# Privatisation, conflict and discontent

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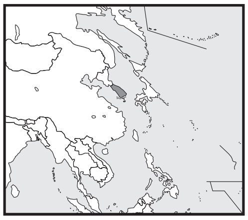

Privatisation in Korea has aroused intense debate and inspired many citizen mobilisations. While voices from the government insist that privatisation will strengthen industrial competitiveness and resolve the ill-effects of monopolies, labour unions, civil society and academia cry out that it will drain national wealth through sales abroad, degrade public services and deepen social inequality. Since there is no precedent of a successful privatisation and restructuring process being carried out without social consensus, the government should try to take the advice of civic groups rather than follow its present course.

On 11 November 2002, the Minister of Budget and Planning, Jang Seung-woo, said that the Southeast Subsidiary that split from the Korea Electric Power Corporation (KEPCO) would be sold off within the year. Also the two subsidiaries of the Korea Gas Corporation and some shares were to be disposed of within the year and the Korea District Heating Corporation was to be handed over to private owners through public subscription and open bidding. In addition, subsidiaries of 12 other public corporations are under reorganisation. In this way, and according to schedule, the privatisation of public corporations is to be rushed through 2003.

## Between the nation and the market

Korean economic development has been led historically by the government on the basis of a 'development first' strategy. The government has not only played a big role in distribution but also become the champion of industrialisation by establishing corporations, the chaebol, groups of specialised companies with interrelated management. In the late 1980s the chaebol dominated South Korea's economy and were responsible for the expansion of the country's export capacity. For instance, in 1987 the revenues of the four largest chaebol were USD 80.7 billion, a figure equivalent to two-thirds of Seoul's total GNP. The top ten chaebol represented 40% of all bank credit in the country, 30% of value added in manufacturing, and approximately 66% of the value of all South Korean exports in 1987.

The Pohang Steel and Iron Company (POSCO) is typical of the former Korean model; founded as a state-run corporation, it became one of the largest steel companies, not only in Korea, but also all over the world. However, after the economic crisis at the end of 1997, because of restructuring and economic reform measures, full-scale privatisation has become government policy. The state-held majority shares of big corporations like POSCO and Korea Telecom were quickly disposed of.

Although network industries such as railways and electricity were regarded traditionally as beyond competition due to economic volume and the need for efficient system integration, the policy makers have pushed privatisation ahead, following models like those in England, New Zealand, Japan and California. Besides, the government's concern with international evaluation has sped up the process.

Shin Kook-hwan, Minister of Commerce, Industry and Energy, has stated, «If we postpone privatisation, the national credit of our economy will become a problem. Unless restructuring goes as planned, the sovereign rating will go down and it will cause a loss to the national economy worth trillions of dollars.»

While the voices from the government insist that privatisation will strengthen industrial competitiveness and resolve the ill-effects of monopolies, labour unions, civil society and academia are worried that privatisation will drain national wealth through sales abroad, degrade the quality of public services, deepen social inequality and increase price-fixing by dealers who are concerned only with profits (as in the power generating incident in California).[2]

In October 2001, labour unions of the transport, power and gas corporations together with social organisations established the Pan National Committee Against the Privatisation and the Sale Abroad of National Basic Industries. Conflicts between the government and civil society regarding privatisation increased. Following a labour meeting on 24 February 2002, in which more than 20,000 unionists participated—and although Korean law prohibits public-service employees from striking—the rail, gas and power labour unions went on a joint strike. After an agreement was reached regarding the rail and gas sectors, the power union—the utility where privatisation was being processed most quickly—went on a 35-day strike involving 5,300 people (95% of the workers).

This strike has shown that consensus on privatisation has not yet been reached in Korea; on the contrary, the widespread discontent about the enforced privatisation plan has increased.

## Railways and power: competitiveness vs. labour insecurity

The government claims that privatisation is absolutely necessary to strengthen competitiveness in the railway industry. However, labour unions oppose it because the public service function will be de-emphasised as lines that do not generate a profit will be closed and fees will increase rapidly. About 7,300 employees, most of whom were in low-level positions, were laid off in the railway sector after 1998. Accordingly, the intensity of work by railway workers has greatly increased and the 24-hour shift became ordinary. During 2001, 34 railway workers died in industrial accidents. The ratio of railway workers who died in industrial accidents is 8.1%, which is four times the rate in the general workplace. Unionists equate privatisation with increased reductions of employees and labour insecurity.

In the power generating industry, the government plans to sell off KEPCO, a vertical monopoly, to private industry by separating power generating, transmission and distribution and dividing power generating into five parts. The power distribution is also to be divided and a new system (that government labels «competitive») will be introduced. However, this plan faces opposition by people from every walk of life who are concerned with insecurity of the

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2 In 2001 California experienced a severe shortage of power stemming from deregulation of the state's energy market in 1996. Deregulation barred utilities from passing on higher prices for wholesale electricity to consumers.

power supply and the scope of fees. During the power-workers' strike, people from civil society, the education and religion sectors, and scholars in political science and sociology raised questions about the government's high-handedness and pointed out the lack of public agreement about privatisation. Even the junior level of management in the power generating company issued a statement criticising the government.

Dr. Park Tae-joo, a scholar from the Korea Institute for Industrial Economics and Trade, has pointed to an alternative to privatisation, proposing a coalition of public and private ownership within a competitive system. He took the Nordic energy model as an example, where power generation and distribution are divided and both state and privately run companies compete with each other. Dr. Park believes this is an ideal model for Korea because the security of the power supply and commercial self-management are organically linked together.

## Public health, absolute shortage

After the 1997 economic crisis, the ideology and trend of widespread privatisation has caused the public health system to introduce a business philosophy and to emphasize efficiency over service. The public health institutions have been commissioned into private hands.

Because of the reduction in the number of public health institutions and the ideology of transforming them into competitive businesses there are problems, such as the decrease in medical services for the most vulnerable class, and the increase in costly treatments centred on services that provide good profits. In fact, about 90% of the Korean public health medical institutions are now funded by private funds. The private medical supply system and a weak public health system show the weaknesses of the government's policy.

The public health institutions in Korea are in short supply and most facilities are managed by public corporations or by civil commissions. Because of the restructuring of public health institutions, which now comprise only 16.7% of the country's medical institutions, the public health system has become weaker. The government implemented restructuring twice in June 1998 and June 2001 and closed 164 public health centres. Accordingly, the ratio of beds to potential patients decreased.

In the wake of a recent medical strike, not only the government but also civil groups and specialists in health and medicine have become acutely aware that it is necessary to expand the public health system. However, it seems that in the short run expanding and improving the public health institutions will be very difficult.

## Untenable ground

The Korean economy has recovered admirably since the 1997 crisis, but this recovery has had side effects, such as a widening gap between rich and poor, increasing numbers of part-time workers, and the augment of the national debt due to the spending of public funds to overcome economic difficulties. Although one of the most promoted results of economic recovery is a sharp decrease of the unemployment rate (in May 2002, the unemployment rate was 2.9%, down from between 3 and 4% in 2001), part-time workers have increased by 51.5% (while permanent workers have increased by 48.5%). Of the part-time workers, temporary workers account for 34.3% and day workers for 17.1%. Management often forces workers into part-time status. The decline of the unemployment rate looks like increased employment stability, but as a matter of fact jobs are now considered less secure.

This labour instability is untenable ground for any process of privatisation and especially for the current plan of privatising via quick sales. Polls show that a vast percentage of the Korean population is very anxious about it. Since there is no precedent of a successful privatisation and restructuring process being carried out without social consensus, the government should try to take the advice of civic groups rather than follow its present course. ■

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