Investing in Youth
Korea

Stefano Scarpetta, Director for Employment, Labour and Social Affairs
Veerle Miranda, Senior Economist
OECD work on youth

**Jobs for Youth** reviews (2006 - 2010): 16 countries
- Youth-friendly employment policies and practices

**Investing in Youth** reviews (2014 - 2019): 12 countries
- Special focus on disadvantage youth / NEETs
- Employment, social and education policies

**Society at a Glance 2016: A Spotlight on Youth**
INVESTING IN YOUTH: KOREA
CONTEXT AND CHALLENGES
Stefano Scarpetta
Low youth employment rate

Employment rates among 25-34-year olds, 2018

Source: OECD Labour Force Statistics
Young Koreans are extremely educated

Source: OECD Education at a Glance 2019
Few students work while studying

Share of youth in education and employment, 2017

Source: OECD Labour Force Statistics
Young workers perform relatively well in dual labour market

Employment conditions by age, 2017

Panel A: Temporary employment

Panel B: Low pay

Source: OECD Labour Force Statistics
Rising youth unemployment

Trend in unemployment rates, Korea and OECD

15-24-year olds

25-34-year olds

Source: OECD Labour Force Statistics
High NEET rate

Percentage of 15 to 29 year olds who were not in employment, education or training (NEET), 2017

Source: Calculations based on Labour Force Surveys and OECD Education at a Glance 2018
Informal education and entry exams

Activities of NEETs, 2017

- Unemployed: 22%
- Informal education: 16%
- Employment preparation: 17%
- Entrance preparation: 6%
- Relaxing: 17%
- Military: 4%
- Other: 4%
- Parenting or house work: 14%

Source: OECD calculations based on the 2017 Youth Supplement to the Economically Active Population Survey.
Combining work and family

Labour force participation rates by age group, 2018

Source: OECD Labour Force Statistics
Low life satisfaction

Life satisfaction among 15-year olds, 2015

Adolescents reporting high life satisfaction
Adolescents reporting low life satisfaction

Source: OECD Children Well-Being Dataset
Important educational investments

Labour market duality

Highly educated and skilled labour force

Low employment rates
Skill mismatches
High job search costs
High NEET rates
INVESTING IN YOUTH: KOREA

MAIN POLICY CONCLUSIONS

Veerle Miranda
# OECD Action Plan for Youth

## Tackle youth unemployment
- Tackle weak aggregate demand and boost job creation
- Provide adequate income and activation support
- Expand cost-effective active labour market measures
- Address demand-side barriers

## Strengthen long-term employment prospects
- Reduce school drop-out
- Improve the role and effectiveness of VET
- Provide good quality career guidance
- Reshape labour market policy and institutions
- Tackle social exclusion
REDUCING THE GAP BETWEEN SKILL SUPPLY AND DEMAND
Significant qualification mismatch

Mismatch rates by highest educational attainment, 2015

Source: OECD calculations based on Youth Panel (National Youth Policy Institute, 2015)
Guiding students to improve educational choices

Major investments have been made:
- Creation of career awareness in primary schools
- Career exploration in lower secondary schools
- Career planning in upper secondary schools

Possible improvements to boost the payoffs:
- Better training for counsellors and more budget could increase the effectiveness of career guidance
- Adaption of career counselling to the needs of disadvantage youth
- Involvement of employers in career counselling
Limited use of apprenticeships

Apprentices in programmes leading to upper-secondary or short postsecondary qualifications as a share of all students enrolled in upper-secondary and short postsecondary education aged 16-25, 2012 and 2017

Promoting upper secondary vocational education

Possible improvements:

• Use the success of the Meister schools as a template for quality improvements in secondary vocational education

• Expand existing apprenticeship programmes
  o Longer programmes
  o Programmes in the service sector
  o Involvement of large employers

• Reduce the cost of apprenticeships for employers
  o Financial assistance for the creation of joint training centres
High spending on non-tertiary education

Total expenditure on educational institutions per full-time equivalent student (2016)
In equivalent USD converted using PPPs

Source: Education at a Glance (OECD, 2019)
Limited spending on tertiary education

Total expenditure on educational institutions per full-time equivalent student (2016)
In equivalent USD converted using PPPs

Source: Education at a Glance (OECD, 2019)
Ensuring quality tertiary education

**Reform suggestions:**

- Strengthen quality through reporting
- Refuse student loans for low performing institutions
- Foster collaboration with employers
Ensuring quality tertiary education

Reform suggestions:
• Strengthen quality through reporting
• Refuse student loans for low performing institutions
• Foster collaboration with employers

Supporting companies to alter their recruitment practices:
• Provision of training in competency-based hiring to companies
• Introduction of matching services for SMEs
SUPPORTING YOUTH IN THE LABOUR MARKET
Korea’s Youth Action Plan 2018

Expanding support for young employees and employers
- Increase in subsidy for newly hired regular employees
- Increase in income tax exemption rate
- Expansion of in-work support
- Expansion of certification of youth-friendly businesses

Housing and transportation support
- Extension low-interest loan
- Introduction of transportation cards

Employment in large enterprises and public institutions
- Extended tax exemption for large enterprises when hiring young person
- Introduction of youth recruitment quota
- Facilitation of honorary retirement

Establishment of Youth Centre
- Launch of online youth centres
- Creation of 17 youth hub centres

Promotion of business start-ups
Addressing labour and product market duality

- Growing dispersion in firms’ performance
- Insider-outsider dynamics
- Employment practices towards older workers and women
- Global trends in globalisation and technological progress
- Balanced employment protection legislation
Limited social spending

Total public social expenditure as a share of GDP, 2000 and 2018

Source: OECD Social Expenditure Database (SOCX)
One in three young workers are not covered by Employment Insurance

Share of workers aged 15-29 with and without employment safety net as a percentage of employed youth, 2017

Employment safety of workers aged 15 to 29

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage workers with employment safety net</td>
<td>64%</td>
</tr>
<tr>
<td>Not enrolled</td>
<td>27%</td>
</tr>
<tr>
<td>Excluded wage workers</td>
<td>4%</td>
</tr>
<tr>
<td>Non-wage workers, of which</td>
<td></td>
</tr>
<tr>
<td>Self-employed</td>
<td>3%</td>
</tr>
<tr>
<td>Unpaid family workers</td>
<td>2%</td>
</tr>
<tr>
<td>Non-wage workers</td>
<td>5%</td>
</tr>
</tbody>
</table>

Expanding the social safety net for young people

**Policy options:**

- Better enforcement of social security legislation
  - More resources for inspection
  - Higher penalties
  - Rigorous application of arbitration procedure to claim EI entitlements
- Expansion of eligibility for EI to voluntary job leavers (GER: suspension; FRA: sanction)
- Incorporation of non-standard forms of employment in the Employment Insurance
- Easier access to the Basic Livelihood Security Programme
Offering adequate employment support for young unemployed

**Policy options:**

- Improving outreach in the Employment Success Package Programme
  - Youth outreach workers (AUT, BEL, IRL, FIN, SWE, UK)
  - Mobile employment services (EST, GER)
  - Stronger collaboration between the education sector and employment services (NOR, JPN)
  - Outreach as evaluation element
- Stricter quality assessment of private employment service provision
- Addressing short duration of private providers’ contracts (AUS/UK: 6 years)
Overview of policy conclusions

**Skills mismatch**
- Increase effectiveness of career guidance and counselling
- Promote upper secondary vocational education
- Ensure quality of tertiary education
- Support companies to use competency-based hiring

**Weakening labour market**
- Break down product market polarisation
- Improve social safety net
- Offer adequate employment support
Thank you

Contacts:

Stefano Scarpetta (Stefano.Scarpetta@oecd.org)
Veerle Miranda (Veerle.MIRANDA@oecd.org)

Website: http://oe.cd/youth-korea

Twitter: @OECD_social
         @stescarpetta