The Strategic Planning of a Corporate Welfare System for Higher Productivity:
Based on the Case Study of Korea Telecom

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Abstract

The policy about the corporate welfare in Korea, since the economic development plan started from 1960, was focused on stabilizing the employee's livelihood and permitting only a few percentage increase annually. However, the corporate sector experienced considerable expansion of welfare needs in the latter half of the 1980s, which consequently became a burden to the corporates.

This paper is prepared for the proper handling of the welfare problem each of the Korean corporates faces these days. In preparing this paper, the Japanese "synthetic welfare plan for employee's lifetime" was very helpful and many of the terms and contents of the plan were cited for the purposes of analysis and adaptability to Korea. The welfare plan proposed herein is designed in details so as to satisfy each employee generation's welfare needs and to provide the management of the corporate with the ability to control the overall welfare cost. With this new plan, we believe Korea Telecom would enhance the productivity of its labor force at the reasonable cost.

Key words: welfare plan, corporate welfare vision, cost control

I. Introduction

As people live longer, continue to alter their lifestyles and their patterns of work, they become more interested in the welfare systems of the corporate they are with. In other words, keeping pace with trend, i.e., operating its welfare systems efficiently to meet both the employee's expectations and the employer's support limitations is

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always a challenge each of the corporates faces. And more, this becomes a problem that the society, not a corporate alone, should solve to those countries the standard of living of whose people is changing and upgrading so rapidly like Korea.

With these in mind, the paper is prepared to review the diverse and well-defined theories and practices of this field and to propose a Korean-styled welfare model based on the case study of Korea Telecom. The Korean society has newly experienced the spouting of various class needs and has seen how they are accommodated into it through some social movements for democracy since 1980s.

Nowadays, most of the corporates in Korea have a problem in meeting these needs because it requires a considerable cost for the part of the corporates. In Korea Telecom, for instance, the increase rate of welfare expenses is 3.2% higher on the average than that of the revenues from the year 1982 to 1991, especially 4.2% higher since 1987. The welfare model presented in the paper is meant for the managers of the corporates who are placed in the dilemma between the employee's request for better working conditions and the corporate's accommodation of the request at as lower cost as possible, for the excessive increase of these costs would hamper the growth of the corporate.

For the presentational purpose, the paper will show first what the corporate welfare is, the history of welfare level in Korea, and changes of circumstances in the corporate welfare. And then it will precede to the current structure of the corporate welfare system in Korea. Finally and most importantly, the new welfare plan for Korea Telecom along with the life cycle welfare concepts will be presented. Also in it is the welfare vision of employee's life cycle in Korea Telecom.

The concept of the lifetime welfare and the plan to carry out it will be presented in the paper and will be analyzed for its adaptability to Korea Telecom. And finally, the strategic corporate welfare model will be brought out for Korea Telecom and other corporates in Korea.

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**The differences between salaries and corporate welfare**

<table>
<thead>
<tr>
<th>Standards</th>
<th>Salaries</th>
<th>Corporate welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>The relations of qualities and quantities of labor</td>
<td>having far-reaching effect upon</td>
<td>not available</td>
</tr>
<tr>
<td>How to receive it usage</td>
<td>compensation for person</td>
<td>compensation for group</td>
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<tr>
<td>Character of Income</td>
<td>unconditioned</td>
<td>conditioned</td>
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<tr>
<td>How to pay function</td>
<td>real income</td>
<td>expectation income</td>
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<td></td>
<td>cash</td>
<td>various method</td>
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<td></td>
<td>Improving living conditions</td>
<td>security of living</td>
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II. Changes of Circumstances in the Corporate Welfare

1. The general definition of corporate welfare

Corporate welfare is regarded as the affair of labor management that carries out attaining its objectives at its own charge and under the corporate responsibility and it consists of fringe benefits, facilities and activities for employee’s welfare but labor conditions such as salary, working hours.

2. The history of welfare-level in Korea

<table>
<thead>
<tr>
<th>Classification</th>
<th>Economic Condition</th>
<th>Ideology</th>
<th>The content of corporate welfare</th>
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</thead>
<tbody>
<tr>
<td>The first stage (before 1976)</td>
<td>The national income per capita</td>
<td>Paternalism</td>
<td>Supporting means of living (dormitory, meals, uniform)</td>
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<td></td>
<td>-below $1,000</td>
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<td></td>
<td>-The supply surplus of labor force</td>
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<td>The second stage (1977-1986)</td>
<td>The national income per capita</td>
<td>Paternalism</td>
<td>The introduction of medical (care) insurances</td>
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<td></td>
<td>-$1,000-$3,000</td>
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<tr>
<td></td>
<td>-The expansion of the heavy chemical industry</td>
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<td></td>
<td>-Security and stability needs</td>
<td></td>
<td></td>
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<tr>
<td>The third stage (1987-1990)</td>
<td>The national income per capita</td>
<td>The support to stabilize a sound labor-management relation</td>
<td>The introduction of the natural welfare pension</td>
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<td></td>
<td>-$3,000-$5,000</td>
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<td>-The sprouting of welfare needs</td>
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<td></td>
<td>-The national income per capita</td>
<td>-The welfare society</td>
<td>Welfare plan classified by employee’s life-cycle</td>
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<td></td>
<td>-$5,000-$10,000</td>
<td>-The efficiency of welfare system</td>
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<td></td>
<td>-The pursuit of leisure life</td>
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<td>The fifth stage (after 1997)</td>
<td>The national income per capita</td>
<td>Welfare improvement responded to employee’s life stage</td>
<td>Leisure, Recreation</td>
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<td></td>
<td>-above $10,000</td>
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<td></td>
<td>-Saturation stage of welfare</td>
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<td></td>
<td>-The demand surplus of labor force</td>
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<td></td>
<td>-The increase of self-realization needs</td>
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</table>
3. Changes of circumstances in the corporate welfare

<Trend of welfare environments since 1980 decades>

<table>
<thead>
<tr>
<th>Socio-economic variation</th>
<th>Welfare environments of corporates</th>
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<tbody>
<tr>
<td>- Increasing old aged employees in the Korean corporates</td>
<td>- external management environments competition</td>
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<td>. Concern with health and providing for employees' old age</td>
<td>- a whole life employment</td>
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<tr>
<td>- Increasing the number of well-educated employees and high salary</td>
<td>- variation of the sense of value (individualism)</td>
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<td>- enlargement of social welfare</td>
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<tr>
<td>- low economic growth rate</td>
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<td>(10% / year --&gt; 5% / year)</td>
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</table>

To improve Quality of Working life

Problems

- excessive welfare cost
- The inclination of MIB (more is better) of welfare needs
- necessity of welfare system integration
III. The Current Structure of Corporate Welfare System in KOREA

- Legal corporate welfare
  - Social Insurance
    - o medical(care) insurance
    - o national welfare pension
    - o industrial disaster insurance
    - o employment insurance (without execution)
  - Public donation
    - o supporting means of living
    - o financial aid (to support making employee's fortune)
    - o housing aid (housing allowance)
    - o leisure/recreation facilities and activities

*Employees want to support employees desire that the housing aid be supported more than any other aid be after 1990.
*The expansion of employee's recreational needs.

IV. The Desirable Strategy to Raise the Efficiency of Corporate Welfare in Korea Telecom

1. The execution procedure and meaning of life cycle welfare vision

- meaning

According to the variation of social consciousness, if a program in the welfare plan is of no use any more, it will be abolished and combined with another. Then, satisfying with employee's new needs we can adequately control the hole welfare cost.

Therefore corporate has to take the plan which can satisfy employee's needs for life stage.
**Procedure**

The flow to design the welfare vision of employee's life cycle in Korea Telecom

- **Management**
  - Labor and welfare affairs department
  - The establishment of project team
  - The deliberation of board

- **Labor Union**
  - Execution committee
  - A general meeting

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To determine the welfare vision plan in the central conference between labor and management

The establishment of special committee between labor and management to design the plan

- To investigate the present condition of corporate welfare operation
- To grasp social welfare, public welfare
- To collect the information of other corporate's welfare system
- To seize variation of welfare environments

Special Committee's work

- The activity of corporate training and publicity
- Survey about employee's analysis

To design the plan:
- Synthetic welfare plan
- Welfare plan of employee's life cycle
- The plan to choose the main body
- Cost plan
- The plan to raise funds

The approval of board

- To report the completed plan to the central conference between labor and management
- To approve the plan in the central conference between labor and management

The approval of a general meeting
2. The desirable strategy to raise the efficiency of corporate welfare in Korea Telecom

(1) environmental analysis

The periodic flow of welfare environments

- The expansion of legal welfare
- The expansion of social welfare

- The continuation of low economic growth rate (The limits of increase of wages and welfare budget)
- The enlargement of national income per capita (The sufficiency of basic living needs)

- The variation of welfare needs [The energetic image of employees]

- To support the needs of economic welfare
- To increase welfare needs which employees provide for their old age
- To pursue a comfortable living
  - Leisure/Recreation facilities and activities
  - Patriarchal culture → the conspicuous trend toward nuclear families

- To increase quality of working life

- The variation of labor power structure (The old-aged employees will be increased gradually)
- The variation of employee's thinking (the new generation)
3. The welfare vision system in Korea Telecom (a draft)

Referring to Maslow's theory of Need Hierarchy and Alderfer's ERG (existence, relatedness, growth) theory, this welfare vision system could reflect the specific welfare environments of K.T. (Korea Telecom) through employee's needs survey.
(1) The welfare vision of Korea Telecom

- A sufficient welfare
  - Making living conditions stable and affluent (affluent life)
  - A means of living which in adequately supported, met the demands of the times by corporate
  - Life supporting measures (price of a meal aid, communion allowance, education fund, welfare facilities)
  - My home measures (a company house (for employees to live in), housing allowance, rental house allowance)
  - Making employee’s fortune measures (making employee’s fortune measures)
  - The property-formation savings for workers, deposits in the firm
  - Cleaning the working conditions (dining room in the firm, a medical room, shower-room, barbershop in the firm, Health-club, an occupational disease measures)
  - To get my home
  - To make employee’s fortune to the life cycle

- A vivacious welfare
  - Vital life owing to physical and mental Health
  - The comfortable working conditions
  - To keep up and improve employee’s health condition
  - Total health control measures (a medical checkup, health counselor, human dock, the test of strength)
  - Leisure activities measures (small group meeting, athletic meeting, leisure/recreation center)
  - Leisure facilities measures (training center, summer recreation facilities, condominium, welfare center)
  - Economic insecurity measures by accidents (medical insurance, workers’ accident compensation insurance, relief loan)
  - Old age measures (a reserve for employer’s retirement allowance, a retirement annuity, old boy meeting, a retirement allowance, the citizen’s welfare pension, The program prepared for retirement)

- A happy welfare
  - Motivation to have a strong desire to work owing to leisure
  - The pleasant working life with workers
  - The delightful leisure with family

- A dependable welfare
  - The life in always reassuring
  - To provide against emergencies
  - To live comfortably in employee’s old age

(2) Life cycle Model and welfare plan in Korea Telecom

This paper classified employees needs of life cycle into 3 dimensions through...
The Life cycle welfare Model in Korea Telecom
employee's welfare survey
(a) grouping method of age
(b) grouping method of sex
(c) grouping method of events (such as, marriage, the time of getting my home)
therefore, this paper designed Life cycle welfare Model in Korea Telecom as follows:

V. Conclusion

Consequently, if Korea Telecom takes in the Life cycle welfare Model, it can presumably cut down about 1 hundred billion won of the welfare expenses From 1 hundred and sixty billion won to 5 hundred and sixty billion won in the early boat of the 21th century. At the same time, this plan can make employees satisfactory. Because it provides adequate programs at the stage situation on the employee's life cycle. Therefore, taking this Life cycle Model into consideration to their welfare plan, most corporates in Korea will accomplish their welfare objectives to raise their productivity through welfare cost control.