
A Comparative Analysis of Corporatist Policymaking Coordination in Japan and Korea*

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Abstract: This study aims to examine the mechanisms, and the results of corporatist decision-making arrangements in Korea and Japan, through the lens of the analytical framework provided by the accumulated literature on new corporatism. The following three findings of this study help to expand our understanding of new corporatism. First, new corporatism also requires institutional preconditions to ensure meaningful outcomes. When labor lacks the capacity for collective action and self-regulation, the government usually proceeds with unilateral action without an effort to build a consensus. Second, if the tripartite arrangement is crafted by the state with weak social partners, the success of the endeavor by and large depends on the capacity of the state to convince the other partners of the benefits of concertation. Finally, the results of new corporatism need to be explored beyond macroeconomic indicators for unexpected byproducts to be revealed.

Key words: new corporatism, coordinated decentralization, social dialogue, the Tripartite Commission, collective bargaining

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I . Introduction

Despite the fact that the literature on corporatist policy-making concentration has been developed mostly based on European experiences,¹ the two advanced economies of Northeast Asia, Korea and Japan, demonstrate that tripartism and social dialogue can flourish in non-Western countries as well. Both of these countries developed tripartite consultation institutions when faced with national economic emergencies.

Korea and Japan are similar in many aspects of their industrial relations systems: enterprise unionism; decentralized collective bargaining structure; and life-long employment practices. However, these commonalities disappear when we look into the actual workings of the respective industrial relations systems. First of all, the origins and behaviors of enterprise unions in these countries are significantly different. Whereas Korean enterprise unions are mostly composed of blue-collar production workers, Japanese enterprise unions recruit both blue- and white-collar workers, and thus the cooperation between labor and management in enterprises is much more extensive than in Korea. Second, the Japanese bargaining structure was more or less centralized from the mid-1970s to the late 1980s, due to *Shunto* wage negotiations. Wage restraints therefore became incorporated into the agenda of macro-corporatist arrangements at the national level in Japan, and the labor movements could coordinate unified union actions to negotiate with successive governments. The Korean industrial relations system has never enjoyed the benefits

1. Most cross national studies of industrial relations usually focused on European experiences (Crouch and Traxler 1995; Ferner and Hyman 1992; Iversen *et al.* 2000), or a comparison between Europe and North America (Golden and Pontusson 1992). Seldom have Asian Pacific countries been grouped together with them (Frenkel and Harrod 1995; Rowley and Benson 2000).

from such coordination at the meso-level.

Through the lens of the analytical framework provided by the “new corporatism” literature, this study aims to examine the mechanisms, and results of corporatist decision-making arrangements in Korea and Japan. Neo-corporatism, the predecessor of new corporatism, refers to a model of interest politics which aims to provide functional representation of producer groups via organizational arrangements between the machineries of government and of centralized interest organizations. Such privileged participation of organized interests in policymaking helps avoid social conflicts and disruption because a web of dense and durable bargaining relationships invokes common strategic imperatives of self-restraint and compromise. After the decline of corporatist policymaking concertation in the 1980s, the neo-corporatism emerged again in the 1990s, in order to regulate labor relations and to improve national competitiveness amid intensified global competition, even in those countries with weak corporatist policymaking traditions.

Both Japan and Korea were severely affected by the economic recessions of the 1990s, but their responses diverged greatly. After the Japanese economy was hit by the recession in 1990, the structure of collective bargaining was decentralized, and the corporatist-policymaking bodies at the national level lost their salience. Since the Asian financial crisis of 1997, the Korean labor market has suffered from high unemployment and a worsening employment structure. As a result, union leaders and rank-and-file members soon realized that the enterprise union system could not adequately protect their own employment security, let alone represent the interests of all workers. Therefore, the Korean industrial relations system began to demonstrate tendencies towards centralization, such as the organization drive at the industry level and the establishment of the Tripartite Commission at the national-level. Comparing these two countries, this

study examines the limitations of corporatist experiments not supported by formal institutions in both politics and labor market. Not only does this study have practical implications for other Asian countries with similar challenges and tripartite initiatives, but it will also help expand the explanatory power of the emerging literature on the “new” corporatism of the 1990s.

II. “The Corporatist Sisyphus”²: Revival of Neo-corporatism³

Neo-corporatism has long been known as the most salient mechanism of class compromise. Przeworski’s analysis of class compromise (1985) suggests strong organizational power of the working class to be the crucial condition for neo-corporatist concertation. In order for a class compromise to occur, according to him, workers (a) need to make sure that particular groups among them would not push their advantage to the maximum possible level, since in class compromises unionized workers do achieve benefits at the expense of unorganized workers. For example, job security and seniority rights adversely affect the unemployed. Workers also (b) need to have confidence that employers will invest in a certain way to ensure their future wages will increase as a function of current profits. For this, they should be able to constrain capitalist behavior via a threat of strikes or electoral mobilization. Przeworski argues that social democratic corporatism based on the organizational strength of the labor movement provides the necessary institutional setting for such compromise. Many cross-national quantitative and case

2. This section title was taken from the title of a paper by Schmitter and Grote (1997), “The Corporatist Sisyphus: Past, Present and Future.”

3. The theoretical background discussed here is more fully elaborated in my earlier article co-authored with Ahn (2002).

studies have argued similarly, specifying the mechanisms by which highly organized labor and some labor presence in government foster cooperation between labor and capital in wage bargaining. Crouch (1985), using Olson's observation (1982) about the different incentives facing groups of different sizes,⁴ postulates that encompassing labor organizations are more likely to moderate their wage demands than those organizations that are small and decentralized. That is because a labor organization that bargains for large portions of the labor force can and must take into account the effects of aggressive wage demands on inflation. As Cameron (1984) demonstrates, in exchange for such wage moderation, the payoff to workers prominently includes better present and future employment levels and a high and expanding social wage.⁵

The policymaking concertation characteristic of neo-corporatist compromise requires centralized employers as well as centralized unions. Employers in those sectors of the economy with labor's disruptive potential or pricing power in the product market may have greater power vis-à-vis workers employed in the same

4. Olsen (1982) maintains that the incentives facing an encompassing special-interest organization are dramatically different from those facing an organization that represents only a small portion of society. If an organization's members comprise only 1 percent of society, he says, it will have to bear the whole cost of its actions to produce a public good. But its members will likely get only 1 percent of the resulting gains to society. But if this organization pursues its own interests, it will gain 100 percent of whatever redistributive gains it wins from society, paying only 1 percent of the cost of those gains. The opposite logic applies to an organization whose members comprise a much larger portion of society. This organization cannot seek selfish redistributive gains but instead has an important incentive to make sacrifice up to a point for activities that are sufficiently rewarding for society as a whole.

5. See also Soskice (1983), Lange and Garrett (1985), and Korpi (1989) for comparable results.

sectors, since the very factors which empower workers can empower employers even more. Employers in strategically important sectors, by being central to the entire economic system, can have better organizational resources, and under special circumstances, can persuade the state to use repression to control labor disputes. Employers therefore would not agree to compromise unless they clearly expected *quid pro quo* benefits. Control over pay structure and resultant labor peace are the prime benefits that make a compromise the best strategic choice for employers. Employers in small economies subjected to international price competition are more acutely in need of a regulated economy-wide pay structure, since they cannot pass on the costs of high wages to consumers, while strikes can only be advantageous to foreign competitors. It is the reason, Swenson (1989) argues,⁶ why internationally vulnerable Scandinavian employers encouraged unions to centralize authority across industries using frequent multisectoral lockouts. Some employers in large countries with substantial domestic markets also prefer a sectoral compromise to direct confrontation, as long as the cost of compromise, i.e., the cost of unionization, can be compensated for by productivity gains, consumers, or the state. A sector-wide collective bargaining agreement standardizes labor costs, taking wages out of the competition and setting up an entry barrier to low-wage competition: it can function as the enforcement mechanism that fosters cooperation among competing employers.⁷

6. Swenson's (1989) argument is a bit different from other works (Cameron 1984; Katzenstein 1985) that also seek to explain the relationship between economic openness and neo-corporatist solutions. The others, following Ingham's (1974) thesis, tend to suggest (especially Cameron 1984) that a high degree of industrial concentration favored by small and open economies is the main cause behind the development of strong and unified interest organizations. Swenson puts more emphasis on relatively tight labor markets and dormant capital vulnerable to international competition.

Neo-corporatist class compromise began to show signs of disintegration from the 1970s as a variety of factors brought about the slowdown in the economic growth and reorganization of Fordist mass production. The development of microelectronics and communications technology also made it possible for capital to spread production around the globe, undermining the ability of the state to pursue coherent national economic and labor policies. The combined outcomes of economic stagnation and mounting competition in the international economy shifted the balance of power back to capital. Employers became much less tolerant of the costs of labor rights, such as state-guaranteed full employment and income security, and began to pursue more market-oriented policies to create more flexible labor markets. The labor movements, as a result, experienced deregulatory competition, declining bargaining power at the national level, and a diminished political role. In the 1980s, many people anticipated the death of neo-corporatism. The concertation between governments and organized interests declined almost everywhere. After four decades of solid corporatist practices, Sweden decided to adapt its economy to international liberal regimes and decentralized the bargaining structure. This spectacular demise of what was previously a prototype case of neo-corporatism helped unfold the pessimistic view of the future of corporatism. Instead of the supreme macro-economic performance it promised to bring, corporatism was increasingly associated with a lack of wage flexibility and thus considered too dysfunctional for the new competitive environment.

Corporatism, however, has not completely collapsed. On the contrary, new international competition due to globalization, and common requirements to comply with European Monetary Union (EMU) criteria forced many national governments to cooperate

7. Bowman (1985) provides a detailed account of how a labor organization can be a solution to capitalists' collective action problems.

with domestic interest organizations. A common orientation toward greater national competitiveness required coordinated action. Welfare state retrenchment and reform could also be better achieved when major producer groups' interests were well represented and coordinated. Furthermore, coordinated sectoral bargaining, which Taxler (1995a) described as *organized decentralization*,⁸ continued in several European countries to regulate labor markets and employment systems. In order to distinguish the new social pacts and policymaking concertation from the traditional forms of social corporatism, Rhodes (1998, 2001) referred to them as *competitive corporatism*.⁹ Examples of neo-corporatism again abounded in the 1990s. Corporatism was preserved not only in countries with strong traditions of corporatist policymaking concertation, e.g. Austria and the Netherlands, but it also emerged in those countries where the traditional prerequisites have been weak, as demonstrated by the cases of Italy and Ireland. In addition, numerous East European countries ex-

8. Globalization, decentralization, and pressure for increased flexibility were common trends that almost all advanced industrial countries confronted, but there were significant differences between the institutional forms and functions of collective bargaining structures and social dialogues. Whereas in some countries organized interests were able to exert a certain degree of coordination and control in the processes of labor market and welfare reforms, in other countries, pressure for decentralization was associated with a generalized decline in associational governance of labor markets (Iversen and Pontusson, 2000). The former set of countries is referred to as a case of "organize" or "coordinated" decentralization.

9. In line with this argument, Traxler (1995b) also suggests that while demand-side corporatism geared toward Keynesian economic policy has subsided, the need for a new type of *supply-side* corporatism aimed at backing a country's competitiveness continues to grow. He argues that market-imposed flexibility cannot produce high skilled labor and trust in labor relations, which are critical for maintaining competitiveness in the era of flexible specialization.

perimented formally with macro-level corporatism during their transition period. Although they were mostly modeled on Western European experiences, their creation and survival have been much more dependent on the governmental initiatives and their eventual defections (Schmitter and Grote, 1997).

As the re-emerging neo-corporatism was firmly rooted in the different political/economic environment of the 1990s, the organizational capacity of labor and capital, substance of their collective interests, and government strategies to coordinate their interests were also changing. Reflecting such developments, Jørgensen (2000: 21) even suggests that neo-corporatism from now on must be described not so much by structural requirements such as centralized unions and employers' organizations, but by functional roles developed through the participation of labor and capital in agenda-setting and policy development. Actually, due to capital market integration and their inability to sustain growing public deficits, governments have largely lost the means to compensate consent from social partners with welfare expansion, and the importance of wage restraints also diminished. The new pacts forged during the 1990s instead actively invited social partners to participate in the regulatory policymaking processes.¹⁰ Based on his case study of the recent Italian experience, Regini (1997) more directly challenges the traditional assumptions of neo-corporatist theory. According to him, policymaking concertation in the new political economic environment may succeed precisely when interest organizations become less centralized and less insulated from rank-and-file members. That is because those unions with strong organizational power

10. Rhodes (2001) describes the core elements of these pacts as a coordinated decentralization of bargaining structure and an ordered re-regulation of the labor market, accompanied by adjustments to tax and social security systems to avoid a reduction in real incomes or social security protection.

might be less-inclined to satisfy the new requirements of rapid adjustment to increased international competition, reduction of the welfare state deficit,¹¹ and greater flexibility in place of centralization and standardization. On the other hand, if interest organizations are too weak to deliver workers' consensus and do not possess the capacity to self-regulate in a responsible way, their participation in the concertation would become meaningless.

The new literature on neo-corporatism, however, has not explicitly discussed the welfare outcomes of policymaking concertation.¹² A neo-corporatist class compromise in previous periods had clear-cut outcomes that positively affected the material welfare of the popular sector as a whole. Full employment is no longer guaranteed in social pacts. As these pacts more or less contain the elements of new market-confirming policy mixes, and trade unions' membership strength and organizational resources are generally weaker than before, the 'equity' enhancing function is frequently downplayed. Furthermore, due to a bifurcation of the labor force into the secure high-skilled and the insecure less-qualified, an *intra*class aggregation of interests is progressively difficult to achieve. In this situation, how the newly-forged neo-corporatist agreements affect equality *among* labor as well as between labor and capital should be fully explored.

11. If strong and centralized unions have a stable power base, they are less likely to enter into negotiations on welfare reforms because they have little to gain. (Ebbinghaus and Hassel 2000)

12. Kenworthy (2001) is an important exception. Based on a quantitative analysis of 1 OECD countries, he found that the effects of corporatist institutions on low unemployment disappeared in the 1990s, largely because unemployment outcomes in low coordination countries improved rather than because those in high coordination countries deteriorated.

III. *Shunto* and Social Dialogue in Japan

In Japan, the development of industrial paternalism was closely linked to labor shortage and higher labor turnover during the first round of Japan's industrialization. The most important incentive for workers to remain with the firm was provided by the *nenko joretsu chingin* wage system under which wages and promotions were calculated on the basis of seniority, length of service in the firm, and the occupational status of the workers in the rank system of factory. Guaranteed lifetime employment was generally recognized as an integral part of the *nenko* system (Large, 1981). The employment practices continued as enterprise unionism emerged as the dominant form of union organization during the postwar era. Since then, the collective bargaining agreements have been mostly forged at the enterprise-level.

For a country with an extremely decentralized bargaining structure, Japan has long been recognized as having effective coordinating mechanisms that contributed to stabilizing its industrial relations system. Numerous social dialogue institutions at the national and cross-industry levels demonstrated a strong resemblance to macro-corporatist arrangements in Europe, especially in terms of functions and results of such compromises.

The enterprise union system in Japan has been coordinated by the Demand for Policy Changes and Institutional Reform (DPCIR), a series of meetings held by Rengo (Japanese Trade Union Confederation), the Cabinet, political parties, and government organizations, in order to realize Rengo's stated policy goals, and *Sanrokon* (Round Table Conference on Industry and Labor) which is the private advisory committee of the Minister of Labor (Shinoda, 1997). Recently, the Japanese government established new macro-level tripartite bodies on employment issues, i.e., job creation and work-sharing schemes, in its attempt to re-

duce the detrimental effects of the continuing Heisei recession on the labor market. Besides these tripartite bodies, Rengo also sent its hundreds of delegates to many advisory committees to the governments, especially to the Ministry of Labor, as the Heisei recession generated the pressures to deregulate labor standards and reform the pension system (Suzuki, 2004).

What bolstered the tripartite information sharing and cooperation at the national level was the coordination at the meso-level of the bargaining structure: the *Shunto*, a covert co-ordination of wage bargaining by pattern-setting large enterprise unions (OECD, 1994). The *Shunto* has its roots in the Japanese enterprise union system. In Japan, enterprise unions were the dominant form of unionism already in 1964 (93.6 percent of all unions), and these proportions have not varied much over time. The mixed membership of blue- and white-collar workers facilitated concrete coordination of interests between labor and management by blurring class distinctions and facilitating class compromise in the enterprise. However, the Japanese enterprise unions were not always cooperative. The postwar Japanese labor movement experienced drastic development due to the combined effect of economic crisis and favorable early labor policies of the SCAP (Supreme Command of the Allied Powers).¹³ Until the defeat of the year-long strike at the *Mitsui Mike* coal mines in 1961, the Japanese labor unions were led by radical leaders, and they wanted to coordinate a number of trade unions' demands to overcome the shortcomings of the enterprise unions, which marked the begin-

13. Threatened by a radical communist labor movement, and influenced by American conservatism, however, the SCAP, after a aborted general strike in 1947, gradually reversed its labor policy which gave ample opportunity to employers to restore their control over workers. The *red purge* of 1949 caused large numbers of communist leaders' dismissals from their jobs, thereby ending class conflict in postwar Japan with the employers' victory. Japanese labor subsequently lost its organizationa/political power.

ning of *Shunto* (Sako, 1997).

The characteristics of *Shunto* has changed as Japan went through two oil shocks and resultant economic crises. The first oil shock of 1973 is a good case that shows how well-established enterprise unions contributed to the stability of macro-corporatist practices. During 1973-75, wage increase rates stabilized to reduce soaring inflation, employment fell by only 6 percent, and labor disputes were minimal. Since Japanese unionized core workers strongly resisted any kind of employment insecurity, employers used various strategies of adjusting employment which did not exclusively depend on the reduction of persons employed. Unions, in exchange for their relative wage loss, they obtained benefits such as tax reductions from the state which accommodated unions to achieve its macroeconomic objectives (Kume 1988; Shimada 1983). As a result, Japan smoothly overcame the era of slow economic growth and worldwide recession by maintaining near full employment and relative price stability (Taira and Levine 1985:247-83). This successful adjustment not only resumed rapid economic growth, but also strengthened the already established compromise between labor and management.

It should be noted, however, that the *Shunto* was maintained mostly by the leadership of large enterprise unions and employers. After the two oil shocks, the major goal of the labor movement in Japan became the defense of declining real wages, and the trade union leadership tried to achieve the goal by concentrating actions within the export-dependent metal industry unions, the four major industry federations in steel, shipbuilding, automobiles and electrical machinery, that have greater incentive to avoid inflation-inducing wage bargaining. In response to such concerted action on the part of the unions, employers also formed the Eight-firm Conference (*Hasshakon*), and personnel directors from two leading firms from each of the four main metal sectors mentioned above meet several times in every year to coordinate

their wage offers. As supplier firms were not able to set wages above those of their large client firms, wage settlements orderly diffused from the private sector to the public sector, from large firms to small firms, and corporate headquarters to subsidiaries. Indeed, the hierarchical leadership of large firms created a functional equivalent of encompassingness in Japan (Sako, 1997: 253).

The most intriguing feature of the Japan's coordinated system is its informal nature. Although there were formal employers' associations, major employers in large metal sector industry preferred to work through informal meetings, and avoided the institutionalization of wage-setting mechanisms. The Japanese employers thus enjoy a very high level of economic flexibility and coordination, without ever confronting strong national or industry unions (Sako, 1997). The large enterprise unions also did not strongly push for unified industry-wide consolidation of the trade union movements. The membership in enterprise unions was limited to full-time employees in large firms, excluding temporary, subcontracted, and unemployed workers, and the unions had exceptional interests in protecting the job security of their own members. In short, the Japanese unionized workers displayed a far stronger enterprise consciousness than class consciousness (Weathers, 2003). In order to strengthen the bargaining power of individual enterprise unions, which was handicapped by the members' fear of damaging the competitive position of the firms employing them, unions standardized demands as much as possible and then presented them simultaneously during the *shunto* period. They did not try to go beyond the informal coordination.

The Japanese industrial relations model of coordinated decentralization was successful up to the 1980s as the innovative work organization and firm-level institutional arrangements of cooperation was well-suited to the organizational forms of flexible specialization and thus Japan could remain competitive in volatile international product markets. However, after the Japanese

economy was critically hit by the Heisei recession in 1990, the structure of collective bargaining was again decentralized and the influence of organized labor in domestic politics began to wane. The recession pressured employers to withdraw their support for the Japanese-style management, especially the lifetime employment system. Employers have also expanded the use of merit-oriented and performance-indexed pay systems. *Nikkeiren*, the Japanese employers' association criticized the *Shunto* wage determination and demanded that wage rates should be determined strictly on the basis of productivity and the firm's ability to pay. In actual fact, employers have refused to participate in a unified wage settlement for the first time (Weathers, 2003).

The tripartite committee, *Sanrokon*, and other advisory bodies could not withstand the decentralizing pressures caused by the recession. As Suzuki (2004) points out, the tripartite institutions in Japan used to carry out mostly symbolic functions, without strong decision-making authority. The government also actively promoted the deregulatory policies that gave further flexibility to the labor market, despite the organized labor's resistance. With the decline of the coordinating mechanisms at the meso-level, the institutions of tripartism and social dialogue mostly lost their influence over the economy.

IV. The Tripartite Commission: Corporatism Korean Style

The collective bargaining structure of Korea has been even more fragmented than that of Japan, as the legal framework of industrial framework during the authoritarian era was specifically designed to discourage workers' concerted collective action. The changed labor laws in late 1980 reorganized industry-based unions into enterprise-based ones. As a result, most trade unions were organized on an enterprise basis, and collective bargaining was conducted generally at the enterprise level. Despite the sub-

sequent amendments of labor laws that eliminated such authoritarian legacies, the decentralized bargaining structure has remained intact (Lee and Lee, 2004).

The 1990s saw many attempts made by consecutive Korean governments to spawn several tripartite initiatives at the national level that could bring about wage restraints and industrial peace.¹⁴ The economic downturn in the early 1990s provoked a sense of crisis, and as usual, the country was not free from direct confrontations between labor and management. Most of them, however, led to unsatisfactory results, as the labor movement leadership as well as rank-and-file members was suspicious of the government's intentions. The memory of authoritarian repression of the labor movement discouraged them from involving themselves in government-initiated policymaking consultations.

Therefore, it was not until January 1998 that Korea has institutionalized tripartism by creating a presidential advisory body. The Tripartite Commission (*Noshjung Wiwonhoe*), facing intense pressures to reform financial and labor market structures from international financial institutions such as the IMF, was established to strengthen national competitiveness and cohesion, via "fair burden-sharing among social partners." The most significant "political exchange" in the pact forged by the Commission on February 9, 1998 was the consent by labor to ease the procedures for laying off workers, in return for the government's promise to expand public expenditure for social safety nets and improve basic labor rights. Wage restraint was not a critical issue

14. When the economic downturn provoked a sense of crisis, the representative of labor (FKTU) and capital (KEF) reached agreements on the wage increase rates in April 1993 (4.7-8.9 percent), and again in March 1994 (5-8.7 percent). However, these agreements came to a halt. Rank-and-file members of trade unions did not endorse their leadership's decision to participate in the government's wage stabilization policies, calling them the disguised "wage guidelines" of past authoritarian regimes.

in the pact of 1998, because trade unions had already engaged in pervasive concession bargaining which entailed pay freezes and reduction of welfare allowances. (Lee and Lee, 2004). Despite the government's efforts to institutionalize stable labor-management cooperation at the national level, the outcome of the first social pact was not promising. The repercussions of the Asian financial crisis in the late 1990s have severely disturbed the cooperative development of labor-management relations in Korea.

Ever since his inauguration in February 2003, Roh Administration has been burdened with the demands to fix the industrial relations system, to promote labor market flexibility, and to prevent labor disputes. At the beginning of his administration's term of office, President Roh pledged to institute a multi-level collective bargaining system, which implied that his regime would endorse industrial unions and the industry-level bargaining that the trade union leadership aspired to establish, to reduce an increasing gap between regular workers in larger firms and workers in nonstandard employment arrangements, and to refrain from interfering with conflicts between labor and management. However, his presidency was marked by a relatively high level of labor disputes, and the government was pressured to take a tougher stance toward striking workers. As a result, the priority of the government's labor policy switched to improving the nation's labor relations to meet global standards, both in terms of basic labor rights and labor market flexibility. The President publicly denounced the privilege of trade unionists in larger firms, such as company payment of full-time union officials, and declared that he would strictly enforce the law to prevent illegal strikes.

It was in this context that the government began to focus on two specific projects that require the Tripartite Commission to play a major role to coordinate diverging interests between labor and management. The first of the two was a blueprint for in-

dustrial relations reform drafted by a committee of 15 labor experts (Research Committee on Industrial Relations System Development). The blueprint comprises a set of labor reform measures that expanded the freedom of association and the right to bargain collectively, strengthened voluntarism in industrial relations and devised effective arbitration mechanisms to reduce industrial disputes, and rationalize remedies for unfair dismissal and overdue wage payments. These measures, informally referred to as a “roadmap,” have been vehemently opposed by both labor and management because they dealt with many contentious issues that encroached on workers and employers’ vested interests. Consequently, the Tripartite Commission remains in a stalemate over the reform measures, and the legislative procedures to implement the blueprint are being delayed.

Raising labor market flexibility to the level of global standards in Korea has proven to be a difficult task for the government, as dualist tendencies in the labor market worsened after the 1997-98 financial crisis. It is true that regular jobs in larger firms are relatively well-protected, but the increasing size of the nonstandard workforce has raised concerns because these jobs pay low wages, provide few benefits and social insurance, and do not have implicit guarantees of long-term employment. Furthermore, the lack of flexibility in the protected sector was also blamed for growing youth unemployment and in general, the growth of joblessness. The government tried to overcome this deadlock by forging the second “social pact” for job creation. The Tripartite Commission began to draft the second social pact for “job creation” in December 2003, and the representatives of labor, management, the government, and public interests finally agreed on 55 items on Feb. 8, 2004.

In the pact, labor agreed to cooperate in stabilizing wages over the next two years, in an attempt to create jobs and reduce wage gaps with non-regular workers and workers in small and

medium sized firms. Business promised to refrain from employment retrenchment and in cases where this was inevitable, to minimize the number of dismissed workers through good-faith consultations with trade unions. In return for the compromise made by labor and management, the government would facilitate corporate investment in creating jobs by deregulating business activities, and expanding tax and financial benefits to businesses. All social partners agreed to cooperate in order to improve working conditions of the nonstandard workforce. In order not to repeat the failure of the first pact, the representatives also agreed to establish a “Joint Public-Private Sector Committee on Job Creation” to monitor the implementation and the progress of the promises made in the pact (The Tripartite Commission, 2004).

However, the social pact was failed to achieve its proposed goals. The Tripartite Commission is still crippled by the absence of the more militant KCTU (Korean Confederation of Trade Unions) whose member unions include the largest enterprise unions with the most bargaining power, such as the Hyundai Motor Company. In fact, the success of the social pact was critically dependent on whether the large enterprise unions would comply with the promises made at the national level. Due to the deepening gap between the primary and the secondary labor markets, trade union members in large enterprises have a strong preference for enterprise-level bargaining, which remains as an important institution where pay levels and working-time arrangements are decided. Because of the long history of confrontational labor relations and lack of cooperation between and within social partners, Korea was not endowed with the mechanisms of bargaining coordination found in Japan. What has not been emphasized enough in the roadmap and the social pact, thus, is the reform of the collective bargaining structure itself, which would have made it possible to implement the promises made by social partners.

In recent years, conflicts over a proper bargaining structure have been a major cause of a large number of labor disputes, as those sectors of the economy where enterprise unions transformed themselves into industrial unions strongly demanded industry-level bargaining. Collective bargaining is an important regulatory institution of employment relations, but the fragmented Korean enterprise bargaining system has not been able to make a contribution to both national economic competitiveness and social equity. Without some institutionalized bargaining coordination at the meso or industry-level, Korean experiments with tripartism would most likely end in futility.

V. Conclusion

The accumulated literature on the resurgence of macro-corporatism in the 1990s has demonstrated that corporatist concertation is still capable of producing beneficial outcomes that help to cope with challenges posed by the new competitive economic environment. This encouraging result persuaded many countries to experiment with tripartite arrangements, even those non-European countries that had no prior experience with neo-corporatist concertation. In particular, the Asian financial crisis and external pressures it created forced many countries in this region to search for new tripartite mechanisms to overcome the economic hardship. This study, based on the cases of Japanese and Korean tripartism, has attempted to explore whether the experiments with corporatism can have relevance in countries with an underdeveloped collective action capacity in terms of labor and capital, as well as weak formal institutions that regulate employment relations. The following three findings of this study help to expand our understanding of new corporatism.

First, new corporatism also requires institutional preconditions to ensure meaningful outcomes. It could be true that the central-

ized structure of trade unions was no longer necessary in the neo corporatist concertation of the 1990s. But labor representatives in the tripartite institutions must be assured of the support and compliance of their members. In the era of open economies, the state cannot run deficits as much as they did in the past. Therefore, instead of generous social spending, the government invites social partners into the realm of joint regulation and rule-making, thus inducing their cooperation. When the state provides the opportunity, labor must actively mediate and coordinate their own interests in order to voice a unified demand and increase their bargaining power. Such coordination was always absent in Korea, resulting in disappointing outcomes of the social pacts. The Japanese case, also suggests that informal institutionalization of corporatist practices are not enough. When labor lacks the capacity for collective action and self-regulation, the government usually proceeds with unilateral action without an effort to build a consensus.

Second, if the tripartite arrangement is crafted by the state with weak social partners, the success of the endeavor by and large depends on the capacity of the state to convince the other partners of the benefits of concertation. The Tripartite Commission in South Korea materialized from President Kim Dae-jung's conviction that the country needed a consensus-building mechanism to overcome the financial crisis and restore national competitiveness. Despite his firm resolution, the incumbent government and the ruling party lacked adequate administrative and legislative capacity, as well as strong political leadership, to implement the agreed economic and labor reforms. If the state cannot keep its promises, it is impossible to convince social partners to enter into a responsible agreement. Labor would leave the tripartite arrangement and protests outside the political arena, as shown in the Korean case. Management would prefer micro-corporatism, which is more flexible to implement, as the Japanese case

demonstrates.

Third, the results of new corporatism need to be explored beyond macroeconomic indicators and immediate policy outcomes for unexpected byproducts to be revealed. As the social pacts of new corporatism were forged during the period when neo-liberal labor market reforms were strongly advocated by international financial institutions, the pacts were bound to include some variants of policies that promoted labor market flexibility. These policies increased the hardships suffered by the least protected groups of the labor force and produced a large number of irregular workers in Korea. When the trade union movement lacks proper organizational power, participating in such a contentious tripartite process critically divides and intensifies conflicts within the movement itself. In Japan, it is believed that strong wage restraints over the past 25 years made the country unable to generate domestic-led economic growth and rendered it vulnerable to economic downturns in the United States. (Weathers, 2003).

Both Korea and Japan demonstrate that while bargaining decentralization has been a universal trend, there arose equally interesting processes of reconstructing such decentralization. However, due to a bifurcation of the labor force into the secure high-skilled and the insecure less-qualified, an *intra*class aggregation of interests has been progressively difficult to achieve. Similarly, increasing heterogeneity of the labor force, and growing individualization and differentiation of the employment relationship would continue to pose problems for further extension of corporatist policymaking concertation. Additional research is required to specify the degree to which the tripartite arrangements could be furthered by government intervention and legislative guarantees. This task needs close attention to contextual factors that can lead to successful implementation of the tripartite agreements.

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