ECONOMIC CRISIS, INCOME SUPPORT, AND EMPLOYMENT GENERATING PROGRAMS: THE KOREA’S EXPERIENCE

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ABBREVIATIONS

BLS: Basic Livelihood Security
EIS: Employment Insurance System
LMI: Labor Market Information
PES: Public Employment Service
PWP: Public Works Project
SME: Small-to-medium size enterprise
UI: Unemployment Insurance
1. Introduction

Beginning in November 1997, Korean economy underwent a devastating economic crisis. Declining macroeconomic conditions brought about major labor market disruptions in 1998: a quadrupling of unemployment, a fall of 9% in real wages, informalization of the remaining jobs, increased job insecurity, and rising poverty and inequality. Disadvantaged groups suffered a disproportionate impact. The result was not only economic misery but also social pain: increased homelessness, rising crime, heightened school dropouts, an accelerating divorce rate, and an overwhelming sense of social malaise.

1999 marked a major turnaround for Korea. GDP grew by more than 10.7%, and real wages increased apace. Unemployment began to fall as well as long-term unemployment. The unemployment rate is now less than half of its peak level. Youth and women are again returning to the labor force and are finding employment.

The rapid decrease of unemployment owes, above all, to the economic recovery at high growth rate since 1999. Low interest rate, depreciated value of won, policy initiatives of the Korean government to bring up venture firms, favorable international economic environment such as low oil price and increased demand of semiconductor chips, and decreased uncertainty in the financial market must have contributed to the rapid recovery. Any concrete analysis of it would require a good volume of papers. Instead this paper focuses on dramatic changes in the Korean labor market after the financial crisis, and evaluates income support and employment generating programs implemented by the Korean government to cope with the labor market turmoil.

Section 2 examines briefly the labor market context of the economic crisis. Section 3 explains and assesses the Korean government’s effort to cope with the adverse shock in the labor market. Summary and implication for other Asian countries are given in Section 4.

2. Labor Market Context

With the adverse shock, Korean labor market fell into an unprecedented turmoil. Unemployment soared up from day to day. Non-regular workers and low-educated workers suffered disproportionately the adverse impact. Jobs were precarized. A disadvantaged hard-core group in the Korean labor market experienced unemployment recurrently even if they did not fall into the long-term unemployment trap.
2.1. Increase of Involuntary Unemployment

Besides the high unemployment, one of the outstanding features of the labor market was a substantial increase of involuntarily dismissed workers, in particular, the unemployment due to deterioration of business or no more work. It was the single most prevalent reason for unemployment in the early 1998 (29.7%) and since then dramatically increased to 43.6% by the mid-1998 (<Table 1>). The number of involuntarily unemployed grew by tens and thousands per month. The Ministry of Labor had to expand on large scale the capacity of public employment service (PES) agencies to meet unemployment benefit claims. In fact, the number of claimants increased by 8.6 times between 1997 and 1998, and providing good job information or job matching service in PES was an objective that could be pursued far later.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Personal Reasons(^2)</td>
<td>179 (26.8)</td>
<td>289 (20.9)</td>
<td>335 (32.6)</td>
<td>285 (45.2)</td>
</tr>
<tr>
<td>Business Shut-Down</td>
<td>123 (18.4)</td>
<td>173 (12.5)</td>
<td>65 (6.3)</td>
<td>36 (5.7)</td>
</tr>
<tr>
<td>Lay-Off</td>
<td>97 (14.5)</td>
<td>234 (16.9)</td>
<td>123 (12.0)</td>
<td>38 (6.0)</td>
</tr>
<tr>
<td>Business Deterioration /No More Work</td>
<td>199 (29.7)</td>
<td>602 (43.6)</td>
<td>306 (29.7)</td>
<td>175 (27.7)</td>
</tr>
<tr>
<td>Other Reasons(^3)</td>
<td>71 (10.6)</td>
<td>83 (6.0)</td>
<td>199 (19.3)</td>
<td>98 (15.5)</td>
</tr>
</tbody>
</table>

\(^1\) Those who lost their job less than a year ago.

\(^2\) Includes personal or family-related reasons, retirement, dissatisfaction with the working condition and/or pay, etc.

\(^3\) Includes termination of temporary or seasonal works or projects.


2.2. Disproportionately Impacted Non-regular Employees and Low-educated Workers

Non-regular employees and low educated workers suffered a disproportionate impact of the economic crisis. A dominant portion of the involuntarily unemployed people came out of non-regular workers and low-educated workers. Unemployment rate of the low educated (Middle school and below in <Table 2>) almost quadrupled between 1997 and 1998. Unemployment rate of high school graduates increased less, but two times and a
half as high as the former level.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>By educational level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle school or below</td>
<td>1.1</td>
<td>1.1</td>
<td>1.5</td>
<td>5.8</td>
<td>5.2</td>
<td>3.2</td>
</tr>
<tr>
<td>High school</td>
<td>2.5</td>
<td>2.5</td>
<td>3.3</td>
<td>8.2</td>
<td>7.6</td>
<td>4.7</td>
</tr>
<tr>
<td>College and university or above</td>
<td>2.7</td>
<td>2.6</td>
<td>3.0</td>
<td>5.7</td>
<td>5.3</td>
<td>3.9</td>
</tr>
</tbody>
</table>


During 1998-2000, the annual average proportion of non-regular employees was about 50.4% of the total wage workers. In contrast, the unemployed non-regular employees explained 78.7% of the unemployed wage workers (*Table 3*). Given this labor market situation, daily workers and large part of temporary workers needed a safety net most, but they had not been covered by EIS, which is still one of the major challenges to the current social safety-net system. Thus ad hoc support programs such as various public works had to be implemented.

<table>
<thead>
<tr>
<th>Employment by status</th>
<th>Unemployment by former status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employment by status</td>
</tr>
<tr>
<td>Total Wage workers</td>
<td>12,191</td>
</tr>
<tr>
<td>Regular</td>
<td>6,457</td>
</tr>
<tr>
<td>Temporary</td>
<td>3,998</td>
</tr>
<tr>
<td>Daily</td>
<td>1,735</td>
</tr>
</tbody>
</table>

Note: 1) Those who lost their job less than a year ago.


**Box 1** Classification of employees by status

It is a common tradition in the analysis of the Korean labor market that employees are classified into three categories: regular employees, temporary employees and daily employees. Statistically, regular employees are defined for operational purposes as employees whose employment contract spans, implicitly or explicitly, more than a year or is without any fixed term. Temporary employees are defined as employees who have
an employment contract lasting between a month and a year. Daily employees are those employees whose contract period is less than a month.

In reality, however, the usage of those terms has nuances other than just demarcation by contract period. Temporary employees can be fixed term contract workers or project based employees. It is not rare that their employment period exceeds one year or is without any fixed term, as is the case with most of part-time employees and dispatched employees. They are highly substitutable with other workers as their jobs do not require professional skills. Employers can freely dismiss them without offering any severance pay. The employer, regardless of regulations in law, tends not to contribute a social insurance premium for them as their wage is considered to be inclusive of severance pay, social insurance premium, etc. In many cases, the employer does not keep their employment records so they cannot prove their employment career. Temporary employees are, in the usual sense, equivalent to atypical or non-regular employees.

Daily employees in practical usage can be understood as a subset of temporary employees. They are paid on a daily basis and their employment spans a well-defined project. The employment contract is terminated automatically when the project is completed, even if they remain under the same employer or Shipjang.\(^1\) They frequently move from one work place to another. Sometimes it is hard to distinguish them from the self-employed. They conclude a contract as an independent contractor as if they are a self-employed when they have opportunity of getting independent jobs, such as repairing or petty construction.

Regular employees are those whose employment contract period is not fixed. Their employment is stable. Their wage increases on the basis of seniority and they have a predictable promotion path. They fully enjoy the social insurance advantage as regulated by law.

The National Statistical Office takes into consideration these common sense meanings during surveys. When it is difficult to distinguish if an employee is regular or temporary, whether or not he/she is expected to receive severance pay serves as an important criterion during the survey. If an employee is not expected to receive retirement pay from the employer, even if the employment contract is without fixed term, he/she is classified as a temporary employee. If an employee is paid on daily basis even when he/she is expected to work more than a month in a workplace, he/she is classified as a daily employee.

2.3. Increase in Discouraged Youth and Unemployed Elderly Workers

As commonly observed in other countries, the unskilled youth and low educated were the most vulnerable group in the midst of structural adjustment. With the outbreak of the crisis, firms froze the recruitment, and tens and thousands of new graduates were left jobless. Having searched for jobs in vain, a substantial portion of them (in particular, young female graduates), being discouraged, might have withdrawn from the labor market.

\(^1\) Shipjang is an informal organizer of the manpower pool in the construction industry. He is not an officially permitted employer or business owner but concludes a contract with the construction company as an independent contractor to perform a process of construction. Traditionally, any experienced worker who is able to organize a group of craftsmen and workers in the construction industry has played a role as a Shipjang when he finds a small construction project.
Firms not only restricted the recruitment but also appealed to so-called ‘honored’ retirement program by providing an incentive in severance pay for those who voluntarily applied for the retirement program. Unemployment rate among elderly workers (55 and over in <Table 4>), even though not so high as the general unemployment level, abruptly increased from 0.3% in 1997 up to 3.3 in 1998. It increased further in 1999 while unemployment level of the other age groups decreased.

<Table 4> Unemployment Rates by Age Group

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Unemployment</td>
<td>2.0</td>
<td>2.0</td>
<td>2.6</td>
<td>6.8</td>
<td>6.3</td>
<td>4.1</td>
</tr>
<tr>
<td>By age group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-24</td>
<td>6.3</td>
<td>6.1</td>
<td>7.6</td>
<td>16.0</td>
<td>14.2</td>
<td>10.2</td>
</tr>
<tr>
<td>25-29</td>
<td>3.0</td>
<td>3.4</td>
<td>4.1</td>
<td>9.3</td>
<td>8.5</td>
<td>5.7</td>
</tr>
<tr>
<td>30-54</td>
<td>1.2</td>
<td>1.2</td>
<td>1.7</td>
<td>5.6</td>
<td>5.2</td>
<td>3.3</td>
</tr>
<tr>
<td>55 and over</td>
<td>0.6</td>
<td>0.5</td>
<td>0.9</td>
<td>3.3</td>
<td>3.5</td>
<td>1.8</td>
</tr>
</tbody>
</table>


2.4. Precarization of the Work Force

<Graph 1> Trends in the Proportion of Wage Workers by Employment Type

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular</td>
<td>58.1</td>
<td>56.6</td>
<td>54.1</td>
<td>53.0</td>
<td>48.3</td>
<td>47.6</td>
</tr>
<tr>
<td>Temporary</td>
<td>27.7</td>
<td>29.5</td>
<td>31.6</td>
<td>32.8</td>
<td>33.4</td>
<td>34.3</td>
</tr>
<tr>
<td>Daily</td>
<td>14.2</td>
<td>13.8</td>
<td>14.3</td>
<td>14.2</td>
<td>18.3</td>
<td>18.1</td>
</tr>
</tbody>
</table>


The proportion of regular employees was 54.1% in 1997 and it continued decreasing to reach 47.6% in 2000. During the same span the proportion of temporary and daily workers increased correspondingly (<Graph 1>). This tendency of non-regular employee
increase was observed even before the crisis but the crisis seems to have accentuated the trend.

The observed composition indicates that large part of the employment was transformed into unstably employed non-regular employees. Even with the economic recovery, the trend was neither reversed nor stagnated (<Table 3>). Between 1998 and 2000, unemployment rate decreased from 6.8% to 4.1% and the number of employees increased by 0.95 million (7.8% increase). But the number of regular workers decreased by 0.21 million (3.2% decrease), while temporary workers and daily workers increased by 0.51 million (12.8% increase) and 0.64 million (37.1% increase) respectively. The economic recovery does not seem to attenuate the precarization of jobs.

2.5. Recurrent Unemployment

The proportion of the long-term unemployed (6 months and over) steeply increased month after month from 5.7% in 1998:Q1 to 20.0% by 1998:Q4. But it stays around 14% in 2000, which is lower than the pre-crisis level. It was relatively high only during 1998:Q3~1999:Q3. Long-term unemployment for more than 12 months showed the similar trend: long term unemployment increased from 0.7% in 1998:Q1 to 4.1% by 1999:Q2 (<Graph 2>) and it stays now around the pre-crisis level.

<Graph 2> Long-term Unemployment as a Percentage of Total Unemployment

Seemingly the cumulative effect of high unemployment did not lead to the perpetuation of long-term unemployment as was predicted by some economists just after the crisis (for example, Shin, 1999a). Monthly average outflow from unemployment to employment was as considerable as 21.2% and very stable all along 1998 amidst the unfavorable labor market (Shin, 1999b).

Large portion of precarious workers experienced short employment and unemployment span. About a third of those who experience unemployment during January 1998~June 1999 are found to have experienced unemployment recurrently (B.Y. Lee, 2000). As for non-regular employees, 77.5% of them experienced unemployment more than twice during given 18 months. A disadvantaged hard-core group in the Korean labor market did not fall into the long-term unemployment trap, but a “recurrent unemployment trap”. This seems to explain why the proportion of the long-term unemployed is relatively small compared to that of European countries and North American countries (<Table 5>).

<table>
<thead>
<tr>
<th>Long Term Unemployment in OECD Countries, 1999</th>
<th>6 months and over</th>
<th>12 months and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>21.4</td>
<td>11.6</td>
</tr>
<tr>
<td>France</td>
<td>55.5</td>
<td>40.3</td>
</tr>
<tr>
<td>Germany</td>
<td>67.2</td>
<td>51.7</td>
</tr>
<tr>
<td>Italy</td>
<td>77.2</td>
<td>61.3</td>
</tr>
<tr>
<td>Japan</td>
<td>44.5</td>
<td>22.4</td>
</tr>
<tr>
<td><strong>Korea</strong></td>
<td><strong>18.6</strong></td>
<td><strong>3.8</strong></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>45.7</td>
<td>29.8</td>
</tr>
<tr>
<td>United States</td>
<td>12.3</td>
<td>6.8</td>
</tr>
<tr>
<td>European Union</td>
<td>63.7</td>
<td>47.5</td>
</tr>
<tr>
<td>Total OECD</td>
<td>46.2</td>
<td>31.2</td>
</tr>
</tbody>
</table>


3. Income Support and Employment Generating Measures

Faced with high and increasing unemployment, the Korean government put out diverse and intense measures to alleviate the adverse impact of the crisis on the labor market. The measures taken by the government can be classified into five categories: (1) Income support, (2) job creation, (3) training for reemployment, (4) job keeping, and (5) public employment service (PES) and labor market information (LMI) system.

To implement those income support and employment generating measures, Korean
government allocated 10.1 trillion won in 1998, 15.8 trillion won in 1999 and 6.7 trillion won in 2000 respectively of which the expenditures on unemployment measures in proper sense explained 5.3 trillion won in 1998, 7.5 trillion won in 1999 and 5.0 trillion won in 2000 respectively. The differences explains expenditures on SOC investments, support for venture firms and SMEs, etc. Approximately 1.2% of GDP has been spent on average for the diverse income/employment generating policy programs for three consecutive years after the crisis (<Table 6>).

### Table 6: Expenditure and Beneficiaries of Income/Employment Generating Measures

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenditure</td>
<td>Benficiaries</td>
<td>Expenditure</td>
</tr>
<tr>
<td>Total (% of GDP)</td>
<td>53,321 (1.2)</td>
<td>4,302</td>
<td>74,536 (1.5)</td>
</tr>
<tr>
<td>(1) Income Support</td>
<td>35,179</td>
<td>2,697</td>
<td>42,976</td>
</tr>
<tr>
<td>(2) Public Works Program</td>
<td>9,252</td>
<td>438</td>
<td>23,272</td>
</tr>
<tr>
<td>(3) Training for Reemployment</td>
<td>7,151</td>
<td>386</td>
<td>5,563</td>
</tr>
<tr>
<td>(4) Employment Subsidies</td>
<td>1,125</td>
<td>781</td>
<td>2,028</td>
</tr>
<tr>
<td>(5) PES &amp; LMI System</td>
<td>614</td>
<td>-</td>
<td>697</td>
</tr>
</tbody>
</table>

Source: Ministry of Labor.

### 3.1. Income Support

With severe economic recession and massive unemployment, poverty among the jobless and low-income families emerged as an important social issue that needed to be immediately addressed. Income support programs were implemented in two directions. First, in order that EIS could care as many unemployed as possible, the coverage of EIS was extended, qualification requirements were relaxed, and UI beneficiaries were given extra benefit days of up to 60 days. Second, the low-income jobless were given income or credit support such as loans for living expenses (including family medical and educational expenses), and other public aid benefits.

(1) Unemployment Benefits

In July 1995, before the financial crisis, Korea had put into place an employment insurance system (EIS). The three components of this system are traditional
unemployment insurance (UI), job training, and employment maintenance/promotion subsidies.

When EIS was first introduced, the coverage of UI was limited to workers employed at firms with more than 30 employees. Faced with increasing unemployment and widespread low-wage earners at small size firms more vulnerable to unemployment, the extension of UI coverage was deemed critical so that the social protection of the unemployed be widened. Thus, the Korean government extended the coverage of UI to firms with more than 10 employees (January, 1998), to firms with more than 5 employees (March, 1998), and then, to all firms with at least one employee (in Oct., 1998). After the three consecutive amendments of Employment Insurance Law in 1998, only those part-time workers working less than 80 hours a month and daily workers employed less than a month remained legitimately excluded from coverage of EIS.

<Table 7> Coverage Extension of EIS

<table>
<thead>
<tr>
<th>Date</th>
<th>Unemployment Insurance Pillar</th>
<th>Employment Maintenance/Promotion &amp; Job Training Pillar</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1995</td>
<td>≥ 30 employees</td>
<td>≥ 70 employees</td>
</tr>
<tr>
<td>January 1, 1998</td>
<td>≥ 10 employees</td>
<td>≥ 50 employees</td>
</tr>
<tr>
<td>March 1, 1998</td>
<td>≥ 5 employees</td>
<td>≥ 50 employees</td>
</tr>
<tr>
<td>July 1, 1998</td>
<td>≥ 5 employees</td>
<td>≥ 5 employees</td>
</tr>
<tr>
<td>October 1, 1998</td>
<td>≥ 1 employee</td>
<td>≥ 1 employee</td>
</tr>
</tbody>
</table>


The extension of EIS coverage had very limited effect in protecting the unemployed because simple experience of having been insured did not suffice for the eligibility for UI benefit. Under the old rules, one must be involuntarily laid off after having contributed insurance premium for more than 12 months out of last 18 months so that one could be qualified for UI benefit. With these requirements, however, temporary workers and other unstably employed workers at small firms were hard to be eligible for UI benefit. To better protect those marginal workers and newly covered employees, the government relaxed eligibility conditions, which includes relaxing the minimum contribution requirements from 12 out of last 18 months to 180 days out of 12 months.

Duration period of UI benefit varies depending on the insured employment period and the age of claimant. It ranged between the minimum of 60 days and the maximum of 210 days. However, since Korea’s EIS was implemented only on July 1, 1995, the insured period of employees could not exceed five years and thus the actual duration of UI benefit could not exceed 150 days until June 30, 2000.

Given the limited benefit duration and the unfavorable labor market situation without
precedent, extended benefit rule was put into operation from July 1998 so that the qualified unemployed could receive up to 60 days longer than the days designated by the benefit duration matrix. And the UI benefit duration matrix with from 60 to 210 days was modified to that with from 90 to 240 days, new matrix being effective from Jan. 2000. In this way, the average duration of UI benefit receipt increased up to 126 days in 1999 while it was 85 days in 1997 and 91 days in 1998.

Despite all those efforts implemented by the government such as extension of coverage, relaxation of eligibility criteria and lengthening of benefit period, the beneficiaries are too limited portion of unemployment for the UI to be primary safety net against unemployment. In 1999, the beneficiary ratio was 10.7%, which is considerably lower than that of any other OECD countries (<Table 10>).

<Table 8> Ratio of UI Beneficiaries with respect to Total Unemployment
(Unit: thousands, %)

<table>
<thead>
<tr>
<th>Country</th>
<th>Unemployment (A)</th>
<th>Beneficiaries (B)</th>
<th>B/A*100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany (1990)</td>
<td>1,971</td>
<td>858</td>
<td>43.5</td>
</tr>
<tr>
<td>Japan (1992)</td>
<td>1,420</td>
<td>395</td>
<td>27.8</td>
</tr>
<tr>
<td>Korea (1999)</td>
<td><strong>1,353</strong></td>
<td><strong>145</strong></td>
<td><strong>10.7</strong></td>
</tr>
<tr>
<td>U.S.A. (1990)</td>
<td>6,874</td>
<td>2,475</td>
<td>36.0</td>
</tr>
<tr>
<td>U.K. (1993)</td>
<td>2,900</td>
<td>870</td>
<td>30.0</td>
</tr>
</tbody>
</table>


Four reasons can be addressed regarding the low beneficiary ratio. First, wage workers explain only 62.4% of total employment while UI, by nature, do not cover non-wage workers (the difference between A and B in <Table 9>).

Second, the coverage of wage workers is incomplete. This incompleteness results from two different origins. Daily workers who work less than a month in a firm are legitimately excluded from the coverage of EIS (considerable part of the difference between B and C in <Table 9>). And the insurable employees are not all covered now because of the disincentive for frequently turning over non-regular employees, regular worker oriented regulations such as declaration process and document forms, limited administrative capacity as well as informal characteristics of labor market agents (Hur, 2000; Hur and Yoo, 2001). As of Dec. 2000, the compliance rate is only 73.4%, which means that there is a large gap between the coverage *de jure* and the coverage *de facto* (the difference between C and D in <Table 9>). Many of temporary and daily employees are still excluded from the coverage of UI and remain out of protection.

<Table 9> Coverage of EIS (Dec. 2000)
<table>
<thead>
<tr>
<th>Employment (A)</th>
<th>Employees (B)</th>
<th>Employees legitimately insurable (C)</th>
<th>Insured employees (D)</th>
<th>(D/A) × 100</th>
<th>(D/B) × 100</th>
<th>(D/C) × 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,857</td>
<td>13,265</td>
<td>9,190</td>
<td>6,747</td>
<td>32.3</td>
<td>50.9</td>
<td>73.4</td>
</tr>
</tbody>
</table>


Third, actual benefit duration is limited because the benefit duration matrix depends on the insured employment period whereas the EIS is only 6 years old. And fourth, the eligibility criteria for UI benefits are strict, in particular, the criteria judging whether or not a claimant is involuntarily unemployed. Workers who quitted without justifiable reasons are generally regarded as voluntary unemployed and they are not eligible for benefits even though they remain unemployed. This requirement is quite stricter than most countries except for a few such as the US, Czech Republic, and Spain (OECD, 2000a).

(2) Livelihood Protection for the Poor

As UI could not protect large part of the jobless from income loss effectively in the face of massive unemployment, poverty of the jobless had to be addressed with different measures in the context of livelihood protection for the poor. The preexisting livelihood protection scheme, based on the Livelihood Protection Act legislated in 1961, had provided income support for the poor whose income was below certain level (monthly per capita income of 230,000 won). In 1997, about 1.2 million people were protected under the scheme. However, cash allowances were paid only to those who were judged physically deprived of working ability (disabled, sick, or too old, etc) and had no income. For all others who possessed working ability, living allowances were given only in kind or in the form of service such as food, free education of children, medical protection, etc. Among the 1.2 million beneficiaries, less than half of them could receive cash living allowances.

With the advent of the crisis, the government introduced Temporary Livelihood Protection scheme in March 1998 in order to protect the livelihood of the poor unemployed who could qualify neither for UI benefit nor for livelihood protection benefit. The temporary livelihood scheme included low-interest long-term loans for livelihood as well as support for housing, medical and educational costs.

The Temporary Livelihood Protection scheme distinguished itself from the preexisting livelihood protection scheme in that it relaxed wealth criterion necessary for the eligibility.
Those who possessed property worth less than 44 million won, instead of 29 million won, could qualify for the scheme. In this way, about 0.3 million unemployed people could benefit from the livelihood protection scheme in 1998.

The temporary livelihood protection scheme, however, was still too restrictive in its coverage and generosity to be a substitute for unemployment benefit. For example, a household of four family members could receive 250 thousand won per month, while the minimum monthly living expenses of the same-sized family were estimated to be 880 thousand won. Although Korean government developed diverse social safety nets for the unemployed after the crisis, the absolute assistance level was low in the light of basic living standards.

Then the government revised the Livelihood Protection Law into a new one in 1999, called “National Basic Livelihood Security (BLS) Law”, aiming to guarantee a national minimum standard of living for all people regardless of their working capacity. The Law became effective from October 1st, 2000.

As of 2001, the number of the eligible is 640 thousand households or equivalently 1.5 million beneficiaries. The eligibility condition in case of 4 person family\(^2\) is that i) it should have income inferior to 95.6 thousand won and ii) asset inferior to 32 million won, and iii) should be without any supporting family member. The criterion i) is revised every year. Compared to the 2000 level, the critical income level increased by 3% from 930 thousand to 956 thousand won. Total budget of the BLS scheme amounts to 2.7 trillion won.

There are two kinds of beneficiaries. The one is unconditional beneficiaries who are incapable of working. BLS benefit is given them without any condition other than revenue, wealth, supporting family criteria. The other is conditional beneficiaries who have working capacity. They are given benefits conditionally on his/her participation in self-support programs offered by government such as public works, training, etc. to avoid possible lock-in effect.

### 3.2. Job Creation

Measures for job creation included (a) creating new jobs by supporting and subsidizing new businesses start-ups, and (b) providing temporary or relief works for unemployed

\(^2\) For the family of which the family number is different from 4 persons, the eligibility criteria are given in the following table.

<table>
<thead>
<tr>
<th>No. of family members (persons)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (thousand won)</td>
<td>334</td>
<td>553</td>
<td>760</td>
<td>956</td>
<td>1,087</td>
<td>1,227</td>
</tr>
<tr>
<td>Asset (million won)</td>
<td>29</td>
<td>29</td>
<td>32</td>
<td>32</td>
<td>36</td>
<td>36</td>
</tr>
</tbody>
</table>
workers such as public works program.

To create new jobs by supporting financially new business start-ups, privileged financial credit was provided for starting small business firms and venture enterprises that have good business plans. Newly starting small firms and venture enterprises were exempt from acquisition taxes and registration taxes. The government expanded public SOC investment of which the employment-generating effect was great.

To provide temporary work opportunities, public works projects (PWPs) and internship programs were introduced on large scale because unemployment and poverty increased rapidly and preexisting safety nets had more holes than net. They targeted the low-income unemployed as well as new entrants to the labor market who failed to find a job. PWPs had achieved, in this way, two policy objectives: creation of temporary job opportunities enabling job seekers to maintain their connection with labor market, and protection of the basic livelihood of the unemployed.

The PWPs were operated on a three-month unit period basis. They were implemented in two unit periods in 1998 and in four unit periods in 1999 and 2000. An eligible person could participate up to 3 unit periods. Between consecutive periods a 10-day break was given to the participants. Although designed primarily for male household heads, the projects also attracted many female workers who were excluded from other job opportunities. At later stages, female household heads were given higher priority.

PWPs were divided into the central government’s projects and local governments’ projects. Local governments and ministries of the central government were allowed to propose various PWPs. Various database-building and public service projects were performed:

- forestation,
- construction of cyber libraries,
- on-site monitoring of unemployment policy programs,
- restoration and maintenance of social welfare facilities and public facilities, etc.

Selection criteria could be different depending on the characteristics of the projects. For the projects administered by local governments, screening for participation were made based on scores assigned to the following 9 items: age(10), householder(10), number of dependents (15), property ownership(20), household income(10), female householder(5), handicapped(5), duration of unemployment(10), and participation in previous public works projects(10).

In principle, participants for PWPs had to be from 18 to 60 years old. They should be unemployed or daily workers without regular income, or the homeless whose status could be verified by the administrative agencies or organizations. Recipients of unemployment benefits were not permitted to participate in PWPs regardless of the amount of their benefits. However, spouses of those who received less than 300,000 won of unemployment benefits were eligible for public works. The daily wage rate for

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participants depended on the type and difficulty of work.

The expenditure on PWPs amounted to 0.9 trillion won in 1998, 2.3 trillion won in 1999 and 1.3 trillion won in 2000 (<Table 6>). About 2.8 million people participated in PWPs since it first started in May, 1998. Participants worked less than 5 months on average in the programs. Monthly average of participants amounted to 0.4 million.

The PWPs proved more effective unemployment measures than expected. They provided earnings opportunities both to low income families and the unemployed people who urgently needed social protection. More than 50% of the unemployed were found to have participated in the PWPs (Lee and Kim, 2000). Majority of participants were those disadvantaged such as low-skilled, less educated, former non-regular workers, women and elderly workers who were excluded from other institutionalized unemployment measures, such as UI benefits and loan schemes. Their wage level was substantially lower than that of previous jobs. Participants expressed satisfaction regarding the management and outcomes of the PWPs, except for wage level and program duration. They wanted the programs to be continued and preferred the PWPs to unemployment assistance (Lee and Kim, 2000). PWPs were, thus, found to be more effective than expected in providing income support for the unemployed as well as for other low-income families.

Monitoring results by the special task force installed in Korea Labor Institute and advisory comments by various policy advisor groups were reflected quasi-instantaneously during the program implementation. In the beginning, the wage level ranged from 22,000 won to 35,000 won a day, which was far higher than the minimum wage. It could exert a negative impact on the low-end group of the labor market. Responding to advisory groups opinion, the government cut the wage rate by 3,000 won on October 1, 1998, and further by 3,000 won in 1999, and it finally ranged from 19,000 won to 29,000 won.

PWPs were not without shortfalls. In the early stage of the program, appropriate screening mechanisms were not well prepared and some well-off people were monitored to be participating in the program, while many poor unemployed people were excluded. The disadvantaged participants had a tendancy to be dependent upon the PWPs perennially. This “unemployment trap” was particularly daunting for people whose chance of escaping from unemployment was “underemployment” which could be judged worse than participating in the public works projects (Lee and Kim, 2000). A kind of “employment illusion” was confirmed. Some participants resisted to discontinuation of programs and requested employment security.

The Korean government has reduced the scale of public works since 2000, as the labor market situation has improved, making a part of PWPs and vocational training into self-support programs which accompanied BLS Law.
3.3. Job Training for Reemployment

Measures for job training aimed to train the unemployed to enhance their job skills and thus increase their employability: retraining opportunities were provided and/or subsidized for the unemployed; training opportunities were provided at the colleges and universities for new graduates.

Since the outbreak of the economic crisis, the government set up training programs available to the unemployed. In 1998, about 0.39 million unemployed participated in and benefited from various government-sponsored job training programs, approximately eight times as many as those in the preceding year. The expenditure on vocational training amounted to 7.2 billion won. In 1999, the Ministry of Labor provided job training opportunities for a little less than 0.4 million jobless workers with 5.6 billion budget.

The unemployed workers who had worked at the firms covered by EIS could apply for the reemployment training programs and received training allowances which lasted from one month to one year, up to three times, until they found a new job. Training allowances were cut in half if they continue to participate the second training course and were reduced to zero for the third training course.

Training allowances were 200-300 thousand won (equivalent to 60-90% of the minimum wage). Trainees who were learning skills for non-favored jobs, which had been facing a labor shortage amidst the great recession, received an additional bonus. Similar training opportunities, financed by general government budget, were given to the unemployed who had not been insured to EIS. Therefore, the opportunity of vocational training was substantially provided for all of the unemployed.

Job training programs for the unemployed provided the unemployed with opportunities to retrain themselves to enhance their own future employability while training allowances helped alleviate their economic difficulties. That is, apart from the proper purpose of job training, training programs served as a social safety net: those unemployed who could not receive cash benefits have participated in job training programs and received training allowances.

However, diverse training programs with loose regulation but without appropriate monitoring and inspection led to moral hazards of some training institutions and trainees. Some unqualified training institutions took advantage of training programs and provided time killing courses to get reimbursement from the government, limiting the effectiveness of training programs. Also, some trainees were interested in the training allowances instead of acquiring skills.

Underdeveloped labor market information system and lack of experts to manage the training programs tended to limit the effectiveness of training programs. Training institutions and programs were given qualification depending purely upon the preexisting
conditions such as available equipment, facilities, etc. Little consideration was given either to changing labor market demands or to needs of the potential participants. Training institutions tended to routinely provide the same training programs to the unemployed as were previously conceived. As a result, some training programs were not significantly helpful for the trainees to be re-employed. As of October 2000, the reemployment rate of the training participants is 32.5%, which is smaller than in other countries.

Lee and Kang (1999) identify factors that underlie the low reemployment rate. First, trainees increased rapidly while labor demand was still low during the economic crisis. Second, the quality of training programs did not catch up the pace of quantity expansion. Third, the contents of training were not suitable for the changing labor demand. And fourth, PES had hardly any capacity to reintegrate the participants into the labor market.

3.4. Job Keeping and Employment Promotion of the disadvantaged

Measures for job keeping consisted of two categories of programs. The one was to help firms at difficulty, and the other was to subsidize those firms which tried to avoid lay-offs by keeping their employees during recession and to incite them, if restructuring is inevitable, to adopt qualitative adjustments rather than outright layoffs.

The government provided viable small-to-medium size firms (SMEs) with credit guarantee service and bailout credits to protect them from bankruptcy. The capital of the Credit Guarantee Fund was expanded so that more credits are given to SMEs. Banks were induced to evaluate viability of SMEs and offer appropriate credits.

Subsidy programs were implemented via Employment Maintenance/Promotion Pillar of EIS. Employment maintenance subsidies intended to minimize employment adjustment through dismissals by providing wage subsidies to firms that made efforts to avoid lay-offs by keeping their employees during recession and to incite them, if restructuring is inevitable, to adopt qualitative adjustments rather than outright layoffs. To be subsidized, firms should be in a situation that employment reduction was inevitable for managerial reasons and had to adopt the subsidizable practices, such as (1) temporary shut-down, (2) reduction of working hours, (3) providing training to redundant workers, (4) providing paid/unpaid leave, (5) dispatching or reassignment of workers. Subsidies equivalent to 1/2-2/3 (depending on the size of the firm) of the wages or allowances paid to their workers were refunded for maximum 6 months.

The requirements of employment maintenance subsidies were relaxed during the crisis and the assistance level was increased to provide more incentives and to cover more firms and workers. In 1998, the total of 74.2 million won was paid for the employment

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maintenance of about 0.7 million workers while in 1999, 79.2 million won was spent for the total number of 0.4 million workers. With improving labor market situation the employment maintenance expenditure decreased to 29.3 million won covering 0.15 beneficiaries (<Table 10>).

<Table 10> Employment Subsidies via EIS

(Unit: thousand won, persons)

<table>
<thead>
<tr>
<th></th>
<th>1,998</th>
<th>1,999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenditure</td>
<td>Beneficiaries</td>
<td>Expenditure</td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>74,223</td>
<td>654,375</td>
<td>79,197</td>
</tr>
<tr>
<td>Subsidies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hiring</td>
<td>5,878</td>
<td>169</td>
<td>75,888</td>
</tr>
<tr>
<td>Subsidies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>16,186</td>
<td>120,721</td>
<td>29,149</td>
</tr>
<tr>
<td>Promotion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>96,287</td>
<td>775,265</td>
<td>184,234</td>
</tr>
</tbody>
</table>

Note: 1) Total sum and total number of beneficiaries in this table are more or less different from those in <Table 6> because the aggregation criteria were different between the data sources.

2) Similarly in <Table 6>, expenditures do not include credit guarantee for self-employed, SMEs, etc


Subsidy programs were first criticized by some economists on the ground that they could hamper or delay ‘the structural adjustment’ of the economy by subsidizing marginal firms which had lost competitiveness in the market. However, subsidized firms were not necessarily bad firms destined to end in bankruptcy. Good firms could face temporary difficulties in cash flow in the midst of financial crisis where financial institutions did not function appropriately. In addition, since firms were free to decide whether to make use of subsidy programs or lay off redundant workers, there were no *a priori* reasons to believe that the subsidy programs prevented firms from restructuring. Thus the programs were advocated and maintained as an important labor market policy program. As a matter of fact, according to Hwang (1999), firms with good human resources tended to utilize the employment maintenance subsidies.

However, the contribution of the employment subsidy in reducing unemployment should not be exaggerated. The number of workers benefited from the program was on
average around 25,000 per month in 1998-99. Kim et al. (1999) analyses the employment maintenance effects of those employment subsidy programs using employer surveys as well as case studies. The estimated effect was 22.3% on average, which implied that deadweight loss was in the 70% range. According to the assessment of PES staffs and monitoring reports, deadweight loss and substitution effects of the 'grants to promote employment of displaced workers' have been serious (Hwang, 1999; Kim et al, 2000).

The subsidy program worked not so much as an incentive but as a compensation. It is costly, if not difficult, for the labor administration to determine whether or not the firm applying for wage subsidy program is in such a situation that employment reduction is inevitable. When business is really in a serious situation, wage subsidy program, in most cases, would not work as an incentive strong enough to induce firms to keep redundant workers inside. Also large size firms could utilize the employment maintenance subsidy programs. It is because procedures are complicate enough for small size firms to apply for the program on the one hand, and usually small firms do not have enough resources to put workers in reserve on the other hand. In sum, employment maintenance subsidy program seems to have contributed to compensating large firms that suffered involuntarily labor slack.

The other two subsidy programs in the Employment Maintenance/Promotion Pillar of EIS are hiring subsidies and employment promotion subsidies. Hiring subsidies and employment promotion subsidies had the purpose of favoring disadvantaged workers of the labor market such as involuntarily laid-offs, elderly workers, female workers, female household heads, and long-term unemployed.

3.5. Public Employment Services and Labor Market Information System

With rushing in unemployment benefit claimants, the number of PES staffs fell far short even of UI benefit payment service. It was deemed urgent to immediately expand the capacity of public employment service (PES) for both benefit payment and administrating other employment generating programs.

<Table 11> Evolution of PES Agencies and Staffs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>52</td>
<td>134</td>
<td>144</td>
<td>149</td>
</tr>
<tr>
<td>Staffs</td>
<td>141</td>
<td>1,296</td>
<td>1,825</td>
<td>1,919</td>
</tr>
</tbody>
</table>

Note: The number of staffs counts only counselors for serial consistency
Source: Ministry of Labor

The government increased dramatically the number of PES agencies from 52 to 149
and the number of PES counselors from 141 to 1,919 between 1997 and 2000 (<Table 11>).

<Table 12> Composition of the Number of Employment Service Agencies and Staffs
(unit: agencies, persons)

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Labor Office</td>
<td>46</td>
<td>-</td>
</tr>
<tr>
<td>Employment Security Center</td>
<td>3</td>
<td>126</td>
</tr>
<tr>
<td>Manpower Bank</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Employment Service Center for daily workers</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>Total PES agencies</td>
<td>52</td>
<td>149</td>
</tr>
<tr>
<td>No. of Staffs</td>
<td>141</td>
<td>2,436</td>
</tr>
</tbody>
</table>

Note: 1) PES agencies and staffs of the central government only
2) Manpower Bank is PES agency co-invested and co-managed by the Ministry of Labor and local government. It is specialized in job-matching and job counseling, but does not deal with UI benefit related service.

Source: Ministry of Labor.

To improve the quality of employment services and to promote its user-friendly environment, the government combined in 1998 the employment insurance division and the job information service division of local labor offices into PES centers called “Employment Security Centers.” These centers were based on the concept of “One-Stop Service” to provide job seekers with job vacancy and vocational training information and UI benefit payment service at the same place. The government also eased regulations on private agencies for job brokerage and strengthened its support to trade unions’ and employers’ organizations in free job placement services.

One must marvel at the progress that the Korean PES has made during the three consecutive years after the economic crisis. However, as can be imagined from the motive of its expansion, the capacity of Korean PES remains still insufficient to play an active role in meeting labor market needs.

Three years’ PES experience could not complete the PES service. Rather it has made the government realize future policy tasks to meet effectively the demands of job searchers via PES. For example, strengthening ‘counseling’ service in proper sense based on improvement of counselor’s expertise, development of new occupational classification system which will serve more effectively in job matching service, collaboration with private sector employment service agencies, etc.

One way of considering a PES capacity is to look at the ratio of workers in the labor force to PES staffs. For example, Germany’s PES has the ratio of 450 workers per PES staff. Sweden’s ratio is 403 and United Kingdom’s ratio is 882. Each of these PESs has a
relatively high level of capacity. In contrast an average Korean PES staff has to deliver service for 9,011 workers (<Table 12>).

It would be impossible for Korean PES to envisage offering the range or depth of programs and services which can be offered by the German, Swedish, American or British PESs unless there is a substantial increase in funding and person-years (for more detail evaluation about Korean PES, see Hunter, 2000).

<Table 13> The Number of Public Employment Service Agencies and Staffs

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Agencies</th>
<th>No. of PES Staffs</th>
<th>No. of Workers per PES Staff</th>
<th>No of Employees per PES Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>841</td>
<td>87,570</td>
<td>450</td>
<td>364</td>
</tr>
<tr>
<td>Japan</td>
<td>666</td>
<td>15,290</td>
<td>4,388</td>
<td>3,445</td>
</tr>
<tr>
<td><strong>Korea</strong></td>
<td><strong>149</strong></td>
<td><strong>2,436</strong></td>
<td><strong>9,011</strong></td>
<td><strong>5,395</strong></td>
</tr>
<tr>
<td>Sweden</td>
<td>570</td>
<td>11,000</td>
<td>403</td>
<td>339</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,159</td>
<td>33,000</td>
<td>882</td>
<td>711</td>
</tr>
<tr>
<td>USA</td>
<td>2,538</td>
<td>71,378</td>
<td>1,953</td>
<td>1,717</td>
</tr>
</tbody>
</table>

Note: The number of workers per staff is defined as the number of staffs over economically active population.

Source: Calculation by the author based on Ministry of Labor's internal document and KLI Foreign Labor Statistics.

As for the labor market information system, the government launched an electronic system in May 1999, called “Work-Net”, benchmarking Canada’s “WorkInfoNet”. Work-Net, accessible from the Internet, provides various information such as job vacancies, vocational training programs, career guidance information, employment policies, services of employment insurance, labor market statistics, and labor laws. Almost all of job vacancies registered in public employment agencies can be searched in Work-Net unless employers refuse to let the information be uploaded. The government plans for a number of improvements to make it more effective and easier to use: enhancing the access speed and the conviviality of interface, development of job vacancy information based new occupational classification, providing detailed information on labor market trend, employment outlook and wages, etc. But it will take time and additional resources should be provided to expedite those improvements.
4. Summary and Implication for Other Asian Countries

With the adverse shock, Korean labor market fell into an unprecedented turmoil. Hundreds of firms went bankrupt from day to day and unemployment soared up from month to month. Non-regular workers and low-educated workers suffered disproportionately the adverse impact. Jobs were precarized. A disadvantaged hard-core group in the Korean labor market experienced unemployment recurrently even if they did not fall into a long-term unemployment trap.

The initiatives of the Korean government to alleviate the adverse impacts of the crisis on the labor market can be classified into five categories: (1) income support, (2) job creation, (3) training for reemployment, (4) job keeping and (5) public employment service and labor market information system.

Even if unemployment decreases and participation rate is increasing, important labor market and social problems remain, requesting policy considerations. In 1999, there were 35.8 million Koreans aged 15 and over. The average number of unemployed in any given month was 1.4 million. Yet, in a typical month, just 0.15 million received unemployment benefits and 0.3 million participated in public works programs. 0.3 million unemployed Koreans received Livelihood Protection benefits at some time during 1999. Taken together, about 0.8 million unemployed (56% of the unemployed) had been covered by those assistance programs. This means, despite all that Korea has done, the nation's social protection system still has more holes than net.

The unemployment rate is still twice as high as it was before the crisis. Those who lost jobs have become re-employed in less good ones and face precarious employment and earnings prospects—that is, rapid expansion of non-regular employment is degrading the quality of working life. Temporary and daily workers are much more vulnerable to unemployment than before. Government regulations are expected to play an active role in meeting those challenges. It is also necessary to develop a more systematic and comprehensive social protection system with a long-term perspective in order to cater to the needs of the disadvantaged groups.

As of Dec. 2000, there were 13.2 million wage workers in the Korean labor market. Of these, only 6.7 million employees (50.9% of wage workers) were working insured—that is, in jobs that would qualify them for UI benefits in the event of unemployment. The gap in coverage comes from two sources: employees who are supposed to be covered but are not, and employees who are supposed to be covered legitimately under the present law.

Thus, one of major problems with Korea's unemployment insurance system is that even if Korea has expanded coverage of UI to all firms regardless of their size, coverage remains quite incomplete. The main obstacle to covering temporary and daily workers,
who are the main source of the gap, with UI is that there does not exist any employment career certifying mechanism for them. In order to overcome this, the employment record-keeping system should be refined together with tax administration system (Hur, 2000).

During the crisis, the Korean government tackled mass unemployment problems with temporary measures such as large-scale public works projects. It was inevitable because unemployment and poverty increased rapidly and pre-existing safety nets had more holes than net. PWPs have been effective as temporary measures for providing income and employment during economic crisis. The need for ad hoc unemployment measures is reducing as the labor market situation improves. A part of them are integrated into self-support programs of Basic Livelihood Security scheme. Redesigning and strengthening those self-support programs with local governments’ participation is another task to be done.

Adapting the training system is another important issue to be treated. Training allowances helped alleviate economic difficulties of trainees who could not receive other cash benefits or participate in PWPs. But job training programs for reemployment should provide more readapting opportunities than income supporting opportunities for the unemployed by strengthening ‘retraining’ characteristic.

The restructuring triggered by the crisis continues and the structural adjustment of both private and public sectors affects the labor market. Worldwide factors such as technological change and globalization force incessant adjustments on the labor market. External labor market is rapidly developing in the Korean labor market and the extent of traditional employment relation based on seniority is narrowing down. Firms have less incentive than before to train their employees who will soon turn over to other firms. This new environment is forcing the training system to allow more initiatives of workers than training service providers or firms.

The PES capacity has been expanded quantitatively during economic crisis. But the counseling service and the labor market information system leaves much room to be improved. Counselors do not spend much time in in-depth counseling. They are occupied by such activities as registration of workers’ record, recording job vacancies, and processing unemployment benefit claim of workers and subsidy claims of firms. The PES gave top priority to processing UI benefit claims and in job matching. Most job matching is now handled by private sector agencies and on websites of private dot companies. In the future Work-Net will enable job matching service with relatively little staff involvement. Now that the labor market has been stabilized, counseling should receive more attention: organized counseling, counseling competencies, group counseling, etc. The PES should dispose of additional resources for labor market information systems especially on an improved occupational classification approach.

It is necessary for Korea to develop a more systematic and comprehensive social
protection system with a long-term perspective. Meanwhile there seems to be several lessons from the Korean experience to other Asian countries.

PWPs and vocational training programs for reemployment have been effective as temporary measures for providing income, employment, retraining opportunities during economic crisis. But the cost of implementing hastily designed programs was not negligible. Appropriate monitoring and evaluating task force should exist at local level as well as central level to minimize leakage to non-target group and moral hazards of participants.

PWPs can be well planned and directed by the central government. But individual programs can be better designed with participation of as diversified ministries, local communities and NGOs as possible. Local communities tend to better capture potential beneficiaries of PWPs so that they may well be involved in decision making in the choice of PWP.

The implementation of PWPs, carried out at local levels, tend to be constrained if only the budget for wages allocated. Without appropriate supply of intermediary goods the allocated budget is underused or used for less productive programs.

Korea is redesigning PWPs as a more permanent safety net programs by integrating them to self-support programs of Basic Lively Security scheme. There is also similar scope of redesigning PWPs in other countries. Integrating PWPs with local development programs can be an option. The central government can finance wages and local governments can provide intermediary goods or materials to create productive assets under PWPs.

The contribution of UI has been very limited in securing the livelihood of the unemployed. And of the four main social insurance programs in Korea, people usually put least importance on it. In contrast, compared to other social insurance programs, UI needs the most refined employment record-keeping infrastructure by the nature of its benefit rules.

Therefore, where the proportion of informal sector is large, UI coverage will be limited as well as its role in protecting the unemployed because it is ultimately difficult to keep employment records of informal sector workers. However it seems also natural to think that UI and its coverage extension can be a momentum for an economy to change a good proportion of informal sectors into a formal sector.
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