

Seminar on “Emerging from the job crisis : What do we know about experiences that work?”, 22 March 2010

Korea's Responses to the Economic Crisis

- In terms of “Global Jobs Pact” -

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1. Employment Indicators at a glance

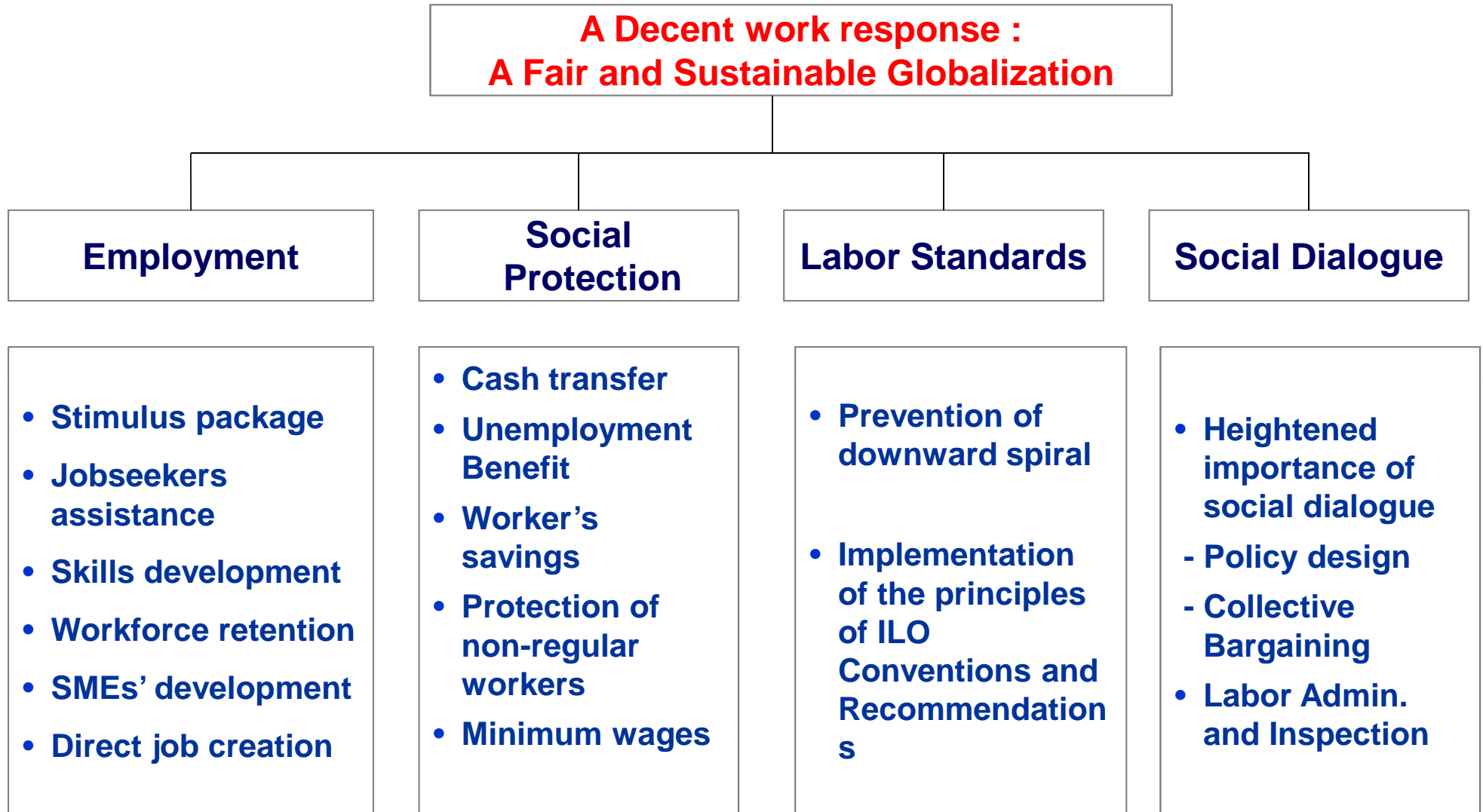
- Growth rate decreased significantly in 2009
- Labor market deteriorated, especially for youth
- Korean government's responses to the crisis were effective in preventing the worst situation

	2007	2008	2009
GDP growth rate	5.1%	2.2%	0.2%
Employment rate	59.8%	59.5%	58.6% (Jan 57.3 → Dec 57.6%)
Youth employment rate	42.6%	41.6%	40.5%
Unemployment rate	3.2%	3.2%	3.6% (Jan 3.6 → Dec 3.5%)

2. Korea-specific Preconditions

- **Experiences of overcoming 1997 Asian financial crisis**
 - Grand Tripartite Agreement (Feb. 1998) for “Pain Sharing”
 - Having built up Social Safety net since then
- **Under-institutionalized industrial relations**
 - The number of labor disputes soared since the Democratization Declaration of 1987
 - Situations have improved, but still not fully matured
- **High degree of informality of the labor market**
 - The number of fixed-term, sub-contracted, dispatched workers increased since the early '90s
 - Large number of self-employed workers

3. Global Jobs Pact as a Framework



4. Crisis Response Measures

(1) Employment

- **Macroeconomic stimulus packages**
 - 56 billion USD between 2009 and 2012 (7.4% of GDP)
 - * the highest among OECD countries as a share of GDP
 - Composition : Tax cuts, Infrastructure investments, Labor market measures, SMEs support, Green measures
- **Direct Job Creation**
 - Temporary jobs for a low-income vulnerable population (549 thousands)
 - Internship program for youth (102 thousands)
 - Social services including Social Enterprises (166 thousands, 266 firms)

4. Crisis Response Measures

(1) Employment

- **Retaining Workforce**
 - Strengthened support for Job Sharing Scheme
 - * Expanding subsidies and easing eligibility requirements
 - Nearly 30% of workplaces with 100 or more employees participated
 - * Estimated to have retained a minimum of 90,000 jobs
- **Job Seekers Assistance**
 - Strengthened job placement services
 - * Especially, establishment of job vacancies DB and subsidy to placed jobseekers (34 thousands people)
 - Package-type program
 - * “Job consultations → Vocational training”, “Work experience program → Job placement services”

4. Crisis Response Measures

(1) Employment

- **Support for micro and small business start-ups**
 - Business start-ups in universities, the long-term unemployed
 - 213,000 targeted beneficiaries

- **Green New Deal**
 - New growth engines in the mid-to-long term
 - 5 year Green Growth Plan (2009~2013)
 - Creation of more than 1 million jobs expected

4. Crisis Response Measures

(2) Social Protection

- **Livelihood stabilization for low-income families**
 - Proactive utilization of unemployment benefits
 - * requirements relaxed and benefit period extended
 - * 1.3 million people, 3.5 billion US\$ (2009)
 - Special loans for the unemployed 0.1 billion US\$ (2009)
- **Continued increase of minimum wage**
 - 2,100 KRW/hour(2001) → 3,100 KRW(2005) → 3,770 KRW(2008)
→ 4,000 KRW(2009)

4. Crisis Response Measures

(2) Social Protection

- **Support for workers with overdue wages**
 - Subrogated payment for workers with overdue wages
 - * 60,000 workers, 0.3 billion USD
 - Provision of loans greatly expanded
 - * 20,000 workers, 0.1 billion USD
- **MISO Credit Foundation (micro credit lending program)**
 - Reestablishment of the previous micro credit foundation (Sept. 2009)
 - Plan to support more than 200 thousand low-income households for the next 10 years

4. Crisis Response Measures

(2) Social Protection

- **Expansion of Retirement Pension System**
 - Efforts to change the lump-sum severance pay into new system
 - * the relevant legislation pending in the parliament
 - The accumulated money critically increased
 - * 60 billion USD(2008) → 130 billion USD(2009)
- **Non-regular worker Protection law Revision issue**
 - Fixed term and Dispatched workers employed more than 2 years should be converted into regular workers
 - * according to the newly enacted relevant law since July 2009
 - National-level huge Debate on “Dismissal possibility vs. Quality job”
 - Great opportunity to think about the “Decent Work Dilemma”

4. Crisis Response Measures

(3) Labor Standards

- **Steady Efforts to maintain basic working conditions**
 - Working hours in decline since 2004
 - Robust Minimum Wage System
 - Safe and healthy work environment, especially for vulnerable workers
- **Remedial measures for overdue wages**
 - During the crisis, overdue wages increased by 40%
 - * approximately 1 billion USD in 2009
 - Special task force team in local labor offices
 - Strengthened punishment for employers with malicious intent
 - * in cooperation with prosecutory authorities

4. Crisis Response Measures

(4) Social Dialogue

- **Grand Tripartite Agreement (February 23, 2009)**
 - Work retention and job sharing
 - Proactive measures for creating jobs and promoting employment
 - Expansion of social safety net
- **Support for labor management cooperation**
 - For high performance in workplaces
 - Financial support
 - Workplace Innovation Center
- **As a result**
 - Wage Freezing firms increased through Concession Bargaining
 - Practices of Productive Collective Bargaining dispersed

5. Policy Direction for 2010

- **While being aware of risk of “Too Early Exit strategy”, Strengthening the foundation for job creation such as Green New Deal**
 - Infrastructure Investment Fund will be established in this year
 - Boosting SMEs and Service industry will be focused
- **Establishment of National Employment Strategy**
 - National Employment Strategy Council (under the Office of the President) was established recently
 - Employment Effects will be evaluated when designing and implementing various public policies

THE END

THANK YOU