

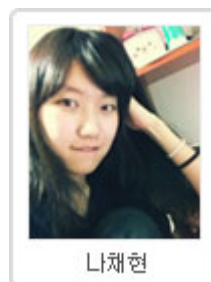
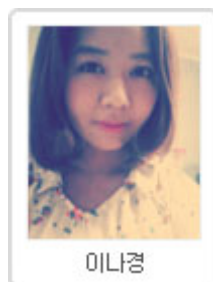
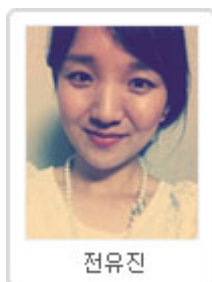
# Title : 아시아 관점에서의 한국 경

## 영과 관리 Lecture 21

**Instructor:** 신만수

**Institution:** 고려대학교

**Dictated:** 전유진, 이나경, 나채현, 김하림



- 🔊 **[00:00]** The first one would be the labor related issues in Korea, so we will talk about labor market in general.
- 🔊 **[00:15]** Also the some specific issues are discussed in Korea, such as minimum wage system also think of we cover some other labor related issues.
- 🔊 **[00:33]** Second big topic for today would be human resource management.
- 🔊 **[00:40]** So when you look at the company, there are two sizes of HRM in fact.
- 🔊 **[00:47]** The first part maybe deal with factory workers, labors, right?
- 🔊 **[00:54]** So we need to look at how to manage factory workers, industrial relations.
- 🔊 **[01:02]** And of course, the other would be dealing with white color worker.
- 🔊 **[01:07]** HRM issues which will be discussed in the second part should address the issues relating to white colors, right?
- 🔊 **[01:19]** So I tried to bring some of the issues discussed in Korea regarding

HRM.

- 🔊 **[01:28]** Of course, during the lecture if you have any question, you can ask question anytime.
- 🔊 **[01:37]** So let me start with the overall labor market in general in Korea.
- 🔊 **[01:49]** Of course, we will look at kind of historical development of labor market shortly, but I think one of the major concerns for any country to achieve economic development is to make sure the country can have enough supply of human resources.
- 🔊 **[02:14]** How could one country get enough supply of human resources.
- 🔊 **[02:19]** That is very critical issue.
- 🔊 **[02:21]** What happen to Korea?
- 🔊 **[02:23]** How would Korean government or Korean industry will able to get access to enough human resources?
- 🔊 **[02:32]** Well, in terms of quantity of labor, we didn't have much problem in 1960s, 1970s.
- 🔊 **[02:43]** Number one, population was rising fast during those days, right?
- 🔊 **[02:51]** The annual population increase rate was I think over 2%, which would be considered as high population growth rate, and also many people who used to live in rural area they move to urban cities like Seoul, Busan, Incheon.
- 🔊 **[03:17]** So you see many people migrated from rural to urban areas.
- 🔊 **[03:21]** So the factories they didn't have any problem in hiring many new young workers that time.
- 🔊 **[03:30]** Now, another issue would be improve the quality of labor.
- 🔊 **[03:36]** What happen to Korea to improve quality of labor?
- 🔊 **[03:41]** That was not a really big issue in case of Korea because everybody wanted to get a university degree, high school diploma.

- 🔊 **[03:51]** That has been long tradition of education in Korea, maybe due to cultural factors, Confucianism.
- 🔊 **[04:03]** Maybe one of those cultural factors, right?
- 🔊 **[04:08]** According to the teaching of Confucius, humans suppose to make every effort to learn something.
- 🔊 **[04:21]** In reality, going to college is really big deal for everybody in Korea, even today.
- 🔊 **[04:32]** Why would it be so important to get university degree in Korean society?
- 🔊 **[04:40]** We've been talking a little bit when we talked about educational system weeks ago.
- 🔊 **[04:50]** Practically, if you graduate from college, your wage level would be much much higher than people who have only high school diploma.
- 🔊 **[05:02]** The company compensation skill is based on the educational background whether you graduate middle school, high school, or college.
- 🔊 **[05:15]** That would make big difference in company payment real practical reason.
- 🔊 **[05:23]** What about social implications?
- 🔊 **[05:26]** Getting a university diploma or university degree?
- 🔊 **[05:33]** Suppose... you want to find a good partner, thinking about marriage?
- 🔊 **[05:44]** Especially, sorry, arranged marriage?
- 🔊 **[05:51]** The match maker... the first question match maker would ask what is your educational achievement?
- 🔊 **[06:01]** Did you graduate college, did you get masters, did you get only high school diploma that would be probably the first question they would ask, right?
- 🔊 **[06:12]** Also educational achievement is considered as social status symbol.

- 🔊 **[06:21]** There are so many PhDs in Korea as you know.
- 🔊 **[06:27]** Why do they want to make every effort to get PhDs?
- 🔊 **[06:32]** Of course, many people they are interested in discipline they started, but some of them they were pushed to study more and more by family members.
- 🔊 **[06:46]** Some of them would like to get PhD to get a social recognition, especially I'm talking about some businessmen these days, very successful businessmen.
- 🔊 **[07:01]** They don't need PhD, but they are very much interested in getting PhD. Why?
- 🔊 **[07:07]** Other people may pay respect if they have PhD in Korea.
- 🔊 **[07:12]** It may not happen that way in other country, such as Europe or United States.
- 🔊 **[07:21]** So anyway, the education... the strong demand for the education, I think help to improve quality of labor at the macro level.
- 🔊 **[07:35]** Here I bring about some a bit outdated statistics 2003, 74% of high school students end up having college degree.
- 🔊 **[07:51]** Look at the number today this would go up to 80%, 79% to 80%, which is very high level compared with other countries.
- 🔊 **[08:05]** Japan culturally very similar to Korea, but less than 50% of high school students go to college.
- 🔊 **[08:16]** You see quite difference between Japan and Korea in terms of the educational payment whatever.
- 🔊 **[08:27]** U.S the 63%. I checked some statistics.
- 🔊 **[08:35]** Can you image which country has the highest number in the world?
- 🔊 **[08:45]** Which country... in which country do you think lots of college student?
- 🔊 **[08:52]** Korea actually is number 8 or 9.

- 🔊 **[08:58]** Number 1 country is Australia.
- 🔊 **[09:04]** Australia, New Zealand, Portugal.
- 🔊 **[09:10]** In case of Australia, 89% of high school are going to college.
- 🔊 **[09:22]** OK, now we see each other.
- 🔊 **[09:27]** Can you hear my voice?
- 🔊 **[09:30]** If you can't hear my voice, please raise your hand.
- 🔊 **[09:36]** Oh, good good! Only one student can't hear my voice.
- 🔊 **[09:40]** Move to the second slide here showing us various indicators.
- 🔊 **[09:48]** So, for example, Korea they have about less than 49 million people if you look at the first low, right?
- 🔊 **[10:01]** And the population growth rate today is very low like 0.25 compare with 1970s more than 2%, 2.21, right?
- 🔊 **[10:17]** See big difference between 70s and today and population of 65 more than 10% today.
- 🔊 **[10:30]** And actually this ratio would go up to almost 30% in near 2050.
- 🔊 **[10:39]** So we will see Korean society is getting older and older in terms of population demographics.
- 🔊 **[10:46]** Now, what about other statistics like a... unemployment rate?
- 🔊 **[10:57]** Well, there are ups and downs showing unemployment rate, but roughly I think 3 to 4% that range, and currently about 4.3%
- 🔊 **[11:11]** This is the statistics in March 2011.
- 🔊 **[11:17]** 3 to 4% of unemployment which is not that bad.
- 🔊 **[11:29]** How about share of employment in terms of industry if we divide up into three categories like agriculture sectors, manufacturing sectors, service sectors?

- 🔊 **[11:40]** Now which sectors would have the majority of employment today in Korea? Manufactory? Service?
- 🔊 **[11:52]** About three quarters of employment in Korea is in service sectors.
- 🔊 **[12:00]** What service sectors are we talking about here?
- 🔊 **[12:04]** There are different kinds of service sectors like a construction, real estate, banking, the educational service, many consulting, many types of service sectors, retailing, logistics, transportation.
- 🔊 **[12:25]** Those kinds of service sectors are growing have been growing.
- 🔊 **[12:30]** And relatively speaking, manufactory sectors are having less share of employment over time.
- 🔊 **[12:41]** Working hours.
- 🔊 **[12:42]** How many hours do they work every week?
- 🔊 **[12:46]** Working hours per week.
- 🔊 **[12:49]** If you look at the trend they used to work longer hours, 52 hours per week.
- 🔊 **[12:58]** 52 hours per week that means maybe 8 hours, 8 to 10 hours every day for 6 days.
- 🔊 **[13:12]** This is the average.
- 🔊 **[13:14]** So some people may have to work 14 hours, especially at the factory level.
- 🔊 **[13:20]** They are kind of force to work more than 12 hours.
- 🔊 **[13:25]** But nowadays, only 42 hours.
- 🔊 **[13:31]** Of course we expect that this level would decrease over time because many Korean companies they are doing their business only 5 days as you may know.
- 🔊 **[13:47]** So This will be much, much lower over time.

- 🔊 **[13:54]** Wages have been increasing.
- 🔊 **[13:56]** Real wage change except this period.
- 🔊 **[14:02]** Real wage has been increasing.
- 🔊 **[14:06]** And of course, this year may be another exception.
- 🔊 **[14:11]** Overall wage have been increasing.
- 🔊 **[14:14]** Productivity also increasing, right?
- 🔊 **[14:19]** Trade unions, lots of unions, trade unions these days in Korea about 10% of workers are members of unions.
- 🔊 **[14:33]** We will talk about that issue later.
- 🔊 **[14:36]** How about industrial disputes?
- 🔊 **[14:38]** This is the cases of industrial disputes looks like the overall much less industrial disputes than before.
- 🔊 **[14:50]** If you look at period like late 1980s, sometimes the number of dispute is more than one thousand or two thousands very difficult times.
- 🔊 **[15:05]** But nowadays very kind of peaceful period in terms of labor management relations.
- 🔊 **[15:13]** That's a kind of a big picture of labor market environment.
- 🔊 **[15:22]** Alright! Okay, move on.
- 🔊 **[15:26]** Now we see from this slide, there are maybe four distinctive stages of labor market development.
- 🔊 **[15:36]** So this is the first stage, second stage.
- 🔊 **[15:40]** Maybe the first stage would be up to mid 1970s.
- 🔊 **[15:45]** In the second stage would be up to 1987 when you know the Seoul Olympic game happened.

- 🔊 **[15:59]** I think that was actually 1988, right?
- 🔊 **[16:02]** And then, the financial crisis came in 1997, so that would be another period and then after the financial crisis.
- 🔊 **[16:14]** If you look at the first stage and second stage, of course, first of all we need to look at three indicators.
- 🔊 **[16:24]** Real wage trends which would be this.
- 🔊 **[16:29]** Labor productivity which would be thicker line and the number of employments.
- 🔊 **[16:37]** Now, if you look at the number of employment in the long... if you look at long term trend, that has been gradual increase.
- 🔊 **[16:45]** But In stage three and four, the number of employment was not that significantly increasing, it states at certain level. Why?
- 🔊 **[17:02]** Number of employment was not increasing rapidly unlike the first and second stage.
- 🔊 **[17:18]** Now in the first and second stage, if you look at Korean industry, many industry were labor intensive industry which requires a lot of new labor's input.
- 🔊 **[17:30]** But if you look at this stage, Korean industry has to be more capital intensive as opposed to labor intensive.
- 🔊 **[17:40]** So they don't need any additional labor supply.
- 🔊 **[17:46]** So perhaps that could be one reason why we don't see any significant increase in employment, and of course many Korean companies, especially after financial crisis, they went abroad.
- 🔊 **[18:05]** They set up their new factories in another country as opposed to inside Korea.
- 🔊 **[18:13]** There would be less needs to hire many workers, right?
- 🔊 **[18:17]** Now, in contrast, if you look at labor productivity, what happen?
- 🔊 **[18:26]** This is the labor productivity. What happen?



- 🔊 **[18:29]** That has been sharp increase in labor productivity. Why?
- 🔊 **[18:41]** Education, the quality of labor has improved that could be one factor.
- 🔊 **[18:49]** Obviously in a capital intensive industries, the labor productivity would be probably much higher than in labor intensive industries maybe due to the change of industrial structures.
- 🔊 **[19:08]** Of course, the quality of labor was improved during this time could be another reason.
- 🔊 **[19:19]** Real wage has been steadily rising, interestingly not even today.
- 🔊 **[19:28]** I'm talking about stage four.
- 🔊 **[19:30]** The real wage is still rising.
- 🔊 **[19:35]** Although the labor productivity is rising faster, still real wage is rising. Why?
- 🔊 **[19:46]** Why do you think in the third stage real wage was rising faster than labor productivity in the third stage?
- 🔊 **[20:00]** This is the real wage, and this would be labor productivity.
- 🔊 **[20:05]** What happened in those periods?
- 🔊 **[20:09]** We are talking about period between 1987 to 1997.
- 🔊 **[20:23]** If you read the materials, you probably noticed that there have been very active labor movement during this period, especially in 1987 with the democratic movements in Korean society.
- 🔊 **[20:47]** Many labor unions were organized.
- 🔊 **[20:47]** They tried to have strong demand towards their management, and they were able to get concessions from the management.
- 🔊 **[21:03]** Probably that's why the real wages have been rising more quickly than labor productivity those days.

- 🔊 **[21:19]** Alright, so move on.
- 🔊 **[21:27]** Look at this chart.
- 🔊 **[21:29]** Wages in Korea has been rising much, much faster than any other countries.
- 🔊 **[21:37]** Look at Japan, our neighboring country, Japan.
- 🔊 **[21:42]** This is Japan, right?
- 🔊 **[21:44]** Labor wages in Japan was not increasing actually.
- 🔊 **[21:49]** Stage at the same level were in case of Korea, that has been sharp increase after the financial crisis 1998 to 2005. U.S.
- 🔊 **[22:06]** This is U.S., right?
- 🔊 **[22:09]** U.K. would be in the middle.
- 🔊 **[22:15]** I think the wage increase.
- 🔊 **[21:19]** Actually, this mate sharp increase in wages may some Korea firms less competitive in international market, especially companies and labor intensive sectors such as shoe making industry, textile industry.
- 🔊 **[22:47]** They lost their international competitiveness due to this.
- 🔊 **[22:53]** So many textile firms, they either had to close their factories or they had to move to another country, move their factories to another country like China, Vietnam or Indonesia.
- 🔊 **[23:13]** Another factor why they have been sharp increase in wages would be related to change in industrial structures.
- 🔊 **[23:25]** There are many I think of less capital intensive those days, now we have heavily...
- 🔊 **[23:31]** Now we have heavily capital intensive industry such as IT sectors, automobile sectors, and usually those sectors require more wages and that could be another reason. Yes.
- 🔊 **[23:52]**(Student Speaking)

- 🔊 **[23:56]** 2004? I think probably, I haven't checked, but I suspect that, there has been quite high level of inflation.
- 🔊 **[24:10]** I know that in this period, if you look at the real estate, there is sharp appreciation of real estate.
- 🔊 **[24:19]** So obviously from the worker's point of view, or employee's point of view, they demanded more wages, salaries to make up rising price of condominiums.
- 🔊 **[24:35]** Inflation has to do something with this high wages as well.
- 🔊 **[24:44]** Alright. Let's talk about a little bit on minimum wage, and obviously the minimum wage would be to protect the workers, not related to white collars.
- 🔊 **[25:03]** Basically, they tried to... the government tried to protect poor, low class labor workers.
- 🔊 **[25:14]** Actually the idea of minimum wage system was discussed about 23 years ago, actually 25 years ago, 1986.
- 🔊 **[25:31]** And the law, 'minimum wage act' was started in 1988.
- 🔊 **[25:41]** But, of course, the law was not implemented overnight.
- 🔊 **[25:45]** It took time to well implemented. It took 13 years to fully implemented.
- 🔊 **[25:59]** So if you look at the brief history of minimum wage system, in Korea, this was the beginning, so when the law was first introduced, the law was applied to manufacturing companies which hire 10 or more people.
- 🔊 **[26:26]** But overall, as time goes, you see wider coverage.
- 🔊 **[26:31]** So today, every business, they should observe this minimum wage law.
- 🔊 **[26:41]** So the coverage is 100 percent.
- 🔊 **[26:46]** All the businesses, they should provide minimum wage to their employees.

- 🔊 **[26:52]** This law is also applied to foreign employees.
- 🔊 **[27:00]** There are about almost 1 million foreign employees in Korea, usually they are working in very labor intensive sectors, having very low wages.
- 🔊 **[27:11]** But they are entitled to get minimum wages, no matter where they work in Korea.
- 🔊 **[27:23]** There are some exceptions.
- 🔊 **[27:25]** For example, if you're running small family business and the employees are basically your family members, then you don't have to stick to minimum wage law.
- 🔊 **[27:37]** So there are some exceptions but other than that, the employer should provide minimum wage to the employees.
- 🔊 **[27:48]** How much? What is the level of minimum wage?
- 🔊 **[27:52]** This is kind of a statistic over the last few years.
- 🔊 **[27:58]** So today, we are in 2011, the hourly rate set by the government is 4320 won per hour, which could be translated into 34,000 per day, if you work 8 hours.
- 🔊 **[28:20]** It's about 30 dollars, a day, which maybe very less than European standard, compared to European countries and American... north American countries.
- 🔊 **[28:37]** But I think it's kind of a big achievement, in case of Korea.
- 🔊 **[28:43]** For example, in year 1965, about 46 years ago, the average factory worker earned 50 won, five zero won per hour.
- 🔊 **[29:10]** No, no, 50 won per day and what could they buy with 50 won that time?
- 🔊 **[29:20]** At that time, 짜장면, you know 짜장면?
- 🔊 **[29:27]** 짜장면 which is very popular dish, Chinese dish in Korea at that time, even today, cost about 30 won.

- 🔊 **[29:37]** So buy working 13 hours, you may earn less than 2 짜장면 dish.
- 🔊 **[29:46]** That was the situation; I'm talking about mid-1960s.
- 🔊 **[29:53]** Today, it's about 30... even higher number, sure there has been an improvement.
- 🔊 **[30:03]** I'm sure this will increase over time.
- 🔊 **[30:07]** If you translate this number in a monthly bases, I think this will be about 900,000 won.
- 🔊 **[30:18]** What is the regular... average regular salary in Korea? For all the workers in Korea?
- 🔊 **[30:28]** About 2.7 million won per month, 2.7 million won.
- 🔊 **[30:34]** So if you just get minimum wages, your income level will be not a 1/3 of average income of Korean workers of today.
- 🔊 **[30:48]** Of course that's not enough to support the families.
- 🔊 **[30:58]** Alright, [31:00] I briefly touch the point, would be middle aged unemployment.
- 🔊 **[31:07]** I think that is a growing issue in Korea.
- 🔊 **[31:13]** [31:13] many people in Korea, especially people in the 40s and 50s, they lose job stability and sometimes they may be laid off in early 40s.
- 🔊 **[31:30]** So a lot of mid aged Koreans worry about losing jobs.
- 🔊 **[31:35]** Especially if you happened to be employed in small, medium sized companies.
- 🔊 **[31:41]** Sometimes they can fire you without much, earlier notice.
- 🔊 **[31:49]** So that could be a big problem.
- 🔊 **[31:53]** Look at this information. This one shows number of unemployment, right?
- 🔊 **[32:02]** Look at the long term trend, what happened?

- 🔊 **[32:06]** There seems to be upward trend, which means the number of unemployed in their 40s and 50s are increasing.
- 🔊 **[32:22]** That's the issue in Korea and the government tried to help those mid-aged, unemployed persons through various measures.
- 🔊 **[32:43]** One of the [32:43] one by one, just to give you some ideas.
- 🔊 **[32:49]** From the... suppose if you hire many middle aged people, what would be kind of a concern as an employer?
- 🔊 **[33:03]** These people, you've been hiring for 20 years, 25 years, and because of the seniority based premium system, their salary levels have been rising for years.
- 🔊 **[33:21]** What about productivity, job productivity?
- 🔊 **[33:25]** Their job productivity may not increasing proportion to their income level or salary level.
- 🔊 **[33:34]** So according to one study, just to give you one idea, people under age 34, another group would be people after the age 55.
- 🔊 **[34:06]** Payments rise almost 3 times. In other words, the company may have to pay 3 times more than this group.
- 🔊 **[34:20]** In terms of productivity, about 70 percent.
- 🔊 **[34:27]** So from the employers' perspective, there is a high cost for these people even though these people have been working for long period of time.
- 🔊 **[34:40]** So one possible solution, in dealing this kind of issue would be peak wage system.
- 🔊 **[34:51]** I'm sure you have heard that term, peak wage system.
- 🔊 **[34:56]** What that means is, the companies, they can kind of guarantee job stability, but in return, the employees, they may have to take lower salary, salary cut, perhaps maybe salary cut by 5 % or 10%.
- 🔊 **[35:16]** So that is kind of a thing the government try to persuade those management and laborer.

- 🔊 **[35:24]** So many companies are experimenting this kind of salary, the peak wage system in Korea.
- 🔊 **[35:32]** This is something new in Korea. I heard that many European countries, other countries are implementing this kind of ideas.
- 🔊 **[35:41]** But we never had this kind of profits, so this is kind of new measure.
- 🔊 **[35:48]** According to one statistics, about 6% of Korean companies, which have more than 100 employees, initiated this peak wage system so far.
- 🔊 **[36:03]** But I'm sure there may be more companies who could join this peak wage system in Korea.
- 🔊 **[36:14]** So the idea is very simple.
- 🔊 **[36:16]** After the company, for example, if the company maintains existing employees who happen to be over 55, the government will provide some support, like 600,000 won per year, for 5 year period.
- 🔊 **[36:35]** That kind of little incentive scale is arranged by the ministry of labor, to encourage the company to have, continue to have employment for old people, or middle aged people.
- 🔊 **[36:53]** Alright, I brought probably briefly, explain those five measures.
- 🔊 **[37:05]** Now, this is the situation.
- 🔊 **[37:07]** Some people, I'm 55, middle aged workers who remain in the work force after this moment.
- 🔊 **[37:19]** There are two other groups.
- 🔊 **[37:22]** Some people who had been laid off, for the middle aged, unemployed.
- 🔊 **[37:30]** Some middle aged workers who may be laid off in a short period of time.
- 🔊 **[37:37]** So there may be 3 different groups.
- 🔊 **[37:41]** For each group, we can come out probably different ideas to give us this issue.

- 🔊 **[37:48]** So for example, for the first group, one idea would be to low employment cost.
- 🔊 **[37:58]** So as I briefly explain, peak wage system could be good idea.
- 🔊 **[38:04]** So you can have, you can maintain these people maybe 2 years longer than expected, or let these workers get involved in some sort of training so that they can get new skills.
- 🔊 **[38:23]** Unfortunately in case of Korea, less than 10% of workers who are over 50 are involved in training.
- 🔊 **[38:35]** But if you look at comparable statistic in some European countries, for example, Denmark, more than 40% of their counterparts are involved in training.
- 🔊 **[38:49]** So looks like it may be in need, for the mid-aged Korean workers to get involved in more training, to get more skills, technologies training.
- 🔊 **[39:01]** For these people, what should government do?
- 🔊 **[39:07]** Probably, the government needs to find some kind of jobs, suitable for these people.
- 🔊 **[39:15]** What kind of job would be suitable?
- 🔊 **[39:25]** Maybe simple administrative job, or maybe some simple service jobs in medical centers and maybe they can take care of senior citizen, home care services, things like that.
- 🔊 **[39:40]** So the government is trying to designate certain jobs reserved for this kind of people.
- 🔊 **[39:47]** These jobs may be mainly for people who would be over 50, 45 or something, to encourage employment.
- 🔊 **[40:01]** For these people, the government could provide many new information about new possible jobs.
- 🔊 **[40:09]** So when they were laid off, they can easily find out new job opportunities.
- 🔊 **[40:18]** Those kind of things could be done through government service.



- 🔊 **[40:27]** More specific discussion would be on your optional reading, on the optional reading week 7, you can learn more, right?
- 🔊 **[40:43]** Alright, the next issue, labor union related issues in Korea.
- 🔊 **[40:58]** Who are the main players in labor union movement today in Korea?
- 🔊 **[41:08]** We could think of two big players, the first party would be labor unions themselves.
- 🔊 **[41:15]** There are two major, national level labor unions in Korea, the first would be the federation of Korean trade unions, this is the main national level trade unions in Korea, which was started in 1946.
- 🔊 **[41:38]** But there is another labor union, KCTU which was established in 199... I think 5 or 1996.
- 🔊 **[41:50]** Korean federation of trade unions, in Korean language this is 한국노총 and the second one is 민주노총.
- 🔊 **[42:00]** They are two major branches of trade unions, and of course, they are bit different in terms of their orientation.
- 🔊 **[42:09]** What are the differences between the two trade unions?
- 🔊 **[42:14]** And of course there's a huge organization, if you look at these numbers, many small unions participate under KFKTU of KCTU.
- 🔊 **[42:32]** Which one is more militant in dealing with this labor issues?
- 🔊 **[42:38]** This one or this? I'm sure Korean student would know.
- 🔊 **[42:44]** This one has been more militant, more confrontational in dealing with labor issues. Whereas this one has more probably milder trade unions.
- 🔊 **[43:05]** So this is one party, right, union.
- 🔊 **[43:08]** Who'd be the second place labor relations?
- 🔊 **[43:15]** The management association. There are two important management associations in Korea.

- 🔊 **[43:22]** The first one would be the federation of Korean industries and the second one is the Korea employers' federation.
- 🔊 **[43:31]** In Korean terms, this would be 전경련. I'm sure you, Korean students know.
- 🔊 **[43:38]** And this one would be 경영자 총연합회, something like that.
- 🔊 **[43:44]** Federation of Korean industry, who are the main members of this?
- 🔊 **[43:50]** Basically, 재벌, big 재벌 would be part of the federation of Korean industries.
- 🔊 **[43:59]** And 재벌 and small medium sized firms are also participating in the second organization, the Korea employers' federation.
- 🔊 **[44:11]** About 4000 firms are participating in this.
- 🔊 **[44:16]** So there are two important partners, players.
- 🔊 **[44:19]** There's one more, which would be the government, ministry of labor.
- 🔊 **[44:27]** The government is also actively participating in the negotiation, right?
- 🔊 **[44:35]** So tri-party... I forgot the specific word, tri-party system, OK?
- 🔊 **[44:45]** Government, labor union, and employers' association, they are the three main actors.
- 🔊 **[44:53]** Alright, first of all, labor unions, they are active today, but in 1960s, 1970s, many labor unions were perceived as something negative.
- 🔊 **[45:18]** They didn't get good recognition.
- 🔊 **[45:22]** Why? During 1970s, you know that there was a dictator, president 박정희.
- 🔊 **[45:32]** President Park's regime always tries to suppress labor movement and sometimes, any labor movement was perceived as destabilizing social harmony, perceived as benefiting North Korea.

- 🔊 **[45:58]** So conveniently, many activists were perceived as communist living in South Korea.
- 🔊 **[46:06]** So that was kind of typical perception in those days.
- 🔊 **[46:16]** I can briefly go over...I can skip this...
- 🔊 **[46:22]** Maybe I need to mention this person, Mr. 전태일.
- 🔊 **[46:34]** He was a labor, he was working in a small garment sweat shop in 평화 market.
- 🔊 **[46:44]** 평화 market is near to 동대문.
- 🔊 **[46:49]** There were probably hundred of small sized garment sweat shops in 평화 market at that time.
- 🔊 **[46:58]** He was one of the labors.
- 🔊 **[47:02]** What happened was, in, I think probably mid 1960s, he learned that there was a law relating labor... relations.
- 🔊 **[47:19]** There was a current law “labor standard act” in Korea.
- 🔊 **[47:25]** So he started that law but what he observed from his company or other companies nearby, most of employers they did not observed, the rules and regulations of that law, “labor standard act”.
- 🔊 **[47:43]** So what he was, he formed a kind of organization among labor workers and started the labor laws, tried to push his ideas to the employers without success, of course.
- 🔊 **[48:00]** So eventually, he staged a big kind of demonstration in the street, and of course the police came in, and the government intervened, and there were many people arrested.
- 🔊 **[48:16]** And suddenly, in the middle of demonstration, he burned himself.
- 🔊 **[48:22]** He committed a suicide to show that the labor condition is so poor in Korea at that time.

- 🔊 **[48:32]** Just to show, to express himself.
- 🔊 **[48:36]** So he became kind of catalyst for labor movement.
- 🔊 **[48:42]** It's a sad story... in 1970.
- 🔊 **[48:50]** I'm sure this is the mother of Mr. Jeon.
- 🔊 **[48:53]** Ms. Lee, Soseon who has just passed away, right?
- 🔊 **[48:57]** Probably weeks ago.
- 🔊 **[49:03]** Another interesting incident in 1970s is... what they call "YH Trade".
- 🔊 **[49:15]** YH Trade is the name of a company which used to export wig, human hair, right?
- 🔊 **[49:23]** And this company was making lots of money until mid 1970s.
- 🔊 **[49:31]** But after mid 1970s, somehow they could not sell many wigs outside, and suddenly the workers of this factory are organized union.
- 🔊 **[49:46]** And they demanded, the union members demanded the law to the management.
- 🔊 **[49:51]** And the management decided to close down the factory.
- 🔊 **[49:56]** I think that was the early 1979.
- 🔊 **[50:02]** So what happened was, hundreds of... I think these are the female workers of YH Trade.
- 🔊 **[50:09]** They gathered together and they demonstrated, they staged a big demonstration in front of the minority party building.
- 🔊 **[50:23]** There were two parties, majority party and minority party.
- 🔊 **[50:27]** So they went to the building, the minority party building to... ensure...
- 🔊 **[50:35]** They were hoping that the leader of politicians of minority party would help them.

- 🔊 **[50:40]** What happened?
- 🔊 **[50:42]** After three days of demonstration, the police swarmed in.
- 🔊 **[50:48]** And they arrested, and you know that these people, they tried to escape.
- 🔊 **[50:54]** But unfortunately, one lady died during that process.
- 🔊 **[50:59]** That triggered lots of anti-government demonstration later.
- 🔊 **[51:06]** It's another big event in the labor history in Korea.
- 🔊 **[51:12]** But the major change, I think, happened in 1987 when the President Roh announced the democratic... the policy on June 29<sup>th</sup>.
- 🔊 **[51:31]** So since then, labor movement had been more active than before.
- 🔊 **[51:38]** So let's look at this.
- 🔊 **[51:42]** In 1987, what happened?
- 🔊 **[51:44]** President Roh announced the democratic movement policy.
- 🔊 **[51:52]** And since then, there has been a huge increase in labor movement.
- 🔊 **[51:58]** So the number of labor disputes in 1987 is almost 3,500.
- 🔊 **[52:08]** So during this period it's kind of turmoil, right?
- 🔊 **[52:12]** It has been antagonistic relation between labor workers and the management.
- 🔊 **[52:19]** The number of days lost has been rising as well, you can see.
- 🔊 **[52:29]** But what happened?
- 🔊 **[52:33]** If every citizen experience all kinds of labor demonstration every day.
- 🔊 **[52:41]** Up to now, many people were kind of sympathetic to labor unions.

- 🔊 **[52:47]** They knew that workers were sacrificed for a long period of time.
- 🔊 **[52:52]** They didn't get enough share of benefit, resulting from economic developments.
- 🔊 **[52:58]** But if you experience so many inconvenience every day due to strikes.
- 🔊 **[53:06]** People think different otherwise.
- 🔊 **[53:11]** So many people especially taxi drivers.
- 🔊 **[53:14]** Sometimes they hate demonstrations.
- 🔊 **[53:16]** After big demonstrations in downtown area, they could not do their business.
- 🔊 **[53:23]** Shop owners, if there are so many demonstrations every day, they could not open the store.
- 🔊 **[53:31]** So the initial sympathy, I think has gone at two or three period.
- 🔊 **[53:43]** So, today what happened?
- 🔊 **[53:49]** These labor unions were able to... establish themselves as a strong political power base.
- 🔊 **[54:00]** So five members of Parliament from Korea Democratic Labor Party.
- 🔊 **[54:09]** So now they are able to make their own political party.
- 🔊 **[54:14]** And some Korean people supported this party especially people living in some industrial cities like Pohang, Woolsan, right?
- 🔊 **[54:28]** You see high popularity of this Korea Democratic Labor Party in those areas.
- 🔊 **[54:34]** So they are gaining some momentum but we don't know what to expand.
- 🔊 **[54:40]** They can increase their voice, we will need to see.
- 🔊 **[54:46]** All right, so just to give you a brief update, in terms of labor

disputes, the number of labor disputes.

- 🔊 **[55:03]** Compare with 1980s or early 1990s, very peaceful years, less than 100, in case of 2010.
- 🔊 **[55:14]** So I think everything seems to be quiet smoothed these days in terms of labor relations.
- 🔊 **[55:26]** OK, lastly, quick question to you.
- 🔊 **[55:32]** What are the main reasons, what have been the main reasons for strikes?
- 🔊 **[55:38]** What did they demand in case of Korea?
- 🔊 **[55:42]** What would be popular reasons for strikes?
- 🔊 **[55:54]** Underpaid salary, wages.
- 🔊 **[55:58]** I think wages would be very important reason, right?
- 🔊 **[56:03]** Sometimes wages which are not paid for six months long.
- 🔊 **[56:10]** So workers would be very angry if they don't get paid for six months, right?
- 🔊 **[59:16]** Unpaid wages, would be very important reason for strikes some cases especially in small, medium sized firms what are the reasons?
- 🔊 **[56:30]** Sometimes workers would like to have a better working conditions, they would like to have a better wage benefit.
- 🔊 **[56:40]** So many reasons would be practical, I think reasons, wages, workin conditions.
- 🔊 **[56:47]** Like other countries, of course, but sometimes there is a quiet different reason like this.
- 🔊 **[56:57]** Solidarity with other company.
- 🔊 **[57:01]** Workers are happy about their wage levels, their working conditions but sometimes the want to show solidarity with other company.

- 🔊 **[57:13]** And it's why they ran a big strike.
- 🔊 **[57:16]** From different kind of regions, initially I think the main reason would be rage related matters.
- 🔊 **[57:24]** But over time, you may see wide different regions for labor strikes.
- 🔊 **[57:34]** All right.
- 🔊 **[57:36]** So why don't we take a short break and come back, maybe 10 minutes break and we can come back about human resource management issues.
- 🔊 **[57:47]** The second session will be on HRM, human resource management.
- 🔊 **[57:56]** We will talk about issues relating to white collar workers as opposed to blue collar workers.
- 🔊 **[58:03]** If you look at this slide, we can easily understand there has been a big change in Korean human resource management system right after the financial crisis.
- 🔊 **[58:16]** So we have two types of system.
- 🔊 **[58:22]** This would be probably Traditional HRM verses New HRM.
- 🔊 **[58:27]** But I'm sure that in your readings, a lot of things are kind of over emphasized... so I will explain what that means.
- 🔊 **[58:40]** Now first of all, let me ask students, to you, in terms of business goals and objectives, what have been very important dominant business objective for long period of time, for Korean firms?
- 🔊 **[59:00]** Especially Korean 재벌, the large Korean firms.
- 🔊 **[59:03]** What have been very important business objectives, goals?
- 🔊 **[59:08]** What did they tried to achieve?
- 🔊 **[59:12]** Number one, the primary goal?
- 🔊 **[59:20]** (Student Asking) Do you have big... diversification and the



portfolio... [59:22] to a lot of companies.

- 🔊 **[59:25]** Why did they want to diversify to wide different area, why?
- 🔊 **[59:34]** Diversification itself means the ultimate goal, they will say.
- 🔊 **[59:40]** (Student Asking) One way to reduce risk?
- 🔊 **[59:43]** Reduce risk?
- 🔊 **[59:45]** (Student Asking) I think Korean companies diversifying in order to increase total sells by earning dollars, exports.
- 🔊 **[59:57]** OK, increase sells?
- 🔊 **[60:01]** I think one very important, the mental objective was growth.
- 🔊 **[60:09]** They wanted to be bigger and bigger in size.
- 🔊 **[60:12]** The growth has been very important objective for Korean firms for long period of time.
- 🔊 **[60:19]** And even today, they want to be bigger and bigger, right?
- 🔊 **[60:23]** Now for typical western firms, the primary business objective for typical western firms has been what?
- 🔊 **[60:36]** Profit, profit, profit, right?
- 🔊 **[60:40]** Profit maximization.
- 🔊 **[60:41]** And of course if you look at in the long run, achieving high growth would result in high profit.
- 🔊 **[60:50]** But at least in short term, or in medium term, they may be trade off between growth and profit.
- 🔊 **[60:57]** So I will say, probably before the financial crisis, many Korean firms were hoping to be bigger in size.
- 🔊 **[61:07]** That's very important goal.
- 🔊 **[61:10]** But after the financial crisis, they realized that the growth [61:15]

may not be that relevant anymore.

- 🔊 **[61:19]** We need to change.
- 🔊 **[61:20]** So they are more profit orient.
- 🔊 **[61:23]** But I think still many Korean firms are very much interested in growth as opposed to profit.
- 🔊 **[61:33]** Now, maybe I could ask any Chinese students... we want to learn what would be very important business objectives for Chinese firms these days?
- 🔊 **[61:50]** The large Chinese firms?
- 🔊 **[61:51]** Anybody would like to make some comments?
- 🔊 **[61:55]** (Student Asking) I think the most important is profit.
- 🔊 **[61:59]** (Student Asking) They want profit and the growth...you said that growth is also very important.
- 🔊 **[62:06]** (Student Asking) They want to make the firms bigger and bigger in size, what's more, they also want to make... famous brand?
- 🔊 **[62:18]** OK
- 🔊 **[62:18]** (Student Asking) [?62:19] are important.
- 🔊 **[62:22]** So you think the profit is the very important objective for many Chinese firms?
- 🔊 **[62:28]** (Student Asking) Yes.
- 🔊 **[62:31]** Can you give me any example, any Chinese firms which are very much eager to make profit?
- 🔊 **[62:40]** (Student Asking) Maybe...
- 🔊 **[62:44]** We would like to learn from your case.
- 🔊 **[62:51]** (Student Asking) Maybe, the Lenovo, the computer brand, they, yes... they have the company very successful in making profits and also they

pursue famous brands... internationally.

- 🔊 **[63:15]** (Student Asking) They want to make international influence.
- 🔊 **[63:20]** International brand recognition in case of Lenovo?
- 🔊 **[63:25]** The very important business objective, right?
- 🔊 **[63:28]** So it... maybe different depending on type of firms.
- 🔊 **[63:36]** There are different types of Chinese firms state owned verses private owned, large verses small, medium sized firms... domestic verses foreign subsidiary, things like that?
- 🔊 **[63:49]** So there could be different objectives but from what you say here, many large Chinese firms like Lenovo, they are very much interested in profit.
- 🔊 **[64:03]** Assuming that they have grown already, to certain level.
- 🔊 **[64:14]** After the company has grown to certain level, I'm talking about status of fortune 500 levels.
- 🔊 **[64:25]** Then the company would like to have profit, making profit.
- 🔊 **[64:30]** That profit motivation could be more important than growth.
- 🔊 **[64:36]** But if you have not reached that stage, if you have not reached fortune 500 company, then I'm sure many Asian firms would interested in growing.
- 🔊 **[64:47]** So the growth could be more important.
- 🔊 **[64:50]** All right, thank you.
- 🔊 **[64:52]** Now, let me ask another question to you... you have read materials?
- 🔊 **[65:00]** There has been a lot of discussions, to contrast traditional verses new HRM, right?
- 🔊 **[65:10]** So, what are the typical characteristics of traditional HRM system in Korea?

- 🔊 **[65:22]** You can mention about some particular aspects like a recruitments, or selections, or training, promotion, or whatever, anybody?
- 🔊 **[65:40]** What are the characteristics of traditional HRM system in Korea?
- 🔊 **[65:48]** Let's say, recruitment.
- 🔊 **[65:53]** Yes, Yeonsu, can you get the microphone?
- 🔊 **[65:57]** (Student Asking) Yes, about selecting the new employees, Korean companies usually have a strong preference of... about the connection between their family members, university members or the other connection to...
- 🔊 **[66:09]** OK, so family connections, university ties, right?
- 🔊 **[66:16]** That's quiet true.
- 🔊 **[66:17]** For example, many Korean 재벌, they wanted to hire students from few selected Universities, students from few prestigious Universities in Korea.
- 🔊 **[66:32]** So this is the typical approach.
- 🔊 **[66:35]** They have done probably 10 or 15 years ago but probably not anymore.
- 🔊 **[66:43]** Usually they send the job information to professors of major Universities.
- 🔊 **[66:51]** About 10 years ago, I kept receiving inquiries from big companies and the personal manager requesting me that can you recommend three students from Korea University Business School?
- 🔊 **[67:09]** This requirement is kind of informal so don't say to other Universities.
- 🔊 **[67:18]** We are requesting, we are making these requests only to few University professors.
- 🔊 **[67:25]** And so, normally I recommend few students, and out of those groups they would select the employees.
- 🔊 **[67:36]** So strong University ties, very important that tie but not anymore of

course, right?

- 🔊 **[67:47]** In terms of recruitments, another feature would be many Korean firms in the past they were very much interested in what they call “virgin labor”.
- 🔊 **[68:01]** Students who just graduated.
- 🔊 **[68:03]** They are not interested in recruiting students who graduated five years ago.
- 🔊 **[68:10]** So what happened was many students, they tried to enroll another extra year before graduation, hoping to find out good job opportunities.
- 🔊 **[68:30]** They thought once they graduate, their market value may diminish substantially.
- 🔊 **[68:37]** So they want to be, you know, in the Universities before they get a good job opportunities.
- 🔊 **[68:47]** So that’s kind of old system in terms of recruitment.
- 🔊 **[68:56]** But of course, many things have been changed.
- 🔊 **[69:00]** So this is kind of a summary of HRM system.
- 🔊 **[69:07]** For example, we talked about recruitment.
- 🔊 **[69:11]** Many Korean firms, they were interested in hiring generalists as oppose to specialists.
- 🔊 **[69:19]** That’s why they did not value MBAs.
- 🔊 **[69:25]** They were not interested in hiring MBAs.
- 🔊 **[69:28]** MBAs, the Master of Business Administration, would be considered as a person who has special skills, perhaps.
- 🔊 **[69:41]** But now they, of course, has changed, right?
- 🔊 **[69:44]** Many Korean 재벌, they want to hire prestigious U.S. schools.
- 🔊 **[69:52]** Many prestigious European schools.

- 🔊 **[69:55]** And actually they have job fair in Europe and in the United States to attract good quality MBA students.
- 🔊 **[70:07]** Selections... have we mentioned, no?
- 🔊 **[70:11]** They are interested in fresh graduate.
- 🔊 **[70:15]** Interested in students from only good Universities, but not anymore.
- 🔊 **[70:20]** For example, in these days, in application forms sometimes they do not require to put the name of school you are attending.
- 🔊 **[70:32]** Because that could be biased in an interview process, certain changes.
- 🔊 **[70:40]** Promotion, obviously promotion and evaluation are based on seniority.
- 🔊 **[70:48]** So the number of years you served is a very important criteria to get promotion, to get pay raise in the past but nowadays seniority plus merits.
- 🔊 **[71:01]** Individual performance seems to be more important.
- 🔊 **[71:05]** However, I do not agree that Korean firms are basically following this approach 100% like western firms.
- 🔊 **[71:17]** Still, they rely on many traditional HRM systems.
- 🔊 **[71:25]** Although they try to initiate many changes.
- 🔊 **[71:30]** So it ..its... direction. They're moving to this direction.
- 🔊 **[71:36]** But they are not adopting this practice as they are.
- 🔊 **[71:46]** The compensation and labor relation training... we can go over one by one briefly.
- 🔊 **[71:59]** Recruitments. In the past, some groups were kind of discriminated during the recruitment process.
- 🔊 **[72:10]** The first group, which are discriminated by Korean employers would be female.

- 🔊 **[72:17]** The gender discriminations.
- 🔊 **[72:18]** The female students were discriminated a lot.
- 🔊 **[72:23]** Another group: students from rural area, students from small-sized universities
- 🔊 **[72:32]** They were discriminated.
- 🔊 **[72:35]** Students who happened to be very old were discriminated.
- 🔊 **[72:40]** Age is very important.
- 🔊 **[72:43]** Age was very important in the recruitment process.
- 🔊 **[72:47]** Why...why age was so important for new employees? ...Yes.
- 🔊 **[72:54]** (Student Asking) I said because if the new employee is older than some of the people above him like...
- 🔊 **[72:59]** (Student Asking) Some of the older employees then, if he is older than them, then it will cause a problem.
- 🔊 **[73:04]** (Student Asking) like... what do we do.... Like... who is more senior now... things like that, so
- 🔊 **[73:09]** (Student Asking) They prefer some... um... fresh graduates who... who are younger than anyone else.
- 🔊 **[73:15]** So, usually several years ago, when they announced job opening,
- 🔊 **[73:21]** they put some age restrictions.
- 🔊 **[73:24]** People between 20 to 25 age could apply.
- 🔊 **[73:30]** But if you happen to be 26, or 27, you're out!
- 🔊 **[73:39]** Very interesting system.
- 🔊 **[73:40]** Alright.
- 🔊 **[73:47]** Training and development.

- 🔊 **[73:49]** I think this is something Korean companies put great emphasis on.
- 🔊 **[73:54]** How many of you... I'm talking to foreign exchange students...
- 🔊 **[73:59]** How many of you have had work experience?
- 🔊 **[74:04]** You
- 🔊 **[74:06]** Now, in your case, when you were hired by a company, how long have you been put in training session?
- 🔊 **[74:15]**(Student Asking) It's very different depending on what kind of job it was
- 🔊 **[74:18]** (Student Asking) So, for some jobs it could only be maybe a day or two
- 🔊 **[74:22]** (Student Asking) Or, other times, it could be 2 weeks or 3 weeks?
- 🔊 **[74:25]** Did you work as a part-timer?
- 🔊 **[74:28]** (Student Asking) Yes, part-time.
- 🔊 **[74:29]** OK.
- 🔊 **[74:30]** (Student Asking) Oh... that... yes
- 🔊 **[74:30]** Not full time
- 🔊 **[74:31]** (Student Asking) No, we have one job that is full-time
- 🔊 **[74:34]** How long did you get training before you were assigned?
- 🔊 **[74:37]** (Student Asking) 3...3 weeks.
- 🔊 **[74:39]** 3 weeks?
- 🔊 **[74:40]** OK, that's very long period of time, 3 weeks' training.
- 🔊 **[74:45]** (Student Asking) yes.
- 🔊 **[74:46]** Most big Korean Chaebeols, they may put you different types of



training

- 🔊 **[74:52]** Maybe training at the group level.
- 🔊 **[74:55]** The Chaebeol, the group level?
- 🔊 **[74:57]** The training at your company level; the training at your department level.
- 🔊 **[75:03]** So, before you're assigned to official jobs, you probably go through different series of training.
- 🔊 **[75:11]** What would you learn? What would you learn out of these.. multiple training sessions?
- 🔊 **[75:18]** The employer hopes that the workers or the employees would get... culture....
- 🔊 **[75:32]** How should I explain
- 🔊 **[75:33]** culture adaptation... to the company
- 🔊 **[75:37]** So hopefully, employees could know the organizational culture, experience organizational culture
- 🔊 **[75:45]** And also develop some kind of social skill with other new employees
- 🔊 **[75:51]** And hopefully this will give good opportunity to know each other
- 🔊 **[75:55]** Because, assuming this group would work together for next 20 or 25 years
- 🔊 **[76:02]** This is a great starting moment to build up relations among themselves.
- 🔊 **[76:09]** So that's kind of an objective of the training session of large firms.
- 🔊 **[76:23]** Promotions, right?
- 🔊 **[76:25]** There could be many different criteria for promotions.
- 🔊 **[76:30]** No.1, The criteria would be obviously seniority.

- 🔊 **[76:34]** In other words, the number of years served; that could be big criteria.
- 🔊 **[76:39]** And another big criteria would be your merit or performance, right?
- 🔊 **[76:45]** What else?
- 🔊 **[76:46]** Perhaps it would be which level of education
- 🔊 **[76:51]** Whether you are college graduate or high school graduate.
- 🔊 **[76:55]** That could be another big factor.
- 🔊 **[76:59]** And of course you may have other things like...
- 🔊 **[77:05]** Whether you are perceived as a person who are working diligently by others
- 🔊 **[77:11]** That kind of perception could be another important criteria for promotions.
- 🔊 **[77:17]** But out of this, number one important criteria would be obviously seniority.
- 🔊 **[77:24]** Especially at the lower level of organizational hierarchy.
- 🔊 **[77:28]** If you are talking about the higher level of organizational hierarchy,
- 🔊 **[77:33]** perhaps other factors such as performance would be more important than others.
- 🔊 **[77:39]** So for the first 10-year period, everybody would get similar level of promotion.
- 🔊 **[77:47]** Similar level of race
- 🔊 **[77:50]** But maybe after that period, people may have different speed, different pace in the promotion.
- 🔊 **[78:04]** Compensation... now.
- 🔊 **[78:06]** There are three key thing.... Aspects of compensation of Korean

companies.

- 🔊 **[78:13]** Number one would be obviously base salary.
- 🔊 **[78:16]** Base salary is the number one aspect.
- 🔊 **[78:20]** Plus, bonus.
- 🔊 **[78:24]** This is something you need to Japanese and Korean firms.
- 🔊 **[78:28]** I'm not sure about Chinese firms whether they provide bonus regularly
- 🔊 **[78:34]** But, in many cases, Korean firms are providing bonuses 3 to 5 times a year.
- 🔊 **[78:42]** So actually bonus would be considered as part of regular salary.
- 🔊 **[78:50]** The third part would be allowances and fringe benefits.
- 🔊 **[78:56]** Right? There are 3 different aspects.
- 🔊 **[79:00]** But actually the base salary and bonus, especially bonus could be dependent on performance.
- 🔊 **[79:12]** Right? We will see actually that would ...the bonus could be dependent on the performance of individual
- 🔊 **[79:22]** Or it could be dependent on performance of department
- 🔊 **[79:26]** Or it could be performance of entire company.
- 🔊 **[79:30]** And that will determine the level of bonus.
- 🔊 **[79:35]** And also the bonus would be usually given out before certain holiday seasons.
- 🔊 **[79:44]** For example, Chuseok.
- 🔊 **[79:46]** Chuseok is one of the main holiday seasons in Korea.
- 🔊 **[79:50]** Or new year's day

- 🔊 **[79:52]** So before those big holiday seasons employees will receive big lumps of bonus.
- 🔊 **[80:02]** How large would bonus be?
- 🔊 **[80:07]** Well, sometimes bonus itself is about the same size as regular salary depending on the company.
- 🔊 **[80:16]** Right?... I'm sure big companies like Samsung Electronics, they may provide huge generous bonus to employees.
- 🔊 **[80:26]** So if you look at just base salary of Samsung Electronics, it may not be that huge.
- 🔊 **[80:32]** But if you work hard, you may end up earning a lot of money in the end.
- 🔊 **[80:42]** Now, the good part, which is allowance and fringe benefit, is not really related to seniority, not really related to performance,
- 🔊 **[80:54]** Everybody would have equal level of fringe benefit or allowance.
- 🔊 **[80:59]** But what is example of allowance?
- 🔊 **[81:02]** For example, maybe, educational allowance for kids.
- 🔊 **[81:10]** So if you have, say, 2 kids, sometimes company would support tuition for those kids regardless of rank, regardless of their performance.
- 🔊 **[81:25]** Housing support: maybe you can get regardless of your seniority
- 🔊 **[81:33]** So usually fringe benefit is kind of universal to everybody.
- 🔊 **[81:46]** In terms of new HRM, recruitment process now stress the interview process.
- 🔊 **[81:56]** The interview process.
- 🔊 **[81:59]** Sometimes they have the second round of interview
- 🔊 **[82:02]** The first interview with HRM personnel.

- 🔊 **[82:07]** And the second interview may be with directors, the higher levels, okay?
- 🔊 **[82:13]** And the interview process would be very stressful, of course.
- 🔊 **[82:16]** But the companies are making more emphasis on personal interview as opposed to personal credentials.
- 🔊 **[82:26]** Such as educational background, things like that.
- 🔊 **[82:36]** Training and developments.
- 🔊 **[82:38]** Now they are making more emphasis on training to become specialist.
- 🔊 **[82:39]** So, I told you that many Korean firms did not value MBAs.
- 🔊 **[82:55]** But not it's changing.
- 🔊 **[82:57]** Sometimes, they want to hire MBAs; Sometimes, they want to create company specific MBA programs in corporation with Korean universities.
- 🔊 **[83:11]** So in case of KUBS, for example, our business school, we do have company specific MBA programs.
- 🔊 **[83:20]** Samsung, the insurance company.
- 🔊 **[83:25]** They have MBA program with us.
- 🔊 **[83:29]** So, I think ... probably July and August, 2 months, they send about 2 managers to our campus.
- 🔊 **[83:40]** We provide MBA training for them.
- 🔊 **[83:45]** I'm sure many Korean universities are providing similar service for the companies.
- 🔊 **[84:07]** Now this is the kind of perception data by foreign executive managers in Korea to see whether Korean HRM system is changing.
- 🔊 **[84:20]** So it's very simple survey

- 🔊 **[84:24]** This is the results based on the different scale perhaps one to five different scales.
- 🔊 **[84:29]** So based on this information, even though some Korean companies are trying to implement new system
- 🔊 **[84:41]** Overall, not much substantial change based on the perceptions.
- 🔊 **[84:48]** Especially, if you are looking at the seniority system, the strongly... still... existing in Korean HRM system.
- 🔊 **[85:00]** Seniority very important.
- 🔊 **[85:03]** And also many Koreans, Korean companies are not willing to recruit foreign employees
- 🔊 **[85:14]** And of course this survey was done probably a few years ago
- 🔊 **[85:19]** So, maybe changing, how do you say?
- 🔊 **[85:22]** I know that many companies like LG are very much interested in hiring foreign managers, foreign executives
- 🔊 **[85:43]** Right, so let's take a look at the actual cases.
- 🔊 **[85:48]** These are 3 big companies in Korea today.
- 🔊 **[85:54]** Samsung Electronics, LG and Hyundai Motors.
- 🔊 **[86:00]** What kind of specific talents are they looking for, for the new recruits, new employees?
- 🔊 **[86:11]** This is the LG
- 🔊 **[86:17]** Somebody who sticks to the basics, it doesn't say much; who are full of creativity
- 🔊 **[86:25]** So creativity seems to be very important for LG.
- 🔊 **[86:30]** Who possesses the right philosophy
- 🔊 **[86:33]** Who continuously challenge; Challenge seems to be very important.

- 🔊 **[86:39]** So LG, which used to be known as a company which emphasize harmony, internal harmony a lot
- 🔊 **[86:51]** Now, they announce the challenge, creativity very important.
- 🔊 **[86:58]** It looks like there has been some changes from traditional systems to new HRM systems.
- 🔊 **[87:04]** If you look at other companies, you may see similar terminologies.
- 🔊 **[87:10]** In the case of Hyundai, creative, creative.
- 🔊 **[87:16]** In case of Samsung, creativity, passion, and collaboration and some mix of old and new in case of Samsung, right?
- 🔊 **[87:33]** Communicate... collaborate with open mind.
- 🔊 **[87:37]** Creativity seems to be very important for as far as talents goes.
- 🔊 **[87:45]** So, are you a person who are very much creative?
- 🔊 **[87:50]** If you think so, you may be a good candidate for those companies.
- 🔊 **[88:05]** This is the case of LG Electronics: What do you mean by Jeong-do management?
- 🔊 **[88:11]** Maybe one of Korean students could explain what that means.
- 🔊 **[88:16]** Jeong-do management, they want to be eventually number one through Jeong-do management.
- 🔊 **[88:25]** (Student Asking) I mean direct translation... then this... doing the right thing management?
- 🔊 **[88:30]** Do the right things?
- 🔊 **[88:34]** Right way management, that's a kind of literal translation.
- 🔊 **[88:40]** But it's not still clear what that means.
- 🔊 **[88:43]** What would be the right management?.. would be?

- 🔊 **[88:49]** So it seems to me... LG, this particular slide, they are kind of mixing the old traditional value with the new goals.
- 🔊 **[89:06]** This is not easily translated in English.
- 🔊 **[89:12]** But the meaning is the right way management.
- 🔊 **[89:15]** Perhaps, the meaning, the word close to Jeong-do management would be ethical management.
- 🔊 **[89:23]** Ethical management... something like that.
- 🔊 **[89:27]** Now, do you know this company, Lotte?
- 🔊 **[89:31]** What product do they make? Lotte.
- 🔊 **[89:35]** Lotte is making lots of different consumer goods.
- 🔊 **[89:40]** They make...confectionary product; they are in retailing business, Lotte.
- 🔊 **[89:50]** Very well known Korean company.
- 🔊 **[89:53]** Maybe number.... Obviously one of the top 10 companies.
- 🔊 **[89:57]** So let's take a look at what kind of credentials, what kind of qualifications they are looking for new employees.
- 🔊 **[90:05]** One of these are some of criteria, right, for applications
- 🔊 **[90:13]** The young, who do not afraid of failure
- 🔊 **[90:16]** So... looks like challenge.
- 🔊 **[90:19]** The young who effort to develop his or her own ability consistently
- 🔊 **[90:25]** Somebody who are interested in learning
- 🔊 **[90:30]** The young who know cooperation and yield.
- 🔊 **[90:33]** So this looks like this one as some element of traditional Korean HRM



- 🔊 **[90:41]** Cooperation and yield. You may not see this aspect, this talent for European firms, right?
- 🔊 **[90:50]** So, they are asking 2 different things at the same time.
- 🔊 **[90:57]** Somebody who are very much creative, challenge, but at the same time somebody who know how to cooperate, how to yield.
- 🔊 **[91:14]** So, this is a typical process of their recruitments, right?
- 🔊 **[91:19]** If you are interested in job applications, the first thing you should do would be fill out your application and send that application to the company website, and then what?
- 🔊 **[91:32]** If you happen to be selected the first round, then, you may be given to take personality examinations
- 🔊 **[91:45]** And some kind of in-depth interview process may follow
- 🔊 **[91:51]** And... interview as well as personality examinations.
- 🔊 **[91:57]** Not academic achievements examinations.
- 🔊 **[92:03]** If you are lucky enough to be recruited, then what?
- 🔊 **[92:07]** Probably there may be various programs to train or to develop your skills
- 🔊 **[92:16]** And eventually you may be evaluated by superiors or subordinates, your colleagues
- 🔊 **[92:25]** And you may get a lot of opportunities... get training from the development center.
- 🔊 **[92:41]** One thing I just want to show you, actually, this is the information I asked my assistance to pull over
- 🔊 **[92:51]** And assuming that this is the real case, how would you characterize their promotion system in Lotte?
- 🔊 **[93:04]** Now we have 4 different organizational hierarchy, right?
- 🔊 **[93:11]** From the bottom, you may want, you could be promoted to deputy

section chief after 3 years of service, I'll say.

- 🔊 **[93:23]** And another 3 years of service, you could be promoted further to this level, acting section chief.
- 🔊 **[93:30]** And then, you become section chief.
- 🔊 **[93:33]** And there will be 9 years of service.
- 🔊 **[93:35]** And eventually you could be deputy department head, and department head.
- 🔊 **[93:41]** Now, what kind of criteria you may use here?
- 🔊 **[93:51]** First, simple. Managers: combination of performance for the last 3 years
- 🔊 **[94:02]** And also reward... whether you got any reward or you got any penalty
- 🔊 **[94:09]** That would be also taken into consideration
- 🔊 **[94:13]** And also the score of training, right?
- 🔊 **[94:22]** Still, they are relying on examinations to certain extent, right?
- 🔊 **[94:29]** So, very much standardized ...I think.... Promotional scheme.
- 🔊 **[94:33]** I was expecting a bit differentiated criteria depending on the level
- 🔊 **[94:38]** But as you can see, they use pretty much universal standardized scheme
- 🔊 **[94:46]** But I'm sure one thing which is not mentioned here ,still critical, would be seniority.
- 🔊 **[94:54]** How many years have been served as ... say... acting section chief.
- 🔊 **[95:06]** But I just wanted to give you the actual example.
- 🔊 **[95:12]** How they manage HRM issues

- 🔊 **[95:18]** This is just one example.
- 🔊 **[95:23]** Alright. So, the payments.
- 🔊 **[95:27]** Payments and welfare system.
- 🔊 **[95:31]** So, as you can see, there may be base salary; there could be some extra pay
- 🔊 **[95:40]** Depending on the overtime work or length of service plus some incentives, right?
- 🔊 **[95:49]** This could be bonus, part of the bonus, so it could be... based on individual performance
- 🔊 **[95:57]** Or it could be based on company performance
- 🔊 **[96:02]** So, end up earning a lot.
- 🔊 **[96:07]** Probably there could be other welfare or fringe benefits, right?
- 🔊 **[96:12]** Housing loan or educational expenses; gift or family holidays or medical support, things like that.
- 🔊 **[96:27]** Any questions from Chinese students? Alright.
- 🔊 **[96:31]** Then... we will take another 10 minute break and I will see you next week for Chinese students.
- 🔊 **[96:39]** We will have another short session after break. Thank you.