Employment Service Reform Plan in Korea

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1. Labor Market Trends and Challenges

- Macro economically, the Korean economy’s growth potential keeps declining, while micro economically, technological advancement and sophistication of industrial structure lower corporate employment capability resulting in a weak job creation capability.

- Since 1999 after the Asian financial crisis, employment rate has gone up (2004, 63.6%) as a result of rising number of employed people (except for 2003) but failed to recover to the pre-financial crisis level (1997, 63.7%).

- Unemployment rate has remained stabilized at the 3% level since 2001 after it peaked in 1998 at 7.0%. Youth unemployment is 6~7%, twice the total unemployment rate.

- Total unemployment rate remains low but some argue that real unemployment rate is higher than the statistical figure considering discouraged workers and non-active job seekers. While youth unemployment rate is relatively high, SMEs suffer from labor shortages indicating a job mismatch in the labor market.

- The number of non-regular workers with relatively poor working condition and low job security keeps increasing exacerbating polarization of the labor market.

- To tackle this issue, the government formulated job creation measures (Feb., 2004) with an aim to create 2 million jobs by 2008.

- The government also plans to build an advanced employment service and lifelong learning ability development systems so that all citizens can easily
access information on suitable jobs and vocational ability development at any stage in their careers, while strengthening the role of employment insurance as social safety net.

2. Background of Employment Service Reform

- In this new era where competitiveness of the people determines national competitiveness, it is urgent to minimize unemployment and enhance individual and corporate productivity by developing and smoothly supplying human resources

- In particular, as a job mismatch and skill mismatch remain in the labor market, it is necessary to ensure employment service that provides labor market information systematically and links demand with supply through customized counseling

- Proactive support is required for employment security of people who face difficulties due to structural changes in the labor market

- Since the late 1990s, getting a job has become difficult due to falling growth rate and low employment capacity of the economy. However, only a few people use public employment service and service is insubstantial (average counseling time per person is about 6 minutes) which shows limitations in providing service to people with difficulties in landing a job.

- Employment service needs to be strengthened to ease the polarization between classes and enhance flexibility and stability of the labor market.

- The gaps between large and small companies, and between regular and non-regular workers are not narrowing and self-employed people remain vulnerable

- To ease polarization and enhance flexibility and stability, it is urgent to provide a comprehensive employment service such as in-depth counseling, vocational training, and job placement to the vulnerable to stabilize employment and improve labor conditions
To achieve per capita income of 20,000 dollars and sustained economic development, it is important to induce untapped potential labor such as women, youths, and the elderly through effective employment service.

In particular, Korea needs 1.2 million additional women in the labor market to bring its female economic participation rate which is significantly lower than in advanced countries (49.7% in 2004) to the OECD average.

3. Current Status and Challenges of Employment Service

<1> Current Status

- There are 9 networks that support employment service delivery system including Work-net, HRD-net and EI-net.

- Public employment service centers are mainly employment security centers of the Ministry of Labor (118 as of June, 2005) and job information centers of municipalities (16 in metropolitan city centers and 234 local organizations).

- In the private sector, there are private employment service companies (7,890 in 2004, mostly job placement agencies, 6,543) that provide job placement, job information, outsourcing service, supply of workers, etc. and universities (74% of 4-year universities has a job center, as of July 2004).

<2> Challenges

- Employment Information Infrastructure

  - In terms of quantity, there are over 16 million pieces of information, 940,000 members and over 200,000 users per day.

  - Yet, the link between employment networks is weak and the function of analyzing and processing information to use them as policy data is insufficient.
Employment Security Center (MOL)

- In the wake of the Asian financial crisis, nationwide network was formed to carry out 46 tasks mainly for unemployment benefit claimants and registered job-seekers or companies.

- In terms of service quality, employment security centers fail to do its part in providing tailored employment service to individuals (job counselors account for only 26% of total employees) focusing heavily on administrative works such as unemployment benefit payment and management of the insured of employment insurance. The market share of employment security centers is less than 5%.

- This is largely due to lack of investment, PES investment to GDP ratio is one third of that of the OECD average and PES employee to registered job-seekers ratio is 1:400, far lower than the ILO recommended ratio of 1:100.

<No. of PES employees in major countries and the economically active per PES employee>  

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<tr>
<td>Employee (persons)</td>
<td>15,324</td>
<td>93,274</td>
<td>35,992</td>
<td>70,682</td>
<td>3,116</td>
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<tr>
<td>Economically active population (thousand)</td>
<td>67,650</td>
<td>39,474</td>
<td>29,470</td>
<td>143,006</td>
<td>22,906</td>
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<tr>
<td>The economically active per employee (persons)</td>
<td>4,415</td>
<td>423</td>
<td>819</td>
<td>2,023</td>
<td>7,351</td>
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Municipalities

- Overall, very weak although the situation varies by the level of interest the heads of municipality have and link with employment security centers is also weak.
There are job information centers in place but since public workers (3 month shift system) are assigned to the centers, job counseling or vocational training that can lead to employment cannot be expected.

Private employment service companies

- The number of private agencies has jumped 3 fold since 1998 thanks to deregulation, job shortages, etc. (2,798 in 1998 → 7,890 in 2004) but service quality is poor since most of them are small job placement agencies and mostly for daily jobs in construction.

- On-line job information provision is becoming active by a few agencies thanks to the wide availability of the internet but the majority is still small-sized.

- Labor supply business shows problems caused by monopolistic supply structure and outsourcing service is limited to certain areas and small-sized. Only 35 outsourcing agencies have 300 or more workers dispatched.

Universities

- Annually, about 500,000 people graduate from universities as a result of a rapid increase in college enrollment rate (51.4% in 1995→ 81.3% in 2004), yet employment rate of graduates keep falling (70.0% in 1996→ 66.2% in 2004), leading to youth unemployment rate accounting for 48% of total unemployment rate.

- In particular, economic participation rate of female college graduates is 57.1%, far lower than the OECD average (77.9%).

- Recently universities are cooperating with the industry through industrial-educational cooperation programs but such efforts fail to establish structured career counseling and employment support system (the number of employees at a college job center are 4.4 persons on average).
4. Trends in other countries and implications

<1> Development of employment service in advanced countries

- Phase 1: the advent of employment service → phase 2: a ban on private employment service agencies and monopoly of public centers → phase 3: partial deregulation of the ban on establishing private employment service agencies, development of public employment service centers → phase 4: division of roles and strong link between public and private centers

<2> Recent trends and implications

- Tapping into IT technologies, establish an integrated employment information network that covers both the public and private sectors, provides various on-line service and tailored one-stop total employment service

- Improve autonomy of local agencies and develop employment service that meets local characteristics by networking with relevant agencies

- Expand customer base and business scope of public employment service, extend service periods to until reemployment and innovate operation continuously

- Deliver service that meets customers’ demand through partnership with private agencies in a quick and efficient manner

- While advanced countries established a nationwide public employment service network in the early 20th century, Korea began to establish it after 1998 in earnest

- Modernize public employment service and improve service quality at the municipality, private and university level, strengthening public-private network and partnership
5. Plan

<table>
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<tr>
<th>Vision</th>
<th>Strengthen national competitiveness by effectively using HR</th>
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<td>Objectives</td>
<td>Expand labor market participation, address a mismatch in labor supply and demand, ease polarization of the labor market and improve flexibility and stability</td>
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<td>Core challenges</td>
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</table>
| Employment information network | - Establish integrated employment information system  
|                             | - Strengthen employment information production and analysis |
| Employment security center  | - Provide user-based customized service  
|                             | - Being the regional employment network hub |
| Municipalities              | - Focus on supporting the vulnerable linking service with basic livelihood guarantee and self-support projects, etc. |
| Private organizations       | - Nurture a comprehensive HR service industry  
|                             | - Enhance public-private partnership |
| Universities                | - Strengthen job/career counseling and employment support function |

1> Employment Information Infrastructure

- Establish an integrated labor market information system

- Nine employment networks will be integrated in stages by 2007 and linked to private networks to comprehensively provide employment information that meets customers’ demand

- Strengthen production and analysis of labor market information

- Set up employment information analysis system to predict industrial/business employment structure, labor supply and demand and
training demand and to provide information both to the public and private sectors

- Enhance job research and produce and widely distribute job guidance-related data and manuals to schools and organizations

- Establish user-based on-line information provision system

- Expand individual or user-specific information service that delivers only employment information that meets individual demand

- Expand zero-stop employment service available via the internet, cell phones, PDA, etc.

- In addition to the integration of employment information networks, create a specialized agency (The Central Employment Information Office) that covers employment information analysis, job research, career counseling material development and management of integrated networks to make it a national employment information hub

<2> Improve employment security centers’ capacity as a national employment infrastructure

- Introduce ‘One-stop Individual Case management System’

- Restructure employment support process and content systematically to provide phased employment service that meets customer demand

- Diagnose customers of employment security centers comprehensively and establish an ‘Individual Action Plan’ based on the diagnosis. Provide various employment services linked to employment grants and job fairs and after-care service to help the employed adjust to their workplace

- Analyze and forecast regional vocational supply and demand to give job/labor seekers information, strengthen individual training counseling and integrate the budgets of employment stabilization project and
vocational ability development project under employment insurance

- Increase individual counseling hours by making the uniform 2 week job-search activity monitoring period more flexible

- Improve service for companies
  - Facilitate corporate counseling windows and exclusive corporate support system to closely monitor their status to strengthen service in each phase and provide comprehensive service by linking it to employment grant projects
  - Analyze corporate training demands and provide tailored training with educational and training agencies
  - Enhance an exclusive foreign worker employment window to help SMEs that are suffering from labor shortages

- Provide localized employment service through local employment networks
  - Create a ‘regional employment network’ that is based on employment security centers and includes municipalities, labor unions, universities and training organizations to promote a regional partnership in order to redouble the effectiveness and achievements of employment service

- Change the organization and operation system into customer-centered
  - Realign organization by functions, integrate employment security centers to improve effectiveness and expand the centers to address inconveniences of customers
  - Innovate the administration process focusing on performance and diagnose the work process of employment security centers to make them customer and employment support-centered in terms of functions, HR and office space arrangement
- Enhance training to improve expertise of the staff and realign HR structure and increase the number of staff in stages to provide a comprehensive employment service that meets customers’ demand

<3> Municipalities establish localized employment service structure

- Link employment with welfare programs and strengthen employment service for the vulnerable

- Link service with various welfare programs such as basic livelihood guarantee focusing on stabilizing livelihoods of the vulnerable and ensuring employment

- Facilitate the link with employment security centers to provide service to people who need counseling and vocational training support

- Provide support to expand exclusive employment support system in each municipality

- Improve employment service capability by increasing personnel at job information centers, enhancing employee training, expanding facilities, etc. at the local level and categorize work-net information by regions and post it on the municipality homepages

- Support the development of local specialization projects through partnership

- Facilitate exchanges of employment information in local areas via employment networks and expand joint projects such as hosting a job fair together

- Provide financial support through employment insurance fund to exemplary job creation projects through a joint development with municipalities
<4> Private sector

- Support the development of private employment service organizations
  
- Nurture employment service as a promising industry by linking it to public employment information networks, deregulating the industry and providing fund
  
- Host a job fair in cooperation with municipalities, employment security centers, private employment service organizations and provide job research data, aptitude tests and career counseling guides at the CEIO

- Analyze best practices of advanced countries, launch a pilot program of entrusting employment support programs and review the possibility of more widely applying it after assessing the outcome

- Collect public and private job information and link it with Work-net to create a comprehensive ‘job information hub system’ such as Job-net

- Complement the system to improve soundness of private employment service companies and introduce a certification system to award outstanding agencies benefits with prizes, fund and deregulation

- Strengthen career counseling and employment support at college

  - Encourage universities to restructure job centers on campus and provide support linking with career development support programs such as CAP of employment security centers

  - Actively spread the ‘employment support compact’ between universities and employment security centers to encourage universities to lead school to work program

  - Increase the number of universities that recognize the participation of the programs as credits to expand domestic and overseas internship and training programs and enhance network between universities, companies, project agencies, and employment security centers
To strengthen assessment of employment support efforts, expand the scope of employment rate announcement of universities every year and support the development of universities’ role as life-long vocational training centers (school to work) in the mid and long term.

6. Expected Outcome and Strategies

- **Expected Outcome**

- Provide more opportunities for people to receive employment information and service that meet individual demand throughout lifetime

- Companies could secure talents according to transparent procedure reducing recruiting cost and enhancing corporate competitiveness

- A mismatch in labor supply and demand will be eased promoting efficient development and use of HR and contributing to securing sustainable growth engine

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<tr>
<th>Present</th>
<th>3 years later</th>
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<tbody>
<tr>
<td>Employment information network</td>
<td>- Employment information distribution</td>
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<tr>
<td></td>
<td>- Supplier-centered information</td>
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<tr>
<td>Employment security center</td>
<td>- Lack of link between relevant organizations</td>
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<td></td>
<td>- Focus on unemployment benefit payment</td>
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<tr>
<td>Municipalities</td>
<td>- Lack of organization and staff</td>
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<td>- Mainly public work placement service</td>
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| Private organizations | - Small-sized organizations  
- Mostly non-regular job placement | - Comprehensive total HR service center  
- Partner for entrusted public programs |
|------------------------|---------------------------------|-----------------------------------------|
| Universities           | - Insufficient job centers  
- Lack of job and career counseling | - Comprehensive HRD organization  
and capacity  
- Main party of school to work project |

- **Strategies**

  - To execute employment service reform effectively, select an ‘employment service reform model center’ in each region and establish and diffuse best practices

  - Promote active policy exchanges with advanced countries and international organizations such as the ILO, OECD, and WAPES