

A Comparative Study on the Employment and Pension in the Rail Reform Process

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Abstract

Korean rail reform initiated by the central government suggests that the newly born organizations from rail reform will hire every one who is former employee of KNR and KHRC and wants to get a job in those organizations. Korean rail reform also shows that every employee except for someone who move to other government organizations from KNR and KHRC will lose civil servant status.

This study finds out that Germany and Austria permit former civil servants to maintain civil servant status in the railways after rail reform, that France and Austria maintain the advantage of early retirement for pension in the rail sector, and that none of countries allows employees to lose their economic interests which includes the pension payment through rail reform.

Alternatives matrix based on civil servant status, civil and private pension, wages, job security and work place rules is developed and analyzed. If civil servant status could not be continued, the new wage system should compensate the difference between civil servant pension and private pension and the loss of the tenure if any. Even in the case of the loss of civil servant status, tenure could be alive. New work place rules are to be applied to all alternatives.

This study argues for that the government should suggest a few alternatives to employees and at least allow them to choose the best.

I. Introduction

Rail reform has been tried by MOCT since 1980s in Korea but does not produce any significant progress. KNR has not been changed except but employee reduction about 7,000 people in 5 years, it still records red ink in business and is asking huge amounts of government's subsidies every year nearly 300 million euros.

The main issues of rail reform are about separation of infrastructure construction from train operation, economies of scale, public service obligation, the scope of infrastructure maintenance which could be transferred to the train operator, etc. MOCT has been saying that rail reform does not bring out disadvantage to employees, because no one will be fired and the higher wage of private company than that of government bodies will cover the loss in pension resulted from the status change of government employee to private ones. But no one believes about that, no more detailed talks initiated on the personal wealth from the cultural reasons, and the rail reform is still not moving forward.

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II. The Status Quo of KNR

1. Chronology

KNR had started first its operation on the Gyeongin line(Noryangjin - Jemulpo, 18.9 km) in 1899 and will start high speed rail operation Gyeongbu line(Seoul - Busan, 445km) next year after 105 years from its beginning.

- 1899. 09. 18. Gyeongin line(Noryangjin - Jemulpo) opened
- 1905. 01. 01. Gyeongbu line(Seoul - Busan) opened
- 1914. 01. 11. Honam line(Daejeon - Mokpo) opened
- 1945. 08. 15. Korea got the independence out of Japan
- 1963. 09. 01. Korean National Railroad established as a government branch.
- 1965. 09. 18. Double-tracking of Gyeongin line(Yeongdeungpo - Incheon) completed
- 1973. 06. 20. Jungang line (Cheongnyangni - Jecheon) electrified
- 1974. 08. 15. Seoul Suburban(Seoul-Incheon/Guro-Suwon) Electric Lines opened
- 1978. 03. 30. Double-tracking of Honam line(Daejeon - Iksan) completed
- 1987. 07. 06. Saemaul Express service by diesel hydraulic train-set on Gyeongbu line(Seoul - Busan)commenced
- 1999. 01. 29. Gyeongin multi-track line(Guro - Bupyeong, 14.9km) opened
- 2000. 09. 06. Began sale of KR PASS in Japan
- 2000. 09. 18. Bidulgiho Line train's final operation (Destination Jeungseon _ Gujeol-ri).
- 2004. 04. High Speed Rail -KTX- will be run on Gyeongbu line(Seoul - Busan)

2. Business Performance

KNR has recorded loss after motorization in Korea since 1980s. Last year KNR recorded loss again 325 billion won(1 euro = 1,200 won). The loss of rail freight is larger than the passenger ones.

Table 1. Business Performance(2002)

Classification	Income	Cost	(million won)
			profit/loss
total	2,039,296	2,364,540	△325,244
passenger	1,605,420	1,692,688	△87,269
freight	433,877	671,852	△237,975

*The above data have been calculated on the basis of operating revenues (including government support revenues) and expenses as specified in profit and loss statement.

3. Transportation Performance

3.1 Passenger

KNR transports 911 million passenger in 2001. This performance is due to the increase of urban passenger performance. The intercity rail passenger shows decrease trend in recent years from 1995. The market share trend of intercity rail passenger goes down recent years. 25.3% 23.7% 23.8% 24.8% 27.9% 21.8% 21.0% are market shares of intercity rail passenger from 1994 to 2000 respectively based on passenger-km.

Table 2. Passenger Transportation Performance Trend

	(million)						
	1995	1996	1997	1998	1999	2000	2001
passenger	791	820	831	827	822	816	911
intercity(000)	138,716	133,402	130,214	118,345	118,155	117,023	119,464
urban(000)	654,727	686,141	701,239	708,948	704,489	698,558	791,755
passenger-km	29,335	29,580	29,662	28,096	31,351	28,097	29,228

3.2 Freight

KNR transports 45.1 million ton in 2001. This performance is slightly smaller than that of 2000. It is not easy to say that rail freight recovers market and keeps on increasing share. The market share trend of rail freight fluctuates up and down recent years. 21.8 18.2% 16.5% 15.8% 19.4% 18.9% 20.0% are market shares of rail freight from 1994 to 2000 respectively based on ton-km.

Table 3. Freight Transportation Performance Trend

	(million)						
	1995	1996	1997	1998	1999	2000	2001
Freight	57.4	53.6	53.9	43.3	42.1	45.2	45.1
freight-km	13,838	12,947	12,710	10,372	10,072	10,803	10,492

4. Personnel and Job Security

KNR has 29,600 peoples(2002. 6 present) and among them 12,891 are working for transportation and train operation, 7,152 are for civil fixed installation maintenance, 6,854 for rolling stock maintenance and 2,726 are for miscellaneous.

All peoples have the status of government employees. Their job security is guaranteed to the limit of age at 55 or more and government pension also guaranteed.

25,000 are union employees. The law of government employee prohibits collective action of employees but for the front line employees of KNR.

Table 4. Personnel

Total	Transportation & Train Operation	Civil Maintenance	Rolling Stock Maintenance	Miscellaneous
29,623 (100%)	12,891 (43.5%)	7,152 (24.2%)	6,854 (23.1%)	2,726 (9.2%)

Table 5. Union density

Country	Union density
Austria	Almost 100%
Denmark	Almost 100%
France	About 30%
Germany	80% ~ 90%
Italy	77%
Korea	Almost 100%
Netherlands	Over 60%

Sweden	Over 90%
UK	Almost 100% for engine drivers, declining in other areas

Source: EIRO, *Industrial relations in the rail sector*, table 4.

Table 6. Main rules and benefits for railway workers

Country	Rules and Benefits
Korea	KNR employees have civil servant status and guaranteed job security to the limit of age and government pension payment. Next year civil servant status will be terminated. ※ Rail reform acts are passed in June 2004 and newly established Infrastructure Corporation is responsible for the rail infrastructure construction and management.
France	SNCF employees have a "non-standard" status quite similar to that of state civil servants. Besides greater job security, they have a specific health insurance system and special pension scheme (FR9702106F). The 1995 "Juppe plan" challenged this pension system, and this was partly responsible for one of France's most widespread strikes since the Second World War.
Sweden	The workers in the state railway sector have the same conditions as workers in the state sector. They have more favourable pension rules than private sector workers, ie older workers may retire at 60 years of age. State employees have up to 36 days of paid annual leave whereas private law workers have 25 days.
Germany	To employ public servant status people and to continue all specific regulations on matters like employment protection, salary, pensions and a strike ban, a special government body, the Bundeseisenbahnvermögen was set up, which now acts as the public servants' employer, even though they work for DB AG. At the same time, a 1993 framework agreement on employment conditions cancelled the existing differences between white- and blue-collar workers, concerning, for instance, pay grades and dismissals, and generally improved levels of protection.
Austria	OBB employees were civil servants until 1995. A new regulation was issued at the end of 1994, introducing a distinction between longer-serving employees and new entrants. For the former, many elements of public employment status have been maintained (most importantly, better conditions for retirement - AT9712152N), while the status of the latter resembles very much that of private employees.

Source: EIRO, *Industrial relations in the rail sector*, table 3.

III. Rail Reform in Korea

1. Progress

Rail reform has been discussed from 1980s and KNR was to be transformed to a public company in early 1990s but that trial was failed. Government policies about rail reform was constructed and decided in 1995, which took the separation of infrastructure from train operation, government should be responsible for infrastructure and delegate this responsibility to the newly set-up organization, and newly established private train operation company will take the train operation on its own responsibility.

International seminar and experts researches on rail reform between 1994 and 1998 and management consulting about KNR in March 1999 contributed to the conclusions which government took.

Government prepared action plan for rail reform through research projects, expert reviews, and reviews of Rail Reform Committee from 2000. 7 to 2001. 7. Three acts about rail reform were delivered to the National Assembly. Act of the Development of Rail Industry and Rail Reform and Act of Rail Infrastructure Corporation was suggested in Dec. 2001 and Act of Train Operation Company suggested in Oct. 2002. The legal status of the Train Operation Company was designed as a stock company whose equity stock would be sold later step by step to the public and privatization would be completed company. But new president-elected taking-over-committee changed this stock company to the public company in Jan. 2003 and decided to discuss privatization of the public company later. Government accepts the decisions of the new president-elected taking-over-committee.

Act of the Development of Rail Industry and Rail Reform states that the new train operation company and infrastructure corporation would hire all employees of KNR and KHRC except those who transfer to other government office to maintain the status of government employee. The act does not focus on the loss of job security and government pension payment. Every employee of KNR will lose the status of government servant, could have retirement payment, be rehired by the new organizations, and begin private pension scheme, the payment of which is much lower than that of government employees. The level of wage in the new train operation company and infrastructure corporation is believed to be higher than that of KNR. So the loss of job security and government pension payment is mitigated by the higher wage level than before. But train operation does not record profits and the higher payment could be uncertain.

2. Positions of Union and Government for Rail Reform

2.1 Position of Union

Union is against for the rail reform act and insists on the other new rail reform act which reflects fully the interests of union and concerned and will be born in Sep. 2003. Union had not participated in the seminar and discussions about rail reform held by government.

Union argues that public service obligations should be compensated by government and the close of unprofitable lines should be based on the agreement of the community.

Union representative for employees and civil organizations representative for users of rail services should engage in the boards of directors of newly established train operation company. Union calls this a reform of company management system.

Government should take the debts occurred from the high speed rail construction and not deliver those to the new infrastructure corporation because the new infrastructure corporation covers the debts from infrastructure service charges, in turn these service charges increase the fares of train operation services.

Integration of train operation and infrastructure improvement projects which are close to the safety of train operation and could be threats to the safety of train operation if divided each other.

Government should prevent the disadvantages of pension and retirement payment from rail reform and guarantee the work conditions like those in the same industry. There should be a calculation of the disadvantage of retirement payment and private pension scheme against government employee retirement payment and pension scheme and specific measures to be developed for this purpose. Long time working hours should be scrapped and working hours and wage level as likely as the same industry. Introduce two time exchanges system among three working teams daily and reduce the driving time of train as the same level as the likely industries.

Even the Union does not focus on the difference of two pension payment systems and does not require the compensation for the difference strongly. They only stress the retirement payment without disadvantages against the likely industries.

2.2 Position of Government

Governments think that they accept the opinions of union which are against the privatization and the succession of employment and reflect those in the rail reform acts. Delays in rail reform could cause problems in the opening of the high speed rail operation. The union of KHRC is certain to protest the opening of high speed rail by the KNR which does not accept the rail reform.

IV. Comparative analysis and alternatives

1. Comparative analysis

Including Korea, 6 countries accept the succession of employment, pension payment, and wage level. France and Austria succeed the pension payment at the earlier age than other sectors including government pension system. Germany and Austria allow the government employees to keep the government servant status and to work in private companies.

Korea has a system similar to that of Japan, but Japan has a railway pension fund and their employees did not experience the change of pension system. In Korea, the difference of two pension system is large and government employment pension is more favorable to the employees.

Table 7. Comparative analysis of succession of employment and pension payment

country	area of succession					
	employ- ment	Pension		working conditions	governme nt servant status in private company	wage(com - pensation)
		pay	pay at the earlier age than before			
Korea	○	△				○
German y	○	○		○	○	○
France	○	○	○	○		○
Japan	○	○				○
U.K	○	○		○		○
Austria	○	○	○	○	○	○

In Germany, to employ public servant status people and to continue all specific regulations on matters like employment protection, salary, pensions and a strike ban, a special government body, the Bundeseisenbahnvermögen was set up, which now acts as the public servants' employer, even though they work for DB AG. At the same time, a 1993 framework agreement on employment conditions cancelled the existing differences between white- and blue-collar workers, concerning, for instance, pay grades and dismissals, and generally improved levels of protection.

In France, SNCF employees have a "non-standard" status quite similar to that of state

civil servants. Besides greater job security, they have a specific health insurance system and special pension scheme (FR9702106F). The 1995 "Juppe plan" challenged this pension system, and this was partly responsible for one of France's most widespread strikes since the Second World War.

In Japan, the main issue was giving new jobs to the employees who lost their jobs through the rail reform. Japan Railway workers had already their own pension fund and rail reform did not make any serious impacts on the pension system. Reduction of employees and increase of pension payments due to the rail reform caused the discussion about the pension rate increase, the burdens of JR each companies, and the burden of Government and Debt Clearance Organization.

In UK, railway workers have private sector status. The privatization process did not affect drivers' membership rates and affiliation has remained at the same very high level (98%) among new recruits. United Kingdom is the only country which has moved to a situation of multiple operators of comparable size: the main event of the 1990s has been the shift from a single-company industrial relations system to a multi-company one. This required governing the transition of employees from British Rail to the new operators and building up collective relations in the latter. The redefinition of the complex set of regulations, for example Transfer of Understandings Protection of Employment(TUPE), inherited from British Rail often led to an increase in basic pay (by the incorporation of former additional elements) and to higher working time flexibility. Train drivers could take advantage of their strong labour market position and sometimes achieved both working time reductions and wage and benefit increases. As far as guards and conductors are concerned, the demand for functional flexibility increased, owing to the closure of stations and staff cuts.

In Austria, OBB employees were civil servants until 1995. A new regulation was issued at the end of 1994, introducing a distinction between longer-serving employees and new entrants. For the former, many elements of public employment status have been maintained (most importantly, better conditions for retirement - AT9712152N), while the status of the latter resembles very much that of private employees.

2. Alternatives

There are many alternatives based on factors such as pension, new wage system, and working conditions.

The most favorable alternative is every employee of KNR keeps on maintaining civil servant status. But many people felt that some jobs are to be the private ones. In case of keeping civil servant status, employees should accept new work rules and new wage system to increase the competitiveness of railway operation. Job security to the limit of age should be modified to increase productivity and flexibility in personnel management.

Table 8. Alternatives matrix

		Pension		New wage system	working conditions	
		Civil servant	Private		secure to the limit of age	new work rules
Civil servant (Yes)		○		○	○	○
Civil servant (No)			○	○		○
Pension	Civil servant			○	○ / ×	○
	Private			○		○
New wage system					○ / ×	○

Working conditions	secure to the limit of age					○
	New work Rules					

V. Conclusions

Act of the Development of Rail Industry and Rail Reform states that the new train operation company and infrastructure corporation would hire all employees of KNR and KHRC except those who transfer to other government office. And the act does not focus on the loss of job security and government pension payment. Every employee of KNR will lose the status of government servant, could have retirement payment, be rehired by the new organizations, and begin private pension scheme, the payment of which is much lower than that of government employees. The level of wage in the new train operation company and infrastructure corporation is believed to be higher than that of KNR. So the loss of job security and government pension payment is mitigated by the higher wage level than before. But train operation does not record profits and the higher payment could be uncertain.

This study finds out that Germany and Austria permit former civil servants to maintain civil servant status in the railways after rail reform, that France and Austria maintain the advantage of early retirement for pension in the rail sector, and that none of countries allows employees to lose their economic interests which includes the pension payment through rail reform.

Alternatives matrix based on civil servant status, civil and private pension, wages, job security and work place rules is developed and analyzed. If civil servant status could not be continued, the new wage system should compensate the difference between civil servant pension and private pension and the loss of the tenure if any. Even in the case of the loss of civil servant status, tenure could be alive. New work place rules are to be applied to all alternatives.

The most favorable alternative may be that every employee of KNR keeps on maintaining civil servant status. But many people felt that some jobs are to be transferred to the private sector. In case of keeping civil servant status, employees should accept new work rules and new wage system to increase the competitiveness of railway operation. Job security to the limit of age should be modified to increase productivity and flexibility in personnel management.

It would be better to make it clear that the government should suggest a few alternatives to employees and at least allow them to choose the best.

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