SOUTH KOREA

Public Policy

Jungui Lee and Haesang Jeon

This policy brief discusses labor and employment-related laws in South Korea with particular attention to how laws interact with specific aspects of quality of employment, such as compensation and training. Rather than discussing all labor and employment-related public policies, it highlights the most significant legislation in an effort to provide a general introduction to policies affecting quality of employment in South Korea.

This brief includes four sections:

• An in-country policy context that highlights policy background of South Korea.

• A discussion of dimensions of quality of employment, providing a policy overview of the major public policies affecting each dimension. Discussion for each dimension of quality of employment consists of several forms of public policies, including mandate laws, administrative measures, or programs that moderate the South Korean labor market. Many employment laws are multi-faceted and therefore apply to a number of quality-of-employment factors, while other laws and policies neatly fall within one or another factor. This policy brief discusses seven components in this matrix. Opportunities for Meaningful Work is omitted because it is usually not legislated in South Korea.

• A contextual focus on the policies promoting employment of aged persons and women, and the main insights shared by policymakers in South Korea about the major challenges in regard to those policies.

• A brief conclusion on the implications of policy for quality of employment in South Korea.

This brief uses the Quality of Employment framework to discuss the effect of public policies in South Korea.
IN-COUNTRY POLICY CONTEXT

History of labor-related public policies

Traditionally, the major focus of employment and labor policy in South Korea was expanding workers’ basic labor rights while supplying businesses with high-quality workforces needed at industrial sites. Until the 1980s, workers’ labor rights were suppressed to promote economic productivity. Although many employees suffered from poor working conditions, political activities by trade unions at the workplace were forbidden by the government. During the 1980s, however, labor relations in South Korea underwent a major transition. As trade union movements became more active, a total of 3,749 labor disputes occurred between 1987 and 1989.1 The government also began to actively engage in labor-related policies as the nation’s industrial structure became more sophisticated. The government enacted the Basic Employment Policy Act in 1993 and introduced the Employment Insurance System in 1995, which later became the social safety net. During this period, wages rose sharply and the labor movement played a pivotal role in shaping the South Korean society.

The financial crisis of late 1997 marked another turning point in labor-related public policies. Corporate restructuring and massive layoffs causing the relationship between labor and management to be strained.2 In 1998, in an effort to overcome the economic crisis, tripartite talks (the government, employer, and employee) agreed upon a Social Agreement for Overcoming the Economic Crisis.1 This agreement helped to expand workers’ basic rights by allowing trade unions to be involved in political activities. Also, it increased labor market flexibility by introducing the redundancy dismissal system and the worker dispatch system.

In the 2000s, the focus of labor policies shifted to creating jobs and alleviating labor market duality. To create jobs, the government upgraded the public training infrastructure to meet the demands of businesses. The government also developed a comprehensive plan to protect non-regular workers.

Increase of aging population

According to the Korea National Statistical Office (2006),3 South Korea is aging more quickly than many other industrialized countries. For instance, in 2000 the population aged 65 and older accounted for more than 7% of the total population.4 That percentage is projected to double to 14.3% within 18 years (by 2018). Compared to other industrialized countries, such as France (115 years), the United States (73 years), and Japan (24 years), the proportion of the South Korean population age 65 and older increased dramatically over the past 20 years. South Korea’s fast-paced demographic transition hinges on both low fertility rates and increased life expectancies. The rate at which the aging population is increasing presents a severe strain on public finances. However, the total public expenditures associated with aging are still lower than other OECD countries. For example, as of 2005, the total public expenditures associated with aging in South Korea were 1.5% of the GDP, while those in the United States and Japan and the OECD average were 5.3%, 8.6%, and 7.0%, respectively.5 The anticipated shortage of labor owing to South Korea’s aging population is another obstacle that influenced the creation of aging-related labor policies.

The employment of the elderly has only recently been a concern of the South Korean government. However, much government effort has been made to improve the employability of older workers and to improve their working conditions. In part, the emphasis on the older workforce was influenced by international organizations such as ILO, OECD, and EU.6
POLICY OVERVIEW
DIMENSIONS OF QUALITY OF EMPLOYMENT

† Indicators of Fair, Attractive, and Competitive Compensation & Benefits

Employees’ basic needs are secured, and fair and equitable distribution of compensation and benefits among employees is promoted.

Overview

To date, the majority of regulations in this area have focused on the minimum mandates that employers must provide to workers, such as the minimum wage. Over the last few years, however, a substantial wage gap between regular and non-regular employees has become an issue. This has encouraged the enactment of legislation to protect non-regular employees.

Development of the minimum wage

In 1986, the government enacted the Minimum Wage Act (Act No. 3927, Dec. 31, 1986)7 with the intent to stabilize workers’ lives and improve the quality of the labor force by guaranteeing them a minimum level of wages, and thereby contributing to the development of the national economy. This act allows the state to intervene in the wage-determination process between labor and management and compels employers to pay wages not less than the minimum rate. The minimum wage system applies to all businesses or workplaces with one worker or more (since 2000), and the rate is equal for all industries and occupations. The minimum wage rate is determined by the Minimum Wage Council and based on workers’ cost of living and labor productivity. The minimum wage for 2009 is 4,000 won (about $3.21 United States dollars) (USD) per hour and 32,000 won (about $25.70 USD) per day.8

Protection of non-regular employees

Over the past few years, the number of non-regular employees has gradually increased to more than one-third of the total wage earners.9 Despite this increase, a substantial wage gap between regular and non-regular workers still remains (see Figure 1). As part of the effort to redress discrimination against non-regular employees, the government enacted the Non-Regular Workers Protection Law in 2006. The law put in place the procedures for seeking a remedy for discrimination through the Labor Relations Commission. Employers who fail to comply with a confirmed remedial order will be fined for negligence not exceeding 100 million won (about $80,321.29 USD).10

Figure 1: Hourly wage of regular and non-regular workers
(regular worker = 100).

* Hourly wages are calculated as (Monthly wage/average weekly work hours)
* South Korea classifies non-regular workers based on three main dimensions: 1) the stability of the work relationship (permanent vs. temporary worker); 2) the length of the working-time (full-time vs. reduced time worker); 3) employment arrangement (directly employed workers vs. atypical worker).

Source: Korea National Statistical Office (each year). 9

As indicated in Figure 1, the average monthly pay for non-regular workers was 67.6% of regular workers’ wage in 2007, while the gap between regular and non-regular workers increased as non-workers earned 65.6% of regular workers’ wage in 2008. As a result, non-regular workers receive substantially lower wages compared to full-time workers with the similar occupations.
Indicators of Opportunities for Development, Learning, & Advancement

Job skill development and advancement are promoted for employees of as many industrial sectors, employment statuses, and life/career stages as possible.

Overview

In the era of globalization and information, a developed education and training system can help a nation’s economy to grow by producing creative human resources through life-long learning and training. In order to enhance the quality of the labor force, the South Korean government has reformed the vocational-training system.

Promoting lifelong vocational competency

When South Korea’s vocational-training system was first introduced, the focus was on initial training. By training youths who did not go on to higher education to become technicians in key industrial fields, this system greatly contributed to South Korea’s economic development.

In the 1990s, the vocational-training system faced new challenges along socio-economic shifts. A growing older population and a declining youth population have contributed to a chronic shortage of skilled workers. At the same time, a high-tech economy required upgrading the skills of existing workers and reforming a training system skewed towards initial training. To reform the vocational-training system, the South Korean government introduced the Vocational Competency Development Program in 1995 under the Employment Insurance Act (Act No. 4644, Dec. 27, 1993). From then on, the focus of vocational training shifted from providing initial training in technical skills towards retraining and lifelong vocational competency development of employed workers.

In the 2000s, to secure the employment of workers and improve the productivity of enterprises by supporting skills development of employees throughout their lives, the existing Vocational Training Promotion Act (Act No. 5474, Dec. 24, 1997) was wholly amended in 2004 by the Workers’ Vocational Skills Development Act (Act No. 7298, Dec. 31, 2004).

Even though the South Korean government has reformed the vocational-training system to enhance the quality of the labor force, South Korea has spent far fewer public resources on job training compared to other OECD countries.

Figure 2: Public expenditure for training as a percentage of GDP, 2006, by country.

* OECD average does not include Iceland and Turkey in this data.
* Denmark is not included in Figure 2 due to lack of available data from 2006. However, Denmark is expected to spend a greater share of public expenditure for job training than other OECD countries (approximately 0.54% of their GDP was spent on job training in 2004).

Source: OECD (2009).

As indicated in Figure 2, in 2006, South Korea reported spending about 0.05% of the year’s GDP for job training. This percentage is below that of the OECD average (0.17% of GDP). Among OECD countries, Austria (0.40%), Finland (0.37%), Germany (0.33%), and Sweden (0.33%) spent a greater share of public expenditures on job training than other OECD countries, while Australia (0.01), Czech Republic (0.01%), and Slovak Republic (0.01%) spent the smallest share of their GDP of all OECD countries.
Developing Skills

The Employment Insurance System (EIS) is now South Korea’s most important incentive program for vocational training, having been gradually developed over the past few decades. One of the major programs of the EIS is the Skills Development Program (SDP), which is an incentive system to encourage employers and employees active participation in lifelong vocational training and education through financial support.12

The SDP supports both employers and employees. The employer-support program aims to encourage employers to train their workers by subsidizing training costs. This program is composed of a subsidy for employer-provided training, a subsidy for employees’ training on paid leave, and loans for training facilities and equipment. In regard to employer support, the government has made a special effort to support the small and medium-sizes enterprises (SMEs). For example, the government created a training consortium for SMEs as one of their measures. If large companies, employers’ organizations, public training providers, or universities organize a training consortium with an SME to provide the SME employees with training programs, it may receive up to 1.5 billion won (about $1.25 million USD) per year to cover the facility costs and operating costs.1 The employee-support program aims to support directly employees’ training participation. This program is composed of a subsidy for taking training courses, loans for employees’ school expenses, loans for skill development expenses, and a subsidy for technical qualification fees.

The amount of public expenditures on the SDP is steadily increasing. As of 2006, the number of total subsidized participants and corporations in the Skill Development Program was 3,017,154 and 77,257, respectively, compared to 1,367,228 and 73,732 in 2000.13

Indicators of Wellness, Health, & Safety Protections

Protection of employees’ safety and health at their worksite is mandated, and their physical and mental well-being is promoted. In case of job-related injury or illness, compensation or other forms of social protection are offered in an accessible manner.

Overview

With the industrial development of South Korea, occupational safety and health have become an important social issue. The government has made an effort to prevent industrial accidents and to provide welfare benefits to workers with occupational injuries mainly through the Industrial Safety and Health Act (Act No. 3532, Dec. 31, 1981) and the Industrial Accident Compensation Insurance Act (Act No. 1438, Nov. 5, 1963).7

Mandating industrial accident compensation insurance

The Industrial Accident Compensation Insurance (IACI) is one of the four major social insurance schemes in South Korea. The IACI system aims to prevent industrial accidents and to provide insurance benefits and rehabilitation or welfare programs to workers with occupational injuries or diseases. Under this system, employers are no longer liable to compensate their employees for an occupational injury or disease if they have contributed to the IACI fund. Instead, the government pays compensation to the injured or sick employees.1

When the IACI was first introduced in 1964, it applied to companies with 500 employees or more in the manufacturing and mining industries only. The number of covered companies and employees was 64 and 81,000, respectively, in 1964. After July 1, 2000, the IACI began to apply to companies with one employee or more.1 The number of covered companies and employees increased to 1,429,885 and 12,529,000, respectively, in 2007.14
The Minister of Labor publishes the IACI insurance premium rates every year. Business categories are classified based on the risk of industrial accidents and the similarity of economic activities. The insurance premium rate for each category of business is based upon both the ratio of total wages to total insurance benefits paid in the last three years and related administrative costs. As of 2007, there were 61 business categories and their average premium rate was 1.95%. The lowest rate was 0.6% in the financial and insurance industry, while the highest rate was 52.2% in the logging industry.1

Supporting smaller companies for preventing industrial accidents

Even though general industrial accident rates have been falling in South Korea (see Figure 3), companies with fewer than 300 employees accounted for 91.5% of the total industrial accident injuries and 82.5% of the total deaths. Even worse, companies with fewer than 50 employees accounted for 76.3% of the total industrial accidents and 59.5% of the total deaths in 2007.15

Companies with fewer than 50 employees are usually engaged in hazardous and harmful work, such as plating, press working, molding, dyeing, and leather processing. As employees are reluctant to work under occupationally unsafe circumstances, companies with small number of employees are also suffering from labor shortages. The government launched the CLEAN program in October 2001 to address the vulnerability to industrial accidents and labor shortages of smaller companies. This program consists of two subprograms that aim to create a CLEAN workplace by providing financial support for facility improvement and aim to provide technical support for safety and health management, using the expertise of professional agencies, in consideration of the degree of harmfulness and hazardousness at individual workplaces.

Approximately 9,900 companies, including those certified as CLEAN workplaces, benefited from facility-improvement funds under the project in 2007. It provided financial assistance to approximately 44,000 workplaces from 2001-2007.1

Figure 3: Industrial accident rates per 100 workers in South Korea

As indicated in Figure 3, the industrial accident rates per 100 workers in South Korea have been falling over the past years. Those rates include any personal injury, disease, or death resulting from work.
Indicators of Opportunities for Meaningful Work

Opportunities for meaningful or fulfilling employment are promoted through facilitating appropriate job-skill matches, self-realization through occupation, or community participation away from routine work.

This dimension is omitted because it is not the focus of legislation in South Korea.

Indicators of Provisions for Employment Security & Predictability

Stable provision of employment opportunities for job seekers is promoted, clear communication of terms of employment is facilitated, and protecting job security of the employed is a policy objective.

Overview

To secure and promote employment, the South Korean government has made an effort to change labor market conditions by revising employment policy and administration laws, such as the Labor Standards Act (Act No. 9699, May 21, 2009), the Basic Employment Policy Act (Act No. 8813, Dec. 27, 2007), the Employment Security Act (Act No. 9432, Feb. 06, 2009), the Employment Insurance Act (Act No. 9315, Dec. 31, 2008), the Aged Employment Promotion Act (Act No. 8962, Mar. 21, 2008) and their Enforcement Decree and Regulations.7

Securing Employment

The rules governing individual and collective dismissals in South Korea are set out in the Labor Standards Act (Act No. 5309, Mar. 13, 1997). The purpose of the Employment Security Act (Act No. 9432, Feb. 6, 2009) is to attain employment security for workers and to contribute to the development of a balanced national economy by affording workers opportunities for employment in an occupation in which they may cultivate and display their abilities, and satisfactorily support the demands of the workforce as pertinent to industry.

Despite the protections that the government policy offers, South Korea would appear to have modestly strict employment protection legislation by the standards of other OECD countries. According to the OECD (2009), South Korea is ranked 13th out of 30 OECD countries in terms of strictness of employment protection as of 2008.17
**Figure 4**: Strictness of employment protection legislation (EPM) – overall as of 2008, by country

<table>
<thead>
<tr>
<th>Country</th>
<th>OECD Average</th>
<th>South Korea</th>
<th>United Kingdom</th>
<th>Canada</th>
<th>United States</th>
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<tr>
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<tr>
<td>Mexico</td>
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* The OECD indicators of employment protection are synthetic indicators of the strictness of regulation on dismissals and the use of temporary contracts. This version (version 3) of the overall indicator is the weighted sum of sub-indicators for regular employment (weight of 5/12), temporary employment (2/12) and collective dismissals (2/12).

Source: OECD (2009).

**Promoting employment and preventing joblessness**

The South Korean government introduced the Employment Insurance System (EIS) to provide traditional unemployment benefits, prevent job loss, facilitate re-employment, stimulate employment of the hidden workforce, and help vocational development.

The Employment Insurance System is a compulsory social insurance system in South Korea. According to the Employment Insurance Act, all workplaces employing one worker or more have been subject to the Employment Insurance System.

This system has three major programs, which are the Employment Stabilization Program (ESP), the Skills Development Program (SDP), and the Unemployment Benefits. Among them, the ESP is mainly related to job security for the employed. The purpose of the ESP is to prevent massive layoffs, stimulate re-employment, and expand job opportunities by providing economic incentives to employers. The purpose of the SDP is to stimulate vocational training for new entrants to the labor market and develop the job skills of employees. Lastly, the Unemployment Benefits Program seeks to stabilize living conditions and promote re-employment of the unemployed.

Meanwhile, the main policy endeavor to protect job security in South Korea can be seen in Employment Insurance System (EIS), which will be described in the next section.
Indicators of Workplace Flexibility

Availability and utilization of flexible work options are promoted for employees of various life stages through increasing their control over work hours, locations, and other work conditions.

Overview

As an effort to increase the quality of life for workers and to balance work and family responsibilities, promoting flexible work hours has been a public policy objective since 1997. To date, however, these government efforts have been less effective than expected.

Promoting flexible work hour system

In 2007, South Koreans worked an average of 43.7 hours per week. Combined with the growing national concern about the long work hours among employees, the South Korean government has been promoting balance between work and family responsibilities. Its efforts included building a legal structure to promote a flexible work-hour system that covers flexible work hours, adjustment of commuting time, and restriction of overtime work. These measures laid the foundation for workers to actively engage in family responsibility.

Although there are variations among industrial sectors, the share of employers that actually utilize flexible work-hour options in the country has remained low when compared to other OECD countries. Since flexible work hours were implemented in the late 1990s, only 14.0% of the workplaces had utilized this system in 2005 (see Figure 5).

Another government effort to help employees balance work and family responsibilities is expanding the use of maternity leave. Based on the Act on Equal Employment and Support for Work-life Balance, the government supports implementing spousal maternity leave and reducing working hours for female workers with infants.

Figure 5: Percent employers introducing flexible work hour systems (by industrial sector)

As suggested in Figure 5, 14.0% of employers in South Korea report that they introduce flexible work hour systems in which working hours are determined in a flexible manner. By industrial sector, flexible work hour systems are far more likely to be made available in the accommodation and food services sector (46.9%) than in any other industrial sectors. They are offered least in the utilities (electricity, gas, and water supply) sector (3.2%) and the finance and insurance sector (4.8%).

Source: Lee, J. (2009)
While economic participation of the aged is high compared with other OECD countries, the majority of the employed elders are either self-employed, farmers, or workers in unskilled jobs. In preparation for the aged society and the anticipation of a workforce shortage, the government has implemented a 5-Year Plan to Promote Employment of the Aged. Under this plan, various policies will take effect to guarantee retirement at the legal retirement age and to raise the age limit through legislation designed to restrict age discrimination.

Lastly, in order to help the disabled population who cannot work because of the lack of employment opportunities, the government established the Korea Employment Promotion Agency for Disabled Person in 1990. Based on this law, the government has obligated government agencies and private companies of a certain size (with 50 full-time workers or more) to employ people with disabilities at a certain share (2% or higher) of the workforce.1

![Figure 6: Employment profile as of 2007 over the life course by gender in South Korea](http://www.bc.edu/agingandwork)

**Overview**

In pursuing this dimension of quality of employment in today’s labor market in South Korea, the government has begun to pursue active labor market policies. In 1993, the Basic Employment Policy Act was introduced to improve the working conditions of vulnerable populations, including women, elders, and disabled workers.

**Support for the employment equity**

Although female participation in the labor market has steadily increased in South Korea, it is still low when compared with that of developed countries. In 1990, the economic participation rate among women was 47%, and although this rate increased to 50.2% in 2007, it is substantially lower than the average female employment of other OECD nations. In particular, the economic participation among women aged 25–35 whose career is interrupted by pregnancy, childbirth, or childrearing was around 50%, substantially lower than the average 70–80% participant rate in advanced nations. Against the backdrop of anticipated workforce shortages in the future, promotion of women’s employment has become the government’s serious commitment. The Act on Equal Employment and Reconciliation of Work and Family (Act No. 8781, Dec. 21, 2007), a revision of former Equal Employment Act, prohibits gender discrimination in hiring, wages, and promotions.

Information presented in Figure 6 indicates “employment profile”, which shows the patterns of entry to and withdrawal from the labor market over the life course. According to OECD (2009), the employment profile for women looks like an “M” curve, because female employment rates traditionally decline during the years of family formation, around the age cohort 25-34 years, and increase again as children grow up.22
Equitable treatment for the growing number of non-regular employees

In response to growing public concerns about securing decent work conditions for non-regular employees, the government amended the Non-Regular Workers Protection Laws in 2006. This law strictly prohibits any discrimination against part-time workers on the basis of their part-time status. If such incident occurs, a non-regular worker can seek a remedy for discrimination through the Labor Relations Commission. An employer who fails to comply with a confirmed remedial order is punished by a fine of up to 100 million won (about $81,004 USD). Furthermore, the law obligates both employers and employees to sign a labor contract with a description of working conditions, such as working hours, wages, and more.

The law also limits the employment period for fixed-term workers to a maximum of two years in order to prevent an employer’s excessive employment of non-regular workers. If an employer hires a fixed-term worker for more than two years, an employer is obligated to change the status of the worker to full-time employment. (This restriction is applied to labor contracts signed after July 2007.) Moreover, in order to regulate the use of part-time workers from extended hours of work, the law prohibits overtime work for part-time workers over 12 hours per week.

Employer-employee frictions and conflicts are mitigated, and constructive workplace relations are facilitated.

Overview

Until the mid-1970s, industrial relations were not viewed as a major social issue in South Korea. However, in the early 1980s, workers’ awareness of their rights became widespread, claiming their fair share of the fruits for their economic achievements. After a series of large-scale labor disputes in the early 1980s, the government’s labor policy underwent major changes.

Facilitating the constructive labor-management relations

If a dispute occurs during wage or collective negotiation in the workforce, it should be settled autonomously by the employer and trade union. However, in case they fail to settle an agreement, they can apply for mediation to the Labor Relations Commission. Based on the Act of the Advancement of Industrial Relations in 2006, the Labor Relations Commission was formed to settle labor disputes that arise between labor and management. The commission comprises members representing employers, workers, and the public interest. Once the Commission receives a mediation request from either employers or employees, it prepares a mediation proposal and recommends that both parties accept it. Both parties are free to decide whether to accept the proposal. If the committee fails to reach an agreement from both parties, the union can take industrial action.

Awareness of employer-employee relationships also can be seen in the labor-management councils that have been organized at the enterprise level. These councils aim to
promote employee welfare and ensure sound corporate
development based on participation and cooperation
between labor and management. The number of workplaces
with a labor management council has grown in recent years
(see Figure 7).

Figure 7: Number of workplaces with the labor management
council by year

As shown in Figure 7, the number of labor management
councils has grown over the past years. In 1998, the number
of workplaces that had a labor management council was
26,249. By 2006, the number had reached 40,018, doubling
within 10 years.

Promoting the culture of labor-management cooperation

The government encourages labor-management cooperation
through various measures, such as its Financial Support for
Labor-Management Cooperation Programs. The purpose of
this program is to assist businesses in developing industrial
relations that apply to their conditions and to autonomously
promote labor-management cooperation. Through this
program, the government supports the costs required for
labor-management cooperation programs conducted jointly
by workers and employers. In 2007, the government spent
3.5 billion won (about $2.9 million USD) assisting 103
programs throughout the nation. In addition, through the
Model Companies for Workplace Innovations program, the
government provides consulting services for companies
that show stable industrial relations, supporting them with
advanced industrial relations techniques.


CONTEXTUAL FOCUS:
DEVELOPING EMPLOYABILITY
AND INCREASING TRAINING
OPPORTUNITIES FOR THE AGED AND
WOMEN

Overview

South Korea is anticipating unprecedented workforce shortages in the decade ahead owing to rapid aging of the population and low fertility rates. Therefore, the old-age dependency ratio is expected to jump from 15% in 2007 to 77% in 2050. This is the highest increase among OECD countries. South Korean government policy makers are working on efforts to support employment and increase training opportunities for the aged and women groups to alleviate anticipated labor force shortages, but the policy makers are facing several dilemmas.

Policies developing employability of the aged and women

In preparation for the aged society, the Ministry of Labor enacted the Aged Employment Promotion Act (Act No. 4487, Dec. 31, 1991) in 1991 and developed a 5-Year Plan to Promote Employment of the Aged in 2006. In 2008, the existing Aged Employment Promotion Act was amended by the Act on Prohibition of Age Discrimination in Employment and Promotion of the Aged (Act No. 8962, March 22, 2008). Under this law and government plan, various policies have taken effect to promote and extend employment of the aged. Those include the standard employment rate, the selection of priority occupations for the aged, the employment promotion subsidy, the wage peak system, and the mandatory retirement age extension.1

- Standard employment rate
The Act on Prohibition of Age Discrimination in Employment and Promotion of the Aged recommends that employers with three hundred employees or more should employ the aged above the standard employment rate in order to promote employment of the aged. The Minister of Labor may request an employer who employs fewer aged than the standard employment rate to formulate and submit a plan for implementation of the standard employment rate.

- Selection of priority occupations
The Minister of Labor has selected occupations suitable for employment of the aged and recommended priority employment of the aged in these occupations. As of 2007, 70 occupations in the public sector and 90 occupations in the private sector have been selected and announced as priority occupations.

- Employment promotion subsidy
The government provides subsidies to any employer that employs the aged in large numbers, newly employs the aged, or re-employs retired persons. For example, a continuous employment subsidy for the retired is provided when an employer does not dismiss a person who reaches retirement age and has worked 18 months or longer in the workplace in which retirement age is 57 or higher, or when an employer re-employs a retired person within three months of his or her retirement.

- Wage peak system
An employee can be given a compensation allowance from the age of 54 if the company guarantees the employees’ employment until at least age 56. The government offers such compensation directly to employees who worked for the employer for at least 18 months and experienced reduction in wage greater than 10% based on a comparison between the current year and the previous year.

- Mandatory retirement age extension
The Act on Prohibition of Age Discrimination in Employment and Promotion of the Aged also stipulates that the employer shall endeavor to make a mandatory retirement age above 60 years. Even though the government has made an effort to increase retirement age by extending the mandatory retirement age, it often has been set at a low age as a common practice in South Korea over the past years (see Figure 8).
As indicated in Figure 8, the average retirement age in medium-to-large companies in South Korea was 56.95 in 2007, showing little change since 2001. In order to ensure the efficient use of female workers amid growing women participation in economic activities, an institutional device should be put in place that can reduce woman’s double burdens of labor both at home and at work and make it easier for them to re-enter the labor market after a career break for childbirth and child care. The South Korean government has introduced and implemented subsidy programs to promote female employment, including subsidy for re-employment of a regular or non-regular worker and subsidy for child-care leave.

- **Subsidy for women re-employment**
  The Subsidy for the Re-employment of Female Employees after Giving Birth has been provided to employers who have recently hired women employees who left work for reasons of pregnancy, childbirth, and childcare as of July 2007. For non-regular women workers, the Subsidy for Continuous Employment after Childbirth was established to provide support for employers who hire a non-regular woman worker during her pregnancy and childbirth without interruption.

- **Child care leave**
  According to Article 19 of the Equal Employment Act, a female employee with a child under one year of age is eligible for childcare leave, and employers who offer such childcare leave to their employees are given a subsidy of 200,000 won (about $167 USD) per month per employee on childcare leave. Employers are given an additional subsidy of 200,000-300,000 won (about $167-250 USD) per month per substitute employee if they replace the employee on childcare leave with a substitute.

**Policies increasing employment opportunities for the aged and women through training and education**

As part of the efforts to increase employment opportunities for disadvantaged groups such as the aged and women, the government has implemented several training programs to improve their occupational skills.

For the aged, the New Start Program for the Aged aims to promote re-employment of the aged and present small and medium-sized enterprises (SMEs) with opportunities to utilize the aged workforce. Since 2007, the program has improved the vocational skills of the aged by providing on-the-job training and employment-capability enhancement. In addition, the Ministry of Labor has selected 135 organizations as training institutes for short-term adjustments.

For women, the Skill Development Program of the Employment Insurance System also supports unemployed women household heads or housewives. For example, an unemployed woman household head who has little access to regular training due to her family responsibilities is eligible for skills-development training and all other training expenses. For the housewives who are willing to work, the Ministry of Labor has selected occupations with great employment demands to conduct short-term adjustment training for one to four weeks. The housewives who complete the training course can be given a job placement by a training institute and the Human Resources Development Service of Korea.

**Policy challenges for promoting employment of the aged and women**

Even though the government has made efforts for improving the quality of employment of the disadvantaged groups, the government still has several additional challenges in regard to promoting employment of the aged and women. To discuss these policy challenges, this paper draws on interview data obtained in July and August of 2009 in Seoul, South Korea from semi-structured interviews with 10 experts.
on public labor-related policies. The interviewees are affiliated with universities, government research institutes, and national government agencies, most of which are involved in policy-making processes on this subject.

From South Korea policy makers’ perspectives, the main policy challenges related to the employment of aged and women workers are the following three domains:

1. Managing the rising college-graduate unemployment rate

Government policy makers consider the elderly and women to be two of the most vulnerable population subgroups in the face of a rapidly changing labor market. At the same time, they consider the elderly and women to be the most potentially feasible sources to alleviate severe labor force shortages that are anticipated.

However, in the context of current high and rising youth unemployment, especially among college graduates in South Korea, some reforms to promote employability of the elderly may exacerbate concerns that those efforts come at the expense of a younger population. In fact, there is a positive correlation between employment outcomes of older and younger people. In other words, an increase in employment rates for older people tends to be associated with an increase in employment rates for younger people. Therefore, the government needs to continue to push forward with wide-ranging structural reforms. If economic growth and overall employment growth are strong, each labor force group faces better employment prospects.

2. Expanding training opportunities and training types for the aged and women

While the labor force participation rate of the aged is high compared with other OECD countries, the ratio of permanent and full-time workers among the aged is relatively low and the ratio of self-employed, farmers, and workers in unskilled jobs is high. For women, the labor force participation rate is lower than that of males in South Korea. One of the important requirements for improving employment prospects of older workers and women is to upgrade their skills. Vocational training and lifelong learning activities can play an important role in addressing the lack of formal education or low skill levels of the elderly population. Such training can also address the low skill set of the female population or women returning to the labor market after several years leave.

However, the number of older adults participating in the publicly-funded training is small compared to the younger population. Training should be a measure that transcends both good and bad economic times. Therefore, the government should develop some measures to improve training programs overall as well as to encourage greater take-up of training opportunities through expanding the types of available training or making learning more attractive to those groups.

3. Developing a broader strategy

While the South Korean government has developed a range of labor market policy measures to deal with its aging population, many governmental agencies and programs are involved, including pension systems, employment practices, income supports, and training opportunities. As a result, these measures have overlapped and have different expectations, making it difficult to integrate policies within a broader picture.

Any reforms to improve the labor market situation will need a comprehensive and long-term perspective. In addition, these reforms should be coherent with general measures being taken to cope with labor market shortages and the aging population as well as to improve the functioning of the labor market. The labor market measures need to be placed within a broader strategy to cope with aging demographic challenges.
CONCLUSION

This policy brief discusses labor and employment-related laws in South Korea, which relates to the dimensions of the Quality of Employment framework. Presented information not only shows the South Korean government’s efforts for improving quality of employment, but also suggests a variety of policy challenges that the government is currently facing.

South Korea is facing many policy challenges, such as economic difficulties, aging demographic challenges, and widening labor market duality. Even though the government has made efforts to deal with those challenges, some urgent needs to improve the quality of employment remains. It is important to maintain the momentum for reform and to strengthen the ability and willingness of the labor force to build up longer and happier working careers.
REFERENCES:


20. Flexible work hour systems are stipulated in Article 51 of the Labor Standard Act (Act No. 5309 of March 13, 1997, amending Act No. 9038 of March 28, 2008). Under this system, employers may have employees work in accordance with rules of employment for a specific week or a day in excess of limited working hours stipulated in related statutes.


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The Institute's research, publications, and international forums contribute to:

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ABOUT THE AUTHORS:

Jungui Lee, PhD
Research Associate
Sloan Center on Aging & Work at Boston College

Jungui Lee is a Research Associate and a project manager for the country context studies at the Sloan Center on Aging & Work at Boston College. She has been conducting research on educational program development and evaluation for older adults, career development of older workers, and cross-national comparative research with regard to training policies. She has taught human resource development and lifelong education.

Haesang Jeon
Doctoral Student
Graduate School of Social Work, Boston College

Haesang Jeon is a doctoral student in the School of Social Work at Boston College. Haesang’s area of research includes self-directed long-term care services for disabled older population. She also has a strong research interest in racial/ethnic disparity between elders when receiving long-term care services.

The Sloan Center on Aging & Work at Boston College promotes quality of employment as an imperative for the 21st century multi-generational workforce. We integrate evidence from research with insights from workplace experiences to inform innovative organizational decision-making. Collaborating with business leaders and scholars in a multi-disciplinary dialogue, the Center develops the next generation of knowledge and talent management.

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