



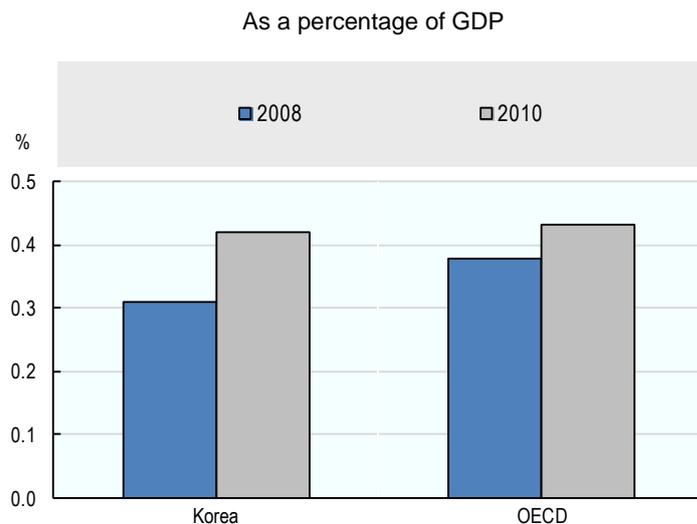
OECD Employment Outlook 2012

How does Korea compare?

The Korean labour market continues to perform well after a quick recovery from the global economic crisis. Korea's unemployment rate was 3.2% in May 2012, 0.2% point lower than a year earlier, and nearly down to its pre-crisis level of 3.1%. By comparison, the OECD average unemployment rate was 7.9% in May 2012, still much higher than its pre-crisis level of 5.6%. The most recent OECD projections, published in the latest edition of the *OECD Employment Outlook* predict that the OECD unemployment rate will decline only marginally to 7.7% at the end of 2013 from the current 7.9%, largely reflecting the gloom outlook in the euro zone, where unemployment has been rising again to reach 11.1% in May 2012.

Spending on active labour market programmes (ALMPs) has increased considerably in Korea over the period of the crisis. While ALMP spending in real terms increased by 14% between 2008 and 2010 on average across the OECD, it increased by 35% in Korea over the same period. However, at 0.42% in 2010, ALMP spending in Korea as a per cent of GDP is still slightly below the OECD average of 0.44%. As suggested in the 2012 *OECD Employment Outlook*, a well-designed package of active measures has a crucial role to play in minimising long-term unemployment as well as promoting more stable employment outcomes. In this regard, the recently introduced 'Successful Employment Service Package' (SESP) which expands income support, job matching and vocational training, together with the 'Individual Training Account (My Work Learning Card)' is a significant step towards promoting the employment of vulnerable groups in the labour market. Nevertheless, much of the increase in ALMP spending in Korea has been on direct job creation. This should only be a temporary measure as it is very costly and in other OECD countries has proven to have little long-term impact on participants' employment prospects.

Active labour market spending in Korea and the OECD^a



a) OECD is the weighted average of 28 countries (excluding Chile, Estonia, Iceland, Israel, Slovenia and Turkey).

Source: OECD Labour Market Programmes Database.



OECD Employment Outlook 2012

Despite the improving economic conditions, youth continue to suffer in the labour market. While the overall unemployment rate went down from a year earlier, that of youth (aged 15-29) increased in May 2012 to 8.0% from 7.3% a year before. The OECD has argued that increasing the youth participation rate is an important goal for the Korean government and in this sense more active measures are necessary, especially for low-educated, disadvantaged youth. Further effort is also required to address over-education and the resulting skills mismatch. The strong dualism in the labour market exacerbates this mismatch by encouraging school graduates to limit their job search to regular jobs in large firms and the public sector. The government's initiative to upgrade vocational education at the secondary level, such as the Meister high schools, should be useful in this regard.

Korea has been implementing its 'Green New Deal' since 2009 with a view to strengthening its long-term growth potential while at the same time overcoming the economic crisis in the short-term. However, the OECD report suggests that green stimulus measures should be carefully designed and executed in order to achieve these goals. The report finds that a comprehensive green growth policy will be an important driver of structural labour market change. Among the key challenges highlighted is the need to adapt vocational training programmes to provide the skills that workers will require in emerging green jobs and sectors, as well as employment measures to facilitate job mobility. Some efforts have been made in this regard, such as the 'Green SMEs Training Consortium Programme' to help SMEs to effectively address skill shortages in the shift to a greener economy. However, the report stresses that it is important to carefully evaluate how well these measures work. It is also important that employment protection and product market regulations are not impeding eco-innovation.

OECD Employment Outlook 2012 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 Paul Swaim (tel: +33 1 45 24 19 77; e-mail: paul.swaim@oecd.org) or Hyoung-Woo Chung (tel: +82 10 96 15 66 93; e-mail: alshine@daum.net) from the OECD Employment Analysis and Policy Division. For further information: <http://www.oecd.org/employment/outlook>.