Hyundai union enforces wage freeze in latest South Korean sellout

By Ben McGrath
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Autoworkers at Hyundai Motors voted last Friday to approve a new contract negotiated between the company and the Korean Metal Workers Union (KMWU). The deal, announced the previous Monday, passed with only 53 percent approval, indicating widespread dissatisfaction with the sellout agreement. It includes a wage freeze and a commitment to carry through mass job cuts in the future.

Among the 49,598 members of the Hyundai union, 44,460 voted. In addition to the wage freeze, the agreement includes a one-time, regular bonus equivalent to 150 percent of a worker's monthly salary. There is also an additional bonus of 1.2 million won ($US1,021), ten company shares and 200,000 won ($170) in gift certificates. These were essentially bribes to entice workers struggling economically with the impact of the COVID-19 pandemic to accept the deal.

Hyundai workers had demanded a 120,304 won ($102) monthly pay increase and the distribution of 30 percent of the company's 2019 net profits to workers as bonuses.

This is the first wage freeze the Hyundai union has agreed to in 11 years and the third so far, demonstrating that it is in the corner of management. The first wage freeze was in 1998 during the Asian Financial Crisis and the second in 2009 following the global financial crisis.

"The union and management agreed that the economic and social situation in Korea has been difficult due to COVID-19," the company stated. "We agreed that we need to work together in order to overcome the crisis in the auto industry amid a global economic recession."

The agreement includes a "Social Declaration for Joint Labor-Management Development and Changes in Labor-Management Relations." In it, the union pledges to assist the company in protecting the "competitiveness" of domestic factories, responding to future changes like the expansion of electric vehicles, and operating a "job change" program.

In other words, the KMWU has agreed to enforce cost-cutting measures, including job cuts and restructuring, as Hyundai moves to produce electric vehicles. Workers fear that producing these vehicles requires a smaller labor force, leading to mass job losses.

The union also agreed to increase what it called product quality, by taking part in a "quality assurance team" with management, essentially policing its own membership and lining up workers who do not meet company demands to be fired. As such, any promises by the union or company to protect jobs are entirely empty.

In fact, the KMWU already agreed to mass job cuts. Then Hyundai union leader Ha Bu-yeong stated in March 2019: "Even though we accept the management's anticipation of cutting 7,000 jobs by 2025, 17,500 are scheduled to retire by then. Thus the company has to hire at least 10,000 to keep its plant running."

A Hyundai advisory committee last October called for as many as 10,000 job cuts by 2025.

Since then, South Korea's auto industry has been affected by the global pandemic, which is the rationale the KMWU used to enforce the wage freeze and the other attacks on workers. Hyundai's sales fell 14 percent in August over the previous year. Hyundai and its sister company, KIA, sold only 3.8 million vehicles between January and August, and are likely to miss their sales targets this year.

However, for Hyundai's executives, business is good. Hyundai's stock prices have jumped sharply, especially as it became clear that the KMWU was preparing to accept the new sellout contract. Last Monday, when the tentative deal was announced, the automaker's shares rose by 2.21 percent on the Korea Composite Stock Price Index over the previous day. The share price increased to 185,000 won, or 56 percent higher than in January, before the pandemic.

Contract negotiations are also taking place at KIA, GM Korea and Renault Samsung. As always, the KMWU has broken up its negotiations with the different auto companies in order to block any unified fight. While the union at times claims it will launch joint struggles, which it hinted at in early September, this serves as little more than window dressing. The sellout at Hyundai will pave the way for similar agreements at the other companies.

GM Korea workers are making similar demands as their Hyundai counterparts, including a 120,304 won monthly wage increase and bonuses. More than 80 percent of GM workers support a strike.

A GM Korea executive told *Business Korea*: "The union is ignoring the fact that the company's operating loss has continued since 2014 and this year will be the same. With even Hyundai having frozen its base pay, the union is going too far."

The KMWU is the largest union within the Korean Confederation of Trade Unions (KCTU). The KCTU, which postures as left wing and militant, has worked to prevent any outbreak of discontent despite widespread attacks on the working class this year under the pretext of the COVID-19 pandemic. Unemployment is at its highest since 1999. Young people between 15 and 29 are particularly hard hit, with 25.6 percent unable to find jobs.

This summer, the KCTU provided de facto support for a "tripartite agreement" between the government, big business representatives and the two main labor union groups: the KCTU and the Federation of Korean Trade Unions (FKTU). KCTU chairman Kim Myeong-hwan supported the agreement, under which the unions would agree to support job and wage cuts and other cost-saving measures.

The KCTU only backed out at the last minute due to protest from within sections of the union bureaucracy that feared the capitulation was too blatant and would engender opposition from its rank-and-file members. The more conservative FKTU endorsed the deal, signing it at a ceremony on July 28.

The KCTU's participation in the negotiations gave it the chance to make clear that it would not stand in the way of attacks on workers. The KCTU has done nothing this year outside of token protests to allow workers to blow off steam. The KMWU and Hyundai deal shows that, regardless of the lack any formal agreement, the unions are carrying out the demands of big business and the government.