

Public Sector Privatization and Union Responses in South Korea

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The Launch of the Park Geun-hye Administration

Last February Park Geun-hye was inaugurated as the president of South Korea. While a new government was launched, however, no real change in administration took place; the same right-wing party of the previous president, Lee Myung-bak, continues to hold power.

Since the launch of the Park Geun-hye administration, South Korea has experienced an attempt at the right-wing transformation in all spheres of life from politics to society to culture. The pursuit of public sector privatization is representative of this trend. The new government now seeks to privatize the railway, gas, electricity, healthcare, water, airports, the national pension fund and even army PXs.

This privatization drive is in direct contradictions to Park Geun-hye's election promises. At the time of the presidential race, public opposition to privatization was high. In this context, Park denied claims that should she take power she would pursue the privatization of gas, electricity, airports, the railway and healthcare calling them "rampant slander," and publically stated that "uniform privatization should not be pursued without the public's consent" and that she was "against the privatization of the KTX (high-speed rail)". Nonetheless, a violent effort to privatize the railway and other public services began only a few months after Park took office.

Public Sector Privatization

The South Korean government claims that it is necessary to increase private involvement in the public sector to correct for the poor management of public corporations. What is the public sector? It is a basic safety net needed to protect the rights of and guarantee a decent life for common people. This is why access to public services is referred to as a human right. The South Korean government, however, sees public services as industries or commodities – in other words, as markets in which money can be made and in which competition is necessary and natural. But, the government also denies that its attempts to turn public services into arenas for private profits are privatization. Its denial is based on the fact that its policies do not involve the direct sale of public corporations. But, if seeking to make money off of public services – human rights – and hand that money over to private capital is not privatization, than what is?

Is it not strange? The government is denying its duty to provide public services to the public and

yet saying that what it is doing is needed and good, and even further, saying what it is doing is not privatization.

This attitude of the government can actually be traced to a decade of struggle on the part of Korean public sector workers. The Korean government has pursued privatization since the end of the 1990s, and since then, Korean workers have fiercely resisted it. The result of this struggle has been a dramatic shift in the public's perception of the public sector.

During the period of military dictatorship Koreans had negative attitude towards the public sector and, therefore, thought privatization was needed. Due to public sector workers' struggle, this has changed. Recent public opinion surveys show that the vast majority of Koreans oppose privatization. For this reason, the government refuses to acknowledge that its policies of shrinking the public sector and increasing the involvement of private companies are privatization.

Privatization of the Railway

Currently the drive to privatization can be seen most clearly in the case of the railway. At the end of 2011, the Korean government announced its plan to introduce competition in the operation of the KTX. This plan involved giving operating rights of a new KTX line under construction to a private corporation. Still, the government said this was not privatization since the ownership of the railway would remain public.

The government claimed the introduction of privatization was needed to correct the existing Korean Railway Corporation's (Korail) deficit, lax management and inefficiency. The government criticized the public corporation it had been responsible for running and criticized its own rail policy as misdirected. The government's claims of inefficiency, however, are without warrant. The Korean railway gets high marks in the areas of safety and efficiency when measured by international standards. But the government has continued to point to the debt occurred from the construction of the high speed rail and the operation of rural lines with deficits, necessary to guarantee access to rural communities, as evidence of 'lax management'.

The KPTU-affiliated Korean Railway Workers' Union (KRWU), other public sector unions and civil society fiercely opposed the privatization plan announced in 2012. The KRWU declared a full membership strike, formed an alliance with a wide range of civil society organizations and engaged in a determined struggle to stop the plan. It was in response to this opposition that Park Geun-hye announced during her candidacy that she would not pursue unilateral privatization.

But, as president she has gone back on this promise. In June of this year the government

announced another privatization plan under the guise of a 'plan for the development of the railway industry'. The basic premise of this plan is that the problems faced by the railway arise from the Korail's monopoly and thus, rail operations should be open to private capital and the Korail divided up into numerous small companies.

This plan calls for the establishment of a new stock company to compete in the operation of the KTX by operating the new KTX line. The Korail is supposed to hold a 30% share in the new company, with the other 70% held by the public pension fund. A problem has arisen, however, given that the National Pension Service, which runs the pension fund, never consented to and has no intention to consent to the government's plan. In fact, it is not possible for an outside party to intervene in or put pressure on the operation of the pension fund. With the potential for investment from a public fund in question, the government has now changed its stance, saying it will first establish the new KTX stock company as a 100% owned subsidiary of the Korail and have it run the new KTX line in competition with the existing Korail. In other words, the government is trying to make the Korail compete with its own subsidiary.

Currently, the KTX is the only part of the railway that turns a profit. Under the current system, the profits from the KTX cross subsidize deficit lines, allowing them to continue operation and thus maintaining public access. The government's plan, however, calls for splitting off this profit-making line, implying the eventual closure of lines that don't make money. Last week, the government announced it was considering the sale of deficit lines. What is more, in addition to the establishment of the new KTX subsidiary, the government is planning to split off other railway operations (freight, high-speed, conventional passenger, infrastructure maintenance, etc.) into separate subsidiaries as well, essentially gutting the original Korail.

It is also necessary to mention the problem of rising fares that accompanies rail privatization. In responses to criticisms of its plan, the government claims that the introduction of competition will prevent fare increase. It has also said it will regulate fares. It has recently come to light, however, that the government intends to abolish fare caps on high-speed and semi-high speed trains.

Union Responses

Privatization leads to increase fares and otherwise diminishes the quality of rail and other public services. It is quite clear that private companies, for whom profits are the first priority, do not put emphasis on the guarantee of quality public services. Rather, privatization means not only increased fares, but also overall structural adjustment, workforce reductions and the increase of precarious jobs. Private companies do not consider the provision of affordable, safe and sustainable public services in their business plans.

South Korean unions have committed themselves to an all out struggle against the attempts at privatization explained above. The KPTU and its railway, gas and power affiliates have come together with the Korean Government Employees Union (KGEU) and other public sector unions to form the Alliance against Public Sector Privatization. Through this and other coalitions we are working together with civil society organizations to stop privatization. In total several hundred unions and organizations are working together in this effort.

The anti-rail privatization struggle centers around the upcoming Korean railway workers' strike. In June, KRWU members voted overwhelmingly in favor of a strike in opposition to the government's privatization policy, recording the highest strike approval rate since the KRWU first became a democratic union in 2001. The Korean Confederation of Trade Unions (KCTU), the KPTU and KRWU's national center, has also committed to regional solidarity strikes in support of the railway workers' struggle.

International solidarity is also playing an important role. Raising awareness about the harmful effects of privatization in other countries can help to expose the corrupt and inefficient nature of privatization and the irresponsible and negligent character of the governments that seek to carry it out. In this respect, the International Symposium on the Future of the Korean Railway held by the KPTU and KRWU in August this year was a meaningful example of international solidarity. An ITF representative and experts and union officers from Britain, Sweden, Germany and Japan participated in the symposium, giving in-depth and pointed presenting on the negative effects of rail privatization in their countries and making recommendations about alternative models for rail reform in South Korea based on these experiences. This event, which received considerable media attention, played a very important role in responding to the government's ideology and was a source of strength for the struggling railway workers. Now, the KRWU and KPTU are collaborating with KCTU, ITUC and ITF to organize preemptive intervention from the ILO and solidarity from unions around the world to prevent government repression against the upcoming strike. I hope that PSI and PSI affiliates will also participate in this effort.

Privatization signals the trampling of ordinary people's basic rights. It is also a club used to break democratic unions and triggers the rapid expansion of precarious jobs. Thus, Korean public sector workers cannot back down in the face of the government's current policies. We will stop privatization, no matter what sacrifice it requires. This is because we recognize that stopping privatization is about not only defending quality jobs and workers' rights, but also fundamentally about preserving quality public services, and because we recognize it as our duty to deliver and defend public services that are affordable, safe and sustainable. I will conclude by asking once more for your solidarity and support. Thank you.