

# OECD Skills Strategy Diagnostic Report Executive Summary

## Korea 2015



## Building the right skills can help countries improve economic prosperity and social cohesion



By contributing to social outcomes such as health, civil and social engagement.

By supporting improvement in productivity and growth.

By supporting high levels of employment in good quality jobs.



How is this achieved?

## By strengthening skills systems

Designing and implementing an evidence-based national skills strategy.

Funding skills through public and private sources and designing effective incentives for employers and individuals.

Providing good information for the public, businesses and policy makers.



## EXECUTIVE SUMMARY

### *Why build a Skills Strategy? Better skills, better jobs, better lives*

Skills have become the key driver of individual well-being and economic success in the 21<sup>st</sup> century. Without proper investment in skills, people languish on the margins of society, technological progress does not translate into growth, and countries are unable to compete in increasingly knowledge-based global economies. Effective skills systems connect skills with economic development to deliver prosperity and social cohesion



The OECD Skills Strategy provides countries with a framework to analyse their strengths and weaknesses as a basis for taking concrete actions according to the three pillars that comprise a national skills system: 1) developing relevant skills from childhood to adulthood; 2) activating these skills in the labour market, and 3) using these skills effectively in the economy and society. An effective Skills Strategy strengthens a country's skills system by facilitating policy collaboration and coherence across these three pillars.

### *Korea's main skills challenges: a comparative perspective*

This diagnostic report presents the main outcomes of Korea's collaborative project with the OECD, which ran from July 2013 to February 2014. It identifies 12 skills challenges that need to be addressed to build a more effective skills system in Korea. These challenges were identified through: 1) the OECD's recent data and research; 2) the national data and research; 3) a diagnostic workshop held in November 2013; 4) fact-finding interviews with key stakeholders in Korea. The report has also benefited from ongoing dialogue and consultation with a wide range of Korean stakeholders.

#### **The OECD Skills Strategy: defining the concept of "skills"**

The OECD Skills Strategy defines skills (or competences) as the bundle of knowledge, attributes and capacities that can be learned, and that enable individuals to successfully and consistently perform an activity or task, and that can be built upon and extended through learning. The concepts of "skill" and "competence" are used interchangeably in this report. The sum of all skills available to the economy at a given point in time forms the human capital of a country.

The OECD Skills Strategy shifts the focus from traditional proxies of skills, such as years of formal education and training or qualifications/diplomas attained, to a much broader perspective that includes the skills people acquire, use and maintain – and also lose – over the course of a whole lifetime. People need a range of both hard and soft skills to help them succeed in the labour market, contribute to better social outcomes and build more cohesive and tolerant societies.

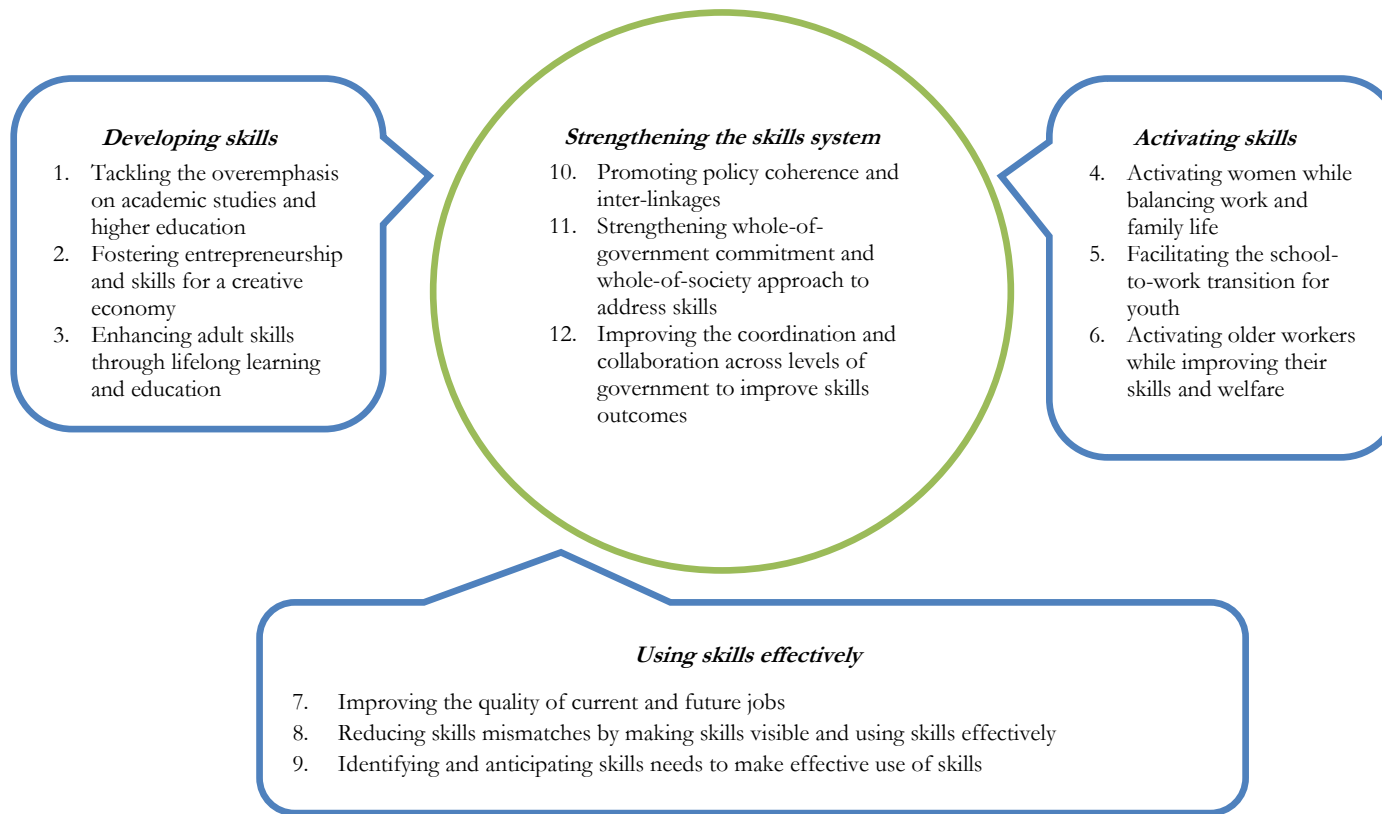
Source: OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264177338-en>



The 12 challenges for Korea are described under each of the main pillars of the OECD Skills Strategy and are framed as outcome statements. The first nine challenges refer to specific outcomes across the three pillars of developing, activating and using skills. The next three challenges refer to the "enabling" conditions that strengthen the overall skills system. Success in tackling these skills challenges will boost performance across the whole skills system.

All of the challenges identified are strongly interlinked, and their connections with each other are identified throughout the report. Failure to look beyond policy silos will have implications for specific groups in Korea, such as youth, as well as for the economy and society's ability to recover following the economic crisis and build a solid foundation for future prosperity.

## 12 skills challenges for Korea



### *Developing skills*

1. ***Tackling the overemphasis on academic studies and higher education.*** Korean students are among the top performers in reading, mathematics and science and a high share continue to tertiary education. There is no doubt that a well-educated workforce has been one of the key contributors to the economic success of Korea over many decades. However today, strong performance in skills and education is not translating into a higher likelihood of employment in Korea. Sustaining Korea's development in the future will depend upon how well skills contribute to positive labour market outcomes for people. Promoting work-based learning in school and boosting participation in vocational education and training will be crucial to achieving this goal. The Korean government's efforts to develop and to implement the National Competency Standards (NCS) to education and training are an important step forward to make skills development more relevant for the labour market. More effective collaboration among the relevant stakeholders will be critical for the standards to succeed.
2. ***Fostering entrepreneurship and skills for a creative economy.*** Creative and entrepreneurial skills are needed to drive further innovation, productivity and economic growth. The current education system, with its strong focus on academic studies, must be balanced with greater attention to fostering creative and entrepreneurial skills. Work-study programmes in schools and universities could be a way to teach students how to generate business ideas, raise funds and run a business. Workplace learning and training organised by companies can also play a role.
3. ***Enhancing adult skills through lifelong learning and education.*** Opportunities to enhance skills are especially critical for low-skilled adults. In comparison to other countries, Korea has a high skills gap between young and older workers. Encouragingly, the skills of young adults are well above the average of countries participating in the Survey of Adult Skills (PIAAC). However, the skills of adults over 45 years are well below the average indicating the need for greater attention to this cohort. Greater opportunities should be available to low-skilled adults to improve their skills by lowering financial burdens when combining learning and work. Continuous learning and upskilling among all adults can be encouraged by recognising non-formal lifelong learning and education experiences through measures such as the National Qualification Framework. Lifelong learning and education also need to become more labour market relevant, which can be achieved through engaging employers in the design and delivery of the courses on offer.

### *Activating skills*

4. ***Activating women by balancing work and family life.*** Recently the female labour force participation has improved, reaching 57% in 2014, up 3.5% points since 2002. However, it is still one of the lowest among OECD countries. Female employment rates decline significantly after marriage and childbirth, despite the relatively high skill and tertiary attainment levels of women in Korea. Women are more likely to work in low-level, part-time, and low-paying or informal jobs that require less intensive use of skills. The gender pay gap is one of the highest among OECD countries and fewer women reach managerial positions. To prevent women from leaving the labour market after marriage and childbirth, family-friendly policies should be monitored effectively and gender-awareness in the labour market needs to be further promoted. Such efforts may include encouraging the use of maternity and paternity leave, providing a flexible work schedule, and disseminating family-friendly management practices. In addition, work-family balance should be supported through the adequate provision of early childhood care and education.
5. ***Facilitating the school-to-work transition for youth.*** Activating youth and creating jobs which offer them career prospects are urgent issues for Korea to address. The share of youth not in employment, education or training (NEET) is above the OECD average and is particularly high among youth with tertiary education. A large proportion of youth are working in non-regular jobs (e.g. part-time, temporary) with low wages and limited career prospects. The transition rate from non-regular to regular jobs is one of the lowest in the OECD. Greater flexibility between vocational and general education tracks, as well as between school and work, could help young people to better align their career choices to labour market needs and increase their chances of finding employment. Better quality information on the labour market and career counselling and services could help guide youth in the transition from school to work.

6. ***Activating older workers while improving their skills and welfare.*** Many older workers are displaced by prime-age workers and retire early. Among OECD countries, Korea has the highest difference between the official retirement age and effective labour market exit age. Involuntary early retirement without appropriate skills tends to force many older workers to take up vulnerable jobs becoming self-employed or working in non-regular positions with poor working conditions and low wages. Precarious jobs coupled with weak social welfare programmes for older workers make Korea the OECD country with the highest relative poverty rate (almost 50%) among older people. Activating older workers skills may yield double dividends by reducing poverty and raising the labour force capacity. This calls for better human resource management and appropriate skills system for older workers. Strengthening incentives to continue to work and providing labour market relevant lifelong education to low-skilled older workers could help in achieving this goal.

#### *Using skills effectively*

7. ***Improving the quality of current and future jobs.*** Korea could make much better use of workers' skills. Among OECD countries, Korea's workers have one of the lowest levels of productivity and work the second-longest hours. One in three workers is a non-regular with low job security and low wages. This contributes to high turnover rates, low average length of job tenure and low levels of motivation. Korea could benefit from focusing on creating a virtuous cycle to improve current workplaces and create new jobs that require a higher use of skills. A higher use of skills is critical for allowing individuals to maintain and further develop their skills and for employers to increase their productivity and overall competitiveness.
8. ***Reducing skills mismatches by making skills visible and using skills effectively.*** Korea has a comparatively high rate of mismatch with a large number of workers who have skills and qualifications that either exceed or fall short of the requirements of their jobs. One in five workers has higher qualifications than the level required by his or her job. In part, this may be due to the fact that education qualifications do not adequately signal the actual skill levels of workers. Skills acquired through non-formal and informal learning need to be recognised and validated in a transparent manner and used by employers and employees alike.
9. ***Identifying and anticipating skills needs to make effective use of skills.*** Education and labour market information allows a broad range of actors to make choices that facilitate a better alignment between skills supply and demand. To this end, information on labour supply and demand both at the national and regional level needs to be readily available to all stakeholders in an integrated and sufficiently co-ordinated manner. Strengthening skills assessment and anticipation measures of short-term and long-term skills supply and demand would generate better information for effective monitoring, designing skills policies, as well as informing individuals' education and career choices. Greater availability and integration of skills information can help to ensure that Korea's skills system responds rapidly to rapid technological and economic changes.

#### *Strengthening the skills system*

10. ***Promoting policy coherence and coordination.*** Greater policy coherence and coordination are critical as skills issues cover a broad range of sectors. For example, for the National Competency Standards (NCS) to work effectively, all relevant actors need to implement it coherently. In order for the NCS to be effective, education and training sectors need to incorporate those standards. They also need to be encouraged to be used by employers in their recruitment, employment, wage-setting, placement and promotion systems. Similarly, increasing female participation in the labour market requires co-ordinating a whole range of policies, such as the parental leave system, flexible working time arrangements, provision of adequate childhood care services, and reducing the gender pay gap.
11. ***Strengthening whole-of-government commitment and whole-of-society approach to address skills.*** When relevant actors have a shared sense of responsibility and ownership they are more likely to agree on how to address skills challenges together. Different mechanisms can facilitate such collaboration. For example, sector councils in Korea convene industrial associations, employers' associations, and research and training institutes to identify training needs, skill shortages and mismatches.

However, some key stakeholders, such as labour unions, are not involved. The sector councils are managed by different ministries with competing roles. There is little co-ordination across the stakeholders and a lack of evaluation regarding their effectiveness. Existing mechanisms, such as the sector councils, and new initiatives are needed to facilitate collaboration among the wide range of stakeholders who often have different and at times divergent interests and needs.

12. ***Improving the coordination and collaboration across levels of government to improve skills outcomes.*** Co-ordination is needed to ensure that skills policy delivery is consistent with design. Local governments in Korea differ in their capacity to raise taxes, which leads to wide disparities in the resources available for implementation at the local level. This results in some local governments being better equipped to address skills challenges than others. While the level of financial transfers from national government to the local government budget has decreased, local government has had to spend an increasing amount on social welfare programmes. This has led to budget deficits and conflicts between national and local governments in areas such as the provision of early childhood and care services. More needs to be done to improve information on the supply and demand of local skills and to engage stakeholders in addressing skills challenges at the local level.

### ***How can this diagnostic report be used?***

This report represents both an output of the diagnostic phase and a timely input to the broad area of skills policy in Korea. Of equal importance are the “intangible” assets generated through inter-ministerial co-operation and the engagement of the broad range of stakeholders this project has fostered. There are many possible ways that the results of this project can be put to use:

**Awareness raising:** the social partners and government officials who contributed to developing this diagnostic report could be encouraged to disseminate its findings and use them to foster a broader public debate about the skills challenges facing Korea today.

**Priority setting:** no country could be expected to tackle such a wide array of policy challenges simultaneously. So one possible next step could be to establish which challenges, from among those identified in this diagnostic report, should be tackled first.

**Action planning:** the ultimate aim would be to go beyond diagnosis to develop concrete plans for action. To be meaningful, this process should include all relevant skills actors, from national and regional government, to social partners and other stakeholders. Ideally, each actor in the national skills system could be encouraged to develop their own initiatives, within their respective spheres of responsibility, to tackle these skills challenges.

This diagnostic report will have served its purpose if it contributes to fostering a common understanding in Korea of the skills challenges ahead. It will have accomplished an even greater goal if it stimulates readers to go from diagnosis to action. For only by investing in strengthening Korea's skills system today will Korea be able to deliver better skills outcomes for its people in the future. The OECD stands ready to Support Korea in its ongoing efforts in designing and implementing better skills policies for better jobs and better lives.



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Better skills policies help build economic resilience, boost employment and reinforce social cohesion. The OECD Skills Strategy provides countries with a framework to analyse their skills strengths and challenges. Each OECD Skills Strategy diagnostic report reflects a set of skills challenges identified by broad stakeholder engagement and OECD comparative evidence while offering concrete examples of how other countries have tackled similar skills challenges.

These reports tackle questions such as: How can countries maximise their skills potential? How can they improve their performance in developing relevant skills, activating skills supply and using skills effectively? What is the benefit of a whole-of-government approach to skills? How can governments build stronger partnerships with employers, trade unions, teachers and students to deliver better skills outcomes? OECD Skills Strategy diagnostic reports provide new insights into these questions and help identify the core components of successful skills strategies.

This report is part of the OECD's ongoing work on building effective national and local skills strategies.

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- [skills.oecd.org](http://skills.oecd.org) for OECD work on skills

### Further reading

OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing.

OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, OECD Publishing.