

Seniority Based Management Systems: Limitations on Early Retirement Program (ERP) of Korean Companies

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Abstract

Early retirement program has been introduced to overstep limitations of long-term employment practices in Korea and to allow more flexibility in the labor market. This study examines the forced voluntarism targetting the senior white collar workforce reduction efforts and identifies certain characteristics of the Korean early retirement program (ERP). Also the study concludes that management did not achieve the expected results and workers experienced employment instability and identity crisis. As results, we offer recommendations to improve the desired outcome of the Korean ERP.

I . Introduction

The Korean early retirement program has become a prevalent issue, more so in the 1990s between management and labor in regard to employment and social stability. The retirement program is one of the changing employment practices based on business innovation to increase national competitiveness. While the management strategy aims to create a flexible labor market through an early retirement program, the labor force is experiencing greater fear of large scale layoffs and a decreasing workforce (Choi, 1996b, Atkinson, 1985). Additionally, arguments concerning the pros and cons from the legislation of redundancy (workforce reduction) arising from recent revision of labor laws has become a rising concern between management and labor.

In comparing Korean employment practices with other countries, exit(turnover) of employee and layoff need to be examined as key factors of employment practices according to the level of the supply and demand of labor. Korean employment practice can be analyzed as type II, characterized as having an easy exit and difficult lay-off dilemma, as seen in figure 1. That is, Korean firm's employment plans with easy exit and difficult layoffs. Employment practices of Japan are also long term employment plans and has difficulty in making layoffs. However, Japan's exit practice is different from Korea's in the sense the Japanese perceives exiting firms as being socially inhospitable, henceforth, prevents employees from leaving a firm. The Korean long-term employment with an easy exit practice has slowed the changes and innovations of many Korean firms despite a changing global business environment. As a consequence, their innovation to cope with this problem has been experiencing adjustment problems.

The 1990s finds the business environment for Korean enterprises rapidly changing, both within the business and out. New trends of business conditions that are quite different are posing a serious threat to various aspects of business management. The field of human resource management is not immune from the threat, and has come under new harsh challenges. Many enterprises have recognized that they are no longer exempt from such problems as the aging of the workforce, high wages, stagnated promotion, low labour productivity, low working morale, low level of loyalty to organizations, and an increase in the number of redundant workers. As a consequence, they are trying to improve human resource management drastically to cope with the problems

Exit	easy	II Korea Germany	I U.S.A
	difficult	III Japan	IV Russia China
		difficult	easy
		Layoff	

Figure 1. Comparison of Employment Practices

mentioned above. Companies are shifting from existing human resource management systems based on seniority to a merit based system. The measures taken are; bottom-up evaluation systems, separate operation of ranks and positions, promotion by selection, unified pay steps, job ability wages, and the internship system.

The Korean ERP is one resource management program that has been adopted by a wide number of Korean companies in the 1990s. The program is called by several other names by different companies: the voluntary retirement program, the honorary retirement program, and the optional retirement program. A survey made by the Korea Employers Federation showed that a third of the large Korean companies with more than 1,000 workers had adopted the program as of the end of 1995 (Kim, 1996). According to a recent issue of the Economist (Korean Economist Journal 1996), roughly 600 workers resigned from their posts in domestic banks from January to March of 1996. Not only popular in banks, but large companies, and public corporations have also subscribed to the early retirement program, and also many small medium-sized companies are seriously considering adopting to the trend to help erode human resource management problems, and increase efficiency.

Radical changes in the business environment and competition demands Korean firms to improve the flexibility of labor market. ERP was introduced to change long term employment plans to further enhance flexible employment practices as an alternative for labor market rationalization

This study deals with the long term employment plans and the seniority-based management practice that has enjoyed a long history in Korean companies. In relations to the argument presented, current status and characteristics of the Korean early retirement program are analyzed as an employment practice for workforce reduction. Also recommendations will be made for its improvement. Based on this analysis, suggestions to improve the ERP will be presented.

II . Characteristics of Korean Employment Practices

Korean employment practice have been on a long-term employment plan. Long-term employment plans are suitable to economies with a high economic growth rate and with a very low wage. However, the changing business environment of low growth and high wage require a flexible employment plan and be based on skills to develop. Korean employment practices can be characterized

as a long-term employment with rigid layoff practice and based upon seniority, which ultimately effects the wage level and justifies reasons of promotion.

1. Rigid Layoff and Long-term Employment

An adequate inflow and outflow of workforce is necessary for good management of human resources in an organization. Therefore, separation at an appropriate level may contribute to the welfare of workers, organizations and society. But long-term employment practice has been in place for a long time because of rigid layoff procedures prohibiting an outflow of employees systemically. And the mechanism of long-term employment has been strengthened in that employees have "assignment feelings" to their organization more than their job. Hence, a loyalty is cultured both in the company and out.

1.1 Rigid Layoff System

Even with rising unemployment, business downturn, and low underestimated unemployment rate, the current status of Korean companies could be said to be overemployment even though the nation's 2.3% unemployment rate in comparison to the developed countries (KEF, 1996b). We believe this situation is attributed to rigid layoff procedures. In fact it was impossible to layoff legally in Korea. Recently companies' redundancy was permitted by the labor case law but this is only minimal and a new concept compared to contemporary layoff practices in other countries.

So far, Korean companies' layoff practice have been conservative, meaning they cannot do so without the right cause. But recent reasons for layoffs are self explanatory because the labor case law. The revised labor law provides for more active layoffs under authorized economic and technical causes (continuing business deterioration, restructuring and technical innovation or change of a category of business for productivity improvement).

1.2 Organization Identity Employment Practice

Korean employees have generally a tendency not to hold a job identity but organization identity. That is, a business identity assigned by his organization is more recognized than the job identity would be to offer pride by occupation. Organization identity is a strong characteristic of the Korean labor market. The Korean labor market can be seen as the vertical market from econo-technological perspective and a traditional labor market from a socio-cultural perspective. The

vertical labor market is one with an imbalance of technology and limitations on labor mobility to employ assigned labor for a long term. And the traditional labor market arising from a Confucian and family based culture prohibit employees from formulating rational job identity consciousness.

1.3 Long-term Employment

The rigid layoff system from an institution perspective and business identity consciousness from a psychological perspective have contributed to long-term employment practice. Regardless of how long-term employment has limitations as follows.

Without flexible employment, the atmosphere of an organization cannot be renewed. The introduction of new techniques of management will not be promoted, and a redundant workforce removed. Long service may impede the performance of an organization where the nature of work requires a higher level of attention and the pace of technology development is very fast. Long-term employment also does not leave room for flexibility in regards to human resource management. Separation in the high ranks creates opportunities for promotion, and also provides opportunities for horizontal movement which enables the relocation of human resources. Henceforth, individual workers they can seek better treatment and working conditions through shifting to other companies elsewhere by moving on their own will.

The flexible employment system also has limitations. If workers who deserve an organization leave, and those whom the organization wishes to get rid of remain, a serious problem will occur in the performance of the organization. Also separation causes many problems, for example: securing a good workforce, and increased cost to recruit, select and train the workforce. Separation of a few people from the organization can affect the morale those remaining and sometimes even prevent the organization from achieving its objectives. Another reason not to neglect separation is that it reflects the current status of an organization. Any organization that shows a high rate of separation cannot be evaluated as being in good shape by its employees or society. From society's viewpoint, separation causes frictional unemployment of workers during their shift to other workplaces.

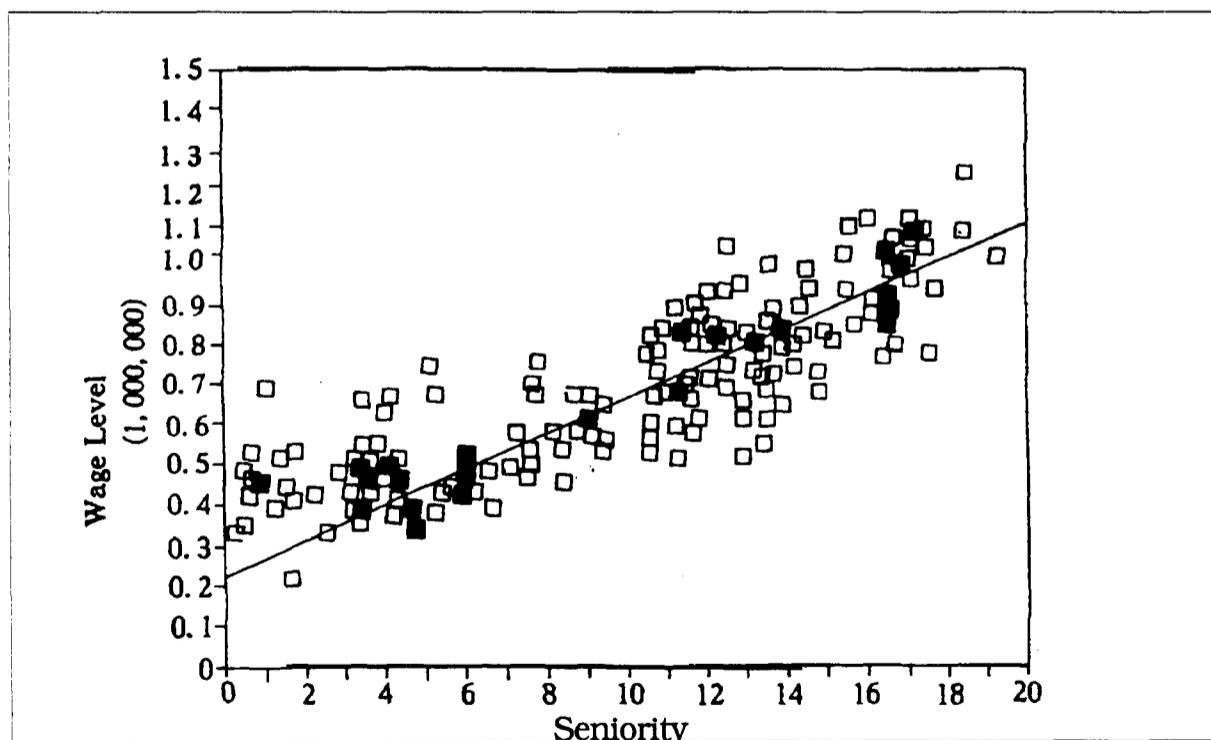
Separation influences an organization differently according to its level. On one hand, separation at high levels reduces the workers' sense of belonging to their organization and lowers their morale, thereby impeding the productivity of the organization. On the other hand, if the rate of separation is too low and the in

flow and outflow rate of an organization is virtually nonexistent, the organization will lose vitality and a strong development will be hardly expected. Therefore, separation at an appropriate level can bring forth opportunities to replace the unnecessary workforce with a better one.

2. Seniority Based Wage and Promotion System

Seniority based wage and promotion system is a leading characteristics of Korean employment practices, contributed to long-term employment and a rigid labor market. The underdeveloped competitive internal labor market becomes an obstacle of itself to the creation of a flexible external labor market (Choi, 1996a).

At present, the characteristics of the administrative situation related to wage and promotion are as follow; First, the structure of wages is very seniority-oriented. As figure 2 represents, the determinant of wage structure is seniority (or age). Therefore, other determinants are neglected. Second, in most companies, promotions are solely seniority-oriented. Third, most blue collars work at fixed jobs that were allotted at the entry of company. In other words, there is not job rotation and skill development but everything operates on a seniority based human resource management system.



Source : Korea Labor Institute, "Labor Statistics", 1991

Figure 2. Wage Distribution in Korea

III. Characteristics of Early Retirement Program (ERP) of Korean Companies

1. Adoption and Dissemination of Early Retirement Program

The adoption of the early retirement program in Korean companies can be attributed to the rapid changes in the environment of their human resource management strategies. Present conditions that pose a challenge to most Korean companies are as follows.

1.1 Aging of Workforce

Many companies have experienced a decline in growth since the 1980s, which led to a result of the serious aging of the workforce in companies. An aging workforce has a serious impact on several general aspects of human resource management such as wages, promotion, jobs, and capability development, and on the efficiency of management in areas such as the function of individual workers and labour productivity. Aging of the workforce also causes various problems such as a decrease of efficiency in business management, the decline of workers' job abilities, the reduction of productivity, and an increase of personnel expenses based on the seniority-based promotion system.

1.2 Promotion Stagnation

Although employees' desire for promotion is continuously increasing, opportunities for promotion are decreasing due to a stagnation of promotion. As a result, a widespread decline of employees' morale is taking place in many organizations, which exerts a negative influence on productivity. According to a

Table 1. Aging of Workforce in Korean Companies

(unit: %)

age	1991	1992	1993	1994	1995
more than 55	2.7	3.7	4.8	5.2	5.7
50 ~ 54	5.7	5.6	6.9	6.9	6.8
15 ~ 49	91.6	90.7	88.3	87.9	87.5
total	100.0	100.0	100.0	100.0	100.0

Source: Statistics in Labor Economics, Ministry of Labor, 1991 - 1995

recent survey made by the Korea Employers Federation on 169 companies with more than 100 employees, the actual periods for promotion in every job and rank were longer than the periods stated in their regulations (KEF, 1996b).

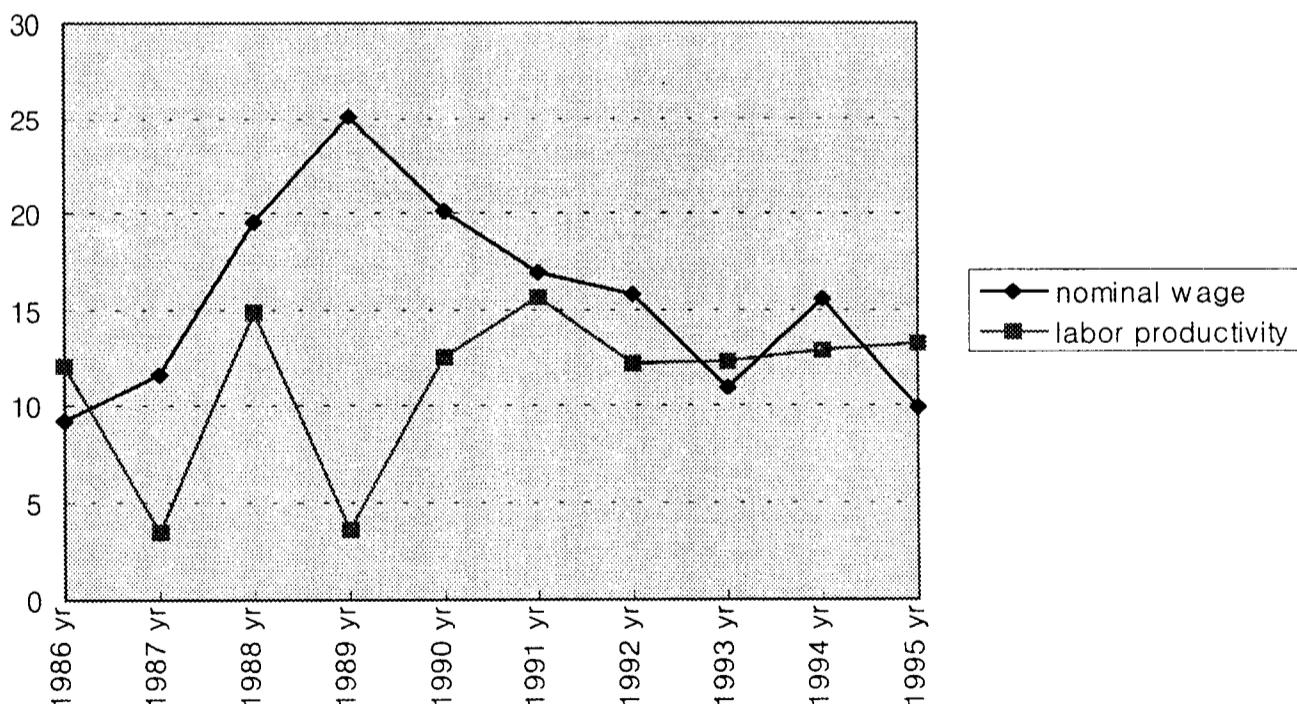
1.3 Increase of Labor Costs

Korean companies are experiencing difficulty in business management because of increasing personnel expenses that can be attributed to the rapid wage increase since 1987, and to the seniority-based wage system. Moreover, wage increase rates that by far surpass the increase in rates of labour productivity are threatening the international competitiveness of Korean companies.

As wage increases on Korean enterprises are expected to continue on an even higher level, wage levels will be one of the major factors that will impede the international competitiveness of Korean companies in the long term, as well as at present.

1.4 Lack of Skills to Respond to Changing Business Environment

As the environment of companies is rapidly changing, they are required to secure the flexibility that will enable them to survive these shifts. Flexibility is especially needed in the management of the workforce and organizations, as most Korean companies are finding it difficult to actively respond to rapid changes because of their inflexible management.



Source: Statistics in Labor Economics Ministry of Labor, 1986 - 1995

Figure 3. Wages and Labor Productivity in Manufacturing Industry

1.5 Increase of Surplus Workforce and In-house Unemployment

Many companies are experiencing a surplus in the workforce, with more workers than are needed. As a result of business reengineering, automation, computerisation, and the improvement of tasks and organizations over the recent years, many workers in organizations became idle within the company workforce. The idle workforce should be regarded as being virtually unemployed, even if they do not leave their companies. This in-house unemployment is spreading in many companies and is stiffening the move to execute plans to coordinate and strengthen the company's competitiveness.

Reasons to adopt the ERP, as shown in a recent survey by the Korea Employers Federation on 178 Korean companies are as follows (KEF, 1996c). The first reason is for the solution of stagnation in promotion (57.4%), which is followed by the reduction of personnel expenses (17.0%), and by support for old workers' new career plans (14.9%).

Large, small and medium-sized companies present quite different reasons for the adoption of the early retirement program. Large companies with more than 1,000 workers regard stagnation as the most important reason (60.0%) while small and medium-size companies with less than 300 workers consider reduction of personnel expenses to the most important(57.1%).

Table 2. Reasons to Adoption of Early Retirement Program

(unit : %)

Reasons to Adoption	Total
· Solution of stagnated promotion	57.4
· Reduction of personnel expenses	17.0
· Increase of promotion opportunities	2.1
· Discharge of redundant workforce	8.5
· Assistance for old workers in planning new careers	14.9
Total	100.0
(Number of respondents)	(47)

Source : Kim, 1996, p. 12.

2. Characteristics of Korean early retirement program

2.1 Forced voluntarism

Generally the early retirement program should enable members of an

organization to develop abilities and to start new lives when they reach a certain age. It also should moderate stagnation of promotion in an organization. In the early retirement program, a worker submits an application for retirement when he reaches a certain age, and management accepts it by giving him a retirement allowance and a special bonus, or by supporting his turnover and career development. Accordingly early retirement should be carried out only at the request of employees, and there should not be any pressure from management for such retirement.

Unfortunately, the targets of Korean early retirement are under indirect pressure from the management plans and influenced by the organizational climate. Although the Korean early retirement program formally operates through the willingness of employees, in reality, it operates in as a form of management pressure. In short, Korean early retirement program operates under the disguised volutarism.

2.2 Various Types

There are various types of early retirement programs according to the methods of implementation, the objectives, and linkage with other programs. The temporary implementation of an early retirement program means that management

Table 3. Types of Early Retirement Program

Classification	Types
methods of implementation	<ul style="list-style-type: none"> · temporary · continuous
objectives	<ul style="list-style-type: none"> · workforce reduction · support for new career development
incentives for retirement	<ul style="list-style-type: none"> · more retirement allowance · support for independence · outplacement
zone	<ul style="list-style-type: none"> · fixed age groups for early retirement · multiple age limits
linkage with other systems	<ul style="list-style-type: none"> · linkage with retirement age for managerial staff · reretirement as an option in career determination · retirement as an option in determining types of employment

receives applications for retirement only for a certain grace period.

For example, a Seoul branch of a British bank announced that applicants for retirement with more than five years of service will not only get a regular retirement allowance but also a premium for early retirement that amounts to two years' annual wages. Continuous implementation means workers can choose the early retirement program anytime, according to regulations.

An early retirement program based on fixed age groups means that a retirement zone is established from a certain age until a retirement age is reached, and employees who enter the zone may at any time choose early retirement. An early retirement program based on multiple age limits means that several ages are set for retirement. For example, 50 may be the first retirement age, while 60 may be the second.

2.3 Targets for the Senior and White Collar Workforce

Most Korean companies adopt the following standards to select targets for early retirement. The standards include length of service, remaining period until retirement age, rank, and length of service at each rank. The most widely used standard is length of service. Some companies adopt length of service as the sole standard for early retirement, while other companies use length of service and other conditions, such as the remaining period until retirement, rank, and length of service at each rank as standards. Targets of the program have been senior workers, but there is a recent tendency to extend it to junior workers.

And the target employees of early retirement program are white collars. The reasons are as follows. First reason is that white collars in Korea maintain a lower labor productivity rate compared with those in other countries. Second, most senior white collar workers do not belong to unions. It is easy for management to handle with resistance of ununionized white collar workers compared with unionized blue collar workers.

2.4 Rapid Diffusion

The Korean early retirement program was first introduced by the public sector. It was implemented for government officials in 1974, for the first time in Korea. The program adopted by the Korean government is for general government officials, educational officials, police, and military officials who have served more than 20 years. About 7,000 officials went into early retirement up to 1994.

After the government, public corporations followed the program. The Korea Housing Corporation first adopted it in 1985, and most public corporations are

implementing the program at the current moment. Financial institutions are adopting the program more actively than any other organizations. Most banks except the newly established ones, are implementing the program and has shown the biggest commitment. In its early stages, most targets of the program were high-ranking employees who were more than 40 years old and had worked from 10 to 15 years. However, the targets of the program is extended nowadays to younger workers of all ranks. Accordingly, the number of employees who went into early retirement has increased. About 1,100 employees left the banks under the program in 1995, and as of March 1996, 600 employees had retired from banks in that year. As the early retirement program expanded to all financial institutions, many securities and investment trust companies have also shown a strong support since 1993.

During the rapid spread of the early retirement program in financial institutions, private enterprises also introduced the program to solve the problems of stagnant personnel management, to reduce personnel expenses, and to support new career plans for middle- and high- aged workers.

The Korea Employers Federation's 1995 survey of 278 domestic companies showed that 17.3 % of surveyed companies had adopted the early retirement program, 10% were considering its adoption, and 64.2% had not adopted it (KEF, 1996c). According to the survey, not just large companies, but also many small- and medium-sized companies were found to have a greater interest in the program.

Table 4. Adoption of Early Retirement Program

Respondents	Size of Companies		
	fewer than 300 employees	300 to 999 employees	1,000 and more employees
Companies that have adopted the system	7.4%	11.0%	33.7%
Companies that have not adopted the system	87.4%	79.1%	54.3%
Companies considering adoption	5.3%	9.9%	12.0%
Total (Number of Respondents)	100.0% (95)	100.0% (91)	100.0% (92)

Source : KEF, 1996c

IV . Problems of Early Retirement Program (ERP) of Korean Companies

Korean early retirement program is experiencing too many problems, contrary to management intents and claims. The problems are examined by both sides, management and labor side, to offer an eclectic view of each opposing view.

1. Management Side

First, contrary to management's intention of abolishing the incompetent workforce, sometimes competent workers leave the company through the early retirement program, while incompetent employees remain. This problem conjures a larger consequence than intended upon. In fact, many companies have lost excellent workers who have shown greater capability in managing and strengthening a company but opted to receive a retirement pay and shifted to rival enterprises. The prevention for this type of incident will also demand greater focus on management practices so that a backlash will not occur more often. For example, in company H, executive personnel who were targets of early retirement never applied for retirement, whereas about 100 engineers left the company over a period of three years. The ERP, though intended to enhance company spending and management, can do more damage than good.

Second, the program has the inherent risk of failing to reduce labor cost to the degree of the management's intentions. As shown in the above mentioned example, when indispensable excellent workers leave the company through early retirement and incompetent employees remain, management is left with a greater burden of retirement compensation and fails to reduce personnel costs. Also too much retirement pay given to retirees offsets the effect of reduction in labor costs.

Third, the program may decrease the remaining employees' loyalty to their companies by making them anxious about their employment. This may lead to a decline in the quality of their work and productivity, and have negative effects on organizations instead of the expected results of vitalization of the organization and increases in productivity.

2. Labor Side

First, sudden retirement causes retirees to experience psychological instability.

As mentioned above, the characteristics of Korean early retirement program is forced voluntarism. An employee who is suddenly asked by his company which he has worked for more than 10 years to retire early, may sense a lack of loyalty to the organization. And he may feel an inferiority complex. Accordingly, retirement brings to him an identity crisis. If a workers is faced with involuntary retirement with no consideration of his wishes, he can be stigmatised as an incompetent person and lose the basis of his self-respect, to himself, family and peer groups.

Second, retirement breaks down the retiree's family bond. Most Korean companies provide workers with special retirement pay in addition to the usual retirement compensation. Methods for calculating special retirement pay and the amount of that pay differ according to company size. The most general method for calculating special retirement pay for early retirement is to pay employees several months' wages in a lump sum.

Most retirees do not know how to handle retirement pay, because they are retired suddenly without preparation. After a few years, a part of them spend all the retirement pay. They lose the source of household income. The wives seek temporary jobs. When the retiree's familys do not overcome those stressful situations, they run the risk of breaking down mentally and in some instances physical illnesses can also occur. And those problems of households then could evolve into social instability.

V . Better Implementation of the Honorary Retirement Program

In order to make better Korean early retirement program, the program itself must not only be looked upon but its infrastructure should also be improved.

1. Redesign of ERP Itself

Concrete methods to improve the Korean ERP are as follows.

First, the programs of preparation for retirement should be developed (Kim & Ahn, 1996). Retirement is a turning point that offers opportunities for a new life. The programs should include development of various skills and providing information that will enable retirees to interact with new social conditions such as new life styles, new jobs, and new social structures. The programs should also provide guidance to retiring employees with regard to financial plans, career

development, maintenance of health, and use of leisure time.

Second, the number of applicants for early retirement and their wishes should be clearly examined. If compensation for retirement is not up to their liking, the number of applicants for retirement will decrease. Therefore, it is necessary to pre-examine the situation and needs of prospective retirees. Compensation for retirement includes not only retirement pay, but also employment at other companies or useful programs to prepare for retirement. Management wants to get as great an effect as possible from early retirement while minimizing expenses for retirement. If applicants for early retirement are too few or too many, companies cannot attain their objectives and serious disorder may take place in personnel management.

Third, sufficient communication and agreement should be sought before and after a decision for the early retirement program (Schulz, 1989). Before its implementation, management should fully explain to employees the benefits and drawbacks for adopting the program. The decision for early retirement should be based on free choice by the employees; management should not force or recommend employees to apply for it. Instead, management should make employees understand that early retirement is based on the management's good will to compensate workers for their long service and help them start a new life, and not merely to get rid of them. Sufficient explanation should be given to employees with regard to an early retirement by showing them its advantages compared to those of a regular retirement plan. If management fails in the process of communication, distrust will prevail with labour, and employees will reject the program and cause greater communication breakdown and cooperation.

Fourth, standards for the selection of targets for retirement should be rationally established. Most companies use length of service and age as criteria, but these should be rationally established. If the age is used as a qualifying factor for an ERP application is too high, the program will have almost no effect and only expenses will increase. If the age is too low, the stability of an organization may be threatened because of too many separations. The appropriate age should be determined as a standard for early retirement in consideration of the situation of an organization, its characteristics, and the wishes of individual employees. It is desirable to set the age limit at 45, and vary it according to other factors that can further embark the ERP on a stronger platform to sit upon. Other factors include the rank, job, and length of service. Much like the initial hiring process that assesses a person's assets and skills, a company must also consider these listed suggested factors in order to justify their objectives to release a valued long

term employee.

Fifth, the level and methods of compensation for retirement should be rationally determined and well defined. In case of early retirement, compensation is composed of retirement pay and a special retirement pay. The levels of special retirement pay differ greatly by company. This raises a problem of social inequity. With too much compensation for retirement, employees may derive greater benefits than through regular retirement, which leads to inequity within the organization. These inequities should be solved by determining fair systems of compensation for early retirement. Consequently, this will be an easier task said than done but is essential to the ingredient of a sound ERP.

Sixth, the outflow of competent workers should be prevented. With the implementation of the early retirement program, highly indispensable workers may leave an organization. For example an excellent employee of company B resigned after receiving a large retirement pay, and entered a rival company. A local bank had to announce that the early retirement program is possible only after approval of a personnel management committee because indispensable, excellent employees applied for it. When top-notch employees apply for early retirement, management should persuade them to remain by telling them their prospects for growth or giving appropriate compensation.

2. Formulating Infrastructure of its System

A well planned infrastructures to improve the Korean early retirement program are as follows. First, employment relations should be made flexible, in order to achieve numerical flexibility of labor (Atkinson, 1985). As changes in the business environment increase uncertainties, business management should cope with them by implementing flexible employment relations. Flexibility of employment relations can be enhanced by increasing the employment of non-regular workers through part-time employment, temporary employment, or outsourcing. As employment of non-regular workers can absorb the shock of environment changes, the regular workforce may have employment security. The introduction of the early retirement program and the problems it entails can be prevented via flexible employment relations through the reduction of regular workers into a small, elite workforce and drastic outsourcing.

Second, human resource management systems should be made better, in order to achieve functional flexibility of labor (Atkinson, 1985). Especially promotion and wage subsystems based on seniority should be improved. One of the

important reasons for adopting the early retirement program is the increase of labor costs caused by the seniority-based promotion and wage systems. Various problems in the retirement program can be prevented by cutting the direct relationship between length of service and wages/promotions through the introduction of the wage and promotion systems based on capability. In other words, company should develop a competitive internal labor market.

And career development programmes should be established. As the competitiveness of a company depends upon the competitiveness of individual workers, systematic and long-term investment in human resources is required to strengthen corporate competitiveness. If every employee within an organization is trained to acquire a high level of ability through a systematic system of career development, various problems related to the early retirement program will considerably decrease.

Third, in respect to the long term, redundancy should be institutionalized by law. And in addition to this, measures to improve employment stability should be set. Among them, sufficient outplacement programs are necessary. Outplacement means that business provides service to individual workers with regard to various problems that take place after termination of employment relations. The major point of outplacement is to help retirees get new jobs. Outplacement can reduce the stress of retiring employees and enhance the morale of employees who stay in the organization (Schulz, 1989). As outplacement can decrease incumbent employees' anxieties about retirement, it contributes to their motivation. Outplacement services that management can provide to retiring employees are as follows: consultation for retirement, provision of job-search information, employment service, evaluation of retiree's ability, and financial consulting.

VI . Conclusion

Recently, many companies in Korea have adopted the early retirement program to enhance flexibility of personnel management with a view to adapting to changes in the environment of human resource management. Through the program, an organization can be lighter, younger, more flexible and equipped with better resources to cope with changes and innovate its structures. However, this is possible only when the program is rationally determined and efficiently operated in systematic linkage to all human resource management system (KEF, 1996a). Therefore, an efficient system of human resource management should be

established before the implementation of the early retirement program.

Although various problems about the early retirement program have appeared, it is necessary due to the present condition of Korean companies. Whether it will be successful or create more problems depends on its structure. Another important effect of the program not to be overlooked is its social and personal consequences. Employees' attitudes and satisfaction with regard to the program are as important as the economic efficiency of company.

In conclusion, the early retirement program may be a desirable solution for Korean companies provided that it produces good results in both economic and social terms, and with little sacrifice on either side. The threat to moderate a company's position must utilize their resources more effectively. In so doing, the ERP is confronted to deal with greater criticism in the future but as it matures, it too will become a stronger entity in the Korean business community as a social and economical move toward a better future.

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