

SHIFT OF THE EMPLOYMENT SYSTEM

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Breakdown of the lifelong employment system

The corporate sector turmoil caused by the 1997 economic crisis brought changes in the relationship between companies and their employees. Companies are no longer able to guarantee lifelong employment to their employees; workers themselves do not feel secure about a lifetime position at their workplace. Since the Korean economy went under the stewardship of the IMF, drastic changes have been observed within the framework of economic development. The concept of lifetime workplace does not hold much importance for employees who are quite ready to desert their present job for one that would better help them develop their abilities.

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During the economic crisis, many companies attempted to restructure, mostly by laying off their employees. This understandable struggle for survival resulted in mass unemployment; the phenomenon occurred even in conglomerates and in the financial market, two places that had been considered stable workplaces. Digitization and economic crises also marked the breakdown of the lifetime employment system. The era of the “Lifetime workplace” was over, to be replaced by an era of “Lifetime profession”, a fact that greatly influenced workers’ attitude toward their profession and work, as well as companies’ employment methods. In parallel with rapidly developing information and communication technology and the surge of Internet users, existing industrial circles are going through reorganization and a massive job revolution. The growth in the use of the Internet and e-business, so drastic that it is shaking the very foundation of the existing industrial system, requires nurturing of competitiveness through endless self-development.

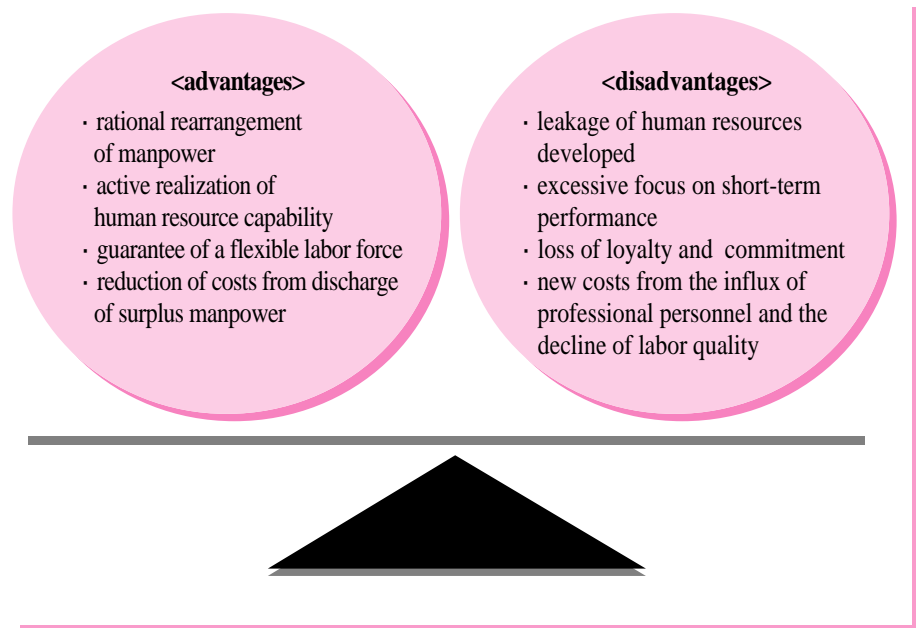
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Table 1. Average Age and Duration of Services by Occupation

	Managers	Professionals	Technicians and Associate Professionals	Clerks	Service Workers and Shop and Market Sales Workers	Craft and Related Trade Workers	Plant and Machine Operators and Assemblers	Elementary Occupations
ages	47.0	34.8	34.1	31.4	33.9	36.3	36.9	49.5
length of service	10.6	6.9	6.7	5.9	4.6	6.1	5.4	4.4

Source: Survey Report on Wage Structure, Ministry of Labor, 1998

Figure 1. Shift from Lifetime Workplace to Lifetime Profession



Change in the form of labor

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The traditional relationship between companies and their employees was founded on the concept of a lifetime workplace: workers considered themselves as typical “organization men” who were supposed to show whole-hearted devotion to their organization and to the job even under the most rapid industrialization. This attitude was manifested in the employees’ strong loyalty toward their company, which in return would guarantee employment, thus making it possible for the company to achieve rapid growth. However, in the midst of restructuring and the boom of venture companies, the basic notion of a “lifetime workplace” disintegrated, resulting in a decline of labor efficiency. In a situation where companies strongly feel the need to acquire the competitive methods and management skills of the advanced nations, workers who had played a pivotal role in company competitiveness are now undergoing a gradual change in their commitment to the organization.

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The collapse of the lifetime employment guarantee is reflected in a feeling of anxiety among employees. Workers who were lucky enough to survive massive layoffs say that their old relationship with their company no longer exists and that a company does not deserve blind devotion from its employees. An increasing number of workers even think that refusing a more attractive job offer out of loyalty to the present workplace is no longer a virtue, and some of them are actually moving to better jobs. It is not uncommon to find the domino phenomenon of job change, nor is it hard to notice a strong decline in workers’ efforts to use their originality due to a deterioration of loyalty and commitment to the organization.

In brief, former “organization men” have lost their sense of identity and are experiencing panic which can be seen as a kind of “moral unemployment”. Whenever they feel dissatisfied with their workplace or job, these workers are quite willing to quit their company at the first opportunity.

Impact of the breakdown of the lifelong employment system

The foremost advantage of the new system is that, as in the case of massive labor flow from conglomerates to venture businesses, human resources are allocated in a more rational manner. In the past, workers had an understandable tendency to remain at their workplace unless a far more desirable employment guarantee was presented. However, many workers are now ready to desert their jobs for those with just slightly better conditions. The rational rearrangement of labor ensures greater flexibility in the labor force. Another advantage can be found in the higher efficiency and professionalism among workers. Because these workers feel that their capacities and efforts are being rightfully compensated, their work efficiency is far greater than under the system of lifelong employment and seniority. This implies that the lifelong employment system does not provide enough motivation to fully realize workers’ potential. Finally, the surplus manpower that existed in the lifelong employment system will be reduced, which will drastically cut costs.

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Among the disadvantages of the downfall of the lifelong employment system, the most notable is that workers are reluctant to play an active role in areas where productivity is not particularly visible, since they do not feel the need to be loyal to their company. They are content merely to fulfill the minimum of their functions; workers’ fear of being laid off is reflected in their attitude toward work. Secondly, it is impossible for companies to accumulate skilled manpower despite the need to acquire new technology and follow the example of advanced companies. In a sense, the lifelong employment system itself was a process of accumulating skilled labor; thus, the absence of an employment guarantee inevitably leads to another breakdown in the system of human resources preservation. Should the leakage of labor continue and the quality of labor fall to an unskilled level, companies would be forced to endure a new cost to induce a professional work force.

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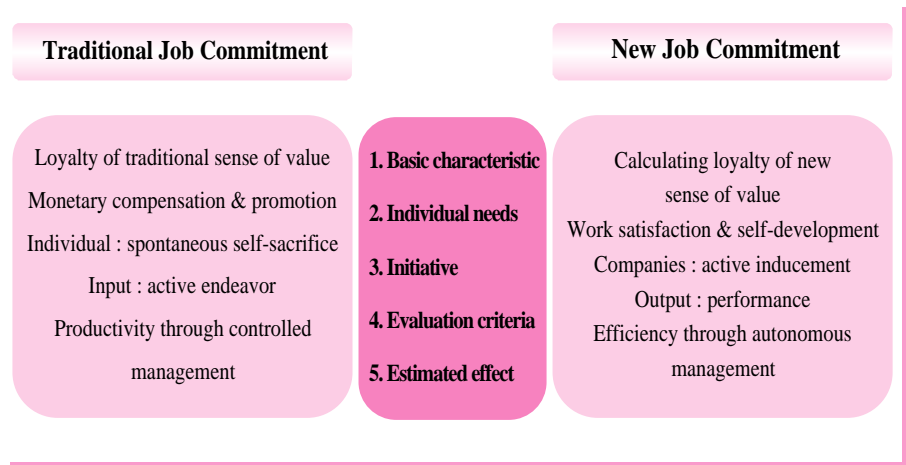
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New incentives for job commitment

Under the present circumstances, companies will encourage their employees to concentrate on their new functions as an attempt to reestablish order in the chaotic employment relationships. Highlighting the notion of the lifetime profession, individual workers will seek career development through their abilities and creativity rather than their spirit of sacrifice to the company. There will be a big shift in the thinking of management and the company system. In other words, “management by control” in which a company took charge of their employees’ career paths has turned

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Figure 2. Change in Job Commitment



into “management by autonomy” in which employees are responsible for their own career development.

The company will provide the right environment for employees to work toward their own professional goals, where they can truly be the masters of their careers and, in addition, feel greater attachment to their jobs.

Without the atmosphere of job commitment, a company will try to turn the passive attitude of its workers into a more active one. On one hand, workers will set up and carry out plans for self development to elevate their employability; on the other hand, the company will enable workers to commit to their tasks, based on the individual workers’ abilities, in the company’s attempt to incite job commitment within the new framework. The company will provide the right environment for employees to work toward their own professional goals, where they can truly be the masters of their careers and, in addition, feel greater attachment to their jobs.

Companies faced with the twilight of the lifetime workplace system and seniority-based compensation will have to meet the emerging requirements of employees about their jobs and careers. Employees will ask for tasks and training programs that can develop their individual competence, as they will view ability more seriously as a professional quality. In addition, various concrete plans are needed to elevate the market value of human resources, such as prizes, articles, or participation in projects.

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Furthermore, companies will use a dual operating system for human resources, dividing core jobs from non-core jobs. Among other things, this method increases the practical employability of core human resources by outsourcing manpower for peripheral jobs. It also communicates the company’s willingness to maintain an employment relationship with employees performing core jobs. In the past, the human resources management of Korean companies was focused on the quantitative dimension of low wages and rapid growth; but the new environment of high wages, slow growth, and severe competition will demand more advanced and qualitative human resources management. **VIP**