

National Report for ILO/Japan Youth Employment Symposium

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The Republic of KOREA

1. Youth Employment Trend in Korea¹

The most notable aspect of Korea's youth employment trend is the impact of financial crisis in late 1997. Due to the crisis, the labor market situation since 1998 quickly deteriorated. The youth labor market was no exception. As shown in Table 1, Korea's labor market enjoyed near full-employment state before the crisis hit. In 1996, the unemployment rate was 2%, and the youth unemployment rate reached 4.6%. In 1997, the rates were 2.6% and 5.7%, respectively.

After the financial crisis, however, many workers became unemployed as companies underwent restructuring, and faced harsh business environments. As a result, the unemployment rate jumped to 7%, and the youth unemployment rate to 12.2% in 1998. In 2002, the youth unemployment rate went down to 6.6%, but increased again to 7.7% in 2003 due to depressed domestic demands. This is more than two times the level of the overall unemployment rate (3.4%), and the number of unemployed youths reached 383,000, accounting for 49.3% of the total number of unemployed people (777,000). The youth employment rate (employed youths/total youth population) went down to 44.4% in 2003 from 46.2% in 1996, reflecting unfavorable employment conditions for youths as companies reduced their new hiring after the 1997 financial crisis.

Table 1) Youth Employment Trend in Korea

(Unit: Thousand, %)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| No. of Youths | 11,743 | 11,724 | 11,651 | 11,461 | 11,243 | 10,952 | 10,651 | 10,368 |
| No. of Economically Active Youths | 5,685 | 5,671 | 5,387 | 5,264 | 5,281 | 5,203 | 5,140 | 4,989 |
| Youth's Economic Activity Participation Rate | 48.4 | 48.4 | 46.2 | 45.9 | 47.0 | 47.5 | 48.3 | 48.1 |
| No. of Employed Youths | 5,420 | 5,349 | 4,733 | 4,691 | 4,879 | 4,815 | 4,799 | 4,606 |
| Youth Unemployment Rate | 4.6 | 5.7 | 12.2 | 10.9 | 7.6 | 7.5 | 6.6 | 7.7 |
| No. of Unemployed Youths | 264 | 322 | 655 | 574 | 402 | 388 | 341 | 383 |
| Total Unemployment Rate | 2.0 | 2.6 | 7.0 | 6.3 | 4.1 | 3.8 | 3.1 | 3.4 |

¹ Korea defines youths as those aged 15~29, which is wider than OECD's 15~24. This is because Korean men are obliged to serve compulsory military duty for 2~3 years after reaching the age of 20.

| | | | | | | | | |
|-------------------|-----|-----|-------|-------|-----|-----|-----|-----|
| No. of Unemployed | 435 | 568 | 1,490 | 1,374 | 913 | 845 | 708 | 777 |
|-------------------|-----|-----|-------|-------|-----|-----|-----|-----|

□ Reference: Economically Active Population Survey (National Statistical Office)

2. Structural Changes in the Youth Labor Market

The most significant change that took place in the youth labor market is reduced jobs for youths. As shown in Table 2, average economic growth of 7% during the 1990's, dropped to 3.1% in 2003. In addition, the employment coefficient (number of employed per KRW 1 billion of GDP), which shows the level of job increase per unit output, recorded 41.9 persons in 2002, down from 68.7 persons in 1990, as industry structures became more sophisticated with the introduction of automation, IT, etc. Such difficulties in creating new jobs led to less hiring of workers, which had particularly great impacts on the youth who enter the labor market for the first time.

Table 2) Korea's GDP Growth Rate

(Unit : %)

| | 1963~2000 | 2001 | 2002 | 2003 |
|-----------------|-----------|------|------|------|
| GDP Growth Rate | 7.81 | 3.8 | 7.0 | 3.1 |

□ Reference: Korea's GDP Growth Rate (Bank of Korea)

Major changes in terms of labor supply include big increases in the number of college graduates resulting from increased college enrollment rates, and the youth's reluctance to work for SMEs. As shown in Table 3, the college enrollment rate of high school graduates, which was only 33.2% in 1990, jumped to 81.3% in 2004. In total, the number of college graduates increased by 180,000 during 1995~2003.

Table 3) Korea's college graduates and college enrolment rate

(Unit : Thousand, %)

| | 1980 | 1990 | 1995 | 2000 | 2002 | 2003 | 2004 |
|--------------------------|------|------|------|------|------|------|------|
| No. of College Graduates | 99 | 253 | 324 | 438 | 484 | 505 | 494 |
| College Enrolment Rate | 27.2 | 33.2 | 51.4 | 68.0 | 74.2 | 79.7 | 81.3 |

□ Reference: Education Statistics Report (Ministry of Education and Human Resources)

Although the supply of college graduates surged, the number of “decent job” openings in large enterprises, financial institutions, public enterprises which college graduates prefer dropped. Due to such imbalances between supply and demand, large enterprises are experiencing labor oversupply, while SMEs are suffering from labor shortages (as shown in Table 4) even today, when youth unemployment is still high.

Table 4) Labor Shortages in SMEs

(Unit: Persons)

| | 2000 | 2001 | 2002 | 2003 |
|---------------------------------|-------|--------|---------|---------|
| Level of Labor Shortage at SMEs | 9,049 | 14,495 | 204,951 | 138,947 |

□ Reference: Labor Status at Small and Medium Enterprises (Small and Medium Business Administration)

In addition, weak employment support infrastructures such as employment security services in charge of job placement, job counseling, etc., and lack of a system in which information on job openings, industry-specific labor demands, etc., can be effectively provided to youths, are also cited as reasons for continuing youth unemployment.

3. Korea's Youth Employment Policies and Challenges

The fundamental solution to the youth unemployment would be to create new jobs in a sustainable manner by strengthening growth potential. It is also essential to train workforce that meets industry requirements by strengthening industry-academia cooperation, establishing a system guaranteeing smooth transition from school to work, and improve labor market infrastructures.

However, it takes a long time before these long-term measures can produce tangible results. Therefore, short-term measures are being implemented at the same time for youths so as not to lose their capability and motivation to work. The short-term measures to minimize factors hindering youth employment are being carried out, such as actively providing jobs in the public sector while supporting job creation in the private sector, offering various opportunities for youths to have work experience, and strengthening vocational training and job referral services.

3-1. Short-Term Measures

The Youth Work Experience Program, which is one of the major youth employment measures, is intended to provide more work experiences to youths to enhance their understanding of jobs and careers. The Youth Work Experience Program consists of work experience support system and employment support system. Under the work experience support system, college students or graduates are employed as internship workers in public institutions or private companies, so as to gain hands-on job experience, as well as receive help in making job choices in the future. Furthermore, ways to award college credit for internship are being sought in order to facilitate the implementation of the Program. Under the employment support system, companies employing youths as interns can receive wage subsidy for 3 months, and companies, which hire those interns as regular workers can receive wage subsidy for another 3 months. In this way, companies are being encouraged to hire more youths.

To further develop vocational ability of youths, 'Tailored Vocational Training', concentrated on knowledge based IT industries, i.e. ICT, is being offered to unemployed college graduates, while training focused on manufacturing businesses, such as shipbuilding, automobile, etc, is being offered to unemployed high school graduates. Meanwhile, as a solution to labor shortages in SMEs and youth unemployment, Youth Employment Package Project is being implemented. The Project aims to strengthen the linkage between customized vocational training and employment services for SMEs on an industry-specific basis.

One-Stop Service System is currently being established to provide job referral, job counseling, and job guidance services through Youth Employment Support Rooms at the Employment Security Centers across the nation. Furthermore, short-term jobs are provided to youths who are unlikely to be employed soon by making them participate in the "Vacancy Seeking Program". This allows unemployed youths to find their jobs and discover job offerers at the same time.

3-2. Mid-to-Long Term Measures

In Korea, the 40-hour workweek system began to be implemented in the public sector and large enterprises hiring 1,000 workers or more from July 2004. The system

will be implemented in workplaces with 300 workers or more, starting from July, 2005. The Korean Government expects that the reduced working hours can improve employment through work sharing. In addition, in order to facilitate work sharing, subsidies are awarded to companies that adopt working hour reduction from earlier than the required enforcement date and hire additional workers at the same time.

Low wages and poor working conditions are cited as main reasons for youths to avoid working for SMEs. That is why the Clean Project is being carried out. The project provides financial support to companies trying to eliminate hazardous and dangerous working conditions. Other projects to eliminate elements causing youths to avoid working for SMEs are also being conducted. Under such projects, equipments for eliminating excessive heat, odor, and dust are distributed to SMEs. Other measures to encourage workers to stay in SMEs longer and improve motivation include establishing public welfare facilities, providing training at home and abroad, giving priority to SME employees in buying national housing.

Vocational training and job counseling targeted at youths are being expanded. Job Aptitude Tests and Interest Test which used to be taken by youths only, is now being administered to elementary school students, and various job counseling programs targeted at youths are being developed and distributed. Job tour, job game, online job search programs, etc are under development, and various job information is being sent to youths via e-mail.

Detailed mid-to-long term projections on labor supply and demand by occupation will be made, and the results will be reflected in curriculum, class size, job selection, vocational training, so as to prevent imbalances between labor supply and demand. Also, building a system that can integrate and standardize dispersed labor market data is planned, in order to support human resources development in a comprehensive manner.

3-3. Future Policy Initiatives

The Korean Government believes that the year 2008 will serve as the turning point in youth unemployment, as declining youth population driven by low fertility is expected to mitigate youth unemployment level. Therefore, Korea will focus on resolving youth unemployment by 2008. To this end, the Government has recently

enacted the Special Act on Reducing Youth Unemployment, which will be enforced on a temporary basis until 2008. Also, The Special Committee on Youth Employment will be launched jointly by private and public entities, to monitor and improve the measures being implemented to reduce youth unemployment.

Furthermore, a system in which all youths can receive vocational training and job counseling according to their phase of development will be established to enable youths to develop sound career view and improve job searching abilities. Once the Job World is completely built, it is expected to contribute a great deal to developing sound career view and improving job searching ability of youths. In addition, more focus will be placed on expanding infrastructures for employment security services.