

---

**Korea's Policy on Skills Development  
to Overcome the Economic Crisis and  
to Prepare for the Future**

---

**May 25, 2010**



**Ministry of Labor  
Republic of Korea**



## 1. Labor Market Conditions in Korea Before and After the Economic Crisis

### ○ Before the crisis

- The Korean labor market remained stable before the global financial crisis.
- The number of unemployed people continued to decrease from 887,000 in 2005 to 769,000 in 2008.
- The unemployment rate remained steady at 3.2% in 2007 and 2008 from 3.5% in 2006 and 3.7% in 2005.

<chart 1> Labor Market Conditions in Korea before the crisis

(Unit : a thousand, %)

	2005	2006	2007	2008
Unemployed people	887	827	783	769
Unemployment rate	3.7	3.5	3.2	3.2
Employed people	22,856	23,151	23,433	23,577
Employment rate	59.7	59.7	59.8	58.6

\* Date : Statistics Korea, A survey on economically active population

### ○ During and after the crisis

- The collapse of the Lehman Brothers in September 2008 made the global economic crisis worse, affecting the Korean economy and job sectors.
- Starting from December 2008, the number of newly employed people over the same period a year earlier began dropping due to the reduction in youth and adult employment and in new recruitment.
- In particular, vulnerable and underprivileged people were hit hard by the economic crisis with a sharp decrease in jobs for daily workers and small business owners.
- The employed decreased in May 2009 by 219,000 over the same month a year earlier.

- It was the biggest drop in a decade since March 1999, aggravating the job crisis, triggered by the economic crisis.
- The number of unemployed people had gone up since September 2008 to 952,000 in March 2009.
- The unemployment rate had also increased since October 2008 to 4.0% in March 2009.

<chart 2> Labor Market Conditions in Korea after the crisis

(Unit: A thousand, %, %p)

	Sep 2008	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009
Employed People	23,734 (112)	23,847 (97)	23,816 (77)	23,245 (-12)	22,861 (-103)	22,742 (-142)	23,110 (-195)	23,524 (-188)	23,720 (-219)
Unemployed People	722 (3)	736 (3)	750 (17)	787 (51)	848 (73)	924 (105)	952 (142)	933 (149)	938 (185)
Unemploy- ment rate	3.0 (0.0)	3.0 (0.1)	3.1 (0.1)	3.3 (0.2)	3.6 (0.3)	3.9 (0.4)	4.0 (0.6)	3.8 (0.6)	3.8 (0.8)
Employment rate	59.8 (-0.4)	60.0 (-0.4)	59.9 (-0.5)	58.4 (-0.7)	57.3 (-1.0)	57.0 (-1.0)	57.9 (-1.2)	58.8 (-1.2)	59.3 (-1.2)

\* ( ) shows the year-on-year increase or decrease

\* Date : Statistics Korea, A survey on economically active population

## 2. Korea's Direction for Employment Measures to Overcome the Economic Crisis

- In response to the job crisis, caused by the economic trouble, the Korean government have taken various employment measures.
  - The livelihood of unemployed people is backed through unemployment benefits and loans for sustaining their life.
  - More public jobs, such as public work or youth internship, are added for underprivileged people.
  - Tax breaks and government subsidies are expanded to induce employers and employees to retain employment and share jobs.

- The support for skills development will be reinforced to prevent employees from losing jobs and to enhance employability of jobless people.

### **3. Korea's Policy on Skills Development to Overcome the Economic Crisis**

#### **(1) Korea's Skills Development Support System**

- The Vocational Training Act was enacted in 1967 with the initiation of Korea's economic development.
  - Training costs were subsidized for courses recognized by the Ministry of Labor
  - The Central Vocational Training Institution was established in 1968 with aids from an ILO-UNDP program. Since then, the government took the lead to train industrial workforce by building public training institutions.
- The Basic Vocational Training Act was enacted in 1976.
  - A Levy-Exemption scheme was adopted to give financial support for vocational training.
  - Vocational training became mandatory for businesses beyond a certain size based on the number of employees.
  - In case of violation, training levies were imposed, which were used for public training courses.
- The Employment Insurance System was introduced in 1995.
  - The way for financial support for vocational training was shifted to a Levy-Grant scheme.
  - Employment insurance premiums were imposed on employers to raise fund for vocational training projects.
  - The premiums were used to support employers to train their workers, and provide training for the unemployed and the public.

## **(2) Korea's Policy on Skills Development to Overcome the Economic Crisis**

- The Korea's policy on skills development is led by the Ministry of Labor with a focus on training for the unemployed and the employed.
- Training for the unemployed
  - In response to the increase in the number of unemployed people, the size of training for the jobless has been expanded with 153,000 trainees, up from 2008 by 40,000.
  - Livelihood support loans are provided to trainees, enabling them to focus on their training without concerns for their livelihood.
  - "Job Promotion package program" has been implemented to support the unemployed to get a job. It is designed to provide unemployed people from a poor household with a comprehensive service from in-depth consulting to referral for short-term jobs, vocational training and employment opportunities for the maximum one year.
  - These measures encourage unemployed people to be employed while preventing the decline in employability, caused by a prolonged period of unemployment.

### **< Livelihood Loans for Trainees >**

- Unemployed people and non-regular workers who take a training course face the burden to financially support themselves. In order to address this issue, a system of providing loans for their livelihood was introduced in 2009.
- Those who take a training course among the jobless or non-regular workers are eligible for the loan. The amount of 1 million won per month for the maximum 6 months can be taken out, which is to be paid back for 3 years after their training.

### **< Job Promotion Package Program >**

- Step-by-step assistance is given for the maximum one year after an accurate examination for the capacity of each jobless from a poor family.
  - (Step1) In-depth consulting and 'testing in vocational psychology' is carried out. Based on the result, an Individual Action Plan is established .

- (Step2) According to the plan, group consulting programs, vocational training, short-term jobs and assistance for opening business are provided to boost morale of job seekers and enhance job capacity.
- (Step3) A focused job referral service is given to program participants.
- If program participants receive training, an additional training allowance of 200,000 won is provided per month, apart from training costs. If they are employed, 1 million won of extra pay is given as an incentive.

○ Training for the employed

- It is to minimize job loss of the employed (or to avoid lay-offs) and help businesses and workers secure competitiveness after the crisis.
- Vocational training is encouraged as an alternative to suspending business or leave of absence, so that reduction of operation, caused by a decline in production volume, can serve as an opportunity to improve productivity.
- Even though employers inevitably take employment retaining measures, such as suspension of business, leave of absence and reassignment of workforce, favorable support is given if they provide their workers with vocational training.
- A special program is implemented to enable non-regular workers who have little chance for training to receive vocational training at the weekends or during the nights.

**< Government Support to Retain Employment >**

- If employers retain employment through suspension of business or leave of absence rather than lay-offs to respond to poor management conditions, the government supports 2/3 (half for big businesses) of the allowance for either suspension of business or leave of absence that the employers have given to their workers.
- If employers retain employment by reassigning workforce, the government supports 3/4 (2/3 for big businesses) of the wage that the employers have given to the reassigned workers.

- If employers provide their workers with vocational training while retaining employment, the government supports part of training costs and 3/4 of the wage (2/3 for big businesses) that the employers have given to employees.

**<The special skills development program for non-regular workers>**

- The government selects training institutions that run quality training courses for non-regular workers who have little chance for high-cost vocational training due to the lack of financial means.
- The chosen institutions open and carry out quality training programs for non-regular workers at the weekends or during the nights.

○ As a result of expanding support for skills development in response to the economic crisis, the number of trainees taking training courses for the unemployed or the employed dramatically increased in 2009 from a year earlier.

- The employment rate among those who had received training is relatively high amid poor employment conditions.
- A foundation is laid to overcome economic crisis and take another leap forward by minimizing job loss through employment retainment and prevention of the loss in human resources during the period of unemployment.

<chart 3> The number of trainees and national budget for vocational training

(Unit : a thousand, 100 million won)

		2006	2007	2008	2009
The number of trainees	Total	3,016	3,693	4,120	5,102
	The unemployed	102	117	113	153
	The employed	2,914	3,576	4,007	4,949
National budget for vocational training	Total	6,579	7,713	8,143	10,256
	The unemployed	3,236	3,638	3,402	4,659
	The employed	3,361	4,075	4,741	5,597



#### 4. Korea's Policy on Skills Development in Preparation for the Future

- The Korean government believes that skills development is the most effective and strategic investment for a sustainable and balanced growth. It will push ahead its skills development policy with the following direction.
  - Life-long skills development should be provided to improve women's participation in economic activities and to upgrade elderly workers' vocational skills.
  - The government's policy should effectively support vulnerable people to enter the labor market and to get a better job by improving their employability and mobility.
  - The policy should embrace technology changes in the future labor market and contribute to the creation of green jobs to respond to global warming.
- In order to provide the unemployed with a more systematic life-long skills development, an 'Individual training account system' was introduced in 2008, which was expanded nationwide in 2009.
  - The system issues a training account to trainees who receive training, enabling them to choose training that they need.
  - Under the system, vocational training is given not from the perspective of training providers but from that of trainees. Without the account system, the government used to select a training institution and the institution recruited trainees.
  - The Korean government will expand the 'Individual training account system' to provide vocational training to the employed and the public throughout their life.

##### **<Individual Training Account System>**

- An individual training account is issued to job-seekers after he/she chose a training course by consulting staff at PES(Public Employment Service).
- With the account, he/she can decide when and where to take the course and participate in the training. 20% of the total training costs is paid by trainees.
- After the training, the institution that had provided the course can apply for the remaining cost to PES. Then, the PES give the amount to the institution.

- In order to give more training opportunities to vulnerable people and enhance their employability, more people will be eligible for "Job Promotion package program".
  - In particular, the special training program will be expanded for non-regular workers or small business owners who lack time and financial means for their skills development.
- In order to effectively meet the changing demand for human resources in the labor market, financial support for employers' groups or Sector Council will be strengthened, so that industrial circles can take the lead in carrying out vocational training.
  - To this end, employers' groups or Sector Council will play a role in developing training programs, and qualifications criteria while the Korean government give them financial support.
- The Korean government adopted a "Green Growth Strategy" to create new jobs in preparation for the future. One of the keys to the strategy is nurturing green workforce through education and training.
  - To this end, the Korean government plans to train 100,000 core experts for green industry such as energy and environment by investing 1 billion dollars over 5 years.
  - Retraining will also be strengthened for workers in existing key industries such as automobile, steel and ship building to enable them to smoothly move to green industries.
  - The curriculum of government-funded public training institutions will shift its focus to nurture green workforce.
  - The national skills qualification system will go through improvements to embrace green skills and green jobs with newly adopted qualifications criteria in green sectors.