How does KOREA compare?

Employment Outlook 2017

The 2017 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects. It also contains chapters on: benchmarking labour market performance based on the new OECD Jobs Strategy scoreboard; labour market resilience in the wake of the global crisis; the role of technological change and globalisation in transforming labour markets; and key country differences in collective bargaining arrangements.

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Labour market developments in Korea

RECENT LABOUR MARKET TRENDS AND PROSPECTS

Labour market conditions continue to improve and the OECD average employment rate finally returned to its pre-crisis rate in the first quarter of 2017, nearly ten years after the global financial crisis erupted. The OECD-average unemployment rate continues its slow descent, but remains slightly above its pre-crisis level because employment has not increased enough to fully offset a rising trend in participation rates. The unemployment rate is projected to fall back to its pre-crisis level in late 2018 or early 2019. The recovery remains very uneven across countries and different groups within the workforce.

- Korea’s labour market proved to be particularly resilient in the wake of the global financial crisis. The unemployment rate has remained very low, hovering between 3.5 and 4.5% over the past decade (it was 4.2% in April 2017), while employment, as a share of the population aged 15-74, rose steadily to reach 64.7% in the first quarter of 2017, 3.5 percentage points above the OECD average. This reflects GDP growth slightly above the OECD average and increased labour force participation among older people.
- OECD projections suggest that Korea’s employment rate will continue to rise slowly through the end of 2018, leaving the unemployment rate more or less unchanged at its current level.
- Korea faces exceptionally strong labour market segmentation which is associated with a large productivity gap between large firms and SMEs, and the high share of workers who are employed in very small firms. Only 13.6% of Korean workers are employed in firms with 300 or more employees, the lowest among OECD countries, whereas 41.3% work in the numerous micro firms (less than 10 employees), which are characterised by low wages, precarious employment, large gaps in social insurance coverage and a near total absence of worker representatives. The fact that nearly half of all non-regular workers are concentrated in micro firms makes it more difficult for precarious employment to serve as a stepping stone to better jobs in larger firms.
Scoreboard of labour market performance for Korea

NEW OECD SCOREBOARD SHOWS RELATIVE STRENGTHS AND WEAKNESSES OF THE KOREAN LABOUR MARKET

The 2017 issue of the OECD Employment Outlook presents a comparative scoreboard of labour market performance that provides a rich overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quality (pay, employment security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- The scoreboard shows that Korea’s labour market combines strong performance in several areas with weaker performance in other areas.
- The main strengths relate to the quantity of jobs, including an unemployment rate among the lowest in the OECD and an above average rate of full-time equivalent employment. Labour market insecurity is also relatively low in Korea, while the share or the working-age population living in low-income households is below the OECD average.
- By contrast, Korea performs relatively poorly on several aspects of job quality and labour market inclusiveness. Earnings quality is substantially below the OECD average, because of its relatively low average wage and high wage inequality, while an above-average share of workers experience job strain. The most pronounced weakness is the gender labour income gap, which is the highest in the OECD. The employment gap for disadvantaged groups (e.g. mothers with children, youth, and people with disabilities) is also larger than the OECD average.
- The scoreboard implies that Korea needs a comprehensive policy strategy to reduce labour market duality and promote employment among under-represented groups.

Note: An upward ↗ (downward ↘) pointing arrow for an indicator means that higher (lower) values reflect better performance.

Earnings quality: Gross hourly earnings in USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs characterised by a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between average per capita annual earnings of men and women divided by average per capita earnings of men. Employment gap for disadvantaged groups: Average difference in the employment rate for prime-age men and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities) as a percentage of the employment rate for prime-age men.

Source and definitions: OECD calculations using data for 2015 or latest year available from multiple sources. See OECD Employment Outlook 2017, Table 1.2. for further details.