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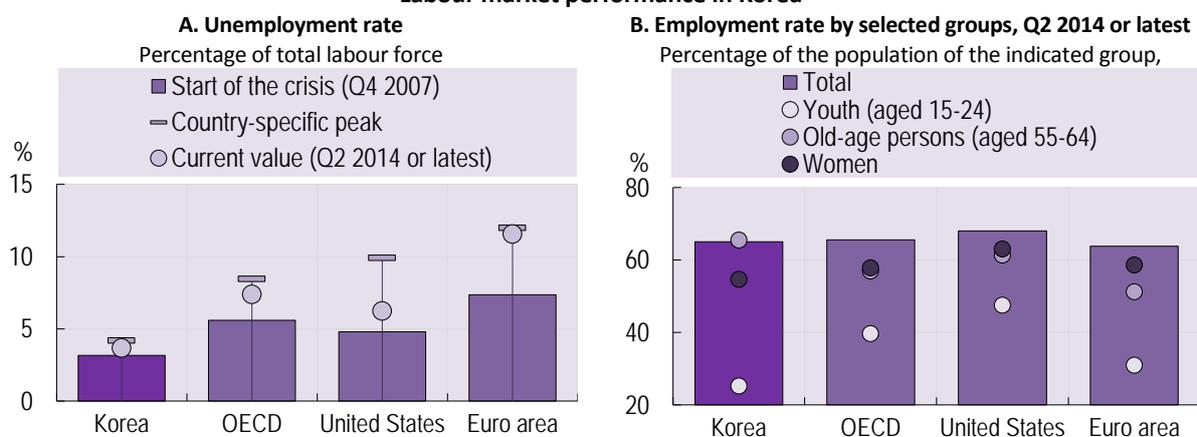
OECD Employment Outlook 2014

The 2014 edition of the OECD Employment Outlook reviews recent labour market trends and short-term prospects in OECD and key emerging economies. It zooms in on how the crisis has affected earnings, provides country comparisons of job quality, examines the causes and consequences of non-regular employment, and estimates the impact of qualifications and skills on labour market outcomes.

For further information: www.oecd.org/employment/outlook

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Labour market performance in Korea



Source: OECD Short-Term Labour Market Statistics (database), (<http://dx.doi.org/10.1787/data-00046-en>).

Recently, Korea has shown a good labour market performance among the OECD countries in terms of a low unemployment rate and an increasing employment rate

Korea is still one of the countries with the lowest unemployment rate in the OECD countries – 3.7% in the second quarter of 2014 (see figure). Nonetheless, Korea’s labour market has some structural challenges, one of which has been a relatively low employment rate, implying that the size of the inactive population is large. This led Korea to launch a comprehensive policy package (“Roadmap to achieve a 70% employment rate”) in June of 2013 to boost employment rate. This year, Korea’s employment rate has significantly improved. In the second quarter of 2014, the employment rate (15-64) was 65.0%, 1.0 percentage points higher than the pre-crisis level (64.0% in the fourth quarter of 2007) and 0.7 percentage points higher than that in the second quarter of 2013 (64.3%). Notably, the

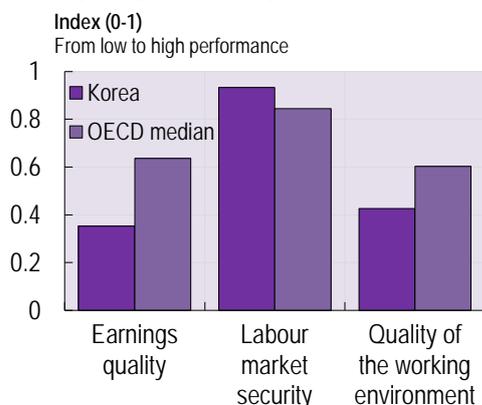
employment rates of women and youth, the main targeted groups in the roadmap, have improved more rapidly than those for other parts of the working-age population. Between the second quarter of 2013 and the second quarter of 2014, the female employment rate rose from 53.7% to 54.6%, while male employment rate rose from 74.8% to 75.4%. The youth employment rate rose from 23.9% to 25.2% during the same period, nearly double the increase in the total employment rate (from 64.3% to 65.0%).

Compared to the relatively good labour market performance in terms of job quantity, Korea’s job quality places it in the middle of the OECD countries

The 2014 *OECD Employment Outlook* paints a broad picture of job quality across OECD countries. Three dimensions are considered as essential aspects of job quality: earnings quality; labour market security; and quality of the working environment. Compared

to other OECD countries, Korea performs above average in labour market security but below average in the earnings quality and quality of the working environment.

Job quality and job opportunities (2010)



Source: OECD Employment Outlook, 2014.

With respect to labour market security, Korea's low risk of unemployment contributed to its above average score, despite the relatively weak effectiveness of its unemployment benefit system. With respect to earnings quality, Korea is the 10th lowest among the OECD countries in terms of average earnings and the 4th highest in terms of earnings inequality. The quality of the working environment is ranked significantly below the typical OECD country. These comparisons suggest that Korea needs to improve job quality, particularly by reducing earnings inequality and strengthening unemployment benefits, in terms of both the level of the benefit and its coverage. Korea's statutory coverage encompasses almost all employees, but enforcement needs to be reinforced. It is also important that moves to raise the benefit level and expand effective coverage are combined with effective activation measures. The 2014 OECD Employment Outlook finds no trade-off between job quality and job quantity across countries. Indeed, there is a tendency for countries with good job quality also to perform well on job quantity and *vice versa*.

Tackling labour market duality - one of the main causes of low job quality - should be the first priority for Korea.

Labour market duality, caused notably by increase of non-regular workers, clearly aggravates earnings inequality and employment insecurity. The share of Korean employees with a temporary contract is one of the highest among OECD countries. About 22% of Korean employees were on temporary jobs in 2012, 9 percentage points above the OECD average. This share is particularly high among the elderly: almost 40% of employees aged 55 years or more are on a temporary contract. However, this figure is also large among prime-age workers (19%). Within the OECD, a greater diffusion of temporary contracts among prime-age workers can be found only in Chile, Poland, Spain and Portugal. Evidence presented in the 2014 OECD Employment Outlook suggests that the disparity of termination costs between permanent and temporary contracts encourages the substitution of temporary for permanent jobs. In this light, the 2014 OECD Employment Outlook recommends a convergence in termination costs between the different types of contracts, making regulation more homogeneous across contractual relationships. Among the policy actions to be considered are restricting court ordered worker reinstatements to cases of discrimination and dismissal on prohibited grounds, and extending the right to advance notice to all cases of termination of temporary contracts. Ensuring equal treatment for non-regular workers also should be a key policy to alleviate labour market duality, particularly in Korea. Statistics Korea finds that wage gap between regular and non-regular workers, after controlling for other determinants of wages, still amounts to 11.2%, albeit 1.0 percentage points lower compared to last year. This policy can curb the incentive for employers to make excessive use of non-regular workers, as a way to reduce labour costs.

OECD Employment Outlook 2014 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 (+33 1 45 24 87 94; mark.keese@oecd.org) or Sung-Ho Kim (+33 1 45 24 16 85; sungho.kim) from the OECD Employment Analysis and Policy Division.