

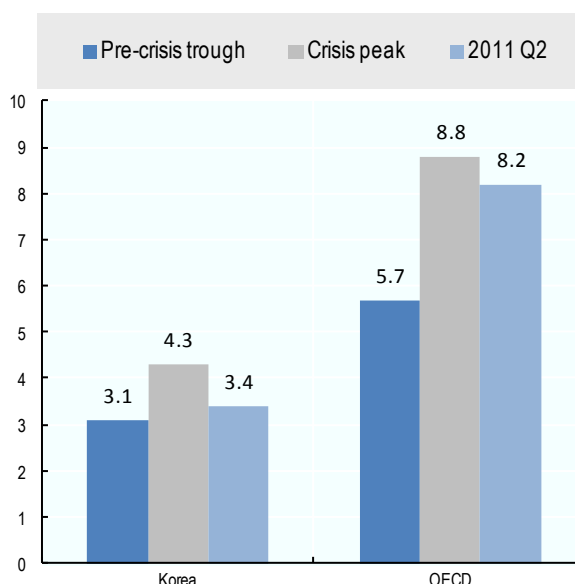


Employment Outlook 2011 – How does KOREA compare?

The Korean labour market bounced back quickly from the 2008-2009 global economic crisis. The 2011 OECD *Employment Outlook* shows that the rapid recovery of the Korean economy was reflected in the comparative resilience of its labour market performance. Korea's harmonised unemployment rate was 3.4% in the second quarter of 2011, having descended from its crisis peak of 4.3% in the first quarter of 2010 nearly all of the way to its pre-crisis level of 3.1% (see figure). By comparison, the OECD average unemployment rate was 8.2% in the second quarter of 2011, down slightly from its peak of 8.8% and still 2.5 percentage points above its pre-crisis value (5.7%). The pool of unemployment left behind by the crisis is especially large in Ireland, Spain, Greece and the United States.

Unemployment rate during the recent downturn, Korea and the OECD

OECD harmonised unemployment rates as a percentage of labour force^a



a. Seasonally-adjusted data. Peaks and troughs are determined using real GDP series in levels. Source: *OECD Main Economic Indicators*.

Income support for the unemployed is relatively limited in Korea. The OECD report shows that unemployment insurance and other public income-support programmes played an important role during the recent crisis in dampening the impact of higher unemployment on living standards. By comparison to other OECD countries, the income safety net for workers is relatively limited in Korea due to the shorter period during which job losers can receive unemployment insurance benefits and the fact that around 35% of employees are not registered for unemployment insurance (UI). Moreover, among the 21 OECD countries compared in the report, the tax-transfer system in Korea played the smallest role in buffering the impact of large reductions in workers' earnings on household income. According to the OECD report, Korean families typically offset about two-thirds of the impact of a large fall in one worker's earnings through increased employment and earnings by other family members. This type of self-help plays a much smaller



role in most other OECD countries, perhaps because they have a more extensive social safety net. The OECD recommends that countries with a relatively limited income safety-net for the unemployed, such as Korea, should be prepared to reinforce that safety-net during a deep recession. For example, the temporary increase in the maximum UI benefit period in the United States, from 26 to 99 weeks, is shown to have played an important role in limiting the hardship caused by the deep recession in that country.

Employment losses are concentrated on unskilled workers and youth. While overall employment in Korea already exceeds its pre-crisis level, 5.4% fewer youth (15-24 years of age) were employed in the first quarter of 2011 than three years earlier. The decline in employment for low-skilled workers was even sharper at 9.0%. These two groups also bore the brunt of the recent downturn in most other OECD countries. However, the OECD *Employment Outlook* shows that Korea is among those OECD countries where low-educated workers are most strongly affected by changing business cycle conditions. Even before the crisis, the employment rate for youth, especially less-educated youth, had been declining and was substantially below the OECD average. The OECD report argues that governments need to take additional measures to assist disadvantaged youth to achieve a solid foothold in the labour market. It is thus encouraging that the Korean government has taking a number of recent measures, including the new Employment Service Package Programme which expands income support, job search assistance and vocational training for more vulnerable groups, including disadvantaged youth, the long-term unemployed and low-income people of working age. There have also been recent increases in social assistance, such as the benefits for single parents and single individuals, and disability benefits, as shown in this year's OECD *Employment Outlook*.

OECD Employment Outlook 2011 is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on Korea, journalists are invited to contact Mark Keese (tel: +33 1 45 24 87 94 or e-mail: mark.keese@oecd.org) or Hyoung-Woo Chung (tel: +33 1 45 24 92 79 or e-mail: hyoung-woo.chung@oecd.org) from the OECD Employment Analysis and Policy Division. For further information: www.oecd.org/els/employment/outlook.