Despite the fact that the literature on corporatist policymaking concentration has been developed mostly based on European experiences, 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 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. 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.

**SHUNTO AND SOCIAL DIALOGUE: COORDINATED DECENTRALIZATION IN JAPAN**

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 reduce 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).¹ 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 beginning of Shunto (Sako, 1997).

What changed the characterics of Shunto is the experience of 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

¹ 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 capitalists’ victory. Japanese labor subsequently lost its organizational/political power.
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.

THE TRIPARTITE COMMISSION: CORPORATISM KOREAN STYLE

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. 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 were suspicious of the government’s intentions. The memory of authoritarian repression of the labor movement discouraged them from involving

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2 When the economic downturn provoked a sense of crisis, the representatives 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.
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 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. Therefore, ever since his inauguration in February 2003, President Roh 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, the first year of 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 which 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 industrial 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).

Whether the social pact will eventually achieve its proposed goals remains to be seen, but the prospects are not very bright. 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 is critically dependent on whether the large enterprise unions will comply with the promises made at the national level. Enterprise-level bargaining is still the most dominant form of collective bargaining in Korea, and will remain as an important institution where pay levels and working-time arrangements are decided. Due to 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 is the reform of the collective bargaining structure. 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 will most likely end in futility.

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.

1. New corporatism also requires institutional preconditions to ensure meaningful outcomes.

It could be true that the centralized 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.

2. *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.
3. 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).

※ The author welcomes any use of this material provided the source is acknowledged. Nothing written here is to be construed as necessarily reflecting the views of the Korea Labor Institute.
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