

INFORMATION NOTE

Job Creation and Vocational Training/Retraining in South Korea

Table 1 - Country background

Demographics	<ul style="list-style-type: none"> • A population of 47.9 million in 2003 (male: 24.1 million, female: 23.8 million). • Population growth rate: 0.6% (2003). • Age structure (2003): <ul style="list-style-type: none"> - under 15: 20.3% - 15-64: 71.4% - 65 and above: 8.3%. • Total fertility rate (births per female): 1.56 in 2003.
Physical geography	<ul style="list-style-type: none"> • With a land area of 99 585 km². • Continental climate with dry cold winters and hot humid summers. • The country has nine provinces and six province-level cities - Seoul, Pusan, Incheon, Taegu, Kwangju and Taejon.
Economic structure	<ul style="list-style-type: none"> • Up to the late 1980s, the manufacturing industry accounted for a rising share of GDP - nearly one-third in 1988 as compared with only one-quarter in 1973. Since 1988, while the share of manufacturing in GDP has remained stable at around 30%, the services sector has overtaken manufacturing, accounting for about 51% of GDP in 2002.
GDP growth	<ul style="list-style-type: none"> • The South Korean economy took off in the 1970s when the government embarked on sweeping economic and financial reforms to boost GDP growth. South Korea continued its impressive economic performance in the 1980s and the early 1990s. The country joined the OECD in 1996. • South Korea was not immune to the Asian financial crisis that swept through most of the region in 1997. The South Korean economy contracted by 6.9% in 1998 but swiftly rebounded to grow by 9.5% in 1999 and 8.5% in 2000. GDP growth moderated to 3.1% in 2003 after reaching 7% in 2002.
Industrial policy	<ul style="list-style-type: none"> • "2010 Industrial Vision", a strategic programme to position South Korea as a leading world industry player in (i) semiconductors and shipping, (ii) automobile and petrochemical industries, (iii) digital electronics, (iv) steel, machinery, parts and materials, and (v) e-business, distribution and logistics.
GDP per capita	<ul style="list-style-type: none"> • 2002: 14.4 million Won (HK\$ 89,521), 2003: 15.1 million Won (HK\$98,506).
Exchange rates	<ul style="list-style-type: none"> • Local currency is Korean Won. As at 19 April 2004, HK\$1 = 149.3 Won.

Table 2 - Labour force characteristics

Labour force	<ul style="list-style-type: none"> • 22.92 million in 2003 (employed: 22.14 million, unemployed: 776 000).
Labour force participation rate	<ul style="list-style-type: none"> • Overall: 61.4% in 2003 (male: 74.6%, female: 48.9%).
Labour force by broad economic sector	<ul style="list-style-type: none"> • Services: 64%, manufacturing and mining: 19%, construction: 8%, agriculture, forestry and fishing: 9% (2003).
Unemployment rate	<ul style="list-style-type: none"> • The outbreak of the Asian financial crisis boosted South Korea's unemployment rate to 6.8% in 1998 from 2.6% in 1997. Amid the improved economic environment, the unemployment rate fell in the ensuing years and reached 3.4% in 2003. In March 2004, the unemployment rate stood at 3.8%. • High unemployment rate among youths aged 15-24: 9.7% (2001), 8.1% (2002) and 9.6% (2003). • Unemployment rate by educational attainment (2003): <ul style="list-style-type: none"> - primary school or below: 1.4% - middle school: 2.8% - high school: 4.1% - college, university or above: 3.5%.
Number of unemployed	<ul style="list-style-type: none"> • 776 000 in 2003 (male: 487 000, female: 289 000).
Labour earnings	<ul style="list-style-type: none"> • Average monthly labour earnings (2003): <ul style="list-style-type: none"> - overall: 2.23 million Won (HK\$14,485) - manufacturing: 2.07 million Won (HK\$13,481) - finance and insurance: 3.4 million Won (HK\$22,069) - wholesale and retail trade: 2.21 million Won (HK\$14,395).

Table 3 - Government's job creation measures

Macro-economic measures	<ul style="list-style-type: none"> • Improving the investment environment to attract inflows of foreign investment, particularly those which could present ample job opportunities. Measures adopted include streamlining investment regulations and granting of tax incentives to foreign investors. • Continued efforts on structural reforms in the corporate and financial sectors. This serves to boost the competitiveness of the South Korean economy, thereby improving the economic prospects and hence labour demand.
Fostering start-up businesses	<ul style="list-style-type: none"> • Providing courses/training on business start-up and management skills. • Increasing the number of "start-up incubator centres" in which start-up businesses can co-locate, rent space, and share business facilities and equipment. The government subsidizes the costs of setting up and operating these incubator centres. • Providing support for business start-ups by small merchants and women through the establishment of small merchant support centres to provide on-site support. Government-guaranteed credits are also provided to them in view of their lack of sufficient collateral to borrow from the banks.
Promoting venture firms	<ul style="list-style-type: none"> • Facilitating the flows of "Angel Funds" to venture firms that provide venture capital to fund start-up businesses. • "Angel Funds" pools the money contributed by private investors to invest in venture firms. The government grants tax incentives to "Angel Funds" with respect to the amount of investment in venture firms and any capital gains from the investment. • Another pro-active government measure is to conduct objective evaluations of the technology of the venture firms by the technology competitiveness evaluation centre of the Ministry of Science and Technology.
Supporting small and medium-sized enterprises (SMEs)	<ul style="list-style-type: none"> • Provision of business and tax incentives for SMEs, such as government-guaranteed loans, and tax exemptions/concessions for new start-ups.

Table 3 - Government's job creation measures (cont'd)

Public works projects	<ul style="list-style-type: none"> • Providing short-term jobs through the government's investment in public works projects. • Public works projects can be classified in four broad categories: <ul style="list-style-type: none"> (i) infrastructure projects, e.g. construction of public facilities; (ii) public service projects, e.g. teaching children from low-income families in after-school classes; (iii) maintenance projects, e.g. garbage collection and lawn maintenance in national parks; and (iv) information technology projects. • People in low-income bracket and the long-term unemployed are given priority in participating in public works projects.
Job creation programmes for unemployed youths	<ul style="list-style-type: none"> • On-the-job experience programme has been introduced to provide jobs for about 44 000 youths. • Under the programme, an employer who hires an unemployed youth and provides him/her with on-the-job training will be given a monthly subsidy of 500,000 Won (HK\$3,349) up to three months. If the youth is hired as a regular worker afterwards, the monthly subsidy will be provided for another three months. • An unemployed youth who participates in the programme will be given a monthly allowance of 300 000 Won (HK\$2,009) up to six months. • In September 2003, the Ministry of Labour announced a 540 billion Won (HK\$3.6 billion) programme to bring the rate of youth unemployment down to 5% within four years. The programme, to be implemented from 2004 onwards, includes the plans to expand subsidies for firms taking on young interns and increase the number of firms eligible for intern support funds.

Table 3 - Government's job creation measures (cont'd)

Job creation programmes for people of low employability	<ul style="list-style-type: none"> • Wage subsidy is given to employers who hire aged workers, the long-term unemployed and women. • Business start-up support programmes have been established for the long-term unemployed. • The government plans to increase employment of women and aged workers through the creation of 50 000 to 100 000 public service jobs each year in areas such as environment, welfare and culture.
Active promotion of overseas employment	<ul style="list-style-type: none"> • Maintaining a government website (www.worldjob.or.kr) for the public access to the information on overseas employment. The website has a database containing information of about 30 000 Korean job seekers who wish to work overseas. Foreign companies can register with the website and search its database for suitable job candidates. • The government has also sought to promote overseas employment through the provision of overseas internship programmes and language training courses for Korean job seekers.

Table 4 - Industry-specific job creation measures

Priority industries	<ul style="list-style-type: none"> • Strong government supports to promote the development of industries that are characterised by inspiring business prospects and high job-creation potential. The knowledge-based industry, including the cultural and information technology industries, is one of these priority industries.
Information technology (IT) industry	<ul style="list-style-type: none"> • The government has taken strong initiatives at the central and provincial levels to promote the IT industry in South Korea. For example, it has invested heavily in building IT infrastructures, such as high-speed communication facilities and networks. • The government encourages the provision of IT-related training in schools, colleges and universities. IT training is also made available to the unemployed youths and adults. • Active government support is given to new technology start-ups with creativity and sound business concepts.
Cultural industry	<ul style="list-style-type: none"> • In South Korea, the cultural industry includes the film, television, video recording, publishing, music, broadcasting, animation and game software industries. • The government has provided financial support and other assistance to support the cultural industry • For example, a 500 billion Won (HK\$3.3 billion) cultural industry promotion fund will be created in 2004 to foster the growth of the cultural industry. Money will be spent on areas such as purchase of game designing machines, production of movies and animations, and upgrading of printing equipment. • A start-up incubator centre has been established for the cultural industry.
Tourism industry	<ul style="list-style-type: none"> • The government plans to develop a tourist zone at the southern coastal area, thereby creating jobs such as tourist guides at scenic spots of special interest.
Environmental industry	<ul style="list-style-type: none"> • The government offers various incentives such as tax incentives and low-interest loans to promote the environmental industry. • A 24 billion Won (HK\$161 million) environmental venture fund and a business start-up incubator centre have been set up for the development of the environmental industry. • “Ecotechnopia 21”, a project to develop environmental technologies for the next generation, was launched in 2001. The project will receive about 1 trillion Won (HK\$6.7 billion) of government subsidy for R&D activities during 2001-2010.

Table 5 - Job training/retraining in South Korea

Development of vocational ability	<ul style="list-style-type: none"> • Public training institutions such as vocational colleges and polytechnic colleges have focused on providing training to facilitate employment in high value-added, knowledge-based sectors, such as the IT, television, film, and game software industries. • Training programmes are also provided for employees working in other priority industries with good employment prospects. • The government has encouraged life-long vocational training through measures such as expanding cyber training (e.g. internet training) and providing loans/subsidies to finance the training expenses.
Employee training	<ul style="list-style-type: none"> • The government subsidizes all or part of the costs incurred by employers on providing training for their employees. Training includes courses run by accredited colleges or universities, designated vocational and training institutes, and in-plant vocational training institutes using the training facilities/equipment supplied by employers. • Workers employed for more than one year can receive paid leave to attend courses run by vocational and training institutes. Employers can get wage subsidies for providing paid-leave training for their employees. • Government subsidies are given to workers who take basic information technology courses. However, for other training courses, government subsidies are only given to those trainees who leave their jobs, or are aged 50 or above. • Workers who enrol in junior colleges, technical colleges or universities can take out long-term government loan at low interest rates to pay for the tuition fees.
Training programmes for youths	<ul style="list-style-type: none"> • Training in basic skills and knowledge required at production sites is provided to youths who aspire to become skilled technicians. • Education programmes in the fields of multimedia contents, internet, information and telecommunications are also made available to strengthen the employability of young people. • The government has earmarked 220 billion Won (HK\$1.5 billion) to train 54 000 youths.

Table 5 - Job training/retraining in South Korea (cont'd)

Training programmes for the unemployed	<ul style="list-style-type: none"> • Training programmes for the unemployed have been centred on occupations in the manufacturing, IT, and other service industries with good re-employment prospects. Pre-training counselling services has been put in place to prevent trainees from dropping out of training. • Unemployed workers are given a training allowance ranging from 50,000 Won (HK\$335) to 250,000 Won (HK\$1,674) for taking training courses to develop their vocational ability. • Trainees who are learning skills used in the "3-D" (dirty, difficult and dangerous) industries, which persistently face a labour shortage, can receive an additional bonus.
Training programmes for low-income earners	<ul style="list-style-type: none"> • Vocational training is provided for low-income earners, such as farmers and fishermen, to boost their self-reliance and employability. • Low-income earners are also provided with training on self-employment and business start-up.

Table 6 - Financing of training/retraining

Employment Insurance System	<ul style="list-style-type: none">• In South Korea, the Employment Insurance System (EIS) virtually covers all the workers in the country.• EIS has three major schemes: unemployment benefits scheme, employment stabilisation scheme, and job skill development programme (JSDP).• EIS not only provides unemployment benefits to insured workers (i.e. unemployment benefits scheme), but also helps encourage job retention/re-employment (employment stabilisation scheme) and finance the vocational ability development activities of insured workers (JSDP).• Employers and employees contribute to the three schemes of EIS based on different premium rates. Only employers are required to contribute to JSDP and the premium rates vary from 0.1% to 0.7% of total payroll according to the size of the company concerned.• JSDP encourages vocational training by providing subsidies to employers and employees out of the EIS fund.
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Table 7 - Types of training institutions in South Korea

Public training institutions	
Institutions run by public organizations	<ul style="list-style-type: none"> • Including 44 training institutions run by the Human Resources Development Service of Korea (HRD) and eight by the Korea Chamber of Commerce and Industry.
Local government-run institutions	<ul style="list-style-type: none"> • Seven training institutions run by Seoul City, Gyeonggi Province and Gyeongnam Province to offer vocational training in areas favoured by the residents in the respective city and provinces.
Government-run institutions	<ul style="list-style-type: none"> • 36 training institutions run by the Ministry of Justice to train inmates' vocational ability.
Private training institutions	
Training corporations	<ul style="list-style-type: none"> • Facilities established and run by non-profit corporations with permission obtained from the Ministry of Labour to conduct vocational ability development programmes.
Women resources development centres	<ul style="list-style-type: none"> • Facilities established and run for women's vocational ability development.
Facilities designated by the Ministry of Labour	<ul style="list-style-type: none"> • Some universities, polytechnic colleges, business associations and private training institutions are designated by the Ministry of Labour as vocational ability development training facilities when they fulfil certain requirements.
Facilities not designated by the Ministry of Labour	<ul style="list-style-type: none"> • Some business associations, schools and private institutions are approved by the government to run vocational training courses, although they are not designated by the Ministry of Labour as vocational ability development training facilities.

Table 8 -Types of training institutions run by public organizations

Special vocational schools under HRD	<ul style="list-style-type: none"> • To train youths who do not plan to seek higher educational attainments to become technicians in key industries. • 21 such schools in South Korea.
Polytechnic colleges under HRD	<ul style="list-style-type: none"> • 2-year colleges to train mid-level technicians. • 22 such colleges in South Korea.
Korea University of Technology and Education	<ul style="list-style-type: none"> • A 4-year university run by HRD to provide teacher education to vocational training teachers.
Vocational Educational & Training Centers run by Korea Chamber of Commerce and Industry	<ul style="list-style-type: none"> • To train those youths who do not plan to seek higher education attainments to become skilled labours in occupations experiencing manpower shortage. • Eight such centres in South Korea.

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