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The application of talent retention theories in Japan and South Korea

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<p>This report is a study of talent management theory – a new approach to HRM to retain and maximize employees’ potentials, relating practices and to what extent it is applied in Japan and South Korea. To better explain why the implementation of talent retention theory may vary from Western countries or the US, a brief look into East (Confucian) Asian culture was taken, as culture plays a decisive role in human behavior and partly determines the archetypical retention requirements of different characteristic groups. Both Japan and Korea portrait traits of a Confucian culture: the emphasis on education background (which can even dictate one’s social status) and the practice of rote learning, work ethic that glorifies diligence and over efficiency, various and sturdy social hierarchies, and interpersonal relationships at workplace that are more than just professional. While experiencing different historical paths and possessing distinguish cultural features, the region is not completely foreign to a management approach that focuses on employee relations and talent. Japan is well-known for its management style that includes lifetime employment, seniority wage system, etc. and concepts that are based on or similar to Western theories that are incorporate in modern popular textbooks. Its people’s willingness to sacrifice for communal progress during hard times and the highly egalitarian, the culture of diligence and resistance to change are also what hindering the country from globalizing its working environment. Meanwhile, the rest of the region has been less, if not at all, known for management success, but is reaching fast for a more modernized approach to talent management, i.e. Korea has a more standardized recruitment process. Both countries in concern are reported to exercise excessively long working hours that lead to several social problems, even casualty; their students’ academic performance are top-knot, however the practicality level of such education is questionable when fresh graduates still require on-the-job training. As the situation is for the whole region, there is growing, but still deficient recognition for the importance of talent planning and talent management; several other issues are also widely coined by the public but receive neither acknowledgement nor satisfactory solution. Employing a totally universalist approach to management talents in Japan and Korea would not be effective. Instead, a locally customized retention package (even better if tailored to individual needs) that promote fair working environment, career progress and gender wise, and work-life balance, combined with special policies to tackle social issues relating to workplace would be advised.</p>	
Keywords	Human resource management, talent management, retention, Japan, South Korea, culture

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1 Talent, talent management and talent retention

1.1 'Talent' in human resources management (HRM) and talent management (TM)

"At the end of the day, we bet on people, not strategies."
(Larry Bossidy – CEO of *AlliedSignal*)

A consistent and effective business strategy is what drives organizations toward success; and such plan is compiled after vigorous marketing, with a vision from founders which is shared by all staffs. But all that is made possible only if the human aspect of the organization is capable and stays close-knit. That is a prosaic way to understand how human resource/capital management is most likely the core of all business strategies, something that most people in management positions nowadays acknowledge. As defined by one of the prominent authors in human resource management studies – Gary Dessler, it is "the process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns" (2013). Recognition for the importance of such aspect in business first emerged in the 1980s (Ashdown, 2014); while its definition and core functions remained the same, approaches and theories around the subject have since extend and evolve a great deal.

"In the 21st century, the education and skills of the workforce will end up being the dominant competitive weapon." (Lester Thurow, *Head to Head*, 1992)

There has been an emerging concept in HRM whose definition and importance are still not commonly agreed, acknowledged and used among all HRM professionals, which is talent management. In short, talent management (TM) share many traits with HRM, but the major difference that set it aside from HRM is how people are regarded as. While HRM theories consider people or employees as individuals, entities; TM consider people through the set of skills they possess, or in other words, their worth and contribution for the organization.

"Talent management is the goal-oriented and integrated process of planning, recruiting, developing, managing, and compensating employees" (Dessler, 2013)

Talent management in an inclusive sense as Dries et al (2014, p.16) quote from Buckingham and Vosburgh (2001, p.22) is "the art of recognizing where each

employee's area of natural talent lie, and figuring out how to help each employee develop the job-specific skills and knowledge to turn those talents into real performance [...] elevating each person's performance to its highest possible levels, given the individual's natural talents". This way of thinking is later on echoed by several contributors of the Harvard Business School's issue *Retaining Your Best People* (2006).

1.2 Talent retention, relating concepts and practical applications

1.2.1 Definition

Talent retention by definition is the ability to maintain company's talent pool at a "safe" level, keeping key talents and maximizing their contribution to the organization. Rather than defining what is talent and the scope of talent management – which is still in debate to certain extent (Dries et al, 2014), Gary Dessler (2013) provided an comprehensive approach to employee retention – that it consists of selection, professional growth and career development assistance, meaningful work and ownership of goals (engagement), recognition and award (the most basic and perhaps first measure people can think of to help retaining human capital), promote work-life balance and acknowledge achievement. Other authors might also mention performance appraisal, employee relation – engagement – commitment, exit management in a way that is close to the functions and purposes of talent retention.

A relating concept to employee engagement would be *affective commitment*, which could be explained as the psychological and emotional attachment to and identification with an organization. Meyer et al (2002: 20-52) introduced this concept along other two types of commitment, which is *continuance* (attachment due to the perceived costs of leaving the organization) and *normative* (attachment due to the perceived obligation to stay). As the study goes, it is pointed out that affective commitment is arguably the most positively correlative with organization-relevant outcomes, such as attendance, performance, organizational citizenship behavior; moreover, the concept aligns with the spirit of talent retention, which is to intrinsically keep talents with the firm.

In practice, talent retention differs itself from, an in which sense be a part of talent management not because of what activities it includes, but rather its purpose: to **keep** the **existing** talents within the company, and **maximize** their potential and contribution to the organization. Talent management, on the other hand, involves all human capital managing activities while regard those "capital" for the set of skills they have rather

than headcounts. Most importantly, talent retention must be an integral part of talent management, which means all these processes must be practiced in order for the system to sustain and minimize costs (Evans et al, 2011).

1.2.2 Why talent management?

“The world is changing so fast, it’s difficult to see around corners. Things don’t always work. And when they don’t work, what you can fall back on is talent.”

(Edward Michaels – Director at *McKinsey & Co.*)

Knowledge and technology was the new driving force of economies in the 1980s, and emerged with it the term knowledge economy (*savoir-faire*). Technology advancements also diminish the demand for low-skilled workforce and instead increases need for high-skilled ones (Dobbs et al, 2012). Knowledge being placed as the core element of the economy urges organizations to start perceiving their personnel not as headcounts anymore but with what skills they possess, because headcount numbers can no longer assure adequate performance. As Edward Michaels – a director of *McKinsey & Co.* – and his colleagues observed and pointed out in their publication *War for Talent* (1998) and relating articles, there is increasing needs for talented people in high-tech businesses and surprisingly even more in traditional ones; and the competition is ever fiercer as some youths now prefer working for start-ups to earn a sense of involvement in company decisions and aim for significant rewards. Furthermore, in order to retain these talents/ people, the conventional approach of compensation, reward and more generally organizational culture do not work anymore. Being placed at a dwelling environment, employees are growing to be more and more aware of their rights, not seeking for solely monetary rewards anymore as living standard has been raised and people start paying more attention to other welfare aspects.

”As long as a task involved only mechanical skill, higher bonuses led to better performance. But for tasks that required even basic cognitive skill, higher bonuses actually led to poor performance - The upside of irrationality” (Ariely, 2010 via *PwC*)

As mentioned before, most authors in TM theories including Dessler (2013), Meisinger et al (2005), Evans et al (2011) among others suggest – in one way or another – that besides monetary rewards, nowadays it is becoming more and more crucial, as well as evident, that good working environment and strong, progressive organizational culture also play important roles in engaging employees and building the sense of loyalty in them. Monetary reward is essential, but not always exclusive and effective, not to say

counter effective in some cases (Prewitt, 2006). For instance, when the CEO and co-founder of Gravity Payments announced he was going to make base annual salary in his company a hefty amount of USD70 000, recruitment department was flooded with applications. But on the other hand many employees left the company saying it was not fair for the higher performers, who in their opinion were supposed to be paid distinctively more due to their contribution proportion. Most importantly, a one-size fits-all package will not likely to appeal to each and every employee in one organization (Cosack et al, 2010), much to say in a international environment or across branches of a multinational company (MNC); so it is fundamental to know who the employee are, to find out what matters to them and what they expect from their employer/working environment. The result will be retention packages that actually make employees stays, which should be continuously improved and adjusted (Cosack et al, 2010). Quantitatively, turnover rate is the most common indicator/measurement for managers to keep up with the situation, while exit interview with employees who have decided to leave to find out their rationales is the qualitative method to get feedback on what is not working well (Beardwell et al, 2014).

1.2.3 Application

Who are the subjects of talent retention? Should managers pay attention to the needs of top performers (exclusive sense) or all employees (inclusive sense) – including the ordinary and underachievers, who are in the end also crucial parts of the operation (Paul et al, 2011)? Prewitt (2006) brings up this discussion in a slightly different direction: should we focus on “the stars” at all or should managers try to help everyone improve and/or utilize their hidden potentials? Or there is a hybrid form of those exclusive and inclusive senses, in which any employee or role that is pivotal to a company’s performance and success is the focus of its retention program (Beardwell et al, 2014). It perhaps depends on the cultural context and organizational culture of each and every case that one of these perspectives is employed; for instance Frank Brown, global leader for Assurance and Business Advisory for *PwC* on creating a culture of retention: “The real trick is to create a culture that sustains all employees”, which means *PwC* use the inclusive sense to regard ‘talent’.

Among other tools and compartments of talent planning and retention, knowledge management (especially tacit knowledge, which is unique to each and every organization, and can hardly be taught theoretically or recorded in written forms) is unquestionably an essential part. To minimize the risk of knowledge loss when a key

performer leaves suddenly, it is vital for organizations to build trust culture within itself as an enhancer to knowledge regulation.

“Interpersonal trust is considered an important mechanism to stimulate satisfaction and commitment of members and enhance organizational effectiveness” (Six and Sorge, 2008)

As trust is prosaically the psychological state when one accept his/her being vulnerable to the actions of another (the trustee) believing and expecting that the latter will do no harm, or even benefit him or herself. The trustee hence will establish a mutually advantageous relationship with the trustor, and is expected to not betray the other (Six and Sorge, 2008). A high trust enables its member to believe in the positive-sum outcome of sharing knowledge, hence facilitating a knowledge-sharing culture and transparent working environment. Such culture would in turn mollify negative competition among employees, motivate less-experienced ones or low-performers to strive for more and establish a positive image for the firm as a good place to work at (Hatch and Cunliffe, 2013).

There is a vast range of different talent retention relating policies, such as talent pipeline and succession planning, remuneration, welfare, working environment related, career development, recruitment related, etc. Ideally, healthcare insurance and other types of support should not be limited to the employees themselves but also their family members, especially their children and parents. A company identity and coherent organizational culture should be established, indoctrinated and reinforced to make employees feel that they are all part of something, working for a common goal and sharing one exclusive identity. As proved later on, it is particularly among highly educated youths that support for further education, coaching and fair promotion opportunity is a priority when it comes to seeking for the right employer. A desirable working environment and condition may consist of some (and better if all) of the following: transparency, absence of all kinds of harassment and discrimination, flexible working hours and not-to-high hierarchy.

Succession planning is both to ensure the company has a range of choice to choose the best from and assuring shareholders, which should be done early and extensively. A good talent/succession plan, which estimate and suggest measures to ensure an adequate talent pipeline for the organization, requires understanding and

predetermination of the product/problem and what resources and skills would be needed to produce/solve it, desired company image, possible layoff/retirement, company's goals and objectives and key milestones, in alignment with marketing, company's situation (supply chain, industrial partners, etc.), and last but not least its competitors (Stringer and Rueff, 2006). Also, when it is time to recruit, a clear recruitment message and employer image would definitely ensure a productive campaign. They can be "Go with the winner" (high-performance company, lots of promotion opportunity, etc.), "Big risk, big reward" (challenging tasks to either leave or advance rapidly), "Save the world" (inspiring company mission, challenging job) or "Lifestyle" (offering flexibility and lifestyle related benefits) (Michaels, 1998).

"The best time to plant a tree is 20 years ago. The second best time is now" (Ancient Chinese proverb)

Recruitment was never a one-time or overnight business, hence HR managers should build and maintain for their organization a "talent community" where relationship with candidates are sustained even though they are not hired at the time or are only interested in the company and not looking for a position yet (Stringer and Rueff, 2006). Beside turnover rate and how much talents are wrongly hired and placed in the organization, a lot can be concluded from the recruitment process could as well be utilized to improve talent retention quality. Indicators such as response rate of candidates (both the suitable and unsuitable, by position, set of skills, level; by tactics/channels), how long it takes for them to be recruited, how to graciously decline the undesirables, etc. tells managers whether they are investing and relying on the right method and what could be improved.

Besides indicators and long-term measures above, there are also various ways to improve and actuate a more appealing and agile working environment. In their 16th issue (2015), *Deloitte Review* dedicated their *CFO Insight* part for down-to-earth suggestions to increase employee engagement – a growing problem as they address in the earlier part of the article. The proposed "irresistible work place" from the column offers meaningful work (the right task for the right people) for small, empowered teams with trust-worthy and transparent leadership (clear, simple and realistic goals) in a supporting and positive environment (coaching culture). Making meetings less painful and pro forma by rotating the meeting leading role among employees, not the leader, give them more "air time" can be one way to imply to your personnel that their opinions

are not of low priority. Frank and specific questions indicate you really want feedback and it is safe for your subordinates to disagree with you (i.e. “What did I get wrong?”, “Do you think this part is feasible?” etc.). *Deloitte* also mentioned that companies – as many of them still do, unfortunately – need to stop thinking that employee’s dissent is a symptom of disengagement; in fact, they can possibly be the staff’s passion to improve the organization so ardent he/she can risk his/her career to stand out and go against popular opinion, including top management’s. Some sources suggest stand-up meeting, which is also another way to discreetly promote agility and healthy life style at work place, and set a regular time for office exercises. One Seattle-based CEO – Dan Price of Gravity Payments – combines both, making his mostly young staffs plank in the whole duration of meetings to encourage everyone to speak quickly. This eventually makes meetings less painful and more productive all the while letting employees exercise together in an interesting, non-conventional or pro forma way.

2 Culture and its influence on talent management

2.1 Culture in workplace

The most popular school of thoughts that systematically measures, depicts and categorizes cultural differences among nations to business students is probably the *cultural dimensions* by Gerard Hendrik (Geert) Hofstede, and further on by Alfonsus (Fons) Trompenaars. The *five dimensions of culture*, most of which appears in everyday business situation (rules or relationships), that Trompenaars classified were team work or individuality, how emotions or opinions are expressed, the range of involvement and how status is accorded and regarded. Such studies and theoretical frames have helped a lot of professionals and students in analyzing and preparing to work within different cultural environment. They also elaborate why the study of culture would prove itself useful in doing business; for instance Hofstede (2005) called culture the *mental programming* or *software of the mind* that each and everyone carry, which is the pattern of thinking, acting, feeling that has been learned and accumulated throughout one’s lifetime. Even though variations are bound to occur, general sentiments and values such as national identity, sense of humor and tolerance – for i.e. humor and tardiness, moral values and work ethics, etc. are hardly not archetypal in people coming from one collective cultural background. However there seemed to be little mention, not to say description and conception, of Asian countries in these works; index and ratings of these countries still occasionally come up, but no further explanation or analysis was given. Even with such limited information – in form of

scores – those studies offered, it is noticeable that the concerned (Asian) countries in this report, or Asian nations in general, are different as Asia is a continent of diverse cultures and religions.

In 1978, Robinson, R. D., on discussing *comparative management* – the comparisons of organizations and general aspects of management from different countries and cultures (Chen, M., 1995: 1-2), stated that there are three approaches to the subject. The universalist approach insists that there is almost no difference across cultures and social backgrounds, hence management theories and practices are easily transferred. From the economic cluster point of view economic features of nations/group of nations are believed to dictate/constitute management basics. Meanwhile the cultural cluster means that “attitudinal and behavioral differences among cultures determine management tasks”. Which one is more prominent and proved to be effective in today’s world? Are we heading from economic and cultural cluster approach towards universalist one due to advanced communication technology and increasing cultural exchange? Those are the concerns of managers of multinational corporations and expatriates; as for this thesis, it would mostly stand from the cultural cluster point of view to examine the influence of culture in professional working context.

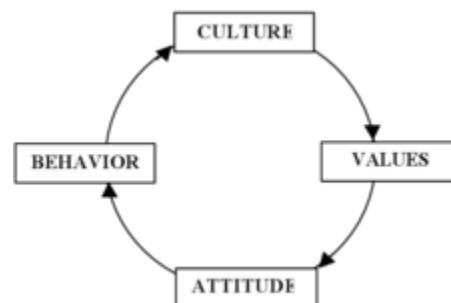


Figure 2.1.1. Adler’s illustration of how culture affects behavior. Source: Chen (1995)

Comparing management styles of different countries Adler (1991) observes that in high uncertainty avoiding cultures (i.e. Japan and China) employees expect managers to lead and prefer job security over self-actualization/recognition as motivation. A strong desire for social harmony results in Japanese employees finding promotion “detrimental” since it would damage their relationship with colleagues to certain extend. Meanwhile, decision making process and achievement acknowledgement in i.e. American managers and Confucian Asian ones are also distinct: the former believe in their own efforts while the latter depend on a slight chance of good luck or fate. Data

gathering for Westerners means using their five senses to gather information and facts around them, Asians tend to refer to past and future, etc. Child (1981) concludes that while researchers divide opinions on whether management systems are growing in similarity or not; management styles seem to gradually unify on macro level (structure and technology, etc.) but remain idiosyncratic in alignment with their own cultural characteristics on a micro level (i.e. behavior) (Chen, 1995).

2.2 The East Asia cultural context

East Asia in this report consists of China, Hong Kong, Taiwan, Japan and South Korea due to their distinguishing economic characteristics rather than their political or geographical status. The region is home to more than 1.6 billion residents (Wikipedia, last updated 2011), with Japan being listed as developed while the rest as developing economically (United Nations, 2016), South Korea and China as emerging economic forces with almost dissimilar strengths, Hong Kong and Taiwan not as entirely independent entities but still are worth-recognizing economies. Given their varied level of economic development and history as well as natural resources, each country has their own distinguish cultural traits: the Chinese with their prevalent and influential philosophies of *Confucianism*, *Daoism*, *Laoism*, etc. and “the world’s factory”; Japan as the country of invention pattern licensing, the icon of economic miracles and comeback and exclusiveness, South Korean being on their way earning international acknowledgement, etc. Together they can be prosaically grouped as “Confucian Asia” – emphasize are put on devotion/work ethic, gender role differentiation, hierarchy, family, education and way of learning (Tung, 2014).

It is essential to mention *Confucianism* in this report because of its undeniable influence on the cultural establishment and hence behavior pattern of both Japan and South Korea. *Confucianism* as a code of conduct (Redding, 2014) covers not only governmental ideals but also suggests social system (with different classes), how human to human relationships are categorized and how should they be, what should matter when evaluating an individual, etc. These may vary a bit from country to country, but the core principles would be the same. Take the instance of the essentials in Korean *Confucianism*, which emphasize on four values: hierarchy (including loyalty to senior individuals), filial duties to parents (respect, obedience, etc.), emphasis of education and diligence, trust between friends and colleagues (or more generally people who share common background) (Hemmert, 2014). Values such as these innately determine the behavior pattern of an individual in daily activities and working

environment, what one prioritize and highly appreciate, and eventually what motivate or discourage them from being productive at work.

Among East Asian countries, some exert more influence on others than they mutually and equally; the rest being more susceptible to cultural influence of not only the former but also countries outside the region. China, for instance, possesses such vigorous and seasoned culture of some thousand years and an everlasting desire to explore and expand that it has left their traces on all surrounding countries; some of which were at one point even part of it. Such cultural impact is evident even in countries not sharing border with China, i.e. Thailand. Adding to said extension of the Chinese dominance, Hong Kong and Taiwan – due to their specific history of annexation and position in the two World Wars – also bear several resemblances of their most significant colonizers during the late 19th and 20th centuries, which are the British and the Japanese respectively. Regardless of the prominently negative aspects of colonization, it is also undeniable that said colonizers have introduced new concepts and be leverage to Chinese influence in East Asia. Management style and perspective on talent retention in these countries, hence, may be generalized as one on a certain level, but because of such cultural distinction they definitely differ from country to country. In addition, the face of labor situation in all of them are changing altogether with the entrance of a new generation in the workforce, many of whom having received education or being influenced by popular organization theories, including those subjected to examination in this report.

Due to the favorably close proximity between the two and the Japanese annexation of Korea from 1910 until the end of World War II, cultural – especially educational – exchange was carried out enough for these two nations to bear resemblances in several ways. Belonging to the same Confucian part of Asia, both are known to be extremely hierarchical (Redding and Tung, 2014), even higher than the originate nation of the philosophy itself, which is China. The Korean society employs Confucian ideals and social structure and the outcome of Japanese way of education, as many Korean managers during the early days of industrialization have been sent to the latter for educational purpose. Hierarchies in both nations are mentioned in plural form, meaning there is not only seniority system in professional environment, but also other forms of social structure such as work tenure, age, etc.; which explains why most if not all people in top positions are of senior age (Hemmert, 2014). Such social orders are so

deeply ingrained they are even expressed in the languages. In Japanese there is *sempai-kohai* (senior and junior) relationship, and there are different honorifics to address people of senior or junior age or higher/lower social status (*-chan, -kun, -san, -sama*). The Korean counterparts of these are relatively *seonbae-hoobae* and *-ya/-ah, -yang/-goon, -shi, -nim*; not to mention different words to address people as uncle, aunt, (big) brother or sister, etc. that are all replaced by *you* in a daily conversation in English or *ni* in Chinese, and the starkly different styles of speech in a formal or informal context.

Contradicting to all those similarities, the social classes in Korea is much more prominent than in Japan; with the *chaebol* (Samsung, Hyundai, LG and the emerging Lotte) families implicitly emerge as the new ruling and desirable class in society instead of the *yangban* (aristocrats) of the old days. The *chaebols* are similar to the *zaibatsu-keiretsu* system of Japan in terms of contribution to economy, but are different in how components of such system are selected. Korean *chaebol* class are established and maintained through marriage and family ties – marriage usually for business reasons as well) while *zaibatsu* and *keiretsu* are simply networks of banks and companies, which are closely connected through business benefits but not necessarily marriage or family ties. In regards of this aspect, it is fair to say that while Korea and Japan remain the conservative Asia, China has turned out to be more hierarchically flat and deliberate despite being the origin nation of *Confucianism*; apart from one exception that the Chinese do practice in-house succession planning (family members of the founder usually take over management tasks) just as the Korean, but that is gradually diminishing as well.

Same as in Japan, the Koreans generally are group-oriented, share the desire to blend in in public and are sometimes susceptible to mob mentality as in some other Asian cultures; however their work values remain individualistic (Hemmert, 2014). In addition, Koreans express extreme national pride (Redding, 2014) and a tendency to expand network horizontally (with people of same age, position, alma mater, hometown, etc.) (Hemmert, 2014). Surprisingly enough, the Korean society is also considered low trust, as there is a deep mistrust between management and labor representative, citizens and institutions (legal apparatus, government, large corporations, etc.).

“In Japan, 91% of people believe that they know someone they could rely on in a time of need, more than the OECD average of

88%. [...] Concerning the public sphere, there is a moderate sense of community and high level of civic participation in Korea, where 76% of people believe that they know someone they could rely on in time of need, less than the OECD average of 88%, and one of the lowest figures in the OECD.” (The OECD Better Life Index)

To compensate for that, “interpersonal trust is more strongly developed than institutional trust” – people tend to trust more in others from the same background, alma mater, etc. This means that if trust is established on personal level, subordinates may follow a senior manager who is leaving the company solely because of the trust and relationship they have with that person (Hemmert, 2014).

To highlight how Confucianism in Japan and Korea take on separate course from the original Confucian society – China, while still sharing the general values, an examination of how they maintain and expand social network would bring good example. The Chinese – especially overseas Chinese – are stereotyped as bearing entrepreneurial mindset and are almost always willing to cooperate and trust the people of their own ethnicity or origin. China still relatively deploys *Confucianism* as its social code of conduct – emphasizing on hierarchy, family and company identity; hence the preference of ownership and connection over performance-based merit and the tendency to not trust “outsiders” that do not share the same background/not in the same organization/social group (Redding, 2014). The highlight of Chinese ideal of building a close-knit community means that each “family” (meaning any community or social stratum) takes care of its own members who are expected to carry out his/her rights and duty to the family/other members in return. The company is one united family with collective interest.

Team building sections in East Asia generally do not stop at meetings and team building trips, but what is most common among Asian cultures – and also among things outsiders may find challenging or hard to understand – is the practice of after-work get-togethers, which usually involves alcohol consumption. Social drinking is so essential in Korea that they even have a drinking culture of their own, with particular etiquettes and different meanings for drinking in various social events; and a compound word in for company get-togethers – *hoesik*, which is the combination of *hoesa* (company) and *siksa* (meal). Drinking is not only to bond with your colleagues and supervisors, it is in general a tool to path your way into society, or in other words, how one really gets to

know anyone else. Expanding your social network while maintaining friendly relationship with your co-workers and supervisors in Confucian Asia go to a more personal level, where getting to know the person's character, visiting his or her home, etc. may be considered the basic of a long lasting and worthy connection. This has been mentioned, emphasized even, in almost every handbook about working in Asia, especially the Eastern, Confucian part. Affective commitment as result is a considerably easier to achieve in East Asian countries. However commitment is not the only desirable outcome in talent management; the ultimate goal is to utilize and make the best of people's ability and potentials, which requires observation, understanding and intervention to assign jobs effectively.

There are now plenty of handbooks on living in, negotiating and doing business with, or even starting up and managing in Asian countries, especially East Asian ones. Situation examples are usually given along with general description to depict a typical native employee in his or her native professional environment. Japanese white-collars for example bear the stereotype of 'the quiet ones in meetings' – meetings for them is not a chance for discussion and constructive comments, but rather a indoctrinating/inaugurating events for strategies and ideas from managers, so all they are expected to do are take notes and say yes (Bramble, 2008). That mostly comes from the emphasis on hierarchy and social harmony and is the outcome of conventional one-way teaching and training, or rote learning as some authors may have put, in Asian societies.

3 Management perspectives from Asia

When speaking of Asian philosophies, the most well-known and perhaps influential would be *Confucianism*, whose traces still stay deep-rooted and be seen even today. Even though not directly addressing corporate management or talent management in particular, these philosophies impose great effect on behavior and daily life in Asia in general, much to say in economics and workplaces. Lao Tzu's idea of achieving *de* (virtue) while exercising *wu-wei* (no-action) was lent to (or at the very least share similarities with) French physiocrats and termed *laissez-faire* – to "let it be/go", describing a system where transactions between private entities are free from government's intervention through the form of tariffs, subsidies, privileges, etc.. Such influence even extent to the *rule of invisible hand* by Adam Smith, explaining how, in a free market, self-interested individuals naturally and unknowingly benefit society by

operating together with interdependence. *Confucius* on the other hand believed in achieving eventual virtue through direct effort and control, hence led to the development of managed economy (Witzel, 2003). Furthermore, their ideology on social rankings, classes, hierarchy and relationships (among family members, between supervisor and subordinate, between the young and the old, or between humans in general) are deep-rooted in Asian, especially East Asia. These schools of thoughts and both be related to modern time economics and management theories and referred to in order to understand behavior both in and outside workplace, as well as possible intrinsic rewards that will work in East Asia context. However, it must be note that these ideologies, despite their omnipresent and enduring potency in Asia, do not apply to each and every case; particularly for the younger generations of Asia who have been more exposed and hence become open to diverse, modern views.

More recent management or management related views can mostly, if not only, be noted from Japan, not China in general or South Korea. The initial success of Japanese companies with one common and unique management viewpoint earned them the title “Japanese management style”. What set such view apart from its Western counterpart is that the Japanese consider firms as social entities and focus on corporate social responsibility (CSRs) rather than seeing them as profit-making tools for their stakeholders – which is quite common a concept in industrialized societies in Europe and the America. Companies are there to provide jobs and contribute to the economy and society’s welfare; subordinates’ trust in their manager’s taking responsibility is palpable (Redding, 2014), as security is what they prioritize out of their being employed, not the monetary payment itself.

Table C.1 Comparison of Western and East Asian management styles

<i>Western</i>	<i>East Asian</i>
1. Hierarchical, egalitarian command, segmented concern	Free-form command, roles loosely defined, holistic concern
2. Professional managers, position related to function	Social leaders often with high-sounding titles for low-ranking jobs
3. Particularism, specialized career path possibly with rapid evaluation and promotion, individually orientated	Non-specialized career paths, slow evaluation, regimented promotion, socially orientated
4. Decentralization of power	Centralization of power
5. Mobility	Stability
6. Diversity	Unity
7. Direct approach	Indirect approach
8. Systematic analysis, standardization, categorization, classification, conceptualization, precision	Ambiguity, reaction, adaptation
9. Long-term set planning	Often lack of formal set planning, high flexibility in adjustment
10. Explicit control mechanisms	Implicit control mechanisms
11. Organizations and systems adapt to change	Leaders/managers adapt to change

Source: Waters, 1991, p. 106.

Table 3.1. A comparison of Western and eastern management styles (Source: Chen, 1995)

One contemporary organizational behavior/human resources management theory that is considered the exact Japanese management style is *Theory Z* by Dr. William Ouchi, whose main point is to forge employee commitment/loyalty by offering an assured lifetime employment and focus on their all round welfare – in other words, the company/organization is a family, there is no bad employee, just those who have not received the right treatment yet. Such theory was build based on the Maslow's *hierarchy of needs*; which makes it more approachable and relatable to those familiar with the Western In the 1980s, both Ouchi and Akio Morita – co-founder of *Sony* – promoted the Japanese way of bonding within corporations in a time when there was debate between the two 'hard' and 'soft' approaches to HRM: whether to plan and align workforce in terms of number or to focus on the human relations aspect.

Pehr Gyllenhammar – *Volvo's* former CEO – was known for his reformation of the company's approach to job assignment and labour arrangement. In the 1970s his company faced a situation when there was high demand for simple task workers, which means jobs are easy to find while the nature of the job was repetitive and dull; in such condition both employee engagement and quality control (casualties can happen and

be missed amidst thousands of similar components) . It was no longer enough raising salary to keep the workers motivated; and so Gyllenhammar's solution was to switch from traditional assembly line model to the *quality circles* model. Defined by Kaoru Ishikawa, *quality circles* is a model where workers are organized into teams, each responsible for the whole manufacturing process of certain end product(s). This allows room for job rotation and exploration of potential/untouched skills, cross check – quality monitoring since it is easier to spot faults in final product. The workers can see the end result of what they have made and therefore bear a sense of achievement; they get to do different tasks so assembling motors is not so boring anymore. Such model can still be seen in various companies nowadays and whose application is no longer limited to industrial production.

“Japanese and American management is 95 per cent the same,
and differs on all important respects”
(Takeo Fujisawa – co-founder of *Honda Motor Corporation*)

Parts of East Asia that have been in contact with Western culture during the colonial era and the two World Wars may have adopted some cultural feats and perhaps business management. Japan is an early case of opening to Western contacts, hence the consequential industrialization and birth of various relating industries. However it is quite interesting how the nation manage to adopt technological and scientific advances of the Western world but still stay culturally secluded to the point of remaining unscathed. It can be said that some Japanese management philosophy was borrowed by or coincided with those of Western management thought leaders and became part of the mentioned popular management theories. In that sense, rather than stating that the so-called popular management theories are being imported to Asia, it may be safe to say that these two presumably polarized styles have long ago intertwined, and as a result, managers coming from the Asian viewpoint can actually relate with foreign, contemporary management theories to a point.

While classic Japanese management concepts and style after World War II have been the subject of fascination and study of American and European researchers and managers, the rest of Confucian Asia seems to be the promise land for them to explore and exploit. Perhaps because this part of East Asia has not prove themselves right about management with economic success, when it comes to this region the so-called Western managers only think of how to compromise and make deals rather than learn

and adapt. In such sense Japan has definitely set a good example in taking on new perspectives, as they have been keeping their gates open to trading with Westerners, and hence learning not only cultural feats but also their science and technology advancements. While being arguably the first country in Asia to industrialize and even economically significant enough to play an important part in World War II; the advancement of Japanese economy, or the *Japanese miracle* as other may have put it, seems to have ceased an eventually facing a crisis. What the nation once took pride in as the core of its management philosophy and driving force behind its economic recovery – the collective mindset and job security, prosaically trust – seem to be somehow out of fashion in the time when job-hopping is the norm, even in a loyalty-emphasizing society such as Confucian Asia. As mentioned in the previous section, some similarities do not and cannot solve the math of managing talents, particularly talent retention, in the modern East Asia context, as time changes and there are still cultural diversity and uneven economic development to take into consideration.

4 Talent retention in East Asia – a comparison of Japan and South Korea

4.1 Overall situation

Academics studies and textbooks may not be as up to date as other sources, but they – if from reliable author – offer a more academic insight and usually come with detailed correlation with theoretical concepts, hence are considerable sources of information for this thesis as well. The quality of talents in East Asia, in other words the quality of the region's education systems, in alignment with requirements from companies are generally discerned as improving but still inadequate. Both China and South Korea suffer from lack of technical-trained human capital, while Japan has been long acknowledge for its bloom in innovative activities and invention patterning, which supports the statement that the development in each Asian/East Asian country varies (Tung, 2014). Taiwan and Hong Kong – having been under the influence and with the legacy of the Japanese and the British Empire are bearing resemblance in culture norms, technology development and business system/management style with their once occupiers. Japan and South Korea are among high performance countries in terms of training outcomes, but they and China as well do not have a strongly supported and widely implemented vocational training system (Witt, 2013). The stereotyped Asian way of education that exert excessive emphasize on “rote rehearsing and test taking rather than on practical application and creative thinking” seems to be the reason why some Asian countries (among those Japan and South

Korea) earn their place at the top of international rankings such as *PISA (Programme for International Student Assessment)* (Witt, 2013).

Another education and training issue in China and relating regions as well as South Korea is the ongoing brain drain they are suffering from. While many a student of these nations were sent abroad with the purpose of getting new perspectives and bringing back technology advancements from the Western world, many of these students did not return, or did return but only to move back to more developed countries – which was not the case for Japan after the two World Wars. In most cases, it was because the social conditions and technical infrastructure of their home country would not allow them to make the best of what they had learnt. Fortunately, these nations have not better understand the underlying rationale of the brain drain, therefore starting to offer career progression opportunities and family/accommodation related benefits for these student-turn-immigrants and scientists instead of just monetary reward. To further sustain this talent flow, these governments has also made effort to contact and keep in touch with their high-skill expatriates, ensuring their availability and dedication in time of need (Song, 2003). These efforts are now turned into formal “networking” policies with room for further improvement; to make these expatriate talents feel their role in their home country development and help them exercise that right without forfeiting the career they have built elsewhere.

But even when workforce quality is assured and the talent pipeline is sufficient in number, the concerned regions also experience short-term average employment tenure. Local new hires in Asia tend to leave the organization within an unprecedentedly brief period, which does hinder on-the-job training – an important part of career development and loyalty building. Japan apparently fare the best among East Asian nations as it is famous for the prevailing practice of lifetime employment (at least in the old times); new hires training is systematic and established, and most importantly, strikes are rare occurrences since employee identify with their company’s underlying rationale and participate in decision making processes. The last one is an important point to make, since employees identifying with company’s vision and underlying rationale and general sense engagement being reinforced means that they are intrinsically motivated to work and stay loyal to their firm. On the other hand, weak bonding with the firm is typical in China and South Korea: labor unions are only pro forma – they either side with the company and is branch of *Communist Party* (China) or

are all too notorious for their militancy (South Korea). Identification with firm in both cases is weaker than that in Japan because managers are believed to treat subordinates unfairly and the decision making structure is much centralized (Witt, 2013).

It is safe to say that even though awareness of the importance of talent management has been raised in East Asia these recent years, managers there still have a lot to improve on the subject. When searching for reports and academic writings on talent retention in East Asian countries, most results are written in such manner that imply career development, which is a constituent of talent management, is still mistaken by many Asian managers as promotion. Only recently have companies and governments pay attention to utilizing more intrinsic rewards such as re-accommodating support and flexible working hours beside monetary offers to induce commitment and productivity in their employees. Even when talent development is taken as it is defined by popular TM theories, these reports and studies only mention managers, manager-to-be and highly intellectual individuals (such as academic researchers, scientists and engineers of highly sought-after expertise) as subjects of such concept. This means that only a part of TM's scope has been recognized and touched at best – there is little to none discussion of studying and exploiting employees' hidden potential or reallocation (team and department wise) of those who do not seem to fit in well. Instead, the extent of talent retention to the mind of East Asian managers as of now is commonly the practice of maintaining headcount at a sustainable number and trying their best to solicit top performers.

"A study conducted by the Corporate Executive Board found that the employees who are most committed to their organisations give 57 percent more effort and are 87 percent less likely to resign than employees who consider themselves disengaged. [...] the Asia-Pacific median resignation rate is 15.2 percent. This compares with 7.0 percent in the United States and 6.6 percent in Western Europe." (*PwC Saratoga*)

Besides corporate sustainability and/or annual reports of multinational/international companies in Asia – which is most likely the first source of information that comes to mind when speaking of HRM practices in reality, another way to find out what the situation really is in East Asia for these companies is through market researches and case studies. While the former may sometimes be quite subjective or intentionally vague, the latter is more expansive and accurate for the most part. For a preliminary

level of research, popular names as popped up from the quest: *Deloitte Consulting and the Human capital Leadership Institute* and *PricewaterhouseCoopers (PwC) Saratoga Asia-Pacific Centre* in Singapore for instances both have reports on the labor market situation across various industries and countries.

Some graphs and figures extracted from those reports that reflect and compare the situation on organizational and national scale:

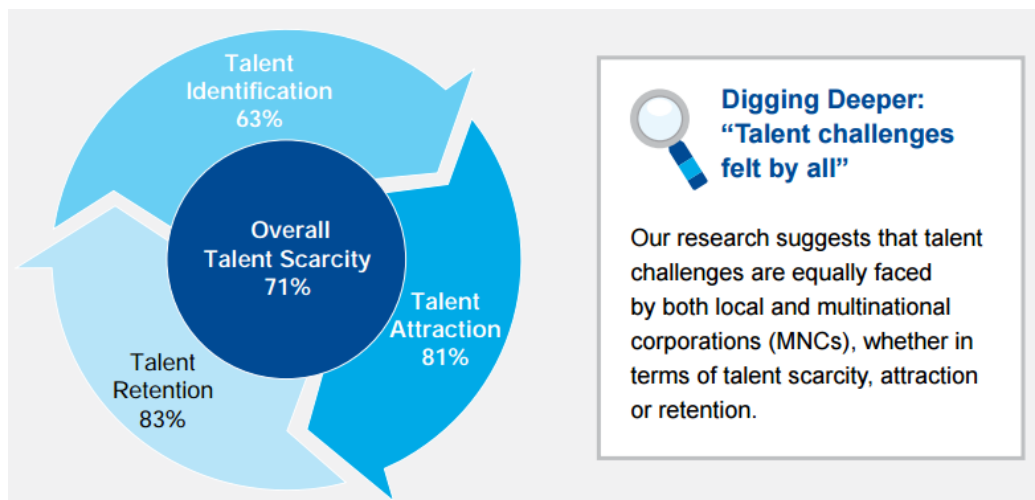


Figure 4.1.1. Talent landscape – Asia (Source: Deloitte)

71 percent of the interviewed CEOs across Asia admitted that there is an overall scarcity for talents in their organizations, among 3 subcategories (talent identification – including the recognition of needs for talents, attraction and retention) the one they found the hardest was talent retention. The same sentiment are echoed by CEOs in China (see figure 4.1.2); so even though identifying and recruiting new talents who match their requirements, what worries these CEOs is how to keep the existing ones happy and productive. The situation is almost the same in China, though talent identification is perceived as less challenging.

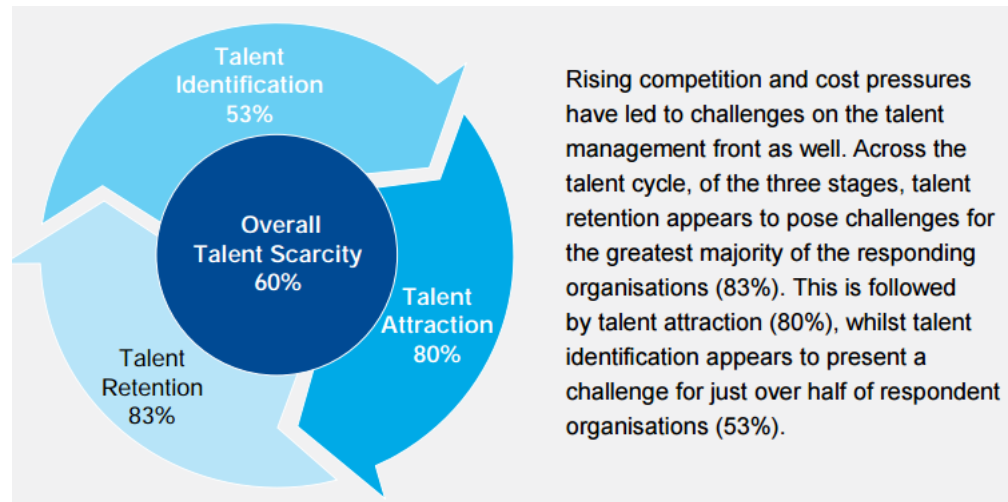


Figure 4.1.2. Talent landscape – China (Source: Deloitte)

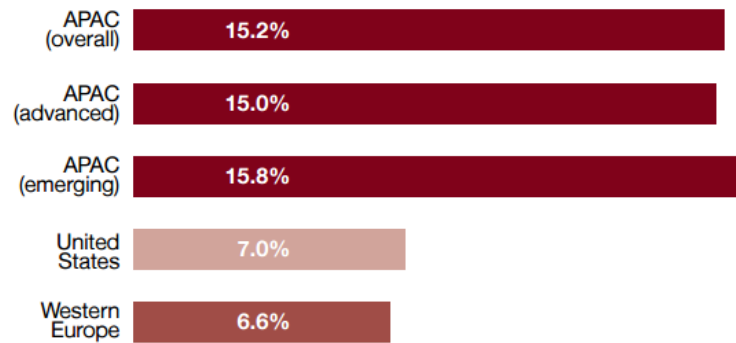
While *Deloitte's* report (2012) focuses on capturing the overall landscape of Asian labor market then goes specifically into some nations'; *PwC* took on the perspective of CEOs – mostly anonymously – on how HRM is being handled in their own organizations and how they think it should be improved.

As there are numerous talent retention and talent management related company policies as well as practices, the focus on which may vary by countries and regions; this thesis will concentrate on a limited list of aspects across two nations of concern as well as the region they locate in. Those include salary levels, talent planning and the awareness about such concept, turnover rate, development programs if any, the prospect of having such thing in and awareness and about their benefits for the company, hierarchy and related issues of working environment/atmosphere/conditions, welfare of employees (official paid day-offs, maternity and paternity leaves, healthcare programs and insurance), how often is overtime pay and the pay rate, etc.

Asia-Pacific resignations are approximately twice as high as West

Figure 4

Resignation Rate (%)



Source: PwC Saratoga analysis

Figure 4.1.3. Resignation rate (%) – Asia Pacific, the US and Western Europe
(Source: PwC Saratoga)

Asia-Pacific high performer turnover is also significantly higher than the West

Figure 5

High Performer Turnover Rate (%)



Source: PwC Saratoga analysis

Figure 4.1.4. High performer turnover rate (%) – Asia Pacific, the US and Western Europe
(Source: PwC Saratoga)

Voluntary quit and resignation rates seem to be considerably high across Asia, especially when compared to the situation in the Americas or Europe; both *PwC* and *Ford* experienced the same problem.

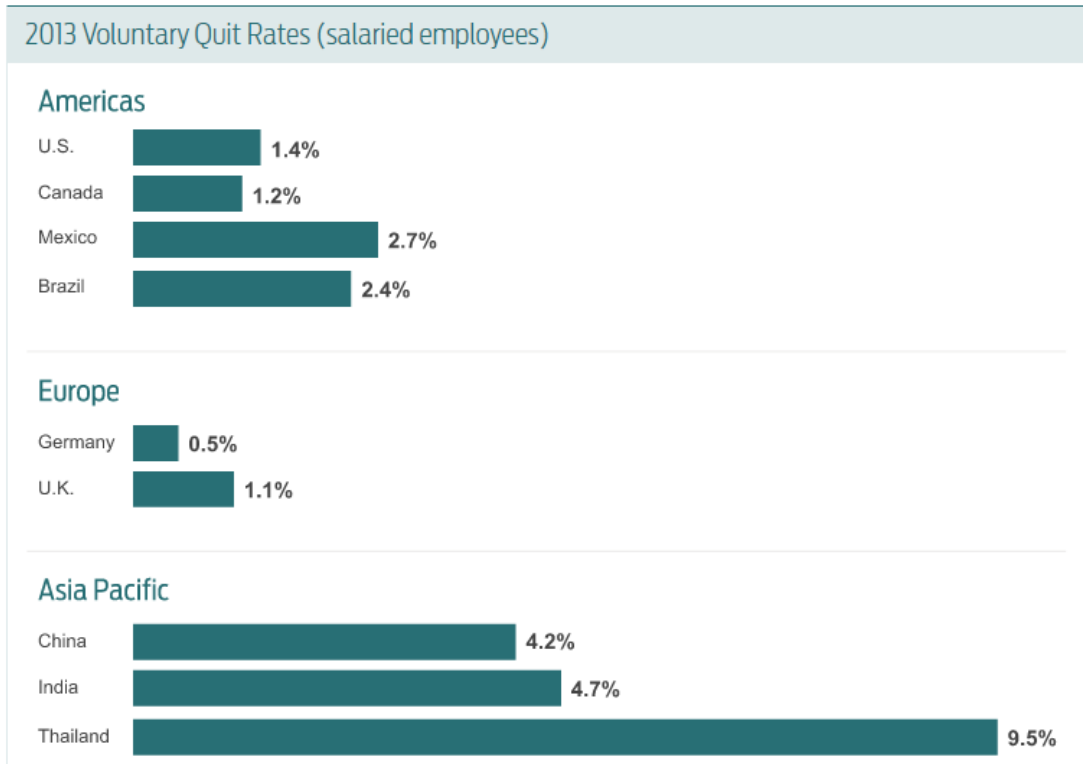


Figure 4.1.5. Voluntary quit rate in 2013 – the Americas, Europe and Asia Pacific (Source: Ford’s Sustainability Report 2013/14)

Same as *PwC Saratoga*, Ford went as far as making a comparison of the same index among its branches, among which Asia Pacific, to illustrate how alarming the retention circumstance is for them. Apparently they will need to adjust the current *retention package* or form an entirely customized one for their Asia Pacific branch.

One out of five hires leaves in the first year

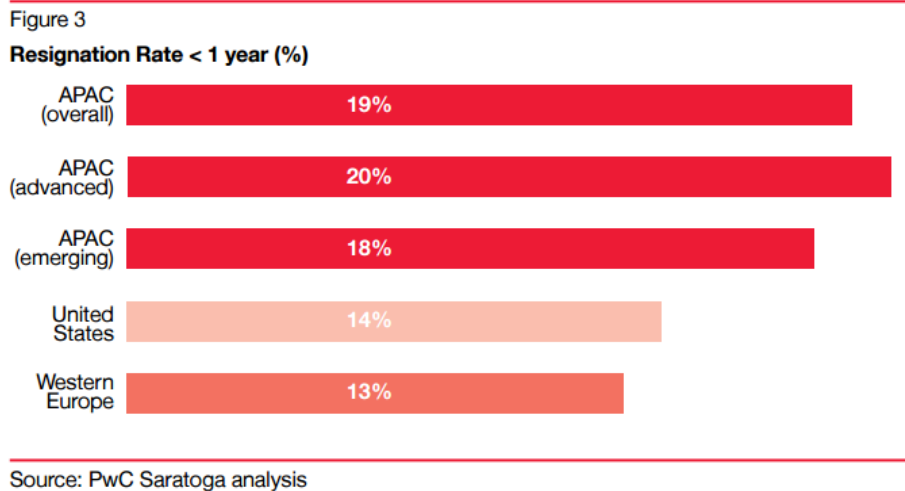


Figure 4.1.6. Resignation rate of employees under 1 year tenure – Asia Pacific, the US and Western Europe (Source: PwC Saratoga)

The modern Asian employee may not plan to stay in one company for more than 5 years; especially the millennial who allegedly have higher living standards that includes intrinsic ones.

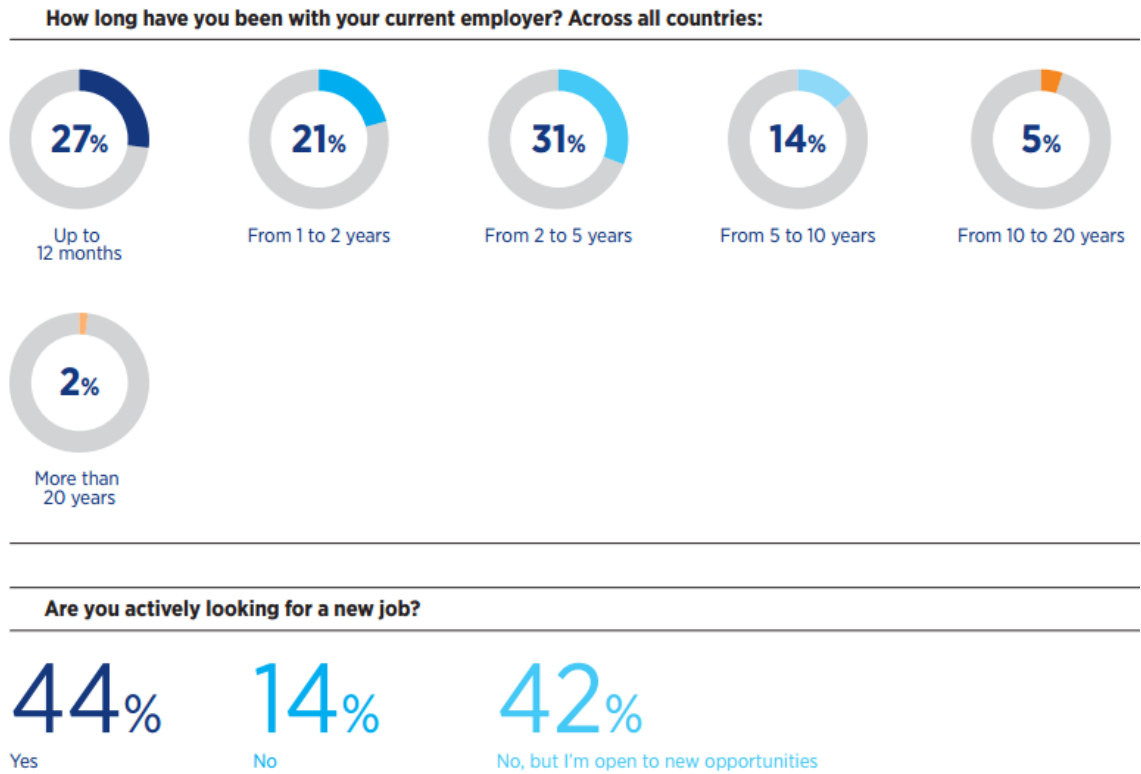


Figure 4.1.7. Work tenure and loyalty (Source: 2016 Hays Salary Guide)

Asian CEOs are finally realizing that it takes more than monetary rewards and carrot and stick treatment to retain high performers. It seems that what modern Asian employees expect from their employers are more than just extrinsic rewards; some of them – especially the millennial – already bear the mindset of job-hopping and flexible working arrangements in order to balance between work and life rather than looking for safe, static jobs and lifetime employment as the previous generation would.

”Frequent job-hopping appears to be endemic to many markets, at all levels of the organization, in Asia-Pacific. Our findings are backed up by other market studies. For instance, a 2010 survey of over 2,200 mid to senior level managers in mainland China found that two-thirds had received at least one competing job offer in the last 18 months, and that nearly half (46 percent) had moved to a new role with a more than 30 percent increase in compensation.* Employee loyalty to their employer is changing everywhere. Only 18 percent of millennials (defined as those

who entered the workforce after 1 July 2000) in a global survey of new graduates said they intended to stay with their current employer.*** – *MRI China Group Talent Environment Index, 2010. ** *Millennials at Work: Re-shaping the workplace* (PwC's survey of over 4,300 graduates aged 31 or under (December 2011)).

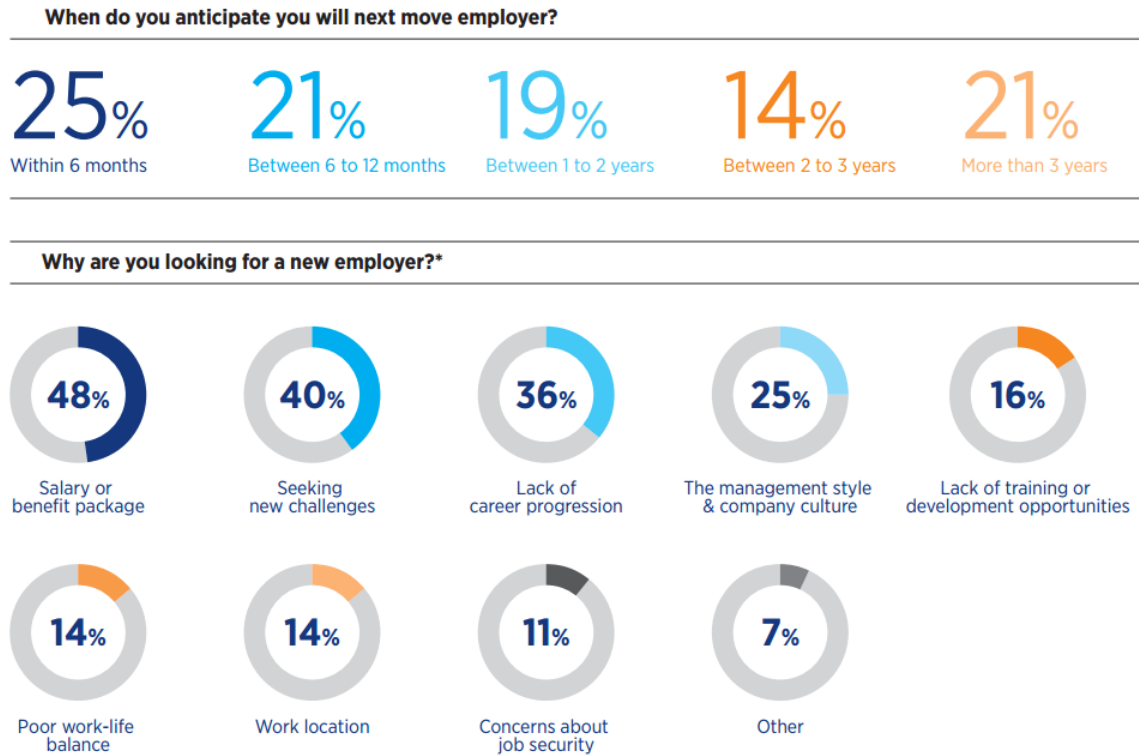


Figure 4.1.8. How much are looking for new employer and why (Source: 2016 Hays Salary Guide)

This survey of Hays in 5 Asian countries, among them China and Japan, asked Asian employees possible reasons for them to looking for a new workplace; beside salary, it seemed that the current job was neither exciting/engaging nor beneficial for their career development. Is the reality now too different from the stereotype that managers held on – that Asian philosophy emphasizes loyalty and hence the local employee would think of his or her company as the second family, somewhere hundreds and thousands like him or her will settle down for the rest of their life? And since the firm bears both financial and emotional importance, would the employee unconditionally devote his or her life to it?

“The central challenge facing us is how to transform our corporate culture to a more open one. As recently as 10 years ago, we were intent on recruiting the best talent from around the entire country. But we experienced some setbacks. We hired experienced, talented people and gave them large salaries. But did we retain them? No.” – Dr Sun Mingbo, President, Executive Director and Chairman of the Strategy & Investment Committee of *Tsingtao Brewery Co Ltd*, China (*PwC 15th Annual Global CEO Survey 2012*)

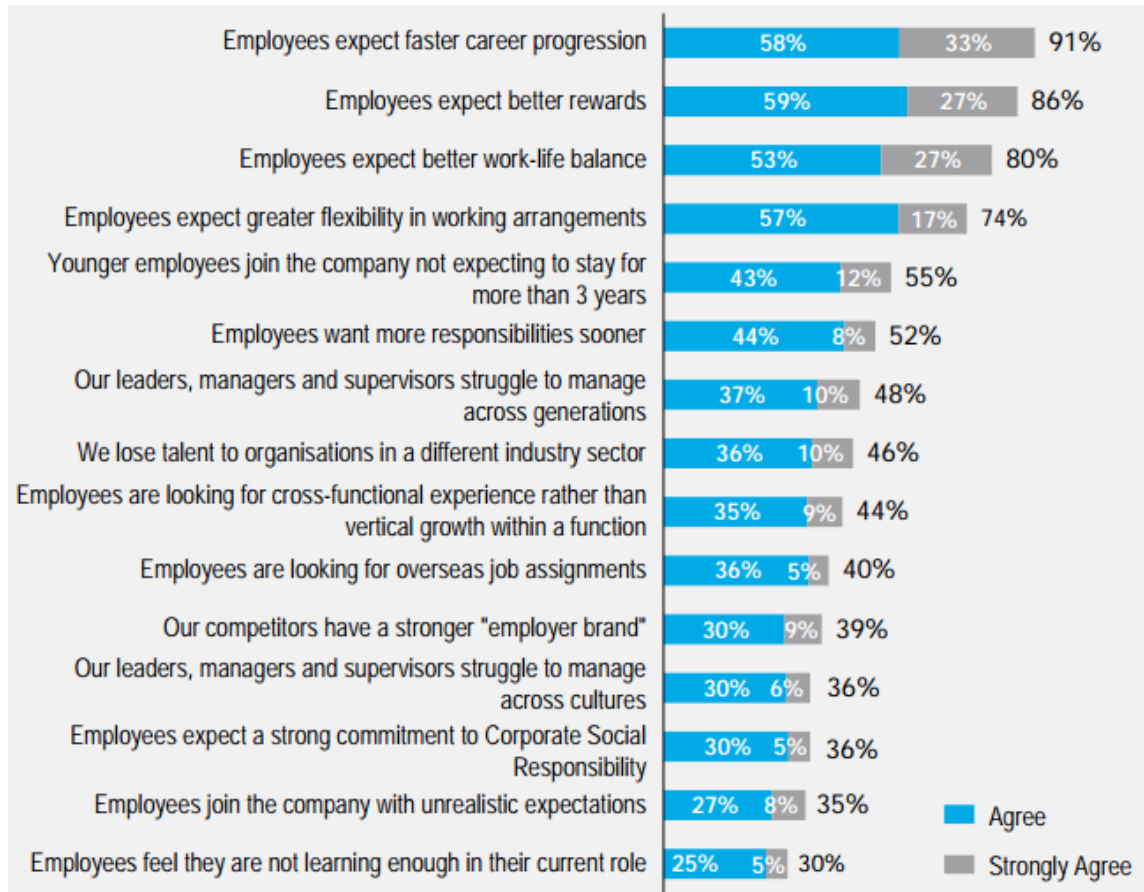


Figure 4.1.9. Specific challenges to talent retention – Asia (Source: Deloitte)

Why is turnover and disengagement rate in Asia much higher than in other parts of the world? Apparently the problem with weak retention outcome in general in Asia first comes from the insufficient acknowledgement and attention to the matter itself. According to *PwC*, Asian CEOs at the time of the survey were either not aware or previously took talent retention lightly. There was lack of integrated and timely performance information on the subject, or lack of recognition about it entirely. Organizations are consequently making effort to learn about and employ talent retention concepts, but after getting to understand these ideas, the next hurdle they

must jump over is how to customize these to the cultural context they are in, which in the end can turn out to be complicated as well.

As explained above, the advancement of technology in recent years has led to an increase in demand for higher skills, which is reflected not only in the Western world but even more so in Asia. One common problem that HR managers, especially those who received Western-style education and are accustomed to the office manner of the US or Finland and similar cultures, often stumble upon is the aftermath of rote teaching and learning of *Confucianism*. As part of the Confucian ideology about social system, the power of teachers and elders in general is near absolute, which means challenging or questioning your teacher's opinion and knowledge, and later on that of your supervisors at work, is considered foul manner. A considerable majority still favors emphasizing on teaching theories first before, if schools ever manage to, letting students get hands-on experience; which may become a drawback of employees, especially in particular professions, i.e. mechanic engineering.

For which areas have you recently found it difficult to recruit?

	Entry to middle management	Middle management	Senior management		Entry to middle management	Middle management	Senior management
Accountancy & Finance	25%	25%	15%	Operations	14%	15%	9%
Banking & Financial Services	4%	6%	3%	Production	6%	6%	3%
Distribution	4%	4%	3%	Property/Facilities Management	2%	2%	1%
Engineering	13%	16%	9%	Procurement	5%	7%	3%
Human Resources	8%	13%	7%	Research & Development	6%	10%	6%
IT	13%	17%	9%	Sales	20%	21%	11%
Legal	3%	6%	3%	Supply Chain	7%	8%	4%
Marketing	8%	15%	9%				

Table 4.1.1. Talent shortage by profession (Source: 2016 Hays Salary Guide)

Formal diploma and certificate still generally pave the way for better social status and provides expert power (in oppose to formal, coercive or referent power). With the younger generation the situation has been improved, which means they are more active in voicing opinions, debate both constructively and more enthusiastically; but some part of Asian is still rather notorious for such custom of negative obedience at work, for instance Japan. *Goldman Sachs* for example decided to arrange extra training scheme – *culture dojo* with *dojo* meaning martial arts training halls in Japanese – for their local staffs in Japan to help them communicate better with Western colleagues and hone their leadership skills (Nakamoto, 2011). What they identify to be

the first thing needed to be changed for the Japanese is how they speak with too much modesty and restraint that they appear unconfident and make it hard for Westerners to read the situation. Another problem shared by many Asian cultures is they lack speaking and presentation skills in English, which is also supposed to be solved at least partly through *culture dojo*. The program is replicated in China and South Korea and being planned to expand to Bangalore and Singapore as well. *Accenture* and *General Electric* are also custom making training for Japanese employees to help them become more proactive regarding their own career development and expressing themselves.

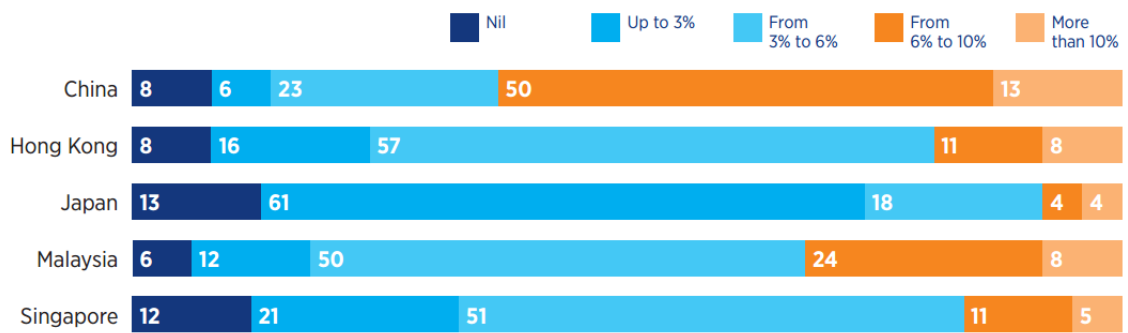
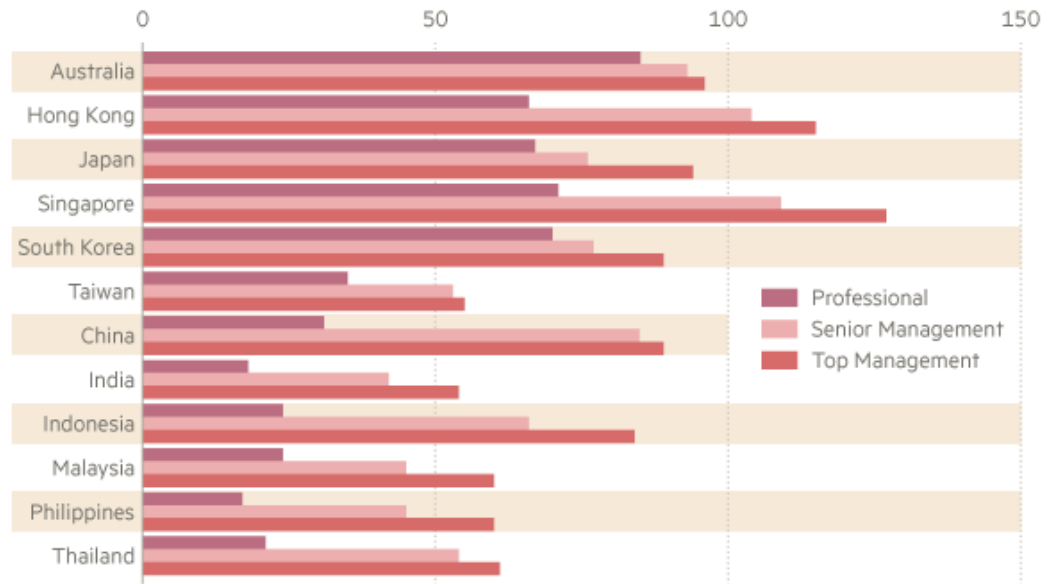


Figure 4.1.10. Average percentage of salary increases by country from last review
(Source: 2016 Hays Salary Guide)

Going back to one of the earliest tool for recruitment and retention – salary, which 54 per cent of the respondents in *Boston College’s* study for the Global Workforce Roundtable still consider number one among their priorities and 40 per cent of employers in Hays Salary Guide plan to raise – it seems that China is leading the “salary inflation” race in Asia, while Japan ranks the lowest among five surveyed nations (Hays Salary Guide, 2016).

China's senior management pay outstrips Japan, South Korea and Taiwan

As % of comparable US salary



Source: Towers Watson

FT

Figure 4.1.11. Salary comparisons of some Asian nations as percentage of comparable US salary (Source: Towers Watson)

A study by Towers Watson in 2015 shows that among East Asia country, China rises as the nation with highest pay for management of senior level (Kynge, 2016). With the illustration above, it is easy to see the gap in payment for different positions in one firm, even among higher-paid ones. Japan apparently is one of those with smaller a gap, the reason for which would be explained later. What came as more of a surprise is the gap in South Korea, which is even smaller than that of Japan. In other emerging markets of Asia such as India, China and even Hong Kong, bureaucratic hierarchy is surely shown in how professionals (engineers and other high skills employees) are paid way lesser than senior and top management, which is perhaps one of the contributors to the on-going brain drain in Asia. As stated before, salary is not the sole and absolute retention tool, but such substantial pay gap indicates the lack of appreciation for talents and their input for organizations.

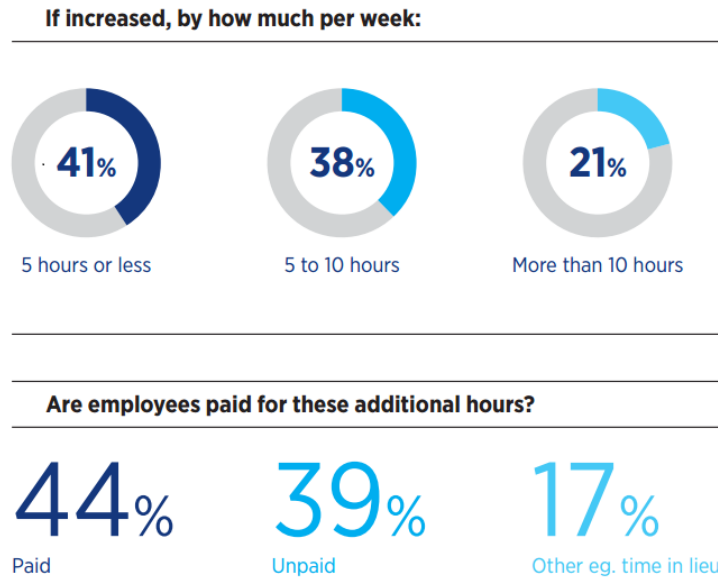


Figure 4.1.12. Overtime (Source: 2016 Hays Salary Guide)

If there is any raising topic that is HRM related nowadays in Asia, it would most probably be either overtime/overworking or gender discrimination. Some countries do not even include overtime payment rate in their Labor Legislation, leaving that to negotiation between employers and employees. Some, such as Japan, do have such legislation, but instead the pressure on staffs to voluntarily work overtime is informal, and companies still manage to mitigate compensation to almost none, which will be explained in more details later.

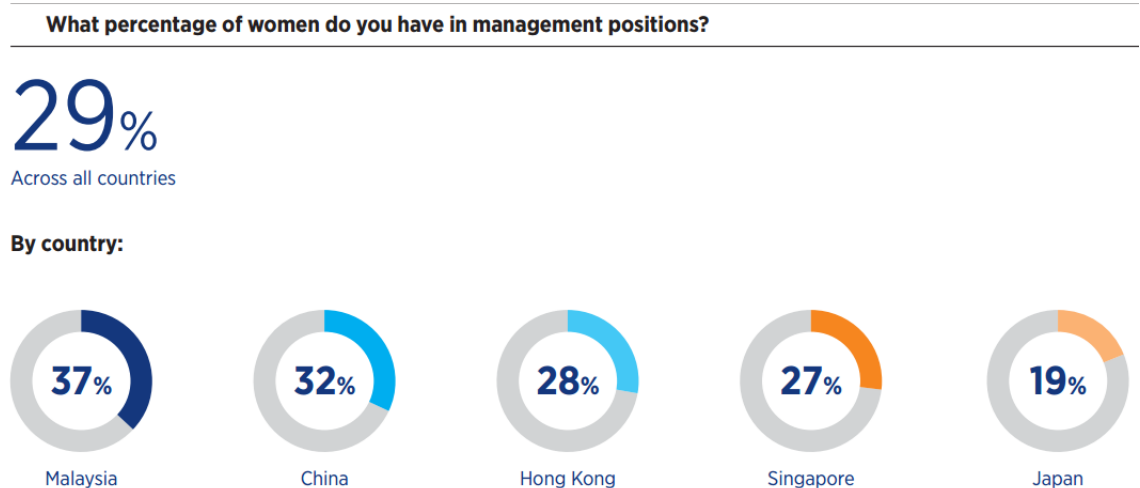


Figure 4.1.13. Women in management (Source: 2016 Hays Salary Guide)

Other than gender ratio in one company – which may seem deceptively balanced, it is also important to see whether these women get promotion and position offer fairly as

their male counterparts. Most of them – unfortunately – are just doing the dull, background, clerical jobs while the later get all the opportunities and training. The discrimination appears to be most severe in Japan, among the 5 subjected nations.

What percentage of foreign employees do you have in your organisation?

16%

Across all countries

By country:

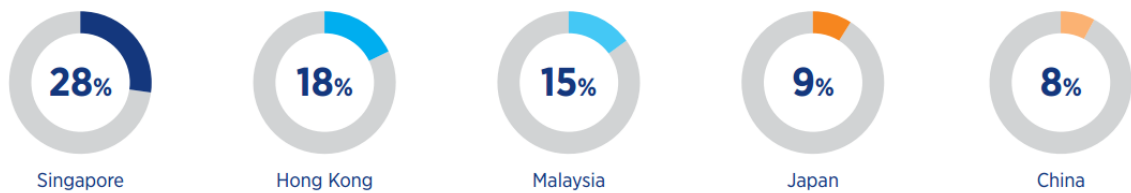
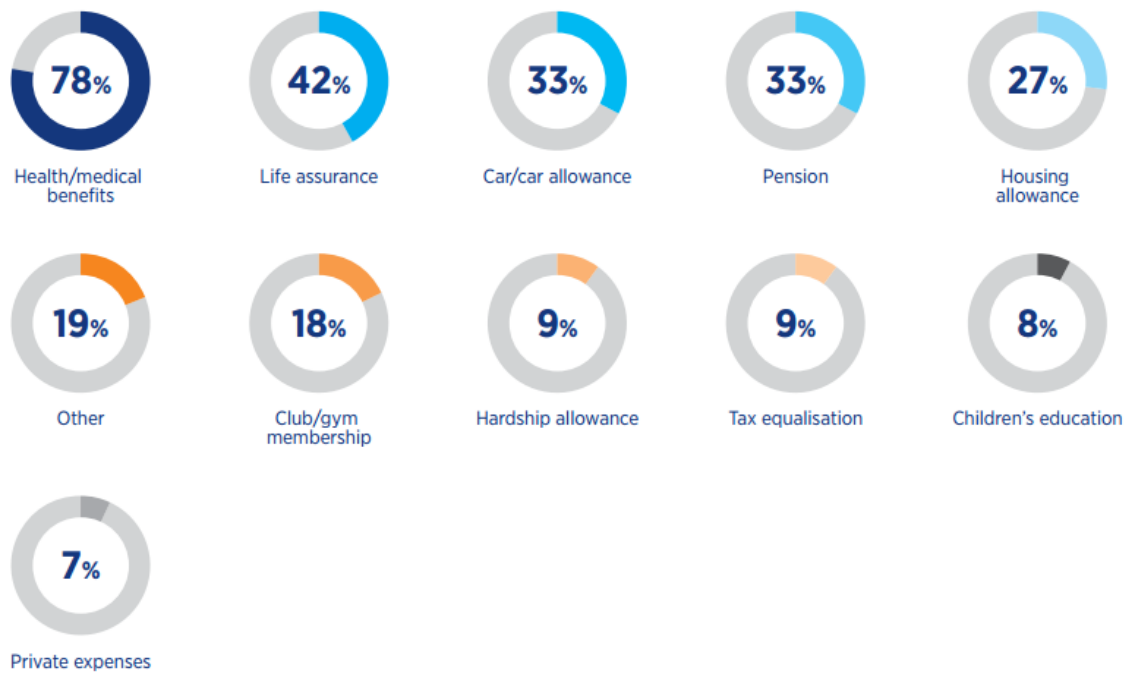


Figure 4.1.14. Workplace diversity by nationality (Source: 2016 Hays Salary Guide)

Another type of favoritism that is sometimes overlooked but is no less important to workplace diversity is nationality. Known to be the mystic continent due to their persevering closed-door policy; some Asian nations up to today still hold certain resistance against the employment of foreigners, among them China and Japan. This can partly be used to elaborate on how Japan manages to (and now struggles to integrate with the rest of the world because of) preserve their culture and maintain their uniqueness.



*More than one may be applicable.

Figure 4.1.15. Top additional benefits offered by companies in China, Hong Kong, Japan, Malaysia and Singapore (Source: 2016 Hays Salary Guide)

The other half of C&B, a part of HRM existing in all companies, beside salary/compensation, is benefit. Among possible benefits to offer, companies in China, Hong Kong, Japan, Malaysia and Singapore prefer health related ones, and less so of other daily expenses of their employees (2016 Hays Salary Guide).

In 2007, the *Boston College* examined flexible work arrangements in Asia, and found out that even though many of the surveyed workers did find a need for flexible work arrangements (i.e. starting work later to take care of their small children, working from home, etc.) – particularly in Japan – they are less familiar with, or even hesitant about the idea of asking for it. Such demand for flexible arrangements is refused to be acknowledged by most surveyed South Korean managers, and admitted by Japanese (strongly) and Korean (more moderately) employees with reluctance. This is a result of the deeply ingrained Confucian ideology, which emphasizes harmony (collective thinking, not standing out or be a “burden” to others), hierarchy and interpersonal interaction (subordinates prefer working in office so they can figure out managers’ reactions and earn a sense of diligence).

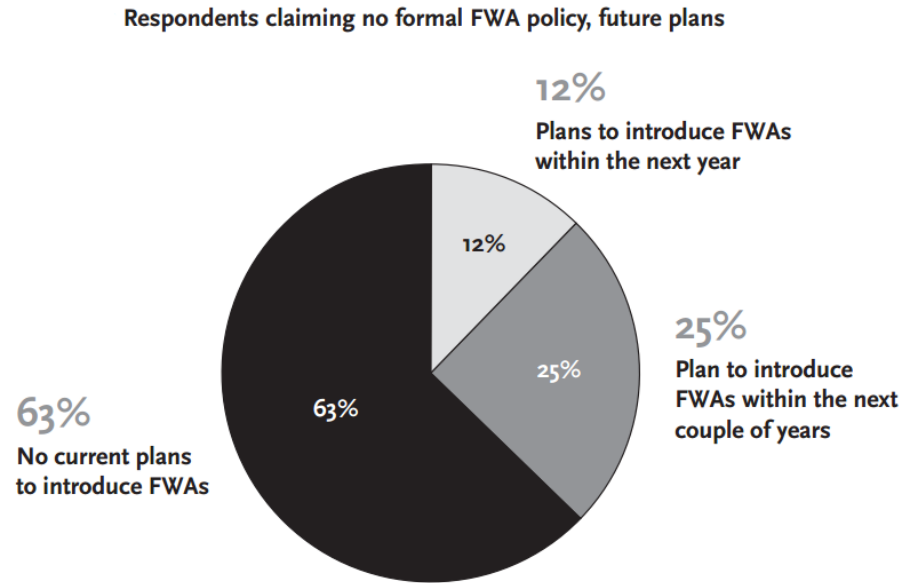


Figure 4.1.16. Percentage of respondents seeing no future plans for formal flexible work arrangement policies among those claiming no such policies now
(Source: Boston College)

Though more than half of the respondents (57 per cent) indicated that their companies had formal flexible work arrangements agreements, among the remaining there was 63 per cent who thought no formal policies about such matter was going to be introduced later. However, that does not mean their companies ignore the issue entirely; they would rather receive case-by-case request to better modify work arrangements to each employee's need, as in *Kraft Foods* case. They consider that an indication of management's trust in their employees, which may generate more sense of self-motivation and respect in the employees as many organization theories suggested.

The *Agency of the Year Award*, a content of *Haymarket Media Group* with results "tabulated by *PricewaterhouseCoopers*" and a judging panel of at least 5 client marketers, gave the Talent Management Award of Japan/Korea region in 2015 to Yuichiro Horie of *TBWA\HAKUHODO Japan* – an advertising agency. Horie was recognized for his introducing a flexible team structure, which basically works like quality circles, only that the members of teams can switch teams and jobs among themselves depending on each project. Other awards include categories for creativity, media, PR, digital, specialty and independence. The winner's achievement in this aspect and the award category itself being placed equally with other major themes

hopefully will draw more attention to talent management in Asian, particularly Japan and Korea.

4.2 Japan

What contributed to the *Japanese miracle* – the astounding economic revival of the nation after such devastating steady it stood at the end of World War II – besides its realistic judgment to turn towards economic and scientific/technological development instead of staying behind in the shadow of the war, is most definitely its people's resilience and collective spirit. Even in today's world, Japanese are known, almost stereotype, for being extreme collectivists and mindful of other people to the extent of not expressing joy or discomfort. Japan's social capital (an indicator to measure trust-based interaction and collaboration between citizens to bring out common benefits nationwide (Temple, 2009)) is high, which shows in how employment security and CSR are deemed of more importance than bringing profits for shareholders. Top management are expected to take responsibility, hence subordinates fully trust their superior and dedicate themselves to the common interest of the organization, resulting in vertical bonding and such high social capital (Redding, 2014). As some suggest, this trait together with the nation's collectivist sentiment explain the low level of entrepreneurship in Japan. People tend to seek employment after finishing their education and stay so for the rest of their lives instead of opening their own business.



Figure 4.2.1. Japan's job security rank among OECD nations
(Source: OECD Better Life Index)

The trust in such life time employment is so palpable that written employment contracts are rare existence; collaboration is such normalcy the Japan is called “a network economy” (Witt, 2014), with networks on both personal and professional level being the foundation of syndicates like *keiretsu* and *zaibatsu*, another Japanese specialty. But as most authors in Japanese business management and labor market would agree, life time employment is, even if subtly, evanescent as job hopping familiarizes itself in the country.

Another evidence of how dedicated Japanese white-collars are is how they (especially males) spend more time with their coworkers (both in and outside workplace) than with their families and emphasize on cohesion, or not being outstanding. The downside of this is the astronomical stress they get from work, a problem in Japanese society so fatal it even gets a place in their modern vocabulary – *karoshi*, or death from overworking/working overtime from at least 80 hours per month. Companies exploit flaws in labor law to insinuate themselves out of paying overtimes (Okunuki, 2015); Japanese staffs usually do not receive official requests to work overtime from their managers but overwork themselves under the stress to perform “adequately”.

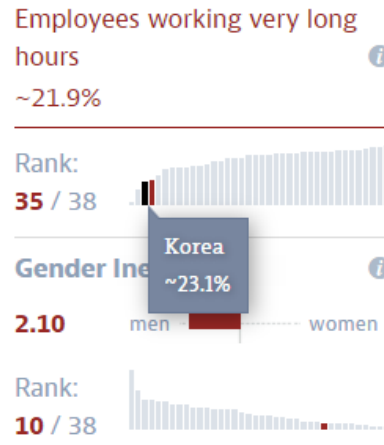


Figure 4.2.2. Japan's average working hours rank among OECD nations
(Source: OECD Better Life Index)

In a recent report, 11 per cent of surveyed companies admitted to their staffs' working at least 80 hours overtime per month, excluding non-regular workers (Lewis, 2016). The issue used to be solely recurrent among male salary men who wanted to maximize their earnings in the 1980s, but now a major cause for cardiovascular related deaths (by heart attacks or strokes) or mental illness (suicides) of female and young, entry level workers (White, 2016), which brings light to another problem with Japanese working culture: discrimination and harassment. Gender discrimination in Japan is exceptionally high in career building even by Asian standard; male graduates are employed as career/long-term and full-time employees while females are presumed to retire when having children (Witt, 2014). Japanese companies have a non-regular employees system, usually for females returning to working life after maternity leave and fresh graduates (White, 2016); who would not get many benefits as full-time ones, are susceptible to sudden lay-offs and hence tend to overwork themselves hoping for a full-time contract offer – or at least that is what employers promise (Lewis, 2016). The most concerning part of this dark side of Japanese diligence is that even though awareness about these issues is starting to rise, even the government has just recently acknowledged part of them, and many are still in denial (Naito, 2013, Okunuki, 2014). Rather than work-life balance, which is the most prioritized criteria when searching for a new job in many Asian countries, including China and Singapore, according to Hays Salary Guide in 2016 Japanese respondents still put career progression first.

In a survey by an insurance company, one out of six expecting women “experienced discrimination, harassment or insensitivity”, many other echoed with disturbing figures (The Japan Times, 2015). *Mata-hara* (maternity harassment, discrimination against expecting mothers or women on/returning from maternity leave), *seku-hara* (sexual harassment or discrimination), *pawa-hara* (authority abuse), *eiji-hara* (harassment regarding age), etc. are recently coined as buzzwords among Japan’s working class, a first step to recognizing and solving the problems. Many of them may be overused in defense of one’s struggle to blend in (Jones, 2013), but there are also serious cases that had been brought to court, including those of expatriates and an alarmingly increasing number of *karoshi* cases, and ruled victorious. The moral of these stories is that, and if you are persistent enough and know your rights, victory is yours.

Looking on the bright side, Japan ranks the second highest in student skills among OECD nations (OECD Better Life Index, 2016); but even then, top management in Japan is worrying over their subordinates not being productive enough, as they are mostly diligence-oriented instead of outcome-oriented (a result of rote education) (Iwatani et al, 2011) and aging without much replacement (Howard, 2009, White, 2016). Academic performance is weak on vocational and tertiary (after high school) levels; Japanese fresh graduates may even admit that they knew more when they enter than when they graduate (Witt, 2014). As most Confucian cultures which put great emphasis on alma maters and strictly academic performance, university’s reputation in Japan greatly affects assessment and recruitment prospect of one, and cram school attendance in addition to regular schooling becoming phenomenal (Witt, 2014). Retirement age in Japan has been raised to 65 year old, but there is discussion whether it should be increased even more. Adding to the limited human resource problem, Japanese companies normally do not outsource much of their positions to expatriates, resulting in their being slow to globalize (Iwatani et al, 2011). Another concern for HR managers is that workplace boredom, or in other words employees disengagement, seems to be high ; in fact, job satisfaction in Japan is among the lowest globally (Hongo, 2014). Some may question why a country that has managed to make a miraculous comeback in extreme difficulties as Japan toil so hard now to catch up with its own former glory; the answer lies in the nation’s rigidity. More generally the country is resilient to change as its people are willing to tolerate lessening of benefit in hope of better future (Chen, 1995), proving the egalitarianism and integrated organizational system of Japan compared to Western counterparts. As a result,

fundamental change is hard to make, hence the rigidity of Japanese social system (Witt, 2014).

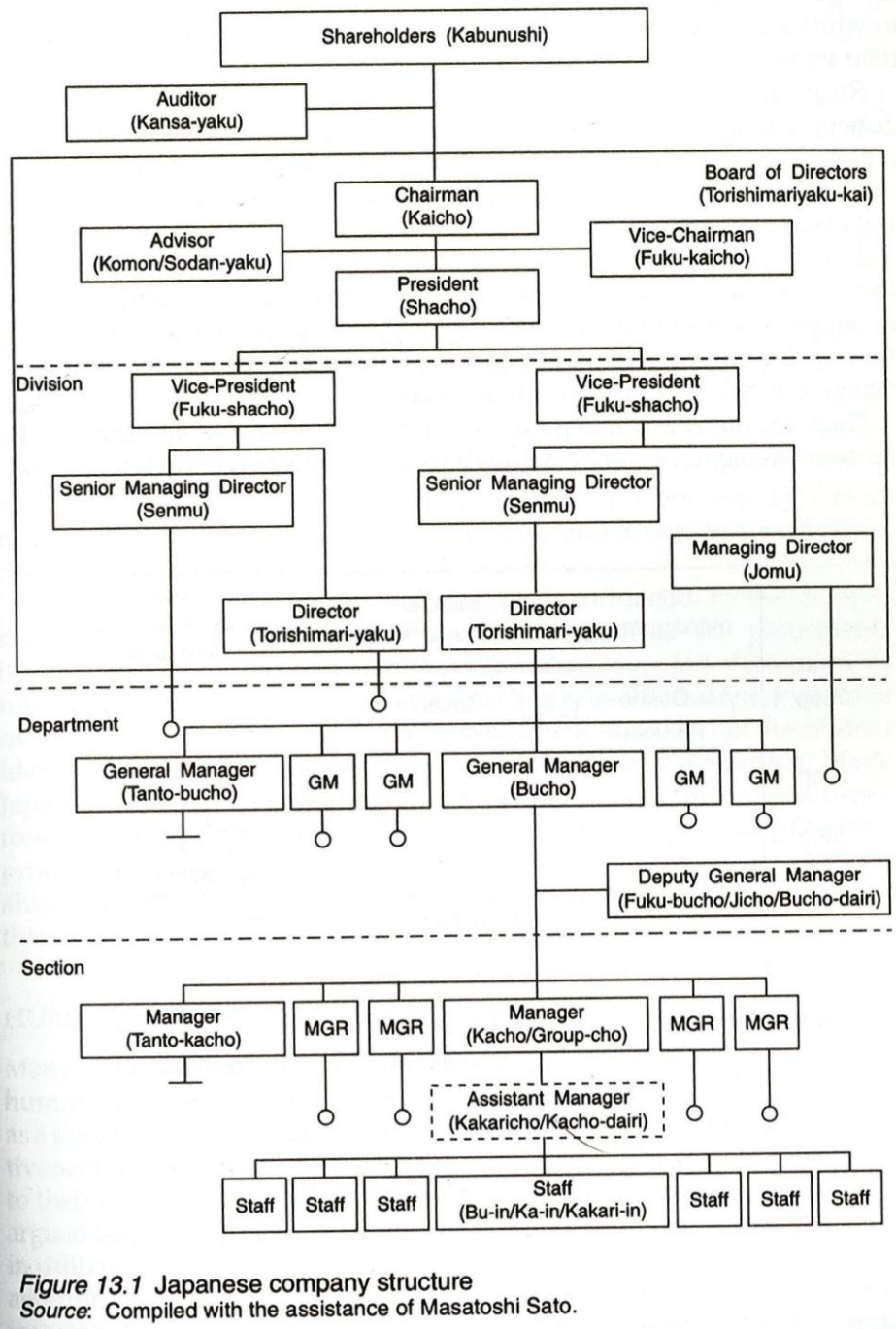


Figure 4.2.3. An example of how highly hierarchical Japanese (and similarly Korean ones) can be (Source: Chen, 1995)

With its Confucian roots and such emphasis on social relations, it is no wonder that the Japanese – as introduced above – have various social hierarchies, which should always be respected. However, as a perk of their egalitarianism, the pay gap between

different managers and subordinates is smaller than that in i.e. the USA (Chen, 1995). Instead bonuses come in the form of i.e. mid-year and year-end bonus or gifts, accounting for up to one third of annual income. Employees hence consider bonus as planned savings for holiday seasons (Chen, 1995), which is also common practice in some other countries such as Vietnam or China, in which Lunar New Year comes with remarkable extra expenditures on gift-giving, lucky money, house decoration, etc. Bonuses are partly performance-based and partly seniority/position-based, and paid in accordance with culture-driven spending pattern – which is supposedly an advised practice, unless the amount is one third of annual income, which then makes the annual income level (without bonuses) questionable. On the other hand, the once popular seniority wage system (*nenko joretsu*) is ceasing to exist (Chen, 1995), and the official paid annual leave and healthcare benefits of Japanese workers are still considered decent compared to some other countries (more details in Appendix 2).

The good news is that more and more of Japanese management has begun to acknowledge talent as an asset to deploy, especially in organization innovation (Blair, 2010), and even attempt to globalize their organization, starting with using English in meetings and hiring non-Japanese executive (Spencer Stuart report, 2012). One company has particularly built and publicized its plan and goals to build a more rewarding workplace. Shiseido – the Japan-based multinational cosmetics, fragrance and skin and hair care company – has a large part of its website dedicated to detailed social responsibility commitments, including commitments to better the working condition of its own employees. The group's Japan branch has made a *Gender Equality Action Plan* and define 3 steps for women to take more active roles in the general innovation of corporate culture, which is sensitivity towards pregnancy, women's continuing to work after childbirth, and ensuring fairness in career development between men and women, resulting in the firm's domestic female leader ratio increasing to 27 per cent (January, 2016). According to the contents on the Web, Shiseido Japan has taken measures to facilitate its personnel customarily with various programs to "realize work-life balance"; support their life planning management with corporate pension; addressed power harassment and types of discrimination and vow neither to engage in nor tolerate such practices. It also opens an academy to offer further training for its beauty field staffs (hair stylists, make-up artists, etc.), as well as promoting what it calls *global talent management* through employment, selection, development and appointment to "use appropriate personnel in appropriate positions" –

which echoes the core idea of talent retention theory. Most especially, the company launched a campaign whose name may sound ridiculous given in another context – the *Go Home On Time Day*, which will ideally take place at least once a month, though it is dubious what time is "on time". All in all, such publicity is hopefully a sign that this apparently wonderful plan will not be just pro forma.

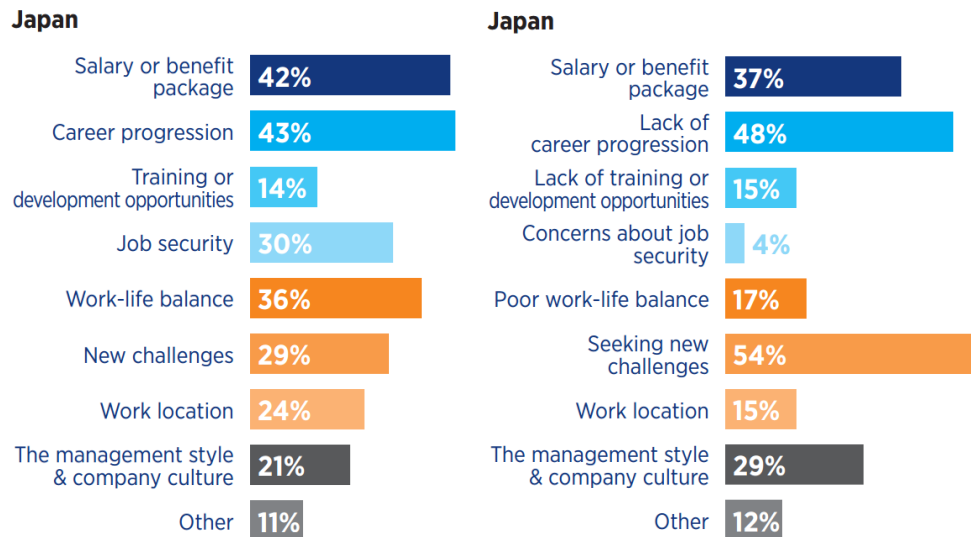


Figure 4.2.4. What retains employees (left) or why they look for a new employer (right)
(Source: 2016 Hays Salary Guide)

This is apparently the reasons that keep respondents from the same survey by Hays stay with or decide to leave their current employers (one or more choices are applicable). The Japanese salary people appear to worry about job security and work-life balance then their employers guessed, but do not care so much or the management style and company culture. Once again, this illustrates how Japanese aim for security and harmony rather than rewarding challenges and unconventional management style.

Studies and surveys have shown certain changes in the much needed talent management strategies, or an acknowledgement for such practice, which is of course optimistic. However, the Japanese society is indeed struggling with its rigidity and old practices – what once helped keep the nation's identity is also keeping it from an inevitable transformation. There is still an information bubble that restricts the public from getting to know the nature and real situation of office life related issues, such as *karoshi*. Conclusively, the development of talent management in Japan is taking its

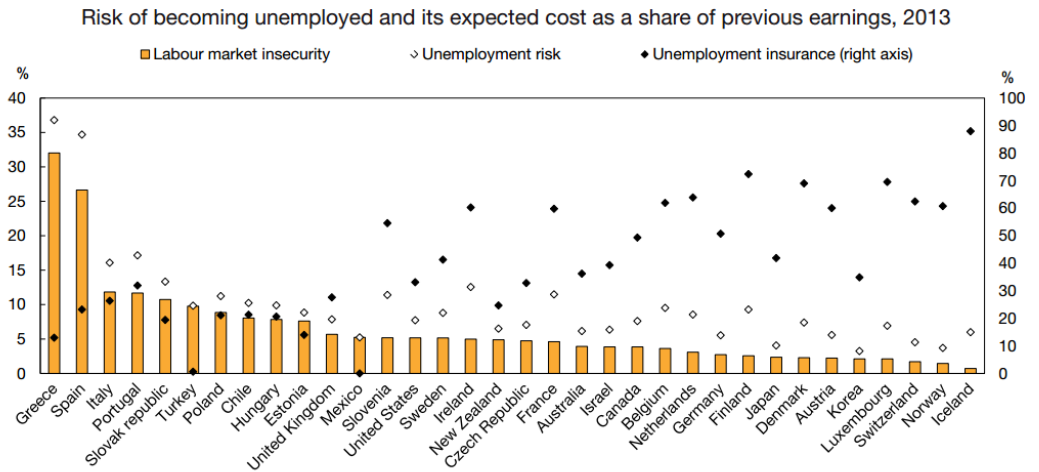
course, but it will be long before any indication is seen from the point of view of foreigners; first there must be recognition, then the Japanese themselves can decide to what extent they are going to compromise their unique culture and long time practices with outlandish counterparts.

4.3 South Korea

This report will be mostly discussing HRM in South Korea after 1987 – the year of the Declaration of Democratization in Korea.

As mentioned above, the Korean society is deeply Confucian, especially in terms of hierarchy. Some authors may even cite Korean management style as military with paternalistic leadership, top-down decision making and utmost hierarchy at work; together with its low trust in institutions (including both legal apparatus or government and company top management), it is inevitable that the superior-subordinate relationship can be strained in various cases. Similar to Japan, power harassment is quite a social issue in Korea; it is common sense that if the team leader or manager has not leave the workplace then his subordinates are expected to stay as well. That is partly how the country earn its reputation as one of the most workaholic nations in the world and has second longest working hours among OECD nations (OECD, 2012); Korean white-collars being known for strong work ethic and high diligence (Hemmert, 2014). However, their performance are not assessed simply with the jobs and tasks they do, but also how well they bond with colleagues and supervisors – an evitable occurrence to manifest which is *hoesik*, which most typically takes place on Mondays. *Hoesik*, or after work get-togethers which do not stop after round one, are must-go events where (especially female) employees of lower level or younger age may be coerced to drink over their limit (Kwaak, 2012). Despite its originally legitimate intention as a chance for people to bond with other and relieve themselves after work, such custom has proved to have too many negative side effects. Even without the coercion part, such excessive drinking on a frequent basis certainly have led and will continue to lead to ethanol overdose and indirect results of being unconscious in public, among other consequences of alcohol intoxication. Ethanol is a substance found in blood when consuming alcoholic beverages (Medline Plus), which multiplies in amount by mixing different types of alcohols together – a familiar practice deployed way to usually in Korean drinking culture. Many media channels have tried to address these issues but apparently nothing much could be done drastically. To look on the bright side of the matter, at least the issue is now widely acknowledged, and some companies are

attempting to contribute in curtailing the dilemma, among which Samsung. The company has reportedly indoctrinated the “1-1-9” rule, by which *hoesik* at Samsung is limited to one sitting (or round), one type of alcoholic beverage and should be dismissed no later than 9 p.m. (Kwaak, 2012). Responses among employees, especially younger staffs, seem positive; which may suggest that such policy can certainly help retain the talent pool and boost company image in the particular case of South Korea.



Note: The data for Chile refer to 2011 instead of 2013.
 Source: OECD Job Quality database (2016).

Figure 4.3.1. Labor market insecurity level among OECD countries (Source: OECD)

In contrast to China before the managerial reform in the 1980s (which mitigated the restrains of domicile registration and state industrial enterprises), Korean mobility of workers is considered high (Chen, 1995). While the overall unemployment rate of Korea is positively low among OECD countries, such rate among youth alone is considerably higher (OECD, 2016). Competitiveness in both recruitment and workplace is high; lay-offs and job-hopping is socially common, which is why companies can sort to offering job security as an incentive for Korean workers (Hemmert, 2014).

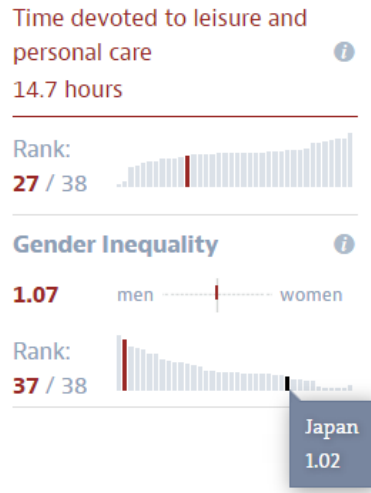
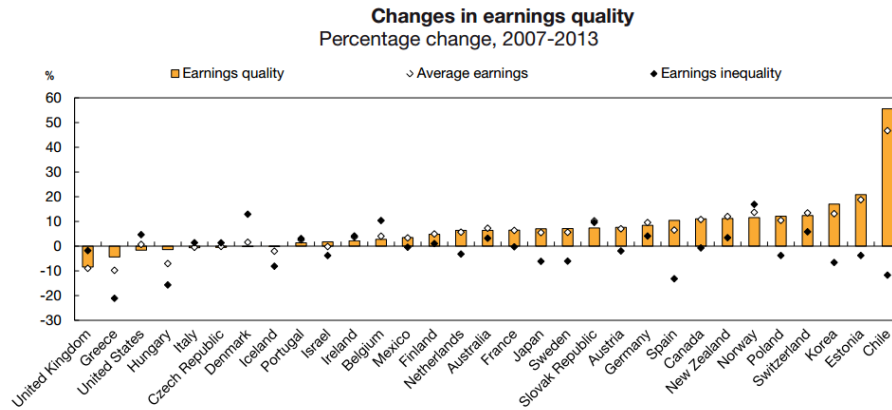


Figure 4.3.2. Time for leisure and personal care of Korea among OECD nations
(Source: OECD, 2016)

Job satisfaction is predictably low in the nation: people typically find it hard to spend time for leisure or taking care of themselves, keeping the work-life balance at a healthy level. Similar to Japan, the situation is even more pressuring if one happens to be a career woman in Korea, which is unfortunately another foreseeable outcome of the deep-rooted Confucian ideals. Such intensity and constant competition without doubt contribute to the Koreans' perception of their lives as stressful (Chen, 1995 and OECD, 2016). However, the Japanese apparently has it worse in this aspect, since death from overworking is still not a phenomenon in South Korea, or at least not widely covered on media channels yet. The temporary employees system still exists, but ostensibly not reserved for only women and fresh graduates as in Japan.

Recruitment seasons are also fixed in Korea as of Japan – one in spring and the other in autumn. Formerly the reputation of candidates' alma mater is of great importance; however nowadays companies have become a little bit more flexible. Selection procedures may include extensive review of application, interviews and even written tests (some companies run assessment centers). All in all, recruitment in Korea is strictly performance-base, regardless of social ties or connections (Hemmert, 2014).



Note. The data refer to changes between: 2006 and 2012 for Italy and Switzerland; 2006 and 2013 for Chile; 2008 and 2013 for Denmark; 2007 and 2012 for France, Poland, Spain and Sweden; 2006 and 2010 for Estonia and the Netherlands; and 2008 and 2011 for Israel. Earnings quality and average earnings in real USD; Source: OECD Job Quality database (2016).

Figure 4.3.3. Changes in earnings quality 2007 -2013 among OECD countries (Source: OECD)

Joining the common trend of other Confucian Asian nations, salary in Korea is also switching from being seniority-based to performance-based, which is an optimistic sign. Nevertheless, the remuneration level of Korea low compared to other OECD countries (OECD, 2016). What is even more concerning is how both gender and social inequality of income between Korean males and females ranks lowly, if not the worst, among the 38 nations; which means it is alarmingly high.

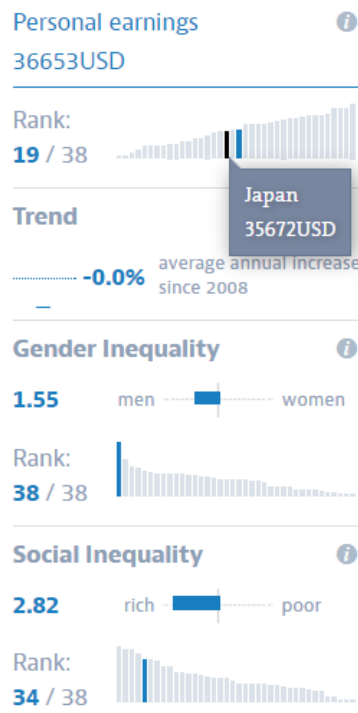


Figure 4.3.4. Average personal earnings of Korea among OECD nations (Source: OECD Better Life Index)

What the South Korea government incorporates in their Labor Standard Act for the minimum number of paid annual and maternity leave is not much worse than Japan's, if not similar (see Appendix 3); but the real situation is blatantly gloomier than what they envisioned. According to *Chosun Ilbo*, one of the major news agencies in South Korea, from 2010 to June 2015 there has been over 26 000 cases of workers being dismissed during maternity or childcare leave, which is lawfully forbidden less exceptional reasons (such as company bankruptcy) and should not be cited as dismissal reason at all. Workers are also reluctant to make use of their entitled annual leave due to the pressure of showing diligence and for fear of the piled up work after vacations (Jung, 2015). It is undeniable that legal legislation is either too loosely created or punishments are not severe enough that management in Korea still informally and discreetly coerce their staffs to work long hours regardless of the declining productivity.

Relying on exports and imports profusely, after the industrialization Korea's leading industries were mostly heavy ones – namely shipbuilding, construction, automobile, etc. The nation has recently emerge as a force to be reckoned in electronics, household appliances, computing parts and smart phones industries – a seemingly common part for Asian nations with limited natural resources, such as Japan and Taiwan. The labor scene would change accordingly to the unfolding knowledge theme of the economy, and there will be increasing demand for high skills. Combining that with the entrenched Confucian preference for academic achievement as to establish social status, the Koreans themselves have created “national education zeal” as Hemmert (2014) put it. Learning and education are of grave importance, the school's reputation has much say in one's first impression, and everyone tries to send their children to private academies (cram schools) or abroad to more developed countries.



Figure 4.3.5. Academic performance of Korean students among OECD nations
(Source: OECD Better Life Index)

Korea is number one in number of students sent abroad among OECD nations (OECD, 2011), resulting in these students having more critical thinking than the rote-learned domestic ones. Joining extracurricular activities and learning foreign languages to make their *curriculum vitae* (CV) more appealing to recruiters – prosaically called “the war of specs” – is another national issue (Sharma, 2013 and Dhawan, 2015). The positive outcome of this is Korea always being top of Asia in terms of educational performance – the nation ranks number one among OECD countries in terms of student skills (OECD, 2016). But receiving too many an impressive CV with almost identical qualities is to a certain extent the reason why companies in Korea are now leaning on interviews more to make employment decision rather than just scanning CVs.

As a somewhat indirect result of such passion for education, on-the-job training is also fundamental in the corporate life of Koreans, to the point that some companies set 5 percent of regular working hour for training (Hemmert, 2014). But that is also partly because there is a considerable fraction of the workforce who lack practical experience – a drawback that Japan and China shares. Nevertheless, the emphasis on in-house training still proves to be constructive as it profoundly raises awareness about employee’s career development.

HR Development System

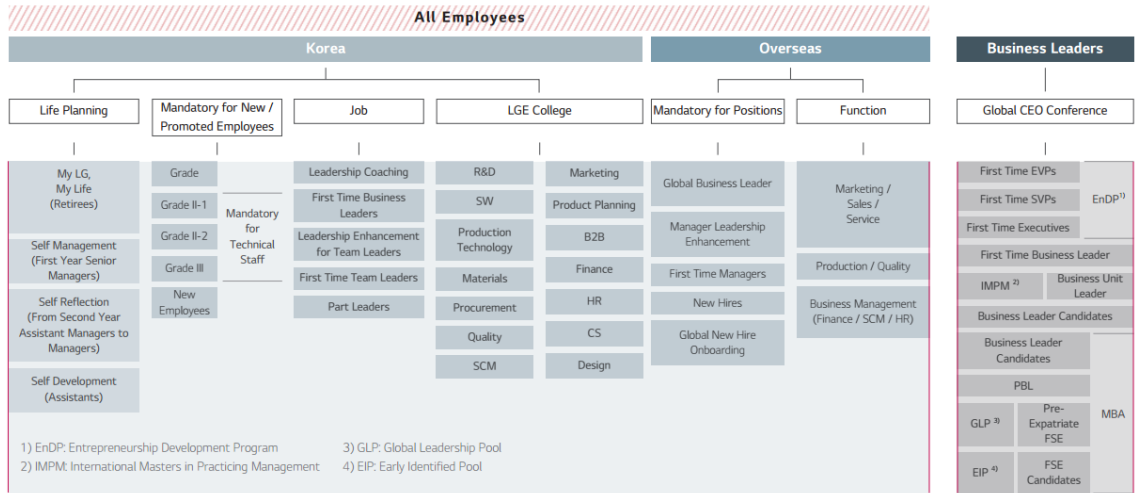


Figure 4.3.6. The HR Development map at LG Corporation
 (Source: LG Electronics Social Responsibility report 2014-2015)

LG Corporation, a Seoul-based multinational known for its electronic household appliances, for example has a seemingly elaborate HR development system, which is included and explained in the conglomerate’s Social Responsibility Report (2014-2015).

Employee Diversity Management Overview (Korea / Unit: Number of Employees)

Category		2012	2013	2014
Female Employees ¹⁾	Korea	5,795	6,244	6,049
	Overseas	15,587	14,456	13,820
	Total Female Employees	21,382	20,700	19,869
	(Global)			
	Percentage of Female Employees (Global)	24.7%	24.1%	23.8%
Number of Employees on Maternity Leave	Male	16	26	59
	Female	403	466	542
Percentage of Employees Returning after Maternity Leave	Male	94%	92%	97%
	Female	99%	99%	99%
Percentage of Employees Remaining at Work for 12 Months or Longer after Returning from Leave (=Retention Rate)	Male	90%	82%	100%
	Female	96%	97%	98%
Percentage of Non-Regular Employees		1.4% ²⁾	1.7%	1.1%
Percentage of Employees with Disability		1.3%	1.4%	1.7%

1) Previous data has been revised to reflect the inclusion of non-regular employees in the total number of workforce.

2) Our 2014 report misstated the percentage of non-regular workers (2.7%).

Table 4.3.1. Employee diversity overview and maternity retention situation at LG Electronics
(Source: LG Electronics Social Responsibility report 2014-2015)

The company has also been open about its keeping track of the male to female ratio within its workforce; however such ratio is discerningly unbalanced; the number of returning employees after maternity leave is hence high but not necessarily positive.

Korea is more “Westernized” than Japan in terms of HRM procedures; however, similar to Japan, some work related issues are turning into social problems in Korea. Work-life balance is a buzzword in Korea as well as many OECD economies, including Japan. But as such issue has not become a phenomenon like in Japan – which hopefully means that the level of severity is not as high – and there is a stronger presence of foreign companies who will more or less inject a divergence of HRM/TM philosophy, it is rational to expect improvement in Korea, perhaps even faster than that in Japan.

5 Conclusion

Talent and talent management are still rather foreign concepts in HRM in Asia, much to say retention. Even though some HRM and organizational behavior theories coincide

with or originate from Asia philosophy and business practices – which means there is chance for Asia to relate with popular HRM theories, there is still gap between the popular ones and the existing ones in Asia/East Asia.

”Asia-Pacific employers place greater emphasis on variable pay compared with the United States and Western Europe. Variable pay made up nearly a fifth of the compensation package, compared with 13 percent and 11 percent in the United States and Western Europe respectively. [...] the biggest draw for millennials is the opportunity for progression – 52 percent said that they feel this makes an employer an attractive prospect. - *Millennials at Work: Reshaping the workplace*, PwC’s survey of over 4,300 graduates aged 31 or under (December 2011).

The modern Asian employee still demand reasonable salary, yes; but they also expect their supervisors to be supporting, fair and respectable; they solicit challenging tasks that would help them improve themselves professionally; the workplace must be thriving, working condition flexible, and benefit packages all-rounded (both extrinsic and intrinsic values offered). That sounds similar to the general talent retention steps explained above, but not everything can be applied, and there is still long way to go until turnover rate and talent scarcity is no longer a hot issue for HRM professionals in Asia. Asia is diversity – the key to success is to modify these concepts and practices to match cultural and contextual characteristics down to each and every region and company, or furthermore, even down to every single employee.

Culture is deep-rooted in both concerned countries – Japan and South Korea, and hence is distinctly reflected in the talent management practices and condition there as well. The two cultures are different in several ways and so are the popular management styles within them; Korea is also more “Westernized” than Japan in terms of HRM procedures. What companies in both environments need to either tackle or improve to attract and retain employees includes gender equality, job security, engagement, on-the-job training, maternity benefits, etc. However, a locally designed retention package would definitely be more well-received; in Japan with an emphasis on career progression and in Korea work-life balance and transparency-equality. Refreshing ideas and approaches may gain public attention and refine the firm’s image; however it will take more than just a few changes in a few organizations to really change the situation in both countries. What keeps the scenario optimistic is that changing to compromise is inevitable in the globalizing world we are living in today, and as there has been growing public acknowledgement and involvement, a collective and

omnipresent development in talent management will take place eventually in both Japan and South Korea.

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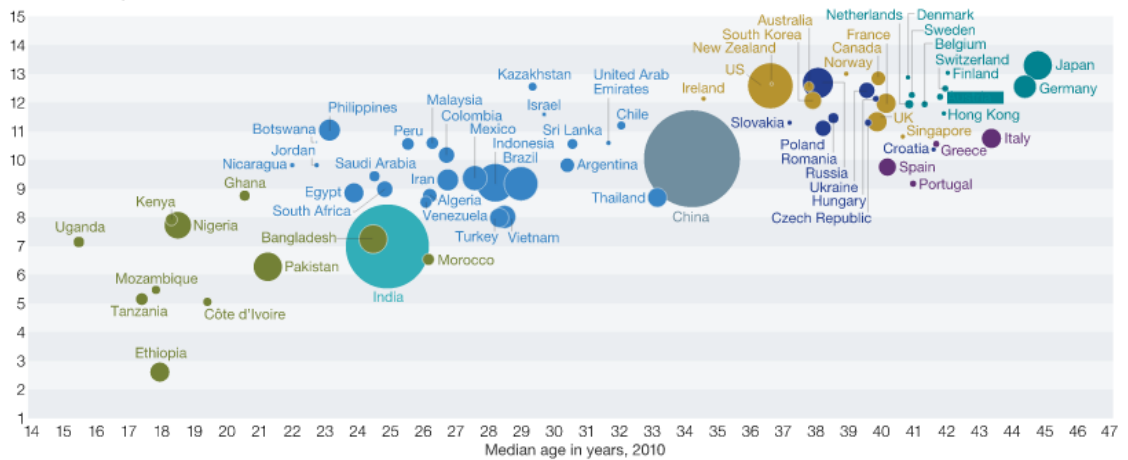
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Appendix 1 – Global labor market clusters by age and education

Global labor markets fall into eight clusters, each distinctly positioned in terms of age profile and educational attainment.

Education index, 2010¹



○ Size of circle indicates size of cluster's working-age population in 2010

<ul style="list-style-type: none"> Young developing 322 million workers <\$3,000 GDP per capita² 	<ul style="list-style-type: none"> Young middle income 640 million workers \$3,000–\$20,000 GDP per capita³ 	<ul style="list-style-type: none"> Young advanced 290 million workers \$25,000–\$50,000 GDP per capita⁴ 	<ul style="list-style-type: none"> Aging advanced 145 million workers \$30,000–45,000 GDP per capita
<ul style="list-style-type: none"> India 469 million workers \$3,000 GDP per capita 	<ul style="list-style-type: none"> China 783 million workers \$7,000 GDP per capita 	<ul style="list-style-type: none"> Russia, Central and Eastern Europe 141 million workers \$10,000–\$20,000 GDP per capita⁵ 	<ul style="list-style-type: none"> Southern Europe 60 million workers \$20,000–\$30,000 GDP per capita

¹Education-attainment levels weighted by years of schooling and by working-age population; median age weighted by total population.

²All GDP per capita expressed at 2005 purchasing power parity; for "young developing," Morocco is an exception (\$7,100).

³Except United Arab Emirates (\$28,500).

⁴Except South Korea (\$23,500).

⁵Except Czech Republic (\$22,300) and Ukraine (\$6,000).

Source: UN International Labour Organization (ILO); UN Population Division (2010 revision); International Institute for Applied Systems Analysis (IIASA); McKinsey Global Institute analysis

Appendix 2: Japan Employee Benefit

Paid Vacation

The Labor Law stipulates the minimum amount of paid vacation for employees. The number of days of paid vacation is based on the seniority in the company:

Seniority	Paid Vacation earned
6 Months	10 days
1.5 Years	11 days
2.5 Years	12 days
3.5 Years	14 days
4.5 Years	16 days
5.5 Years	18 days
6.5 Years	20 days

Employees may accumulate up to two years' unused paid vacation.

Health Care:

In Japan, there is a National Universal Health care system. All Japanese employees enrolled in Social Insurance, benefit from the national coverage. Employees receive a Social Insurance card. With this Social Insurance card, employees can visit any medical institution of their choice, receive health care and pay only 30% of the standard costs.

Sick Leave

In general, there is no sick leave rights in Japan. When employees get sick they use their paid vacation to take leave of absence. Some foreign companies grant sick leave to their employees as a special benefit.

Maternity leave in Japan

Guaranteed maternity leave in Japan covers a period of 6 weeks prior to the expected birth date to 8 weeks after giving birth. Employee may return to work earlier after getting approval by a medical doctor.

Child care leave in Japan

Child care leave applies to both female and male employees.

Child care leave starts from the day after the maternity leave ends (i.e. 8 weeks after the birth date), to the day before the child reaches the age of 1.

If the employee's spouse is also on child care leave, the child care leave may be extended up to when the child reaches the age of 1 year and 2 months. The duration each parent may take child care leave should not, however, exceed one year.

Compensation during maternity leave

During maternity leave, the employee salary will be covered by the social insurance up to a limit of around 2/3 of the base salary.

If the company decides to make a certain amount of payment during this period, the amount covered by the social insurance office will be reduced.

i.e. payment by company during maternity leave plus amount covered by social insurance will not exceed 2/3 of the base salary

Limits of overtime hours in Japan

The overtime hours should stay within the following limits in Japan:

- 5 hours per day
- 45 hours per month
- 360 hours per year.

Overtime pay rate

The Japanese Labor Law fixes the extra payment for overtime hours

When employees work overtime or work on holidays, an additional payment to the hourly base salary applies:

Overtime (typically over 8 hours a day)	Additional 25%
Night-time (22:00 – 05:00)	Additional 25%
Weekends and Holidays	Additional 35%
Night-time (continuing from overtime) *1	Additional 50%
Holiday (continuing from night-time) *2	Additional 60%

Appendix 3: South Korea paid annual leave and maternity leave

1. The annual leave starts as 15 days.

Once an employee worked for 80% of total working days of the first year, he is entitled to use 15 days' annual leave during the next one year. If an employee works less than 80% of the total working days, basically he gets no annual leave at all for the next year.

2. The days of leave increases every two other year from 4th year up to the ceiling of 25 days.

An example can make this easier to understand.

1st year: working for 80% of total working days

2nd year: entitled to 15 days' annual leave

3rd year: entitled to 15 days' annual leave

4th year: 16 days' annual leave

5th year: 16 days' annual leave

6th year: 17 days' annual leave

...

22nd year: 25 days' annual leave

[...]

4. An employee in his first year can use 1 day of annual leave for 1 worked month.

Even if an employee has not completed his first year, he can use annual leave. In that case, he can use 1 day of leave if he had worked one full month. However, such annual leave used in advance should be taken out from 15 days of annual leave that the employee will be entitled to after one year.

For example, if an employee used 5 months of annual leave in his first year, the next year's annual leave for him will be 10 days, not 15 days.

1. Maternity leave is 90 days with an exception for a female employee with twins.

An employer should grant a pregnant employee 90 days in maternity leave. The 90 days are calendar days, meaning that all weekly holidays (usually Sundays) and other kinds of holidays are included in the 90 days.

Based on the amendment of the Labor Standards Act that took effect in July 1, 2014*, an employee pregnant with two or more children is entitled to have 120 days of maternity leave. The amendment applies to employees who give birth after the amendment entered into force.

*Article 74 of [the Labor Standard Act](#)

2. At least 45 days of leave should be given to a female employee after childbirth

To protect the health of a female employee after childbirth, an employer should allow the employee to have at least **45 days of maternity leave after childbirth** even if the employee already took more than 45 days of the leave before childbirth. In such a case, the employer may not pay the wage for the days of leave in excess of 90 days.

[...]

4. Maternity leave is a paid leave.

An employer should pay wages for the first 60 days of the leave period. (In the case of an employee with twins or more, an employer pays wages for the first 75 days.) The employment insurance fund covers the wages for the remaining days of maternity leave.

However, with the "Preferentially Supported Enterprises" which are listed in the table 1 of [the Enforcement Decree of the Employment Insurance Act](#), the Employment Insurance Fund covers the wages for the whole 90 days. In such a case, the maximum amount of wages covered by the Fund for the 90 days is 4,050,000 Won (1.35 million Won for 30 days). If an employee's monthly wage is higher than the maximum monthly wage covered by the fund, the employer should pay the balance for the first 60 days.

5. You cannot dismiss an employee during maternity leave.

An employer is prohibited from dismissing a female employee during maternity leave and within 30 days after the leave.