Organizing Independent Contractors in South Korea: A Case of Insurance Solicitors Unionizing

Jik-Soo Kim

Abstract
The purpose of this study is to understand limitations and possibilities of organizing independent contractors by focusing on insurance solicitors in South Korea. Among various types of precarious employment, insurance solicitors are an exemplar case of independent contractor jobs in Korea. According to the narrow interpretation on the employment relationship by the courts, the labor standard law does not treat insurance solicitors as workers. And, most of insurance solicitors are not affiliated with labor unions. As a result, insurance solicitors are outside labor protections. Under this context, insurance solicitors attempted to organize their own union—Korean Insurance Agents’ Union (KIAU) in the early 2000s, and turned it into a branch of Korean Finance and Service Workers’ Union (KFSWU) in 2004. However, the KIAU lost its membership rapidly since the mid-2000s and has failed to revitalize itself until now. So, in this study, the author focuses on the changes in the employment structure behind the growth of the insurance industry in the private sector and the reason why union organizing of independent contractors was not successful.

Keywords
Insurance solicitors, independent contractor, union organizing

Since 1997 economic crisis, the Korean insurance industry in the private sector has experienced steady growth, passing through a slight recession. In the background of this growth, there is externalization of cost and diversification of insurance services at the enterprise level on the one hand. And on the other hand, there are some institutional factors such as the introduction of “bancassurance” and medical privatization policy of the government. Management costs and labor costs of large companies passed on to individual workers and small businesses.

Major companies are externalizing the costs associated with fluctuations in demand and financial market through passing the risk of volatility in the financial markets to consumers by introducing equity linked life insurances. In addition, since the economic crisis, the ratio of the agency and solicitor (independent contractor) of insurance sales have increased sharply compared with the size of directly employed workers of the insurance companies.

In this way, the insurance industry in the private sector has made the growth through the externalization of risks, but the problem surrounding such as employment and working conditions of

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independent contractors has not been solved. Under awareness of the issues, in this study, the author focuses on the changes in the employment structure behind the growth of the insurance industry in the private sector, and the reason why union organizing of independent contractors was not successful.

**ORGANIZING NON-REGULAR WORKERS**

Union organizing is influenced by the intention to join the union of the individual worker, and is also influenced by openness of union to the workers (Riddell 1993; Peetz 1998). There may be no significant difference in the intention of joining union between regular workers and non-regular workers. But in most cases, there are differences in the openness. For example, when non-regular workers try to join the union mainly composed of regular workers, the union has little incentive to make effort to organize non-regular workers. On the other hand, when a union mainly composed of regular workers provides non-regular workers same benefits by collective agreement, non-regular workers have little incentives to join the union, or to establish separate union.

There are also some institutional factors affecting the union organizing of non-regular workers. First, the degree of centralization of collective bargaining and the legal system that are related to labor relations and social welfare are closely related with union organizing. Second, general political environment such as influence of the progressive political parties is also crucial. Third, attitude to unionism and labor market policy of the government affect various aspects of union organizing (Yoon 2002). So the Korean unionism, especially “democratic” (progressive) unions have focused on improvement of the legal system, changes in the labor policy of the government, and strengthening political forces of the working class.

But there are some arguments that emphasize internal cooperation and solidarity is more important than the external structural factors. First, in conjunction with the effects of non-regular workers’ experience of frustration and discontent, some insists that the stronger experience of discrimination in terms of wages and working conditions is related with more needs of representation (H.-W. Kim, Lee, and D.-J. Kim 2006).

Second, even if the same non-regular workers, possibility of union organizing is very different depending on the employment type. In the case of temporary agency workers, dual employment relationship makes it difficult to set the goal for non-regular workers and the existing union. For example, a union of dispatched workers may get into the conflict of choice between stabilizing organization and struggling for regularization.

But, in the case of directly employed non-regular workers, there are little controversial issues (Gallagher and Sverke 2005).

Third, if the kind of job between regular workers and non-regular workers was different, and skill gap was large, the possibility that both coexist without conflict would be high. On the other hand, if the skill level and the kind of job between regular workers and non-regular workers were similar, the possibility that the interests of regular workers conflict with non-regular workers would be high (Olsen 2006; Jin and Kim 2007). In other words, the possibility of regular workers’ union to help organizing of non-regular workers also would be weak.

Fourth, regular workers’ union can support actively organizing of non-regular workers when it belongs to the union system of industrial-level than if they belong to the company-union system. Enterprise union may be a barrier of including non-regular workers within industrial relations (Gallagher and Sverke 2005; Jung 2003; Kim et al. 2006; Sohn 2004). In particular, the “democratic” unions emphasize that the common class interest has a tendency to support
organizing of non-regular workers (Jung 2003; Cho 2008). They would reduce the risk burden in the process of organizing.

Fifth, the presence of strong leadership, or support from outside forces like civil society in the first attempt to organize union has positive effect on successful organizing of non-regular workers (Degiuli and Kollmeyer 2007; Von Hippel et al. 2006). It is very important in Korea because the government and most corporations show hostility to unionism in Korea.

DIFFICULTIES OF ORGANIZING INDEPENDENT CONTRACTORS

Almost all solicitors of insurance industry in the private sector are independent contractors. They are wage workers in real, but still not legally in Korea. It is very hard to organize independent contractors. And there are mainly three factors. First, because their non-worker legal status, union establishment itself is limited and organizational power may be discharged rapidly. Second, insurance solicitors take business contract, not employment contract. So, insurance companies always take the initiative in mutual relation. Third, individualized character of labor process of independent contractors makes it difficult to organizational unity of the workers.

RESTRUCTURING AND GROWTH OF THE INSURANCE INDUSTRY IN THE PRIVATE SECTOR

Under the initiative of the government, restructuring of the insurance industry began with the suspension of business of four life insurance companies (Kukje, BYC, Taeyang, and Korea). After the close down in 1998, 13 life insurance companies and a non-life insurance company are ousted by 2003. Since economic crisis, major acquisition process of life insurance companies is as follows (see Table 1 and Table 2).

Ratio of total premium income per GDP (gross domestic product) is an index that is used to verify the size of the insurance industry. Looking at the changes, we can see that after 1997 economic crisis, the ratio fell to the level of 9% and recovered again as the restructuring has been carried out (see Figure 1).

In the background of growth after the mid-2000s, there is medical privatization policy promoted by Roh administration. It is designed to favor the interests of large insurance companies (Shin 2009; Song 2012). In this context, sale of indemnity insurance of life insurance companies was also allowed by Lee administration in 2008. Another factor of growth is the rise of equity linked life insurance. It has become a main type, which passes risks associated with fluctuations in the financial markets on to consumers (Lee and Baek 2012). Ratio of premium income through selling equity linked life insurance per total premium income grew rapidly after 2004.

Expansion of equity linked life insurance is also related with the introduction of “bancassurance”, which is a system of banks to be able to sell insurances as a kind of agency. It was first introduced in 2003 and fully acceptable in 2007. Expansion of equity linked life insurance and introduction of “bancassurance” mean that the restructuring of the insurance industry reached the breaking point.

CHANGES IN THE EMPLOYMENT STRUCTURE OF INSURANCE INDUSTRY

The growth of the insurance industry in the private sector after mid-2000s was done not only through passing the risk on to consumers, but also through the externalization of labor costs. If we examine the long-term changes in the employment size of the insurance company, this trend appears more clearly. Competition with foreign insurance companies is also one of the factors of such changes (see Figure 2).

If we focus on the trend of more recent, since the
Table 1. Number of Life Insurance Companies and Non-Life Insurance Companies

<table>
<thead>
<tr>
<th>Year</th>
<th>Life insurance</th>
<th>Non-life insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>31</td>
<td>14</td>
</tr>
<tr>
<td>2000</td>
<td>21</td>
<td>13</td>
</tr>
<tr>
<td>2003</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>2006</td>
<td>21</td>
<td>16</td>
</tr>
</tbody>
</table>

1998-2003

<table>
<thead>
<tr>
<th>Ousted</th>
<th>M&amp;A</th>
<th>Incorporated</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>

Note: M&A—Mergers and Acquisitions.

Table 2. Major M&A (Mergers and Acquisitions) in Insurance Industry (1998-2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>Korea → Allianz/BYC → Kyobo/Kukje → Samsung/Taeyang → Heungkuk</td>
</tr>
<tr>
<td>1999</td>
<td>Doowon → Daehan</td>
</tr>
<tr>
<td>2000</td>
<td>Chosun → Hankook → Hyundai/Dong-A → Kumho</td>
</tr>
<tr>
<td>2001</td>
<td>Samshin → Daehan</td>
</tr>
<tr>
<td>2002</td>
<td>S&amp;HC incorporated</td>
</tr>
<tr>
<td>2003</td>
<td>Daeshin → Nokshipja</td>
</tr>
<tr>
<td>2004</td>
<td>Hanil → KB</td>
</tr>
<tr>
<td>2005</td>
<td>Cardiff → SH&amp;C/SK → Mirae Asset</td>
</tr>
<tr>
<td>2006</td>
<td>Luckey → LIG</td>
</tr>
<tr>
<td>2008</td>
<td>Hana → Hana-HSBC/LIG → Woori-Aviva</td>
</tr>
<tr>
<td>2009</td>
<td>AIG → AIA/SH&amp;C → Cardiff</td>
</tr>
<tr>
<td>2010</td>
<td>Kumho → KDB</td>
</tr>
</tbody>
</table>

Note: There was no major M&A in 2007.

Figure 1. Changes in Insurance Penetration as Proportion of GDP in Korea.
mid-2000s, we can see that the number of regular workers exhibits a relatively gradual change. But the number of independent contractors shows fluctuation in response to the boom and recession of insurance industry. Insurance industry became more sensitive to economic fluctuations, and this means that employment and income of insurance solicitors are being more instable as the insurance solicitors are to absorb the variation in demand for insurance.

Now we can see the jobs like managerial work or technological work mainly consist of regular workers, on the contrary, selling and call centre work mainly consists of non-regular workers like fixed-term workers or independent contractors (see Table 3 and Figure 3).

Another feature of the life insurance industry after restructuring is that the number of agencies has been increasing rapidly compared with the directly operated stores. This shows that since the mid-2000s, diversification of sales channels (including “bancassurance”) of the insurance companies has been made. Especially, the number of agencies and solicitors decreased rapidly after 2008 financial crisis. And this was also due to externalization of the employment by large insurance companies.

WORKING CONDITIONS OF INSURANCE SOLICITORS

The main jobs of insurance solicitors are collection of premiums and the recruitment of new customers. The average number of customers that one solicitor manages is about 200 people. And low retention rate can be a reason of disadvantage or dismissal while it is criteria which have been enhanced recently in particular, especially in major life insurance companies.

In the case of solicitors, wages is in the form of compensation for solicitation. And the wage gap among solicitors is very large. Some get over 10 million won a month, but other gets under a million won. But the result of 2011 KFSWU (Korean Finance
Table 3. Proportion of Non-Regular Workers in Insurance Industry (2011)

<table>
<thead>
<tr>
<th></th>
<th>Regular workers</th>
<th>Fixed-term workers</th>
<th>Independent contractors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial and clerical</td>
<td>83.2%</td>
<td>15.5%</td>
<td>1.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Info-tech staff</td>
<td>70.7%</td>
<td>27.7%</td>
<td>1.6%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Selling</td>
<td>16.0%</td>
<td>8.2%</td>
<td>75.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Call centre</td>
<td>14.3%</td>
<td>85.3%</td>
<td>.4%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Figure 3. Number of Agencies and Company-Operated Stores.

Table 4. Monthly Wage and Working Hours Per Week in Insurance Industry

<table>
<thead>
<tr>
<th></th>
<th>Regular workers</th>
<th>Fixed-term workers</th>
<th>Independent contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly wage (10,000 won)</td>
<td>437</td>
<td>221</td>
<td>204</td>
</tr>
<tr>
<td>Weekly working time (hours)</td>
<td>42.2</td>
<td>41.7</td>
<td>46.3</td>
</tr>
</tbody>
</table>

and Service Workers’ Union) survey shows that average monthly wage of insurance solicitors is about 2.0 million won which is smaller than regular workers’ 4.4 million won or fixed-term workers’ 2.2 million won. Weekly working time is also very long. Weekly working time of regular workers recorded 42.2 hours, and that of fixed-term workers recorded in 41.7 hours while that of insurance solicitors recorded 46.3 hours. Solicitors whose retention rate is low suffer from discrimination and the excessive stress. These are closely related with high turnover with solicitors (see Table 4).

Insurance solicitors are also excluded from labor rights and legal protection. According to the narrow interpretation on the employment relationship by the courts, the labor standard law does not treat insurance solicitors as workers. And, most of insurance solicitors are not affiliated with labor unions. As a result, insurance solicitors are outside labor protections.
UNION ORGANIZING OF INSURANCE SOLICITORS

In the financial sector, it has not been displayed union organizing of the non-regular workers, and also, the improvement of treatment and the elimination of discrimination of non-regular workers have not been salient (Cho 2006; Lee 2011). Unions of the financial industry sector mainly consist of regular workers, have focused on the improvement of treatment through the collective agreements, rather than organizing of non-regular workers. But in the insurance sector in the early 2000s, there was active union organizing of insurance solicitors across the country. Insurance solicitors attempted to organize “their own” union—Korean Insurance Agents’ Union (KIAU) in the early 2000s, and turned it into a branch of KFSWU in 2004. However, the KIAU and insurance solicitors’ branch of KFSWU have lost its membership rapidly since the mid-2000s, and have failed to revitalize itself until now.

Early Days: Korean Insurance Agents’ Union

Union organizing of insurance solicitors was started by Seoul Women’s Union (SWU) in 2000. As the membership grows in size and scope, members of solicitors’ branch separated from SWU and established KIAU. It was successful at the beginning. At that time, union organizing of non-regular workers was active, and especially some unions of independent contractors got legal status. But after several months, KIAU was notified by the Ministry of Labor and after several months by the Supreme Court that the union could not get legal status for ambiguity of solicitors’ working status. After continuing activity regardless of lack of legal status for about three years, KIAU joined KFSWU.

In these days, insurance solicitors’ union has experienced a serious reduction in their membership. There were severe assaults on KIAU and their members, especially by major insurance companies like Daehan, Kyobo, Samsung, etc. Organizational practices of enterprise union which members and activists of KIAU could not overcome, making them more vulnerable to such assaults. After all, the number of members of solicitors’ union decreased from about 3,000 in year of 2000 to about 300 in year of 2006, and to about 30 in recent.

Failure to Revitalize: Days of Korean Finance and Service Workers’ Union

When insurance joined KFSWU, activists of branches and headquarter of the federation were prone to support non-regular workers or to cooperate with activists who represent non-regular workers. Approaches to regularize non-regular workers or improve working conditions of non-regular workers through collective agreement appeared since the early 2000s. However, such attempts have limitations that they cannot solve core problem. Collective agreement centered approach is applied only to directly employed workers like fixed-term workers, and attempts to regulate outsourcing were focused more on employment stability of regular workers than organizing and empowering non-regular workers. Activists of branches and headquarter cannot afford to support organizing insurance solicitors or to fight against institutional barriers such as legal status. As a whole, revitalization of solicitors’ union proved to be failed.

WHY REVITALIZATION OF SOLICITORS’ UNION FAILED

The failure might be attributed to some external and internal factors. External factors include the denial of worker’s status by the courts, the absence of labor market regulation by the government, and crack down on union activities by major insurance companies like Samsung. Internal factors include the absence of strategic approach on the side of the industrial union (KFSWU), individualized job characteristics of
insurance solicitors, and heterogeneity of the working conditions between regular workers of insurance companies and insurance solicitors.

First of all, insurance solicitors and their union have experienced difficulties because they have not been recognized as wage workers legally. Korean courts have not recognized insurance solicitors as workers. Also, legislation through the National Assembly has made no notable progress with the depression of progressive workers’ parties. Jumped on this situation, major insurance companies have been laid off core union activists involved in the establishment of union under the excuse of the cancellation of the contract. However, the problem is not only legal status. Because of job characteristics, insurance solicitors always work alone and work outside the office. In addition, entry barriers are very low, and turnover rate is high. There is also a competitive atmosphere closely related with compensation system. Consequently, developing a collective identity among insurance solicitors is not easy.

In recent attempts to re-organize insurance solicitors, the role of industrial union is a crucial factor. Some programs turning non-regular workers into regular jobs are implemented by the KFSWU through collective agreements; however, the union focused on directly employed non-regular workers, like fixed-term workers. Moreover, the KFSWU’s strategic and long-term support was not given to insurance solicitors, because of its internal constraints and the lack of preparation.

Although large parts of KFSWU members are (regular) workers of insurance industry, strategic attempts of the federation to organize insurance solicitors have not been actively carried out. Because the commission for insurance solicitors is paid from the budget of the insurance company, many regular workers who are members of KFSWU consider that their interests conflict with that of insurance solicitors. A result of survey carried by KFSWU also confirms this situation (see Table 5).

To develop strategic attempts to organize insurance solicitors, KFSWU participated the first phase of strategic program for union organizing initiated by Korean Confederation of Trade Unions (KCTU). But KFSWU could not conduct any campaign due to internal conflicts and the lack of sufficient preparations. Since 2011, participating the second phase of KCTU program, KFSWU even changed the main target from insurance solicitors to call centre workers. It is seemingly a rational choice. Work organization of call centre is more bureaucratic, compared with “entrepreneurial” organization of insurance solicitation. Call centre workers work in more collectivized environments, while insurance solicitors work alone, mainly outside the office. Also, most call centre workers are directly employed fixed-term workers, while almost all of insurance solicitors are independent contractors. But union organizing of call centre workers has been failed. One of the reasons may be the lack of access to call centre workers’ own social network.

### Table 5. KFSWU Representatives’ Opinion About Organizing Non-Regular Workers

<table>
<thead>
<tr>
<th>Representatives of KFSWU branches (2011)</th>
<th>Organizing non-regular workers is difficult under current conditions</th>
<th>We would accept non-regular workers if they wish to join the union</th>
<th>We would try to organize non-regular workers proactively</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agree</td>
<td>Disagree</td>
<td>Total</td>
</tr>
<tr>
<td>Frequency</td>
<td>34</td>
<td>20</td>
<td>54</td>
</tr>
<tr>
<td>Percent</td>
<td>63.0</td>
<td>37.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
CONCLUSIONS
Among various types of precarious employment, insurance solicitors are an exemplar case of independent contractor jobs in Korea. Since the 1997 crisis, the private insurance industry has been growing steadily. However, the market risk has been shifted on to workers by employment externalization as well as to consumers by introduction of variable insurance scheme. But most of insurance solicitors were not affiliated with labor unions, and they were outside labor protections.

At the same time, union organizing is influenced by a series of factors. They include the legal and political environment, attitude of the government and corporations to unionism, workers’ experience of frustration and discrimination, employment type, access to union, regular workers’ support, leadership etc. Moreover, it is very hard to organize independent contractors because of their non-worker legal status and individualized character of labor process.

Union organizing of insurance solicitors also related with all these factors. It was successful just at the beginning, but declined soon. And attempts to revitalize for several years were also not successful. This failure might be attributed to some external and internal factors. External factors include the denial of worker status by the courts, the absence of labor market regulation by the government, and assaults on union activities by major insurance companies like Samsung. Internal factors include the absence of strategic approach on the side of the industrial union, individualized job characteristics of insurance agents, and heterogeneity of the working conditions between regular workers of insurance companies and insurance agents.

Finally, some implications of this study are as follows. Union activists and organizers related with independent contractors must reduce discords between regular workers and independent contractors. And they also have to integrate the inside differences among independent contractors. In addition, for union organizing of independent contractors, the government is the most important counterpart. Solving the legal status problem is needed to prevent, and to achieve this goal, solidarity among independent contractors is needed.

References


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