

The Market Crisis and Restructuring of South Korea's Media: A Situation Report*

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Foreword

The crisis in Korea which culminated in the request for assistance from the International Monetary Fund left no sector untouched. The rapid increase of the number unemployed in the first half of 1998 reminded national and international observers that the crisis did not just bring paper losses but really affected the lives of millions of people. The short-term deterioration of living standard was substantial. And, it becomes increasingly clear that the adjustment process will be very painful.

Trade unions have to respond in various ways to these challenges. In order to respond meaningfully and effectively they organized numerous roundtables and workshops in order to assemble the available knowledge and experience. The following paper is the result of one of such valuable opportunities to reflect on possible responses. The Korean Federation of Journalists, the Friedrich-Ebert-Stiftung jointly organized a conference dubbed “globalisation and media”, which provided an opportunity for journalist from Japan, Hong Kong, Taiwan and Korea to compare the adjustment processes in their respective countries.

The Korean Federation of Press Unions, International Federation of Journalists (IFJ) and the Friedrich-Ebert-Stiftung decided to publish Jae-kyoung Lee’s paper as a monograph (in addition to the publication of the proceeding) because it gives a detailed picture of the process currently going on, revealing the difficulties journalists go through at the moment. We hope the booklet will find numerous readers. It is hoped that the booklet will help in understanding unions’ demands for an adjustment process which takes account of the plight of workers and seeks to find a compromise between economic and social objectives.

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1. Introduction

The spring of 1998 is by far the cruelest season for the both media and news workers in South Korea. More than four thousand media workers left their workplace by early May 1998. Of these, close to half were reports and editors. It is widely projected that a lot more workers are expected to lose their jobs in the coming months. As a matter of fact, a number of newspapers, regional TV stations and cable service providers are on the verge of bankruptcy. Those workers who escaped the worst are to see their annual income around the nation are introducing various belt-tightening measures including the widely detested contractual work-system.

This is undoubtedly the hardest ordeal Korean journalists have ever faced. The scale of reduction-in-force is expected to be far greater than what is known as the "massacre of journalists" in the spring of 1980, when the military generals ousted some seven hundred journalists for not cooperation with their usurpation of power.

What is happening to South Korea's media industries? How should we characterize this unprecedented scale of restructuring of the Korean media market? What causes the current difficulties? Is this entirely a consequence of what is known as the Asian financial crisis? Or should this be understood as an inevitable process for the media industry to become a player in the ever expanding global economy? Is this rather a result of incompetent management on the part of media owners? How would this vast industrial change eventually affect the practice and quality of journalism?

All of these are huge question. It is not easy to find handy answer to them. What makes the situation worse is that the restructuring has only just begun, and it is all but impossible at the moment to have even estimate of the magnitude of this transformation. Therefore, the purpose of this paper is modest. It attempts, first of all, to document the difficulties of the Korean media and news workers as they experience the nation's economic crisis. The paper then presents observations about some notable resulting changes in the practice of news-making, describing, for example, whether newsroom organizations have changed and if journalistic independence has weakened. The paper also will discuss some fundamental implications of these changes for Korean journalism and its future.

2. Media Workers in Tribulation

Workforce Trend in the 1980s and 1990s

Since the forceful restructuring by the military in 1980, South Korea's media industry has

shown continued substantial growth over the past 17 years (Table 1.) The number of daily newspapers published around the country has tripled from 21 in 1981 to 61 in 1997. The size of the total media workforce has grown during the same period from around 16,000 to 42,000 people. Only exceptions were two years, 1994 and 1997, when about 590 and 470 workers left the industry respectively.

Particularly notable in the above table is five-year period during the late 1980s through early 1990s. The number of newspaper employees almost doubled during this time. South Korea's media industry saw an extraordinary expansion during this period thanks to the collapse of the repressive military government in the summer of 1987 and the subsequent liberalization of the regulatory regime over the media industry. The sizable increase in broadcast employment from 1994 had to do with the introduction of the nation-wide cable television services and the granting of private terrestrial broadcasters in major regional centers. The following tables exhibit the breakdown of the workforce by different media sectors as of April 1997.

Table 1: Trend of Media Employment Growth (1980-1997)

(As of April 1997)

Media Year	Newspaper	Broadcasting	News Agencies	Total	Change
80	10,210	7,065	1,428	18,703	
81	8,849	7,297	640	16,786	-1,917
84	9,881	8,712	653	19,256	+2,470
85	10,778	8,117	664	19,559	+303
86	10,898	8,602	675	20,175	+616
87	11,008	9,114	683	20,385	+210
88	11,652	10,210	666	22,528	+2,143
89	17,507	11,061	570	29,138	+6,610
90	18,714	11,944	619	31,277	+2,135
91	20,934	12,308	623	33,865	+2,588
92	22,661	12,981	650	36,292	+2,427
93	22,870	12,981	643	36,494	+202
94	21,883	13,384	638	35,905	-589
95	22,087	18,088	722	40,897	+4,992
96	22,453	19,622	764	42,839	+1,942
97	21,200	20,395	773	42,368	-471

(Source: Korean Newspaper and Broadcasting Annual, 1997)

Table 2: Newspaper and their Workforce

(As of April 1997)

	National Dailies	Economic Dailies	Sport Dailies	Regional Dailies	Total
Number of Newspapers	10	7	3	39	61
Number of employees	9,279	2,519	725	8,554	21,200

(Source: Korean Newspapers and Broadcasting Annual, 1997)**Table 3: News Agencies and their Employees**

(As of April 1997)

Number of newspapers	Number of employees
2	773

Table 4: Broadcast Companies and Employees

(As of April 1997)

Number of broadcasters	Terrestrial Broadcasters	Cable Broadcasters	Total
	69	81	510
Number of employees	14,355	6,040	20,395

Table 5: Total Figures

(As of April 1997)

Number of newspapers, news agencies and broadcasters	Employees
213	42,368

Recent Restructuring

All of a sudden, South Korean's media scene has drastically changed from the end of 1997. When the "foreign currency crisis" began to take its tolls, reducing the value of the Won by almost half in the period of less than a month, and concomitantly raising virtually all expenses including prices of imported news prints, lease charges for printing presses as human resource expenditures, the nation's media managers had no other choice but to drop various forms of aggressive expansionist strategies of the past.

The reckless loan-based investment, which was the norm in the past, has turned into a life-threatening burden for most newspapers and broadcast firms. The severely reduced economic activities of the nation have naturally translated into a sharp decrease not only in the volume of advertisement but in unit advertisement prices for both print and electronic media. The apparent consequence is a substantial decrease, more than fifty percent in many cases, in advertising revenues for most newspapers and broadcasters.

With the survival of companies at stake, media managers have begun to resort to extreme measures in an unprecedented scale. These previously unthinkable belt-tightening measures include: massive-scale firing of employees across the board, unilateral adoption of mandatory leave of absence, transfer of professionals to administrative jobs, indefinite delay of salary and bonus payment cuts and removal of various fringe benefits. What should be taken into consideration here is that this nation- wide process of media downsizing and restructuring has just begun. Therefore, it is impossible at this point to have an accurate estimate of the scale of this vast transformation of Korea's media industries.

Given the circumstances, what is presented in the following is only a fragment of what has happened and a speculation of what might be coming in the times ahead. At a moment when it is difficult to tell which newspapers will continue to publish six month from now, it would be safe to take the number recorded here only as tentative indicators of the difficult restructuring processes. It is almost certain that thing will be much worse as the economic hardship further deepens. The figures presented below, therefore, are expected to grow much larger.

Company Closure

No closure has been reported yet. One regional newspaper went into bankruptcy in Taegu area. According to the Korean Federation of Press Union's (KFPU) survey, despite the bankruptcy announcement, this newspaper has not stopped publishing yet. The situation of the cable industry is worse. There cable companies have declared bankruptcy and are desperately in search of buyers with no sign of immediate completion of any deal.

Reduction in Force

As mentioned earlier, downsizing of media companies has just begun. The figure compiled thus far are shown in the following Table statistic reflects actions taken by only 42 companies out of altogether 213 media firms.

Table 6: Report Total Reduction in Force (As of May 21, 1998)

National Dailies	1,229
Regional Dailies	658
Broadcasters	2,263
Total	4,150

(Source: Media Today, May 20, 1998. p.1)

The surveyed forty-two companies have not completed their workforce downsizing yet. It is expected that many of these companies will further reduce positions depending on the

development of their financial situation. Notable in the table below are numbers from two embattled Seoul-based newspapers; the Kyunghyang Shinmun and the Munhwa Ilbo. These two newspapers were owned by major conglomerates, Hanhwa and Hyundai respectively. The combined number of reduction in force from these two companies is closed to four hundred reflecting the degree of difficulty resulting from the conglomerates decision to get out of the newspaper business. In case these papers should decide to close the number of job losses will easily exceed one thousand.

Table 7 gives a detailed account of the downsizing at individual newspapers.

The column on the right margin represents respective percentage of reduced staff over the total employment. The average percentage is around 14.3, i.e. 14 out of one hundred media workers have lost their job during the past several Months. In an extreme case, such as the Kukje Shinmun's, nearly one fourth of the paper's employees were cut. In Munhwa Ilbo's case, more than one third of the staff has already left the company. Contrastingly, Taejon Ilbo has fired only six percent of its workers.

Euphemistic expressions used in this process range from "honorary retirement", and "voluntary resignation," to "better-treated retirement." Although these names sound humanistic, in actuality, they are, with little difference, enforced as a designated retirement system. To facilitate the reduction of the workforce, media firms offer additional severance payments.

Mandatory Unpaid of Absence

This is a novel notion in the Korean labor practice. Media workers experienced a massive scale reduction in force seventeen year ago. But the introduction of leave of absence as a cost-saving measure is very new. An increasing number of newspapers are either adopting or considering variations of the leave of absence system. The Joongang Ilbo has announced that its employees can take leave of absence from one to three months. The paper's proposal is to pay seventy percent of the basic salary during the time of leave of absence. The Joongang's case is a relatively better one. Other mostly regional newspapers ask their employees to take leave of absence without payment from six months to two year. In the Chonnam Ilbo's case, remaining reporters and editors agreed donate 2.7 percent of their salaries every month to support living expense of those journalists who have taken leave of absence. As of March 6, 1998, six newspapers have officially introduced the leave of absence system.

Table 7: Scale of Reduction in Force by Papers

(As of May 20, 1998)

	Newspapers	Fried / Total Employment	%
National Dailies	Kyunhyang Shinmun	191/1,017	18.8
	Dong-a Ilbo	130/1,032	12.6
	Munhwa Ilbo	192/576	3303
	Segye Ilbo	111/782	14.2
	Chosun Ilbo	158/1,028	15.4
	Joongang Ilbo	157/1,362	11.5
	Hankuk Ilbo	51/1,279	4.0
	Mail Kyungje	26/635	3.9
	Hankuk Kyungje	152/758	20.1
	Kyungnam Mail	38/183	20.8
Regional Dailies	Kwangnam Ilbo	31/220	14.1
	Kwangju Ilbo	34/349	17.8
	Kwangju Mail	40/224	9.7
	Kukje Shinmum	108/433	24.9
	Taejon Ilbo	24/310	7.7
	Mail Shinmum	81/467	17.3
	Moodug Ilbo	50/316	15.8
	Pusan Mail	86/374	23.0
	Pusan Ilbo	97/588	16.5
	Shinkyungnam Ilbo	13/156	8.3
	Jun-nam Ilbo	24/254	9.4
	Jemin Ilbo	9/147	6.1
	Joongdo Ilbo	10/159	6.3
	Joongbu Ilbo	23/156	14.7
	Total	1,835/12,805	14.3

(Source: Media Today, May 20, 1998.p.11)**Salary Cuts**

Those journalists who are lucky to maintain their positions are suffering from a drastic income reduction. It appears there is no media company which does not consider salary cuts of any degree. Employees of about ten newspapers and broadcasting companies have voluntarily announced not to receive their year-end bonus payment in December 1997. The figures range from one hundred percent of the basic salary to 250 percent depending on companies. For example, senior workers at the Christian Broadcasting System, a Seoul-based radio broadcaster,

decided not to receive up to 700 percent bonus payments for this year. This translates into roughly about 35 percent reduction in their annual income. Thirteen media companies, one radio broadcaster and twelve newspapers, are listed by the KFPU as withholding varying amounts of bonus payments as well as fringe benefits for the past several month. According to a KFPU survey of March 20, 1998, six media companies have definitely announced concrete number for payment reduction for the year.

Table 8: Announced Payment Cut Figure

	Salary Cut (%)	Bonus Cut (%)
Kyungnam Mail	20	600
Kwangju Ilbo	19	700
Taejeon Ilbo	30	
CBS		350
Hankuk Kyungje		500

Negotiations for salary reduction are, with no exception, initiated by the management. There is little room for the union to stage any significant protest against the action of the management. The situation is so bad that in many companies, former union leaders are singled out for designated punishment by the management including forced resignation. Currently, union can do little about this belligerent management action.

3. Major Changes in the Market

How does this structural crisis affect newspaper readers and broadcast audience? What are significant changes notable in today's media market? Reduction of News Pages

The most readily-felt change for the reader is the substantial decrease in news page. Virtually all major national newspaper have reduced news page from 40 to 32 pages on every regular day. This translates into roughly 20 percent cut of news space. Some newspapers have cut down the pages of their Sunday edition by half from 24 to 12. Major TV networks, such as KBS, MBC and SBS, have also reduced their broadcast hours. The eliminated two hour of day time programming represent about 10 percent of the total air time Reduction in air time is accompanied by increased amount of rebroadcast of old dramas and movie in many television station.

Disappearance of Promotional Newspaper Copies

Major national dailies used to print a substantial number of promotional copies in addition to the ones for regular subscriber. For instance, one large national daily, according to an estimate,

cut down the number of printed copies from around two million and six hundred thousand to one million and five hundred thousand. This may be an extreme case. Other newspapers may have printed less promotional copies. But considering the heated level of competition over the morning newspaper market, it is reasonable to suppose that particularly national newspapers printed substantial numbers of excessive copies for free delivery. The combined difficulties of the dropping ad revenues and soaring print cost have forced the newspaper companies to discontinue this what is known as the “bubble circulation.”

Change in Newsroom

Newsroom managers are introducing various low-budget options for their editorial organization and newsgathering system. A major change in newsroom organization is the elimination of high-level editorial positions. As a result, many positions at the level of assistant managing editor, editor, and assistant editor have gone. What this means is the integration of previously separated desks and teams geared for in-depth and specialized reporting. Reducing the number of foreign correspondents is another significant budget-saving action adopted by most media companies. The JoongAng Ilbo withdrew two correspondents from Europe based in London and Bonn., leaving the coverage of the entire European continent to a correspondent stationed in Washington D.C. from four to two. The paper is considering possibilities for further reduction. Similar measures were taken by most other media institutions, thereby seriously weakening the newsgathering capacities, particularly in the foreign news category.

As shown in the table above, CBS and Kyunghyang Shinmun are operating now with no foreign correspondents of their own. Apparently, this represents a significant weakening of international news coverage when the demand for quality foreign news is escalating in order for the country to get out of the financial crisis.

4. Central Problems created by the Crisis

Lowering quality of journalism

Perhaps the most immediate problem is the lowering quality of journalism. As presented above, the driving logic behind the current media restructuring is none other than expenditure-saving. The managers of media institutions would cut every corner for the survival of the company. It seems the quality of news is the last consideration. The withdrawal of a number of foreign correspondents, selective firing of experienced journalists as well as the rampant introduction of belt-tightening measures such as leave of absence, all support this interpretation of the situation.

Table 9: Number of Foreign Correspondents

	1997 (December 30)	1998 (May 20)	Reduced Number	% of Reduction Planned
KBS	18			30%
MBC	22	11	11	50
SBS	10	6	4	40
CBS	4	0	4	100
Kyunghyang Shinmun	6	0	6	100
Dong-a Ilbo	12	5	7	58
Munhwa Ilbo	4	3	1	25
Seoul Shinmun	5	3	2	40
Sega Ilbo	5	2	3	60
Chosun Ilbo	10	9	1	10
Joongang Ilbo	12	10	2	17
Hankyoreh	4	2	2	50
Hankuk Ilbo	6	5	1	17

(Source: Media Today, May 20, 1998. p.2)

Increasing management domination of the newsroom

Another problem is the almost complete subordination of the editorial independence to the capital interest. The employers position vis-à-vis editors and reporters has become far more dominant with the beginning of current crisis. The management exercises virtually unchecked power in most major decisions regarding influence of the union has all but diminished as the crisis deepens. Journalists, whether union members or not, have been reduced to mere bread earners at the mercy of the employers. When this happens, it is difficult for journalism to remain as a institutions with public obligations run by committed professionals.

5. Conclusion

The immediate cause of the current media crisis is the failure of the Korea economy which was triggered by the collapse of the financial system. Therefore, the crisis of the media industry has to do with the increasing tendencies of globalisation of modern economic activities. However, the main argument of this paper is that more fundamental problems can be found within the Korean newspaper and broadcasting industries. The advancement of foreign capital into the

Korean media market is almost negligible. It is legally forbidden for a foreigner to own a dominating share of any media companies in this country. Under these circumstances blaming the global media capitals is as if accusing the innocent of the crime which was never committed.

The current media crisis is undoubtedly a market-driven one. For example, there were, and still are, more supplies than demands in the newspaper market.

It was quite obvious that Korean newspaper readers can not support 10 national dailies. This is why close to 50 percent out of the 1,200 million total newspaper circulation has been distributed this practice for nearly 10 years. This is hardly a rational management.

The establishment of many newspapers were politically motivated rather than conceived as business enterprise. The financial losses of the newspapers have been considered as investments for political gains and social influences. The national economic crisis has brought this management paradigm to an end. Another management failure has to do with reckless competition for dominance. Most leading newspapers have ventured into expansion of news pages and printing facilities, without a careful study of the market. These expansion projects were largely funded by loans. The size of loans far exceeds annual sales. Media unions have consistently strengthened their position since the end of the 1980s. The primary emphasis of the union activities has been on the welfare of their members. The expansionist strategy initiated by the management has guaranteed more jobs and better payment. Although union members have known that the expansion is based on loans, thus risky, they have rarely organized any effective protest against the management action.

What has gradually eroded in the process is the value that journalism is a public institution. Media owners and managers have strengthened their influence over the editorial process, systematically demanding business considerations in selecting, writing and placing of stories. The editorial independence and journalistic professionalism have significantly diminished as this trend has deepened. The current crisis is the culmination of these tendencies. No one seems to care much about the quality of journalism at the moment. Individual journalists are subject to enormous amount of pressure to the dominant business paradigm of news making. There seems to be little institutional arrangement that will protect the integrity of the individual journalist. This could turn into a more fundamental crisis of Korean journalism as a public institution in the future.

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