

# Looking beyond the west? The Korea Employers' Federation and the challenges of membership adhesion and cohesion.<sup>1</sup>

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## Abstract

*The KEF developed its identity, role and activities in the face of challenges to employers quite different to those that marked the history of employer associations in western countries. Only in recent years have economic and political developments generated perceived threats from unions and pro-labour legislative proposals. Instead, the KEF had to find ways of attracting, holding and uniting members in the absence of these threats. The result was a very limited organisation operating at low levels. As those threats emerged more fully through Korea's democratisation process, the KEF responded to pressures to raise its profile, broaden its activities and sharpen its identity. In seeking to attract and retain members and to develop internal cohesion, macroeconomic and macro-political developments have been of crucial importance, as has the central role of large employers among the KEF membership.*

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## Introduction

Employer associations are organisations of employers set up to defend, represent and pursue members' collective interests and strengthen their position with regard to labour market matters (Traxler 2003b; Behrens and Traxler 2004; Rynhart 2004). Like trade unions, their membership is class-based, and offers employers advantages not available to them as individual companies. Employer associations commonly have arisen in response to threats that employers perceived in the rise of workers' unions or pro-labour legislation (Sisson 1987; Barry 1995; Traxler 2003a; Schmitter and Streeck 1999; Rynhart 2004; Adams 1995; Bowman 2002; Plowman 1989; Windmuller and Gladstone 1984). Thus, their most important and characteristic activities have been leading or coordinating multi-employer collective bargaining, representation and lobbying on labour-related matters.

Overall, the research literature on employer associations has a pronounced 'western' orientation. Within this tradition, scholars were greatly concerned, during the 1970s and 1980s, with peak association involvement in tripartite, neo-corporate structures designed to control inflation, reduce unemployment and diminish industrial disputation (see eg Baglioni and Crouch 1990; Barbash and Barbash 1989). However, since the mid-1980s, employers in many western countries have become more concerned with access to flexible labour than with macroeconomic stability. Declining union militancy, the apparent end of persistent high inflation, the rising influence of neo-liberalism within governments and the effects of more intense global product market competition have combined to encourage this preference. Employer pressures through their associations have generated government initiatives for accelerated structural change, including the introduction of decentralised bargaining (Sheldon and Thornthwaite 1999a; Behrens 2003; Traxler 2003b).

Employer associations in western countries have actively promoted and passively suffered these currents of decentralisation. Disaggregation of bargaining – the decentralisation of bargaining to enterprise or workplace levels without a framework of industry bargaining – can undermine associations' active roles in coordinating and representing their members, thereby threatening an association's authority with external parties and members. Thus, contemporary trends towards decentralised or even individualised bargaining produce external challenges for employer associations that specialise in labour market questions (Thelen 1994; Sheldon and Thornthwaite 1999a, 2004).

A weakened imperative for collective representation has implications for an association's ability to recruit and maintain members and manage internal cohesion. Traxler (1993) refers to these challenges in terms of, 'associability' and 'governability'. By associability, he means (1993: 677), 'an association's capacity to recruit members within its domain' or engender adhesion. There is strong evidence to suggest that increased employer perceptions of heterogenous rather than common interests weaken the impulse to join or remain within an association (Streeck 1987; Plowman 1989; Tolliday and Zeitlin 1991a; Sheldon and Thornthwaite 1999a). These perceptions encourage greater resort to 'free-riding' and to disaggregating employers' public policy and bargaining fronts. By governability, Traxler (1993) refers to the challenge of maintaining internal cohesion within associations and, in particular, the unifying of divergent interests among members. Any disaggregation in organised employer representative functions is likely to weaken attempts at governability.

Associations in western countries have responded to these recent challenges in a number of ways, including through amalgamation. Another strategic response has been to redefine members' interests and re-shape organisational policies and strategies. As the rise of company-level bargaining encourages an atrophying of associations' collective bargaining function, associations have shifted their energies from that realm by emphasising their policy-making and political lobbying contributions and by expanding their provision of specialised services (Macdonald 1997; Behrens 2003; Tolliday and Zeitlin 1999b; Broad 2001; Traxler 2003b; Sheldon and Thornthwaite 1999a and 2004).

Given this western-focused tradition, it is interesting to consider the experiences of a leading Asian employer association facing challenges of associability and governability. This case study examines historically how the peak, national (South) Korean employer association, the Korea Employers' Federation (KEF) has sought to meet these challenges in a very different context. We ask three main questions. First, what has the KEF done to develop its relationships with its members and broader employer constituency to meet the challenges of associability and governability? Second, which factors have been most important in influencing changes to the KEF's service orientation? Finally, how have these changes influenced the KEF's identity as an employer association?

In answering these questions, we proceed by reviewing the literature linking associations' external activities with questions of associability and governability and, in particular, the problem of 'free riding'. We then review the changing roles of the KEF in Korean industrial relations. In

particular, we examine how changing external influences have encouraged strategic realignments of the KEF's service relationships with its membership.

### **Employer associations: purposes, roles and services**

Multi-employer collective bargaining and political lobbying and representation have been the core or primary 'collective goods' (Olson 1965) that have generated employer association purpose and continuity. Collective goods advance the interests of the employer class as a whole. The advantages of these collective goods flow to those employers who shoulder the responsibilities of association membership as well as to those who choose to remain non-members, and thereby 'free-riders'. As associations are largely dependent on the financial and representational resources that they draw from their memberships, free-riding poses a continuing challenge to associational cohesion, resources and representativeness; their governability and associability (Olson 1965; Traxler 1993; Schmitter and Streeck 1999; Behrens 2003).

Through their political functions, employer associations play a role in representing employers' collective interests in industrial relations and broader labour market issues or lobbying for them. This representation, whether through formal or informal channels, gives employers a collective influence that individual employers find difficult to achieve. In recent decades, 'social pacts' have emerged in some nations as high-level, institutionalised forums for such representation. They involve governments and peak associations of capital and labour and they deal with issues such as income policies, labour market allocation policies and vocational training. Within them, peak employer associations have taken significant responsibility and assumed a high degree of authority to conclude agreements on behalf of the employer class (Vatta 1999; Rynhart 2004).

Running, leading or coordinating multi-employer collective bargaining is the second major collective good that employer associations provide. Through this, employers have been able to collectively escape from union 'whip-sawing' – the strategic, sequential targeting of individual employers by union industrial action (Traxler 2000; 2003b). Multi-employer bargaining through their associations has also helped employers neutralise the intrusion of strong unions in workplace issues and sustain their managerial prerogatives (Sisson 1987). In national-level collective bargaining, employers have been able to improve wage increase predicability and avoid wage competition and threats of strike (Murhem

2003). Statutory provisions for extending collective agreements to non-members, in many European countries, help overcome the challenge of ensuring members' compliance (and governability). They also decrease the advantages of free-riding and hence increase associability as firms prefer to have some influence over the bargaining strategies that will ultimately bind them (Traxler 2003a).

Employer associations face greater difficulties than unions in maintaining cohesion or governability. The nature of employer association membership creates particular complexity and challenge. Put simply, whereas individual members of employee unions are of approximately equal power and resources, this is mostly not the case with employer associations. Employer associations may include member firms that range from the very small to the very large. Further, since employer associations' membership dues structures typically reflect firm size – measured by numbers employed or by assets – the continued membership of large employers has been crucial for associations' finance. However, individual large employers have a greater capacity to exert their own political influence and apply economic resources to achieve their interests alone (Schmitter and Streeck 1999; Traxler 1993). They are, in this sense, competitors in employer associations' own product markets.

An association's membership profile, in terms of size of total membership (and density) and its composition, in terms of size of member firms, together affect its financial resources, its representativeness and access to other power resources. The provision of collective goods alone appears rarely sufficient to attract and retain members in the absence of crises or powerfully perceived threats to employer interests. Therefore, associations have also long provided a restricted range of free or heavily subsidised, standardised services directly to and solely for their members. Schmitter and Streeck (1999) argue that associations, as voluntary associations, need to provide these 'selective goods' (Olson 1965) to reduce free-rider dilemmas. Unlike collective goods that benefit a whole class irrespective of association membership, selective goods are an inducement to and reward for membership. They encourage both associability and governability.

Selective goods mostly fall within or very near core areas of organisational expertise that associations develop through providing collective goods. As Sheldon and Thornthwaite point out (2004: 130), associations can provide these 'by taking advantage of their economies of scale (membership numbers and regular subscription levels) and economies of scope (professional expertise)'. Typical selective goods include

associations undertaking and providing members with the results of surveys and research, provision of other labour market data, advice and consultation regarding regulatory compliance, management training, guidelines for wage bargaining, industrial disputes and judicial procedures. As well, as new management techniques come into fashion, employer associations hold forums and publish material divulging and discussing those approaches. Finally, when members ask them for direct services, associations may provide more customised selective goods (Gladstone 1984; Macdonald 1997; Vatta 1999; Behrens 2003; Rynhart 2004).

In western countries, centralised bargaining regimes have encouraged and reinforced employer associations' focus on providing collective and selective goods. Legislative extension clauses spread the impact of multi-employer collective bargaining across a sector or region, encouraging associability around provision of this collective good. Associations' provision of selective goods reinforces this tendency to associability, counteracting free-riding impulses. Centralised bargaining focuses members' concerns on a narrower range of industrial relations topics, allowing associations to cater for those concerns by economically providing those selective goods. At the same time, it increases costs to associations and their members for failures to manage governability. In this environment, associations have felt little incentive to develop the provision of services beyond the membership-selective goods model towards a fee-for-service model. They have seen themselves as representing members in the public arena rather than selling to clients within a wider private sector of business services (Gladstone 1984: 34).

The trends to decentralised bargaining and neo-liberalism have created challenges and opportunities that have encouraged many associations to reconsider their identity. Large employers have had a higher tendency to associate and remain in associations than small-firms. They are more interested in collective goods than selective goods since large firms are more prone to union militancy but have better research and training centres or special departments for dealing with industrial relations and other regulatory matters included in an association's suite of selective goods (Vatta 1999; Traxler 2000).

Bargaining disaggregation has weakened large employers' need for coordination and cohesion within employer associations. Declining needs among large employers for core collective goods pose a difficult challenge for associations. At the same time, bargaining disaggregation makes many of the narrow range of standardised selective goods less relevant for middle-sized firms further putting associability (and finances) and governability

under severe strain (Traxler 2003b; Sheldon and Thornthwaite 1999a, 2004).

In discussing the situation in western Europe, where there has been limited decentralization of bargaining, Traxler (2003b) argues that employer associations have re-oriented themselves toward product market issues and political lobbying as collective goods. The importance of selective goods has increased and customized service functions of employer associations have become more important than traditionally standardized ways (Traxler 2003b; Macdonald 1997; Behrens 2003).

In Australia, where governments have imposed much greater bargaining disaggregation, some associations have downgraded the priority they give to the provision of selective goods. Instead, these associations have chosen to adopt a third type of good or service - 'elective goods' (Sheldon and Thornthwaite 2004) - which they provide on a commercial, fee-for-service basis to members and non-members alike. However, as associations increasingly move their services from the realm of selective goods into the market for what they call 'client services', they can come to resemble firms more than associations.

In this article, we examine how the KEF has developed its associational identity, in part, through the choices it has made regarding service orientation. This orientation is novel as employer associations have mostly developed in tandem with the development of more centralised bargaining structures (Adams 1995). However, Korea's bargaining structure has been traditionally decentralised: company-level bargaining in large family-owned conglomerates (chaebols) and mostly individualised throughout small and medium-sized firms.

We proceed by analysing the development of the KEF from its foundation in 1970 until the financial crisis in 1997. Our focus is on explaining the KEF's development, over time, of particular combinations of collective and selective goods. The crucial turning point was the dramatic 1987 democratisation upsurge that, in subsequent years, brought widespread changes to Korean society. Later sections examine the impact of the 1997 financial crisis and subsequent economic crisis on chaebols, industrial relations and the KEF and how these effects have continued until recent times. Our focus, once again, is on the KEF's provision of collective and selective goods and those factors that strengthen or diminish the tendency to associability and governability in the KEF. This provides a context for discussion of the KEF's shift towards also providing elective goods.

This case study allows investigation of the choices of an important industrial relations actor and their causal relationships. Our sources are interviews with (five) participants,<sup>2</sup> KEF publications, the KEF website, newspapers, specialist financial media and the secondary research-based literature. Together they allow insight into the decisions made and relevant contextual factors. At the same time, they provide for triangulation that aids review and verification of our data.

## **The growth and crisis of the KEF between 1970 and 1997**

### ***State-guided capitalism, 1970-1987***

In 1970, the Federation of Korea Industries (FKI), the chaebols' collective lobbying channel, established the KEF (then known as the Korean Employers' Association) to specialise in industrial relations. At that time, having strong support from successive military governments, the chaebols were free to pursue their labour cost minimisation strategies and militaristic styles of labour management. Having already squashed more militant, independent unionism, governments and employers controlled what unions still existed, whether at the national level or in workplaces. In particular, they developed a model that involved establishing a 'harmonious' relationship with the subordinated Federation of Korean Trade Unions (FKTU). Beyond this, employers discouraged groups of workers or dissidents by persuasion, physical force, and psychological harassment, ignored agreements resulting from collective bargaining, and sabotaged union organising (Deyo 1989; Ogle 1989; Lie 1998; Lee 2004).

Without a union threat effect, the KEF had no collective bargaining role and little need to lobby pro-business and labour-repressive governments. As governments guaranteed employer control at the workplace, the KEF's representational role was merely to make suggestions to governments regarding their pro-business, legislative agendas. There was no call for the KEF to coordinate collective bargaining and only the weakest incentive to provide lobbying and political representation on behalf of the employer class. As a result, the KEF had no need to and did not develop the capacity to supply those usually crucial collective goods. Instead, the KEF provided its member firms with a very limited range of selective goods such as information on labour markets, labour trends, consultation and research and surveys (*KEF Annual Business Reports 1970-*



1987, KEF 1990; 2000). In the process, the KEF was able to develop expertise and reputation in these areas but, in the meantime, this narrow array of selective goods and the lack of impetus for collective good provision brought the KEF low density levels, low representativeness, a weak financial position and little influence internally or externally.

### **Transformation, 1987-1997**

In the wake of the 'Great Labour Struggle' of 1987, the KEF became increasingly important and active. The rapid growth of an independent labour movement threatened the government as well as employers. In particular, manufacturing workers at large workplaces organised unions and generated a shift to militancy in one part of the labour movement. Broad social pressures for democratisation encouraged the fissuring of past strong connections between chaebols and government. Now, suddenly exposed and vulnerable to the massive upsurge in militant unionism, employers needed stronger operational solidarity. The KEF, having developed professional competence in industrial relations through its quiet decades of providing selective goods, was well placed to take advantage of these needs. In particular, it sought to provide employers with the core collective goods of political lobbying and representation and a coordinated approach to collective bargaining challenges. As a result, KEF membership increased from 295 firms in 1986 to 361 in 1991. In 1989, the KEF formed the Council of Korean Employer Organisation (the CKEO) to strengthen the employer voice to government. While the CKEO was an umbrella body containing a number of employer associations, the KEF controlled its budget and agendas and used it to demonstrate employers' resolution and to augment the KEF's own weak profile before government (*KEF Annual Business Reports 1989-1992*; Yoon, Neungsun 2005).

With the return to repressive government labour policies in the early 1990s, the value of the KEF's core collective goods again declined. KEF activity through the CKEO also gradually diminished as did KEF membership. Middle-sized firms, in particular, became more opportunistic or dropped their membership while the larger firms tended to associate and stay in the KEF. In fact, manufacturing subsidiaries of the 10 largest chaebols were the main contributors to KEF finances, its decision-making and its representativeness (*KEF Annual Business Reports 1990-1997*; *KEF Financial Reports 1990-1997*).

When Kim Young-Sam's government came to power in 1993, its participative labour policies significantly improved the KEF's external status. The association was able to provide a crucial collective good –

class representation, including in tripartite forums. Thus, between 1993 and 1994, as a wage stabilisation policy, the government promoted wage guideline negotiations between the KEF and the FKTU. In 1996, the KEF also became an employer representative to the Presidential Commission on Industrial Relations Reform (PCIRR), representing employers' collective interests in discussions over revising labour laws and negotiating with organised labour.

Of greater longer-term importance, Korea's union movement divided into the FKTU and the Korean Confederation of Trade Unions (the KCTU) in 1995. The former, still an accommodative and modest organisation, mainly consisted of small and mid-sized company unions whose purposes embraced non-confrontational business unionism. On the other hand, the KCTU emerged as a militant, confrontational and explicitly politicised organization formed by large company unions in the chaebols (Bae and Cho 2004; Kim, Keumsoo 2004). As a result, for the first time, the KEF had to meet persistent challenges in both core areas of collective good provision. The FKTU's continued accommodative attitude to the government and employers helped the KEF acquire its external legitimacy as a national centre specialising in industrial relations where it could contribute through representation and lobbying. On the other hand, the KCTU's militancy encouraged the KEF to develop its operational expertise in coordinating or supporting members in collective bargaining and, in the process, helped the KEF develop a degree of cohesion among large firms and its wider membership.

However, divisions within unionism did not affect all chaebol owners in the same way so that the KEF's new-found activism around these core collective goods was still of limited importance. Some influential large employers continued their earlier reluctance to take an active part in KEF activity. In addition to their traditional antagonistic attitudes towards unions, these chaebol owners established enterprise-level industrial relations systems that, if it included collective bargaining, remained independent of KEF activity (Kim and Briscoe 1997:289-9; PCIRR 1998; Lee and Lee 2004). Some chaebols managed to separate their company unions from the independent labour movement or even successfully maintained their non-union strategy (Rowley and Bae 2004:37-8). Further, they kept favourable relationships with political parties (Park 2000). Finally, as they also were often product and labour market competitors, these influential chaebol owners' perceived need for solidarity within the KEF remained limited.

In sum, during this transformation period, large firms' greater tendency to join and stay in the KEF improved KEF finances, density levels and

representativeness. Participative government labour policies significantly improved the KEF's external, representative status and the division of Korea's labour movement helped the KEF improve its external legitimacy and maintain its membership. However, some influential large employers maintained their reluctance to be involved in industrial relations outside their firms, thereby limiting the KEF's ability to coordinate members' heterogeneous interests and those of employers more broadly.

## **Economic crisis and recovery: KEF service diversification**

### ***Crisis, chaebols and government***

After the 1997 financial crisis, Korea faced enormous pressures from inside the country and abroad to change its traditionally successful model of development. This system, widely viewed for many years as a success story worthy of study and emulation, suddenly received a litany of accusations about its inherent structural weaknesses: crony capitalism, weak corporate governance, lack of a transparent financial system and labour market rigidity. These criticisms did not abate as the financial crisis created a broader economic crisis from the beginning of 1998 until August 2001. Many companies, including the second largest chaebol, Daewoo, went bankrupt or suffered severe financial difficulties as a result of the economic crisis that followed hard on the financial one (IMF 1998; Corsetti *et al.* 1998; Jwa and Yi 2001; Lim, W. 2003).

However, already prior to the financial crisis, Korea's traditional developmental system had been undergoing transformation into a more pluralistic and market-based one. Facing demands for neo-liberal restructuring, the Kim Dae-Jung government forced a series of painful changes onto the various social actors during the economic crisis. To symbolically balance its anti-labour labour market policies, the government established a tripartite commission that once again elevated the KEF's profile and gave it a more active role (Lim S.H., 2002:137-46; Yoo, Bumsang, 2004:181-185).

Kim was a long-time critic of chaebols and hostile to their dominating influence in politics and business. His government pressured the chaebols to improve their corporate governance and transparency and to concentrate on core businesses at the expense of their expansive conglomerate reach. He particularly wanted the five largest and most powerful chaebols to rationalise their core businesses through a series of asset swaps.

Nevertheless, the most influential chaebols managed to resist many of the government's policies. They maintained control over their webs of affiliates and sold off loss-making businesses rather than rationalise their holdings according to governmental plans. At the same time, they expanded their levels of overseas investment and employment while attempting to maximise their numeral flexibility within Korea by layoffs, increased use of contingent and atypical workers and strengthening particular HRM techniques. Although each chaebol adapted to changes to their external environment in their own ways, the main chaebols also expanded their investments in IT businesses (Kim, H.R. 2001:67; Crotty and Lee 2002; Cherry 2003; Song and Lee 2005).

### **Economic crisis and Korean industrial relations**

During the economic crisis, when the KEF as a class representative of large employers participated in discussing and negotiating labour matters within a tripartite commission, its external status rose greatly (KTC 2003). Yet, the waves of corporate collapse and crisis induced a significant membership decline in the KEF. As well, the KEF, which had been extremely dependent on large firms' membership dues, also experienced its own financial problems, consistently recording deficits between 1998 and 2001 (*KEF Annual Business Reports* 1998-2002; KEF financial reports 1998-2002).

Under Kim, government labour market policy-making provided new challenges for the KEF. Kim encouraged employers' demands for greater flexibility in their use of labour by sanctioning widespread layoffs and the rising use of dispatch employees. At the same time, it attempted to improve some labour rights and strengthened the very limited social safety net in response to the radical rise in unemployment (*Korea Herald* 20 March 1998; *Hankyung* 18 November 2000; *Seoul Economic Daily* 4 January 2001; Hur, J. J. 2002; Jeong, I. 2004:489-91). The FKTU and KCTU responded very differently to the government's pro-employer labour flexibility strategies. True to its traditions, the FKTU took a more cooperative or opportunistic approach. Participating in the Korea Tripartite Commission (KTC), the FKTU succeeded in delivering member unions' interest on a few regulatory matters. However, its compromising attitude resulted in membership decline (Bae and Cho 2003; 2004; Kim and Kim 2003:362; Lee and Lee 2004).

In contrast, the KCTU maintained its strategy of militant struggle. It called general strikes and initiated and supported member unions' strikes,

but failed to stop widespread layoffs and the government's neo-liberal restructuring. For its part, Kim's government repressed strikes and imprisoned hundreds of unionists when workers collectively resisted attacks upon employment standards (Martin et al. 2004; Crotty and Lee 2002; Chang and Chae 2004). Militancy brought the KCTU rising membership. In order to strengthen solidarity across its member company unions, the KCTU attempted to transform itself through a shift from enterprise unionism to industrial unionism. Although a number of KCTU industrial unions emerged, the KCTU's plan to develop an industry-level bargaining system failed, not least due to employers' hostile resistance (Kim and Kim 2003; Bae and Cho 2004; Lee and Lee 2004).

### **KEF collective and selective goods in a changing context**

As an association that had concentrated on representing large employers, KEF involvement as a peak employer association in the Korea Tripartite Commission (Commission) brought it improved external status and a stronger organisational identity. Although delivering an important collective good through political representation, it was able to improve both its associability and governability. Within the Commission, the KEF made effective choices in response to the government's labour policies and union activity. First, in early 1998, after achieving employers' collective interests through government support for layoffs and employee dispatch, the KEF stymied discussion of pro-labour issues, including for a reduction of working hours and the rights of public servants to organise, bargain and act collectively. In response to both increasing KCTU threats of a general strike and favourable government gestures, the KEF strategically withdrew from and later returned to the Commission in a manner that prevented the government from initiating pro-labour issues (*Korea Times* 16 April 1999; *Kyunghyang Shinmoon* 28 July 1999; KEF Annual Business Report 1999).

Second, it was able to bargain successfully with the FKTU regarding important and contentious issues for employers. As many of its chaebol members faced accommodating FKTU company unions or were non-union and feared the intrusion of the KCTU, the KEF reached an agreement with the FKTU in 2001 over the strongly-felt issues of paying full-time union officials and multiple unionism at the enterprise level (Cho, Nam-Hong 2006; Lee, Dong-Eung 2006; Kwon, Soo-Duck 2006).

Third, during the 2000 general election campaign, political parties pledged to immediately reduce the working week to five days. In response,

the KEF attempted to barter seven pre-conditions, including a holiday entitlement, into the statutory working hour reduction from 44 to 40 hours. Through discussions and negotiations within the Commission, the KEF was able to delay the immediate introduction of the government's bill for a five-day workweek until after the 2002 presidential election (KEF Annual Business Reports, 2000-2002). Until 2002, it was therefore able to achieve, to a large degree, its goal (*Hankyoreh* 18 May, 24 July 2002; *Chosun ilbo* 3 June 2002; *Korea Times* 23 July 2002, 6 September 2002; 30 October 2002; *Hankyung* 12 December 2002).

Contrary to employers' expectations, pro-labour Noh, Moo-Hyun won the 2002 presidential election. As some representative chaebols introduced the five-day workweek unilaterally or through collective bargaining from 2003, the 2002 government bill became the lesser evil for the KEF. The KEF urged the National Assembly to pass the government bill and lobbied political parties accordingly (*Hankyoreh*, 6, 7 August 2003; *Korea Times* 22 April, 21 July 2003, 12 August 2003; KEF Annual Business Report 2003). Finally, in 2003, the National Assembly passed the bill. In sum, the KEF's representation and negotiation approaches within the Commission and its lobbying externally succeeded in delaying the statutory working hour reduction and in weakening several labour conditions.

Alongside its rapidly deepening provision of collective goods, the KEF expanded its portfolio of selective goods. It maintained existing membership services such as information on labour market trends, other research, surveys, consultation, training, diffusion of HRM techniques and advice on responding to union threats. The KEF also provided members with guiding principles for collective bargaining that explained how to develop strategy in response to unions' demands. In addition, it expanded its provision of information to include guidelines on wage increase patterns, use of irregular work force and the introduction of performance-based payment systems. The KEF published regular periodicals, including *Monthly Newspaper*, *Monthly Management World*, *Annual Labour Economy* and *KEF Quarterly Review*. These regular periodicals dealt with labour market trends, contemporary labour issues and KEF activity. In addition, the KEF published irregular periodicals that mainly included cases on labour matters, wages and employment and labour laws of other countries (*KEF Annual Business Reports* 1998-2003).

### **A new role for the KEF? Elective goods**

Alongside its traditional selective goods, the KEF developed a new

distinctive service format in response to the rapid growth of internet businesses in Korea. After the 1997 financial crisis, with massive government support, many emerging and existing firms developed internet-based employment relations businesses, including for HRM techniques, wages and personnel evaluation programmes. In response, KEF planned to develop a portal website on a commercial fee-for-service basis specialising in personnel and labour management advice and information. Since most firms had HRM departments, KEF staff thought that the KEF would be able to generate commercial returns through offering this organisational expertise as a marketable service to members and non-members alike.

Contrary to these staff visions for elective goods, the KEF's full-time executive directors wanted to use the website to deliver traditional selective goods. Despite the KEF's immediate financial difficulties, they therefore prioritised associability and the longer-term over revenue raising. Since it was important for the KEF to recruit and retain member firms, the KEF leadership chose particular combinations of traditional selective goods and elective goods that would not create discord among existing members (Cho, Jae-In 9 May 2006).

Technological development allowed innovative delivery of collective as well as selective and elective goods. For example, from an early stage, the KEF used a total e-mailing system to provide, simultaneously, selective goods including the KEF newsletter, labour trends, labour laws and research reports. Further, in response to unions' active use of the internet, the KEF used this medium for a core collective good – divulging to public opinion and the media (and hence government), employers' arguments. For example, it selected 14,000 opinion leaders nation-wide and electronically sent them *The KEF Industrial Relations Comment* to promote public opinion favourable to employer interests (*KEF Annual Business Report* 2001:48-51:186-7, 2002:53-6; 2003:61-64; *Hankyung* 16 January 2001; *Financial News* 5 February 2003; *Cheil Economic Daily* 5 February 2003).

However, between 2001 and 2003, development of this KEF portal website stalled because of high costs and lack of budget. The KEF heavily scaled back its original plan and, in 2005, opened a reduced portal website, KEFPLAZA. Through KEFPLAZA, the KEF has been able to provide a limited range of services differentiated between member firms and non-members. A person or individual firm can join the portal service and gain basic information such as labour news and labour market trends. However, they have to pay a fee for any publication that the KEF sells. Individual firms become members of KEFPLAZA, not of the KEF.

For KEF member firms that have paid membership dues, the association has developed a free premium service that includes on-line consulting as well as the free-provision of KEF publications. Through this portal site, the KEF has been able to provide faster membership services and plentiful information, and to save on costs (*KEF Annual Business Report 2005*; Cho, Jae-In 8 March 2006).

In sum, at this stage, the portal website has functioned to reinforce KEF provision of collective goods, to provide a fuller range of selective goods more quickly and directly and to offer some elective goods to members and non-members alike. It is clear that the KEF leadership strategically chose a set of services and activities that generated a particular organisational profile and identity. It has, in this way, combined traditional membership and new customer-related services through which it hopes to boost associability and governability.

## Conclusion

As has been common for employer associations in the West, the KEF has developed its profile, identity and activities in response to threats from two main challenges to employer power. The first has been unionism – whether the growth and spread of unionism or periods of union militancy. The second has been governments more sympathetic to labour demands or, at least, to pluralist industrial relations. However, unlike examples in the West, these challenges were not apparent at the birth of the KEF or during its early years.

Our analysis explains how the absence, emergence and persistence of these challenges facing the KEF also flowed from quite different underlying environmental stimuli. Those stimuli have been economic and political. The strongest economic stimuli have been rapid industrialisation and economic growth and, more abruptly, the crisis years from 1997 to 2001. The most important political stimuli have been the presence of military dictatorship or democracy, and the tensions associated with the contesting of each and the passage from one to another.

The KEF developed in an era of military dictatorships during which it did not need to provide its members with traditional collective goods: leadership in collective bargaining, political representation and lobbying against threatening legislation. Instead, most unusually, the KEF began by focusing on providing selective goods to members. During the period to 1987, its governability was of little concern and, despite its small membership, associability was also not a crucial issue. KEF membership



from chaebol affiliates was sufficient to maintain its low level of activity and that activity was sufficient to keep that membership relatively stable.

The democratisation of Korean society, particularly from 1987, generated the institutional challenges to employer power that required a united response and the provision of collective goods through the KEF. As membership increased under these challenges, the KEF responded by developing its capacities and profile as a representative of its members and of employers as a class. Subsequent shifts in the economic and political environment, including after the 1997 financial crisis, consolidated the more important roles that the KEF began to play and the broader range of services that it provided. Importantly, the two wings of the union movement, FKTU and KCTU, each provided particular opportunities for the KEF to raise its profile, broaden its activities and attract and engage members. Thus, Korea's political economy finally provided the two traditional incentives generating employer association associability and governability in Western countries. In Korea, they took the form of the more uncertain relationships that chaebols and the KEF had with governments and these diverging patterns of union behaviour.

Despite membership losses and financial problems during and after the 1998-2001 economic crisis, the KEF maintained or reinforced its organisational profile as a voluntary association representing the class interests of (large) employers. Through its provision of core collective goods, in the political and collective bargaining spheres, the KEF continued to represent employers' collective interests and negotiate with other parties within, for example, the Tripartite Commission. As well, the KEF continued to provide a portfolio of selective goods for its membership. Further, to strengthen its service provision, it opened the portal website for promoting better and faster communication with its members.

Opening of the portal website offered the KEF an opportunity to experiment with developing and offering elective goods – fee-for-service products and services. After some internal disagreement over how far this experiment should go, the decision to provide a modest array of elective goods to members and non-member clients indicated that the KEF leadership was not prepared to risk the organisation's long-developed identity as a representative voice of Korea's large owners of capital in exchange for potential financial gains from outside its walls.

Three main factors help explain why the KEF leadership has decided to reinforce this identity in recent years. Union militancy appears to be the root explanation. Militant unionism supplies the continuing class challenges to employers that engender that sense of common identity and

purpose. Thus, the militant KCTU unions and their struggles in the face of massive layoffs have kept large employers focused on their needs for solidarity and voice through the collective goods that the KEF can offer them.

Second, government programs can help employer associations engender and maintain their identity. For example, the Kim government's anti-chaebol policies fostered defensive cohesion among large employers in order for them to maintain control and ownership over their conglomerate businesses. This helped the KEF develop both its associability and governability. In addition, in establishing the Tripartite Commission, that government also elevated the representative role of the KEF and, at the same time, provided a forum within which the association had the responsibility for representing collective interests of (large) capital.

Third, the associations' high dependence on large firm membership inhibited any shift away from a traditional associational profile. The KEF mainly consisted of large companies and is extremely dependent on their membership dues. Large firms look to associations for the collective goods that they can provide. They neither need nor seek elective goods that they can largely provide in-house. Any shift in organisational identity towards becoming a commercially-oriented, business services provider would have threatened the KEF's ability to focus on those core collective goods. As Traxler (2000) argues, large firms have a greater tendency to associate than small ones and, realising this, the KEF leadership showed reluctance to risk this valued associability by moving towards a 'business' identity. Instead, the KEF reinforced members' awareness of its collective and selective goods through the portal website.

## Notes

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