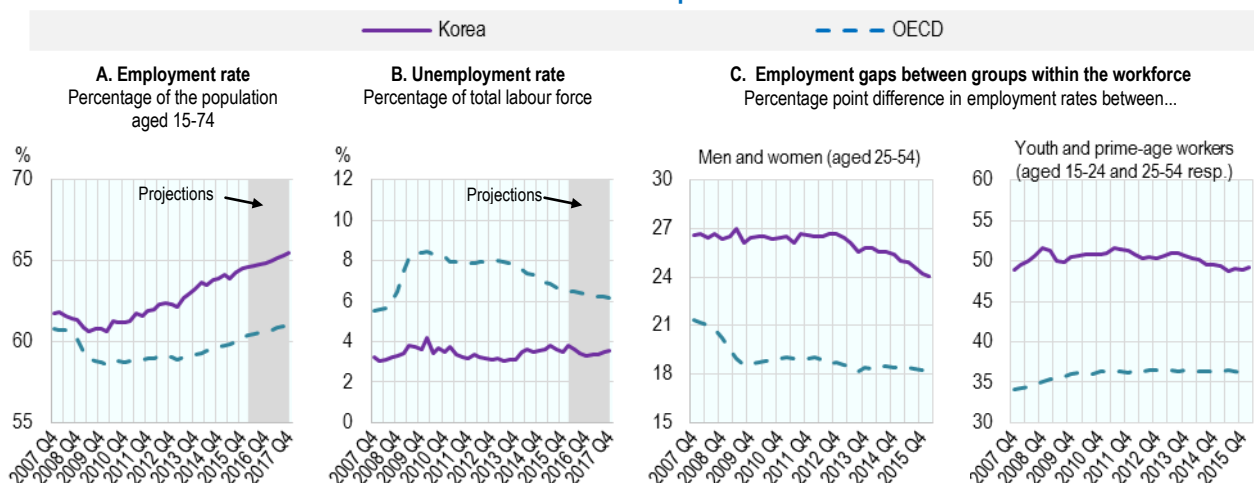


The 2016 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects, with a focus on vulnerable youth. It also contains chapters on: skills use at work; the short-term effects of structural reforms; and gender labour market gaps in emerging economies.

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### Labour market developments in Korea



Note: OECD weighted average.

Source: OECD Economic Outlook No 99, June 2016, <http://dx.doi.org/10.1787/9572784d-en>; OECD Employment database ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)); OECD calculations based on quarterly national accounts.

### RECENT LABOUR MARKET TRENDS AND PROSPECTS

OECD labour market conditions continue to improve and the OECD average employment rate is projected to return to its pre-crisis level in 2017, nearly ten years after the global financial crisis erupted. The recovery remains very uneven across both countries and different groups within the workforce.

- Compared to many other OECD countries, Korea's labour market weathered the global crisis very well. The unemployment rate has remained low, hovering between 3.5% and 4%. At 3.7% in May 2016, Korea's unemployment rate was the third lowest rate (after Iceland and Japan) in the OECD. Moreover, the employment rate of 15-74 year-olds has risen steadily since 2010 to reach 64.2% in May 2016, its highest level since 1980 and around 4 percentage points above the OECD average.
- However, Korea faces some structural challenges, including strong labour market segmentation as access to quality jobs remains very uneven across groups within the workforce. Large gaps in employment rates remain

between prime-age men and women as well as between youth and prime-age workers (24.2 and 48.9 percentage points respectively in December 2015, compared with 18.3 and 36.2 percentage points respectively on average in OECD countries). Despite important policy efforts to foster better job opportunities for women and youth – the main targeted groups in the employment roadmap launched in 2013 – and some improvement in recent years, more should be done in this respect.

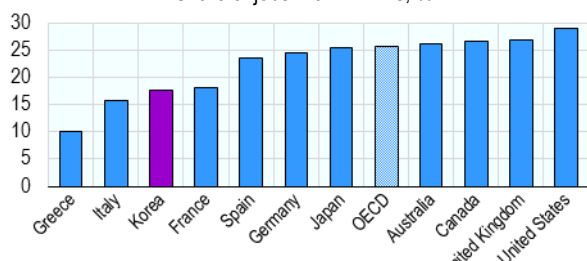
- Moreover, while many older workers have a job in Korea (at 66% in December 2015, the employment rate of Korean 55-64 year-olds was well above the OECD average of 58.5%), many of them work in poor quality jobs, highly insecure and low paid. Almost two out of five Korean workers aged 55-64 hold a temporary job, compared with one in ten on average in OECD countries. The situation is even worse at older ages, as three out of five workers aged 65-69 are temporary workers, three times more than the OECD average.

## SKILLS USE AT WORK

Some countries are better than others at employing workers' skills and this difference has economic consequences. Among equally skilled workers, those making more frequent use of their skills at work earn higher wages and are more satisfied with their jobs, on average in OECD countries. While employers have the primary responsibility to mobilise the competencies of their workers, governments can make use of a variety of policy tools to promote improved skills use.

- The way work is organised and workers are managed inside the workplace is a key determinant of both how skills are used and how productive workers are. Work practices that promote team work, autonomy, task discretion, job rotation and mentoring, together with management practices that provide incentive pay, training opportunities and flexibility in working hours, are the core of so-called "High-Performance Work Practices" (HPWPs). HPWPs are associated with better skill use and higher productivity. However, they cover only 17.8% of jobs in Korea compared with an OECD average of 25.7%.

**Incidence of High Performance Work Practices**  
Share of jobs with HPWPs, %



Source: OECD Employment Outlook 2016, Chapter 2.

- Management practices in Korea rely first and foremost on a seniority-based system for setting wages and granting promotions. As a result, long working hours and mandatory early retirement are widespread, allowing for the wage bill to remain in line with labour productivity. But these are second-best solutions for both firms and workers. If successfully implemented, recent government initiatives to promote a competency-based system for setting wages, to reduce working time and postpone the age of mandatory early retirement could help increase both workers' productivity and working conditions. Moreover, the progressive revamping of the National Qualifications System, based on the National Competency Standards, should provide

an effective tool for recognising and validating new skills that people acquire throughout their careers. This is essential to use, manage and reward the actual skills and competencies of the workforce more effectively.

## BETTER WAYS TO IMPLEMENT STRUCTURAL REFORMS

Structural reforms are needed to enhance growth and tackle labour market segmentation. However, they can be disruptive in the short run. The 2016 *Employment Outlook* provides new evidence that structural reforms are sometimes associated with short-term employment losses, but shows how these losses can be minimised or even avoided. For example, structural reforms that are implemented during an economic upturn result in little or no job loss. Similarly, reforms can be combined and implemented in ways that significantly improve short-term outcomes.

- In Korea, structural reforms are needed to reduce labour market segmentation and foster employment opportunities in quality jobs for youth. While the Tripartite Agreement, signed in September 2015 by Government, trade-unions and employers associations, was a big step forward, a number of important aspects – such as employment regulations for permanent and temporary jobs – are still under discussion and have not yet received approval from the National Assembly, newly formed in June 2016.
- Korea's labour market needs better forms of flexibility, but not necessarily greater flexibility. Strict employment protections rules for regular workers may promote more insecure working arrangements in non-regular employment. In Korea, many non-regular workers or in-house subcontract workers find themselves in a no-man's-land, holding jobs that are in practice neither well protected by labour laws nor by social protection schemes. This *de facto* provides a great deal of flexibility, but at the cost of greater insecurity.
- A balanced approach is required, that would better protect disadvantaged workers through more effective equal treatment provisions, training policies and social insurance schemes, while also setting up less stringent dismissal rules for regular contracts. This would make it easier for precarious employment to become a stepping stone to better jobs.

**Contacts:** Division for Employment Analysis & Policy, Directorate for Employment, Labour and Social Affairs,

**Mark Keese** (+33 1 45 24 87 94; [Mark.Keese@oecd.org](mailto:Mark.Keese@oecd.org));

**Hyeongso Ha** (+33 1 45 24 16 35; [Hyeongso.HA@oecd.org](mailto:Hyeongso.HA@oecd.org));

**Anne Saint-Martin** (+33 1 45 24 85 90; [Anne.SAINT-MARTIN@oecd.org](mailto:Anne.SAINT-MARTIN@oecd.org)).

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