

New Title

PROVISION VS PREFERENCE: THE COMPANY-PROVIDED BENEFITS MISMATCH
IN THE KOREAN LABOR MARKET¹

Old Title with Accepted Abstracts

DIFFERING VIEWS ON COMPANY-PROVIDED WELFARE PORTFOLIO IN THE
KOREAN LABOR MARKET

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I. Introduction

National welfare systems are shaped by each country's particular history, where national growth strategy and the dynamics of economic development steer the course of welfare provision and practice. Three familiar models emerged from the 20th century to describe national welfare systems: the traditional welfare state based on socio-democratic welfare values common to northern Europe; the British welfare model based on market-oriented social investment; and the market-dependent welfare model based on neo-liberalism as seen

¹ This paper is prepared for presentation at the 15th ILERA World Congress at Cape Town, South Africa on September 7-9. The author appreciated the data collection and research assistance of Joo-Hyoung Lee. Financial support was provided by Dongguk University, Seoul, South Korea and the Korea Labor and Employment Relations Association (KLERA).

in America.

However, Johnson (1999) and Powell (2007) attempted to deconstructed this paradigm from a mixed welfare system perspective, describing welfare systems instead according to the four sectors involved in their production and delivery: the state sector; the commercial sector; the voluntary (non-profit or third) sector; and the informal sector (family, friends, and neighbours). They also considered the funding and regulation of welfare in their mixed welfare model. This new way of viewing welfare provision is helpful in understanding Korean's welfare system, which emerged from a different organizational culture and socio-economic circumstance to the progenitors of welfare systems in the West. While dominated by private companies, the Korean welfare model is quite different from its market-based American cousin; and while heavily influenced by state-driven policy in its conception, it is unlike the state-dominated welfare systems common to Europe.

The development of the Korean welfare system is intertwined with the 'Miracle on the Han River' rapid economic development period during the second half of 20th century. The 'miracle' was enabled by a totalitarian government granting exclusive economic rights-of-way to a handful of handpicked family firms. In return for such favouritism, the government required firms to provide extensive employee benefits in order to reduce the national welfare burden. In the context of its Confucian-inspired culture, these paternal private firms played a central role in the lives of their employees. Welfare provision was accepted as part and parcel of a lifetime employment philosophy coupled with seniority-based organizational systems.

In its infancy, the Korean welfare system might have compared favourably to that of the U.S.. Where market-oriented welfare programs focus only on full-time regular workers in large, established companies, in Korea's early welfare period, most private companies provided standard benefits to all workers. Korean companies met the critical welfare

demands of the emerging Korean middle class, providing generous packages including housing expenses, funding for children's education through university, and family medical expenses.

Yet Korean company benefits provision changed significantly following the 1997 Asian financial crisis. For the first time, companies central to the Korean economy and welfare enacted significant cost-cutting measures, including cuts to labour and benefits. Payroll cuts and an increasing focus on low-cost growth stifled job creation. The economic slowdown plus increasing global competition changed the attitude of Korean companies towards benefits provision. Companies began to fundamentally question the bottom-line importance of employee benefits. Almost immediately, Korean labour negotiators saw company-provided benefits being bargained in return for job security. Korean companies adopted "labor market flexibility" strategies to compete on a global scale, and the relative investment by companies in voluntary employee benefits began a long decline.

During the period between 1994 and 2011, the wage and benefits structure in Korea changed (Ministry of Employment and Labor, 2014). Along with economic development and increase standard of living, cash payments increased almost three fold, and legally required benefits increased more than 500%. At the same time, non-legal benefits increased by just 56%. This trend is empirically demonstrated by the steadily decreasing rate of non-legal benefit expenses in the first decade of the 21st century. During the period from 2008 to 2012, the cash vs. non-cash compensation ratio kept steady at 78:22, while the legal benefit expense vs. non-legal benefit expense ratio under non-cash compensation decreased from 72% to 68%.

Such a relative decrease in company benefits provision coupled with an increasing use of non-regular workers and limit on intermediate level jobs was a natural consequence of the market flexibility strategies employed since the 1997 financial crisis (Lee, 2015). But the

compressed time period over which such significant changes have taken place has meant that the state, voluntary, and informal sectors have not caught up. Korea's spending on social welfare still ranks lowest among OECD nations, despite the decrease in private sector provision. Furthermore, the scope of informal sector welfare spending is narrowing as birth rates drop and families become increasingly nuclear. Finally, Korea faces the burden of a rapidly aging population. The top-heavy Korean economy is teetering on a crumbling foundation composed of more and more non-regular workers, without the solid edifice of a strategically evolved mixed welfare system to stabilize it.

It has been clear to the Korean government for some time that the state alone cannot support the welfare of these populations. In light of this dilemma, the government announced a new “Company-provided Welfare Index” as part of its 3rd Worker Welfare Promotion Master Plan (2012-2016). The purpose of the Index is to reorganize the country’s company-led welfare system from one founded on seniority and lifetime employment to one oriented towards talent recruitment and retention.

In order for the Index to be effective, transparent and independently confirmed data must be available that is easy to compare company to company. However, contrary to cash payments, it is difficult for workers to have complete information on company-provided benefits or to compare such data without a standard. This study therefore first provides a standard form of employee benefits categorization for benefits provided by companies across Korea. Researchers developed this standard by surveying the homepages of 486 Korean representative companies.

By providing concrete and easy-to-compare benefits package data to job prospects, the Index hopes to play an important role in employer selection, thus refocusing employers on providing competitive, quality benefits packages. Furthermore, by comparing the views of

both benefit providers and beneficiaries on company-provided employee benefits, the Index can help companies fine tune their benefits offerings towards the needs of in-demand employees, thus increasing the utility of their fixed expenditures.

Consequently, the Index may be an important and useful supplementary tool to reduce Korea's national welfare burden, reviving the role of private companies in providing Korean welfare benefits in an efficient manner. This paper therefore proposes a few policy recommendations to promote restructuring of company benefits.

II. Company-provided Employee Benefits

2.1 Supply and Demand for Company-provided Employee Benefits

From the perspective of state-provided welfare, company-provided employee benefits provision is relative new (Johnson, 1999). Company-provided employee benefits, sometimes called occupational welfare or workplace welfare, are comprised of non-wage compensation and services provided by the employer. An examination of the role of company-provided welfare emerged as the welfare discourse moved towards the mixed-form paradigm, with an increased emphasis on welfare pluralism as well as concerns about the social division of welfare (Jeon, 2012).

Compensation experts Milkovich & Newman (1999: 395) define employee benefits as “part of the total compensation package, other than pay for time worked, provided to employees in whole or in part by employer payments such as life time insurance, pension, workers’ compensation...”. Employee benefits are managed and provided by the company and limited to company employees and sometimes their family members (Woo, 2008).

Employee benefits fall into six major categories (Beam & McFadden, 1992; Broderick & Gerhart, 1997; Employee Benefit Research Institute, 1990; Rosenblum & Hallman, 1991): legally required social insurance programs, private insurance and retirement plans, payment for time not worked, extra cash payments, employee services, and perquisites. The following table provides examples within each category.

< Table 1> Categories for Employee Benefits

Category	Major Forms
Legally required social insurance programs	social security, unemployment compensation, workers services, and private insurance
Private insurance and retirement plans	life insurance, disability insurance, medical insurance, dental insurance, legal insurance, property and liability insurance, and auto insurance for private use, defined benefit pension plans and defined contribution pension plans for retirement plans
Payments for time not worked	vacations and holidays, sick leave/personal leave, jury duty, rest periods, sabbatical leaves and military duty
Extra cash payments	educational allowances, moving expenses, saving plans, holiday bonuses, and meal expenses
Employee services	subsidized cafeterias, recreational facilities, clothing allowances, car or van pools, retirement counseling, wellness programs, and day care center referrals
Perquisites	employment contracts, liberal vacation time, more disability insurance, personal liability insurance, outplacement assistance, company car and driver, company airplane, yacht, executive home allowance, and tax and financial counsel.

Source: Broderick, R. & Gerhart, B. (1997), Non-wage compensation, in Lewin, D., Mitchell, D. J. B., & Zaidi, M. A. (Eds.), *The Human Resource Management Handbook, Part III*, Greenwich, CN: JAI Press Inc., Table 1 at page 147.

In recent years the cost of benefits provision has become a significant part of the total cost of labor in many countries (Broderick & Gerhart, 1997; Butler, 1999; Geon & Ha, 2011). But it is not quite clear that employee benefit costs are offset by their contribution that benefits make to help employers meet to compensation objectives (Broderick & Gerhart, 1997: 148). This argument was one of major reasons why Korean companies cut employee benefits after 1997 Asian financial crisis.

Several theories on employee benefits explain benefits' contribution to companies.

Economic theory suggests employers provide benefits to employees because the combination of economies of scale in employers' purchasing power and tax incentives for both employers and employees persuade both groups to trade off some cash for benefits. However, this economic theory does not explain various forms of benefits or accommodate other explanations such as the internal labor market view or system-oriented view (Broderick & Gerhart, 1997; Butler, 1999).

According to the internal labor market view, employees view their benefits as part of an implicit long-term contract or career with the organization (Ehrenberg & Smith, 1994; Lewin & Mitchell, 1994), while in the system-oriented view human resource management programs including compensation programs are designed and implemented to support an organization's general mission and strategy (Dyer & Holder, 1988; Fombrun, Tichy, & Devanna, 1984; Hills, Bergman, & Scarpello, 1993; Lawler, 1981; Lawler, 1990; Milkovich & Mahoney, 1976; Milkovich & Newman, 1999).

To simplify our definition, then, employee benefits function as wage supplements under the firm's compensation strategy for employee's costs of living and expenses. In Korea, this wage supplementing function played by employee benefits has been institutionalized over the last several decades. Company-provided employee benefits bear the unique stamp of each company as they are negotiated between management and employers or their representative unions. So, unlike major working conditions such as wage and working hours that are determined through an external labor market, employee benefits are a distinctive hallmark of each company from the perspective of prospective employees (Lee, 2009). Also, employee benefits provision helps to stabilize the industrial relations of a company and motivate employees of the company because it transforms the short-term and one time wage distribution issue into a long-term and repetitive benefits package issue.

Research into how to set an employee benefits package can be divided into supply and demand perspectives. From the supply point of view, the main question is how to set the package within a limited budget or fixed resources. If one particular benefit program uses a high proportion of available resources, then other benefit programs may be discontinued. But from the demand perspective, the beneficiary's satisfaction level may be improved even with limited resources if preferred benefits are provided more than less preferred benefits. So, Korean companies (as benefits providers) may improve their company's image with job prospects as well as the satisfaction level of employees even with fixed or limited resources. But if employees and job prospects cannot compare benefit programs because of no standard benefits package, then companies neither retain employees nor attract job prospects from benefits provision. Even in the U.S., "standard" benefits packages do not exist, and there is also considerable variance in benefits packages among the companies that offer a full range of employee benefits. Where labor markets are fluid this may not hamper talent attraction and retention. But in Korea where labor markets are more static, standardization of benefits packages by the government or other public organization is important for companies in order to achieve their supply side goal of benefit provision.

Meanwhile, there is relatively more research available examining employee benefit satisfaction from the demand side (employees). Lust & Danehower (1990) proposed an employee benefit satisfaction model that shows factors for achieving employee benefit satisfaction are different from the satisfaction derived from employee wages. This model has been widely used in evaluating Korean benefits satisfaction (Ha, 2007; Park, J-D, 2005; Park, K-J, 2010). Most research on benefits packages satisfaction from the demand side produced a singular conclusion: cafeteria-style benefit programs produced greater satisfaction than traditional pre-packaged benefit programs. The singular exception is in the research of Jeon

& Ha (2011): in analysing specifically the satisfaction of employees on 12 specific individual benefit programs, medical support was preferred most followed by housing.

2.2 Employee Benefit Trends in Korea

For the last two decades the cost of legally required benefits has increased at a rapid rate, while the comparative rate of increase for non-legally required benefits has declined. This means that employee benefits which are operated with labor-management agreement and so purely company specific have been reduced. Legally-required benefits costs increased five fold between 1994 and 2011, while non-legally required benefits increased by only 54% during the same period <Table 2>. In Korea, legally required benefits include health insurance, industrial accident insurance (workers' compensation), national pension, employment insurance, fines for not hiring disabled workers, and accident compensation. Non-legally required benefits include housing, health and medical service, childcare, insurance premium, education expense allowance, recreation · culture · exercise · entertainment, employee stock ownership, company welfare fund, and other costs. The increase in legally required benefits seems to be due to the expansion of eligible workplaces and therefore increased number of employees eligible for social insurance, as well as the increase in insurance premium.

<Table 2> Yearly Trends on Total Labor and Benefits Costs in Korea

(unit: 1,000 won, %)

Year	Total Labor Costs		Legally Required Benefits Costs(A)		Non-Legally Required Benefit Costs(B)		A/B
	Costs	Change	Costs	Change	Costs	Change	
1994	1,501.9	-	55.1	-	126.4	-	43.6
1995	1,726.7	15.0	64.7	17.4	120.8	-4.4	53.6
1996	1,870.5	8.3	81.0	25.2	139.5	15.5	58.1
1997	2,082.2	11.3	98.1	21.1	154.0	10.4	63.7

1998	2,324.7	11.6	121.3	23.6	140.8	-8.6	86.2
1999	2,370.8	2.0	163.0	34.4	173.5	23.2	93.9
2000	2,777.3	17.1	182.2	11.8	168.7	-2.8	108.0
2001	2,661.1	-4.2	209.2	14.8	173.7	3.0	120.4
2002	2,827.6	6.3	220.5	5.4	197.3	13.6	111.8
2003	3,206.0	13.4	242.8	10.1	227.3	15.2	106.8
2004	3,057.5	-4.6	191.6	-21.1	161.5	-28.9	118.6
2005	3,221.1	5.4	208.2	8.7	177.7	10.0	117.2
2006	3,392.8	5.3	228.6	9.8	208.0	17.1	109.9
2007	3,642.5	7.4	243.6	6.6	224.4	7.9	108.6
2008	3,845.6	5.6	255.5	4.9	184.8	-17.6	138.3
2009	3,866.0	0.5	259.1	1.4	185.1	0.2	140.0
2010	4,021.5	4.0	266.7	2.9	169.3	-8.5	157.5
2011	4,328.5	7.6	280.1	5.0	195.5	15.5	143.3
Accumulated Change (%)		188.2		408.3		54.7	

Source: Ministry of Employment and Labor (2014), Report on Labor Cost of Enterprise Survey.

This trend suggests that companies have been reluctant to provide employee benefits in recent years. But, as discussed earlier, employee benefits may deliver real value by improving a company's image and therefore attracting in-demand prospective employees; by helping to retain effective employees, and supplementing wages even with a fixed amount of resource. At the national level, employee benefits provision helps to reduce the national welfare burden, critical considering Korea's aging society.

III. Empirical Analysis

3.1 Goal of Empirical Analysis

This study aims to examine the differing views on company-provided benefits packages in the Korean labor market by analyzing the organization of benefit programs, the preferences of beneficiaries, and the gap between program and preference.

Two independent surveys were conducted for this study. The first survey identified the benefits provided by major companies in Korea according to the information appeared on the company homepages and produced an employee benefit program standard for employers in Korea. The next survey examined the employee benefit programs provided by the companies who participated in the government's 2014 youth intern program and employees preferences on those benefit programs.

From the data collected, each benefit program expense was calculated as a ratio to total benefit management expense. This ratio for each benefit program was compared to the benefit-by-benefit preferences of employees to illuminate gaps between provision and preference.

3.2 Definition of Standard Employee Benefits Portfolio

To define employee benefit programs and set a standard for any single benefits program category in Korea, we merged the 2012 list of 1,000 top companies ranked by net profit volume published by Korea's popular *Maeil* Economic Newspaper with the list of 1,000 best companies to work for from the Korean recruiting portal *Saramin*, then from the resulting pool selected 500 companies at random for our survey sample. Of those 500 companies, 486 companies' data was included comprising 3,655 benefit programs (including multiple responses). Key statistics for the data are presented in <Table 2>.

<Table 2> First Survey Statistics by Industry

Industry	Sample size		Employee Benefits Programs	
	Frequency	%	Frequency	%
Manufacturing	261	53.7	1,999	54.7

Construction	20	4.1	181	5.0
Education	8	1.6	47	1.3
Finance and Insurance	24	4.9	206	5.6
Technology	18	3.7	151	4.1
Wholesale and Retailing	41	8.4	288	7.9
Business Service	11	2.3	51	1.4
Recreation	5	1.0	50	1.4
Transportation	17	3.5	120	3.3
Food and Hotel	11	2.3	61	1.7
Information	54	11.1	382	10.5
Others	16	3.3	119	3.2
Total	486	100.0	3,655	100.0

After examining the 3,655 cases of benefits provided, a threshold of minimum 5% representation across companies was set to derive a final nine standard categories of benefits as seen on <Table 3>. Legally required insurance (health insurance, employment insurance, national pension, workers' compensation) and legally required leave (maternal leave, leave for childcare) are excluded because they are not voluntarily provided to employees.

<Table 3> Categories for Employee Benefits and Representative Forms
Non-statutory Welfare Benefits

Category	Frequency (%)	Representative Forms
Family Occasion and Length-of-Service	630 (17.2)	1. Family Occasion; 2. Marriage; 3. Child Birth; 4. Death; 5. Illness; 6. Retirement; 7. Appreciation for the Length of Service
Culture Activity Exercise Activity Length of Service . Dear Company Product	496 (13.6)	1. Support for Hobby Clubs; 2. Library Operation; 3. Staff Lounge; 4. Playground/Gym/Shower Room; 5. Discount on Company Products
Medical and Health Expenses	482 (13.2)	1. Support for Health Examination; 2. Support for Medical Service; 3. Health Examination; 4. Counselling with Specialist; 5. Support for Childcare Expenses
Canteens and Other Food Services, Commuting, and Communication	457 (12.5)	1. Free Canteen Use; 2. Canteen Operation; 3. Outside Restaurant Use; 4. Free Coupon for Canteen; 5. Commuting Bus; 6. Support for Commuting Expense; 7. Support for Car Maintenance; 8. Support for Communication Expense
Housing	346 (9.5)	1. Allowance for Housing; 2. Allowance for House Purchase; 3. Company Housing; 4. Allowance for Rent; 5. Dormitory
Tuition Support for Children	312 (8.5)	1. Tuition Reimbursement for Children; 2. Private Educational Institute

Support for Private Insurance and Loan Program	292 (8.0)	1. Pension/Insurance Premium Allowance; 2. Private Individual Pension Allowance; 3. Financial Mutual Aid System; 4. Life and Disability Insurance Premium Allowance; 5. Property Formation Incentive; 6. In-company Loan Program
Relaxation, Recreation, and etc	285 (7.8)	1. Summer Vacation; 2. Managing Rest Center; 3. Condominium Use
Financial Support for Self Improvement	192 (5.3)	1. Self-Development, 2. Language Skill Development, 3. Tuition Allowance; 4. Individual Study Travel, 5. Fitness Club.
Others	163 (4.5)	1. Employee Welfare Fund; 2. Employee Stock Ownership Plan
Total	3,655 (100.0)	

3.3 Provision of Employee Benefits by Category

For the second survey, 302 companies and 869 employees working in these companies were surveyed to see the difference between benefit provision and benefit preference using the nine categories established from the first survey. The companies participated in a 2014 youth intern program supported financially by the government, thus enabling effective collection of data. Most of the companies surveyed were from the manufacturing sector. Among workers, only 13.1% of employees are union members.

<Table 4> Second Survey Sample by Industry: Company and Employee

(unit: unit, %)

Industry	Companies		Employees							
			Union Membership						Total	
			No		Yes		N/A			
Manufacturing	186	61.6	440	50.6	91	10.5			531	61.1
Electricity, Gas, Steam and Water Supply	2	0.7	6	0.7					6	0.7
Construction	10	3.3	29	3.3					29	3.3
Wholesale and Retail Trade	18	6.0	46	5.3	3	0.3			49	5.6
Transportation	13	4.3	30	3.5	8	0.9			38	4.4
Information and Communications	16	5.3	43	4.9					43	4.9
Financial and Insurance Activities	4	1.3	12	1.4					12	1.4
Professional, Scientific and Technical Activities	29	9.6	77	8.9	3	0.3			80	9.2
Business Facility Mgmt and Business Support	2	0.7	6	0.7					6	0.7
Education	1	0.3	3	0.3					3	0.3
Human Health and Social Work Activities	1	0.3	3	0.3					3	0.3
Arts, Sports and Recreation related Services	1	0.3			3	0.3			3	0.3
Membership Orgs, Repair/Personal Services	3	1.0	2	0.2	3	0.3			5	0.6
Unknown Industry	16	5.3	58	6.7			3	0.3	61	7.0
Total	302	100.0	755	86.9	111	12.8	3	0.3	869	100

Employees' age and gender distribution were can be seen in <Table 5>, with males in their 30's dominating the category from those who included responses.

<Table 5> Second Survey Employee Statistics: Gender and Ages

(unit: unit, %)

	20s		30s		40s		50s		No Response		Total	
Male	122	14.0	185	21.3	104	12.0	26	3.0	14	1.6	451	51.9
Female	100	11.5	110	12.7	24	2.8	8	0.9	4	0.5	246	28.3
No Response			3	0.3	1	0.1			168	19.3	172	19.8
Total	222	25.5	298	34.3	129	14.8	34	3.9	186	21.4	869	100

It is perhaps unsurprising given Korea's particular cultural landscape that companies emphasize supplementing food and commuting-related expenses followed by Housing-related, Financial, and Family-related benefits. <Table 6> show the portion of expenses for each benefit category to total benefit expenses by industry. Industry is not a significant factor in explaining benefit provision variance. But the small sample size for a few industries such as education led to a deviation from the mean.

<Table 6> Employee Benefit Programs by Cost Contribution

(unit: %)

	Canteen	Housing	Private	Family	Recreation	Tuition	Self	Medical	Culture
Total	0.53	0.09	0.09	0.07	0.07	0.05	0.04	0.03	0.03
Manufacturing	0.55	0.11	0.08	0.06	0.09	0.04	0.03	0.03	0.02
Electricity, Gas, Steam, Water	0.38	0.00	0.06	0.15	0.04	0.34	0.00	0.02	0.01
Construction	0.61	0.02	0.13	0.07	0.11	0.04	0.00	0.00	0.01
Wholesale and Retail Trade	0.39	0.00	0.17	0.08	0.05	0.10	0.11	0.04	0.06
Transportation	0.45	0.03	0.06	0.15	0.06	0.08	0.09	0.04	0.06
Information/Communications	0.48	0.06	0.06	0.16	0.02	0.03	0.07	0.02	0.11
Financial/Insurance Activities	0.58	0.07	0.16	0.05	0.02	0.03	0.00	0.04	0.04
Professional Activities	0.56	0.07	0.08	0.05	0.06	0.06	0.07	0.02	0.03
Business Facilities Mgmt	0.07	0.36	0.14	0.04	0.01	0.00	0.29	0.07	0.01
Education	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Human Health/Social Work	0.56	0.07	0.00	0.28	0.00	0.00	0.00	0.00	0.09
Membership Orgs, etc	0.40	0.00	0.28	0.11	0.00	0.00	0.10	0.07	0.04

Unknown	0.57	0.05	0.27	0.03	0.07	0.00	0.00	0.00	0.00
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Note: Canteens category is Canteens and Other Food Services, Commuting and Communication; Housing is Housing; Private is Support for Private Insurance and Loan Program; Family Category is Family Occasion and Length-of-Service; Recreation category is Relaxation, Recreation, and etc.; Tuition category is Tuition Support for Children; Self category is Financial Support for Self Improvement; Medical category is Medical and Health Expenses; Culture category is Culture Activity ·Exercise ·Entertainment and Discount for Company Products.

3.4 Preference of Employees for Benefits by Category

To examine the benefits preferences of beneficiaries, employees were asked to order their preferences for benefit programs. Traditionally, employee preferences regarding benefits are measured using a Likert scale. But this measure ignores the benefit expense aspect, a basic characteristic of employee benefits administration. If one program is preferred, then the other program may be removed because of budget constraints. So, the Analytic Hierarchy Process (AHP) is used here instead to analyze employee preferences regarding benefit programs. Using AHP, decision-making is structured hierarchically by issue, and then, preferred order among alternatives is established using the paired comparison technique. Also, AHP is a preferred by respondents because it is easy to answer survey questions (Lee & Cho, 2011). Kim & Oh (1996) suggest that the AHP makes for easy-to-compare employee benefit programs because AHP reflects clearly the trade-offs consequent of each choice under certain constraints. AHP also provides information on respondent consistency. Song, Seol, & Park (2010) recommend that responses with greater than a 0.2 consistency ratio (CR) be deleted from the analysis. Following this recommendation resulted in a final sample of 531 respondents (334 with higher than 0.2 CR). This study used the Expert Choice (version 11.5) program supporting the AHP technique.

As seen at <Table 7>, employees' preference by tenure was highest for "Tuition Reimbursement for Children" category. As tenure increases, preference for tuition for

children gets stronger. This is because the ubiquitously-employed private education institutes are very expensive in Korea, and additionally college tuition is a big burden to employees with children.

<Table 7> Employee Preference on Benefit Programs by Years of Service

(unit: %)

	Tuition	Medical	Family	Recreation	Canteen	Private	Self	Housing	Culture
Less than 1 year	0.13	0.11	0.12	0.13	0.12	0.12	0.12	0.09	0.08
2~4 years	0.14	0.12	0.12	0.12	0.12	0.11	0.11	0.10	0.07
4~6 years	0.14	0.14	0.13	0.12	0.12	0.10	0.11	0.08	0.06
7~9 years	0.14	0.13	0.14	0.12	0.10	0.12	0.11	0.07	0.07
10~15 years	0.17	0.13	0.13	0.11	0.11	0.11	0.10	0.08	0.06
15~20 years	0.17	0.13	0.12	0.10	0.13	0.12	0.08	0.11	0.05
More than 20 years	0.21	0.12	0.18	0.09	0.06	0.15	0.07	0.07	0.05
Unknown	0.15	0.13	0.11	0.12	0.11	0.11	0.10	0.11	0.06
Total	0.15	0.12	0.12	0.12	0.11	0.11	0.11	0.09	0.07

Note: Tuition category is Tuition Reimbursement for Children; Medical category is Medical and Health Expenses; Family Category is Family Occasion and Length-of-Service; Recreation category is Relaxation, Recreation, and etc.; Canteens category is Canteens and Other Food Services, Transportation and Communication; Private is Support for Private Insurance and Loan Program; Self category is Financial Support for Self Improvement; Housing is Housing; Culture category is Culture Activityance and Loan Program.

<Table 8> shows employee preference for benefits by age group. As employees get older, the preference for housing increases. But other programs do not show a significant difference by ages.

<Table 8> Employee Preference on Benefit Programs by Age

(unit: %)

	Tuition	Medical	Family	Recreation	Canteen	Private	Self	Housing	Culture
20s	0.13	0.11	0.12	0.13	0.12	0.11	0.11	0.09	0.08
30s	0.14	0.13	0.13	0.12	0.11	0.11	0.11	0.08	0.07
40s	0.17	0.12	0.13	0.11	0.11	0.11	0.09	0.10	0.06
50s	0.18	0.10	0.11	0.12	0.11	0.12	0.09	0.10	0.07
Unknown	0.15	0.13	0.12	0.12	0.11	0.10	0.10	0.11	0.06
Total	0.15	0.12	0.12	0.12	0.11	0.11	0.11	0.09	0.07

Note: Tuition category is Tuition Reimbursement for Children; Medical category is Medical and Health Expenses; Family Category is Family Occasion and Length-of-Service; Recreation category is Relaxation, Recreation, and etc.; Canteens

category is Canteens and Other Food Services, Transportation and Communication; Private is Support for Private Insurance and Loan Program; Self is Financial Support for Self Improvement; Housing is Housing; Culture category is Culture Activity·Exercise·Entertainment and Discount for Company Product.

<Table 9> shows benefits preferences by gender. Male employees prefer tuition for children and housing, while female employees prefer health and vacation benefits.

<Table 9> Employee Preference on Benefit Programs by Gender

(unit: %)

	Tuition	Medical	Family	Recreation	Canteen	Private	Self	Housing	Culture
Male	0.15	0.12	0.12	0.11	0.11	0.11	0.10	0.10	0.07
Female	0.13	0.13	0.13	0.13	0.12	0.11	0.11	0.07	0.07
Unknown	0.15	0.13	0.12	0.12	0.11	0.10	0.10	0.11	0.06
Total	0.15	0.12	0.12	0.12	0.11	0.11	0.11	0.09	0.07

Note: Tuition category is Tuition Reimbursement for Children; Medical category is Medical and Health Expenses; Family Category is Family Occasion and Length-of-Service; Recreation category is Relaxation, Recreation, and etc.; Canteens category is Canteens and Other Food Services, Transportation and Communication; Private is Support for Private Insurance and Loan Program; Self category is Financial Support for Self Improvement; Housing is Housing; Culture category is Culture Activity·Exercise·Entertainment and Discount for Company Product.

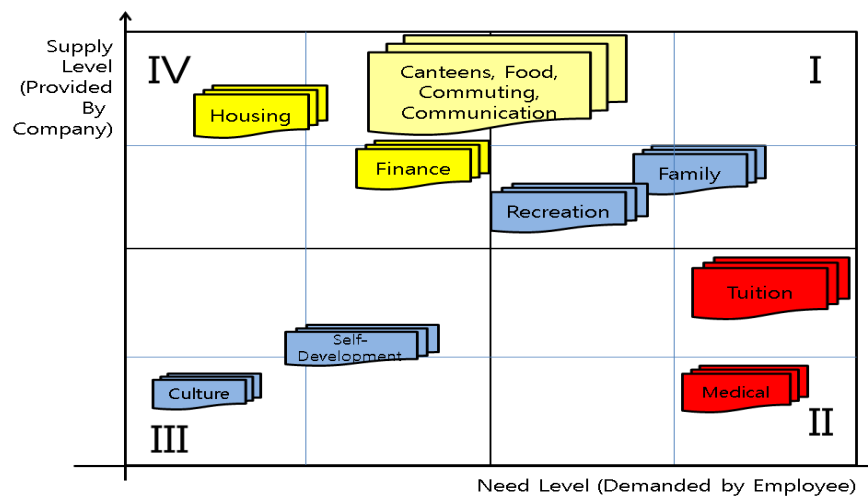
IV. Conclusions and Policy Implications

4.1 Summary

This study aims to compare the company-provided employee benefits to the benefits preferred by employees. As a first step, nine categories of employee benefits were defined. To compare, employer benefit programs were measured according to relative benefit cost, while benefit preferences of employees were measured using the Analytic Hierarchy Process (AHP) to capture decision making with trade-offs, a condition of employee benefits management.

Employers paid most towards “Canteens and Other Food Services, Transportation and Communication” category, while this was not a strong preference of employees. Employees strongly preferred benefits in the Tuition category, while only employers in one industrial sector emphasized this benefit..

<Figure 1> Provision vs Preference in Korean Employee Benefits



Note: Tuition category is Tuition Reimbursement for Children; Medical category is Medical and Health Expenses; Family Category is Family Occasion and Length-of-Service; Recreation category is Relaxation, Recreation, and etc.; Canteens category is Canteens and Other Food Services, Transportation and Communication; Private is Support for Private Insurance and Loan Program; Self category is Financial Support for Self Improvement; Housing is Housing; Culture category is Culture Activity·Exercise·Entertainment and Discount for Company Product.

The comparison between provision and preference shows some areas of consonance, but striking variances, or mismatches between provision and preference. For benefit programs in Area I of Figure 1, employee preferences and employer provision are well matched, and in Area III conversely employers do not emphasize what employees do not prefer. However, there are mismatches on benefit programs in Area II and Area IV. In Area II employees express clear preferences that are not provided for by employers (underprovision) but

employers do not provide well. For benefit programs in Area IV, employers provide benefits that employees do not prefer (overprovision).

It is likely that much of the mismatch is due to policy precedence rather than company intransigence, as it is unlikely that company human resources departments have previously had access to such preference data based on hierarchical decision analysis rather than absolute preference intensity. As discussed, the latter analysis method does not capture the trade-offs inherent in setting an employee benefits portfolio. By defining a standard categorization for analyzing employee benefits provision in Korea, then comparing provision to employee preferences, this study takes the first critical step in re-orienting the Korean employee benefits system: identifying areas of mismatch.

4.2 Policy Implications for Employee Benefits Packages Management

For many decades, employee welfare has been supported and managed primarily by companies under the auspices of lifetime employment conditions and following efficient internal labor market theory. Recently, the Korean government has pushed companies to make public their employee benefit program information using a newly-developed standardized benefit program index, the Company-provided Welfare Index. This index provides potential employees with concrete information on benefit programs previously unavailable. The intention is for the index to encourage competition among companies in employee benefits provision in the external labor market. Ultimately, the goal is to increase the total amount of company-provided benefits at the national level.

In addition, companies can use the method and results of this study to examine the possible mismatch in their own organizations between benefit provision and employee preference.

Restructuring benefit programs to match employee preferences can have a measurable impact on employee satisfaction, even under financial constraints. If a standard benefit program index is developed which focuses on both the amount of benefit budgeted and employees' benefits preferences, employers may arrange easily diverse benefit programs and ultimately increase the total amount of benefits provided to employees.

In sum, an employee benefits index will increase the exchange utility in the labor market because the index will align benefit programs according to employee preference, rather than precedence. The employer will be able to fine-tune their benefits for competitive advantage, while employees will benefit from more complete, easy-to-compare knowledge regarding non-wage compensation.

4.3 Limits of this Study

There are limits to this study and its research methodology, although the policy implications are not trivial. First, the measures used to establish the costs allocated to various benefit programs were not confirmed against audited financial reports. These measures need to be confirmed with official financial reports in subsequent analysis. Also, benefit programs are likely to vary by industry and company size. Such variances were not considered in this analysis, but should be incorporated using multi-variate analysis in follow-on research. Furthermore, while some demographic data on respondents was included, further examination of employee benefit preferences by demographics was not considered. Despite these limitations, further studies are clearly needed because an integrated welfare model is urgently needed in Korea, where a low rate of economic growth coupled with an aging population looms dark on the horizon. Restructuring employee benefits will not only align the

needs of employers and employees, it may revitalize the much-needed role of Korean companies in welfare provision.

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Biography

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