Causes of Irregular Labor in South Korea

Franklin Otis

Abstract
The amount of workers that are not able to find the full-time employment they desire has been a problem for many industrialized countries. South Korea in particular has begun to face a large and growing segment of its labor force that is unable to find secure, regular employment. This poses an economic, social, and psychological problem to these workers. In Korea, the expansion of irregular labor stems from Korea’s legacy of a weak union system and its neoliberal reforms after the Asian Financial Crisis of 1997. The problem of irregular labor was only exacerbated by structural changes and failed government policies. These issues reveal a flaw of the business-oriented and neoliberal economic ideology adopted by South Korea.
Irregular work is widely acknowledged as a problem in South Korea. Irregular work encompasses a broad category of situations, but can be defined in opposition to regular, full-time work. Large numbers of irregular workers face hardships, such as lack of insurance, lower wages, less union representation, and less job security, that regular workers do not. However, this was not always the case in Korea. Structural and developmental factors combined with a flurry of neoliberal market reforms during the late 1990s caused the increase of this class of laborer. Despite publicly recognizing this issue, the Korean government has been both unwilling and unable to deal with it.

The first section of this paper covers the characteristics and definitions of irregular workers. The second section discusses the relevant background of the current Korean economy, introducing historical information about Korea’s massive corporations, the chaebol, and its unions, two institutions, which are important to the current situation of irregular workers. The third section discusses some current problems with unions in Korea, such as the system of enterprise unions and lack of political entrée. The sweeping neoliberal market reforms, such as open international trade and shareholder capitalism, are discussed in the third section. The fourth section addresses structural causes leading to the expansion of irregular labor. Finally, government failures to resolve this issue are discussed.

Characteristics of Irregular Workers in Korea

Irregular work is a somewhat loosely defined type of labor activity. Indeed, various terms are used for it: irregular, non-standard, non-regular, and informal. According to Joonmo Cho et al., this type of labor includes “temps, part-timers, temporary help-agencies or contract labor, on-
call labor, and independent contractors.”¹ These various methods of employment are not as secure and steady as regular employment. This instability offers the advantage of labor flexibility to firms, while increasing risk for workers. In a 2014 study of a Hyundai car manufacturing plant, Jong-Woon Lee found that the firm used contracting labor because they “offered little organized resistance to managerial decisions they did not approve of.”² Management could change contract workers’ schedules or redeploy them far more easily than it could regular workers.³ Dismissal of contract workers is also simpler, since it simply requires the “termination of assigned tasks” with the workers’ contracting firm.⁴

The varied definitions of what constitutes irregular labor result in different estimates of the number of irregular workers. According to official government statistics, irregular workers made up about 32 percent of the total labor force in 2015 (Table 3). According to this data, this percentage has remained relatively constant since 2003, with minor declines from a height of 36 percent in 2006 (Table 3). However, other statistics indicate that irregular workers represent a much higher proportion of workers. Estimates range from 52-80 percent.⁵ This variation is partially caused by the disputed categorization of irregular workers. Official Korean government statistics do not include contract workers, while others do. Whatever the definition and statistic, irregular workers are a large part of a large problem in the Korean labor market.

Irregular workers are disproportionately young and female, all else equal.⁶ Before the Asian Financial Crisis of 1997, females made up 57 percent of irregular workers; after, they

³ Ibid.
⁴ Ibid.
made up 68.9 percent. With the motivation of cutting costs, the sexism in Korean culture has damaged the careers of female employees. In addition to gender, low levels of experience contribute to people becoming irregular workers. Eighty percent of hires by large corporations in “year” were from “mid-career” workers. Prior to the neoliberal reforms of 1998, this was only 40 percent. Rather than taking a risk with hiring a younger worker, firms are hiring more experienced workers. Another component of this is the discrimination Young people are not able to get stable jobs, and are forced to get less desirable, irregular work.

Irregular workers do not get less benefits as regular workers. Virtually all regular workers have health insurance, but only half of “part-time” and “non-regular” workers have health insurance (Table 2). Similarly, the unionization rate for regular workers is around 12 percent, but for irregular workers it is only 1.3 percent (Table 1). Furthermore, on average, irregular workers earn half of what regular workers earn (Table 4). This wage difference is especially galling for contract laborers who often carry out the same duties as the regular workers they work alongside. These discrepancies contribute to not only an economic burden, but psychological stress as well.

The job insecurity associated with being an irregular laborer has negative psychological effects on workers. Less job security is associated with reduced job satisfaction, lower organizational commitment, and less involvement on the job. Chronic job insecurity is correlated with low self-esteem, poorer general health, and higher levels of depression. Not being able to work as much as one would like, combined with the stress of potential economic

---

9 Ibid.
instability can be psychologically and physically damaging. With such a high number of irregular workers in Korea, these issues could be economically and socially damaging on a broad scale.

**Background of Korean Development**

In order to understand the development of the large amount of irregular workers in Korea, it is necessary to know about Korea’s economic background. During Korea’s rapid economic development following the Korean War, the *chaebol*, massive conglomerates, emerged as the engines of Korea’s growth. These massive corporations continue to shape Korea’s economic and political landscape.

*Chaebol* are some of the largest “vertical and horizontally integrated business groups” in the world.12 These conglomerates were typically centrally controlled by a founding family. The *chaebol* owners also acted as management, who were actively involved in running their company as “family fiefdoms rather than publicly traded companies.”13

The *chaebol* came to prominence during the explosive economic growth of South Korea in the 1960s and 1970s under President Park Chung Hee’s heavily market-interventionist regime. Korea’s export-led development required economies of scale to compete on a global scale. Successful businesses were selected by the government to be winners and received extremely low-interest rate loans, so low that the “average cost of such loans through much of the 1970s was minus 6.7 percent.”14 Because these large firms were so reliant upon the continued flow of capital from the government coffers, bureaucrats and politicians had “tremendous influence” on

how the chaebol invested, what markets to expand into, and even “simple day-to-day corporate performance.”\(^\text{15}\)

The chaebol followed an export-driven growth model. In order for Korean exports to be competitive in foreign markets, Korean products had to be cheap. One way businesses kept prices low was through poor wages and appalling working conditions. A sweatshop in the 1970s paid its workers “1,500 to 3,000 won per month” which amounted to a "daily wage … equivalent of the price of a cup of coffee at a tea room."\(^\text{16}\) On top of the low pay, workers were given amphetamines to work long night time hours in hazardous conditions, which resulted in “anemia, poor digestion, bronchitis, T.B., eye problems, arthritis, neuralgia, and irregular menstruation."\(^\text{17}\) Because businesses did not have to spend money maintaining a safe environment or paying sufficient wages, these firms could export products at internationally competitive prices.

**Unions in Korea**

Labor unions, the traditional champions of labor rights, have had a trying and contentious history in Korea. Initially nonexistent, the system of unions which developed over Korea’s recent history resulted in a divide in the labor market between regular and irregular workers. The theme of Korea’s labor union history is one of state repression in the name of corporate growth. The government helped the chaebol to maintain low prices in the postwar period of rapid growth by decisively favoring business over labor. The founder of Samsung, Lee Byung Chul, said, “I will have earth cover my eyes before a union is permitted at Samsung.”\(^\text{18}\) The Korean government certainly agreed with this sentiment. As a mechanism of control of labor, the only legal general

\(^{15}\) Ibid.  
\(^{16}\) Ibid.  
\(^{17}\) Ibid.  
\(^{18}\) Ibid., 328.
union was the Federation of Korean Trade Unions (FKTU). This union was effectively operated by the state, and it did not attempt to redress workers’ grievances or champion workers’ rights.

The FKTU was another tool for repressing the working class by channeling labor efforts to an ineffective organization. The FKTU was the only broad labor organization allowed; industry-wide and regional unions were illegal. Unions were initially forced to associate with the FKTU, but Park Chung Hee removed this requirement in 1973 when he instituted an “outright authoritarian” regime under a new constitution. Although unions no longer had to associate with FKTU in this new system, this requirement was no longer needed because, under Park’s military dictatorship, collective bargaining and strikes were illegal. When strikes did occur, the government put down them down brutally, often using military force.

Under the chaebol, local unions also suffered. Starting in the early 1980s, the only local unions were enterprise unions. Rather than being a member of the steelworkers union, a worker could be part of the Dongbu Steel company union. Wage differentials between the elite chaebol and smaller, less competitive firms did not exist until the late 1980s, simply because of how effective the government-business apparatus was in depressing worker’s wages.

In 1987 the landscape of labor unions in Korea changed dramatically as the Korean government transitioned peacefully to a democratic government. Significant aspects of the Korean growth model changed during democratization in the late 1980s. Limitations on labor organization were lifted, resulting in a massive increase in union participation and strikes.

---

20 Ibid.
22 Cummings, Korea’s Place in the Sun, 330.
23 Yang, “Corporate Unionism.”
24 Lee, “Between Fragmentation.”
During a period of three months in 1987, “3,400 labor disputes, strikes, and lockouts occurred … involving 934,000 workers.” 25 The number of formally recognized unions skyrocketed; “from 1987 to 1989 the number of local enterprise unions almost tripled, and that of union members doubled.” 26 In 1985 there were 2,534 labor unions; in 1988 there were 6,242, and this number increased to 7,883 by 1989. 27 Because of this freedom, a labor union that could compete with the FKTU at the national level also emerged. The Korean Confederation of Trade Unions (KCTU) was more militant than the more conciliatory FKTU. As a result, the historically government-run FKTU also became more advocatory and militant.

As a result of this labor activism, wages and working conditions improved. Combined with banking reforms in the late 1980s, the government was slowly relinquishing its grasp on the economy. Inequality began to rise as active enterprise unions garnered core workers with higher wages, the beginnings of the polarized labor market in Korea. 28 With generally rising labor costs, competitive firms hired cheaper secondary, irregular workers. This economic liberalization, combined with risky overexpansion, primed Korea for the economic crisis which further intensified the problem of irregular workers.

However, while this democratization was beneficial for Korean workers in that it allowed for greater labor activism and resulted in significant gains, this freedom did not result in a broad, sustainable system for labor unions. The way democratization occurred in Korea—first at the presidential level, later on at the local level—meant that political institutions in Korea became president-centered. 29 This heavily center-focused political system allowed “little political

25 Cummings, Korea’s Place in the Sun, 393.
27 Yang, “Corporate Unionism.”
permeability to organized union demanding labor reform.”30 Due to the loose, top-down organization of Korean labor unions, they were unable to effectively influence national elections or central policy. According to influential labor activist Youngmo Yoon, union leaders were “disgusted by treacherous political parties,” but impressed with the great strides they made through militant strikes during the democratization movement.31

Additionally, this militant and confrontational method of bargaining produces “adversarial politics,” leading to increased political strife.32 These radical labor tactics often solidified rightist and neoliberal opposition to labor as well as alienating middle class support for unions. In South Korea, a country where “ideological tension is unusually high” these factors are especially important in determining the political success of labor activists.33

The way the Korean political system developed made it difficult for labor unions to gain legitimate traction within that system. Because of this unreceptiveness by mainstream politics, labor unions saw little benefit to integrating into the centralized political system; labor unions worked outside it, resorting to disruptive strikes and militant actions. The Korean union system is so fragmented and local that concessions won by labor unions were often very specific. This process of collective bargaining often occurs within chaebol enterprise unions, so “collective agreements and social contracts have many gaps.”34 Because irregular workers are often excluded from union membership, they often fall into these gaps.

Another key issue with Korean labor unions is the continued predominance of enterprise unions. Enterprise unions formalize the divide between core workers and secondary, irregular

30 Ibid., 732.
31 Ibid., 736.
33 Ibid., 521.
workers. These core workers who are part of enterprise unions are able to reap high benefits and job security through their relationship with the enterprise unions. Labor struggles with these unions tend to be “particularistic and temporally shortsighted and thus are likely to focus on wage maximization strategies for insiders.”35

Enterprise unions are frequently exclusionary; they often have bylaws which explicitly prevent irregular workers from joining, further increasing the divide between regular and irregular workers.36 Data from the Korean Ministry of Employment and Labor indicates that unionization rates for irregular workers is far below that for regular workers (Table 1). About ten times as many regular workers as irregular workers are part of unions (Table 1). This shocking discrepancy is not surprising, given the systematic discrimination against irregular workers. Irregular workers, actively excluded from the enterprise union system, are denied the higher wages and greater job security provided by these unions.

Not only does the system of enterprise unions increase the divide between regular and irregular workers, it also disincentivizes workers from forming broader labor coalitions. Union members received benefits and security from their relationship with their enterprise unions. From the perspective of these insiders, they are playing a zero-sum game; any benefits given to outsiders are taken directly from insiders. In the open and global economy in which the Korean economy operates, extending union benefits to more workers only means diminishing benefits for current insiders.37 This further contributes to a fragmented and decentralized labor movement, one unlikely to be able to provide protection and rights to irregular workers. Without a broad labor movement, gaining rights for the whole of the work force is far more challenging.

35 Yang, “Corporate Unionism,” 212.
36 Choi, “Employee Representation.”
37 Yang, “Corporate Unionism,” 213.
Additionally, the Korean government’s response to union action has been generally negative and non-collaborative. After some union strikes in 2006, Korean President Roh Tae-woo declared that “the unions in big factories must reflect on themselves how much they are willing to contribute to solving the problem of non-regular workers.” This represented the shifting of responsibility of the irregular workers from the government to the unions. With both enterprise unions and the government unwilling to aid them, the irregular workers suffer.

Overall, the prevalence of enterprise unions as the dominant form of labor organization in Korea polarizes the labor market between regular insiders and irregular outsiders. Insiders maintain a privileged position with their employers, increasing the security and wage of their own jobs at the expense of others. The local, decentralized nature of these unions, combined with a centralized political structure, leads to a situation in which labor does not have much legitimate influence on policy. All of these systematic factors support Korea’s bifurcated labor system of regular and irregular workers.

Neoliberal Reform

In 1997, the Asian Financial Crisis hit Korea. With the economy in shambles, the South Korean government had to make a deal with the International Monetary Fund (IMF) to stay afloat. Prior to the deal, the Korean government spending $2 billion per day to keep the large banks solvent. Korea received a $57 billion bailout package predicated on massive economic restructuring. Reforms were aimed at making the economy “more transparent, market-oriented, and better supervised.” These neoliberal market reforms targeted “privatization of public

39 Cummings, Korea’s Place in the Sun, 333.
40 Ibid.
41 Ibid., 334.
corporations, enhancement of labor market ‘flexibility,’ opening the financial market, and
governance reforms of the big family-owned corporations or chaebol.”42 Chaebol corporate
reform led to more of a shareholder-oriented corporate configuration and less corruption.43 Korea
was transformed from a developmental state, with strong government intervention in the
economy, into a neoliberal state, characterized by adherence to free market principles. These
reforms led to a leaner, more efficient chaebol operation and structure.

One of the aspects of the Korean economy that was changed during the neoliberal
reforms was the style of corporate governance. Neoliberal economic philosophy posits that
placing corporate shareholders’ interests first is essential. This is opposed to the stakeholder-
holder view of corporate governance which takes into account various groups which have a stake
in the corporation, “including stockholders, management, employees, labor unions, financial
institutions, government, and local community.”44 As part of the IMF reforms, Korea adopted
the “Korea Code of Best Practices for Corporate Governance” which enacted a shareholder-
centric and market-oriented model of corporate governance.45 Over time, many Korean
corporations have adopted this governance model.

A 2015 study by Dong Ju Kim and Done-One Kim compared South Korean corporations
which have and have not adopted this market-oriented model, and examined whether these two
different governance structures were related to different employment relations. The results
showed that, in general, there exists a positive correlation between stakeholder-oriented

42 Kwang-Yeong Shin, “Globalisation and the Working Class in South Korea Contestation, Fragmentation and
43 Jongmoo Jay Choi, Sae Woon Park, Sean Sehyun Yoo “The Value of Outside Directors: Evidence from Corporate
44 Dong ju Kim and Done-One Kim, “The Impact of Corporate Governance on Employment Relations in South
Korea: The Shareholder Versus Stakeholder Perspectives,” The International Journal of Human Resources
corporate governance and employment relations.\textsuperscript{46} In particular, stakeholder firms spent more money training employees, employed workers for longer, and had a lower probability of strikes.\textsuperscript{47}

The goal of management in a shareholder-oriented firm is the maximization of short-term profit. Investment in the human capital of employees is not a priority for these firms. Because the firm has not invested time and money providing skills to these employees, they are less valuable to the firm and thus are relatively more disposable, limiting their job security. Additionally, shareholder firms are more likely to “remain passive and negative in response to demands from labor unions.”\textsuperscript{48} All of this leads to less power and benefits for workers in these types of firms. Because of the lower and often temporary costs associated with irregular workers, it makes sense for shareholder firms to more heavily utilize irregular workers. Unlike in stakeholder-oriented governance, which takes into account employee considerations in its operations, shareholder-oriented governance only considers short-term profit, neglecting its impact on workers.

The IMF reforms also heavily cut back on the power of labor unions. As part of the IMF reforms, the government established a Tripartite Commission between government, labor, and business in order to establish broad social agreement about the direction of reform, in the style of European “competitive corporatism.”\textsuperscript{49} However, this commission was crippled by the reluctance of the major national union FKTU and aggressive strikes from the other, more militant national union KCTU.\textsuperscript{50} The attempt to create a corporatist social contract failed because the “inclusion of labor meant being selectively pro-labor without being anti-business.”\textsuperscript{51} The

\begin{itemize}
\item \textsuperscript{46} Ibid.
\item \textsuperscript{47} Ibid.
\item \textsuperscript{48} Ibid., 2151.
\item \textsuperscript{49} Yang, “Corporate Unionism,” 220.
\item \textsuperscript{50} Lee, “Between Fragmentation.”
\item \textsuperscript{51} Ibid., 776.
\end{itemize}
KCTU left the Tripartite Commission in 1998, dissatisfied with the direction of the policies. The continuation of the Tripartite Commission without this key representative of labor indicates the difficulty labor had in gaining a voice in mainstream Korean politics. Despite this, the Tripartite Commission did eventually pass a total of “ninety historic agreements.” The willingness of the government to continue the Tripartite Commission without the support of key labor groups indicates the dismissive attitude the government held of labor considerations during the neoliberal reform movement. Overall, the intent of these agreements was to create a globally competitive flexible labor market while also expanding labor rights and social security.

One of the results of this decrease in labor union power, was the ability of managers to lay off workers easily. A 1998 layoff regulation stated that proof of “urgent managerial need” combined with good faith consultation with labor unions on “efforts to avoid dismissal” were prerequisites to laying off a worker. This certainly allowed for greater managerial freedom compared to the previous, rigid dismissal regulation. Before this 1998 law, Korean labor law stated that a firm could not “dismiss, lay off, suspend, transfer a worker, or reduces wages, or take other punitive measures against a worker without justifiable reason.” In effect, there was little freedom on the part of the employer as the Korean courts viewed the only justifiable dismissal as one that occurred when a firm would go bankrupt. Before the neoliberal reforms, Korean labor market was remarkably inflexible, with very strict requirements for laying off workers.

---

52 Yang, “Corporate Unionism,” 220.
53 Ibid., 221.
55 Ibid.
While this 1998 regulation was intended to increase flexibility, it in fact created a situation in which “collective dismissals are de facto impossible.”\textsuperscript{56} To meet the need for labor flexibility, firms turned to irregular workers. The hiring and firing of contract workers is not subject to the labor regulations established under the Tripartite Commission, making contract workers extremely desirable.\textsuperscript{57} Additionally, many companies, especially small- and medium-sized enterprises (SMEs) simply dismissed workers anyway, in direct contradiction to the law.\textsuperscript{58} The government acknowledged these occurrences, but did nothing to enforce the regulation.\textsuperscript{59} The lack of powerful, organized, and centralized union power also encouraged these firms to simply ignore the legislation, contributing to frequently unjust dismissal of workers.

Compared to the previous Korean labor market, which had high employment and faced little need for layoffs, labor market flexibility was touted by the IMF as one of the key aspects of liberalization which would resuscitate the Korean economy. Increasing managerial discretion for dismissals was viewed as conducing to greater labor flexibility. However, this legislation regulating labor dismissals—ostensibly intended to increase labor market flexibility—failed to do so. Indeed, even with its concessions to labor, the legislation did not meaningfully contribute job security. It contributed to the growth of irregular workers by creating an obstacle in the path of flexibility. Firms got around this obstacle by hiring more irregular workers, who were not subject to such regulation. The burden of labor flexibility was shouldered by irregular workers while regular workers benefited from government-regulated job security.

\textsuperscript{56} Yang, “Corporate Unionism,” 222.
\textsuperscript{57} Ibid.
\textsuperscript{58} Cho et al., “Dismissal Law.”
\textsuperscript{59} Kwang-Yeong Shin, “Globalisation and the Working Class in South Korea.”
Structural Causes

While the government made direct neoliberal market reforms which contributed to the expanded use of irregular workers, broader structural factors also led to polarization of the labor market. In addition to internal labor market flexibility, the Korean government’s neoliberal reforms also put the Korean economy into more direct international competition. Higher international competition meant a reduction in low-wage jobs and a greater focus on high-tech exports. Increased competition with Chinese producers “shrunk the market share of low-paying, low-skilled industries in Korea.”\(^6^0\) The low-wage Chinese labor force took a greater share of the international market in labor-intensive industries where Korea had previously had an advantage.\(^6^1\) The amount of firms affected by China’s rise was quite large, in the early 2000s “over 60% of Korea’s export commodities overlapped with those of China in the international markets.”\(^6^2\) In the face of this harsh competition, many SMEs in low skill industries exited the market, taking with them previously secure employment for low skill laborers. Firms that survived did so by adopting a labor-shedding strategy to reduce costs while retaining a core group of highly skilled workers.

Korea lost its comparative advantage in the labor-intensive manufacturing sector to China. As these exports began to be undercut by China, the dominant *chaebol* shifted their focus to high tech and information technology industries. The high tech industry acted as a “virtual locomotive for the country’s economic recuperation.”\(^6^3\) In 2006, the Korean information technology industry grew at a rate of 13.3 percent, accounting for 40 percent of GDP growth in

\(^{60}\) Yun, “Labor Market Polarization,” 274.
\(^{61}\) Ibid.
\(^{62}\) Ibid., 274.
\(^{63}\) Ibid., 273.
that year. In 2002, growth in information technology industry only accounted for 26.3 percent of GDP growth. This industry, which produces “mobile phones, semiconductors, and display panels” relies heavily on capital and economies of scale to be internationally competitive. Because of this heavy reliance on capital, export growth in these industries did not result in significant job creation. Unlike the manufacturing growth during Korea’s developmental period, this growth did not provide many jobs. Additionally, jobs created through the growth of this sector were often for elite, highly skilled workers. This has created a disparity between the few, desirable, highly skilled, highly paid workers and the rest of the workers.

Pushed by international competition, the Korean economy has shifted from labor-intensive manufacturing to non-labor-intensive high tech industries. These shifts in the composition of the overall Korean economy resulted in a decrease in the demand for low-skilled workers and necessitated cost-cutting on the part of Korean firms, often through use of irregular workers.

**Government Failures**

Even though the increase in inequality and irregular workers was largely the fault of the government’s neoliberal reforms following the Asian Financial Crisis, there have been government attempts at alleviating these problems since the 1997 crisis. The Roh administration declared in 2005 that “marginalized groups in the labor market must receive more welfare benefits and job training opportunities.” These recent government policies, designed to reduce both the growth and harmful effects of irregular workers, have generally not been effective.

---

64 Ibid.
65 Ibid.
66 Ibid. 278.
One government policy which contributed to the expanded use of irregular workers is the continued subsidization of SMEs, despite their continued inefficiency and low profitability.\(^6^7\) Starting in the early 2000s, the Korean government began providing generous, low interest loans to SME enterprises, effectively keeping these unprofitable firms afloat. While maintaining these firms has “temporarily stabilized labor markets” by providing jobs for workers, the employment is irregular.\(^6^8\) In order to maintain some level of competitiveness and lower costs, the surviving SMEs heavily utilize irregular laborers. The “downward spiral of SME productivity,” which is maintained by government support, contributes to the expansion of the growing numbers of irregular workers.\(^6^9\)

The Employment Stabilization Program (ESP), designed to promote reemployment of irregular workers and incentivize firms to retain workers, does little to affect the workers most needing it; only 30 percent of irregular workers are eligible for ESP benefits.\(^7^0\) Despite the clear need of irregular workers and other marginalized groups, the ESP only spent half its allotted budget. Even though the government acknowledged the problems faced by irregular workers, one of the programs to ease their plight was designed so poorly that it did very little.

The government also established job training programs designed to help firms provide training to low-skill workers to gain the skills needed to adapt to the tech-focused Korean economy. While not the sole reason for the rise of irregular employment, the change from manufacturing to high technology left many workers without the skills to thrive in the new economic environment. However, like the ESP, this job training program simply does not reach the irregular workers who could benefit most. Only about 27 percent of these low-skilled

\(^6^7\) Ibid.  
\(^6^8\) Ibid., 282.  
\(^6^9\) Ibid., 282.  
\(^7^0\) Ibid.
workers are eligible to receive government funds for training.\textsuperscript{71} This training program, if it had been well implemented, could have been an effective method to ameliorate some of the problems faced by irregular workers.

Additionally, Korea’s social safety net is designed in such a way to benefit regular workers more than irregular workers. In the pension and national health insurance systems, irregular workers are classified as self-employed. For the pension system this means they have to pay “the entire amount of the pension insurance fee.”\textsuperscript{72} This results in far fewer irregular workers joining the pension system; only 45 percent of all considered “self-employed” by the pension system actually pay into their pension.\textsuperscript{73} The health insurance plan for the self-employed is also not nearly as good as it is for regular workers. It has low benefit coverage with “out-of-pocket payment of nearly 35-40 percent of the medical costs.”\textsuperscript{74} To the irregular workers, who generally have a lower wage, these costs take up a much larger percentage of their earned income.

Some effective policies did result from the government’s efforts to address these problems. Unemployment insurance was expanded to cover daily workers in construction, fishing, agriculture and other specific occupations.\textsuperscript{75} These policies affected only a limited segment of the irregular labor force without addressing the root cause of irregular employment. The Korean social safety net, pension and health insurance have only furthered polarized employment benefits by withholding benefits from the already marginalized irregular workers. Because of the limitations of Korean unions, these groups do not have the political influence to effect change to these policies.

\textsuperscript{71} Ibid.
\textsuperscript{72} Cho et al., “Employment Problems,” 282
\textsuperscript{73} Ibid.
\textsuperscript{74} Ibid.
\textsuperscript{75} Yun, “Labor Market Polarization.”
Effectively implemented and correctly targeted employment incentives and job training programs would addressing the causes of the growth of irregular workers. However, government policies targeted at reducing irregular employment have generally failed to successfully do so.

In addition to active policy failures, the government also neglects irregular workers through inaction. The Korean government is fairly lax with its enforcement of regulations, frequently neglecting to enforce social security liabilities. Firms get around this duty to workers by denying the existence of prior contracts that had been renewed, allowing the firm to evade this obligation.\textsuperscript{76} A worker was employed at a health center for almost three years without receiving social security benefits because the worker’s initial contract was “informally” renewed every six months.\textsuperscript{77} When the worker finally did receive state benefits, his contract period was “arbitrarily changed” to two months, increasing labor flexibility for the employer at the cost to the worker of decreased job security and reduced social security benefits.\textsuperscript{78}

Subcontracting also provides an easy layer of obfuscation with which to hide mistreatment of irregular workers. In some cases the subcontract company simply does not pay the amount due to its workers.\textsuperscript{79} Often the relationship between the employee, the subcontract company, and the order company is deliberately vague. A particular example of this is that of a \textit{chaebol} which created a subsidiary which it then used as a subcontracting firm to other branches of the parent company while withholding these subcontract workers’ requisite social security benefits. When the workers formed a union to protest, the \textit{chaebol} threatened to terminate their

\textsuperscript{76} Cho et al., “Employment Problems.”
\textsuperscript{77} Ibid., 413.
\textsuperscript{78} Ibid.
\textsuperscript{79} Ibid.
contracts.\textsuperscript{80} This demonstrates the immense power of business over labor, especially irregular workers, in the Korean system.

These firms are able to get away with this misbehavior because of the loose regulatory environment, “through lax inspection” and numerous “exceptions to social security regulations.”\textsuperscript{81} A possible reason for this unwillingness to stringently enforce employment regulations is simply that it is too expensive. With the convoluted and dynamic nature of irregular work, it would be difficult for the government to reliably inspect firms. This difficulty is magnified by businesses’ incentives not to cooperate and to hide their workers.

The extensive influence of business in the operation of government also factors into the lax enforcement of regulations. Close cooperation of business and government was obvious prior to democratization and the market reforms imposed by the IMF. There are still close familial and business connections between the government and \textit{chaebol}. There is a revolving door between the \textit{chaebol} and government; corporate leaders often retire to become judges or political figures.\textsuperscript{82} \textit{Chaebol} leaders relatively frequently bribe officials; this has reached such an extent that in a recent article Forbes commented that the “arrest records of some of South Korea’s top corporate chieftains are as remarkable as their commercial success.”\textsuperscript{83} Influential business leaders have used their power to hide allegations of “offering bribes to government officials and committing financial irregularities” and even violent offenses.\textsuperscript{84}

From this evidence, it is clear that large corporations have gained substantial influence within the government and used that to create a system favorable for themselves. Because enforcing regulations of regular workers is not profitable to the powerful \textit{chaebol}, the

\begin{thebibliography}{9}
\bibitem{80} Ibid.
\bibitem{81} Ibid., 418.
\bibitem{82} Cummings, \textit{Korea’s Place in the Sun}, 515.
\bibitem{84} Jean Shu-Ching Chen, “\textit{Chaebol} Chief Alleged to Kidnap, Beat Son’s Foes,” \textit{Forbes}, April 30, 2007.
\end{thebibliography}
government is unlikely to begin enforcing. Further, without a unified and organized labor movement, irregular workers do not have channels to call for change to this system. Combine these issues with the reality of organizing and allocating funds to enforcement and it is clear that irregular workers are unlikely to get attention from the government which ostensibly protects them.

**Conclusion**

The exploitation of Korean irregular workers results from old institutions and recent innovations. As shown in the first section, Korea has a long history of pro-business, anti-labor tendencies. This led to Korea’s current disorganized union system, not available to irregular workers. However, the world changed. Korea recreated itself as a neoliberal market economy, leading to flexible, irregular labor. While these reforms limited the explicit bond between government and business, Korea’s government remains heavily pro-business, as evidenced by its failure to address the issue of irregular workers. Irregular labor is just the most recent manifestation of the Korean economy’s anti-labor system.
Bibliography


### Table 1. Unionization Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Regular</th>
<th>Non-regular</th>
<th>Agency/Subcontract</th>
<th>Part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>14.8</td>
<td>2.5</td>
<td>2</td>
<td>0.3</td>
</tr>
<tr>
<td>2008</td>
<td>15.6</td>
<td>2.9</td>
<td>3</td>
<td>1.6</td>
</tr>
<tr>
<td>2009</td>
<td>16.8</td>
<td>2</td>
<td>3.4</td>
<td>0.7</td>
</tr>
<tr>
<td>2010</td>
<td>14.8</td>
<td>1.5</td>
<td>1.6</td>
<td>0.4</td>
</tr>
<tr>
<td>2011</td>
<td>14.4</td>
<td>1.5</td>
<td>1.4</td>
<td>0.4</td>
</tr>
<tr>
<td>2012</td>
<td>14</td>
<td>1.7</td>
<td>1.1</td>
<td>0.3</td>
</tr>
<tr>
<td>2013</td>
<td>13.9</td>
<td>1.4</td>
<td>1.3</td>
<td>0.7</td>
</tr>
<tr>
<td>2014</td>
<td>12.4</td>
<td>1.4</td>
<td>2.3</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source: Korean Ministry of Employment and Labor

### Table 2. Health Insurance Coverage

<table>
<thead>
<tr>
<th>Year</th>
<th>Regular</th>
<th>Non-regular</th>
<th>Agency/Subcontract</th>
<th>Part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>94.7</td>
<td>49.6</td>
<td>88.3</td>
<td>26.9</td>
</tr>
<tr>
<td>2008</td>
<td>95.1</td>
<td>49.1</td>
<td>89.6</td>
<td>26.4</td>
</tr>
<tr>
<td>2009</td>
<td>96.6</td>
<td>49.7</td>
<td>90.3</td>
<td>25.4</td>
</tr>
<tr>
<td>2010</td>
<td>96.8</td>
<td>49.5</td>
<td>87.7</td>
<td>25.5</td>
</tr>
<tr>
<td>2011</td>
<td>96.4</td>
<td>50.6</td>
<td>89.1</td>
<td>26.8</td>
</tr>
<tr>
<td>2012</td>
<td>97</td>
<td>49.6</td>
<td>89.4</td>
<td>31.5</td>
</tr>
<tr>
<td>2013</td>
<td>97.4</td>
<td>50.6</td>
<td>90.7</td>
<td>44.7</td>
</tr>
<tr>
<td>2014</td>
<td>97.8</td>
<td>51.2</td>
<td>93</td>
<td>50.4</td>
</tr>
</tbody>
</table>

Source: Korean Ministry of Employment and Labor

### Table 3. Number of Regular and Irregular Workers

<table>
<thead>
<tr>
<th>Year</th>
<th>Wage &amp; salary workers</th>
<th>Regular workers</th>
<th>Irregular workers</th>
<th>% of Total Irregular</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>14,149</td>
<td>9,542</td>
<td>4,606</td>
<td>32.55</td>
</tr>
<tr>
<td>2004</td>
<td>14,584</td>
<td>9,190</td>
<td>5,394</td>
<td>36.99</td>
</tr>
<tr>
<td>2005</td>
<td>14,968</td>
<td>9,486</td>
<td>5,483</td>
<td>36.63</td>
</tr>
<tr>
<td>2006</td>
<td>15,351</td>
<td>9,894</td>
<td>5,457</td>
<td>35.55</td>
</tr>
<tr>
<td>2007</td>
<td>15,882</td>
<td>10,180</td>
<td>5,703</td>
<td>35.91</td>
</tr>
<tr>
<td>2008</td>
<td>16,104</td>
<td>10,658</td>
<td>5,445</td>
<td>33.81</td>
</tr>
<tr>
<td>2009</td>
<td>16,479</td>
<td>10,725</td>
<td>5,754</td>
<td>34.92</td>
</tr>
<tr>
<td>2010</td>
<td>17,048</td>
<td>11,362</td>
<td>5,685</td>
<td>33.35</td>
</tr>
<tr>
<td>2011</td>
<td>17,510</td>
<td>11,515</td>
<td>5,995</td>
<td>34.24</td>
</tr>
<tr>
<td>2012</td>
<td>17,734</td>
<td>11,823</td>
<td>5,911</td>
<td>33.33</td>
</tr>
<tr>
<td>2013</td>
<td>18,240</td>
<td>12,295</td>
<td>5,946</td>
<td>32.60</td>
</tr>
<tr>
<td>2014</td>
<td>18,776</td>
<td>12,699</td>
<td>6,077</td>
<td>32.37</td>
</tr>
<tr>
<td>2015</td>
<td>19,312</td>
<td>13,041</td>
<td>6,271</td>
<td>32.47</td>
</tr>
</tbody>
</table>

Source: Korean Statistical Information Services
<table>
<thead>
<tr>
<th>Industry</th>
<th>Regular Payment</th>
<th>Irregular Payment</th>
<th>Regular/Irregular Pay Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,518</td>
<td>1,234</td>
<td>0.4901</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>2,701</td>
<td>1,348</td>
<td>0.4991</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>2,713</td>
<td>1,560</td>
<td>0.5750</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2,466</td>
<td>1,281</td>
<td>0.5195</td>
</tr>
<tr>
<td>Electricity, gas, steam and water supply</td>
<td>3,907</td>
<td>1,834</td>
<td>0.4694</td>
</tr>
<tr>
<td>Sewerage, waste management, materials recovery</td>
<td>2,431</td>
<td>1,443</td>
<td>0.5936</td>
</tr>
<tr>
<td>Construction</td>
<td>2,607</td>
<td>1,829</td>
<td>0.7016</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>2,360</td>
<td>1,025</td>
<td>0.4343</td>
</tr>
<tr>
<td>Transportation</td>
<td>2,223</td>
<td>1,458</td>
<td>0.6559</td>
</tr>
<tr>
<td>Accommodation and food service</td>
<td>1,719</td>
<td>840</td>
<td>0.4887</td>
</tr>
<tr>
<td>Information and communications</td>
<td>3,232</td>
<td>1,386</td>
<td>0.4288</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>3,793</td>
<td>2,148</td>
<td>0.5663</td>
</tr>
<tr>
<td>Real estate activities, renting and leasing</td>
<td>2,206</td>
<td>1,305</td>
<td>0.5916</td>
</tr>
<tr>
<td>Professional, scientific and technical activities</td>
<td>3,264</td>
<td>2,158</td>
<td>0.6612</td>
</tr>
<tr>
<td>Business facilities management</td>
<td>2,207</td>
<td>1,326</td>
<td>0.6008</td>
</tr>
<tr>
<td>Education</td>
<td>3,282</td>
<td>1,257</td>
<td>0.3830</td>
</tr>
<tr>
<td>Human health and social work activities</td>
<td>2,103</td>
<td>1,128</td>
<td>0.5364</td>
</tr>
<tr>
<td>Arts, sports and recreation related services</td>
<td>2,161</td>
<td>980</td>
<td>0.4535</td>
</tr>
<tr>
<td>Repair and other personal services</td>
<td>2,000</td>
<td>836</td>
<td>0.4180</td>
</tr>
</tbody>
</table>

Source: Korean Statistical Information Services