

The End of Open Recruitment and Changes in the Labor Market

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Abstract

1. Types of Recruitment Methods and Their Implications

Regular open recruitment has long been a recruitment method used by large and medium-sized companies in Korea. Taking conglomerates as an example, it involves conducting mass recruitment through standardized tests on a regular basis within a corporate group and allocating hired personnel to affiliated companies. At the opposite end of the spectrum of recruitment methods from regular open recruitment is recruitment on demand. At the departmental level, personnel are selected on an as-needed basis and immediately assigned to work.

There are significant differences between regular open recruitment and recruitment on demand in terms of the skills required, the mechanisms for skill formation, and the way the labor market works. Regular open recruitment is a way of selecting generalists and developing them as employees of the company. In the process, performance is rewarded and skills are formed through internal organizational competition. In the case of conglomerates, group recruitment has been conducive to the development of a peer culture, which in turn fosters a sense of belonging and loyalty, as well as cooperation among affiliates, as employees are trained and educated in an in-house training center and deployed to various affiliates. This recruitment method was suitable for periods of high growth and industrial expansion centered on conglomerate groups such as the chaebol in Korea and the keiretsu in Japan.

On the other hand, recruitment on demand is a method of selecting specialists and utilizing them as job experts. It's more about acquiring job skills, focusing on jobs and roles, rather than developing employees of the company. In the recruitment on demand market, competition, performance rewards and skill formation are driven by the labor market outside of the company. In other words, specialists can move freely from company to company to gain expertise and experience. One illustrative example is Silicon Valley in the United States.

In summary, regular open recruitment and recruitment on demand differ in terms of recruitment timing, the entity conducting recruitment, and objectives. It can be categorized as regular open recruitment or recruitment on demand depending on (1) whether the recruitment is done in batches at regular intervals or on an as-needed basis, (2) whether the recruitment is done

company-wide or in the current department, and (3) whether the recruitment is for generalists or specialists. Of course, the differences between regular open recruitment and recruitment on demand are conceptually typified within the spectrum of recruitment methods, and in reality, they may appear in some modified or mixed forms.

2. A Survey on the Hiring Practices of Large Enterprises in Korea

In Chapter 2, a survey was conducted to examine how the hiring practices and talent requirements of large enterprises in Korea are evolving. The survey targeted representative business groups in Korea, and the results were analyzed based on a sample of 100 companies.

The most crucial question that arises from this study is whether the open recruitment system will cease to exist. In order to address this question, it is necessary to summarize the findings of the study. The results indicate that open recruitment is declining, while recruitment on demand and year-round recruitment are increasing. Notably, the latter is more prevalent in non-manufacturing industries. Furthermore, in unionized workplaces, open recruitment decreases, as it does overall, but the share of open recruitment remains high and the decreasing trend is less pronounced. While approximately half of the organizations are maintaining the frequency of open recruitment, more than two-thirds of the remaining companies are reducing the frequency of open recruitment. Furthermore, since recruitment on demand is utilized to hire individuals regardless of the specific department or job function, the prevalence of recruitment on demand is not limited to a few companies but rather a widespread phenomenon.

The characteristics of the recruitment on demand method can be utilized to gain insight into its underlying principles. First, companies recognize the strength of recruitment on demand as the ability to hire workers when they are needed and utilize them immediately on the job.

Second, there appears to be an increasing tendency for companies to prefer hiring experienced workers over new workers. At the same time, there is also a high preference for hiring career-entry workers who have a few years of work experience (so-called “second-hand new employees”).

Third, recruitment on demand is more likely to involve informal training and education. This means that companies expect their employees to learn on the job rather than planning and implementing training programs, allowing the employees to develop skills without significant effort on their part.

In addition, companies that view workforce management as a cost and prioritize reducing it and aim to operate workers on a short-term basis are more likely to hire on a smaller scale and prefer recruitment on demand. On the other hand, companies that view workforce management as an investment and aim to nurture their workers for the long term are more likely to continue to

increase the size of the recruitment and conduct recruitment on demand, although to a lesser extent.

Fourth, recruitment on demand is less diverse in terms of region, school, gender, etc., with the exception of age. A shift in recruitment practices that emphasizes recruitment on demand and a shift in employee preference that favors experienced workers should be examined to ensure diversity and fairness in recruitment.

3. A Survey on Young Generation's Experience and Perception of the Job Market

In Chapter 3, we conducted a survey to examine the experiences and perceptions of the young generation in the job market. The survey included a sample of 1,010 young people in their 20s and 30s. The results indicated that the young generation perceives a decrease in regular open recruitment, an increase in recruitment on demand, and an increase in experienced recruitment. These findings are consistent with the results of the survey of companies in Chapter 2.

4. Supply of Recruitment on Demand: Turnover of Young College Graduates

Chapter 4 examines the supply side of recruitment on demand by focusing on 8,811 young regular workers, using the latest Graduates Occupational Mobility Survey (GOMS) data from the Korea Employment Information Service to understand the current status of young college graduates' turnover intentions and to explore the factors that influence their turnover intentions. The key findings and implications of this chapter are as follows.

First, of the 8,811 individuals analyzed, 26% have current turnover intentions, which is significantly higher than the turnover intentions of similar samples in the 2010 and 2018 data. This reflects the reality that the concept of a lifelong job is becoming obsolete, and that young people are moving away from the traditional loyalty to a single job to embrace a more flexible approach to work and life. This has led to the emergence of new terms such as work-life balance and quiet resignation.

Second, there were significant differences in job satisfaction between those with turnover intentions and those without. Specifically, for all workplace factors such as wages, job security, and work environment, the satisfaction of those with turnover intentions was significantly lower than that of those without. Furthermore, when examining the reasons for considering leaving the company, intrinsic and extrinsic motivations were separated, and low compensation and unrewarding work were selected as the main reasons for leaving. These two findings collectively indicate that the combination of intrinsic and extrinsic motivations makes it challenging to identify a singular cause of turnover readiness. Consequently, it is important for organizations to consider comprehensive strategies to enhance various aspects of job satisfaction in order to reduce turnover

intentions among young individuals. Merely offering a higher wage is insufficient to mitigate turnover intentions; therefore, it is crucial for organizations to prioritize understanding individual needs and preferences.

Third, even if young people have turnover intentions, they do not actively prepare for a job change or think deeply about their next job. Despite the fact that there are significant differences in wages, tasks, organizational culture, and so on, depending on the characteristics of the company, young people do not consider the characteristics of the company they want to join. Instead, they passively rely on online job sites for information to prepare for a job change. This suggests that young people are not actively engaged in their own career development and are not taking self-directed career development actions. To help young people overcome their difficulties in career development, it is essential to provide guidance and promote various public programs (e.g., Korea Employment Information Service's Cyber Career Education Center).

Fourth, because young people (=early careerists) are unable to acquire sufficient information about the job before joining a company, they begin to consider changing jobs for reasons such as personal development and career advancement while actually working. Conversely, from the perspective of companies, they are a prime target for recruitment on demand. According to our analysis, young people are caught in a vicious cycle: they can't find a job because they don't have experience, and they can't gain experience because they don't have a job. This is due to the information asymmetry in the labor market, where young people perceive themselves as inexperienced, find it difficult to get a job because of their lack of education, skills, and training, and reject job offers because they are not satisfied with the wages offered by the company. Therefore, companies should realistically introduce wage levels and job duties as "incentives" for recruitment on demand. Transparency of recruitment information can help job seekers get accurate information about the job; employer branding can be improved as companies try to reduce information asymmetries in the labor market. Job seekers would waste less time and effort applying for jobs with mismatched education and skill levels, and companies would spend less time and effort evaluating applicants by efficiently hiring the right people for the right jobs, creating a win-win situation.

5. The Inertia and Changes in the Recruitment System of Korea's Large Enterprises

Chapter 5 examines how companies, as actors in the Korean labor market, are adapting their structures and creating new ones amidst the upheaval of the proliferation of recruitment on demand. To this end, case studies of three conglomerates with distinctive characteristics were conducted and implications were drawn from them to explore inertia and change in recruitment in large companies.

The following conclusions were drawn from the case studies.

First, recruitment on demand is an irresistible trend. As global and Korean companies continue to experience low growth, the practice of filling vacancies as they arise has become commonplace, and recruitment on demand is recognized as the dominant paradigm for talent acquisition. As these trends are global and reflect the changing times, it will be difficult to return to the regular open recruitment method of the past. Of course, individual companies may use open recruitment as a strategic product depending on their internal conditions, but in terms of overall trends, many organizations are expected to use recruitment on demand more.

Second, recruitment on demand increasingly reflects the internal needs of affiliates or departments in that it is driven by the needs of the affiliates or departments itself. This leads to a weakening of the control tower role traditionally played by conglomerate or corporate HR teams, and a repositioning of the holding company as primarily an overall coordinator and provider of basic infrastructure. This can be seen as a devolution of traditional recruitment tasks to the frontline departments and, through recruitment on demand, also as a partial fulfillment of the strategic role of the HR department, which has been claimed as the core of strategic HR management, in the frontline.

Third, while the choice of recruitment on demand as an institution may be the same, the actual way in which recruitment on demand is implemented in an organization is determined by a complex set of factors, including company history, symbolism, industry position, business growth, CEO characteristics, company size, and relationship with the regime. As you can see from the case studies above, the paradigm shift in recruitment is still in its early stages, and organizations are still figuring out what works for them. The direction of structural change and the nature of the impetus for recruitment on demand are the same, but the way in which this structure is adapted and changed emerges as a shape with distinctive characteristics, as the history and culture of the corporates, the nature of the business, the location of the industry, and the characteristics of the CEO intertwine as weft and warp.

Fourth, although recruitment on demand has been around since the 1990s, full-scale preparations and responses are only in the early stages, and the conglomerates' recruitment on demand method is still in the early stages of institutionalization, a trial and error process. As shown in the case study, Group S, which has gone through a period of preparation in advance, has only recently overhauled the relevant systems; Group H, which was the first in Korea to switch to recruitment on demand, implemented it in 2019, and the development of support systems was completed two years later; and Group L, which conducts "recruitment on demand like open recruitment," has only recently provided information on jobs and improved the efficient recruitment

methods of its affiliates.

Fifth, as peer culture and organizational socialization (cohesion) are weakened by changes in recruitment methods, there is a growing concern about how to increase the commitment and retention of talented employees in the organization. Recruitment on demand also means that my co-worker in our company can apply for a job if there is a vacancy in another company. In the past, the so-called "peer culture" among those in the same batch who joined through open recruitment allowed them to build intimacy with members of similar age groups, and lifelong employment led to a high level of commitment to the organization, but now the link between the organization and individual members has faded, and the peer bond has gradually disappeared due to recruitment on demand. As it has become commonplace for employees to check other companies' on-demand hiring postings as soon as they join a company, the shift to recruitment on demand is directly linked to the question of how to retain acquired talent.

6. The Present and Future of Japan's Open Recruitment System

Chapter 6 examines the evolution of the open recruitment system in Japan, where the open recruitment system has supported the labor market since the modern nation-state period, to consider its current implications.

First, like all other systems, Japan's open recruitment system for new graduates has not remained static, but has evolved in response to socioeconomic changes. In particular, we analyzed the evolution of the employment agreement as an institutional framework for the new graduate recruitment market and as an institutional arena for negotiations among government, business, and education, which have different interests in new graduate recruitment. This analysis examined the flexibility (or resilience) of the open recruitment system in response to cyclical fluctuations. Next, we looked specifically at the context and mechanisms through which the open recruitment system is reproduced. The common factor between the current labor market and that of the modern nation-state period in which the system took root is labor shortages. While the causes of the problem are different, the aspects are similar: the former is a shortage of labor to support the explosive expansion of companies during periods of high economic growth, and the latter is a shortage of labor due to changing demographics.

To a certain extent, the open recruitment system for new graduates serves to resolve the labor market uncertainty that labor market actors face due to cyclical fluctuations and labor shortages. As a result, companies can minimize recruitment costs and turnover, new graduate job seekers can pursue the job search process in a defined way within a limited period of time, and governments can keep youth unemployment at a low level. Of course, given changing demographics and other

socioeconomic factors such as advances in IT technology and globalization, this system may seem outdated. At the moment, however, the system clearly functions as an institutional arrangement that satisfies a wide range of different actors, and this is the main driver of institutional reproduction.

The recent institutionalization of internships in Japan is a good example of the reproduction of the open recruitment system for new graduates. Based on the examples of other countries, internships are generally considered to be the opposite of open recruitment for new graduates. However, Japanese internships are localized not as an alternative recruitment method that shakes the roots of open recruitment for new graduates, but rather as a mechanism that reinforces it. The reproduction of the open recruitment system for new graduates through institutional transformation raises the need to analyze open recruitment and recruitment on demand as a continuum rather than a dichotomy.

Despite the changes, the core of the open recruitment system is still a collective skill development process in which companies select unskilled workers and train them to become skilled through education and training. What stands out alongside the discourse of the end of open recruitment in Korea is that the responsibility for skill formation is being shifted to individuals. In particular, the process has been driven by companies without social discussion or consensus among key labor market actors. In Korea, where demographic changes are occurring at a faster pace than in Japan, it is time to consider and discuss whether the institutional change called "the end of open recruitment" will ensure economic and social sustainability.

7. Policy Implications

A. Labor Market Changes and Their Implications

As we have seen, regular open recruitment is disappearing and recruitment on demand is increasing. What do these trends mean for the future labor market?

First, the so-called "employment formula" in the youth labor market will disappear and the job search will become more job-specific and job-oriented, meaning that a good understanding of the job and relevant experience and work history will be more important than the performance on a few standardized tests and interviews of the era of regular open recruitment.

Second, with the spread of recruitment on demand, there will be more frequent job transitions based on the so-called "career ladder". Individuals who have gained experience in a particular job group or job title through internships, contract work, etc., will change jobs in search of better treatment and opportunities. In other words, while career paths were simple and based on long-term tenure in the era of open recruitment, they will diversify in the era of recruitment on demand.

Third, the outsourcing of skill formation will become more widespread. In the traditional

system of regular open recruitment, companies provided formal education and training for skill formation for each batch of new hires within the organization. However, in the recruitment on demand system, such formal education and training will disappear, and individuals will be immediately deployed in the field. Young people will have to develop their skills directly by mobilizing and utilizing their available resources in the external labor market through such means as internships and contract work, which will help them build careers and work experience. The results of the survey in Chapter 2 support this conclusion.

In summary, the spread of recruitment on demand will soon lead to a revitalization of the external labor market. If such a prediction is possible, what policy considerations should be taken into account?

First, it is necessary to reduce information asymmetry and increase transparency in the external labor market. As mentioned in Chapter 4, the problem of not being able to obtain sufficient information about jobs and wages before joining a company needs to be addressed to reduce unnecessary turnover costs for both companies and job seekers. Korea should consider strengthening its wage information system, similar to O'Net in the United States, and explore the implementation of a wage disclosure system in both the public and private sectors. It could also take a cue from the pay transparency laws introduced in Western countries.

Second, support for young people who have difficulty entering the labor market and changing jobs needs to be strengthened. As seen earlier, in the recruitment on demand system where individuals must develop skills on their own, young people from vulnerable groups with limited resources may find it difficult to enter the labor market, and even if they do, it may be difficult to find good opportunities for job transitions. This could lead to disparities in employment opportunities, so proactive career guidance and job search support policies are needed.

B. Changes in Industrial Relations and Their Implications

What changes are expected in industrial relations?

First, changes are expected in the wage system. Regular open recruitment is one of the pillars supporting the seniority-based wage system. As recruitment on demand becomes more active and turnover becomes more common, the wage system will shift from a seniority-based wage system to a job-based wage system based on information (career, experience, wages) from the external labor market, starting with jobs and roles that are more prone to turnover. In other words, it will change from a dual structure system of large enterprises and SMEs to a disparity system based on jobs and roles.

Second, the activation of the external labor market based on jobs and roles is anticipated to

result in the formation of industrial relations by industry and occupation. If the regular open recruitment system supported company-specific industrial relations based on lifelong employment prospects and peer culture, the recruitment on demand system will gradually erode it. In Korea, as in Silicon Valley, there are indications of a shift from company-specific industrial relations to industry-specific and job-specific industrial relations as the number of technology industry jobs increases. This suggests that the government's role in coordinating industrial relations, as defined by the existing industrial relations framework, will need to change significantly.