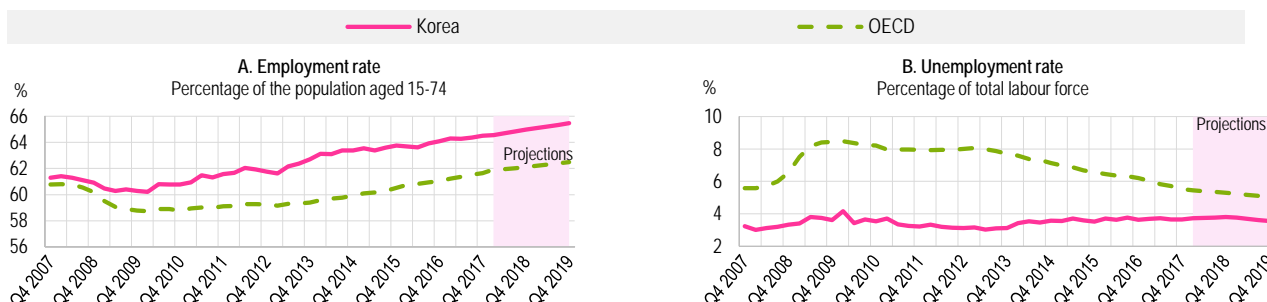


[DOI: 10.1787/empl\\_outlook-2018-en](https://doi.org/10.1787/empl_outlook-2018-en)

### Employment and unemployment trends in Korea



Note: OECD weighted average.

Source: OECD calculations based on OECD Economic Outlook Database (No. 103), June 2018.

### RECENT LABOUR MARKET TRENDS AND PROSPECTS

Across the OECD countries, labour market conditions continue to improve and in the first quarter of 2018, the average employment rate was about 2 percentage points above its pre-crisis peak. OECD employment and unemployment rates are also projected to keep improving in 2018 and 2019. However, at 0.6% in the fourth quarter of 2017, the year-on-year growth rate of real hourly wages remained disappointingly low, almost one percentage point lower than before the crisis for similar levels of unemployment.

- Recently, labour market conditions have weakened in Korea, with a sharp slowdown in employment growth. Nevertheless, Korea has broadly shown a strong labour market recovery from the crisis with employment increasing steadily and unemployment remaining low.
- In the first quarter of 2018, the employment rate of between 15 and 74 years is 64.5%, about 2.6 percentage points above the OECD average. The unemployment rate has been hovering between 3.5% and 4.5% over the past decade (3.7% in the first quarter of 2018), the sixth lowest level in the OECD.

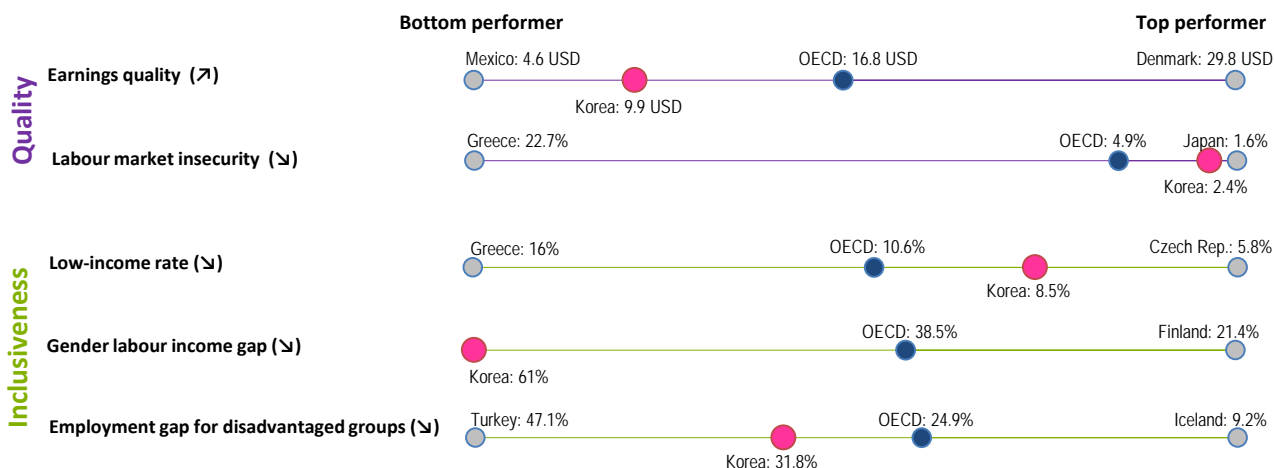
### DEVELOPMENTS IN JOB QUALITY AND LABOUR MARKET INCLUSIVENESS

Job quality and inclusiveness indicators show a mixed picture for the OECD countries. Improvement has occurred over the past decade, with a reduction in the gender gap in labour income, the employment gap for disadvantaged groups, and the incidence of job strain – excessive job demands combined with

insufficient resources. However, labour market insecurity is not yet back to pre-crisis levels and poverty has grown amongst the working-age population.

- Korea has made some improvements in most indicators of job quality and labour market inclusiveness over the past decade. Yet, the chart on the next page shows that Korea's achievement in terms of job quality and inclusiveness combines strong performance in some areas with weaker performance in others.
- Korea performs particularly well in terms of labour market insecurity, reflecting both the country's low risk of unemployment and short duration of joblessness spells. The share of the working-age population living in low-income households is also below the OECD average.
- By contrast, Korea's earnings quality is substantially below the OECD average, as a result of relatively low average wages and high wage inequality. Wage inequality reflects labour market dualism, which results in a large age gap between regular and non-regular workers. This is associated with a large productivity gap between large firms and SMEs, and a high share of workers who are employed in very small firms.
- Also associated with labour market dualism, the employment gap for disadvantaged groups (e.g. mothers with children, youth, and people with disabilities) is larger than the OECD average. The most pronounced weakness is the gender labour income gap, which is the highest in the OECD.

## Job quality and labour market inclusiveness: key indicators for Korea in 2016-2017



Note: An upward ↗ (downward ↘) pointing arrow for an indicator means that higher (lower) values reflect better performance. *Earnings quality*: Gross hourly earnings in USD adjusted for inequality by giving more weight to the lower end of the earnings distribution. *Labour market insecurity*: Expected percentage net income loss upon job loss computed taking into account the probability of becoming unemployed and the expected duration of unemployment. *Low income rate*: Share of working-age persons living with less than 50% of median equivalised household disposable income. *Gender labour income gap*: Difference between per capita annual earnings of men and women (% of per capita earnings of men). *Employment gap for disadvantaged groups*: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

Source and definitions: OECD calculations using data for 2017 or latest year available from various sources. See [OECD Employment Outlook 2018](#), Ch. 1

### THE GENDER GAP IN LABOUR INCOME INCREASES THROUGHOUT THE WORKING LIFE

In the OECD, women's annual labour income was still 39% lower on average than that of men in 2015. Most of this gap is generated in the first half of the career, due to intermittent employment and difficulties in reconciling work and family responsibilities around childbirth. Part-time work can prevent withdrawal from the labour force at childbirth but may also represent a career trap for women, leading to persistent gender disparities

- In 2013, Korean women's annual labour income was 61% smaller than that of men, the greatest gap within the OECD.
- Differences in employment rates largely explain gender disparities. In 2017, while 76.3% of Korean men had a job, only 56.9% of women were in employment. Very long working hours and cultural factors, such as still considering fathers as main bread winners, reduce the labour force participation of mothers with young children. Women tend to quit after giving birth, and re-enter the labour force once their children have grown older.

### UNEMPLOYMENT BENEFITS REACH ONLY A MINORITY OF JOBSEEKERS

Unemployment benefits are one of the principal instruments for linking jobless people to employment support programmes. But in most countries, fewer than one in three jobseekers receive unemployment benefits. Policy initiatives during the early stages of the global financial crisis made benefits more accessible and extended coverage. But, overall, coverage has frequently continued the downward trend seen before the crisis.

- Korean unemployment benefit pseudo-coverage rate – the ratio of benefit recipients and unemployed – increased from 31% to 38% between 2007 and 2014, but was still below the OECD average of 58%.
- The low benefit coverage in Korea is explained mainly by the absence of a second-tier unemployment assistance scheme, implying very short maximum potential duration of benefits in comparison with other OECD countries. The low enrolment rate into employment insurance among self-employed and non-regular workers in small firms also contributes to the low benefit coverage in the country.

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