization of network utilities could hurt public interests and could raise several problems such as private monopoly and rising service fees (*Korean Economic Daily* January 15, 2003; *Hankook Ilbo* January 15, 2003)."

⁴⁴ By contrast, Kim Dae Jung's government refused to bargain with KTTU and only allowed the peak-level negotiation through the Tripartite Commission. And as the consultative machinery was bypassed by the PBC's unilateral implementation of privatization policy, the union-government negotiation was actually foreclosed at KT.

Hyun was elected. The new government continued to negotiate with KRWU on railway privatization and restructuring. As a result of this, the union-government negotiations ended up with the agreement of the two parties on the withdrawal of the privatization policy. The agreement would not have been possible if union-government political bargaining had not made progress in the early period of Roh Moo Hyun's presidency.

In sum, the changes in political contingency provided different political opportunities for KTTU and KRWU. While they had been both institutionally excluded from central political decision making in the past, the political opportunities increased when KRWU began to campaign against the government proposal of railway privatization whereas they diminished when KTTU was faced with the announcement of the KT privatization plan. At the time of KT's restructuring, the hegemonic power of neo-liberal economic bureaucrats was overwhelming to the point that they unilaterally decided the pace and method of KT's privatization and restructuring by bypassing social consultation and by excluding the labor union from the decision making process. But at the time when the government began to push for railway privatization, the coherence of political control of the economic bureaucrats weakened as there existed contending views among the public authority and ministries. It thus increased possibilities for political negotiation, which opened a space for KRWU to escalate political pressures on the government. Moreover, the electoral context and the successive governmental change increased various political channels through which the union could voice its opinion and find allies within the political sphere. Hence, there were differences in government attitudes towards organized labor. Kim Dae Jung's government had an uncompromising attitude towards public sector reform and was determined to make the restructuring of KT a showcase to prove the government's commitment to IMF-mandated restructuring. Thus the government

refused to engage in political bargaining with KTTU on the matter of privatization and restructuring. By contrast, Roh Moo Hyun's government involved KRWU in the political negotiation over the railway restructuring by accepting to bargain with the union. This increased access points for the union to put pressure on the government albeit the latter had not been firmly institutionalized and had rather been unstable and transitory.

Thus it is undeniable that the differences in political opportunities conditioned the two unions differently by putting KTTU in a more defensive position than KRWU. Yet the differences in political opportunities do not impinge on the outcomes in a deterministic way. They only increase or decrease the probability of successful collective action of labor unions. If KRWU failed to seize the opportunities by neglecting to mobilize political resources, it would not have been successful in negotiating the agreements with government as it did. Similarly, there was still a room for KTTU to exert pressures on the government despite the economic stringency and the resulting political contraction.

Moreover, the political opportunities alone do not explain the difference in the patterns of union responses to the proposed privatization and restructuring plans. The strategic choices of labor unions were not only made by their perceived differences of macro political resources but also by their assessment of internal organizational resources. For this reason, this study will focus on the differences in the micro-political changes brought on by union democratization of the two unions to explain the divergent patterns of union responses. Especially, the differences in the timing of union democratization will be highlighted as they each involved distinctive organizational dynamics.

3. The Changes in the Internal Political Dynamics of KTTU

KTTU underwent a fundamental leadership replacement on May 30th 1994 when the militant dissidents took power. The new leadership was supported by a coalition group called 'Minjupa' (which means democratic faction) that had united against the old leadership. The result put an end to the decade long labor-management relationship at KT that was characterized by union subordination to employer and government. In fact, labor relations at KT had been based on cooperative relationship since the formation of KTTU in January 1982. The decade of peaceful labor relation was made possible by the sustained collaboration of union leadership to the government/employer initiatives, but it also facilitated the emergence of union democratization movement led by militant activists who were frustrated by the absence of labor protection under the passive quiescence of union leadership to management prerogatives. The opposition group considered the labor-government/management collusion as one of the major causes that worsened wages and work conditions and strove for the formation of an independent union that would break out of traditional labor relations at KT (Personal interview). Besides, public sector labor regulation aggravated workers' discontents as it controlled every aspect of employment condition by imposing wage guideline and staffing quota while strictly banning collective action of public sector employees. The tight state regulation coupled with the deprivation of collective rights stirred KT workers to secede from union leadership as they considered their leaders to be ineffective in defending their interests. Such decrease in member commitment was expressed in the electoral results of May 1994. The oppositional militant candidate gained more than double the votes of the candidate of the past leadership. Yoo Duck Sang, who was the candidate of the coalition for union democratization won the election with 66% of the total votes while

the rival candidate got only 27% of the votes (KTTU, 1995a: 63).

The leadership change radically transformed labor relations at KT as well as the nature of union-government relationship. The new leadership broke out of its cooperative past and substantially altered union activities by turning to militant tactics. Right after the launch of the new leadership, KTTU began to organize contract struggles by setting confrontational goals that primarily focused on removing the government-imposed wage guideline, the wage-freeze policy that had long been sustained in public sector. It also aimed at establishing an autonomous labor-management collective bargaining system that ruled out government intervention characteristic to GIEs and at opposing the early privatization policy as proposed by the government-sponsored committee. Along with the changes in the objectives, KTTU also adopted a new repertoire of tactics that included large demonstrations and sit-in protests. For the first time in KTTU history, the union held a mass demonstration on April 2nd 1995 at Boramae Park in Seoul where over 30,000 KTTU members and their family members (41,508 according the union report and 30,000 according to media report) gathered to advance their claims. They also marched in the streets and declared that they would immediately go on strike if the police tried to arrest the union leaders. By relying on such disruptive tactics, KTTU leaders tried to obtain 80,000 won increases in base pay (KTTU, 1995b; KTTU, 1995c). In fact, the disputes around the wage contract at KT drew the national spotlight as it challenged Kim Young Sam's government's wage freeze policy, which had been one of the top issues for labor-government conflicts. Besides, KTTU's union democratization was considered as a significant political threat to the government as it was a large public union with approximately 50,000 members and as the outcomes of its contract bargaining had symbolic influence for the entire public sector. The April 2nd demonstration further alerted the government and heightened tension between the government and KTTU.

For fear of KTTU's spillover effect into other public sector unions, the government took an extremely hard-line approach towards the union. The bargaining was already deadlocked in a stalemate after four rounds of negotiations as KT employers held tenaciously to the government wage guideline of 5.7% and refused to yield to any of union demands. To add to this, President Kim Young Sam intervened himself and denounced the union for being "a state subversive force" when KTTU did nothing more than organize rallies in order to pressure KT employers to negotiate in good faith with KTTU and in order to protest against its disciplinary action (Han, 1996: 115). The President's speech was made even before KTTU resolved to strike and signaled hostile measures taken against KTTU leaders.⁴⁵ After the President's speech that heralded tough countermeasures against KTTU, the government intensified union suppression which included issuing arrest warrants for union staffs, closing down union offices and their website, sending police troops into Myeongdong Cathedral (a Catholic church in central Seoul) and Jogyesa (a Buddhist temple in Central Seoul) to break up the sit-in protests that had been staged by union leaders.⁴⁶ Such massive disciplinary action and repressive measures exacerbated antagonism between KTTU and government and it was detrimental for the nascent Yoo Duck Sang leadership. The oppression happened right after the launch of new leadership that only had a very weak institutional basis. There had not been sufficient time to build a stabilized union

⁴⁵ On May 19th 1995, President Kim Young Sam had a luncheon meeting with board members of the International Press Institute (IPI) and said that KTTU had the intention of overthrowing the state. In line with the President's speech, the public prosecutor general also stated that the disputes at KT should be dealt with as a national security problem rather than a mere labor dispute at an individual enterprise. These hard-line approaches were soon followed by actual oppressive measures. Cf. *Dong-A Ilbo* May 20, 1995, *Daily Maeil Business Newspaper* May 20, 1995, *Kyunghyang Ilbo* May 20, 1995.

⁴⁶ In the first place, KT employers provoked KTTU by dismissing and taking disciplinary action against 63 union staffs on May 16th in the middle of wage bargaining. After this breakdown of labor-management negotiation, union officers staged sit-in protests in Myeongdong Cathedral and Jogyesa, but Kim Young Sam's government cracked down on the protests by sending in police troops. As a result of this, 38 union officers were either wanted by the police or arrested, which demonstrated how massive the government suppression was (KTTU, 1995b, 1995c).

internal organization for the new leadership yet, and it was still deprived of institutional resources to confront the government hard-line policy, which precisely aimed at demolishing the organizational groundwork for the burgeoning militant leadership. Kim Young Sam government's violent suppression of KTTU taken in this context actually hurt the leadership as 13 union officers were arrested after the break-up of sit-in protests in Myeongdong Cathedral and Jogyesa. Besides, Yoo Duck Sang, the president of KTTU, also turned himself in to the police on July 30th 1995 and was imprisoned until October 9th 1995 (KTTU, 1995b; KTTU, 1995c), which further limited the leadership ability for the newborn militant union. In sum, a series of drastic punishments substantially damaged the leadership which already had difficulties in strengthening union internal organization due to a lack of institutional basis.

Moreover, the membership resources also shrunk to further erode the leadership. At first, union members' discontents towards the old entrenched leadership resulted in leadership replacement that fueled militancy. The growing concern for job insecurity also increased the mobilizing power of union membership as they were ready to counteract government policy for employment reduction that could be derived from privatization and the restructuring of KT. The high rate of turnout (95% turnout vote that accounted for 46,939 voters out of 49,155 members) for the 1994 union election and the support for the new leadership (66% votes for the candidate of the union democratization coalition versus 27% for the candidate coming from the old leadership) proved the high mobilization capacity of union constituencies for collective action (cf. KTTU 1995a for voter turnout and results). Such mobilizing potency reached its peak when approximately 30,000 union members staged a rally at Boramae Park. Yet the sparks for the first contract struggle under the new leadership soon dampened without any organizational gains. Originally, KTTU announced that it would go on strike if KT employers refused to grant concessions, but on July 28th, it

cancelled the plan and yielded to the arbitration made by the National Labor Relations Commission (NLRC) that was disadvantageous for labor. While the decision ruled out labor-management negotiation on privatization and on the reform of human resource management, it attempted to debilitate the union by enforcing a 55% reduction of full-time union staffs and the abandonment of the union shop clause. The wage bargaining, which had been the biggest issue in the negotiations at the time, also ended with labor's defeat as the increase was made within the limit set by the government's wage guideline (Kim Y-D, 2002). KTTU leaders organized disruptive tactics such as sit-in protests and mass rallies but they were not successful as union leaders' discretion was restricted by the arrest warrants and as they subordinated to the NLRC arbitration that was detrimental to labor. Strong internal mobilization and coalition-building were the only means for KTTU to obtain some of their objectives in the face of increasing government hostility, but the union leadership was not able to overcome the institutional weakness and confined itself to isolated protests. Such strategic limitations ended up with the union leaders' surrender to the police, which created a leadership vacuum for the union and undermined the mobilizing power of the membership. Union members continued to be demobilized throughout the 1995-1996 and started to doubt the effectiveness of confrontational strategies formulated by the Yoo Duck Sang Administration.

As a result of this detachment of union constituencies from the incumbent leadership, KTTU leadership came to be replaced again by a more moderate leadership. The newly elected Kim Ho Sun and his staffs were also part of Minjupa, the union democratization coalition, but they deviated from Yoo Duck Sang's leadership and opposed the latter by criticizing its intransigent policy. For them, the previous leadership failed to build their militancy on members' support and "only organized struggles for struggles that left nothing behind except a sense of defeat"

(KTTU, 1999: 71). Hence in the December 1996 union election, leadership competition mainly occurred among factions within Minjupa, and not between rivals of different confederations. As the old leadership ceased to be a strong candidate, the incentives to increase militancy for fear of leadership replacement diminished, but they did not completely disappear because the competition remained intense between the political factions. As the electoral result indicates, the new president Kim Ho Sun won the runoff election by just a handful of votes (with a 2%-margin between the second candidate). In the first round of elections, he even fell behind the candidate backed by the former Yoo Duck Sang Administration who won 48% of the votes (Kim Y-D, 2002: 72).

As a consequence of this election, Kim Ho Sun came to office on January 1st 1997. The new leadership was established in the midst of the economic crisis that also severely struck KT employees as massive employment cuts were heralded along with the privatization plan for KT. In this context, KTTU members were very anxious about their employment security and strongly wished for their leaders to exert effective countervailing power against the government/management initiated restructuring plans (KTTU, 1997).⁴⁷ Yet by winning the election by a slim margin, the new administration had only a weak standing for exerting its leadership. To expand membership support, it had to be responsive to members' interests that forced it to sustain militancy but also to depart from the strategies of the former leadership that were ineffective in achieving union objectives. This constrained the new leadership to oscillate between militancy and restraint without being capable of developing effective strategies, and ultimately

⁴⁷ According to a union membership survey, 71.1% of respondents expected that the shift of KT from a GIE into GBE would aggravate employment security. Besides 41.8% of the respondents replied that they would mostly participate in union-initiated collective action while 31.8% of them said that they would always participate in such collective action, and 25.2% said that they would decide depending on the situation. Only 1.2% of the respondents said that they would not participate in such action (KTTU, 1997).

contributed to further erosion of members' mobilizing power. While the massive employment cuts were introduced in 1998 and 1999 resulting in 12,538 redundancies (including 9,063 voluntary redundancies that were compulsory in nature), Kim Ho Sun's Administration responded by threatening to strike and called them off soon after without any tangible gains. KTTU held the strike vote from June 15th to June 17th 1998 in which 70% of union members participated and 76% voted in favor of the walkout. Accordingly, the union staged a two-day warning strike on July 15th and 16th and planned to go on strike again unless KT employers granted concessions, but the leadership suddenly called off the strike on July 23rd and returned to the bargaining table in order to negotiate some labor-protective agreements. In the end, the union's restraint strategy was not successful as KTTU faced a bitter backlash including arrest warrants issued for 10 union staffs and 349 disciplinary actions against the strike participants (KTTU, 1999). The massive union oppression destabilized KTTU and brought again a power vacuum during the imprisonment of union leaders. And although KTTU leadership made the employer withdraw the disciplinary action except six dismissals on May 22nd 1999, it could not prevent KT employers from violating the 1998 agreement that contained the promise to not introduce compulsory employment reduction and to consult the union prior to job transfers. Seemingly on April 26th 1999, the union deferred its original strike decision against unilateral imposition of the restructuring plan and reached a contract agreement on May 22nd that stated that restructuring issues would be discussed in the Special Labor-Management Committee on Restructuring. But KT bypassed the Committee and kept on enforcing compulsory redundancies without consulting the union (KTTU, *ibid*).

The recurrent labor's retreat resulting from the withdrawals of strike decisions intensified the internal division between the incumbent union executives and the former union leaders who continuously appealed to militancy. Frustrated by unfruitful

compromises marked by concessionary bargaining, militant activists affiliated with the former union leadership denounced Kim Ho Sun's Administration for calling off the strikes in vain. Such an internal split increased leadership competition between the militant branch and the more moderate one within Minjupa, which ended up with the narrow victory of Lee Dong Gul who had 53.2% of the votes while the rival candidate gained 43.5% of the votes (cf. *Korea Daily Labor News*, December 16, 1999). The winning candidate came from the moderate faction and was reluctant to mobilize militant collective action. While KT's restructuring plan based on the "1999 Acceleration plan for Management Innovation" -one that not only complied to the government proposal but also radicalized the latter by increasing the number of redundancies- was introduced at full rate, KTTU's new leader who started its term on January 1st 2000 abandoned the confrontational goals and restrained militancy. The only exception was made on December 17th 2000 when KTTU went on a five-day general strike to halt an additional 3,000 employee cuts that employers tried to implement through the re-introduction of the voluntary redundancy package in November 1999. Yet the strike was not actively organized by Lee Dong Gul's leadership. Rather, the leadership was compelled to take such action by the demands of outraged union constituencies who insisted on mobilizing an instant collective action against management attempts (Seoul Regional Office of KTTU, 2001). In the end, KTTU could lessen the redundancies to approximately 1,400 through the general strike, but it was also faced with management's disciplinary action against 424 union members that further undermined the organizational power of the union (KTTU, 2001; Seoul Regional Office of KTTU, *ibid*). Indeed, the 2000 general strike marked the end of KTTU's militancy, which was followed by a rapid drop in the mobilization capacity of its membership that showed a downward curve from this point of time. Since then KTTU kept on restraining militancy and remained quiescent until the full privatization

of KT was achieved in May 2002.

For this reason, militant activists linked to Yoo Duck Sang's leadership continuously denounced the cooperative attitudes of the incumbent leadership and argued for the need to reform the central union administration (Seoul Regional Office of KTTU, 2001). Yet they also were unable to mobilize union members and to get support from them. The membership became gradually detached from militant activists as they were frustrated by their strategic ineffectiveness linked to their weak leadership capacity. Their militant strategies had disrupted labor relations at KT but had failed to obtain concessions from either the government or management. Hence the militant branch (Minju-Dongwoo-hue, which means the Association of Democratic Comrades) degenerated into a minority group in the union and lost its influence on membership. As a result of this, they stopped to be a threatening force for leadership replacement, which then reduced the incentives for militancy. Consequently Lee Dong Gul's leadership was no more concerned with the replacement threat of its militant rivals and did not feel any pressure for increasing militancy for fear of being replaced⁴⁸. Thus it contented itself with restraining opposition and mostly subordinated itself to the government/management initiatives. Although it protested against the unilateral implementation of privatization and restructuring plans, it never mobilized mass collective action against them. Seemingly, it did not organize any effective contestation to push KT employers to abide by the union-management

⁴⁸ The diminution of the replacement threat of the militant rival can be seen in the electoral results of December 2002. The votes of the winning moderate candidate Ji Jae Sik (64.47%) almost doubled the votes of its rival candidate (33.54%) cf. *Chosun Ilbo* "14 years of cohabitation with 17 years of internal disputes" July 20, 2009. The result was considered to derive from tenacious employer intervention in union internal affairs based on the stick and carrot strategy. While it took an adversarial approach towards the militant activists associated with Yoo Duck Sang's leadership and oppressed them with a hard-line policy, it tried to foster a cooperative leadership by supporting the moderate candidate. Hence the electoral result arouse controversy and bitter criticism within labor movement that the new leadership was manipulated by the employer and that there was an election fraud in which the employer exerted unfair pressures and methods in order to establish the subordinate pro-employer leadership (*KDLP Seoul Regional Office*, 2005).

agreement when the latter broke the agreement and excluded the union from decision-making on privatization and outsourcing. Originally, such issues were deemed to be discussed at the Special Labor-management Committee on Restructuring. But the union's voice was completely ignored by management which enforced its decision without any significant interference of the union.

In sum, the political dynamics of KTTU changed along the restructuring and privatization process. The groundbreaking leadership replacement by the militant group of union activists in 1994 radically broke the tradition of labor peace at KT, which resulted in the heightened tension between KTTU and government/management. But militant labor contestation became attenuated with the successive leadership moderation. In the end, KTTU shed all the imprints of militancy and resorted to restraint. All this happened while the political vitality of the union also decreased as union members were demobilized over the course of restructuring. The continual labor defeats associated with concessionary bargaining persistently reduced the mobilization capacity of membership.

4. The Changes in the Internal Political Dynamics of KRWU

The political dynamics of KRWU differed from KTTU although the union democratization movement marked a breakpoint from the past entrenched leadership in both of them. The distinctive divergence can be derived from the different timing of union democratization that disparately colored the political dynamics of the two unions.

Like KTTU, KRWU had a long history of labor peace under cooperative leadership. Same as at KT, the absence of industrial disputes at KNR did not result from a participatory labor relations system that integrated union into managerial

decision-making. Rather it derived from labor subordination to KNR management, which was sustained by co-opted union officials who sought to secure their position within the organization by reinforcing their allegiance to management and by controlling rank-and-file members for this purpose. Based on leadership loyalty, KNR circumvented collective bargaining and replaced the latter with a labor-management council. Yet the council was characterized by union compliance to management initiatives and the exclusion of key employment issues that directly affected union members from union-management dialogue. While the subjects of discussion were limited to less contentious issues such as minor terms of employment (issues regarding work relocation, promotion and retirement), adjustment of allowances such as holiday working allowance or fieldwork incentive allowance, and improvement of welfare and fringe benefits, the most controversial issues regarding employment reduction, outsourcing and work flexibilization were hardly covered by the council meetings (Kang, 2002: 184). Moreover, the agreement made at the council could not be enforced by law and could be easily ignored by management. Hence the consultation was far from guaranteeing union participation in key managerial decision. It was rather established to bypass collective agreement and to implement employer strategy through taming union leaders and subordinating them to managerial decisions that were precisely assured by such consultative machinery. Ultimately it undermined the independent power of KRWU and rendered the docile pro-employer union leaders less and less responsive to membership interests.

Politically, the leadership was also conservative and did not stage any oppositional action against government policy. In fact, KRWU was established in 1947 as a sector branch of the Daehan National Federation of Trade Unions, which was led by right-wing unionists.⁴⁹ Then in 1961, after the temporary disbandment of the union in the

⁴⁹ Before 1947, railway workers were divided into left-wing activists affiliated with Kyungseong

aftermath of Park Chung Hee's coup d'état, it was re-established by Park's military government. Since then and throughout the 70s and 80s, the union leadership had long sustained its pro-government inclination and supported the military governments of Park Chung Hee and Chun Doo Whan by endorsing key policies of their dictatorship (Korean Democracy Railroad Labor, 2001b). Indeed "given this ideological and political trajectory, the KRWU had been characterized as a very docile and pro-government union based on anti-communist ideology" (Kang, 2002: 174).

Such conservative leadership had not been significantly challenged until the mid-1990s although a union democratization movement began to burgeon after the very first wild-cat strike led by locomotive drivers on July 26th 1988 which demanded the improvement of working condition. The KRWU leadership did not support the strike and remained quiescent when the government suppressed the strike and arrested 1,653 strikers (11 of them were imprisoned after the arrest) (KRWU, 1997; KDRL, 2001b). Yet although the strike failed, it prompted the locomotive drivers to organize an independent organization, namely the National Association of Locomotive Drivers (NALD, Jeonkihyeop) and to begin to challenge the incumbent leadership. From 1992, the NALD continuously demanded change in the union constitution to adopt a direct voting system, and came into conflict with the union officers at every annual convention of union delegates. At the same time, the NALD became aware of the limits of confining itself to this sort of occupational association and tried to organize ticket collectors from 1994 to expand their membership basis. It also sought to build a coalition with the Subway Workers' Union and organized a joint strike with the latter

Factory Alliance, the branch of Jeonpyeong (Korea National Council of Trade Unions), and right wing groups who were organized by the regional council of transportation sector of Daehan National Federation of Trade Unions. The leftists organized a general strike in 1946 'for rice' and also a one-day political strike in 1947 opposing a separate South Korean government. Yet in the following months, the predecessor of KRWU, the Transportation Workers Council of Daehan National Federation of Trade Unions was established as a unitary organization for railway workers while the leftist organization had been dismantled after the unsuccessful strikes (KRWU, 1997).

in June 1994 to demand an eight-hour day. The strike was soon broken by police troops and 30 NALD staffs were imprisoned in addition to approximately 1,000 disciplinary actions taken against the strikers including 140 involuntary job transfers (KDRL, *ibid*). As a result of this, the NALD was dissolved but the leaders and members of former NALD reorganized themselves into the Committee for Pushing Railway Democratization, which continued to be an engine for the union democratization movement.

Yet while opposition to union leadership continued to grow in the mid-1990s, it was not until the late 90s that union leaders actually felt growing pressure for change. First of all, the railway restructuring and commercialization that had been initiated in the mid-1990s culminated in the 1999 decision of Kim Dae Jung's government to privatize KNR. From this point on, railway workers' fear for losing their status as public servants and of facing drastic employment cuts mounted. According to a survey conducted by KRWU, 21,181 members (79%) responded that they were opposed to privatization, while only 3,676 (13.7%) were in favor of the latter. And 81.1% chose employment insecurity as the first and foremost reason for opposing railway privatization (KRWU, 1999). While union members felt a growing sense of worry for employment insecurity, they were frustrated by the passive leadership and expected their union to act as an effective counterweight to government policy. This gave further momentum for the union democratization movement, for which rank-and-file support grew fast.

Another critical event that helped the union dissidents leap forward was the decision made by the Supreme Court on January 14th 2000 concerning KRWU's 'three-tier representation and election system'. The decision made it invalid by recognizing that the system ran counter to the spirit of Trade Union Labor Relations Adjustment Act, according to which the election of union officers should be made by a

direct, secret and unsigned ballot.⁵⁰ Boosted by such judicial decision, the opposition group within the KRWU reorganized themselves into the Korean Democracy Railroad Labor (KDRL, Gongtubon) to push union democratization forward. The KDRL called for the need for leadership replacement and continued to attack the existing leadership for neglecting to mobilize membership opposition to government-initiated railway restructuring. Such challenges to the leadership became substantial as rank-and-file members gave more support to the opposition group, and as the legal decision opened the possibility for actual leadership replacement (KDRL *ibid*; Kang, 2002, Personal interview).

Faced with both the threat of KDRL and the increasing discontents of union members, the union leadership had to change their strategy in tackling the government initiative for railway restructuring. As the internal disputes became intense, the incumbent leadership became more and more afraid of being replaced. It thus took a more oppositional approach towards government policy and began to mobilize union members⁵¹. The leadership first set up an ‘Emergency Committee to Cope with Privatization’ to carry on a campaign against privatization in September 1999 and began to organize a series of collective protests against government proposals. The leadership had never mobilized its members nor organized mass rallies before, but from late 1999 it started to organize such collective action. Although such moves did

⁵⁰ The Act stipulated that “the election and the dismissal of union officers shall require resolutions made at union general meeting . . . and shall be made by a direct, secret, and unsigned ballot. (Article 16)”

⁵¹ Initially the union leadership denounced the KDRL for undermining union solidarity and for hindering the leadership from carrying out the anti-privatization campaign. Such hostility towards KDRL was evidenced by its conspiratorial assent to management disciplinary action taken against KDRL members, which included 84 expulsions from union membership, 11 dismissals, four suspensions, 21 wage reductions, 54 transfers to other locations, and 32 official warnings (Kang, 2002: 179). But in the face of the increasing leadership replacement threat, the union leaders had to be more responsive to members’ interests that ultimately made them turn to a more cooperative attitude towards KDRL in order to co-organize an effective campaign against privatization. Hence in the end, they revoked the disciplinary actions and allowed KDRL to take a more active role in organizing the campaign.

not fundamentally transform the strategic orientation of the union, it nonetheless showed the way union leaders felt obliged to change their tactics in order to avoid leadership replacement. The campaign culminated in the declaration of a joint strike with the Korea National Electricity Workers Union (KNEWU) against public sector restructuring and privatization in November 2000. The union ballot for the strike resulted in a 81-percent vote in favor of strike with a 94-percent turnout, which demonstrated the widespread membership discontent towards government policies (Kang, 2002: 245-246). The extremely high percentage of voter turnout and support for the strike evidenced that members' determination to take part in collective action as well as their expectation for their leaders to take strong measures against railway privatization were at their highest peak. Yet, the union leadership cancelled the first-time planned strike after the agreement on railway restructuring was made at the Tripartite Commission on December 10th 2000 as seen in the previous section. Although the agreement contained the need to postpone the original privatization plan in order to be sufficiently prepared, union members were dissatisfied with leadership's decision and considered the cancellation of the strike unjustifiable. They considered the agreement was far from union goals and were frustrated that the leadership gave consent to the implementation of targeted employment cuts for 2000. Such defiance for leadership was confirmed when the KDRL harshly criticized the leadership for accepting KNR's plan for employment cuts and organized an independent ballot on the agreement, where 9,036 members participated and 85 percent of them voted in opposition to the agreement (Kang, *ibid*: 246).

Eventually, the opposition group within the union defeated the old leadership in the May 2001 election and took control of KRWU. The leadership change fundamentally altered labor relations at KNR as it brought an end to the decade-long labor quiescence. Above all, the timing of leadership replacement coincided with the

escalating discontent of union members who were worried about the detrimental damages that would be caused by railway privatization and restructuring. They were already disgruntled by the agreement made between the government and the former union leadership and expected the new union leadership would organize strong opposition to the proposed restructuring plan. The electoral result was proof of such a sentiment as the voter turnout was 97.1 percent (24,125 out of 24,863 electorates) and the KDRL candidate, Kim Jae Kil had 61.6 percent of the total votes (14,924 votes) while the candidate from the old leadership obtained 36.3 percent of the total votes (8,753 votes) (Source: KRWU website <http://krwu.nodong.net>). The extremely high percentage of voter turnout and the victory of the new leadership reflected members' strong aspiration for change.

In response to this, the new leadership radically broke out of its cooperative past and built on militant tactics to confront government policies. And it is noteworthy that such dramatic change occurred right after Kim Dae Jung's government started to push the railway privatization plan forward by drafting the Basic Law on the Development and Restructuring of Railway Industry in February 2001. It was at this time that the political vitality of KRWU peaked higher with the ascendance of new leadership that was determined to mount militant collective action in order to obstruct the passage of the bills. The strike of February 25th 2002 was the crystallization of such fierce opposition to railway restructuring. KRWU and other public sector unions held a strike vote in late November 2001 (November 28th -29th for KRWU) and threatened to go on a joint strike if the bills for railway and gas privatization were submitted for legislation at the National Assembly. KRWU members had a 92.06% voter turnout, which demonstrated the high level of political vitality within the union. As for the results, 15,624 out of 21,631 voters (72.23%) were in favor of the strike while 5,672 voters (26.22%) were against the strike (KRWU, 2002a: 435). Although the strike was

supported by an overwhelming majority of the membership, KRWU had the lowest vote in favor of striking compared to the other public unions that had planned the joint strike together.⁵² Even compared to KRWU's own strike vote of 2000, the rate of votes for approval dropped from 81% to 72%. The decline in support for the strike action albeit the increase in membership discontent over government-initiated privatization policy was probably linked to the 2000 experience when the former leadership caused the distrust of membership by arbitrarily calling off the strike. Nevertheless, the mobilizing capacity of membership remained strong enough to stage the walkout that resulted in the special collective bargaining agreement of February 27th 2002.

Although the agreement did not clearly stipulate the withdrawal of railway privatization, it stated that 'both management and union will jointly put efforts for the public development of railway', which built up momentum for KRWU to further pressure the government to revise the privatization policy. Thus the union continued to escalate the campaign against privatization and pushed KNR management to keep to the 2.27 agreement. For sure, the agreement also created internal tension among different factions within the militant unionists when more leftist activists criticized the union leadership for accepting the agreement without obtaining the complete withdrawal of the government privatization plan. Nevertheless, the union leadership regained the authority when the agreement was ratified by union constituencies by 70.3% approval on 89.18% voter turnout (KRWU, 2002a: 533). Moreover, although KRWU also faced the same mass disciplinary action from government/management in the aftermath of 2.27 strikes as KTTU⁵³, KRWU could retain organizational integrity

⁵² The Gas Corporation Union had the astonishing result of 95.5% votes in favor of strike, the highest among the public sector unions involved in the joint strike. Next were the District Heating Corp. Union and the Electric Technology Union that had 89.3% and 85.8% of strike support respectively. The High Speed Rail Union and the Social Insurance Union followed next with 77.0% and 73.2% in favor of strike (Kang, 2002: 249).

⁵³ The disciplinary action resulted in the imprisonment of eight union officers including the president of KRWU, Kim Jae-Kil, lawsuits against 57 union members, 24 dismissals and 1.6 billion won claim

by holding a by-election to fill the leadership vacuum. In early-July 2002, approximately a month after his release from prison, the president of KRWU officially resigned from his office. In his view, his leadership had been undermined during his imprisonment while it was a critical moment for the union to force the management to implement the agreement. Hence he called for the establishment of new union staffs to reconstruct the internal-organization and to effectively mobilize membership against management's offensive. Consequently, the union had a by-election during August 5th-7th 2002 to fill the vacancy, from which the 2nd democratic leadership was established with the election of Chun Hwan-Kyu who gained 56.1% of the total votes (KRWU, 2004b).

The 2nd democratic union leadership continued to resort to militant tactics by organizing mass demonstrations and protests and declared an all-out war to obstruct the implementation of railway privatization plans. It is noteworthy that the leadership competition persisted with the changes in the configuration of the rivalry although the replacement threat of the old leadership withered. The candidate supported by the old leadership only had 18.44% of the total votes, hence far less than the votes that their candidate obtained in the previous election, which had recorded 36.4% of the votes (source: <http://krwu.nodong.net>). But while membership support for the past cooperative leadership plummeted, the leadership competition among different factions of the union democratization group intensified.⁵⁴ Such competition contributed to increase the leadership inclination to militancy because the challenge from the more leftist faction grew substantially to force the newly elected leadership to

for loss and damage caused by the strike (KRWU, 2002a: 533).

⁵⁴ The sum of the total votes of the two KDRL candidates was 15,186 out of 19,025 votes (79.85%), therefore more than triple the votes of the conservative candidate. Both of them originated from the union democratization group (KDRL), but a more militant, leftist group ran a separate candidate, Kim Hyung Kyun, who obtained 23.84% of the total votes while the other candidate Chun Hwan Kyu won the election by getting 56.01% of the votes (source: <http://krwu.nodong.net>).

enhance its militant opposition to railway privatization and restructuring policy. Faced with both the expectation of union members and the challenge of leftist activists, the 2nd democratic leadership mounted the anti-privatization campaign and threatened to strike unless the government granted concessions to union demands. The campaign reached its peak with the strike resolution that resulted from the strike vote held from February 17th to February 19th 2003 with 51.62% of the votes in favor of strike on 89.9% of membership participation (KRWU, 2003a: 106). Apparently, the membership support for the strike noticeably diminished compared to 2000 as shown in the Table 3.1.

Table 3.1 The results of KRWU's strike votes from 2000 to 2003

Voting Date	Participation Rate (approx. %)	In favor of Strike Action (approx. %)
November 2000	94%	81%
November 2001	92%	72%
February 2003	90%	52%

Source: Kang (2002); KRWU (2002a, 2003a, 2004a).

This implies that the mobilizing power of KRWU skyrocketed near the end of the old leadership's term when union members rapidly receded from the latter to turn to militant activists in their search for an alternative leadership. Then after the leadership replacement, membership responsiveness to leadership's appeal to strike gradually waned. Yet such a decrease did not mean the demise of the political vitality of the union. The steady and high participation rate in strike votes proved that membership engagement in union activities remained active. Besides, despite the decrease in membership support for the strike action, the leadership increased its militancy and mounted pressures on government to make concessions. The substantial growth of membership support for the leftist internal contenders prompted the leadership to

heighten union opposition based on confrontational tactics. For the 2nd democratic leadership, the increase in members' support for a more militant faction in contrast to the sharp decrease in their support for past conservative leadership meant that union constituencies still had strong expectations for their leaders to take aggressive measures to countervail government initiatives. The replacement threat of the leftist group was later evidenced by the results of the final union ballot of 2004 in which the leftist candidate lost the election by a narrow margin⁵⁵. This contrasted to KTTU's case, in which union leadership could not find any incentive to increase militancy in their bids for members, because membership support for militant activists substantially diminished at the time when the government began to push the full privatization policy for KT.

It was in this context that KRWU threatened to strike in April 2003 and obtained substantial concessions by reaching a union-government agreement on April 20th 2003. And again, the agreement was ratified by 83.1% of membership approval on 88% of voter turnout, which consolidated the leadership position within the union (KRWU, 2004a). And such sustained leadership authority helped to promptly mobilize union constituencies into the strike action of June 28th 2003 when the government attempted to legislate the railway restructuring bills without spending sufficient time on building social consensus on the issues.

In the end, KRWU's strike threat was effective enough to gain considerable concessions from government as will be discussed in detail in the following chapter. This was so despite the relatively low membership support for strike action. Militancy alone cannot account for such outcomes. The relative success of KRWU can only be

⁵⁵ In 2004 union ballot, Kim Young Hoon who had the same political orientation as the 2nd democratic leadership won the runoff election by obtaining 51.90% of the votes on 95.82% voter turnout. The more leftist militant rival, Lee Chang Whan, won the first ballot by getting 38.55% of the votes while Kim Young Hoon had 36.3% of the votes. Yet Lee Chang Whan lost the final ballot by a narrow margin by obtaining 44.19% of the votes (source: <http://krwu.nodong.net>).

explained by its strategic capability which combined various means of mobilization and political pressures. For this reason, this study will analyze the strategic effectiveness of the two unions focusing on the differences in their formulations of strategies and tactics.

5. Comparative Remarks

This chapter analyzes factors that affect the different responses of KTTU and KRWU to the government-initiated privatization and restructuring plans. Although both unions went through union democratization and broke out of conservatism, they displayed different patterns of union-government interactions.

As can be seen in the Table 3.2, KTTU moved from militancy to restraint despite the fact that the government privatization policy for KT was getting more radicalized along with the passage of the time. When militant dissidents came to power, they fundamentally altered past cooperative practices and confronted hostile government suppression by escalating their militancy. Yet KTTU's confrontational tactics often ended up with fruitless union concessions to government/management decisions. The resolutions of strike actions were nullified by KTTU's leadership although union-management agreements did not incorporate union demands at all. Such recurrence of ineffective militancy undermined leadership's authority over union members who became increasingly frustrated by the disappointing bargaining outcomes. As far as the union leadership failed to wield counterbalancing bargaining leverage, union members continued to be demobilized over the course of the restructuring process despite the fact that government/management was set to implement its drastic employment reduction plan. Indeed, union militancy decreased during the 2nd democratic leadership although it organized some protests in opposition to government/management

restructuring plans. Still, they were confined to sit-in protests or hunger strikes by union officers and were rarely based on massive membership mobilization. During the term of the 3rd democratic leadership, militancy further withered. Kim Dae Jung's government stepped towards the full privatization of KT, but KTTU's leadership remained defensive and did not actively mobilize union members to obstruct the process. The only exception was the December 2000 strike, which rather resulted from rank-and-file pressure on the leadership to prevent the additional enforcement of compulsory redundancies. But apart from this, KTTU's leadership hardly mobilized collective action against the implementation of the restructuring/privatization plans. It became moderate over the process of restructuring.

This pattern contrasted with KRWU's case where militancy was sparked by the government decision on privatization of KNR and had been sustained throughout the restructuring process (see Table 3.3). Same as KTTU, the union had traditionally been quiescent and had avoided militancy until railway privatization was heralded by Kim Dae Jung's government in 1999. Yet unlike KTTU, union militancy did not decline along with the transition to the 2nd democratic leadership. On the contrary, union leadership continued to mobilize its membership and organized mass protests and strike actions to oppose government policy. The sustained membership mobilization was critical for this to happen.

Table 3.2 Timeline of change at KTTU from 06.1994 to 12.2002

	06.1994-12.1996	01.1997-12.1999	01.2000-12.2002
KTTU Leadership Change	1 st Democratic Leadership. Radical shift to militant leadership.	2 nd Democratic Leadership. More moderate than previous leadership.	3 rd Democratic Leadership. Moderate.
Government Initiatives	Kim Young Sam government -Hard-line union suppression -Sale of 28.8% of government share from 1993-1997	Radicalized restructuring policy under Kim Dae Jung's government -July 1998: Announcement of 1 st privatization plan -August 1998: 2 nd privatization plan -May 1999: 1 st stock listing in the international stock market	Full Privatization of KT under Kim Dae Jung's government -June 2000: Government decision for full privatization of KT -December 2001~May 2002: Additional stock sales in both domestic and international markets -May 2002: Complete privatization
Union Responses	-Adoption of confrontational tactics -Escalating militancy -Union resolution to strike (82.2% in favor of strike, 7.22. 1995) -Cancellation of planned strike (7.30.1995)	-Moderation -Recurrent cancellations of planned strikes by the leadership: 1) July 23 rd 1998: cancellation of planned strike 2) April 26 th 1999: 2 nd cancellation of planned strike	-December 17 th 2000: five-day general strike to halt additional redundancies. -Moderation and restraint of militancy until the full achievement of KT privatization in May 2002.

Table 3.3 Timeline of Change at KRWU from 07.1999 to 03.2004

	07.1999-05.2001	05.2001 - 08.2002	08.2002 -03.2004
KRWU Leadership Change	Last conservative leadership. Moderate but increasing militancy to avoid replacement.	1 st Democratic Leadership. Shift to militant leadership.	2 nd Democratic Leadership. Inherited militancy.
Government Initiatives	Kim Dae Jung government -Decision to privatize KNR at Cabinet meeting. -Delayed implementation of privatization policy. -Negotiation at Tripartite Commission on the issues of employment cuts and railway privatization.	Kim Dae Jung government -2001: finalization of railway restructuring plan -December 2001: Introduction of railway restructuring bills to the National Assembly/ Delayed deliberation of the bills	Roh Moo Hyun government (02.2003) -Shift from privatization to corporatization -June 30 th 2003: Passage of Railway Restructuring bills -December 18th 2003: Passage of Korean Railroad Corporation Act
Union Responses	-Before 1999: restraint -Since 1999: Traditional bargaining + confrontational tactics -December 2000: Cancellation of joint strike with KNEWU	-Escalating militancy after the leadership change -Feb 25 th 2002 strike -2.27 Agreement (2002)	-Sustained militancy -April 2003: threatened to strike -Negotiated agreement (4.20.2003) -6.28.2003 strike

In this chapter, the divergence in the patterns of union-government interactions was explained by the changes in the political contingency and in the internal dynamics of the unions that lay between two different timings. Firstly, there were salient changes in the political contingency. KTTU experienced contracting political opportunities as opposed to KRWU, which encountered a politically-favorable environment although

both unions had been institutionally excluded from political decision-making. Above all, the political space for direct bargaining between KRWU and the government was contingently opened after 1999 whereas such possibility was foreclosed for KTTU as economic stringency overshadowed the political environment and gave little room for the dissidents to contend the unilateral policy implementation. Moreover, the 2002 presidential election increased the political opportunities for KRWU, and made it possible for the union to find allies within the political sphere and to mount pressures on the government through the ad-hoc coalition. Such was not the case for KTTU, which had little chance to gain political allies in the context of the Korean financial crisis where conservative economic bureaucrats had overwhelming power over political decisions including the public sector restructuring.

Such differences in the political contingency were associated with distinctive patterns of union behavior for the two unions: from restraint to militancy for KRWU as opposed to militancy to restraint for KTTU. Hence, the KTTU case runs counter to the belief that lack of institutionalized arrangements for labor incorporation always increases labor militancy. On the contrary, the shrinking political opportunities tended to constrain KTTU to take a defensive approach and restrain militancy whereas the expanding political opportunities heightened the possibility for increased militancy for KRWU.

Yet such tendencies can only be confirmed when internal organizational dynamics of unions contribute to consolidate the established patterns of union behavior, either militancy or restraint. In this respect, it is noteworthy that union democratization occurred at different moments for KTTU and KRWU, involving different dynamics for each. KTTU had never staged confrontational collective action before the militant Yoo Duck Sang leadership took power in 1994. Union militancy skyrocketed with the advent of democratic leadership but it was not sustained throughout the restructuring

process along the transition to the second and third democratic leadership, which were more moderate than the first one. Therefore the radical change to democratic leadership occurred before Kim Dae Jung's government launched a radical public sector restructuring program, and the dynamics of leadership competition also altered when the government began to implement the full blown privatization policy along with the drastic employment reduction plan for KT. Above all, the incentives for militancy decreased over time as the replacement threat from oppositional groups diminished when the militant activists affiliated with the previous Yoo Duck Sang leadership had substantially lost membership support and had become marginalized within the union. This resulted in the seizure of power by a more moderate leadership. Although the latter came out of the union democratization coalition group, it competed with the candidates of the more militant leftist faction which lost both the 1996 and 1999 elections. Besides, the mobilization power of union members had been undermined by the recurrent failures of union strategies that ended with labor's consent to government restructuring policies although KTTU leadership officially opposed it.

By contrast, the replacement threat by militant dissidents of KDRL to KRWU leadership reached its peak when Kim Dae Jung's government began to push its railway restructuring and privatization policy. This increased pressure on the former conservative leaders who turned to militancy for fear of being replaced, but they could not avoid replacement. Eventually, the new democratic leadership came to power in May 2001 at the time when the government finalized the railway restructuring and privatization plan and tried to draft relevant bills. Hence there was a synergic effect for militancy as membership expectations grew higher for the new militant leadership to take strong measures against government initiatives. And unlike KTTU, the incentives for militancy had not decreased over the process of restructuring. For sure, the

governmental change to Roh Moo Hyun's Administration provided greater political opportunities that KWRU used to escalate political pressures through militant tactics. To add to this, the internal dynamics of the leadership competition also promoted union militancy as the leadership competition persisted throughout the first and second terms of democratic leadership. Although the old conservative leadership ceased to be a threat, the challenge came at this time from the more militant faction. Lastly, unlike KTTU, KRWU's mobilization capacity had been sustained throughout the restructuring process. This was proven by the high rate of voter turnout for strikes (94% for December 2000, 92% for February 2002 and 90% for April 2003) as well as by the relatively high rate of approval for leadership initiated ballots on the union-government agreement of February 27th 2003 (70.93% of approval on 89.18% of voter turnout) and the agreement of April 20th 2003 (83.1% of approval on 88% of voter turnout) that contributed to consolidate leadership's authority over members (KRWU, 2002a; KRWU, 2003a; KRWU, 2004a).

Altogether, these findings support the hypotheses outlined in the first chapter. The participatory pattern of union-government was not plausible for both unions due to the lack of institutional incorporation of labor. Yet the increased political opportunities provided KRWU with multiple access points to put pressure on the government. Hence there were greater possibilities for KRWU to actively engage in collective action in order to gain concessions through such political pressures. On the contrary, the shrinking political opportunities had a tendency to decrease union militancy for KTTU. The situation tended to constrain the union to be on the defensive and restrain militancy.

The internal union dynamics of the unions intensified such tendencies. Within the politically unfavorable environment, KTTU oscillated between sporadic protests and passive quiescence to government initiatives, which only contributed to demobilize

union members. In the long run, this resulted in moderation of union demands. The gradual decrease in the replacement threat of the oppositional faction furthered such a process as it diminished the incentives for militancy. By contrast, the internal dynamics of KRWU contributed to sustain militancy. Not only had membership mobilization capacity remained high, but the challenge of the more militant leftist activists grew substantially to increase the incentives for militancy. Hence KRWU leadership built on militant tactics and membership mobilization to confront government initiatives. By doing this, it aimed both at gaining government concessions and at sustaining leadership authority over its membership.

CHAPTER FOUR

COMPARATIVE ANALYSIS ON THE STRATEGIC EFFECTIVENESS OF KTTU AND KRWU

In the previous chapter, the changes in the KTTU and KRWU's interaction with government were classified into two distinctive patterns: from militancy to restraint for KTTU and escalating militancy for KRWU. The changes in the political contingency and in the internal union politics were understood as creating such difference. Yet although the two political factors are considered central in explaining divergent union responses, they do not account for the differences in the strategic effectiveness of the two unions. In short, they could explain 'why KRWU's leadership continued to resort to militancy while KTTU's gradually restrained militancy' but they could not provide answers to the question of 'why KRWU was more successful in gaining concessions than KTTU'.

Hence this chapter will try to answer the second question by focusing on the factors that explain the differences in the degree of union success. For this, this study will highlight the determinant role played by the strategic capacity of the two unions. In the previous chapter, divergent union responses were generalized into the categories of militancy or restraint. Yet the strategic formulation of unions cannot fall into the dichotomy of either militancy or restraint. In fact, union strategies refer to a wider array of tactics that combine a repertoire of collective action and a variety of bargaining tactics that go beyond the two categories. Besides, militancy cannot be understood as the equivalent of union success. Effective strategies do not result from militancy *per se* but from the strategic capacity of unions to increase bargaining power. And as argued in the first chapter, the capacity of mobilizing public support and building coalition with various political and social groups will be crucial for public sector unions to gain bargaining leverage. From this point of view, this chapter will

analyze how KTTU and KRWU differed in their strategic responses to the government and how the latter affected the outcomes.

1. The Strategic Effectiveness of KTTU against Restructuring and Privatization of KT

The previous chapter paid attention to the changes in the political contingency and in the micro-politics of unions. Especially, it shed light on the extent of political and membership resources that change along the alteration of macro-political and intra-organizational conditions. The evidence showed that both the political and membership resources decreased for KTTU when Kim Dae Jung's government started to push the privatization policy for KT. Yet it was still viable for KTTU to compensate these limits by strengthening its strategic capacity.

In the first place, KTTU had to cope with the IMF-mandated restructuring program that tightened political opportunities for labor as seen in the previous chapter. Yet although the IMF pressured Kim Dae Jung's government to follow its policy recommendations, the government had some degree of discretion to command the restructuring of the national economy. "Hence the possibilities were low that [the] IMF would have prevented the government from negotiating agreements with labor unions on the principle and the method of public sector restructuring and from modifying the latter based on the agreement" (Lim S-H et al., 2004: 137). Moreover, the framework of union-government negotiation was in place as the Tripartite Commission was set up to push the restructuring process on the ground of social consensus although its function was debilitated by the PBC's unilateral decision on the restructuring. It meant that the political space was not completely foreclosed for KTTU to influence the restructuring process and that its strategic capacity was all the

more important to make difference in the outcomes.

The same is true for membership resources, because they are not fixed entities but are variable according to the strategic abilities of leadership. Effective strategies can contribute to increase membership mobilization capacity whereas lack of such strategic ability can only result in the membership demobilization. And it is not always true that abundant organizational resources automatically lead to successful outcomes. As seen in chapter 1, organizations with little internal resources can sometimes devise successful strategies (Ganz, 2000).⁵⁶ As the UFW case proved, innovative union strategies may not only enable the insurgent independent union to overcome the weak internal resources but they also make the union capable of achieving its goals. The same principle can be applied to KTTU. It is true that KTTU suffered from a lack of internal resources as the newly formed democratic leadership didn't have sufficient time to build a strong organizational basis. Yet it could still compensate for the organizational weakness and confront government policy more successfully if it could develop effective strategies.

1-1. The Strategic Responses of KTTU

The government initiative for KT's privatization covered a relatively long period from the late 1980s to the early 2000s. Yet the privatization policy before Kim Dae Jung's government was partial and non-continuous. It became an immediate task to be implemented after 1998 with the announcement of the first and second privatization plans for targeted public enterprises. Hence this chapter will limit the analysis of union

⁵⁶ Ganz argued that "resourcefulness" can compensate for lack of resources and new organizations can sometimes take advantage of their newness by relying on richness of their strategic capacity while "the abundance of internal resources to which well-established groups have access may make it harder to innovate" (Ganz, 2000: 1043).

strategies to those of the second democratic leadership (1997-1999, union president-Kim Ho Sun) and third democratic leadership (2000-2002, union president-Lee Dong Gul) for they had to face the actual implementation of the privatization policy.

1) 1998-1999 Union Strategies under Kim Ho Sun Leadership

First, under the presidency of Kim Ho Sun, union strategies oscillated between confrontational collective action and restraint as the leadership had to appeal to militancy in order to be responsive to members' growing discontent toward government policy at the same time that it had to depart from the ineffective strategies of the previous militant Yoo Duck Sang leadership. When Kim Dae Jung's government launched on its fast-paced restructuring program in 1998, the leadership attempted to stage mass protests to drive the government privatization policy away. Hence it organized an outdoor general meeting on June 14th in which approximately 2,500 KTTU members participated and resolved to take strong action against the government to obstruct the unilateral push for KT's restructuring. This was followed by a three-day strike vote that resulted in 75.93% of support for strike action (KTTU, 1999: 201). Drawing upon this resolution, the leadership organized a two-day warning strike on June 16th to gain five major objectives that were: 1. to impede the unilateral implementation of the restructuring plan 2. to negotiate employment security guarantees 3. to convert the cost of telephone equipment to government-issued stocks 4. to allocate 20% of the preferred dividend to employee-owned stocks and 5. to maintain public services that KT planned to eliminate. According to the KTTU report, approximately 5,000 union members joined the strike rally held at Myeongdong Cathedral in the morning and 7,000 KTTU members participated in the evening rally organized by KCTU on June 15th (KTTU, *ibid*). Thus apparently, KTTU resorted to

mass demonstrations and strike to obtain government concessions regarding their major five goals.

Yet it did not engage in direct political bargaining with Kim Dae Jung's government nor have influence on the existing communicative channels such as Tripartite Commission and SCPSR prior to the July 3rd announcement of the first privatization plan. It is undeniable that the refusal of the government to talk with KTTU created a severe obstacle for the union to bargain with the government. But the established framework for peak-level negotiation still permitted a space in which the union could try to access although the tripartite relationship was very fragile and contested. Same was true for the political bargaining with government. The political tightness surely constrained KTTU, but these limits were not insurmountable if the union actively sought to forge alliances with various political actors or groups and use this political coalition to force the government to accept to bargain with the union. Similarly, coalition-building with other forces in civil society could have made it possible for KTTU to put pressure on the government. Indeed, coalition building is a central component of strategic capacity for unions with few resources as it helps them gain broader public support and increase their bargaining leverage built upon the latter. It is all the more important for public sector unions as their bargaining power is determined not so much by their market position as by their political-organizational resources. For this reason, public sector unions have to build strategic alliances with various constituents of civil society by framing their claims as 'public needs' (Johnston, 1994). KTTU also appealed to the need to preserve public services and to retain public interest in the course of KT's privatization by requesting the government to adopt the People's Share Program.⁵⁷ Yet the union was rather passive in organizing

⁵⁷ KTTU claimed that the government should return the cost of telephone equipment to subscribers by issuing government stocks. The so-called People's Share Program was invented to prevent the government from selling government shares to *chaebols* and foreign investors and to retain public

coalitions on behalf of these public goals. For sure, the effort for building labor alliances was not completely missing as KTTU participated in the mass rallies co-organized by five public sector unions and in the KCTU-led solidarity protests. Still, the inter-union alliance remained symbolic and was not connected to a broader social coalition (Personal interview).

Lack of a mobilizing capacity for public support led to the failure of the June 16th-17th warning strikes. Instead of gaining concessions by threatening to organize a general strike, KTTU leadership was placed on the defensive by massive disciplinary actions and arrests after the two-day strike. KTTU later reported, “We opposed the government initiative by organizing the first time strike in 110 years of KTTU history. But due to the organizational limit, the strike did not succeed (KTTU, 1999: 150).” In this situation, KTTU leaders called off the general strike on July 23rd and reached an agreement with KT management on July 26th. The agreement reflected union concessions to the wage freeze (the freezing of 1998 wages to the wage level of 1997; 100% return of 1998 special bonus) and its tacit consent to the privatization of KT as well as to the adoption of the sales of KT to overseas investors as a viable privatization method. The agreement stated that “union and management will pool cooperative efforts in order that the sales of KT to overseas investors contribute to the growth of the corporation and to the increase of national competitiveness (KTTU, *ibid*: 696).” This statement was at odds with KTTU’s original claim that emphasized the need to prevent the sales of KT to *chaebols* or to foreign investors and to issue government owned stocks to the general public in order to preserve public interests. By making such an agreement, KTTU admitted that it was not opposed to the privatization of KT. This signaled the recession of KTTU from the rest of the allied public sector unions. Rather, KTTU considered privatization inevitable and focused on

interest in the course of privatization (KTTU, 1999).

guaranteeing minimal protection in the course of privatization. Hence the top priority was given to employment security, which was partly incorporated into the agreement. According to the agreement, “the company will not make compulsory employment reduction and will consult the union prior to the job transfer related to business outsourcing (KTTU, *ibid*: 696).” The agreement also had additional provisions that included some of the union’s demands such as ‘minimizing legal penalties against strikers’, ‘union-management consultation on the matter of business restructuring’, and ‘reinstatement of laid off workers by July 31st’.

In sum, the agreement made on July 26th demonstrated that KTTU abandoned the cause for public interest and began to pursue practical interests, notably by putting employment security at the forefront of its demands. Yet the biggest problem arose when KT employers violated the agreement and enforced a massive employment reduction program by circumventing union-management consultation. As seen in the previous chapter, KT employers first betrayed the agreement by initiating massive disciplinary action and legal accusations. Then KT management began to implement the compulsory employment reduction plan (under the name of ‘honorary resignation’) and outsourcing of non-profitable businesses along with the announcement of the “Acceleration Plan for Management Innovation” on December 17th 1998. And the implementation of this plan went on without any consultation with union.

If KT employers began the year of 1999 by breaching the union-management agreement and by launching their radical restructuring plan, KTTU’s strategic response to the latter placed more weight on reaching union-management compromise through collective bargaining. Yet due to the erosion of organizational power after severe disciplinary actions taken against the leadership, KTTU lacked counterweighing bargaining leverage vis-à-vis the employer. To complement this

weakness, KTTU had to maximize its strategic ability in a variety of ways. Firstly, it had to reorganize lay members and increase their support for union campaigns. Hence during January 1999, union leadership organized membership education as well as union president site visits to local offices, but it was rather a one-off event and did not bring about the increase in mobilizing power for the union (KTTU, 1999). In fact, on February 1999, KTTU held a provisional general meeting of union representatives, which only provoked heated contestation of militant activists against the leadership. The intensifying internal division hindered KTTU from strengthening the internal organizational power (Personal interview). In the end, the leadership retreated into a defensive position and decided not to mobilize membership-based strike action, considering the weak organizational resources. For this reason, KTTU leadership cancelled the general strike that was planned to go into effect on April 26th 1999, which heightened the internal disputes and further undermined membership mobilization capacity. Later, the leadership assessed that “the February 28th general meeting had negative effects on organizing effective struggles by only aggravating internal division. As the employment reduction plan began to be implemented, union members had common awareness of the need to struggle. But the organizational split hindered mobilization of rank and file members... The cancellation of the general strike resulted from the failure of organizing the strike from the b[ottom] (KTTU, *ibid*: 151).” In fact, instead of focusing on rebuilding the organizational basis of unions, the leadership often replaced membership mobilization by lead struggles of union leaders (hunger strikes by the union president on December 24th 1998 and on March 18th 1999; a series of sit-in protests and lead struggles of central union executives in June 1999 (KTTU, *ibid*)). But the lead struggles by union officers were insufficient for increasing KTTU’s bargaining power.

Secondly, the leadership had to clearly articulate its strategic vision in order to

mobilize union constituencies. Yet it failed to do so and continued to waiver between the confrontational tactics based on lead struggles by union officers and practical bargaining approaches aimed at reaching compromise through restraint. Constrained by internally weak organizational power, the leadership chose in the end to avoid organizing membership opposition to management actions and relied on union-management negotiation. According to union evaluation, the union “had no option but to rely on bargaining tactics because the organizational limits made it impossible to stage an all-out struggle (KTTU, 1999).” Yet it lacked coherent bargaining tactics apart from formulating sporadic lead struggles by union executives. In fact, KTTU reached an agreement with management on May 22nd 1999 after its cancellation of the general strike. In the agreement KTTU accepted the decrease in fringe benefits (the increase of the interest rate on housing loans from 2% to 7.5% and the reduction of benefits in other areas such as funding employees’ children who attend universities, support for private pension, etc.) and the reduction of the length of service for the eligibility for voluntary redundancy of non-positional employees to 15 years (reduction of 40%)⁵⁸ (KTTU, *ibid*: 726). Yet the agreement also specified that it would guarantee that “the restructuring issues will be discussed at the ‘Special Committee for Restructuring’ (KTTU, *ibid*: 727)”, the committee that was constituted of an equal number of union and management representatives. Hence apparently KTTU seemed to ensure that all the restructuring-related issues, including outsourcing and employment reduction among others, should not be decided unilaterally by

⁵⁸ KT employees were classified into ‘positional’ jobs and ‘non-positional’ jobs. Positional jobs included white-collar works such as clerical works, administrative works, data-processing works and they were based on an internal labor market system with a clear career ladder. ‘Non-positional’ jobs are related to installation, maintenance and repair of networks and other technical jobs that lacked a career ladder. The non-positional technicians constituted a large portion of the union membership. By agreeing to reduce the length of service for the eligibility for voluntary redundancies, the leadership could not protect the non-positional workers from being the main target of compulsory redundancy as the employment reduction plan targeted them first. The final outcome of employment reduction from 1997-2001 showed that the reduction in non positional jobs (8,944 cuts in total) was far greater than the reduction in positional jobs (4,826 cuts in total) (Kwon in Cho et al., 2009: 310-311).

management unless the union gave consent. But once again, the agreement became null and void by the reiterative management breach of the latter. Indeed KT employers went in the opposite direction from the agreement and announced the unilateral implementation of voluntary redundancy and ‘honorary resignation’ plans on June 11th, doing so less than one month after the agreement had been reached. Despite this employer offensive, KTTU did not mobilize any mass protest apart from resorting to isolated lead struggles by union officers (sit-in protests, hungers strikes of union president and central union staffs). In sum, KTTU leadership chose to focus on negotiating labor-management compromise, but it did not deploy effective bargaining tactics to force KT employer to stick to the agreement. The repetitive employer violations of union-management agreements reflected weak union bargaining leverage linked to the lack of mobilization strategy.

Lastly, KTTU also remained passive in building political and social coalitions. Same as in 1998, its coalition building efforts with other forces in civil society remained weak. Officially, KTTU participated in the labor alliance against unilateral push for privatization and restructuring. As a central organization of the Korean Federation of Public Sector Unions, it also played a role in forming the Korean Federation of Public and Social Service Unions (KPSU) on March 14th 1999, amalgamating with two other federations of public service unions, namely the Korea Federation of Social Service Workers Unions and the Korean Democratic Federation of Railway and Subway Workers Unions (KTTU, 1999: 499).⁵⁹ Yet KTTU’s coalition with the KPSU-affiliated unions remained symbolic. Even before the 1998 agreement, KTTU acknowledged that the privatization of KT was inevitable. According to the PBC’s document on the Tripartite Commission meeting, the demands of the KTTU

⁵⁹ None of them were industrial unions although they sought to build a single industrial union to include all KCTU-affiliated public service unions in the long run. At the time, these federations were loose coalitional federations that sought to defend the common interests of public sector unions.

representative in SCPSR on July 2nd 1998 could be summarized as “giving consent to privatization, opposing sales to overseas investors, and demanding for preferred dividend to employee-owned stocks (PBC, July 10, 1998). And the 1998 agreement went further by abandoning its official opposition to the sales of KT to foreign investors. Given this, KTTU became remoter and remoter from the alliance as the labor-coalition within the KPSU aimed at defending public interests by co-organizing an anti-privatization campaign. Instead KTTU turned toward protecting its own interest by negotiating the union-management agreement. Hence KTTU became less active in campaigning for the defense of universal telecommunication services or for claiming for the need to adopt a people’s share program.

2) January 2000-May 2002 Union Strategies under Lee Dong Gul Leadership

KTTU strategies under Lee Dong Gul leadership became more moderate, and militancy further ebbed. One last exception was the December 2000 strike. The strike was phenomenal in two aspects. First, it was the first and last militant collective action staged by KTTU. Since then, the strike has disappeared from the scene of union-management interaction at KT. Second, it was the first time that KTTU exerted an actual influence on the outcomes in a sense that it decreased the scale of voluntary redundancies targeted for 2000. The strike was prompted by KT employer’s announcement of the implementation of 3,000 additional voluntary redundancies although it promised “not to compulsorily reduce employment during the restructuring” both verbally on May 29th 2000 and by signing on a contract agreement on October 18th 2000 (KTTU, 2001: 18). Indeed, the strike was an expression of anger by union membership towards recurrent employer violations of union-management agreement. Hence after the resolution for the strike on December 5th and 6th, KTTU

held a five-day walkout from December 18th to December 22nd (KTTU, *ibid*: 19-20). Yet it is noteworthy that the strike was not orchestrated by the leadership but rather propelled by union members who forced their leader to take strong action to defend their interests (Seoul Regional Office of KTTU, 2001: 43; Personal interviews). Membership discontent outbursts towards both the employer's recurrent breaches of agreements and the lukewarm measures of leadership, gave the real impetus for such a strike action. Another conspicuous element of the strike was that it brought the Ministry of the Planning and Budget (MPB) and the MIC to the bargaining table (KTTU Seoul Regional Office, *ibid*: 57). Before the strike, government representatives or ministries did not engage in bargaining with KTTU, but during the strike, they were pressured to intervene. The mobilizing power of KTTU forced them to mediate the disputes. Although this was made to prevent the employer from giving concessions, the intervention by the ministries made the final agreement an outcome of union-government bargaining⁶⁰. It thus gave the union a point of possible engagement whereby it could exert political pressure when the agreement was not properly enforced.

Eventually, the agreement was made on December 22nd, which contained management concessions in some of key issues as presented below.

1. The honorary resignation and voluntary redundancies planned for this time will be put on a halt without extension. And they will not be compulsorily enforced in the future.
2. The privatization of KT will be carried out through the establishment and operation of Special Labor-Management Committee.
3. In case of outsourcing businesses (114 inquiry service, the network

⁶⁰ In fact, on December 20th management and union were about to sign on the agreement when the MPB intervened and brought a breakdown of the agreement. The agreement was only made two days later after minor revisions were made and after the ministry sanctioned the management to sign on the agreement (KTTU, 2001; Seoul Regional Office of KTTU, 2001).

maintenance and repair), KT management will deliberately consult the Special Labor-Management Committee on Restructuring (KTTU, 2001: 20).

As the agreement shows, the agreement reflected the relative success of the December strike. Accordingly, KT management could not carry out the targeted 3,000 redundancies and had to be content with 1,400 redundancies including 1,100 who had applied for voluntary redundancies before the strike (Roh, 2008: 81). Membership mobilization was key to this partial success, which also proved that union's strategic action could make a difference in the outcome by obstructing the unilateral implementation of restructuring policy.

The agreement provided a platform from which union leadership could build their strategic abilities to guarantee its participation in the decision-making process regarding the privatization and restructuring of KT through the Special Labor-Management Committee. It could also build on its membership mobilizing power to force the employer to keep the agreement. Yet, KTTU leadership failed to do so by being helplessly hit by a severe employer backlash that ended up with the imprisonment of the union president, 425 disciplinary actions against the strikers, which included six layoffs (KTTU, 2003b). In spite of this adversarial union oppression that betrayed the participatory principle of the union-management agreement, union leadership could not effectively confront the employer offensive. The result was the erosion of organizational power with the increase in internal division and rapid membership demobilization. For this reason, the leadership was also unable to resist management when the latter bypassed the special union-management committee and carried out the outsourcing of 114 directory inquiry services and the services related to the arrears of telephone bills in 2001. Although KT management announced the outsourcing of the services on May 3rd 2001, KTTU leadership did not mobilize any opposition to this (KTTU, 2003b). The employees of

the targeted services immediately organized a sit-in protest at KT headquarter, but the protest came to be isolated without leadership support.⁶¹ In the end, KT outsourced the services, which resulted in the contract cancellation of 2,907 direct-hire contingent employees and the ‘voluntary’ redundancies of approximately 1,000 employees (Roh, 2008: 81-82).⁶²

Regarding the privatization policy, Lee Dong Gul’s leadership drew up four demands for government and eight demands for KT employers (Table 4.1). As can be seen in their demands, KTTU opposed the sales of KT to *chaebols* and foreign investors, and advocated for the need to sustain the provision of universal services. At the same time, it claimed that the government push for KT privatization was too hasty without taking broader public opinions into consideration. Hence it argued for the need to adjust the speed of privatization in order to build social consensus and to incorporate the interests of labor and civil society into the restructuring designs (KTTU, 2002). Yet KTTU’s claims remained merely rhetoric as the union was totally marginalized in the process of KT restructuring and privatization. Firstly, it was still deprived of political leverage to compel the government to accept to directly bargain with KTTU. Hence the four union demands on government fell on deaf ears and did not affect government decisions.

⁶¹ In fact, the incumbent leadership induced the service employees to stop their protest, which aroused conflict between the leadership on one side and the service employees and activists of rival groups on the other side. This only aggravated the internal division and hurt the organizational power of the union (Personal Interview).

⁶² Again, the ‘voluntary redundancies’ were compulsorily implemented. The involuntary nature of such redundancies can be evidenced by the sit-in strike of the related service employees who refused and resisted against management initiative.

Table 4.1 Union demands regarding privatization of KT (2002)

Demands on government	Demands on employer
<ol style="list-style-type: none"> 1. KTTU cannot accept the take over of ownership by <i>chaebols</i> and foreign capital 2. Take measures to continue to preserve public interests in telecommunication services 3. Establish institutions for employment security 4. Postpone privatization until these conditions are fulfilled 	<ol style="list-style-type: none"> 1. Establish an institutional safeguard for guaranteeing employment security 2. Take measures to prevent the deterioration of working conditions 3. Make efforts to defend the right to manage the company (acquisition of treasury stocks, limit of shares of same person) 4. Make efforts to keep on providing universal services 5. Propose a business diversification plan for the post-privatization era 6. Establish a plan for improving labor management relations 7. Take measures for a five-day work week 8. Improve the voluntary redundancy plan

Source: KTTU (2002)

Secondly, KTTU organized some press interviews with other civil organizations to appeal to public opinion but its efforts for coalition-building markedly lessened during the term of Lee Dong Gul's leadership. In early 2000, KTTU was part of the "Alliance of Public Sector Unions" in which both KCTU and FKTU-affiliated unions participated to co-organize anti-privatization campaigns. And it also decided to launch on a joint struggle with KNEWU as the Korea Electric Power Corporation was also targeted for privatization by Kim Dae Jung's government. The joint struggle was proposed by the newly elected KNEWU president, and KTTU held a series of joint

actions with KNEWU in September and October 2000⁶³. But during 2001-2002, KTTU retreated from this labor alliance as well as from the civil coalition. It did not participate in the inter-union alliance when six unions- including KRWU, the Power Plant Industry Union (PPIU)⁶⁴ and Korea Gas Corporation Union (KGCU) - formed the “Joint Alliance of Public Sector Unions for Blocking Privatization of National Key Industries” on October 31st 2001. Neither did it seek to sustain its strategic alliances with civil organizations when they built a nationwide coalition (National Joint Committee for Opposing Privatization and Overseas Sales of Public Industries) in support of labor’s joint action. By withdrawing itself from the coalition, KT aimed at achieving practical gains through negotiation. Yet the lack of coalition deprived KTTU of political and social resources that were indispensable to increasing bargaining leverage. Hence, KTTU had no means to exert pressure on employers when union-management bargaining came to a deadlock. Even when it succeeded to negotiate an agreement, it could not coerce KT employers to abide by the agreement. It could do nothing but comply with the managerial decisions although the employer breached the agreement and unilaterally implemented the privatization and restructuring plan.

1.2. Assessing the Strategic Effectiveness of KTTU

As for the final outcomes, KTTU could not prevent the government from achieving full privatization of KT. But the strategic effectiveness of KTTU cannot be evaluated on the criteria of whether the union derailed the privatization plan or not. While full

⁶³ Cf. KTTU leaflets for membership education “Opposition to privatization of KT!” September 2000.

⁶⁴ The PPIU was newly established in mid-2001 to represent workers at five Korean power plants. These power plants became subsidiaries of the Korea Electric Power Corporation in April 2001 as a result of the legislation of the electricity privatization law in December 2000, which aimed at selling power plants one after another from mid-2002. The newly established PPIU fought hard to prevent the sales of power plants along with the advent of democratic leadership. It also disaffiliated from FKTU-affiliated KNEWU and joined the KCTU in mid 2001.

privatization was not plausible for the railway industry where the state monopoly remained solid, the gradual sales of government shares and the increase of competitive market pressures made privatization an immediate option for the telecommunication industry. Hence, as has already been argued in chapter one, a parallel comparison between KTTU and KRWU seems to be irrelevant for assessing the strategic effectiveness of the two unions. Yet union strategic choices could still make differences on the outcomes. For the telecommunication industry, privatization was a general trend across countries, but unions had different impacts on the pace and method of privatization. Similarly unions in different countries had different degrees of success in preventing the deterioration of working conditions. Hence one can evaluate the strategic effectiveness of unions by asking ‘whether unions could delay or obstruct the original privatization plan and could modify the latter to better serve public interests’ and ‘whether they could negotiate protective agreements to defend their members’ interests’. The relative success or failures of KTTU will be assessed according to these criteria. For this, attention should be brought to union demands on government/management and the extent to which these objectives were reflected in the final outcomes. As KTTU’s actual goals were focused on slowing down unilateral implementation of the privatization policy and on ensuring management adopt union interests, a comparison between union demands and the concessions of government/management to the latter will indicate the degree of union success.

In this respect, it is noteworthy that KTTU recurrently failed in enforcing the union-management agreement. Although KT management promised not to implement compulsory redundancies and to consult the union on the restructuring issues, it did not observe the union-management accords. The agreements were made in 1998, 1999 and 2000, but ironically they were all ignored by KT employers without any limitation put on its abusive power. Hence management action repeatedly betrayed the union-

management agreement while KTTU was unable to correct this. For this reason, the written forms of the union-management agreements cannot prove union achievements as they became null and void through employer violations. Therefore, this study will instead compare the contents of the union/management agreements and whether they were actually incorporated into the restructuring process by management.

Table 4.2 Comparison of 1998/1999 Agreements with actual outcomes

Concessions made by management in the written agreement	The Actual Outcomes
1. There will be no more compulsory employment reduction and KT management will consult KTTU prior to business restructuring (1998) 2. All the restructuring issues will be discussed at the Special Labor-Management Committee on Restructuring (1999) 3. KT management will minimize legal penalties against strike participants (1998)	1. 9,063 redundancies through compulsory processes between 1998-1999 2. Business restructuring* without union consent and without sufficient consultation with the union (1999) 3. Arrest warrants for 10 union staffs and 349 disciplinary actions against the strike participants (1998)**

Source: KTTU (1999); KTTU (2000a)

*withdrawal from several businesses such as Easyfax, Yeoido Information Business, Airport Wireless Services and outsourcing of several services such as telegraph, maintenance of CT-2, the operation of SLMOS, catering, building maintenance... etc.

** The disciplinary action was withdrawn in 1999 but this was done after debilitating the organizational power of the union caused by the imprisonment of the union president and its officers

In this regard, the gap between the 1998 and 1999 agreements and the actual outcomes of restructuring during 1998-1999 was strikingly wide as shown in Table 4.2. In the written agreements, KT management acknowledged the union's right to voice its opinion on the restructuring design and promised not to enforce compulsory

employment cuts. But KT management did not hesitate in breaking the agreement and went on unilaterally implementing its own restructuring plan by circumventing union-management negotiation. The consultative function of the Special Labor-Management Committee was denied by unreciprocated management action until the full privatization of KT was completed in 2002. Overall, KTTU failed in forcing management to include union demands in the final outcome of restructuring. The major demands of KTTU were: 1. stop the compulsory employment reduction and guarantee employment security, 2. guarantee union participation in the decision-making, 3. slow down the unilateral implementation of privatization policy and adopt the People's Share Program, 4. not to sell KT to *chaebols* and to foreign investors and give priority to employee-owned stocks. KTTU also asked the government to bargain with the union to deliberately discuss these matters. The outcomes can be summarized as below:

1. preventing the compulsory redundancies & guaranteeing employment security
 - ▶ failure in preventing approx. 12,000 'voluntary' redundancies between 1998-2001
 - ▶ partial success in lessening the scale of redundancies in 2000
 - ▶ failure in negotiating employment security clause
2. guaranteeing union participation in decision-making
 - ▶ failure in preventing management from bypassing union-management committee
3. influencing the pace and method of privatization
 - ▶ failure in slowing down the process
(government changed its gradual privatization policy to full privatization policy & shortened the timeline for privatization)
 - ▶ failure in persuading government to reflect public opinion on the restructuring design and to build privatization policy on social consensus

- ▶ failure in making government adopt the People's Share program
4. preventing the sales of KT to *chaebols* and foreign investors
- ▶ failure in preventing SK Telecom from being the largest shareholder
 - ▶ failure in preventing foreign investors from being among the largest shareholders
 - ▶ success in obtaining approx. 6% of employee-owned stocks

Firstly, in terms of employment security, which was KTTU's top concern, KTTU could not halt massive employment reduction (the reduction of approx. 15,000 employees from 1997 to 2001). Although most reductions were made through the 'honorary resignation plan' (approx. 12,000 redundancies through the plan from 1997 to 2001), KT management exerted constant pressure for targeted employees to accept the plan against their will. Yet KTTU could not obstruct such management action. As a consequence of this, the number of redundancies even exceeded the targeted number proposed by the government (the reduction of 9,625 employees by 2000), which proves KTTU's strategic ineffectiveness in terms of preventing compulsory redundancies and guaranteeing employment security over the privatization process.

Secondly, this was linked to KTTU's failure in ensuring union participation in the restructuring design. The Special Labor-Management Committee was set up to promote the principle of co-determination on restructuring issues. Yet in spite of recurrent employer bypasses of union-management consultation, KTTU could not curb management excesses. Overall, KT management could implement their decisions without being significantly challenged by union.

Thirdly, while it was not plausible for KTTU to block the privatization of KT, there was a room for the union to have an impact on the pace and the shape of privatization in order to defend public interests. Indeed many countries adopted Golden Share programs in the transition of telecom monopolies to stock-companies.

They were introduced to control shareholder power that could curtail non-profitable public services. By giving government the right of decisive vote, this share aimed at preserving public interests in government companies undergoing the process of privatization. Similarly, KTTU suggested an alternative to the government-proposed radical privatization plan; one that appealed to the need to convert the cost of telephone equipment to government-issued stocks and to allocate them to general public. But in the end, KTTU's claims were completely ignored and none of their demands were taken into consideration at the bargaining table. It was the same for the pace of privatization as KTTU was ineffective in slowing down the privatization process. On the contrary, the government changed the privatization policy for KT from gradual privatization to full and immediate privatization, which speeded up the whole process and shortened the schedule. When Kim Dae Jung's Administration launched the privatization of KT, the government had 59% of its total shares, but the remaining government shares were all sold out and dropped to 0% in less than four years. Lack of coalition-building efforts contributed to the failure of putting the brakes on such a precipitated process of privatization as they deprived KTTU of social resources to pressure the government not to hasten the process and to consult broader public opinion. Lastly, KTTU argued for the need to prevent *chaebols* and foreign investors from becoming the largest shareholders. As for the outcome, KTTU could not prevent SK Telecom (SKT) and Brandes Investment Partners from becoming the largest shareholders in 2002 (KT, 2003; KISDI, 2005). And when SKT exchanged its KT shares with KT's SKT shares immediately after the privatization of KT, Brandes Investment Partners became the largest shareholder (KISDI, *ibid*). Yet it could still obtain concessions regarding the employee stock ownership program (ESOP). In accordance with the union-management agreement, KT allocated approximately 5.7%

of its shares for employee-owned stocks in May 2002 at the time of privatization.⁶⁵

In sum, apart from obtaining a substantial portion of employee-owned stocks, KTTU did not succeed in achieving their major demands. The process of restructuring/privatization was characterized by recurrent employer breaches of union-management agreements as well as by continuous government ignorance of union demands. Yet KTTU was not able to change such attitudes nor was it capable of forcing the government and management to bargain faithfully with the union.

2. The Strategic Effectiveness of KRWU against the Restructuring and Privatization of KNR

The privatization of KNR was first made public in May 1999, which immediately prompted KRWU's opposition. Although KRWU was under conservative leadership at that time, the union broke out of its decade-long labor quiescence and staged militant collective action. As already seen in the previous chapter, the challenge of the dissident group (KDRL) grew so significantly that the leadership was forced to escalate its anti-privatization campaign in order to avoid replacement. Hence, while it continued to lobby government officials and politicians and to file petitions against railway privatization, it also organized "a number of mass rallies throughout 2000" (Kang, 2002: 244). Such militant action culminated in the declaration of a joint strike with KNEWU in November 2000. Yet the leadership suddenly cancelled the strike in December 2000 and made a union-management agreement as presented in the previous chapter. This increased membership discontent and ultimately brought about leadership change in May 2001. In this section, the analysis of KRWU's strategies will

⁶⁵ These facts are drawn from past newspaper articles. Cf. "KT will be privatized this month" *Hankook Ilbo* May 6, 2002, "KT announces privatization" *Dong-A Ilbo* May 6, 2002.

be focused on the strategic formulation of the new leadership.

2-1. The Strategic Responses of KRWU

1) Union Strategies under Kim Jae Kil's Leadership

The new leadership radically transformed the repertoire of collective action and began to organize a series of mass protests against the proposed government plan. This marked a second round of struggles against Kim Dae Jung's government, which began to push railway privatization ahead by pre-announcing the legislation of related bills in January 2001. In response to this, the new leadership mobilized an all-out campaign against the government plan and prepared for a joint strike with six other public sector unions. There were several distinctive elements in union strategies as formulated by the new leadership.

Firstly, it focused on strengthening the mobilization capacity of the union, which had few institutional resources given that it was the first time that militant leadership had come to office. To start with, the new leadership sought to vitalize their regional divisions. For this reason, the newly elected union president Kim Jae-Kil held tours of local sites in June 2001 and increased contacts with regional officers and lay members. Then the new leadership organized a series of membership education meetings at regional levels both for union officers and rank and file members. Through intensive educational activities, the leadership explained the negative effects of railway privatization and encouraged union members to participate in a variety of union collective actions against privatization. During July, August and September 2001 the leadership organized 40 educational sessions in five regional divisions (KRWU, 2002a: 115). At the same time, the leadership organized a performance group to set up

a propaganda play named ‘The Journey on Railway Tracks (Cheoloyeokjung)’ at major regional stations. The play was aimed at informing both union members and the general public about the negative sides of the railway privatization policy and at mobilizing broad support for union claims. The play started at Seoul Train Station on September 10th and held 23 performances during 62 days before the February 25th strike of 2002. By organizing the performances, KRWU also sought to build coalition with local civil organizations and to strengthen the organizational basis of its regional divisions (KRWU, *ibid*). Then the leadership also launched a series of educational meetings on the 2002 Special Collective Bargaining to get members sufficiently informed about union demands and its bargaining strategies. These education meetings began in Busan on January 12th 2002 and went until February 1st with a total of 29 sessions in five regional divisions (10 educational sessions in the Busan regional division, eight sessions in the Youngju regional division, three sessions in the Daejeon regional division, two sessions in the Seoul regional division and six sessions in the Suncheon regional division (KRWU, *ibid*: 117). At the same time, the leadership escalated mass protests in preparation for the general strike. For this, KRWU organized a Central Action Team that recruited volunteer union members who were willing to actively engage in the anti-privatization campaign, and it also staged a number of mass demonstrations. On November 28th-29th 2001, it held a strike ballot, in which 72.23% of voters approved the strike action. It was followed by central mass rallies held on December 7th and on February 3rd in Seoul and by a series of rallies organized at each regional division on February 16th and 17th to demonstrate membership resoluteness to strike (KRWU, *ibid*: 93-94). In short, the new leadership attempted to mobilize members from the bottom by solidifying the regional/local basis of the union. Its aim was to build an internally well-organized union to increase the mobilizing power of membership. Based on this, KRWU threatened to strike to put

pressure on the government.

Secondly, KRWU built and expanded inter-union coalition to complement weak power resources. “The most and remarkable efforts were seen in the launch of the ‘Joint Alliance of Public Sector Unions for Blocking Privatization of National Key Industries’ at the end of October 2001” (Kang, 2002: 249) to which KRWU participated with five other unions that were KGCU, PPIU, the Korea Electric Technology Union, the High Speed Rail Union and the District Heating Corp. Union. Individually, these public sector unions lacked sufficient power to force the government to bargain with them. Hence they tried to enhance labor solidarity to maximize their bargaining leverage built on collective efforts. Unlike KTTU, which was rather reluctant to become part of this alliance, KRWU actively sought to expand joint activities with other public sector unions that had a common interest at stake. Together with the other unions, KRWU demanded that the government review the privatization policy and bargain directly with the union on the privatization and restructuring issues. It also coordinated a joint strike ballot at the end of November and threatened to strike unless the government called off the legislation of privatization bills. Ultimately three unions of the Alliance, namely KRWU, KGCU and PPIU went on a joint strike on February 25th 2002 to prevent the Assembly from deliberating railway and gas privatization bills. Although the three unions could not stand together until they achieved the same outcomes⁶⁶, KRWU benefited from the coordinated strike action as it enabled the union to exert leverage vis-à-vis the government.

Thirdly, KRWU also began to connect itself to broader social movement and civil organizations. In the past, KRWU had not forged strategic alliances with other forces

⁶⁶ KGCU ended the strike the next day by reaching an agreement and KRWU also ended the strike on February 27th leaving the PPIU to continue the strike by itself for six weeks.

of civil society, but it started to put considerable weight on coalition building when the new leadership took office. Hence it is noteworthy that KRWU established a joint research team (‘Research Team for Opposing Railway Privatization and for Building Public Railway’) with progressive academia to develop a strong counter argument and alternatives to government policy. The research team was constituted of union officers specialized in policy-making from KRWU, KCTU and the Korea Federation of Public Sector Unions, university professors and labor experts, and worked from July 16th 2001 to January 15th 2002 (KRWU, 2002a: 119). The team published a research report whereby it criticized the finalized privatization bills and argued for the need to construct a public model of restructuring based on the studies of railway restructuring in other countries. Then KRWU used the research findings to persuade the government officials, the leaders of political parties and the members of the Committee of Construction and Transportation of National Assembly not to support the legislation of privatization bills (KRWU, 2002a: 124-125; KRWU, 2002b). Emphasis on strategic research in collaboration with academia was a new component of union activity in KRWU, which provided opportunities to develop a rationale for union claims and to reach out to broader constituents of civil society. At the same time, KRWU also sought to organize joint action with the National Joint Committee for Opposing Privatization and Overseas Sales of Public Industries, a coalition of 42 organizations that included labor confederations (FKTU and KCTU), KDLP, various labor movement organizations, religious organizations, and broad social movement organizations including organizations for civil movement and student movement. KRWU allied itself with these various political and social groups and attempted to mobilize public support by expanding the collaborative campaign. In doing this, it proposed to establish an institutional framework for social dialogue in which government, union and civil organizations participated and brainstormed for railway development

(KRWU, 2002a). Although such a demand was not accepted by the government, it provided the groundwork on which KRWU could further build and expand its social coalition.

In this process, KRWU framed the campaign as a defense for public good. It argued that railway privatization will sacrifice public interests for profitability and that the right to universal services for the socially-disadvantaged will be undermined by a profit-centered railway operation, which will eliminate deficit railway lines and increase transportation fares. It also called public attention to safety issues as the separation of infrastructure/operation and the split sales of railways will damage the integrative railway system and will create an ever-present risk for fatal accidents. Similarly, it argued that private ownership will also increase the danger of accidents by reducing the investment for railway facilities. As an alternative to the privatization model, it advocated a public railway model that turned attention to the need to recognize the strategic importance of the railway industry as an environmentally-friendly, low energy-consuming industry and to increase PSO compensations to expand and develop railway infrastructure and services (KRWU, 2002a; KRWU, 2002b; Personal interviews). Based on this principle, KRWU made its major claims in an appeal to defend and assert public needs against service cutbacks and assembled coalition around these publicly defined goals. In doing this, it used various means to draw public attention to the negative effects of privatization and to gain broad support for union claims: putting up posters at railway stations, advertising in newspapers, distributing leaflets on streets, holding joint press conferences, organizing public hearings and mass rallies in coalition with other public sector unions and civil organizations (KRWU, *ibid*). Such processes helped increase public support for the union by avoiding “appearing as simply defending narrow self-interest” (Kang, 2002: 258) and by appearing instead as a promoter of public interests.

Lastly, KRWU demanded for direct union-government bargaining while it threatened to strike, which constituted another conspicuous characteristic of union strategy. Past studies also paid attention to this element and defined the February 2002 special bargaining period as one that constituted the formative stage of union-government bargaining (Kang & Kwon, 2004; Bae K-S, 2004). The formation of such a relationship between KRWU and the government was all the more astonishing given that collective bargaining tradition had been missing on the scene of labor relations at KNR until the new leadership came to power. In the past, the conservative leadership had substituted labor management consultation for collective bargaining and KRWU lived for decades without established bargaining system (KDRL, 2001b; Kang, 2002). Moreover, KNR management refused to bargain with KRWU on the matter of privatization and reinstatement of laid-off workers, and confined the scope of bargaining to issues related to 'working conditions' alone (Kang, *ibid*). Despite all these institutional constraints, KRWU pushed the government to discuss the privatization and restructuring issues at the bargaining table. For this, it tried to complement its weak bargaining leverage by building on membership mobilization and social coalitions. In terms of the outcomes, the government acknowledged KRWU as a bargaining partner and included privatization/restructuring issues into the subjects of bargaining. The Special Collective Bargaining Agreement of February 27th evidenced that KRWU was able to bargain on equal terms with the government. This was not so much a product of a sympathetic government attitude to KRWU. Rather it was derived from the increase in the strategic capacity of the union to overcome its weak institutional resources by fortifying its internal organization and devising various mobilizing tactics.

The outcomes of February 25th strike were reflected in the February 27th agreement, which proved the partial success of union strategies (Table 4.3).

Table 4.3 The agreement of February 27, 2001

Issues	The contents of agreement
Privatization	Both union and management will acknowledge that the railway is an important means of public transportation and will make collective efforts for public development of the railway.
Workforce supplementation	The workforce supplementation will be carried out step by step based on the results of an analysis by management of KNR.
Reinstatement of Laid-off workers	Both union and management will make the best efforts to implement the tripartite agreement agreed to in late 2000.
Working conditions	Day and night shifts will be changed to two shifts on three rosters without cuts in allowances (gradual implementation from 2003, accomplishment by 2004). Improvement in safety inspection; increase in fringe benefits and in employee welfare.
Guaranteeing union security	KNR will guarantee the right for union activity and will not practice unfair displacement of union members. KNR will make best efforts to minimize legal penalties on union officers and members who had been objects of lawsuit during the strike.

Source: KRWU (2002a); 188-202; Kang & Kwon (2004)

In terms of the privatization issues, the agreement remained superficial as it did not specify the withdrawal of railway privatization policy in accordance with union demands. The agreement presented an abstract statement that recognized the principle of a public railway, yet still left room for different interpretations for union and management. Despite this limit, KRWU succeeded in making KNR yield to union requests and to accept to discuss the privatization issues at the bargaining table although KNR had resisted this. As for workforce supplementation and reinstatement of discharged workers, union success also remained partial as KNR did not specify the amount of workforce increase or the date of reinstatement. Hence, although KNR granted concessions to union demands, the agreement was still too equivocal to ensure

management to take actual measures. Nevertheless, such an agreement prevented management from achieving its target employment reduction as planned in the mid-1990s. Not only did it put the brakes on the expansion of employment cuts but it also forced management to admit the need to increase the number of workers, which could be considered a considerable gain for the union. Regarding working conditions, KRWU succeeded in changing the shift rosters and gained concessions that included the reduction of working hours and the increase in fringe benefits and employee welfare (KRWU, 2002a: 188-202).

Overall, the outcomes were more a success than a failure given the weak institutional basis of KRWU. And they contributed to union integrity as the agreement was approved by the majority of its members (70.3%) in the ballot held from March 11th to March 13th 2002 (3/14/2002 KRWU breaking news leaflet in KRWU, 2002a, 533). Yet they remained a half-success as some of the clauses left room for management to evade the agreements. Such was the case for the union protection clause as KNR launched a retaliatory disciplinary action after the strike, by which “eight union leaders including the president were imprisoned for leading an illegal strike, whilst as many as 57 unionists were prosecuted and 24 were dismissed. In addition to this, management even put union money under provisional attachment” for the loss of revenue caused by the strike (Kang, 2002: 251). Hence the union organization was once again destabilized by harsh management backlash and faced further possibilities of employer violation in the February 27th agreement. KRWU reacted by organizing a by-election to sustain membership commitment and to rebuild its internal organization as quickly as possible for tackling railway restructuring. Consequently, the president Kim Jae-Kil resigned from his office and Chun Hwan-Kyu, a descendent of the democratic leadership, took control of KRWU after being elected in August 2002 (KRWU, 2003a: 377-379). Thus the task of protecting the

gains and enforcing the agreement was handed over to the 2nd democratic leadership.

2) Union Strategies under Chun Hwan Kyu's Leadership

Upon taking office on August 8th 2002, the new leadership realigned the organization for contract struggle in the regular collective bargaining that started from November 2002. At this time, KRWU concentrated all its resources on preparation for the contract struggle and held a series of membership rallies at its regional divisions during lunch time and at closing time. It also organized nationwide mass demonstrations both independently and in conjunction with the National Joint Committee for Opposing Privatization to escalate its pressures on KNR (KRWU, 2003a). Hence as soon as the new leadership took control of union, it had to leave its day-to-day union activities and move quickly to prepare for the upcoming struggle. Its goal was to turn the half-success of the February 25th strike into full success by forcing management to adhere to the February 27th agreement and by achieving its major demands, which were: 1. to cancel the adoption of a single driver system and recruit new employees to supplement workforce shortage, 2. to cancel further contracting out, 3. to reinstate the laid-off workers, 4. to cancel the lawsuits against the union and to guarantee union activity, and 5. to repeal the railway privatization bills and to develop public railway (KRWU, *ibid*). And as KNR and the government ignored the 2.27 agreement by starting massive disciplinary actions, the new leadership primarily resorted to confrontational tactics to coerce the employer into faithful negotiation (KRWU, *ibid*).

As the new leadership had to quickly move on to contract struggle, it also tried to mobilize its members in a short period of time. For this reason, membership education was not organized as much as it had been before. The schedule for collective

bargaining was too tight to devote enough time to intensive education. Yet, the leadership sought to increase membership participation by other means. First, members were encouraged to attend union meetings and ballots. The leadership organized two ballots, one on November 4th for changing the national umbrella organization and the other one on February 17th-19th for strike action.⁶⁷ It also set up an ‘unfair labor practice report center’ and urged members to file grievances against management offensives on union activities (KRWU, 2003a). Lastly, it mobilized members into a series of mass rallies and organized a week of ‘work to rule’ struggles (April 11-18) to draw public attention to safety issues and to gain public support for the strike (KRWU, *ibid*).

Yet the most distinctive characteristics of union strategies at the time were associated with building strategic alliances with various political/social groups. In this respect it is noteworthy that the contract struggle coincided with the presidential election, which provided greater opportunities for KRWU to increase political exchanges with politicians/political parties and use them for gaining support for union claims. As seen in the previous chapter, candidates of the major political parties became more responsive to union demands as they strove to win labor’s support during the electoral campaign. KRWU grasped these opportunities to make political allies and to acquire power resources through them. At first, KRWU’s leadership sent a questionnaire to the candidates and strongly requested them to revise railway privatization policies. Based on the findings of strategic researches it had continued to carry out with progressive academia, KRWU could not only denounce major problems linked to railway privatization but also provide convincing counterarguments to

⁶⁷ The vote for changing KRWU’s affiliation to a national confederation from FKTU to KCTU had a high rate of membership participation with 94.08% voter turnout. As a result of this vote (54.02% in support of the change), KRWU disaffiliated from FKTU and affiliated itself with KCTU (KRWU, 2003a, 393). The strike vote ended up with 51.62% of votes in favor of strike action on 89.9% voter turnout (KRWU, *ibid*: 106).

persuade the candidates to abandon the policy and to ally themselves with the union to develop a public model of railway restructuring. At the same time, it expanded other political channels by contacting members of the National Assembly both formally and informally and by organizing public hearings on the railway restructuring bills (KRWU, 2003a). The efforts put on joint strategic research helped dispel the negative perception of the union as a secluded group that objected to government policy without any alternatives and made it possible for KRWU to lay out a logical basis of their criticisms and to speak convincingly to their counterparts and to the public at large. Positive answers from the major candidates were obtained through these persistent efforts that KRWU made to get the union's opinion reflected in government policy. In response to these attempts, not only did the candidate of the Democratic Party but also the candidate of the right-wing Grand National Party promised that they would revise the railway privatization plan and that they would not enforce the plan without social consensus (KRWU, 2003b). This gave KRWU possible points of pressure for later on as KRWU could demand that they keep their election pledges. Hence, when the Democratic candidate, Roh Moo Hyun, was elected as president in December 2002, KRWU mounted its political pressure on the new government. KRWU conveyed a written opinion on railway restructuring to the presidential undertaking committee on January 10th 2003 and it had a discussion meeting with the committee on January 22nd (KRWU, 2003a: 133). Apart from these official contacts, it also met the committee members and government officials informally to persuade them to incorporate union demands into the final design of railway restructuring. Among the committee members, there were those who had labor movement backgrounds, which increased communicative channels for the union. KRWU leadership did not miss this opportunity and took advantage of the latter to increase its influence on policy-making (Personal interviews). KRWU also persisted in contacting

members of the Construction and Transportation Committee of National Assembly to gain their support for union cause (KRWU, *ibid*: 139). By using these channels, KRWU kept on criticizing the new government for not abandoning the privatization policy while having decided on the corporatization of railway operation. As an alternative to this, KRWU demanded the government discard the railway privatization bills first and come up with a railway development policy with new emphasis on the public needs.

Based on this principle, KRWU continued to ask Roh Moo Hyun's government to adhere to his public pledge. This was done through a dual strategy that combined negotiation and confrontation. Indeed if the previous leadership experienced the formative period of union-government bargaining, this time the leadership contributed to the advancement of this bargaining relationship. The result of the latter was crystallized in the union-government agreement of April 20th 2003, by which KRWU obtained substantial concessions from the government including its clear statement on the retraction of the railway privatization plan. Apart from the decision on the vertical separation of infrastructure/operation, the rest of the agreement reflected all the demands of the union. Yet such outcomes could not automatically derive from a more compromising approach of the new government towards labor demands. It is undeniable that the government was willing to revise the privatization of network industries, but it could not yield to all the major demands of union unless KRWU exerted strong influence on the course of negotiations. Furthermore, there was no reason for the government to stipulate the withdrawal of the railway privatization policy as it could hold from pushing for gradual privatization of the railway industry in the future once the vertical split was accomplished. Yet the government accommodated almost all the union demands, which evidences the role of union strategies in leading successful outcomes. This was done through union efforts to

balance between negotiation and contestation. Indeed, the union-government negotiation was itself an outcome of the increased bargaining leverage of KRWU as the union envisaged to go beyond petition and to institutionalize union-government bargaining (KRWU, 2003a: 139). At the actual level, although KRWU failed to stabilize its bargaining relationship with the government and had to content itself with a provisional arrangement, it nonetheless succeeded in bringing the government to the bargaining table and gained concessions through the negotiated agreement. For this, KRWU also had to resort to militancy to mobilize mass opposition to the railway privatization plan in order to increase its bargaining power and to exert effective pressure on government. According to the KRWU leadership, “the bargaining with government cannot go beyond ritualized formal talks unless it is backed up with mobilizing power of union” (KRWU, *ibid*). Hence while it tried to engage in collective bargaining with the government, it also threatened to strike and used confrontational tactics to force the government to negotiate with the union. A flexible combination of negotiation with contract struggle was another conspicuous element of KRWU’s strategies that contributed to the relative success of the union.

Lastly, KRWU continued to connect itself with broader social constituencies by framing the campaign as a fight to defend public operation of the railway and by building social coalitions around these public needs. It tried to consolidate the strategic bond with other public sector unions, notably with PPIU, and it also sought to expand its alliance with other social movement organizations, one that it had developed since the previous leadership (KRWU, 2003a). Hence it actively participated in the coalition activities organized by the National Joint Committee for Opposing Privatization and sought to render the alliance more or less sustainable. The broad social coalition helped KRWU expand its claims and gain public support, which gave more power resources to the union. Strategic alliance was indispensable to conserve momentum for

the union campaign and to overcome the limit of relatively low membership support for the strike (57.42% of support). In order to complement the limit, KRWU had to demonstrate its mobilization capacity to escalate effective pressure on government. Social coalitions contributed to enhance such strategic ability.

2-2. Assessing the Strategic Effectiveness of KRWU

KRWU obtained considerable concessions from government. The substantial union gains can be evidenced by both the union-government agreement of April 20th 2003 and by the final contents of the railway restructuring bills (The Basic Law on the Development of Railway Industry and the Railroad Infrastructure Authority Act) that were legislated on June 30th 2003.

To start with, the comparison between the initial union demands and the negotiated agreement of April 20th proves that KRWU succeeded in ensuring its interests as the government/KNR incorporated almost all the major demands of the union. As seen in Table 4.4, KRWU obtained milestone concessions from the agreement. First, it made the government abandon the railway privatization policy. Although Roh Moo Hyun's Administration had publicly announced that it would revise the privatization policy and that it would at first push for railway restructuring based on the vertical separation between infrastructure and operation, it had never officially called off the railway privatization policy. Besides, as the previous government had made it clear that railway restructuring would be pursued as part of a gradual privatization process, vertical separation could be seen as a preliminary stage that laid the groundwork for privatization. As opposed to this, KRWU requested the government to withdraw the railway privatization bills and to officially announce the withdrawal of the railway privatization policy.

Table 4.4 Comparison of union demands and the contents of the 4.20 Agreement

Issues	Union Demands	4.20 Agreement
Privatization	The withdrawal of the railway privatization bill that had been pending in the National Assembly	Withdrawal of the previous privatization plan and search for alternatives considering the public nature of the railway industry
Railway Restructuring	Annulment of the railway restructuring model based on the separation between infrastructure and operation; social consensus building for developing a public model of railway restructuring	The search for an alternative such as integrating maintenance function into railway operation part; the pursuit of railway reform through consultation and consensus-building among interest parties.
Workforce Increase	The withdrawal of the proposed single-driver system; the supplementation of workforce shortages by recruiting new staff	The withdrawal of the single-driver system; the supplementation of workforce shortages by assuring 1,500 new staff quota by late June; gradual recruitment of 1,358 employees by late December to meet the required personnel by new businesses.
Reinstatement of laid-off workers	Reinstatement of laid-off workers	New hire of 45 laid-off workers by late July.
Lawsuit	The withdrawal of lawsuits against union members	The annulment of provisional seizure of union assets/ individual salaries; the annulment of damage suits

Source: KRWU (2003a)

In the end, the government complied with union demands and stipulated the annulment of railway privatization in the agreement. The fourth clause of the agreement stated:

- Railway reform will focus on the development of the railway industry, the

reinforcement of public interests and the improvement of universal services for the general public.

- Considering the public nature of the railway, the previous privatization policy will be withdrawn in search for alternatives.
- With regard to the separation of infrastructure and operation, alternatives will be sought such as the integration of the maintenance and repair work (which is closely related to train safety) into the service operation.
- In the future, the railway reform will be pursued through sufficient discussion with stakeholders and through social consensus building such as public hearings. If, related bills will be drafted through such process, both management and union will put joint efforts for the passage of the bills at the Assembly (KRWU, 2003a: 196).

Hence the government fully embraced union demands to call off the privatization plan. For sure, KRWU could not assure the withdrawal of the government restructuring plan based on the split of infrastructure/operation. Yet by forcing the government to make the withdrawal of the former privatization policy official, it succeeded in obstructing the legislation of railway privatization bills and in demolishing the grounds for gradual privatization. Apparently, Roh Moo Hyun's government's finalized railway restructuring plan looked similar to Kim Dae Jung's government's plan as they both proposed to separate the railway infrastructure part from its operation part. Yet there lay a fundamental difference between the two as the former government's plan clarified that the operation part would ultimately be sold to private investors while Roh Moo Hyun's government annulled this plan and promised to stop pushing railway privatization forward.

Secondly, in regards to the issue of the maintenance and repair work, the government envisaged to revert it to the Korean Railroad Construction Authority while KRWU opposed this plan on the grounds that the separation of the maintenance and repair part from operations might cause safety problems. The compromise reached by the 4.20 Agreement supported union demands by admitting the need to put the

maintenance and repair work under the jurisdiction of railway operation as it stated, “alternatives will be sought such as the integration of the maintenance and repair work into service operations.” (KRWU, 2003a: 196)

KRWU also secured remarkable gains in other areas. The agreement clearly stated that “single-driver system will not be adopted for safe train operation and that it will hire new workforce for the shortage caused by such action” (KRWU, 2003a: 194). It also gained management agreement for ‘the reinstatement of laid off workers’ and for “the annulment of lawsuits against union.” KRWU had continuously demanded the recruitment of new workers to supplement workforce shortages and for the reinstatement of dismissed workers (KRWU, *ibid*: 195). The 4.20 Agreement was fruitful enough to achieve these long-time union objectives.

The evaluation of the agreement also confirmed KRWU’s groundbreaking achievements. First, KRWU itself considered the agreement as “the victory of railway workers.” According to the union report, “railway workers obtained most of its five major demands by threatening to strike.” “The agreements on ‘the principle of public needs’, ‘the withdrawal of privatization plan’ and ‘the integration of maintenance and repair function with railway operation’ would place the union in an advantageous position to uphold its cause in its later struggle for defending the public railway (KRWU, 2003a: 206-207).” Hence, not only was the agreement itself fruitful but it also provided KRWU with greater possibilities to effectively pressure government/management in the near future.

The reaction of the conservative media also evidenced union success as they expressed strong dissatisfaction about the bargaining outcomes. Even before the agreement was reached, the media had stressed the need to push for railway privatization and argued that “as fundamental improvement of railway management could not be possible unless KNR breaks out of its public ownership, it is necessary at

least to fix the schedule and future plan for privatization after corporatization (*Maeil Business Newspaper*, January 29, 2003).” Based on this view, the conservative press criticized the Agreement in unison. Here are some excerpts from the newspaper editorials:

- “The principle of dialogue and compromise that the government advocated degenerated into a lopsided grant of concessions by management...The government broke the principle itself and unilaterally empowered the union.” (*Chosun Ilbo*, April 22, 2003)
- “The government left a bad precedent by subordinating to union pressures and by proving that the government could be pushed down by force.” (*JoongAng Ilbo* Editorial, April 22, 2003)
- “The government had announced that it will take a firm stand against excessive union demands. But the result was the accommodation of almost all of union demands.” (*Segye Ilbo* Editorial, April 22, 2003)

In short, conservative forces expressed their deep frustrations about the bargaining outcomes. By doing this, they proved KRWU’s relative success vis-à-vis government/management. Yet as seen in the case of KT, the written agreement itself cannot be proof of the strategic effectiveness of unions as employers can breach the agreement and go on implementing their decisions unilaterally. In fact KRWU also entered a strained relationship with the government after the 4.20 Agreement and went on strike just two months after the agreement had been reached. The strike was instantly mobilized on June 28th 2003 against the passage of railway restructuring bills when an Assembly member named Lee Ho-Ung introduced them in the Assembly on June 9th. KRWU considered this a violation of the agreement that promised to build the railway reform on social consensus. KRWU demanded to postpone the legislation of related bills until September on the grounds that it needed to go through an internal

fine-tuning process to come up with a reasonable restructuring plan based on membership consensus. Yet the government ignored the demand and took steps for the legislation. The June 28th strike was organized to protest against this move, but it failed in preventing the Assembly from passing the bills. In the end, the Basic Law on the Development of Railway Industry and the Railroad Infrastructure Act passed the Assembly plenary session on June 30th 2003. Nevertheless the final contents of the bills still contained major concessions that the government had granted before. It reflected union interests in many respects, which can be evidenced by comparing the contents of the railway privatization bill proposed by the MOCT in 2001 and the contents of final legislation of 2003 (Table 4.5).

Table 4.5 Comparison between 2001 and 2003 railway restructuring

	2001 bills (A)	The finalized 2003 bills (B)
General Direction	Aiming for the establishment of an efficient private sector for railway operation based on the market economy	The pursuit of both efficiency and public interests
Form of Corporation	Korean Railway Corporation. A stock company with 100% government share that will be regulated by the Act for Structural Reform and Privatization of Public Enterprises	Public Corporation. A non-stock government invested company that will be regulated by the Government Invested Enterprise Regulation Act
Privatization	'Gradual sales to private investors' (Article 18)	Elimination of Article 18
Contracting out to private sector	The contracting out of operation and management of railway lines to private investors (Article 24)	Elimination of Article 24

Table 4.5 (Continued)

	Maintenance and repair work under the control of infrastructural part (KR)	KR has the ownership of the maintenance and repair business but the operation company (KRC) actually runs the business
Employment Protection	Not specified	-Comprehensive employment transfer (Article 25). -Protective measures against the deterioration of working conditions and severance pay (Article 25).

Source: MOCT (2001b, 2003b)

Firstly, in regards to the principle of railway operation, the past bill made it clear that it would aim at the establishment of a market economy by introducing competitive logic into railway industry while the finalized bill advocated both the efficiency and public interests. Secondly, in regards to the form of the operation company, the 2001 bill proposed to establish a corporation with 100% government shares that would be subject to the ‘Act for Structural Reform and Privatization of Public Enterprises’ and that would thus be targeted for gradual privatization. By contrast, the Basic Law on the Development of Railway Industry clarified that the form of the company would be a public corporation that would not issue stocks and that would be governed by the ‘Government Invested Enterprise Regulation Act’. Accordingly, with regards to railway privatization, the past bill contained articles that laid the groundwork for gradual privatization such as ‘gradual sales of government share to private investors (Article 18)’ and ‘contracting out some lines to private operators (Article 24).’ But the Basic Law deleted all these articles and eliminated the legal basis for gradual privatization. Thirdly, the new bill specified that the infrastructural part has the ultimate ownership of maintenance and repair work as opposed to the 4.20 agreement,

which advocated the integration of the maintenance and repair function into the railway operation part. But the bill still left space for negotiation as it stated that ‘[t]he Construction Authority owns the maintenance part but the Korean Railway Corporation will take charge of operating the maintenance and repair work’. It was a compromise between the two opposing views, which attempted to appease the union by assigning the responsibility of the operation of maintenance and repair work to the operation company. Lastly, the Basic Law clarified that the law will guarantee employment security by stipulating ‘100 % of employment transfer (Article 25)’ and that it would protect the transferred workers from deterioration of working conditions and severance pay (Article 25).

The changes from (A) to (B) as indicated in the Table 4.5 meant more than a mere modification of legal provisions. There was a fundamental difference between the two. While the bill (A) was drafted to lay the foundation for privatization of railway operations, the bill (B) eliminated the very groundwork. It also reflected the incorporation of union interests related to the protection of employment security and working conditions, which were also beneficial to labor. In short, the transition from (A) to (B) indicates the labor-mediated character of railway restructuring as well as union success in guaranteeing their interests during the restructuring process. In the end, KRWU utterly derailed the privatization plan. When the MOCT finalized its railway restructuring plan, it envisaged to achieve the privatization of the railway operation company by 2010 by incrementally selling government shares starting in 2005. But the schedule for this itinerary was delayed and neither the gradual sales nor contracting out to private investors has been carried out since then. In this sense, KRWU contributed to change the pace and shape of restructuring. Consequently, the Korea Railway Corporation has remained a public corporation up to present.

Besides, KRWU also succeeded in preventing compulsory employment reduction.

As already seen, it made the employer drop the single-driver system out and to hire new employees for supplementing workforce shortage. In this process, KRWU convincingly appealed to the need to sustain sufficient staff levels for the safety of train operations. It also succeeded in reinstating laid-off workers as KNR management followed the negotiated agreement. Hence, although the MPB intended to carry out employment cuts from 1999, this process was held back by union efforts to supplement workforce shortages and to prevent compulsory reduction. The result was a very modest reduction from 1999 to 2001 of 487 jobs, which was accomplished through natural decrease by retirement (see Table 4.7). This was far below the targeted number of reduction as set by KNR in 1999, which was 1,506 jobs for 1999, 2,346 in 2000 and 341 in 2001(see Table 4.6)

Table 4.6 Employment reduction target set by the Management Reform Plan

	1997	1998	1999	2000	2001	Total
Reduction target by 1996 plan	1,236	1,370	1,156	1,054	1,551	7,307
Reduction target by 1999 plan	1,236	1,370	1,506	2,346	341	7,739

Source: KNR (2000c); Kang (2002)

Table 4.7 The changes in employment at KNR from 1997 to 2001

	1997	1998	1999	2000	2001
Total	34,266	31,608 (-2,658)	31,960 (+352)	31,707 (-253)	31,447 (-260)
Manual	26,835	24,628 (-2,207)	25,096 (+468)	24,120 (-976)	24,238 (+118)
Clerical	7,384	6,959 (-425)	6,837 (-122)	7,301 (+467)	7,209 (-92)

Source: KNR (2001)

In the mid 1990s, KNR implemented its employment reduction plan through a massive

compulsory retirement of senior workers. Hence more than 2,500 compulsory redundancies occurred in 1998 when KNR shortened retirement age of manual workers by one year. Yet from 1999 onward KNR failed to meet the targeted reduction as demonstrated in the table. The main reason for this failure was effective union opposition to the proposed employment cuts from 1999 (Kang, 2002: 207). This contrasts with KT's case where massive employment reduction was implemented by management from 1999 to 2001 without being significantly challenged by the union.

3. Comparative Remarks

The comparison between the strategic effectiveness of KTTU and KRWU demonstrated differences in the unions' abilities to obtain concessions. While KTTU could not prevent the government from implementing unilateral restructuring, KRWU succeeded in obstructing the passage of privatization bills under Kim Dae Jung's government and in reflecting its demands on the final bills under Roh Moo Hyun's government. As a consequence, the privatization of KT was achieved within a compressed time horizon; one that was shorter than the original schedule set by the government. The employment cut was also more drastic and exceeded the number of targeted reductions proposed by the government's plan. By contrast, railway restructuring undertook a much slower pace and incorporated major demands by KRWU in the process of its implementation. Not only did KRWU succeed in making the government retract the legislation of privatization bills and in abolishing the ground for gradual privatization, but it also was capable of inserting protective measures into the final design of the restructuring bills that would prevent the deterioration of both employment relations and working conditions.

In this respect, this chapter shed light on the differences in strategic formulation of

the two unions. Drawing upon four central strategic abilities that were identified in the first chapter, these differences between KTTU and KRWU can be summarized as follows.

The ability to educate and mobilize members:

Both unions tried to strengthen membership commitment and encourage membership participation in union activities in order to organize effective opposition. Yet union efforts for member education and mobilization were rather short-term at KTTU.

Although the leadership organized site-visits and membership education, these were not done on a consistent basis and tended to be one-off events. Membership mobilization for mass rallies was also one key element of union strategies during the first and second democratic leadership. Yet the mobilization was not accompanied with a sustained effort to strengthen the lay organizations. Thus, when leadership considered the mobilization capacity was too low to stage mass protests, it often replaced membership mobilization with lead struggles by union officers. The substitution of sit-in protests or hunger strikes by union officers for grassroots mobilization exhausted the source of mobilizing power. Moreover, the communication between leadership and rank-and-file members was often too weak to gain membership support for leadership decision (Personal interviews). Hence, when the leadership unilaterally called off the strikes, it not only increased membership defiance towards the leadership but also intensified the internal division. Together these factors further eroded the mobilizing power of membership.

KRWU was also constrained by the weak institutional and organizational bases as it was the first time that the militant leadership took office. Yet compared to KTTU, the new leadership put more emphasis on realigning the lay organization from the beginning and put more efforts on fortifying the regional and local bases of the union.

This led to a series of thorough membership education sessions held at regional offices and through a variety of activities such as a performance tour held at major railway stations. For sure, the urgent task of tackling privatization and other restructuring issues often required instant membership mobilization that hindered to establish day-to-day organizational activities on a more long-term basis. Despite these limits, KRWU demonstrated a relatively strong mobilization capacity. Besides, unlike the KTTU case in which the union-management agreement aroused membership criticism and aggravated the internal split, KRWU's leadership could assert its authority by organizing ratification votes that resulted in winning the majority of membership votes. This contributed to increased membership commitment to union leadership. KRWU also organized a by-election when the strategic capacity of leadership was undermined by disciplinary action, which also helped sustain the mobilizing power of union.

The ability to flexibly combine negotiation and confrontation:

Unions often lack the ability to balance negotiation and confrontation and reside in one-sided strategies. KTTU leadership also oscillated between concessionary bargaining and militant collective action. When it organized mass protests and disruptive actions, it could not effectively use them to increase its bargaining leverage. Militant collective action merely remained symbolic and did not bring about fruitful bargaining outcomes. Lack of ability to use the mobilizing power of members to increase bargaining leverage placed the union in a defensive position during the bargaining session. Hence, rather than combining collective bargaining with confrontational tactics, KTTU went from one extreme to the other, from sporadic protests to concession bargaining. In the face of a government/management hard-line policy, it often threatened to strike to gain better bargaining outcomes, but it soon called off the strikes without guaranteed concessions from government.

KRWU's leadership proved to be more effective in balancing negotiation and confrontation. It considered that it was necessary to build upon its mobilizing power in order to bargain on equal terms with government/management. Hence while it saw the importance of reaching compromises and negotiating agreements through collective bargaining, it tried to mobilize various confrontational tactics to gain leverage to exert pressure on the government. When it organized mass rallies, sit-in protests, strike actions or threatened to strike and work-to-rule struggles, it used them to force the government to bargain with the union and to make more concessions. Both the 2.27 Agreement and the 4.20 Agreement were reached by such a successful combination of negotiation and confrontation.

The ability to create multiple political channels:

Both unions demanded the government accept to bargain with them. Yet only KRWU succeeded in persuading the government to directly negotiate with the union. For sure, the increased political opportunities linked to the presidential election and to government change provided KRWU with a more advantageous position to multiply communicative channels within the polity and to voice its opinion through them. Yet it is also true that there were still possibilities for KTTU to engage in political exchanges with various political actors by using established institutions such as the Tripartite Commission and by increasing its contacts with pro-labor government officials or politicians. Efforts to multiply the points of political access would have helped the union influence government decisions. Such was not the case of KTTU. Although it occasionally organized petitions, lobbied Assembly members and politicians and held discussion meetings with them to try to gain their support for union claims, it could not forge strategic alliances with these political actors.

KRWU was more tenacious in its attempts to find political allies within the polity

and use them to advance their claims. Even under Kim Dae Jung's government, it could use institutionalized channels such as the SCPSR within the Tripartite Commission to impact upon government decision and could also succeed in making the government accept KRWU as a bargaining partner. And when the presidential election opened a new political space, KRWU did not miss the political opportunities to find political allies within the polity and to multiply political access. Apart from organizing petitions and public hearings, it thoroughly contacted Assembly members, political parties and members of the Presidential Undertaking Committee and tried to gain their support (Personal interviews). If KRWU lacked the ability to take advantage of political opportunities, it could not have succeeded in increasing its bargaining leverage vis-à-vis the government and in obtaining major concessions.

The ability to build broad social coalition:

Both KTTU and KRWU participated in the Joint Alliance of Public Sector Unions for Blocking Privatization of National Key Industries and in the National Joint Committee for Opposing Privatization, which included social movement organizations and civil organizations. Yet KTTU became less enthusiastic in coalition-building over the restructuring process and distanced itself from the Joint Alliance during Lee Dong Gul's leadership. The retreat from the Joint Alliance coincided with union moderation. The union leadership began to weigh more on negotiating practical gains than advocating the principle of public interests. Therefore, although it tried to appeal to public interests by demanding the government adopt the People's Share plan in the early stage of its campaign, it became more and more reluctant to build alliances with other forces in civil society around the defense of public interests. The appeal to public needs remained merely symbolic and efforts to build social coalitions were rather weak. They were not persistent and remained ad-hoc and sporadic. Yet by neglecting

to forge sustainable social alliances, it missed the opportunity to gain power resources to increase its bargaining power.

By contrast, KRWU viewed social coalition-building as an important source of bargaining power and constantly tried to expand social coalitions. The coalition-building efforts were pursued in three areas. First, it sought to carry out joint research with progressive academia and labor policy practitioners. The joint research helped the union in framing its campaign in a more effective way and to develop alternatives to the railway privatization policy. This in turn contributed to finding political allies within the polity as well as the public agency, as the research findings provided KRWU with firmer logical ground that it could use to convince them. It also helped to expand public support by dissipating the negative public image of the union as a narrow interest group that fought for its own sake without any alternatives or justifiable cause. Second, it continued to actively forge inter-union alliances with other public sector unions. The joint strike with allied unions increased the bargaining power of KRWU. Lastly, KRWU also sought to organize various joint actions with the National Joint Committee for Opposing Privatization. Built upon broad social mobilization, it could effectively exert pressure on the government as the latter widened the range of power resources it could mobilize while bargaining with the government. The broad coalition also helped KRWU draw public attention to its campaign and expand the basis of public support for the latter.

If we classify union capabilities in these four areas based on the ratings presented in chapter one, the results appear as below:

Table 4.8 Ratings of strategic capabilities of KTTU and KRWU

	KTTU	KRWU
The ability to educate and mobilize members	0	(+)
The ability to balance negotiation and confrontation	(-)	(+)
The ability to create political channels	(-)	(+)
The ability to build broad social coalitions	0	(+)
Overall	-2 < +4	

Here, I rate (+), 0, (-) for each category of the four areas: (-) is rated when the union has lacked such capacity (no strategic capacity). (+) is rated when the union has shown high capacity for the category (full strategic capacity). 0 is rated when the union has shown some ability but not fully developed such capacity (partial strategic capacity). In sum, KRWU demonstrated strong strategic capabilities in all four areas while KTTU lacked abilities in balancing negotiation and confrontation and in expanding political channels. It had shown some abilities to mobilize members and build social coalitions, but they were short-lived. In fact it did not effectively sustain the mobilization long enough to increase both membership and social resources. Overall, KTTU's strategic ability was lower (-2) than KRWU's ability (+4).

This chapter analyzes these differences in the strategic capacities to explain variation in the outcomes. While the high strategic capacity of KRWU resulted in union success in obtaining concessions and guaranteeing its collective interests, the relatively low strategic ability of KTTU brought about its failure in impacting on the pace and shape of restructuring.

Yet it is still questionable whether union strategies can be seen as a determinant variable to explain different degrees of success. The limited cases of this study make it hard to assert the decisive role played by the strategic choices of unions. As the

changes in the political contingency provided different condition for the two unions, the differences in political opportunities can also be considered critical in creating divergent outcomes. In this respect, this study argued that although political opportunities were greater for KRWU, they could not result in union successes unless KRWU was able to take advantage of them by formulating effective strategies. In fact, the MOCT and the economic bureaucrats continued to pressure President Roh Moo Hyun to adhere to railway privatization and to come up with a concrete plan for gradual privatization once corporatization was decided as an immediate option. The MOCT confirmed the need to gradually push railway privatization forward in its meeting at the Blue House and announced its intention to push for the policy from early 2003 (MOCT, 2003a). For this reason, although there existed contention over railway restructuring strategies within Roh Moo Hyun's government, it ended up granting major concessions to KRWU, which partly evidenced the strategic effectiveness of the union. Also, the remarkable concessions regarding the protection of employment security and working conditions as well as management approval for the withdrawal of the single-driver system and supplementation of workforce shortages could not be obtained without effective strategies that contributed to increase bargaining leverage for the union. This occurred despite the weak organizational bases and institutional resources for KRWU, which also confirms the central role played by union strategies.

4. Further Comparative Evidences

4-1. The Korean Power Plant Industry Union (PPIU)'s Campaign against Privatization

The central argument of this study may be criticized on the ground that it is the difference in industry conditions and not the strategic capacity of unions that accounted for the relative success of KRWU. As the competitive pressures are greater for some industries than others, public corporations can be classified into more market-prone corporations and less market-prone corporations (Cho et al., 2009). For this reason, when Kim Dae Jung's government began to push its privatization policy, it first targeted public corporations that operated in more competitive market environments. For others that were less marketized, it aimed at first at creating a competitive environment prior to the adoption of a privatization program. Hence, while KT was included on the list of targeted public corporations for privatization of 1998, KNR was not part of it until 1999. In the previous chapters, I argued that such a difference cannot explain the relative success or failure of respective unions on the ground that their strategic effectiveness should not be valued by the withdrawal of the privatization plan but by the scope of union influence on the pace and patterns of privatization. In this respect, the PPIU case provides further evidences to support the key argument of this study. The case study demonstrates that union strategies are far more important than the industry condition in determining divergent restructuring outcomes.

The PPIU was established in mid-2001 to represent workers at five Korean power plants. These power plants became subsidiaries of the Korea Electric Power Corporation (KEPCO) in April 2001 as a result of the legislation of the electricity

privatization law in December 2000, which aimed at selling power plants one after another from mid-2002. Thereafter PPIU became an independent union from KNEWU and was affiliated with KCTU. As for the privatization policy, it is noteworthy that KEPCO was included in the list of targeted public corporations for privatization along with KT when the government announced its first and second privatization plans in 1998. Therefore from the government's view, there were not so many differences between the telecommunication and electricity industries in terms of their readiness for privatization. Neither were there differences in the degree of market exposure between the two industries. Same as for KT, the previous government had already sold its shares before Kim Dae Jung's government decided to privatize the industry. Hence, the Roh Tae Woo government sold 21% of its shares in 1989. KEPCO even preceded KT in the sense that it was listed on the New York Stock Exchange in October 1994 whereas KT was listed on the same stock market in May 1999 (Lim W., 2003, 46).

Yet it is noteworthy that although power plants became subsidiaries of KEPCO as part of the privatization plan, government attempts to further implement the privatization of electricity industry came to a halt through the PPIU's fierce opposition. Against the gradual sales of power plants, PPIU mobilized its membership and aligned with other public sector unions to obstruct the government privatization plan (PPIU, 2002). Not only did it actively participate in the Joint Alliance of Public Sector Unions but it also built broad social coalitions with other forces in civil society to advocate a publicly owned industry (Korea Center for City & Environment Research, 2002). This culminated in the formation of the National Joint Committee for Opposing Privatization and Overseas Sales of Public Industries that demanded the government stop the unilateral implementation of its privatization plan and to come up with an alternative policy through social dialogue. In alliance with the Committee, the PPIU advocated a public model of restructuring (Kim J-W, 2003), which helped mobilize

civil opposition to the government-led restructuring program. In this sense, the coalition provided PPIU with social resources that increased the union's bargaining power vis-à-vis the government and management. Later on, the PPIU continued its efforts to reach out to various civil movement organizations, notably environmental movement organizations, which contributed to the formation of the 'blue-green coalition'. Built on this labor-environmental alliance, the PPIU demanded the government withdraw its privatization policy and find a pro-environmental restructuring plan for the energy industry in order to develop renewable energy. Such a claim gathered broad support from environmental and social movement organizations and contributed to the formation of the Energy Labor Society Network that further mobilized social opposition to government policy.⁶⁸

In the end, the PPIU succeeded in obstructing further implementation of the privatization plan and in preventing the government from selling power plants to private investors. Hence the PPIU case provides a counter-example to KTTU and proves that unions can be strategically effective even when market pressures constrain their abilities.

4-2. Union Campaign against the Privatization of the British Water Industry

The case of the trade union campaign against British water privatization offers additional evidences to verify that the pace and the shape of privatization can vary subnationally in accordance with differences in the strategic capabilities of labor unions. In fact, past studies considered Britain as representing a typical national model of liberal market economies (LMEs) that are common to Anglo-Saxon countries. In

⁶⁸ The evidences of the blue-green coalition are drawn from internet media articles. Cf. Chung, Young Il, "The Transformation of Energy Industry by Red-Green Coalition" *Ngotimes*, June 23, 2005; Lee, Phil Yeol, "Towards the Success of Red-Green Coalition", *Pressian*, June 23, 2005.

their view, LMEs have developed distinctive institutional characteristics that rely on market modes of coordination as opposed to coordinated market economies (CMEs) that have higher levels of non-market coordination (Hall & Soskice, 2001; Thelen, 2001; Bohle & Greskovits, 2009). Based on this distinction, a number of studies highlighted the persistent cross-national differences between CMEs and LMEs. According to them, in LMEs such as Britain and the U.S, there were widespread attempts to impose unilateral management control while labor was unable to put up significant resistance due to the lack of institutional resources. By contrast, in CMEs such as in continental Europe and Japan, the continued coordination between unions and employers allowed unions to exert continued influence on market restructuring by constraining management authority (Turner, 1991; Ferner, 1994; Katz, 1997; Thelen, 2001; Bohle & Greskovits, 2009). For this reason, Ferner also distinguished Britain as representing one extreme of the spectrum in terms of public sector reform. While Britain has shown “a thorough dismantling of the old ways of doing things in industrial relations and such comprehensive of privatization of state”, other European countries have taken “a more consensual and cautious approach to reform” (Ferner, 1994: 65).

Yet although unilateral restructuring was more common in LMEs, Anglo-Saxon countries had not experienced uniform curtailment of union power. For sure, unions in LMEs had more obstacles in influencing restructuring decisions than unions in CMEs due to labor’s weak institutional categorization. But it is all the more important to note that unions, as strategic actors, drew upon different strategic capabilities to shape restructuring decisions. For this reason, the British union campaign against water privatization is of interest as it evidences a subnational variation related to the strategic effectiveness of labor unions within an LME. It shows “how unions facing almost certain defeat on the fact of privatization, nevertheless were able to articulate a

coherent campaign of opposition that was in many ways more effective than those which preceded it” (Ogden, 1991: 20).

The conspicuous elements of such a successful campaign built upon union ability to reach out to broad social constituencies. Similar to KRWU and PPIU, the British unions in the water industry⁶⁹ attempted to frame their demands as public needs and tried to recruit other interest groups into the campaign against privatization. They also displayed commonness in their efforts to shed off the negative image of unions as organizations that ‘oppose for opposition’s sake’. Instead they “positively argued the case for a publicly owned industry and outlined a programme for improving the current level of service” (Ogden, 1991: 20). This contributed to the increase in public sympathy towards union campaign. In this process, the British water unions built strategic alliance with other environmental and social movements by linking the privatization issue to pollution and public health concerns. Such environmental issue-framing enabled the union to mobilize broad social groups and to secure their support. This in turn contributed to the increase in the power resources that unions could exploit to leverage their bargaining power.

In the end, the British union campaigns could not obstruct the passage of the water privatization bill. Yet they should not be judged in terms of their inability to prevent privatization from taking place. In fact, most of their activities were geared to influencing public opinion by emphasizing the health and pollution problems, and by appealing to the need for high investment in the water industry. In this respect, the Water Joint Trade Unions Industry Committee (WJTUIC) demonstrated greater

⁶⁹ The main unions in the industry are the National Association of Local Government Officers (NALGO), the General Municipal and Boilermakers (GMB), the National Union of Public Employees (NUPE) and the Transport and General Workers Union (TGWU). The unions set up the Water Joint Trade Unions Industry Committee and organized a steering group In order to promote a coordinated campaign against water privatization. The steering group consisted of representatives from the major unions in the industry, but was very prepared to consult outside experts on matters such as publicity, health and safety, and legal matters (Ogden, 1991: 25-26).

effectiveness in mobilizing public support than the preceding union campaigns in British gas and telecommunication industries. Built upon the coalition with environmental groups and consumer groups, the WJTUIC played an influential role in the Government's decision making (Ogden, 1991; Cho et al., 2009). Firstly, the government was compelled to consider the issues raised by the WJTUIC regarding the side-effects of privatization, and it had to postpone the proposals for water privatization in 1986. Given that the government began to push water privatization with the foundation of the Water Act in 1983, such a decision shows the delayed process of policy implementation. Secondly, the government incorporated environmental and public concerns when it came up with new proposals in 1987. It decided to set up a National Rivers Authority, which was assigned regulatory powers over water resources, pollution control, land drainage and flood protection. Such a decision was made to meet some of the concerns raised by the environmental lobby (Ogden, 1991: 30). In the end, water privatization was marked by low share price and the establishment of regulatory bodies to control pollution and to sustain high levels of investment for improving the level of service. The incorporation of social and environmental standards into the water privatization reflects the influence of the WJTUIC campaign.

In sum, the WJTUIC succeeded in delaying and in mediating the privatization process. This was made possible by the mobilizing capacity of the WJTUIC built on broad civil coalition. Thanks to the latter, the WJTUIC was capable of appealing to public sentiment, which was proven by the Gallup poll that reported 65% opposition to water privatization in November 1987, 81% opposition in August 1989 and 83% opposition in October 1989 (Ogden, 1991: 32). The rise in public opposition against water privatization constrained the government to incorporate union demands regarding the public and environmental issues. In sum, the strategic capability of

British water unions was central in shaping the privatization policy. Thus the case analysis offers a counter-argument to the theories of a national model of capitalism. Unlike their theoretical claims, the British water unions proved that unions in LMEs can still influence the privatization outcomes by deploying effective strategies.

4.3 The Japanese Railway and Telecommunication Unions and Their Responses to Privatization

The brief comparative analysis of the Japanese railway and telecommunication privatization supports the findings of this study regarding the varied degrees of union influence on the restructuring outcomes. It does so by showing that there is no apparent national or sector-level explanation regarding the outcomes: the greater union influence at Nippon Telephone and Telegraph (NTT) compared to the unions at Japan National Railway (JNR) that had little influence on the restructuring decisions.

The ‘varieties of capitalism’ theory has classified Japan as a CME by emphasizing its mechanism of non-market coordination (Hall & Soskice, 2001; Thelen, 2001). In its view, although Japan lacks corporatist regulations characteristic to European CMEs, it has a stronger capacity of coordination than LMEs. Japan’s lifetime employment tradition associated with long-term financing arrangements contrasts with frequent layoffs practiced by Anglo-Saxon employers who operate on a shorter financial leash (Thelen, 2001). Likewise, high levels of workforce cooperation have also provided the workforce with a voice in the affairs of the Japanese firms (Hall & Soskice, 2001). For this reason, the ‘varieties of capitalism’ literature has placed the Japanese political economy with other CMEs.

Yet this approach oversimplifies the politics of strategic choices that shape the dynamics of change within a CME. In fact, the differences in union responses to the

privatization of the Japanese telecommunication and railway industries precisely rebut the clear-cut image of a CME that conflates significant within-country variations into the uniform category of ‘coordination’. According to the varieties of capitalism framework, Japanese public sector privatization would be expected to be driven by a consensual process based upon labor-management cooperation. In this view, while Japanese employers would avoid renegeing on lifetime employment guarantees, company unions would also cooperate with management initiatives in a rather subordinated manner. Yet in the actual situation, there was as much conflict as cooperation during the privatization, and the political process of negotiation differed across the telecommunication and railway industries in Japan. Apparently unions in both industries became less militant and labor-management relations more cooperative. But “despite these similarities, the two public enterprises differed regarding the role that unions played in shaping the reform process, the attitudes and policies of unions toward reform process, and the reform outcomes in both the configuration of labor organization and the character of labor-management relations” (Mochizuki, 1993).

The divergent paths of restructuring can be explained by differences in the political dynamics of negotiation that were also connected to the variation in the strategic choices of unions. At NTT, the Japan Telecommunication Workers Union (JTWU, Zendentsu) had been the only union, and it represented more than 99 percent of non-managerial telecommunication workers (Mochizuki, 1993; Nakamura & Hiraki, 1997). When the Second Committee on Administrative Reform (Rincho) proposed the privatization and the breakup of NTT in 1982⁷⁰, the union leadership abandoned its

⁷⁰ The Japanese government established the Committee on 16 March 1980 to examine proposals for fundamental administrative reforms. The committee’s third report concerned the telecommunications industry and was presented to the prime minister on 30 July 1982. This report included a draft outlining NTT reform including privatization and the establishment of a competitive telecommunication market. The report fueled NTT’s full-scale restructuring which resulted in the privatization of the company in 1985 (Nakamura & Hiraki, 199: 240-241).

previous oppositional stance and chose to positively engage in the negotiation with management to reach a compromise. Indeed, the leadership viewed the privatization of NTT as unavoidable and considered that intransigent opposition to the latter would put the union and their members in peril. Instead it chose to minimize the potential threat of privatization such as massive involuntary layoffs and the deterioration of wages and working conditions. The ‘strategic engagement’ approach was also backed up by membership support, which was made possible by the maintenance of leadership authority over its members (Mochizuki, 1993; Personal interview). Besides, the union also tried to increase its influence over policy decision by multiplying political channels. In its search for widening political allies, it went beyond its traditional links with the Japan Socialist Party (JSP). “Recognizing the limits of JSP, the president of Zendentsu (JTWU) approached Liberal Democratic Party (LDP) leaders such as Kanemaru Shin (then chairman of the LDP Executive Council) and Tanaka Rokusuke (then LDP secretary general) directly. In the end, Kanemaru worked to amend the NTT reform legislation so as to put off the plan to divide the company. To apply pressure on the LDP, Zendentsu launched a petition campaign and succeeded in collecting more than ten million signatures (Mochizuki, 1993: 193). The mobilization of vast social support contributed to the increase in union influence over the decision-making process. Finally, when the reform bill passed in 1985, it had many imprints of union influence. The bill included provisions regarding privatization and free entrance to the market, but the break-up of NTT was withdrawn. And many other union claims were included such as: prevention of the Ministry of Posts and Telecommunications (MPT) from intervening in collective bargaining, abolition of the system of MPT’s official approval on management planning, and the elimination of the restriction on the union’s right to strike in three years (Nakamura & Hiraki, 1997: 243).

The JTWU’s increased political influence also helped the union gain leverage

while negotiating with NTT management. During the transitional period, the JTWU succeeded in negotiating union-management, which included “a number of core principles, one of them being the continuation of employment security” (Katz, 1997: 12), and it also secured its participation in managerial decision making. After the passage of reform bills, the JTWU bargained with management to establish a union-management consultation system, the purpose of which was “to discuss all major management plans before they are formally considered by NTT directors and Zendantsu officers” (Mochizuki, 1993: 194). These principles were asserted in the basic agreement reached on April 1st 1985 between the two parties. Article 3 of the agreement “stipulates the establishment of a prior consultation system to discuss the various business issues that affect employment and working conditions as well as basic managerial policies”, and Article 4 confirms that employment security will be maintained (Nakamura & Hiraki, 1997: 244).

In the end, the outcomes were shaped in accordance with the agreement. Firstly, the workforce reduction at NTT was carried out without any involuntary dismissals. Internal workforce transfers to subsidiaries were also used to avoid layoffs, and transferred workers were guaranteed maintenance of their pay level and many other employment conditions (Nakamura and Hiraki, 1997; Personal interviews). Secondly, the union secured other substantial gains such as shorter working hours and higher wages. It also obtained the right to strike on the condition that they give prior warning of more than 10 days (Mochizuki, 1993: 194). Lastly, it succeeded in establishing participatory pattern of labor relations through the Management Council.

The reform process took a totally different shape at JNR. As Mochizuki states in his work, “union involvement in the deliberative stage was minimal and perfunctory” (Mochizuki, 1993: 183), and the privatization of JNR was accompanied by the dramatic decline of Kokuro, which had been the biggest union at JNR until

privatization was pushed forward in the mid-1980s. The diminished union influence over the process of privatization along with its inability to negotiate an agreement with JNR management contrasted with the changes in labor relations at NTT, which resulted in the consolidation of union power and the establishment of labor-integrative consultative arrangements.

To begin with, unlike the JTWU, which had a union monopoly for the representation of all NTT non-managerial workers, JNR unions were divided along the pro-management union Tetsuro, the militant locomotive engineers' union Doro, and the largest militant union, Kokuro⁷¹. At first, Tetsuro was the only union which supported the privatization plan, but when JNR reform began to be implemented in mid-1980s, Doro radically changed its oppositional militant approach and decided to cooperate with management by embracing the privatization plan.⁷² With this, Kokuro was left alone in the struggle against privatization and remained ineffective in preventing management's offensive (Mochizuki, 1993; Suzuki, 1997).

The fact that JNR unions were divided along competing organizations made it difficult for them to coordinate cohesive union strategies to the proposed reform. By contrast, management could take advantage of union competition to formulate a whipsaw strategy that pitted unions against each other. Indeed, one of objective of railway privatization in Japan was to put an end to labor disputes at JNR by restoring labor discipline. For this, government/management particularly concentrated on debilitating militant unions at JNR (Mochizuki, 1993; Suzuki, 1997; Yomono, 2002;

⁷¹ In the past, large public corporations were strongholds of militant trade unionism in Japan. The unions were heavily influenced by the Communist Party and the left-wing Socialist Party, and JNR unions were at the forefront of this left-oriented militant unionism. Hence labor-management relations at JNR were never peaceful, and its unions, Kokuro and Doro, frequently resorted to work-to-rule struggles and strikes to oppose management (Watanabe, 1994: 92-93).

⁷² The leadership of Doro considered it would be faced with detrimental massive layoffs of its members if it continued to oppose privatization. Thus, the leadership decided to trade off employment security in its cooperation with management initiatives (Mochizuki, 1993; Suzuki, 1997).

Personal Interviews). As Suzuki analyzed in his study, “the government treated the reform of union-management relations as [an] indispensable part of the JNR reform, and some political elites openly stated that [the] crushing of Kokuro and Doro was one of the important purposes of the restructuring of JNR” (Suzuki, 1997: 307).⁷³ Thus, when Doro retreated from its opposition and decided to cooperate with the reform, the government and JNR management seized the opportunity to exploit union division and to further undermine the Kokuro leadership. In late 1985, JNR management refused to sign the Employment Stability Agreement with Kokuro while it signed the agreement with Tetsuro and Doro, and it took another measure to further isolate Kokuro in January 1986 when it drafted the Labor-Management Joint Declaration.⁷⁴ While Tetsuro and Doro subordinated themselves to management initiatives and signed the declaration to support the breakup and privatization of JNR, Kokuro refused to join the declaration. To this, JNR management responded with hard line oppression and declined to make any accommodations to Kokuro’s demands. This meant that JNR management granted employment security to Doro and Tetsuro in exchange for their cooperative attitudes while continuing its oppression on Kokuro. From July 1986 to March 1987, JNR established 1,440 ‘human resource centers’ and about 21,000 redundant workers were sent to them. Those who were sent to the human resource centers would not be hired by the privatized railway companies. Among the 21,000 workers sent to the human resource centers, more than 80% of them were members of Kokuro (Suzuki, 1997: 283).

This discriminatory management action contributed to the further erosion of

⁷³ For example, Kamei Masao, the chairman of JNR Reconstruction Supervisory Committee stated in 1985 that the division and privatization of JNR aimed to ‘demolish’ Kokuro and Doro, and to put an end to the history of the postwar labor movement’ (cf. footnote 16 in Suzuki, 1997: 307).

⁷⁴ According to the declaration of January 1986, the unions agreed to cooperate with management to encourage transfers and voluntary retirements, to forego illegal strikes, and to secure employment. In August 1986, they signed another declaration supporting the JNR breakup and privatization (Mochizuki, 1993: 187).

Kokuro. With the refusal of management to sign an employment stability agreement with Kokuro, its members were no longer protected from dismissal, and anxiety about employment security began to spread among members (Suzuki, 1997: 281). After January 1986, the number of membership withdrawals from Kokuro increased rapidly, which was further accelerated by the union's internal split when some former members of Kokuro broke from the union and formed Shin Kokuro. In the end, 71,000 members withdrew from Kokuro from April 1986 to 1987, and its membership dropped from about 187,000 in June 1985 to approximately 44,000 in April 1987 (Mochizuki, 1993:188). In this way, JNR management succeeded in marginalizing the anti-reformist Kokuro, which degenerated from its status of the most influential and largest union at JNR to a powerless minority union.

In the end, JNR was privatized and divided into six passenger companies and one freight company in April 1987(Suzuki, 1997: 277). Unlike the NTT, the unions at JNR were not able to prevent the break-up of JNR. The drastic decline of Kokuro lay behind this failure. Overall, it was increasingly on the defensive as criticisms against their militant policy orientation mounted among the main actors of the political process (Suzuki, 1997: 278). Not only were the government and JNR management determined to 'demolish' the union, but the public attitude to Kokuro's militancy became increasingly hostile during the restructuring process (Mochizuki, 1993; Suzuki, 1997; Personal interviews). Yet the Kokuro leadership failed in appealing to public sentiment and in recruiting broad support for union claims. Other than maintaining its oppositional approach, it could not develop a coherent strategy to counterweigh the government/management offensive. The union also suffered from chronic internal disputes, which further undermined the leadership's capacity. And it could not prevent the drastic membership withdrawal from the union as it was incapable of protecting its members against management's backlash. While Kokuro was helplessly hit by

management's discriminatory actions, the other unions - Tetsuro and Doro - were granted employment security. Yet, they also failed in establishing a participatory pattern of labor relations at JNR comparable to the one the JTWU was able to institutionalize at NTT (Mochizuki, 1993; Personal interviews). Whereas the JTWU secured its participation in the strategic decision-making of the firm, JNR unions were not capable of establishing the integrative bargaining arrangements at the privatized Japan Railway. Their relationship with management was based on the compliance of unions to management prerogatives rather than the 'co-determination' model that the JTWU was able to establish at NTT.

In sum, the Japanese case study illustrates two different trajectories of restructuring. NTT restructuring had been marked by its labor-mediated character, which resulted from the JTWU's strategic effectiveness. On the contrary, JNR restructuring had been characterized by the drastic disempowerment of unions that were unable to modify the proposed restructuring plan. Paralyzed with intense internal divisions, the unions failed to develop a unified strategy to impact upon the restructuring outcomes. The findings from the Japanese case study contradict both the arguments of national model theories and the analysis based on industry differences in the market condition. Firstly, the Japanese cases do not fit the CME categorization. While NTT restructuring is close to this model in that it demonstrated the negotiated process of change, the JNR restructuring eschews the CME-based explanation. Rather JNR restructuring was marked by management hostility and conflicts, which is inconsistent with the conventional CME model. Instead, the extended comparative analysis asserts the need to examine the political process of negotiation and the difference in union strategic abilities to access bargaining leverage.

Similarly, the difference in market condition does not explain the outcomes. The Japanese telecommunication and railway restructuring turned out to be the opposite of

Korean restructuring in terms of union strategic effectiveness. Greater exposure to market competition made the privatization of telecommunications unavoidable in both countries. Yet the effective strategic formulation of the JTWU guaranteed its relative success in protecting the terms of employment and working conditions at NTT while KTTU failed to obtain comparable gains. Moreover, the JTWU gained greater concessions than the JNR unions, and the JTWU was much more influential in decision-making than the JNR unions. Yet the comparison with Korean railways proves that the strategic failure of JNR unions do not derive from the difference in industry condition. Although both KNR and JNR suffered from chronic deficit, KRWU succeeded in derailing the proposed restructuring plan while JNR unions were incapable of obstructing the unilateral implementation of the reform plan. KRWU was able to influence the restructuring decisions as opposed to JNR unions, which had been marginalized during the railway privatization process. Hence, the comparative analysis evidences the central place of union strategies in explaining the variation in the restructuring outcomes.

CHAPTER FIVE

CONCLUSIONS: SUMMARY AND IMPLICATIONS

This study illuminates public sector restructuring in the Korean telecommunication and railway industries by highlighting the differences in union abilities to influence the outcomes of restructuring. Although privatization came to be a global trend, the shape and the pace of privatization differed not only across countries but also within the same national entity. Past studies often focused their analysis on the differences in national institutional framework to explain the divergent outcomes. Yet although it is true that institutionally embedded labor relation systems have different bearings on restructuring by providing variable extents of resources, the coherence of national institutions has been eroded over the decades. Such destabilization of industrial relations institutions makes it less likely that restructuring outcomes converge within the same national units. In this respect, this study is in line with contemporary researches that argue that “an important outcome of current restructuring trends is increasingly fragmented institutions and the growing importance of strategic choices” (Katz & Darbshire, 2000; Doellgast, 2006). Especially in Korea, where the participatory pattern of labor relations had never been institutionalized, the variation of outcomes has been far more dependent on the strategic choices made by key industrial actors. Based on this perspective, this study particularly highlighted the role of union strategies in determining the divergent outcomes. In regards to the two cases of this study, KTTU and KRWU had different degrees of success in their influence on the outcomes. KRWU succeeded in mobilizing countervailing power while KTTU failed to do so. KRWU had the ability to input labor interests into the reform plan and was able to change government policy. Hence, railway restructuring came to be labor-mediated by incorporating union demands. By contrast, KTTU had little influence on

the government/management restructuring strategy and could not halt the coercive implementation of the restructuring plan. In sum, differences in the strategic abilities of unions played a central role in creating divergent policy outcomes. The findings of the case study also demonstrated the way union strategies contributed to within-country variation.

1. Summary of Findings

This study selected the Korean telecommunication and railway industries for its comparative analysis. Although Kim Dae Jung's government decided to privatize both industries, only KT's privatization was fully accomplished during his term.

Furthermore, the two industries displayed different patterns of restructuring as KT's privatization was achieved in a more radicalized form than the original government plan while KNR's privatization was delayed to the point of utter derailment. To explain this variation, this study turned its attention to the changes in the political contingency and in the strategic capacities of unions in taking advantages of political opportunities provided by these changes.

For sure, there were also differences in their industry-specific conditions. As seen in the chapter 2, the competitive market pressures were greater in telecommunications than in the railway industry. While technological advancement coupled with service diversification intensified competition in telecommunications, a state monopoly still dominated the railway industry. Consequently, a competitive market was already in place in telecommunications and made it possible for the government to push its full privatization policy for KT. By contrast, for KNR, the creation of a competitive environment had to precede the implementation of a full privatization policy. These differences underlay the variation in the restructuring strategies of the two industries.

The government included KT in the targeted corporations for privatization in the 1998 announcement of its privatization plan and took precipitated steps towards its immediate implementation. For KNR, Kim Dae Jung's government decided to split the infrastructural part from the operational part and to privatize the latter. But as conditions were not mature for immediate privatization, it decided to achieve the vertical separation first and lay the groundwork for gradual privatization.

Yet the industry differences did not directly impinge on the outcomes. It is true that the more an industry is exposed to the market, the more it is faced with greater pressures to adopt 'policies and organization congruent with their competitors' (Crompton & Gubbay, 1977 cited in Batstone et al., 1984: 9). Yet the pressures for change for former public monopolies were forced by government intervention and its policy implementation. In this respect, it is noteworthy that in the public sector, "even where the state firm is exposed to the market, the extent of its exposure is dictated by political decision" (Batstone et al., 1984: 9). Especially, public enterprises in Korea have been heavily regulated by tight government control, and managerial decisions have been made in compliance with government policy. Hence, restructuring strategy in the public sector is not dictated by market condition alone; it is rather politically determined and involves the strategic interaction of government, management and unions. Besides, the bargaining power of public sector unions depends not so much on their market position as their political-organizational resources. The distinctively political nature of public sector labor relations asserts the importance of the changes in the political contingency and the way they increase or reduce the opportunities for labor unions.

Drawing upon this premise, chapter 3 examined how changing characteristics of the political contingency conditioned divergent union responses. In this respect, although both KTTU and KRWU were institutionally excluded from a participatory

form of decision making, KRWU was provided with greater possibilities for political access. Faced with increasing political resources while deprived of institutional incorporation, KRWU escalated its militancy to pressure the government. By contrast, KTTU was constrained to take a defensive position as it was provided neither with institutional access nor with political opportunities. Furthermore, the internal dynamics of its leadership competition helped to sustain these patterns; the replacement threat of a more militant leftist faction increased the incentives for militancy for KRWU leadership. On the contrary, the replacement threat of militant dissidents substantially diminished over time at KTTU, which reduced the incentives for militancy for KTTU. Thus, militancy was sustained throughout KRWU's anti-privatization campaign whereas KTTU's militancy subsided over the restructuring period and was ultimately replaced by restraint. In sum, the findings support the hypotheses presented in chapter 1:

- *In the polity where labor is denied institutional access, the increase in political opportunities tended to increase labor militancy (KRWU).*
- *The decrease in political opportunities within the same exclusionary polity tended to reduce labor militancy and put the union on its defensive (KTTU).*
- *The persistent replacement threat by a more militant faction continued to motivate union leadership to sustain militancy (KRWU).*
- *The waning of such a replacement threat reduced the incentives for militancy (KTTU).*

Chapter 4 attempted to analyze the factors that explain the differences in the strategic effectiveness of KRWU and KTTU. In chapter 3, the argument was made that changes in the political contingency can raise the likelihood of union success if they

are provided with greater political resources for unions. Yet the opportunities can contribute to successful union action only when they are perceived as such by union leadership. “No opportunity will invite mobilization unless it is visible to potential challengers and perceived as an opportunity” (Mc Adam et al., 2001: 43). In this sense, although the political opportunities provided KRWU with more favorable conditions, it did not automatically guarantee its success. Similarly, the contracting political opportunities could have been overcome by KTTU if it could gain leverage by formulating effective strategies. For this reason, this study pointed to the centrality of strategic capacity of unions for explaining the variation in outcomes. The strategic effectiveness was not measured on the criteria of whether the unions succeeded in obstructing full privatization plans or not. Competitive pressures grew much higher in telecommunications ensuring the withdrawal of the privatization policy was beyond the union’s capacity. Yet it was still possible that unions could impact on the pace and patterns of privatization. Thus this study compared the original union goals and the extent to which they were reflected in the final outcomes of restructuring to assess the degree of union success. In this respect, this dissertation found that none of KTTU’s objectives were achieved except obtaining the allocation of approximately 6% of employee-owned stocks. By contrast, KRWU succeeded in inserting most of its demands into the final design of restructuring. Not only could it assure the withdrawal of the railway privatization policy, but it could also guarantee employment security as well as prevent deterioration in working conditions. In sum, the restructuring of Korean telecommunications was prompted by technological and market changes and led by the state. The restructuring decisions were made by a unilateral, top-down process in contrast to the Korean railway restructuring, which was labor-mediated. The variation in union strategic effectiveness lay between these two forms of restructuring. While KRWU proved its strategic ability in all four areas (the ability to

educate and mobilize members; the ability to flexibly combine negotiation and confrontation; the ability to multiply political channels; the ability to build social coalition), KTTU was strategically less capable in these areas. This finding supports hypothesis 5 presented in Chapter 1:

- *The extent of political resources provided by the changes in the political contingency shaped the strategic condition of unions. Yet it is the variation in the strategic ability of unions that determined the outcomes. The greater strategic abilities of KRWU ensured the reflection of its interests on the final design of restructuring while lack of such strategic abilities reduced the strategic effectiveness of KTTU.*

If applied to the classification of union-government interactions presented in Chapter 1, KRWU falls into the category of ‘opposition’ (effective militancy) while KTTU moved from the category of ‘resistance’ (ineffective militancy) to the category of ‘subordination’ (ineffective restraint) (Table 5.1).

Table 5.1 Patterns of Union-Government Interaction

	Militancy	Restraint
Effective	Opposition (KRWU)	Cooperation
Ineffective	Resistance (KTTU)	Subordination (KTTU)

2. The Evidence Revisited

This dissertation emphasizes the importance of union strategy in explaining different patterns of union-government interactions. The four categories of patterns – opposition,

cooperation, resistance, and subordination - not only capture the differences in union responses but also the variation in their strategic effectiveness that ultimately account for divergent restructuring outcomes. This approach contends with other explanations to set out different arguments.

First, it refutes economic explanations that link the differentials in union bargaining leverage to business cycles. According to the economic approach, unions gain leverage during upswings in business cycles and lose it during economic downturns. For example, Commons associates the rise and fall of union membership with business cycles and argues that workers become more aggressive in pursuing their goals while employers become less resistant to collective efforts by their employees during an upturn in the economy (Commons, 1911 cited in Katz & Kochan, 1992: 125). Yet economic conditions do not affect union bargaining leverage in a deterministic way. It is true that the privatization of KT was announced in 1998 during an economic recession when the unemployment rate was at its highest (Table 5.2.) and that such economic stringency put KTTU on the defensive.

Table 5.2. Changes in Unemployment Rate in Korea from 1998-2004 (%)

1998	1999	2000	2001	2002	2003	2004
6.95	6.58	4.42	4.02	3.28	3.57	3.68

Source: Korean Statistical Information Service

Yet union leverage was not directly tuned to economic fluctuations. Hence, although the macro-economic condition began to improve from 2000 with the decrease in the unemployment rate, KTTU's bargaining leverage did not increase nor did it become more aggressive in pursuing its goals. On the contrary, it moderated its demands and retreated further into concession bargaining. There are also no clear evidences that the

increase in bargaining power and escalating collective action of KRWU fell in sync with an economic upswing. It is true that KRWU's campaign stretched into Roh Moo Hyun's Administration after he won the 2002 presidential election and that it was faced with better economic conditions. But even in 1999 when the Korean economy had not recovered yet, KRWU took a more aggressive approach than before and mounted its opposition to railway privatization policy. Thus, economic factors alone do not account for the differences in union responses. Similarly, there was not a direct causal relationship between the economic fluctuations and the strategic effectiveness of unions. In fact, the macro-economic explanation may trace national trends in the changes in total bargaining power of unions as the latter tend to be reduced during economic recessions. But it becomes irrelevant in explaining subnational variations.

The micro-economic explanation also fails to explain the variation. According to this view, firms with greater profits will grant more concessions to union demands as they have more resources to divide (Katz & Kochan, 2004: 73). This runs counter to the evidence shown in this study. Although the railway industry had chronic deficits, KRWU could obtain substantial concessions from management/government. The opposite was true for the telecommunication industry. While KT's profits had been robust until privatization was achieved in 2002, KTTU was far less successful in gaining concessions.⁷⁵ This meant that union ability to obtain concessions was not dependent on micro-economic conditions of individual firms and that there were other important factors to examine to explain the variation.

Others may emphasize the discrepancies in the market condition of the telecommunication and railway industries to explain the variation as the latter made the government fix a different timeline for the privatization of the two industries. The

⁷⁵ The net profits of KT from 1999 to 2002 were: 3,833 billion won in 1999; 4,388 billion won in 2000; 10,872 billion in 2001 and 19,638 billion won in 2002 (KT Annual Report 1999-2001).

government envisaged to take actual steps for the immediate privatization of KT as soon as it announced the plan. But for KNR, it first aimed at achieving vertical separation of the railway infrastructure and its service operation to lay the groundwork for privatization. Hence, it was not plausible for KTTU to reverse the privatization that was already in process while KNR could still lobby for the withdrawal of the railway privatization plan. Yet this study does not consider that such differences determine the relative success of KRWU as its strategic effectiveness is not judged by whether or not the union was able to halt the privatization or not. The evaluation of strategic outcomes is made by comparing the original restructuring plans and the actual outcomes regarding the inclusiveness of union demands in the final results. In this respect, it is noteworthy that the government proposal for full-scale railway restructuring including the sales of some railway lines to private investors and massive workforce reduction could not be carried out as planned. Union opposition contributed to this blockage. By contrast, the government privatization plan for KT took a more radical form in terms of the scale of employment reduction and the speed of privatization. These outcomes cannot be explained by market conditions as the modification of government plans was not made in accordance with the latter. In other words, government objectives for railway restructuring were achievable under the conditions the industry encountered at the time. But the government had to publicize the abandonment of the privatization plan and it also had to accommodate major union demands. Similarly the radicalization of KT reform cannot be understood in terms of strict market logic. The bulk of the adjustment was likely to have occurred depending on the political process of negotiation. In this process, the strategic ability of unions proved to be central in creating divergent paths of restructuring. The postponement and the modification of the railway restructuring plan reflected KRWU's strong strategic capability whereas the fast-paced and unilateral telecommunication

restructuring revealed KTTU's strategic limits.

Such assessment is also supported by the extended comparative analysis in Chapter 4. First, the effective obstruction of the Korean PPIU in the sales of power plants to private investors evidences the centrality of union strategies in determining the restructuring outcomes. Indeed unlike the railway, KEPCO was classified as one of the public corporations that were more market-prone than others and hence that were objects for immediate privatization (PBC July 3, 1998; PBC August 4, 1998). Consequently, the market exposure of the industry was as high as the telecommunication industry, and the privatization policy of the government was also similar in its intention to privatize the industry as fast as possible. For this, the government tried to divide up the electricity industry into power generation and power transmission/ power distribution, and to gradually sell the power plants to private investors. Yet it is noteworthy that once the power plants were spun off into subsidiaries of KEPCO, further implementation of the privatization plan was blocked. The delayed process of its privatization clearly contrasts with the case of KT. The differences in the market condition cannot explain this divergence. In fact, they can be held constant as there was not much difference in the degree of market exposure between the two industries. The comparative analysis evidences that the variation results from the stronger strategic capacity of PPIU which complemented its weak bargaining power by mobilizing social resources. The persistent union-civil opposition was one of the important elements that reduced the incentives of private companies to acquire the power plants. This accounts for the obstruction of the original government plan. Secondly, the comparison with the Japanese privatization of railway and telecommunications adds more evidences to support the argument of this study. If the market condition of an industry is central in explaining the variation in the restructuring outcomes, the telecommunication union would be expected to be less

successful than the railway union as it would have been faced with greater market pressures. Yet unlike the Korean case, the JTWU was far more successful in guaranteeing labor rights than the Japanese railway unions during the turbulent privatization period. The strategic choices of unions were critical in creating such outcomes. The cooperative strategy combined with the multiplication of political channels and the mobilization of public support helped the union gain bargaining leverage. By contrast, the internal splits of railway unions and their reduced strategic capacity constrained the unions and placed them on the defensive.

Due to the limits of explanation based on economic and market condition, this dissertation proposes to take the political dynamics of restructuring into consideration by examining the interactive mechanism between the changes in the political contingency and the strategic choices of key industrial actors, especially those made by labor unions. Yet while recognizing the importance of political variables, it considers that national institutional variables are insufficient to explain the diversity of union-government interactions. The findings of this study evidence the fact that notwithstanding the similarity in the institutional settings of labor relations at KT and KNR, the two unions showed different patterns of union responses. Hence, this dissertation questions the relevancy of analysis based on the uniformity of national institutions. The literature that builds its analysis on national models would expect to find that the lack of corporatist arrangements would encourage union militancy, but that such militancy would turn out to be ineffective as the absence of labor incorporation would marginalize union influence during the restructuring process. Yet union responses to government initiatives were not uniform although they both went through union democratization movements and leadership changes. KTTU began to take a more cooperative approach by restraining militancy while KRWU heightened its opposition and mobilized collective action.

For sure, Korea has been characterized as a strike-prone country. As past studies show, strikes are widely used in countries where labor is denied access to political power. Labor-exclusive political systems have had a radicalizing effect on labor unions, and they encourage labor militancy as unions lack institutional resources to negotiate labor-protective agreements with government/management (Marks, 1989; Shorter & Tilly, 1974). By contrast in the countries where labor is integrated into the polity, strikes diminish as workers don't have to use strikes as a means of pressing political demands (Shorter and Tilly, 1974). Hence, it is true that there exist cross-national differences in the level of militancy. Countries where corporatist bargaining arrangements grant labor with the right to participate in decision-making reduce the frequency of strikes as labor unions have many other political/organizational means to pursue their interests. On the contrary, in countries where unions are not integrated into the polity, labor-management relations tend to be more adversarial as lack of institutional resources coerce unions to resort to militant protests to advance their claims.

Yet such an explanation only holds relevancy to capture broad national patterns. The case analysis of this study demonstrates that KTTU and KRWU diverged in their responses despite the common institutional framework. Thus, as far as the focus of the study is on explaining the diversity of union responses within the same nation, the national institutional variables cannot fully account for such variation. The evidences drawn from the responses of the JTWU and the Japanese railway unions also question the convergence of union behavior within the same institutional framework. Unlike the expectation that a cooperative labor-management relationship would dominate the privatization process, there was a substantial variation in union responses not only between the JTWU and the railway unions, but also among the different unions at JNR. The JTWU chose to negotiate an agreement with management and tried to mobilize

the socio-political resources for this purpose. By contrast, JNR unions were divided in their responses as Tetsuro complied with management initiatives while Kokuro continued its opposition to privatization and Doro suddenly shifted its attitude by replacing militant opposition with cooperation. Thus, this study proposes “to recognize the diversity in the same national context without denying the importance of political institutions” (Murillo, 2001, 193). This led to a closer examination of the changes in political opportunities and the micro-political dynamics of unions. Despite the common institutional framework, there existed differences in these variables, which produced varied union responses to privatization.

Moreover, it is also not valid to establish a direct causal relationship between union performances and the national institutional endowments. KTTU and KRWU differed in their strategic effectiveness although they both suffered from lack of institutional access. In this respect, this study departs from a set of hypotheses that the varieties of capitalism framework proposed to understand the persistent divergence in union influences. According to them, unions in CMEs have been capable of retaining their influence on market restructuring thanks to the embedded institutional arrangements that have accommodated a high level of labor participation in decision-making. By contrast, unions in LMEs have been faced with declining union power as they have lacked institutional resources to curb management discretion (Turner, 1991; Ferner, 1994; Thelen, 2001). Yet the findings of this study are at odds with this generalization. Firstly, there was a significant difference in the degree of union success under the non-coordinated institutional framework of Korea. KRWU’s relative success illustrates that labor unions are capable of complementing their institutional weaknesses by formulating innovative strategies.

Additional comparative cases also support the argument of this study. First, Britain has always been characterized as a distinct LME, which had undergone a

radical, market-driven restructuring under Thatcherism (Ferner, 1994; Thelen, 2001). Yet the water privatization case evidences that although British unions had mostly failed to play an active role in shaping the restructuring outcomes, unions could still make a difference in the patterns of restructuring. As Ogden demonstrated in his study, the WJTUIC was able to force the British government to slow down the privatization process and to encompass social and environmental concerns (Ogden, 1991). The strategic capacity of the WJTUIC underlay this kind of detour in British water privatization as the unions were effective in articulating a coherent campaign. The Japanese cases also refute the varieties of capitalism approach. According to the conventional wisdom of the varieties of capitalism theory, the restructuring in Japan was expected to be labor-mediated as management would ensure a high level of coordination with unions in order to protect the principle of lifetime employment (Thelen, 2001). The privatization of the Japanese telecommunications seems to fit into this categorization. Yet the Japanese railway privatization eludes such conjecture as its process was colored by as much discord and conflict as the Korean railway privatization. In fact, the adversarial relationships between the Kokuro and the JNR during the restructuring period betrayed the conventional conception of Japanese labor-management relationships based on mutual trust. The JNR employer enforced a hard-line policy towards the militant Kokuro, and used whipsawing strategies in order to isolate the union from other railway unions. Despite the oppressive employer strategy, Kokuro was not able to confront the management offensive. The failure of the railway unions in establishing a participatory pattern of labor-management relations during the transition contradicts the prediction built upon the varieties of capitalism framework. In no sense was the railway privatization labor-mediated. And the Japanese railway case is too important to be treated as a minor deviation from the CME-based national model. The railway privatization and the re-establishment of

labor discipline at JNR was one of the most critical tasks of Japanese neo-conservative reformers at the time (Mochizuki, 1993; Watanabe, 1994; Suzuki, 1997). Therefore, the significance of conflicted labor-management relations during the JNR privatization process should not be downplayed.

In the end, the findings of this study assert the explanatory power of union strategic choices in explaining the divergent outcomes. The strategies of KRWU contributed to its relative success even within a non-participatory institutional arrangement. By contrast, the lack of innovative strategies rendered the Japanese railway unions passive and ineffective against management initiative. They were far from being integrated into the decision-making process, and their influence drastically plummeted during the privatization. Hence, the CME-based explanation becomes irrelevant to understand the dynamics of change in labor-management relationship during the Japanese railway restructuring.

3. Theoretical Contributions

The research strategy of this study is geared towards finding significant variations within nations. By departing from the framework that assumes stable national institutions shaping similar national patterns of union behavior, it develops an approach focusing on the politics of strategic choice. The alternative approach has several theoretical implications that compete with other perspectives.

Firstly, it shares the criticism of the contemporary studies towards the convergence theory. The convergence claim highlights how globalization fosters a general downward convergence of working condition and union power. According to this view, “the decline in strength of unions raises the specter of a new convergence to a world of employment relations where management gains unilateral authority” (Katz &

Darbishire, 2000: 5), and where capital mobility leads to a “race to the bottom” of wages, working conditions and social standards (Ohmae, 1994; Brecher, 1994/95; Martin & Ross, 1998). Against the “race to the bottom” thesis, this study argues that although competitive pressures lead to worldwide cost-cutting efforts on the part of management, there exist significant variations in employers’ strategies. Likewise, although unions have difficulties in maintaining their bargaining power everywhere, they have different degrees of success in their defense of labor interests.

In this respect, this study appears to be in line with comparative political economy literature that underlines the persistent divergence in national economies. As previously seen, the “varieties of capitalism” framework attributes the cause of such variation to the distinct sets of complementary national institutions. According to the framework, coordination occurs primarily through competitive market mechanisms in the LMEs as opposed to the CMEs where non-market coordination prevails and where employers rely more on longer time horizons based on collaborative relationships among firms and other stakeholders (Hall & Soskice, 2001; Hancke et al., 2007; Bohle & Greskovits, 2009) In terms of labor relations, LMEs are characterized by unilateral managerial authority over weak labor whereas CMEs are viewed to have corporatist bargaining systems that have allowed unions to enjoy extensive participatory right (Thelen, 2001; Bohle & Greskovits, 2009). Based on this distinction, the “varieties of capitalism” research has emphasized institutional stability over time. In its view, labor’s continued strength in the CMEs has helped sustain the non-market coordination as well as the employers’ dependence on labor cooperation unlike the LMEs where union decline has been more conspicuous along with widespread employer unilateralism (Thelen, 2001; Bohle & Greskovits, 2009). This dissertation shares the criticism towards the convergence claim that points to the uniform curtailment of union power in the face of market liberalization.

Yet the empirical findings of this study also raise critiques of the varieties of capitalism premises. To begin with, it questions the coherence and stability of national models. Indeed recent studies have increasingly questioned the solidity of national institutions as a causal factor for explaining varied restructuring outcomes. For example, some researchers from the historical institutional tradition have criticized the static notion of national models that have overemphasized the sources of institutional stability. Instead of relying on the punctuated equilibrium model that assumes a long period of institutional stasis, they shed light on the dynamics of institutional change within the CMEs (Yamamura & Streeck, 2003; Streeck & Thelen, 2005; Streeck, 2009; Doellgast, 2006, 2007; Turner, 2009). Their studies find that some of the traditional CME institutions such as coordinated-industry bargaining have weakened and have widened differences in their effects across firms and workplaces within countries (Doellgast, 2006). Other industrial scholars have paid more attention to the substantial variation that simultaneously appears within, and not simply across countries (Locke, 1992; Frost, 2000; Katz & Darbshire, 2000; Murillo, 2001). They have criticized that the idea of stable national models lacks the analytical tools to understand the current process of market restructuring. By doing this, they also have commonly relied on the strategic choice approach. Drawing upon the framework, they have argued that union strategies have played a central role in widening variation within countries. This dissertation extends their claims by examining the extent of subnational variation that appeared in Korea.

The alternative approach of this study enriches the strategic choice framework by providing empirical evidences. At first, unlike contemporary national models or varieties of capitalism theories that downplay the political dynamics of change, this study has highlighted the “uncertainty of the transition created by political and economic changes” (Murillo, 2001: 25). Instead of emphasizing the structural

constraints and institutional stability, this study turns attention to conjunctural changes that shape the dynamics of strategic interaction. Hence, it considers that political opportunities/constraints are not solely structured by the embedded institutional characteristics, but are also shaped by the shifting features of the political environment that involves continuous political realignment and renegotiation. For this reason, it emphasizes the changes in the political contingency brought by the transition from Kim Dae Jung's government to Roh Moo Hyun's government although the embedded institutional characteristics had not changed. As seen in chapter 3, the hegemony of economic bureaucrats began to be undermined and opened more space for policy contenders to raise objections. Besides, the electoral break created new political channels for KRWU through which it could exert political pressures. KRWU was aware of the increase in political opportunities and took a more aggressive approach to further advance its claims. By examining this process, this study demonstrates that the extent of political resources is not pre-determined by institutional endowments but is rather variable according to the changes in the political contingency.

Secondly, the alternative approach of this study makes it possible to identify the central role played by labor unions. Precisely the dynamics of contention model is appropriate to understand the interactive mechanism between the political changes and mobilization process. In line with the dynamics of contention model, this study calls attention to 'the active appropriation of sites for mobilization' instead of pointing to pre-existing political resources (Mc Adam et al., 2001). It is in this perspective that the strategic capacity of unions takes the central stage. Thus, in line with contemporary literature that emphasizes the role of strategies, this study places significant weight on union abilities to mobilize resources and to formulate effective strategies (Turner & Hurd, 2001; Hurd et al., 2003; Frege & Kelly, 2003, 2004a, 2004b; Turner, 2005, 2009). If KRWU was not capable of developing effective mobilizing strategies, the

increased political resources provided by the changes in the political contingency would not have been translated into actual gains. Similarly, the unilateral restructuring of KT largely resulted from the failure of KTTU in overcoming the political and institutional constraints by increasing their strategic capabilities. In the case of railway restructuring, government policy was rather challenged and modified by union intervention. By contrast, the strategic ineffectiveness of KTTU was responsible for unilateral implementation of the government plan. The additional case analyses of the PPIU, the British water unions and JTWU also prove that it was their greater strategic capabilities to mobilize both their membership and social coalitions that contributed to their success. Likewise, the lesser strategic capabilities of JNR unions led to unilateral restructuring of the Japanese railway. Similar to KTTU, they could not influence the restructuring process by failing to mobilize countervailing bargaining power. In sum, the cases studies of this dissertation show that unions proved to be key actors in creating differences in the pace and patterns of restructuring. By doing this, it enriches the insights of recent union strategy literature and complements the firm-centric bias of “varieties of capitalism” literature, which privileges the role of employer while relegating the largely reactive role to unions (Turner, 2005). Against this approach, the findings of this study have proved the active and independent role played by union strategies.

Eventually, the alternative approach of this study contributes to the contemporary debate on convergence versus divergence of industrial relations. The findings of this study refute both the convergence of industrial relations and the cross-national divergences of industrial relations based on the stability of national institutions. Although it is true that divergent institutional arrangements have continued to produce variation in broad national patterns of industrial relations, they should not obscure the growing subnational diversity linked to the increasing fragmentation of national

institutions. In fact, the case studies of this dissertation demonstrate how the differences in union strategies have reinforced the within-country variation by shaping varied effects on the restructuring decisions. While KRWU had policy input in the restructuring design, KTTU failed to do so. As a result, the Korean railway restructuring was labor-mediated whereas the telecommunication restructuring was state-led and non-coordinated by other stakeholders. Additional comparative analysis reaffirms the central argument of this study. The Japanese case is particularly illustrative as it permits to control both national and sector-specific variables. The relative success of the JTWU in establishing a participatory pattern of labor relations as opposed to the declining labor influence at JNR appropriately portrays the contrasting subnational variation in Japan. Contrary to the Korean case, it was the telecommunications restructuring that was labor-mediated. The fact that the JTWU was far more influential than the railway unions proves that union strategies weigh much more on the varied outcomes than the national institutions or the industry conditions do.

4. Implications for Future Research and Practice

This dissertation evidences the growing subnational variation in the restructuring outcomes by giving detailed account of two representative cases: the unilateral restructuring at KT versus the negotiated restructuring at KNR. This is done through a paired comparison that offers an in-depth qualitative analysis on the causal process of the restructuring. Built upon the analysis, this dissertation contributes to contemporary labor research by demonstrating the diverse union effects on the within-country variation. Yet the lack of multi-level comparisons could question the generalizability of the findings of this study. To complement this weakness, this study has extended the

comparative analysis to the Korean power plant industry, the British water industry, and the Japanese telecommunications and railway industries. The additional multi-level comparison offers further evidences to support the central argument of this study: the differences in union strategic abilities account for the different patterns of restructuring. Yet although additional comparisons proved that the findings of this study are applicable outside the selected two cases, the comparative analysis is still too brief to provide sufficient evidences to generalize the findings to other countries, industries and workplaces. To overcome this weakness, it will be necessary to do follow-up research based on more systematic multi-level comparisons. Findings of similar causal mechanisms will strengthen the argument of this study by proving its broad applicability.

Yet despite the limit, this study contributes to the contemporary theoretical debate by broadening the comparative scope of the strategic choice theory and by providing meaningful substantiation to prove the centrality of union strategies. Besides, by emphasizing the role of labor unions in influencing the restructuring outcomes, the findings from this study also offer practical implications for union policy. It is true that labor unions are faced with substantial challenges in the face of growing market competition and deregulation. Yet this study shows that unions are still able to mediate the influence of market pressures by increasing their strategic capabilities. In this respect, the findings of this dissertation suggest that although the strategic avenues are becoming narrower for unions, their role is more important than ever in avoiding employer unilateralism and in promoting labor and social interests.

Among the findings, the strategic importance of coalition-building provides a particularly useful reference for union practice. Indeed, labor unions that have restricted participatory rights are less likely to succeed when they solely rely on their traditional bargaining tactics and do not put in significant efforts to reach out to broad

social constituencies. The mobilization of society-wide support provides labor unions with power resources that help complement their weak bargaining power. For this, they have to demonstrate a greater capacity in framing their demands as appeals to public interests or to citizenship rights. Indeed a number of labor researchers have already connected the strategic innovations of unions to social mobilization. For them coalition building is an effective way of expanding available resources in order to break through exiting constraints, and labor unions are more able to revitalize themselves when they adopt social mobilization approach (Johnston, 2001; Hurd et al., 2003; Frege et al., 2004b; Turner & Cornfield, 2007). More recently, Gentile and Tarrow have argued that union success is associated with the use of a ‘citizenship rights protest repertoire’ in countries where labor’s political and institutional categorization is weak. According to them, unions have to rely on alliances with other citizens to defend their interests in countries where labor right domains are weak. Same is true for unions in countries that are in transition from a corporatist to a neo-liberal regime: unions that have survived the transition have done so by adapting their strategies to the citizenship rights domain. Those that have failed to shift to a ‘citizen rights repertoire’ have been weakened (Gentile & Tarrow, 2009). The findings of this study also support the arguments of these contemporary researches. Successful union campaigns by Korean unions (KRWU, PPIU) and the British water unions drew upon their strategic abilities to frame their campaigns as a defense of citizenship rights to meet the public needs. They all avoided being identified as pursuing narrow economic interest and they all strived to encompass broad social concerns to recruit public opinion. Coalition-building was central in mobilizing social support, which eventually contributed to the increase in their bargaining power. By contrast, KTTU and the Japanese railway unions proved to be ineffective in attaining their objectives by failing to grasp the opportunities to join and mobilize social coalition.

The success and failures of contemporary union movements are instructive of union strategic choice. It suggests that a union movement “achieves its full potential only when it aligns itself and even merges with other democratic social movements” (Johnston, 2001: 36). If unions choose to remain in their traditional repertoire of opposition without connecting themselves with other forces in civil society, they will be isolated in their protests. This will only result in the weakening of their power. By contrast, unions can compensate for their institutional disadvantages by adopting tactical innovations. Where unions confront an already weak or weakening instance of institutional incorporation of labor, they have to mobilize social coalition for the pursuit of public interests. Union efforts for coalition-building appear necessary not only for retaining and increasing union influence but also for the broader expansion of citizenship rights within the promise of democratic societies.

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