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2. Narrowly organized labor and the failure of solidarity-enhancing welfare in the United States and South Korea

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INTRODUCTION

Korea and the United States have long been distinctive among advanced industrial societies for their low levels of public social expenditure and heavy reliance on private social policies. While wage earners and other economic groups with a strong position in the labor market are generally able to obtain relatively generous levels of social care and protection against labor market risks in both countries, less privileged workers, in particular those with low incomes and unfavorable risk profiles, are often left behind. Contrary to most countries in continental Western Europe, the welfare systems of Korea and the United States do little to reduce existing social inequalities, and in fact act in a way that tends to reinforce them (Glenn, 2013; Yang, 2017).

In both countries, organized labor has actively contributed to this dualization process. Compared to many nations in Western Europe, American and Korean labor union movements have proven to be far less committed to the development of solidaristic welfare programs that meet the needs of all wage earners, including the least privileged. Unlike European nations in the post-war period, these labor unions have not only more aggressively pursued a strategy of obtaining private benefits for their own members through collective bargaining, but even displayed a marked lack of interest in solidaristic welfare reform or even opposed such reform altogether at various crucial moments in history (Derthick, 1979; Mosley, 1981; Quadagno, 1988; Gottschalk, 2000; Yang, 2017). By doing so, they behaved in a manner that was clearly at odds with the popular view of unions as natural allies of the poor and disadvantaged (Marks, 1989; Hyman, 2001; Lichtenstein, 2002; Simoni, 2013).

How can the weak commitment of American and Korean labor union movements to the development of solidaristic welfare programs be explained? According to conventional wisdom, this behavior is the natural result of their

political weakness. In much of the literature on the American welfare state, it is for instance assumed that the American Federation of Labor (AFL) and Congress of Industrial Organizations (CIO) initially “played the same pivotal role ... as did workers and unions in other democratic capitalist settings (Gordon, 2003: 274–275). Much like labor unions in Europe, [they] emerged from the war overtly dedicated to creating a universal, cradle-to-grave public welfare state” (Brown, 1998: 648). Yet as conservative opposition prevented further expansion of the welfare state in the post-war period, the argument goes, they were eventually forced to turn to collective bargaining to improve levels of social care and protection, and their success in doing so over time worked to “reorient labor’s interests ... leading many unions to prefer private-sector solutions over public-sector ones” (Gottschalk, 2000: 2. See also Lichtenstein, 1989; Hacker, 2002; Gordon, 2003; Klein, 2003; Wigderson, 2003).

Indeed, there can be little doubt that labor union attempts to obtain adequate levels of security for their members took place under political conditions that made it extraordinarily difficult to do so in a public manner in both countries. In both Korea and the United States, conservative opposition to solidaristic welfare solutions has been particularly strong, and organized labor’s influence over the political process has been relatively weak (Hacker, 2002; Yang, 2017). However, at the same time, and as illustrated in this chapter, the weak commitment of the American and Korean labor union movements to the development of solidaristic welfare programs cannot be attributed solely to external forces. Another important factor was that both union movements were characterized by a narrow form of organization that greatly exacerbated existing divisions among different groups of workers.

While such internal divisions were by no means absent in continental Western Europe, they were much stronger in Korea and the United States as a result of the strong entrenchment of enterprise and craft unionism (Galenson, 1960; Lichtenstein, 2002; Aronowitz, 2014; Yang, 2017). This chapter illustrates how the entrenchment of this form of labor unionism impacted organized labor’s involvement in the process of welfare state development in both countries. It shows that the divisions they created affected not only the political power of each labor union movement, but also undermined their willingness to display solidarity with less fortunate workers that were either non-unionized or belonged to different unions.

A major purpose of this chapter is to explain how the absence of a broad and inclusive labor union movement contributed to the emergence and perseverance of welfare dualities in Korea and the United States. To this end, this chapter focuses on key periods in the formation of their welfare systems. For the United States, this formative period ranged from the early 1930s, when policymakers first came to give serious consideration to the introduction of mandatory social insurance programs at the federal level, to the late 1950s,

when the current system of mixed private and public provision became firmly entrenched (Gottschalk, 2000; Hacker, 2002). The section on Korea will focus on the authoritarian developmental state period (1961–1987) when enterprise unionism was imposed and on the inward-looking labor movement after the 1987 democratization.

NARROWLY ORGANIZED LABOR AND ITS IMPACT ON SOCIAL POLICY PREFERENCES

While organized labor has been a major force in the development of modern welfare systems in all advanced industrial societies, the exact nature of this involvement has varied substantially between nations. In some advanced industrial societies, and in particular in continental Western Europe, the introduction and expansion of public and solidaristic welfare programs has consistently received powerful and unified labor union support (Rimlinger, 1971; Esping-Andersen, 1985; Baldwin, 1990). In other countries, however, labor union support has been more haphazard, with powerful sections of the union movement frequently displaying a lack of interest in public welfare expansion or preferring the expansion of private, often employer-based, provision over more solidaristic welfare initiatives (Gottschalk, 2000; Streeck, 2010; Leimgruber, 2008; Oude Nijhuis, 2013). In addition, existing studies have uncovered strong cross- and intra-national variation in labor union preferences regarding the systems for financing public welfare programs, eligibility rules, and coverage rates (Heclo, 1974; Baldwin, 1990; Nørgaard, 1998; Oude Nijhuis, 2013).

Existing explanations for this variation often emphasize the importance of class conflict and the extent to which labor union mobilization encountered political constraints. It is true that these factors have certainly played a role to some extent. As noted earlier, conservative opposition to the expansion of the public welfare state in the United States undoubtedly provided the AFL and CIO with a strong incentive to turn towards collective bargaining to obtain more generous levels of social protection for their workers in the immediate post-war period. Moreover, the AFL's opposition to mandatory social insurance up to the 1930s seems to have been at least partly grounded in its experience with hostile courts and policymakers, which reinforced its commitment to voluntarism (Flanders, 1974; Hattam, 1993; Lichtenstein, 2002). Likewise, during Korea's industrialization period, corporate union leaders had no choice but to demand corporate welfare from employers because collective action at the national level was tightly controlled by the authoritarian state (Yang, 2017).

At the same time, however, these explanations are not without limitations. One of these limitations is that they cannot explain why similar constraints and

opportunities did not result in the same behavioral outcomes in other countries. In the immediate post-war period, many continental Western European countries for instance introduced flat-rate pension systems that were designed to leave substantial room for the expansion of private pension benefits. In all of these countries, union leaders consequently negotiated increases in the generosity of occupational pension schemes, and enjoyed considerable success. However, this did not prevent them from supporting initiatives to increase the generosity of the public pension though (Heclo, 1974; Baldwin, 1990; Vanthemsche, 1994; Oude Nijhuis, 2018). Accordingly, it appears that the development of employment-linked social benefits does not necessarily have to “undercut popular loyalty to the public welfare system and introduce new invidious cleavages that are difficult to bridge” (Esping-Andersen and Korpi, 1985: 184).

In fact, as we will see, even in the United States, labor unions responded in a very different manner to the political constraints that were imposed on them. Whereas various CIO affiliates for instance withdrew their backing for a proposal to introduce national healthcare across the entire nation in 1948 after obtaining access to generous employer-based provision through collective bargaining efforts, the CIO leadership and various other labor unions continued to support it (Derthick, 1979; Gottschalk, 2000; Gordon, 2003). Moreover, the same experience with hostile courts and policymakers that reinforced the AFL’s commitment to voluntarism in the pre-war period did not deter socialist union leaders from supporting state intervention such as mandatory social insurance membership from the early twentieth century onwards; nor did this experience deter the newly established CIO from doing so in the 1930s (Derthick, 1979; Quadagno, 1988; Klein, 2003). Similarly, whereas Korea’s peak organization of democratic enterprise unions, the Korean Confederation of Trade Union (KCTU), often expresses support for solidarity-enhancing national programs, its affiliates prefer club goods such as high wage and corporate welfare that are restricted to their members.

To explain these differences, we highlight the importance of the organizational structure of the labor movement (see also Oude Nijhuis, 2013; Yang and Kwon, forthcoming). While recognizing the importance of political constraints in defining the scope of labor union behavior in both countries, we also stress that the internal organizational features of the American and Korean labor union movements resulted in a weak commitment to the development of a public, solidaristic system of welfare provision. We attribute this weakness to certain organizational features, which both reflected and reinforced one of the most important cleavages that divides the working class – that between groups of wage earners with strong and weak positions in the labor market. Whereas the former are generally well-positioned to negotiate market-based provision and have a strong incentive to prefer segmented welfare solutions, the latter

rely on more solidaristic forms of welfare provision to obtain adequate care and protection against labor market risks.

For a long time, scholars have paid little attention to differences in the organizational structure of labor unions and how these can either reinforce or reduce the divisions between different categories of wage earners. This neglect can be attributed to a large number of factors, including the scholarly tendency to underestimate the importance of these divisions, with some scholars even going so far as to suggest that wage earner interests are more or less homogeneous (Korpi, 2006). This tendency may in turn have been reinforced by the long-standing dominance of theoretical approaches such as the Power Resources Approach (PRA), which has developed based on the Northern European experience where the impact of these divisions on labor union behavior has been less important. In this part of the world, the most powerful labor unions generally managed to maintain unity and adopt a relatively solidaristic position towards welfare. Yet crucially, this does not mean that wage earner interests there were more homogeneous than in other parts of the world. Instead, the organizational features of labor union movements in those countries seem to have more successfully functioned to suppress conflicts of interests among different categories of wage earners (Esping-Andersen, 1990; Oude Nijhuis, 2013).

A striking feature of the labor union movements in continental Western European countries is that they mostly adopted the encompassing model of industrial unionism in the first half of the twentieth century (Ebbinghaus and Visser, 2000). As a result, the most powerful labor unions in these countries tended to cater to memberships with diverse incomes and risk profiles. To reconcile the different demands of lower and higher paid members, and those with differing levels of job security, these unions and their federations emphasized a narrative which was based on class unity and broad worker solidarity, and gradually sought to centralize their decision-making procedures. As a result, the adoption of industrial unionism and move towards greater centralization were mutually reinforcing processes (Fulcher, 1974). Although these processes were contested, in particular by unions that followed more exclusive organizational strategies, by the late 1930s most continental Western European countries were characterized by relatively centralized labor union movements (Ebbinghaus and Visser, 2000).

Of course, even in these countries there remained limits as to the extent to which labor union movements managed to pursue solidaristic welfare strategies. Despite their highly centralized nature, the industrial unions in these countries frequently struggled to overcome conflicts of interests among affiliates that represented industries with different levels of pay or vulnerability to risk (Oude Nijhuis, 2013). Moreover, in all of these countries, at least some privileged groups of wage earners continued to organize in separate unions that

resisted the solidaristic welfare stance of the larger union federations (Heclo, 1974; Hockerts, 1980; Esping-Andersen, 1985; Baldwin, 1990; Oude Nijhuis, 2013). Yet compared to countries like the United States and Korea, where a very different type of labor unionism dominated, organized labor's commitment to the development of a solidaristic welfare state was much stronger.

In the United States, there were two factors that arguably undermined this commitment. The first was the dominance of craft unionism in the pre-war period, and the persistence of this type of labor unionism during much of the second half of the twentieth century (Kersten, 2006). Craft unions and occupationally organized white-collar associations crucially differ from more inclusive forms of labor unionism such as industrial unionism in that they exclusively cater for skilled manual and white-collar wage earners. The adoption of this form of unionism by the AFL in the immediate post-war period, its consequences for wage bargaining, and the AFL's subsequent attempts to frustrate efforts to organize lower skilled wage earners has been extensively documented (Galenson, 1960; Gross, 1981; Kersten, 2006). It is for these reasons that the voluntary inclinations of the AFL cannot be solely attributed to external factors such as its experience with reactionary courts and hostile governors, and should be seen as the logical outcome of a union movement that followed an exclusive organizational strategy (Harris, 1940).

It is equally well-known that the CIO adopted the model of industrial unionism during its foundation in 1935, although the CIO's version of industrial unionism was more narrow in its orientation than that of its counterparts in Europe, where, for instance, automobile workers rallied as part of a broader metalworkers' union. In addition to this, the CIO differed from unions in Western Europe in two important ways. First, its membership was heavily concentrated in a few manufacturing and mining industries that performed exceptionally well during the crucial formative period of welfare state expansion covered in this chapter, which provided its main affiliates with a strong incentive to pursue a segmentalist welfare approach (Dubofsky and Van Tine, 1986; Zieger, 1995). Second, due to its late formation, the CIO was highly decentralized during this crucial formative period. In fact, it continued to remain relatively decentralized in subsequent years. As a result, the CIO leadership found it much more difficult than its European counterparts to persuade its members to continue to adopt a solidaristic welfare stance throughout the post-war period.

In contrast, in Korea both industrial and craft unions have always been relatively weak. Instead, the dominant form of labor union organization has been enterprise unionism, which is similar to Japan where organized labor also came to prefer company-based provision over public and more solidaristic welfare solutions (Steinmo, 2010; Yang, 2017). These enterprise unions are heavily skewed towards the skilled male workforce at large companies, which

means that they are similar to the AFL's affiliates in the 1930s and the CIO's affiliates in the 1950s in one crucial respect – they mostly organize wage earners with a strong position in the labor market who consequently do not heavily rely on public intervention to provide security against labor market risks. On the contrary, as such intervention often has strong redistributive consequences, they actually have good reason to be skeptical of it. As a result, Korea's powerful enterprise unions behaved in a manner that was strikingly similar to CIO affiliates in the 1950s.

LABOR AND THE FAILURE OF WELFARE SOLIDARISM IN THE UNITED STATES

Far more than in other countries, periods of welfare advancement in the United States are associated with brief windows of opportunity resulting from exogenous political shocks that temporarily shifted political power from reactionary to pro-welfare forces (Hattam, 1993; Hacker, 2002; Lichtenstein, 2002). The most important of these was undoubtedly the Great Depression of the 1930s, which resulted in a political transformation that made the 1935 Social Security Act possible. Up to the introduction of this Act, the only significant pieces of social legislation that existed for workers were state-provided workmen compensation programs. The Social Security Act added old age benefits, unemployment insurance, and various smaller programs such as aid for dependent mothers and children to this system. It did not, however, introduce a mandatory health insurance program. Moreover, the Act did not cater to large groups of wage earners, and the benefits that it provided were often far below subsistence.

While progressive policymakers would continue to come forward with initiatives to improve the social insurance system in subsequent decades, most scholars agree that the political momentum for the creation of a truly solidaristic welfare state was strongest during the 1930s and 1940s. As Congress failed to significantly improve the generosity of benefits and introduce a universal health insurance program during this period, and middle class wage earners gradually became dependent on employer-based provision, it would prove increasingly difficult to construct a welfare system that resembled those in Western Europe in terms of generosity. While this failure, as noted above, can be attributed to a large number of factors, organized labor arguably contributed to it in two ways. First, it offered rather weak support for social insurance during the crucial formative period of the years leading up to the introduction of the 1935 Act. Second, and perhaps more importantly, in the immediate post-war period, some of the country's most powerful unions withdrew their support for a major health insurance initiative after they had received access to generous private employment provision for their members, thereby setting

a precedent that would be copied by other unions in subsequent decades. The following section will look into each of these contributing factors.

Craft Unionism and the Early Years of Social Insurance Development

Over the years, there has been a lot of debate over the extent to which the success of the New Deal program can be attributed to a temporary weakening of business, and whether the Great Depression also provided important segments of the business community with a genuine interest in parts of the New Deal agenda (Quadagno, 1984; Gordon, 1994; Hacker and Pierson, 2002; Swenson, 2002). In comparison, there has been far less debate over organized labor's weak support for the 1935 Social Security Act. Part of the reason for this is that labor is widely viewed as having had only marginal influence over the Act (Witte, 1961; Derthick, 1979; Kessler-Harris, 1999). Yet crucially, this lack of influence can in turn partly be largely attributed to the ambivalent stance towards social insurance legislation of the AFL leadership, which was still the leading voice for labor in the years leading up to the Act's introduction (Quadagno, 1988). This ambivalence followed from a long period of outright resistance to social insurance development that dates all the way back to the beginning of the twentieth century.

This resistance first manifested itself in 1904, when a majority of AFL members voted down a proposal for mandatory social insurance membership that had been tabled by some of the Federation's minority socialist members. Over the next 25 years, the AFL Congress would continue to regularly vote down proposals of a similar nature, which were always rejected by the Executive Council (Orloff, 1993; Quadagno, 1988; 1984). While the AFL's resistance to mandatory social insurance membership in this period was partly rooted in its experience with reactionary courts and hostile governments, it should also be understood in the context of the organization's aims, which favored the interests of the skilled craft worker. As most of its members represented a stratum of the workforce that was relatively skilled and therefore generally quite able to fend for itself, the AFL simply saw little merit in the creation of mandatory public social insurance programs. Instead, it preferred to create voluntary, union-run welfare schemes or negotiate employer-based provision through collective bargaining. The AFL particularly favored union-run schemes as these had the advantage of constituting a great selling point for workers. Moreover, by limiting membership to skilled craft members, such schemes were less likely than public schemes to "fall prey to abuse and chicanery" (Zieger, 1995: 23).

Of course, for the majority of semi- and unskilled workers in the United States, neither union-run schemes nor voluntary bargaining presented viable options to obtain adequate protection against labor market risks – a fact that the

AFL executive council must have been acutely aware of. However, contrary to in Western Europe, where organized labor initially displayed the same voluntary inclinations (Heclo, 1974; Baldwin, 1990), this realization did not prompt the AFL executive council to gradually change its stance towards mandatory social insurance membership. Given that the AFL actively discouraged organization among semi- and unskilled workers, its lack of interest in improving protection against labor market risks for these groups is not surprising. In fact, when confronted with a major unionization drive in industries where organization could only take place on an industry-wide basis, the AFL responded with measures that eventually led to the expulsion of these unions, which resulted in the creation of the CIO in 1935 (Zieger, 1995). From the perspective of many AFL affiliates, mandatory social insurance membership must have presented a similar threat to the position of their skilled members.

Despite the AFL's opposition, various labor union representatives continued to speak out in favor of mandatory social insurance membership to mitigate against at least some labor market risks during the first decades of the twentieth century. Moreover, during the economic slump of the early 1920s, various members of the AFL executive council briefly came out in favor of mandatory health insurance membership, but nothing came of this as a broad majority of the executive council remained staunchly opposed to the more redistributive notion of mandatory unemployment insurance membership (Witte, 1961; Hattam, 1993; Lubove, 1986; Forbath, 1991; Zieger, 1995).

When the AFL finally changed its stance on the matter of mandatory social insurance, it seems to have done so more out of political necessity than through an actual change of heart. As the Great Depression wreaked havoc across the United States, forcing the federal government to intervene, political momentum suddenly shifted in favor of social insurance legislation. In 1931 alone, seventeen states introduced unemployment insurance bills, and six others created legislative committees to study the possible introduction of unemployment insurance (Altmeyer, 1966; Quadagno, 1988; Hacker, 2002).

In 1930, the AFL executive council acknowledged that "agitation for the enactment of old age pension legislation has spread throughout the nation," forcing the AFL to take a stance on the matter (Klein, 2003: 69). The Federation nevertheless held back from endorsing the introduction of a national old age pension. A year later, the AFL had finally come to terms with the introduction of national 'old age security,' but its ambivalent stance towards legislation in this area prevented it from exerting a powerful influence on the state to act. It also did not help that the AFL was clearly divided on the question of what an actual national old age pension program should look like. Some members came out in support of a proposal introduced by the socialist representative Ernest Lundeen, which promised to grant a relatively generous and universal old age pension benefit as well as benefits for sick and unemployed workers that

were to be financed out of general taxation. Some also expressed support for the Townsend plan, which contrary to the Lundeen plan only sought to offer a tax-financed pension for those over a certain age. The AFL executive council took a more conservative stance, however, and preferred a pension that only catered for certain groups of male wage earners. As a result, the AFL failed to take a definite position when versions of the Lundeen plan and Townsend plan were put forward, thereby contributing to their defeat (Quadagno, 1988).

The AFL's stance on unemployment insurance development was even more ambivalent. Whereas the Federation had already given "notoriously weak" support to the idea of a national old age pension in 1929, it continued to speak out strongly against compulsory unemployment insurance. During the early months of the Great Depression, AFL president William Green still referred to compulsory unemployment insurance as a "union wrecking agency" (Lichtenstein, 2002: 12). At the 1930 AFL convention in Boston, as many as five resolutions on the introduction of unemployment insurance were put forward, but all were defeated. Subsequent years saw heated debate in Congress, within the Executive Council, and between the AFL leadership and its more progressive members, with the latter warning that "the American Federation of Labor will place itself squarely in the way of social progress if it opposes the movement for unemployment insurance."¹ These and similar outside pressures eventually forced the AFL leadership to change their stance. In 1932, the executive council came out in favor of an unemployment insurance initiative, with president Green noting that he did so only because "the tide was so strong." (Zieger, 1995: 24).

Given its lack of enthusiasm and the strength of internal divisions on the matter, it is not surprising that the AFL's influence over the 1935 Social Security Act remained rather minimal. The organization played almost no part in the preparation of the Act, to the extent that as late as 1934, government officials felt compelled to insist that the Federation provide stronger support for its legislative initiative because it would otherwise "go nowhere."² Accordingly, rather than acting as a powerful force in favor of solidaristic welfare reform in the years leading up to the introduction of the Social Security Act, the AFL hardly played a role in its creation at all. Furthermore, although the organization eventually supported a legislative initiative on social security, its stance remained clearly conservative. Contrary to most of its counterparts in Western Europe, the AFL did not press for universalism, but actually supported limiting participation to particular groups of wage earners, and did not argue for premium solidarity among industries. The AFL also refrained from arguing for more lenient eligibility criteria and did not push for a more redistributive contributory system that would accommodate low wage earners (Witte, 1961; Cates, 1983; Quadagno, 1988).

In addition to this, and perhaps most importantly, by actively attempting to thwart unionization on an industrial basis, the AFL also made sure that the voice of the country's vast numbers of unskilled and semi-skilled workers was not taken into account during deliberations over the Act. Indeed, the CIO was not even created until 1935, which meant that it could not throw its weight behind the enactment of the Social Security Act. After being formed, the CIO did make efforts in this direction, through both active political lobbying and having members appointed to the newly established Social Security Board, where it consistently took a position that was far to the left of the board's other members (Witte 1961). Contrary to the AFL, it also advocated coverage for the entire population from the outset, and adopted a position on old age pensions that was tantamount to endorsing the Townsend plan (Derthick, 1979; Quadagno, 1988).

On the surface, it may therefore be surprising that the CIO's affiliates were the first to desert the cause of securing universal welfare by failing to provide their support for a major welfare initiative during the late 1940s. The following section explores the reasons for this change of heart.

Organized Labor and the Desertion of Universalism

As the social insurance system that was established by the 1935 Social Security Act only provided protection against certain social risks (most notably excluding healthcare), did not cater to a number of large groups of wage earners, and offered rather low benefits, progressive policymakers produced various proposals to increase the program's generosity and scope in subsequent years. Some of these proposals were quite successful. From 1939 onwards, Congress for instance steadily expanded the Act's coverage so that important groups such as farm and domestic workers were eventually included as well. However, initiatives to introduce a mandatory health insurance program and increase the generosity of the federal old age pension proved to be less successful. The most important of these was the 1943 Wagner–Murray–Dingell Bill, a proposal that sought to introduce a universal health insurance program and extend the existing national old age pension.

Initially, at least, these proposals could count on unified support from the labor union movement. By the second half of the 1930s, the AFL had come to echo the CIO's advocacy for universal coverage, and both federations came out as strong advocates of benefit increases and expanding the system to include a national health insurance program. The most important difference between the two federations during the late 1930s was that the AFL remained committed to a system that tied benefits to wages, while the CIO lobbied for a flat-rate system that granted equal benefits to all recipients (Witte, 1961; Cates, 1983; Wigderson, 2003). As both continued to lobby for a tax-financed

system, the CIO's preferred solution was thus far more redistributive than the one favored by the AFL. Given that the AFL mainly catered to skilled wage earners, while the CIO organized the vast masses of semi-skilled and unskilled workers, this difference is not surprising (Witte, 1961).

In addition to presenting a relatively unified stance, by the late 1930s organized labor was also much stronger than it had ever been before. In the years leading up to the introduction of the Social Security Act, the union movement had only represented about 6 percent of the workforce. By 1940 this had nearly doubled, only to double again to nearly a quarter of the workforce by 1945 (Galenson, 1960; Thomson, 1981: 170). Much of this growth took place in a few sectors of the economy, in particular in mass production industries such as steel, automobiles, rubber, and textiles. While more volatile, these were among the fastest growing industries in the United States at the time. Moreover, the workers that chose to organize in these industries mostly did so under the flag of industrial unionism. Accordingly, although the CIO never overtook the AFL in terms of overall membership until the two federations merged to form the AFL-CIO in 1955, its affiliates represented the country's most dynamic and fastest-growing sectors. As a result, the CIO was also best positioned to negotiate generous employer-based provision in the immediate post-war period.

The subsequent pursuit of employer-based benefits by these affiliates and the way in which this pursuit undermined their commitment to public welfare expansion has received a tremendous amount of scholarly attention over the years (Derthick, 1979; Mosley, 1981; Stevens, 1988; Quadagno, 1988; Gottschalk, 2000; Hacker, 2002). Most of these studies view this 'reorientation' as a natural or more or less automatic consequence of the unions' pursuit of private benefits. As a result, a lot of effort has been put into explaining why the CIO's affiliates – and later organized labor as a whole – “chose to compromise its post-war agenda by pursuing private social protection at the bargaining table” (Brown 1998: 648). Many of these studies have linked the pursuit of private benefits to conservative opposition against increasing the generosity of the public benefit in a significant manner, arguing that this opposition left the unions no alternative but to push for employer-based provision. Some studies have even pointed out that initially, this pursuit at least partly served to put pressure on businesses to support public welfare expansion by increasing the costs of fringe benefits (Dearing, 1954; Lichtenstein, 1989, 1995; Wigderson, 2003; Derickson, 2005).

The latter point certainly makes sense. In Western Europe, organized labor also tended to view the pursuit of collective bargaining as a double-edged sword that helped to both directly improve the security of their members and place pressure on parliament to increase the level of public benefits. Like their counterparts in the United States (Zieger, 1995), union leaders in

those countries consequently viewed attempts to negotiate more generous employer-based provision as complementary to – rather than conflicting with – their aim of improving the public welfare system. As a result, they happily sought to increase the generosity of private provision at a time when the generosity of the public welfare system was also rapidly growing. Of course, similar to the United States, where some collective bargaining agreements initially stipulated the cancellation of negotiated benefit increases following the enactment of public welfare increases (Derickson, 2005: 1352), both union leaders and employers closely followed developments in parliament while negotiating over private, employer-based benefits.

However, contrary to the United States, the success of efforts to obtain more generous levels of private provision never worked to ‘reorient’ labor interests in these countries. Take for instance the Netherlands, which because of the presence of a powerful pension industry introduced a flat-rate benefit in the immediate post-war period that was specifically designed to leave significant room for the development of private benefits. Even though their affiliates proved to be immensely successful in negotiating ever-more generous employer-based pension benefits through sector-level negotiations in the immediate post-war period, the country’s three main union federations remained staunchly committed to raising the level of the public pension benefit. Nor did any of their affiliates break ranks and fail to support major public welfare initiatives (Oude Nijhuis, 2018). Even if they had, it would not have mattered much. In the early post-war period the three federations became so centralized that their affiliates hardly played an independent role in the political decision-making process – at least as far as social insurance was concerned (Huetting, de Jong and Neij, 1983).

In the United States, however, many of the main labor unions did play an independent political role. Major industrial unions such as the United Mine Workers (UMW), United Steel Workers (USW), and United Auto Workers (UAW) were sufficiently powerful to act as independent political brokers and frequently testified directly for Congress. Moreover, they were not at all reluctant to take an independent line or even, as was the case with the UMW in both 1942 (when it left the CIO) and 1948 (when it was forced out of the AFL), break ranks with their umbrella organization (Zieger, 1995; Kersten, 2006). As a result, there was an increasing disconnect between the welfare stance of the CIO leadership and that of its affiliates. While the latter continued to support a broader public approach to welfare provision, individual unions often no longer did so after they obtained access to private welfare provision for their own members. On the other hand, the former continued to throw their weight behind major public welfare initiatives and lobbied for other types of progressive legislation, even though their affiliates and independent unions like the UMW frequently refused to do so.

Nowhere was this more important than during the campaign for national health insurance during the late 1940s. While both the AFL and CIO supported this campaign, powerful unions like the UMW and UAW publicly refrained from doing so. Both unions had supported national health insurance during the war at a time when President Roosevelt himself felt that its introduction was not timely but withdrew their support after they managed to negotiate generous employer-based insurance for their members, even though the proposal was now receiving full presidential backing (Gottschalk, 2000; Hacker, 2002). Their unwillingness to support the initiative mattered because it discouraged President Truman from pursuing options that could have passed Congress at the time. One of these was the Flanders–Ives Bill, which, while a Republican bill, would have introduced a system of universal healthcare without means testing. As Michael Brown stressed, “labor’s opposition to this bill had more to do with the gains unions were making at the bargaining table than any hostility to the Flanders–Ives approach” (Brown, 1998: 673).

In subsequent years, major advances in collective negotiated welfare would further undermine union support for welfare state expansion. As one union leader admitted at the time, “the benefits workers get under the health and welfare plans are so much greater than those we have dared to include in the health insurance bills that it has become an anomaly for us to continue to favor compulsory health insurance” (Witte, 1961: 271). As a result, the disconnect between the AFL-CIO leadership and individual unions only increased. As noted by one analyst, “subtly but unmistakably, the spread of private plans undermined the notoriously weak solidarity of American workers and undercut support for the creation or expansion of public social programs” (Hacker, 2002: 134). But crucially, it did so only because the sense of solidarity among American workers was already weak. By 1954, some three quarters of all CIO members had managed to obtain access to private welfare plans, compared to only 47 percent of AFL workers, and this percentage was to grow in subsequent years (Brown, 1998: 654). Among the American workforce as a whole, however, private pension coverage never exceeded 50 percent while a large minority of workers continued to lack access to any form of health insurance.

ENTERPRISE UNIONISM AND THE FAILURE OF WELFARE SOLIDARISM IN KOREA

In Korea, the dominant form of labor movement is enterprise unionism. Enterprise unionism dates back to the authoritarian developmental state period (1961–1986) and has remained entrenched since the Great Workers’ Struggle following the 1987 democratization. Distributional struggles have mostly taken place at company level, seeking to satisfy the short-term material interests of rank and file workers. Big company unions were successful in securing

job security, high wages, and various corporate welfare programs, distancing themselves from most ordinary workers outside the corporate walls. Unions became more indifferent towards building a universal social security system for the whole working class as their demands were satisfied by their employers.

Enterprise Unionism in South Korea

Historically, under harsh repression by the Japanese colonial government (1910–1945), the labor movement became an underground movement with close ties to communist liberation forces. After Korea's liberation from colonial rule in 1945, it surfaced as a strong communist movement, clashing violently with the police and the US military forces in the south of the Korean Peninsula. But the years after the Korean War (1950–1953) were a dark period for the Korean labor movement. A hyper anti-communist atmosphere prevailed in South Korea, and a continued security threat from the communist North justified tight control on labor from anti-communist authoritarian governments (Koo, 1993). In addition to these security concerns, Korea's developmental strategy of export-oriented industrialization made state elites worried about workers' collective action that could increase wages and thus hamper Korea's price competitiveness (Yang, 2017).

The authoritarian developmental state (1961–1987) employed 'corporatist containment' and 'state oppression' for labor control (Valenzuela, 1989). In 1961, the government endorsed a single peak national labor union, the Federation of Korean Trade Unions (FKTU), and forced corporate unions to affiliate with industry associations under the FKTU. Collective bargaining authority was handed over to each industrial union and corporate unions became subsidiaries of industrial unions. However, this centralization of authority was not to enhance the power of labor through collective bargaining at industry or national levels, but to make it easy to intervene and control local labor movements. Therefore after screening by the national center, collective bargaining authority was de facto delegated to corporate levels. As a result, most collective bargaining took place at the company level. For instance, 2,848 collective bargaining agreements were struck down at 3,370 subsidiaries under 17 industrial unions in 1971 (Lee, 1996). In 1973, when then President Park Chung-hee instituted the outright authoritarian *Yushin* Regime, the requirement of mandatory affiliation was abolished because corporatist control was no longer necessary since basic labor rights to collective bargaining and strikes were outlawed with the imposition of martial law (Yang, 2010).

The Chun Doo-hwan government (1980–1987) further weakened unions as collective actors by (1) banning industrial unions and permitting enterprise unions only, (2) prohibiting unions from engaging in political activities such as political fundraising and donations to political parties, and (3) forbidding

the intervention of a 'third party' in collective bargaining and labor disputes even by the state-recognized FKTU. At the same time, the Chun administration cultivated cooperative industrial relations by obliging employers to pay the salaries of union leaders and officials, and making labor-management councils mandatory in each workplace. Labor-management councils discussed virtually all issues except wages. With the imposition of apolitical enterprise unions and labor-management councils at the firm level, the labor movement became atomized and issues of distribution were confined within corporate boundaries (Yang, 2010 and 2017).

The 1987 democratization brought about a strong wave of strikes and demonstrations by workers, which is often called the 'Great Workers' Struggle.' This movement replaced company-controlled unions with what were proudly called independent 'democratic unions.' Labor-management councils were also used by activists as a building block for a new union movement. This democratic labor movement culminated in the creation of the Korean Confederation of Trade Unions (KCTU), which was comprised of 410,000 workers across 866 democratic enterprise unions grouped into 21 industry-level associations (KCTU, 2007). These newly established democratic unions concentrated on large firms. Without external assistance (or third-party intervention), it was very hard for workers at SMEs to build unions of their own at the firm level. As a result, 82 percent of workers in firms with 500 or more employees were in unions, while only 7.5 percent of workers in firms with 10 to 29 employees were unionized (Yang, 2010; Kim 2006: 45–46). In this sense, the labor movement ultimately fell short of building labor organizations that enhanced solidarity.

Paradoxically, enterprise unionism became more consolidated during the democratization period because of the 'excessive' democracy in the democratic labor movement that eventually weakened the authority of union leadership. Democratic union leaders established competitive elections as a way of dismantling company-controlled unions, and made collective bargaining negotiations an annual event that was subject to votes from rank and file union members. As a result, the union leadership had to be elected every other year and collective bargaining had to be responsive to the short-term economic interests of rank-and-file workers. Large enterprise unions had no choice but to refuse to hand over their collective bargaining authority to industrial unions and resist participating in tripartite negotiations at national level, knowing that solidaristic wage policies would place caps on their wage increase while flexicurity measures would undermine their job security and increase taxation, all of which are measures generally opposed by privileged workers at large firms.

In addition, the conservative Roh Tae Woo government (1988–1992) during the democratic transition period encouraged enterprise unionism. In 1991, the Roh administration enacted the Corporate Welfare Fund Law that provided

annual tax exemptions for up to 5 percent of pre-tax profit and exempted corporate welfare benefits drawn from the corporate welfare fund from income taxation. Large companies were swift to take advantage of this preferential tax treatment. As of 1995, 61 percent of firms with 1,000 or more employees had introduced corporate welfare funds while only 0.1 percent of those with fewer than 99 employees had such funds.

The Failure of the Solidarity-Enhancing Labor Movement in South Korea

Since the 1987 democratization, the KCTU has led the Korean labor movement as the national center of independent democratic unionism. The KCTU aims at social movement unionism. As part of the Social Reform Struggle (SRS), the KCTU leadership pushed for the inclusion of social welfare issues in collective bargaining for its member enterprise unions (Gray, 2008). It also participated in the Presidential Tripartite Commission during the 1998 financial crisis and signed the first historic social pact that permitted layoffs in exchange for strengthened social security through the expansion of employment insurance and enhanced labor rights, including lifting the bans on political activities of trade unions and third party intervention. However, this social reformism incurred criticism, especially from militant factions of rank and file workers known as *hyunjang-pa* (literally workplace factions). The KCTU leadership was replaced by hard-liners just three days after signing the 1998 historic social pact. Since then, the KCTU has distanced itself from social concertation and relied on militant confrontations at the plant level. The SRS has also declined in line with this.

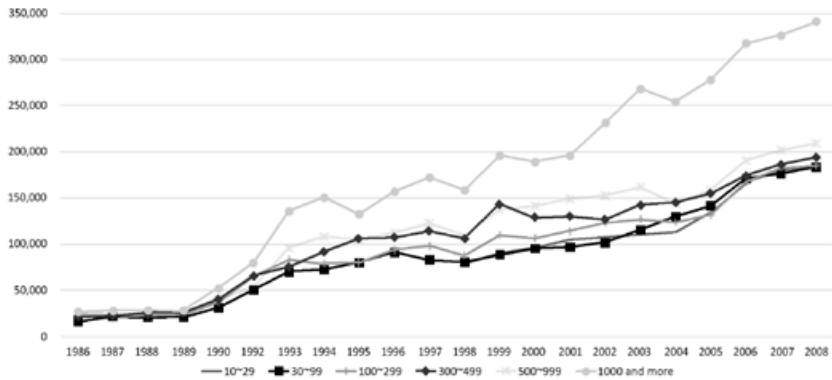
In 2000, the new KCTU leadership officially announced a move to build industry-based unions, admitting that “until now, union movements have been unable to incorporate unorganized irregular workers” (Suh, 2009). So far, only two industrial unions, the Korean Metal Workers’ Union (KMWU) and the Korean Health & Medical Workers’ Union (KHMWU), have been established and managed to conduct industry-wide collective bargaining.

Industrial collective bargaining was solidarity-enhancing in that social issues like the minimum wage and employment security for irregular workers could be put on the bargaining table. Nevertheless, its effect proved to be limited simply because most large enterprise unions were unwilling to transfer negotiation authority, and sometimes even withdrew from industrial unions. The world’s largest shipbuilding company, Hyundai Heavy Industry, and large automobile companies like Hyundai and Kia, hold separate corporate-level collective bargaining as affiliates of the KMWU, while the ‘big three’ hospital unions of SNU, Samsung, and Severance seceded from the KHMWU.

On the other hand, the Federation of Korean Trade Unions (FKTU) is a long state-recognized moderate umbrella organization that has played an active role in national policymaking since its inception in 1961. However, its interests have remained skewed in favor of insiders at large firms. During the center-left Kim Dae-jung government (1998–2002), the FKTU was opposed to expanding the National Pension Scheme (NPS) into the informal sector to cover low-income workers and the self-employed for fear of lowered pension benefits due to the redistributive mechanism built into the pension program. The FKTU also spearheaded a nationwide campaign against the integration of 142 company-based health insurances of affluent big firms into the single National Health Insurance program, which would enhance risk pooling and social integration (Yang, 2017).

The FKTU and the KCTU both strive to preserve the mandatory employer-sponsored retirement allowance that was being gradually absorbed into the redistributive NPS whenever the contribution rate of the NPS was raised.³ Organized labor blocked further transfers of the retirement allowance to the public pension and succeeded in restoring it in 1998. Since then, the NPS contribution rate has been kept at 9 percent of income for more than 20 years, which is far lower than 20 percent rate in most European countries. Addressing the financial instability of the NPS, the Roh Moo-hyun government proposed to increase the contribution rate to 15.85 percent in 2003. Organized labor opposed this proposal, rather taking up pension benefit cuts to gradually lower the income replacement rate from 60 to 40 percent. The benefit cuts could be offset by a prefunded Retirement Pension Scheme (RPS), which were a sort of corporate pension converted from retirement allowance under the Retirement Pension Law enacted in 2004. Encouraged by tax incentives, most unionized large firms switched to the RPS to the extent that 98.2 percent of firms with 500 or more employees had introduced corporate pensions as of 2016. But in smaller firms, which are mainly non-unionized, the conversion rate is much lower: only 15.4 percent of firms with less than 30 employees have adopted the RPS (Ministry of Employment and Labor, 2016). As a result, the scaled-down NPS is only effectively supplemented by corporate pensions for workers at large corporations.

This kind of polarization of social security is aggravated by firm-level collective bargaining that is plagued by self-interested inward-looking economic unionism. As Figure 2.1 indicates, corporate welfare has continued to diverge according to firm size since the Great Workers' Struggle in the 1980s, indicating significantly broken solidarity among workers. As a former KCTU leader confessed, enterprise unionism leads labor union leaders to "myopic calculations of interests in which they do not recognize social welfare as one of their issues" (Lee, 2015: 284). As such, organized labor has never come to



Note: Unit: won (monthly cost per employee).

Source: Monthly Labor Statistics (www.kosis.kr, accessed April 20, 2015).

Figure 2.1 Voluntary corporate welfare by firm size

the forefront of welfare state building in Korea despite its substantial structural power.

CONCLUSION

In much of the literature on welfare states it is assumed that labor unions are natural proponents of solidaristic welfare reform. This chapter showed that labor unions can also have strong material incentives to prefer segregated types of welfare reform over more solidaristic measures. These incentives can manifest regardless of the institutional and political context under which labor unions operate, but only apply to those that represent wage earners with a strong position in the labor market and who consequently have relatively secure positions and high wage levels. In such circumstances, labor unions may fail to support solidaristic welfare reform because they are in a stronger position to negotiate benefit increases when these only apply to their own members rather than to the entire working class. They may even oppose such reform because their members stand to lose from its redistributive effects. Crucially, in such circumstances, a lack of union interest or even opposition to solidaristic welfare reform does not necessarily result from a 'reorientation' of its interests, but can be understood as a logical outcome of the material interests of its members.

In this chapter, we illustrated how these incentives shaped the welfare stances of the American and Korean labor union movements during key periods in the formation of their welfare systems. While recognizing the importance of political constraints in defining the scope of labor union

behavior in both countries, we stressed that the organizational features of the American and Korean labor movements resulted in a rather weak commitment to the development of a public, solidaristic system of welfare provision. We attributed this weakness to their internal organizational features, which both reflected and reinforced one of the most important cleavages that divided the working class: that between groups of wage earners with a strong and those with a weak position on the labor market. Whereas the former are generally well-positioned to negotiate market-based provision and have a strong incentive to prefer segmented welfare solutions, the latter rely on more solidaristic forms of welfare provision to obtain adequate care and protection against labor market risks.

NOTES

1. George Meany Memorial Archives, RG1-15, Box 6-23: Green fights unemployment insurance, *New York Leader*, September 13, 1930.
2. GMM: AFL RG4-008, Reel 4: Minutes Executive Council, February 2, 1934.
3. Currently, employers must contribute half of 9 percent of wages (i.e. 4.5 percent) to the NPS and 8.33 percent to the retirement allowance or retirement pension. With the introduction of the NPS in 1988 and employment insurance in 1995, employers complained about a 'double burden' of having to pay for both traditional retirement/severance benefits as well as modern social insurance. As long as retirement/severance payments were not reduced, employers would not agree to any increase in contribution rates. Accordingly, the gradual transfer of retirement allowance payments to the NPS began from 1993 under the Kim Young-sam government when the contribution rate increased to 6 percent: 2 percent from the employer, 2 percent from employee, and 2 percent from a transfer of the retirement allowance. The government planned to increase the contribution rate to 9 percent based on the same ratio (3:3:3) in 1998.

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