

**2012 Modularization of Korea's Development Experience:
Building an Employment Service
System for Efficient Utilization
of National Human Resources**

2013

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Preface

The study of Korea's economic and social transformation offers a unique opportunity to better understand the factors that drive development. Within one generation, Korea has transformed itself from a poor agrarian society to a modern industrial nation, a feat never seen before. What makes Korea's experience so unique is that its rapid economic development was relatively broad-based, meaning that the fruits of Korea's rapid growth were shared by many. The challenge of course is unlocking the secrets behind Korea's rapid and broad-based development, which can offer invaluable insights and lessons and knowledge that can be shared with the rest of the international community.

Recognizing this, the Korean Ministry of Strategy and Finance (MOSF) and the Korea Development Institute (KDI) launched the Knowledge Sharing Program (KSP) in 2004 to share Korea's development experience and to assist its developing country partners. The body of work presented in this volume is part of a greater initiative launched in 2010 to systematically research and document Korea's development experience and to deliver standardized content as case studies. The goal of this undertaking is to offer a deeper and wider understanding of Korea's development experience with the hope that Korea's past can offer lessons for developing countries in search of sustainable and broad-based development. This is a continuation of a multi-year undertaking to study and document Korea's development experience, and it builds on the 40 case studies completed in 2011. Here, we present 41 new studies that explore various development-oriented themes such as industrialization, energy, human resource development, government administration, Information and Communication Technology (ICT), agricultural development, land development, and environment.

In presenting these new studies, I would like to take this opportunity to express my gratitude to all those involved in this great undertaking. It was through their hard work and commitment that made this possible. Foremost, I would like to thank the Ministry of Strategy and Finance for their encouragement and full support of this project. I especially would like to thank the KSP Executive Committee, composed of related ministries/departments, and the various Korean research institutes, for their involvement and the invaluable role they played in bringing this project together. I would also like to thank all the former public officials and senior practitioners for lending their time, keen insights and expertise in preparation of the case studies.

Indeed, the successful completion of the case studies was made possible by the dedication of the researchers from the public sector and academia involved in conducting the studies, which I believe will go a long way in advancing knowledge on not only Korea's own development but also development in general. Lastly, I would like to express my gratitude to Professor Joon-Kyung Kim and Professor Dong-Young Kim for his stewardship of this enterprise, and to the Development Research Team for their hard work and dedication in successfully managing and completing this project.

As always, the views and opinions expressed by the authors in the body of work presented here do not necessary represent those of the KDI School of Public Policy and Management.

May 2013

Joohoon Kim

Acting President

KDI School of Public Policy and Management



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Summary

Employment service is a core infra-service of the national economy by supporting lifetime job activity, business management, and effective utilization of national human resources through comprehensive job-related services. Employment service not only assists job-related personal activities and management of human resources, but also encourages the systematic flow of human resources management with job information, guidance of vocations and careers, employment assistance, vocational training, and unemployment allowances.

The function of employment service is to facilitate employment contracts by matching jobs with job seekers. This implies provision of job search information (for hiring companies, information on qualified candidate) and labor market information. The system is based on effective matching techniques that link job seekers with open job positions and, by doing so, creates new employment contracts. Public job agencies are needed because of the imperfect and asymmetrical information between job seekers and available jobs in the labor market. Thus, public institutions, as an acting agent of labor market participants, actively engage in the labor market to improve the quality and usability of information, ultimately producing high-quality information.

Employment Service Development Process

When viewing the development trajectory of employment service in Korea, the role of the U.S. Military was significant during the early years following the emancipation of Korea because of its efforts to reform the undeveloped labor market and unreasonable labor-related policies. These policies originated during the Japanese occupation, and the U.S. urged the abolishment of the labor-oppressive colonial laws and regulations, and to

replace them with new democratic labor laws and norms. For example, the U.S. introduced progressive laws such as a “minimum wage system,” “the right to form labor unions,” “mandatory use of employment contracts,” “prohibition of child labor,” and “regulated work hours.” As a Japanese Colony, regular school education was aimed at fostering mid-level management skills, and there was no support for engineering education for Koreans. Koreans were employed as non-engineering simple workers. For this reason, the operation of production factories after the emancipation was delayed because of the shortage of engineers. In addition, the Korean War worsened these problems, and the country was not really able to recover 1956. Overall, the labor market environment before 1960 was a gloomy period for Korean workers.

During the initial industrialization period (light industry development, 1961-1972), 44 Job Placement Offices in municipal governments were established and conducted vocational guidance and job finding services within the established area. This prelude to today’s Job Center operated with more than half of its operation budget subsidized by the central government. Although the Labor Commissioner Office and its Job Security Bureau were established in 1963, the Job Placement Office was under the supervision of municipal governments. However, the Job Placement Office was unable to carry out its tasks effectively due to a lack of professional staff, budget, and inter-cooperation with municipal governments. In order to remedy these issues, the 44 offices were combined into 25 Job Placement Offices under the supervision of the Labor Commissioner Office of central government, between August and October, 1968. Municipal governments were allowed to continue operating their free job placement offices, and the national network of Job Security Offices was institutionalized. The Office performed detailed job security tasks such as information analysis on the labor market, management of supply and demand in human resources among regions and occupations, provided vocational guidance, and conducted job suitability tests. The Labor Commissioner Office has provided customer service at its local labor offices in the form of job search services and by supplying other sources of information for job seekers.

The Labor Commissioner Office also formulated a Five-Year Plan for Development of the Labor Administration in the mid-1970s, which was during the period of heavy industry development. The Commissioner Office expanded its mission when it established the Central Job Security Office in Seoul, in addition to nine Provincial Job Security Offices. The Central Job Security Office was responsible for computerization of the job matching process.

The Labor Commissioner Office ran the Job Security Department in 34 local Labor Offices in the mid-1970s. This number of offices increased to 41 in the 1980s. The Central Job Security Office, established in June 1979, marked the foray of the Job Security Agency to the national level. Departments were then moved into areas where job seekers or hiring

companies could easily access the Agency. This was a preliminary step to restore these departments into the Job Security Agency. In 1980, 14 new agencies opened and, in 1981, additional two agencies opened. These 18 agencies among a total of 35 agencies were operated separately from the local labor office, but again later integrated into the department in the local labor office in 1982. Other organizations that worked for job security were the Public Job Agency, operated by municipal governments, and Class 1 job agencies, operated by non-profit organizations. These organizations offered free service, while Class 2 private job agencies provided services for a fee. Vocation training centers at schools were also approved for job security missions. Non-institutionalized forms of job security tasks, such as poor relief projects by regional administrative organizations at the district level, unofficial job agencies, and day work on-the-spot hiring, also took place. Job matching statistics through job security agencies – the local Labor Office, job agencies at the city or provincial level, and private agencies – in 1976 shows that the number of job seekers was somewhat larger than the number of available positions.

Although many job security agencies were established around the country during the period of advanced industrialization (1980-1997), were not well equipped to assist job seekers. For example, the location of the agencies was often inconvenient, and reliable job information was scarce.

The top priority of the Labor Commissioner Office was to increase the number of new job security agencies and staff. The office made it a priority to increase and strengthen the link between job seekers and job information to facilitate proper functioning of the labor market. This was a different take from previous policies that emphasized vocational training and training systems. As of the end of October 1991, the total number of employment service agencies was 1,116. National agencies numbered 51, city and provincial public job agencies numbered 16, and private agencies totaled 1,049 (free: 98, paid: 951). The number of staff at those 51 national agencies was only 343. It was only after July 1996 that professional job consultants, not civil servants, were hired and assigned to public job security agencies to perform job security tasks. Those consultants (i.e., 42 contracted professional job consultants at the human resource bank) outperformed other staff at their agencies. The number of successful job matching cases at three human resource banks exceeded that of all of the labor offices combined. In addition, the customer satisfaction rate was also better than that of the offices.

In terms of technology, the existing system of manually-entered information proved to be slow and inadequate in providing job information when needed. A job finder's service network became the top priority computer network project for The Ministry of Labor. In May 1987, 44 job security offices, including the Central Job Security Office, completed the nation's first online network of national administrative computing networks for job finders.

The period after the 1998 financial crisis can be regarded as the time when the Job Center (Job Security Office in former periods) and service delivery systems realized functional development. This is also when human resources development and the corresponding development of employment services witnessed significant growth. A large number of the unemployed visited local labor offices to obtain unemployment allowances. However, most of the local labor offices were located in the outskirts of major traffic points, making them difficult to access. The work flow of the unemployment allowance itself was complicated. The unemployed needed to apply for the unemployment allowance with the Employment Insurance Department, and then proceed to the Job Security Department to verify that they are trying to find a job. Then, the Employment Insurance Department processed their applications. Many, already frustrated by their job loss and embarrassed for having to apply for unemployment, complained angrily about the complexity of this application process.

In July 1998, the Employment Insurance Department and Job Security Department were integrated into a new institution called the Job Center. The Job Center provided one-stop service that included job matching, employment insurance benefits, and vocational training. The Job Center conducted job assistance services such as job matching and consultations, employment insurance operation such as management of the insured and unemployment allowance, and vocational training development, in addition to other services. As the number of the unemployed increased, the budget for employment services also increased. In turn, the number of Job Centers around major traffic points increased, and the Centers' facilities improved. For example, semi-closed service windows were added to protect privacy.

When discussing where the Job Center should be located, the 1998 plan to establish the Job Center in every district of the metropolitan cities became the 2000 plan that called for a few, large Job Centers around major traffic points in metropolitan cities, and many ordinary Job Centers at every district level of towns and small cities. It was agreed that accessibility was a bigger concern in small cities, while there could be fewer but larger Job Centers in the big cities. Construction of the national level job center network also followed this plan.

Figures indicate that the number of registered job seekers at Job Centers peaked in 1999, declining after 2000. Actual hires showed an increasing trend from 1998 until 2002. The typical job seeking process was primarily "referrals by friends and relatives," followed by "newspaper and magazines ads, advertisement cards, and posters." The rate of job seeking activity through job agencies was 3.9% in 1998 but increased to 6.7% in 2000.

Currently, the Job Center is the primary agency of public employment service in Korea and was established as a part of the local administration office under the Ministry of Employment and Labor. The job security agency in Korea serves has served as a bureau of the local office of the central government since its inception. Programs conducted by

past agencies were concentrated on monitoring vocational training and private job agencies providing job placement and skillful workers. This meant the role of the agency in providing direct employment services was weak. But the Job Center strengthened its functions as the agency for providing direct employment services.

The organizational status of the Job Center is an affiliated organization operated by the local labor office or its branch, which is the local administration of the Ministry of Employment and Labor. An employment security agency used to be one of the bureaus under the local labor office or one of its branches until the late 1990s. Presently, however, the Job Center is an independent organization under the local office. Six metropolitan cities have Job Centers under their local labor offices, and 41 branches of local offices also have Job Centers (for a total of 81 Job Centers). As of 2011, the Job Center is at the center of public employment service. There are other public employment service agencies operated by municipal governments. The relationship between the Job Center and private employment service agencies is somewhat ambivalent in the sense that the Job Center is not only monitoring private agencies, but it is also a partnering agency for contracting-out employment service tasks.

Main Tenets of Employment Service and Monitoring

The main elements of employment services are the job matching program, successful employment package program, unemployment verification of the unemployed and re-employment assistance service. The performance management system for employment service is constructed to provide efficient service and effective performance management through the Job Center.

The job matching program is a program to facilitate employment contracts between job seekers and hiring companies. For job seekers, the program helps them select the most suitable jobs. For companies, the program helps them find qualified workers. Overall, the program contributes to the development of the local community and national economy by assisting in the appropriate supply of labor forces.

The successful employment package program is an integrated employment assistance program for the low income bracket and vulnerable social groups via customized individual employment assistance plans – which combine the assistance process of “diagnosis/ goal setting → motivation and capability improvement → focused job matching.” Such a comprehensive employment assistance system facilitates labor market entry with sub-programs that provide “incentives to people successfully employed.”

The Job Center assigns staff for individual service to conduct unemployment verification and re-employment assistance services to the unemployed.

In 2006, the Employment Service Evaluation Center was set up as part of the Korea Employment Information Service. Its objective is to advance employment services by improving their quality through continuous assessment, monitoring, quality certification, and skills development, for both the public and private sectors. Such efforts are aimed at efficient operation of a person's transition to the labor market.

In 2011, the performance management system for employment service was constructed containing analysis modules that provide overall management of performance indicators for the services conducted by the Job Center, local municipal governments, and private employment service agencies. The system provides performance indexes for employment service according to agency type and delivers its analysis results to those agencies.

Although the importance of public employment service has been emphasized in Korea, there have also been many problems in implementing these services. Therefore, the Korean case can be used a source of reference for other countries that are in the process of constructing their own employment service systems.

Implications of the Korea Case and Applicability

One of the things that Korea has learned is that any public employment service network must take into consideration the labor market environment. Since labor supply and demand does not function in the labor market, people entering the labor market tend to be disadvantaged in their job decisions and have much difficulty choosing a career route. Policy priority therefore needs to be given to ensuring the “right fit” when matching jobs to applicants. One way to achieve this is by strengthening career guidance at every level of school education, especially during the course of vocational training, and quickly introducing young people to the employment service program.

When constructing a public employment service network, some points are worth mentioning. First, the network should be a quick system of linking job seekers and hiring companies. Job seekers often do not have hiring information, and many hiring companies do not have useful human resource information. Solving this problem is an essential part of the network. Second, vocational career guidance education needs to be strengthened for the youth. Third, an employment support system also needs to be established. Support to the unemployed in the form of consultations, for example, will help match proper job positions with specific individuals. This will also support hiring companies while obtaining information on available job positions. Korea's experience in building an employment

service infrastructure would be a great case for others to explore how to build such systems, namely an employment service institution and system, employment service policy that aligns with labor market conditions, a state-led employment delivery system, a system of linking employment services with businesses through cooperation, and other ways to support employment services.

2012 Modularization of Korea's Development Experience
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Utilization of National Human Resources

Chapter 1

Employment Service Policy



Employment Service Policy

The characteristic of employment service policy has been transformed into programs for job opportunity and reduction in unemployment duration due to continuous crises in the capitalist system such as war or economic recession in the modern industrialized capitalism.

The goal of an employment service policy lies in reconciling the instability of an imperfect labor market and in recovering the functions of perfect market competition. The job security office is tasked with this objective. The office conducts job aptitude tests for job seekers and certifies job competence, and also provides information on the job seeker to prospective employers. Job information is also gathered by region, industry, and job category and then provided to job seekers. The gathered information is, more importantly, applied to human resource policy because it provides an overview of the labor market.

Employment service policy is also connected to welfare policy because of its role in providing job opportunities to workers and, in doing so, promotes stabilization of their livelihoods and human resource supply. This can also be interpreted as contributing to the minimization of the unemployment rate and, ultimately, optimal social stability.

In the late 20th century, which is considered the heyday of the post-war welfare state, job security policy focused largely on life stability as a part of comprehensive social policy. This focus led to a policy gap in human resource development and other labor market policies, while also classifying job security policy as “passive labor market policy.” This classification reflects the tendency to associate unemployment with the problem of labor market friction, and long-term unemployment with poverty, making social welfare a solution for job-related problems.

After the “Oil Shock” in the 1970s, there was widespread recognition that perfect employment was impossible to achieve. Due to a massive increase in long-term unemployment

and the limits of fiscal capacity to execute passive labor market policy (i.e. unemployment allowances), western European countries started to emphasize employment services to strengthen job security policy as a part of employment policy. In other words, employment services encourage active participation of workers in the labor market and, by doing so, facilitate reduced fiscal burdens of the welfare state and invigorate aspects of employment policy embedded in job security policy.

In general, employment service policy is “a series of policies related to employment retention, security and expansion along with supplementary benefits to the unemployed and their re-employment (Bae, 1981).” Therefore, employment service policy involves all levels of the economy from long-term human resource supply and short-term industrial production to training and education, resource and energy, the international economic environment, and price fluctuations.

Employment service policy is often treated as active labor market policy. In general, labor market policy contains various policies to ensure the proper supply of workers to the labor market, as well as the effective use of the labor force – which covers formation and distribution of the labor force to social improvements and productivity. The purpose of labor market policy therefore lies in unemployment prevention for the employed and support for the rapid return of the unemployed to the labor market, and building a social security net so as to prevent people from falling into the “poverty trap.”

As mentioned previously, the introduction of active labor market policy or active labor policy from the 1980s to respond the “crisis of the welfare state” blurs the distinction between two concepts. According to the OECD, active labor market policy has four components: training human resources necessary for economic growth; obtaining flexibility; quality improvement of labor forces; and adaptation to regional and occupational changes in employment. These components refer to a policy on the labor force: putting employment as a central issue of the economy; implementing policy with a long-term perspective on retention, management and labor force utilization; and matching a job to a worker’s desires and job aptitude.

In this sense, active labor market policy is defined as an active policy of unemployment prevention, which is contrast to passive labor market policy such as unemployment insurance or unemployment allowances that passively compensate for income loss due to unemployment. The goal of active labor market policy is to minimize unemployment and focus on vocational training, job seeking assistance for re-employment, job creation or employment retention programs. The priority of these programs is given to unemployment prevention so as to respond to the HR demands of companies or, in the case of a business recession, to compensate for lost income. During such times, the policy is geared toward

providing job seeking assistance such as training and education, job matching services, and relocation subsidies to the unemployed. In the case of the youth, employment facilitation programs are aimed at quick re-employment.

As we have discussed, employment service policy is a main factor in employment-related policy that has been classified under each area of active labor market policy. Employment service policy within an employment stabilization policy is absolutely important.

Employment service aims to improve labor market efficiency by solving the problem of information disparity, reconciling job seeker and job conditions, and providing suitable employment services. For this purpose, the employment service infrastructure is critical.

The function of public employment service is essential to the smooth operation of the labor market by performing such functions as connecting job seekers to the hiring company. In doing so, the service is expected to lead to better matching of jobs with job seekers, fewer shortages of a skilled workforce at small and medium size companies, reduced unemployment durations (the period of the actively unemployed), and transition to better jobs.

In addition, the recent increase in poor job matching results and slow job creation had led to increased demands for public employment services. The need to employ members of socially vulnerable groups is also important and, for this reason, diverse employment assistance programs are needed.

Box 1-1 | Role of Employment Service Policy

Active labor market policy is an active policy of unemployment prevention unlike passive labor market policy such as unemployment insurance or unemployment allowances, which passively compensate for income loss due to unemployment. In particular, the role of employment service policy is important as it aims to improve the imperfect labor market and recover a perfectly competitive market function by providing information necessary to employers and job seekers in the fastest way.

Changes and Characteristics of Employment Services and Labor Market Characteristics by Economic Development

1. Pre-Industrialization Period (Before 1960)
2. Initial Period of Industrialization (Light Industry)
and Employment Service (1961-1972)
3. Employment Service during the Mid-Industrialization
Period: Development of Heavy Industry (1972-1979)
4. End of Advanced Industrialization (1980-1997)
5. Development of Human Resources and Employment
Services after 1998

Changes and Characteristics of Employment Services and Labor Market Characteristics by Economic Development

1. Pre-Industrialization Period (Before 1960)

1.1. Japanese Colonial & U.S. Military Government Period

The beginning of modern employment policy in Korea can be traced back to the time Korea was a Japanese colony, and Japan needed to mobilize workers to guarantee profits for the Japanese military industry. The policy, therefore, was not an instrument for employing workers.

The mobilization of the Japanese Empire from September 1939 was conducted in the following manner. First, business proprietors in the coal, mining, and construction sectors were approved to recruit Korean workers from colonial Korea, and then approved by the Japanese Government General of Korea. They recruited Korean workers from the assigned region under the supervision of the Government General of Korea. Recruited workers worked in Japan under the guidance of business proprietors or their delegates. From 1942, this program was conducted via the provincial government. The provincial government was assigned a number of workers to send to Japan by the Government General, who then accepted applications for recruitment.

After the emancipation from Japanese rule, the U.S. military government recognized the importance of human resources in Korea's recovery, and the government enacted several labor-related policies and laws though employment stability was not specifically considered.

It is reported that the U.S. military government contributed to reforming many of the labor-related practices put in place by the Japanese. The U.S. military government tried to abolish Japanese anti-social and anti-labor laws and programs and create new labor institutions and norms. Some of the more advanced employment-related programs in this

period include the “the minimum wage system,” “protection of labor unions,” “respecting written employment contracts,” “prohibition of child labor,” and “regulation on work hours.” However, these efforts to abolish the Japanese laws were difficult to realize because of the political and economic realities surrounding this newly-independent country.

A brief look at labor market statistics during the U.S. military government period shows that according to the labor and income census conducted by the government, there were 4,806 business enterprises that hired more than five workers, and the number of workers totaled 212,000 as of November 1946. These figures are actually less than what was recorded in June 1944. The number marks a decline in the number of business enterprises by 48.5% and the number of workers by 29.6%. These numbers point to the harsh business environment that existed at the time, leading to business closures and an increasing number of unemployed. As of November 1946, the number of the unemployed totaled 1,102,000.

Being employed, however, did not necessarily guarantee an improvement of living standards. The real wage of workers significantly worsened. The biggest challenge of the government was to rein in the skyrocketing unemployment rate and concentrate on human resource development.¹

1.2. From Post-Emancipation to 1960

Korea was confronted with an economic recession after 1945 and huge decline in business. Since most factories were under Japanese control, Japan’s withdrawal also meant many businesses closed down. Regular school education during Japan’s rule was conducted to raise mid-level administrators in the Korean colony, and the training of skillful workers was completely ignored. Korean workers had been limited to non-technical positions, which constrained the operation of production facilities after the emancipation.

After the establishment of the Korean government as the only lawful government in the Korean peninsula on 15 August 1948, Korea chose a government and economy based on capitalism in respect of individual freedom and creativity. This is also stipulated in the constitution enacted on 17 July 1948. The adapted capitalism in Korea was a revised version of capitalism that based its goals on protecting and operating for improving public goods.

The new government pushed farmland reformation and economic stability in 1949, but the Korean War swept away these efforts, and the economy declined once again. After the truce in July 1953, the government put forth every effort to stabilize product prices and war recovery. Inflation continued and deepened concerns regarding living standards. The government invested in key industries and social overhead capital such as electricity, coal,

1. [The History of Labor Administration \(The Ministry of Labor, 2006\).](#)

cement, fertilizer, transportation, and communication facilities using international grants and aid. Korea was able to recover from the damage of the war in 1956, leading to the pre-industrialized period before 1960 as the age of darkness for Korea's workers.²

2. Initial Period of Industrialization (Light Industry) and Employment Service (1961-1972)

2.1. Characteristics of the Labor Market

2.1.1. Rapid Increase in Labor Force

In 1963, the unemployment rate was 16.3%, and the trend continued through the 1960s reaching around 10%. Oversupply of the labor force and the increasing unemployment rate became a major concern for policy makers. However, this situation improved rapidly after industrialization. The accumulated oversupply of labor was immediately absorbed by the rapid economic growth and the expansion of modern industry. Demand for labor until the early 1970s exceeded oversupply, and the unemployment rate fell to 4% from 8%. The number of the unemployment declined to around 450,000 from around 700,000. Although the population continued to increase after the war, labor supply and demand continuously improved with the decline in latent unemployment and other factors in labor force. As the demand for labor supply was expected to increase, some industries claimed more difficulties than existed in labor supply. This period became known as the era of unlimited labor supply.³

2.1.2. Imbalance in Supply and Demand of Labor Force

Some issues in supply and demand of the labor force include: (1) the insufficient supply of young laborers; (2) too many middle and older workers; (3) low participation rate in economic activity; (4) low employment rate due to women leaving the labor market to have children; (5) concentration of industry in the Gyeonggi and Gyeongsang regions; (6) regional disparity of the labor force; (7) rapid realignment of industry from the textile and manufacturing to the heavy chemical industry; and (8) imbalance in labor supply by industries and occupations. Distribution problems in human resources were: (1) oversupply of the labor force; (2) yearly

2. Explanation of Employment Stability Act [Oh et al, 2002].

3. "Trends in Labor Supply and Demand and their Countermeasures" [The Office of Employment Security, The Ministry of Labor, 14 November 1984].

supply of new labor reaching 600,000; (3) misplacement of educated human resources without relevance to their education; and (4) inaccurate labor statistics.⁴

The labor market was unstable because of harsh working conditions. In the mid-1970s, the non-agricultural sector recorded a 4.5% employment rate and a 4.0% employment turnover rate. A labor mobility survey by the Labor Office sampling 840,455 workers from 1,712 companies with more than ten workers (85 occupations in seven industries) indicated that the mobility of small business enterprises with 10 to 99 workers was 5.9%, while that of large companies with more than 500 workers was 3.7%. This indicated that the more secured business a company has, the lower the turnover.⁵ Most workers were overworked and received an inadequate income. In addition, people were in positions without consideration of their job aptitude. Frequent job mobility was due to the backwardness of employment paths and processes.

2.2. Development of Employment Service Institution

2.2.1. Public Employment Service Institution of the Central Government

In the early 1960s, 44 Job Security Offices were established in municipal governments and provided vocational guidance and job matching services within the area. This effort was the precursor to the current Job Center. Half of the operation budget was subsidized by the national budget. Although the Labor Office and Job Security Bureau were set up in 1963, the Job Security Office was under the supervision of municipal governments. However, these institutions were not able to effectively perform their tasks because of a shortage of professional staffs, budget, and communication among municipal governments.

Table 2-1 | Central Government Employment Service Centers (1963)

Region	Number	Place
Total	44	
Seoul	3	Jungbu, Nambu, Yeongdeung Po
Busan	4	Jungbu, Dongbu, Youngdo, Bukbu
Gyeonggi	5	Incheon 1, Incheon 2, Suwon, Uijeongbu, Bucheon
Gangweon	5	Chuncheon, Weonju, Gangreung, Sokcho, Samchuck
Chungbuk	3	Cheongju, Chungju, Jaecheon

4. The Plan for Effective Operation of Employment Security Program (Korean Association of Economic Development, 1976:341-58).

5. "Employment Policy and Job Security: Labor Market and Employment Issue," Public Discussion on Labor, Vol 2(10), Labor Issue Institute, pp 47-48.

Region	Number	Place
Chungnam	3	Cheonan, Hongsung, Daejeon
Jungbuk	4	Cheonju, Kunsan, Yilee, Jungub
Junnam	5	Gwangju, Mokpo, Yeosu, Suncheon, Naju
Kyeongbuk	5	Daegu, Gyeongju, Gimcheon, Andong, Pohang
Gyeongnam	6	Masan, Jinju, Chungmu, Jinhae, Samcheonpo, Ulsan
Jeju	1	Jeju

Source: The Labor Commissioner Office (1973)

“10 Year History of Labor Administration,” p 169

A total of 44 Job Security Offices that operated under municipal governments between August and October 1968 were reformed into 25 Job Security Offices under the supervision of the Labor Commissioner Office of the central government. Each municipal government was allowed to operate a public job matching office. Thus, the national network for the Job Security Office was institutionalized and began to perform detailed job security tasks based on information analysis of the labor market, management of human resource supply among regions and occupations, and vocational guidance and work aptitude. The staff quota for the national Job Security Office was set at 233 people, tasked with guiding and monitoring fee-based private job matching agencies, operating vocational training tasks, conducting other labor surveys and related research, and performing registry duties as technicians. This reorganization of the Job Security Office resulted in such professional services dedicated to promoting job stability and organizing a national network as central to modernizing the labor market. Although the Job Security Office was a step forward from simple job placement tasks, the number of Job Security Offices was too small to perform public employment services, not to mention the lack of staff and budget.

In 1970, a Presidential Decree integrated the Insurance Office for Occupational Health and Safety, the Bureau of Labor Inspection, and Job Security Office into the Job Security Bureau. The chief officer of the Bureau took charge of the integrated organization. The status of the Job Security Office was also changed from an independent agency to a local agency under the Labor Office, accompanied by changes in staffing from professionals to permanent government officials. This change in organizational hierarchy in 1970 (from an independent agency to a local agency of the Labor Office) was criticized by some as a form of regression given changes in the labor market as it only contributed to the expansion of the Labor Office organization.⁶ Although the bureau provided guidance on vocational training and job matching, guidance was more of a focus than the training. This priority

6. “Study on Improvement of Job Security Program Operation”, Korean Association of Economic Development, pp 369-79 (Park, 1977).

is attributable to the fact that employment policy of the 1970s pursued supplying skilled workers to meet market demands in the period of rapid economic growth.

In 1972, another Presidential Decree was declared to reform the organizational structure, and the name of the Job Security Bureau was changed to the “Local Office of the Labor Office.” The main tasks of the Office were managing insurance for occupational health and safety and labor supervision. Job security duties were delegated to a lower level in the Office such as another department or division. In October 1974, 34 local Offices were responsible for duties related job security.

2.2.2. Municipal Government Job Security Agency

In the early 1960s, the number of Job Security Agencies under municipal governments was 44, gradually declining with reforms to the organization by the central government. On Nov. 1, 1968, 12 public free job matching offices were approved to set up in every metropolitan city and province, central Seoul, and southern Seoul. As the function of the national Job Security Bureau was strengthened, the number of these public offices was reduced to seven. In 1971, non-profit free job matching agencies were introduced. The construction of the Gumi electronic factory complex led to the Korean electronic industry foundation setting up a free job matching agency in 1973. In 1975, there were 12 public job security offices run by municipal governments.⁷

2.2.3. Regulation on Private Employment Service Agency

The number of national Job Security Bureaus was too small during this period, rendering them ineffective in executing job matching services because of a shortage of staffs. The enactment of the Job Security Act in 1961 prohibited fee-based job matching services without the authorization of the Minister of the Labor – with the exceptions of the painting, music, and entertainment industries. Despite this, unauthorized job matching services were prevalent in the Seoul, Busan and Daegu areas as monitoring became lax, which in turn led to various social problems. As a consequence, Article 10 of the Job Security Law in March 1967 was revised so that fee-based job matching services required only a license issued by the Labor Commissioner Office. This legalized the job matching business while the government enforced strict guidance and monitoring.

In June 1968, the government set the licensing requirements, and 80 private job matching agencies became authorized to do business. During the monitoring process, the government took strict legal action with administrative measures against companies found to have committed unjust and illegal activities against the Job Security Law. In January 1969, a

7. “5 year plan for Development of Labor Administration”, p47, The Labor Commissioner Office, 1976.

Presidential Decree led to implementation of an ordinance under the Job Security Law that simplified the licensing procedures for fee-based for-profit job matching businesses. On Nov. 4, 1969, a licensing agent was delegated to the Job Security Office in local areas and, as a consequence, the number of private profit-based job matching agencies increased to 231.

However, problems persisted given the lawless origins of the job finding industry, and the standards for licensing and administrative measures were gradually strengthened. In May 1970, investigations into private profit-based job matching agencies led to the closure 62 agencies out of 321 agencies, as well as the reclassification of “job matching agency” to “job guide agency.” In November 1971, the enforcement regulation of the Job Security Act was revised as a Decree of the Ministry of Health and Social Affairs, and the expansion of authorized occupations related to the job matching industry increased to 62 occupations from 30. The standards for licensing and administrative procedures were strictly enforced. In August 1972, the Presidential Decree delegated the role of licensing, guidance, and monitoring of private job matching agencies to the governor of each province and metropolitan city mayors.⁸ As a result, in 1975, the profit-based job matching industry grew to 409 agencies in 1975.⁹

Table 2-2 | Fee-Based Job Agency (By Region and Year)

(Unit: agencies)

	1968	1969	1970	1971	1972	1973
Total	80	231	233	281	340	351
Seoul	41	74	72	93	116	107
Busan	8	24	23	24	24	39
Gyeonggi	6	21	20	31	39	40
Gangweon	3	7	16	16	16	19
Chungbuk	2	8	8	8	7	9
Chungnam	6	15	15	19	27	29
Jeonbuk	3	8	8	13	12	12
Jeonnam	3	12	12	11	20	19
Gyeongbuk	7	45	43	44	50	51
Gyeongnam	1	15	14	20	23	22
Jeju	-	2	2	2	3	4

Source: The Labor Commissioner Office (1973)
 “10 Years History of Labor Administration”, p 176

8. ‘10 Years History of Labor Administration, [The Labor Commissioner Office, 1973:176-177].

9. “5-Year Plan for Development of Labor Administration”, p47 [The Labor Commissioner Office, 1976].

2.3. Characteristics of Employment Service

2.3.1. Job Matching

a. Public Job Matching Service

The Labor Commissioner Office has operated the citizen service in the local labor office for providing job searching assistance by also developing a network with hiring enterprises. In 1964, the number of regular workers who looked for job was 43,443. About 24,125 were matched to jobs, and the number of day workers was 1,989,163. In 1965, the number of jobs found for regular workers totaled 31,630, while that of day workers in public projects was 967,832 (Lee, 1989).

Although the number of jobs searched and hired usually fluctuates with business cycles, this is only the case if the employment service functions well and is fully utilized. Generally, a rise in the business cycle increases hiring and job searching activity, while low business cycles result in less hiring. However, job searching activity will also eventually decline as jobs become less available. The downturn of the economy in 1971 dramatically reduced hiring, but job searching activity remained at around the same level as that of the previous year. In 1972, when the business cycle recovered, hiring significantly increased while job searches also increased. In 1973, the upturn of the economy recorded more hiring than job searches, but the Oil Shock in 1974 reversed both hiring and job searching activity to a rapid downturn. In 1975, both hiring and job searching slowly recovered and, in 1976, witnessed another rapid increase.

By occupational category, most of the hired positions were salesmen, miners, textile and sewing workers, workers in electronic products, services and other unskilled workers. Jobs searched consisted mainly of office workers, textile and sewing workers, metal engineering, electronic engineering and service jobs. In fact, textile and sewing, electronic and service, other unskilled work realized the highest levels of employment.

According to employment data in 1970, half of all jobs hired were the result of a referral by an acquaintance, followed by advertisements. Jobs secured through a public job security office or school amounted to very few. Public job security offices accounted for about 2% of jobs secured, which is significantly less than the performance recorded by job agencies in the U.S. of closer to 25% (Bae, 1989). In addition, most of the jobs found through Job Security Agencies were for women as women generally required more assistance than men in securing employment. Employment of women, therefore, is also considered one of the earliest job security efforts of the Agencies. In addition, it became apparent that the area of focus for Job Agencies needed to shift toward the mining and manufacturing sector and male workers (Bae, 1989).

Table 2-3 | Job Matching Statistics by Year

(Unit: persons)

	Hiring		Job Seeking		Employment	
	Total	Women	Total	Women	Total	Women
1968	115,956	77,112	127,975	84,250	92,708	71,754
1969	228,790	-	247,184	-	171,753	-
1970	277,705	283,733	286,890	243,343	209,941	192,067
1971	261,892	225,558	268,110	227,363	195,867	175,563
1972	278,441	235,566	298,617	248,346	218,786	192,330
1973	302,751	242,187	295,079	241,859	241,685	205,713
1974	247,919	192,714	282,573	219,920	207,167	171,051
1975	255,564	237,324	270,757	223,180	211,837	177,849

Source: The Labor Commissioner Office (1973)
 “10 Years History of Labor Administration”, p 170

b. Private Job Matching Agency

Although private job agencies were heavily regulated – i.e. required assets, facility size and type, executive criteria, and fee levels – the number of workers using private agencies was five times higher than those who used a local labor office. However, this statistic does not necessarily translate into extraordinary performance by private agencies. First, private agencies usually dealt with socially ostracized occupations such as prostitution, as opposed to professional positions. Second, their profit-driven motives exploiting the vulnerable status of job seekers led to many social problems. Private agencies were often called “hostess agencies” rather than job agencies. Illegal practices, such as commissions collected in advance of an actual job introduction and demanding personal property as collateral, were also uncovered.

The Korean government responded with strict regulations on private agencies. For example, it prohibited commission fees in advance except for registration fees. It also set a flat fee rate, a maximum limit on fees, and prohibited double charges. Fees paid to private agencies, to either the job finder or hiring company, were set at 100 won per case, with one-eighths paid in the event of successful employment within one month, and one-tenth for that exceeding a month. Despite the stringent control, illegal job matching activities were prevalent. Continuous rigid enforcement and cooperation with the Ministry of Justice, Ministry of Domestic Affairs, Ministry of Culture and Communication, and Ministry of Post and Telecommunication eventually reduced illegal job matching activities such as human trafficking.

2.3.2. Employment Information Provision and Vocational Guidance

a. Provision of Employment Information

In October 1963, the Korean Standard Industrial Classification (KSIC) and Korean Standard Occupation Classification (KSOC) were announced. These classifications were used for statistical classification. The KSOC was revised in January 1966, and the second revision was made in August 1970 with regard to the ILO International Standard Occupational Classification. In 1974, the third revision was made as new industries were introduced and work tasks were professionalized and subdivided. In 1965, the economic indicators, which were recorded without integration of the base year, were integrated in accordance with the base year of the Five-year Plan for Economic Development in order to allow for comparisons among the indicators.¹⁰

b. Job Aptitude Test

The necessity of a job aptitude test was discussed long before this period. Job aptitude tests require studies on classification, analysis, and evaluation of work tasks and programs of performance evaluation in order to run a business and implement employment policy, which can put the right person in the right position.¹¹ Job aptitude tests were also necessary for the evaluation of employment, vocational guidance, and job allocation.

The job aptitude test was articulated as the work of the government in Article 2-4 of the Job Security Act as a scientific method for pursuing rational human resource allocation and job satisfaction to the employed. The characteristic of the job aptitude test conducted by the Labor Commissioner Office was to examine the potential ability of a candidate in relation to the job and other workers. The first attempt was made in December 1961 by the Ministry of Health and Social Affairs by introducing the U.S. Labor Bureau's GATB (General Aptitude Test Batteries). It was an attempt to standardize the aptitude test but was not effective. In April 1968, the Labor Commissioner Office hired professional staff and developed the initial GATB-Korea test by partnering with scholars and related government agencies. The test was given to 5,556 job seekers and vocational training trainees in local labor offices and central vocational training centers from July 1969 to July 1973. About 20 types of the test were developed at the Job Security Agency, Central Vocational Training Center, and Industrial Rehabilitation Institute. There was also a plan to expand the test by establishing a Job Aptitude Test Center in the central office of the Labor Commissioner

10. "Economic Policy of Development Era – 20 Years History of Economic Planning Board" (Economic Planning Board, 1982:66).

11. "Employment Policy for putting right person in right place: Focusing on Basic Principle of Job Aptitude." *Business Administration Study*, Vol. 35:17-22. Institute of Business Administration (Song, 1966).

Office and Job Aptitude Test Bureau in the local Labor Office. The subject of the test was job seekers (job matching), workers employed abroad (when employed), workers (service by the employer's request), vocational training trainees (when trained), and applicants for technical certifications.¹²

2.3.3. Licensing Program of Worker Supply Business

Stevedores had been in poverty from the emancipation to 1960. However, the harbor loading and unloading business was revived with the expansion of harbor facilities and the increase in the amount of harbor loading and unloading with the rapid economic growth after 1960s. The Maritime and Port Office took charge of harbor development and management. Loading and unloading companies, registered to the government according to the Harbor Transportation Business Law, usually hired workers on a fixed-term basis, and necessary skilled workers on a regular employment basis. However, simple work workers were usually hired from the Port and Transport Union.¹³ According to Article 17 of the Job Security Act, the worker supply business was licensed to the National Port and Transport Union (and their 18 local subdivisions) for two years from September 1969 to September 1971, and then to the National Transportation Labor Union (and their 12 subdivisions) from November 1969 to October 1971. It was also licensed to the National Seaman's Union (and their three subdivisions) from November 1969 to November 1971. Although there was much debate, it was continuously licensed.

There were conditions to issue this license: First, workers were not provided to companies in the midst of a labor conflict; second, the business was to be guided and monitored by the relevant administrative office; third, the license could be revoked in the event of administrative or legal violations or in the interest of public good; and fourth, unequal treatment of workers due to race, nationality, religion, sex, social status, family, and former occupation was prohibited. In 1972, a total of 2,349,465 workers were provided (942,196 by the Transportation Union, 1,406,946 by the Port and Transport Union, and 323 by the Seaman's Union).

12. 10 Years History of Labor Administration, (The Labor Commissioner Office, 1973:176-177).

13. "Structural Adjustment and Policy Issues of Harbor Loading and Unloading Industry." The National Alliance of Port and Transport Union (Sun et al., 1995).

3. Employment Service during the Mid-Industrialization Period: Development of Heavy Industry (1972-1979)

3.1. Labor Market Characteristics

3.1.1. Imbalance in Labor Force Supply and Demand

The main issue of labor policy between 1976 and 1978 was to solve the imbalance between the supply and demand of engineers. With the rapid growth in economies of scale and sophistication of the production structure, the quantitative expansion in demand for human resources as well as the qualitative demand for high-quality human resources increased so that securing technicians or engineers became an important issue. However, the supplying capacity of technical manpower lagged behind demand. This caused income to increase above the level of increase in production and, in turn, leading to price increases.

The lack of technical manpower affected the Saemaul factory, and it necessitated the more systematized and formalized method to use women workers and to train and recruit people in the neighborhood (Kim, 1979). The imbalance in supply and demand was not limited to an occupation category. Regional imbalance was also a problem. Workers in metropolitan areas such as Seoul, Busan, Daegu, Incheon, Daejeon, Masan, and Ulsan took up more than 80% of the total number of workers. This deepened the disparity of supply and demand and led to an exodus of people leaving their hometowns.

The labor market after the mid-1970s tended to change in that it more closely correlated with real economy fluctuations. Although the level of labor absorbing capacity declined due to the heavy chemical industrialization policy, the downward pressure on labor supply did not actually materialize until the late 1970s because of the flow of construction workers to the Middle East, as well as the boom in the domestic construction business. Income actually steeply increased due to a labor shortage centered on construction workers. Business organizations such as the Korean Employers Federation, the Federation of Korean Industries, and the Korean Federation of Small Businesses responded by instituting the “committee on technical manpower supply and demand adjustment.”

However, during the economic recession in 1980, further influenced by the second Oil Shock, unemployment increased to 5.2% due to a decline in labor demand from industries such as the manufacturing industry. Overcapacity of heavy machine industries such as shipbuilding and chemicals resulted in some structural adjustment in the heavy chemical sector, but the economy stabilized again without a big impact on the labor market because of high income flexibility and competitive advantages in the international market (Ha, 2003).

From 1986, Korea entered the so-called “Boom with three Lows” period, referring to declines in the oil price, international interest rate, and dollar appreciation. The economy was again witnessing a steep upturn from early 1986, and exports rapidly increased. The export industry was revived, having a positive effect on the domestic industry. Thus, the unemployment issue disappeared, and the shortage of workers reappeared in labor intensive industries such as textile, shoes, and electronics from the second quarter of the year.

3.1.2. Modern Labor Market Formation

As the period of absolute oversupply of labor force passed and that of a partial shortage in human resources appeared, the function of the labor market – that income level is decided by supply and demand – was normalized. The partial shortage in human resources led to a huge imbalance in supply and demand of the labor force, specifically the college-educated, technical manpower and even service occupations. The competition between companies to procure human resources influenced the income increase. Soon this became a turning point for reconsidering the strategy of economic development that maintained a competitive advantage based on low income and an unlimited supply of cheap labor. In addition, this shift led to the realization that investment in human resource development fell short of investment in industry development. As a result, a transition to a new comparative advantage industry structure and reforming the distribution structure and social development structure were suggested. In addition, policies for protecting employee welfare and social security (Lee, 1993) began to appear.

The labor market during this period was a “segmented” market in terms of labor supply (Kim and Lee, 1995; Lee, 1984; Kim, 1998). In general, the quantitative or qualitative demand for labor is dependent upon the level and type of industrialization. In particular, labor demand is influenced by the employment policy of companies – the labor consumers. The industrialization of Korea enabled large companies to maintain a monopolistic status in the labor market and to enjoy high productivity by policy implementation, but small businesses were left in a relatively disadvantaged position that relegated them to become subcontractors for large companies or prevented growth altogether.

In the labor market, large companies implemented a closed employment system that prevented competition between workers and controlled job mobility to other companies or businesses. This is especially true for white-collar workers and professional management staff that come with relatively high salaries and good working conditions, as well as an independent system of seniority in terms of job status. However, employment policy for blue-collar workers in large companies or small businesses had been largely an open system, and the smaller the business, the more open their employment system. This is attributable to the generally low income, harsh working conditions, and unstable employment status

of small businesses, which resulted in high job lateral movement among companies or industries. In spite of this, companies received a continuous inflow of cheap labor based on competition between the oversupplied labor pool from cities and rural areas (Choi and Lim, 1987).

Thus, the labor market had a segmented dual structure divided by employment conditions such as income, promotion opportunity, and working hours.

The so-called technical unemployment was created as a result of the increase in demand for highly professional engineers along with the introduction of labor-saving technology. The disparity among working conditions widened and deepened the segmented structure in the labor market. The representative disparities in the Korean labor market were aligned with education, skill, and gender. There are also disparities among occupations and regions (Choi and Lim, 1987).

3.2. Construction of Employment Service System

3.2.1. Public Employment Service

The Labor Commissioner Office put together a five-year plan for the development of the labor administration in the mid-1970s. The plan also aimed to expand the job security function and established a Central Job Security Office in Seoul, in addition to nine offices in each province. It also established the “Labor Market Information Center” in the Central Job Security Office for computerizing job matching tasks.

The Labor Commissioner Office operated a Job Security Department in 34 local Labor Offices from the mid-1970s, and the number of departments increased to 41 in the 1980s. As the first step to transforming the Job Security Agency into a national entity, the Central Job Security Office was established in June 1979. The Job Security Departments were then moved to places where job seekers and hiring companies could easily access. This move was a preliminary step to reforming the Department into the Job Security Agency at the local level.

Other employment agencies that were approved and institutionalized for job security activities were public job centers operated by municipal governments and free job centers operated by non-profit organizations, as well as private job placement agencies based on fees and job training centers at schools. There were non-institutional types of efforts such as job-producing projects for the poor conducted at the district level or day-worker job matching and other non-licensed job agencies.

There were also other efforts to expand the job security organization and increase staffing. However, such efforts failed. There were several factors that contributed to this failure: first,

the general consensus that the employment issue could be solved by economic growth; second, the widely accepted opinion that unemployment was specific to an individual's skills and therefore a temporary occurrence; third, the government did not have the capacity to deal with the personal problem of unemployment; and fourth, that job matching tasks could be completely conducted in the private sector and therefore not a priority for the government.

There was heated discussion on how to reform the job security agency. Some opined that the Job Security Bureau in the Ministry of Labor should be transformed into the local Job Security Agency as a way to strengthen the job security agency. Another opinion was to transfer the job security or job matching responsibility to the Vocational Training Center. Although the number of people sent to the labor administration per job security staff was as many as 58,000 (see <Table 2-4>) compared with 770 for the US, 563 for W. Germany, and 3,681 for Japan, there was little expansion of the Job Security Agency.

Table 2-4 | Employment Service Staff to Customer Ratio

(Unit: agencies, %)

	Base Year	Number of Job Security Agency	Number of Staffs	Staffs per Agency	Job Security Customers per Staff
Korea	1986	42	278	6.6	57,971
Japan	1982	686	15,500	23	3,681
W. Germany	1980	656	51,000	76	563

Source: Ministry of Labor

3.2.2. National Network of Job Matching and Center for Employment Information of Professional Human Resource

a. National Network for Job Matching

In the 1980s, the Ministry of Labor tried to invigorate job security tasks by computerizing the job matching service and constructing a nation-wide job matching system. Diversification in administrative works such as the Job Security Department in the local Labor Office also took place. In order to support job mobility from region to region, the national region was divided into 12 areas of metropolitan cities and provinces. The Regional Job Security network connected representative Local Job Security Agencies and other provincial-level Job Agencies. In addition, an information exchange system was built among the 13 representative local Labor Offices and the Central Job Security Agency

through telex machines in order to promote employment and a smooth supply of workers. Each local office and its branch reported a list of job vacancies and hiring information to the representative regional Labor Office at 12:00, and the regional Office reported this information to the Central Job Security Agency at 17:00. The Central Job Security Office processed the reported information and provided it to each local office, connecting job seekers to these other areas.

Employment management was selected as one of the six national administrative priorities for computerizing projects and setting up terminals for data transmission at local Labor Offices in December 1986, becoming fully operational in 1988.

b. Center for Employment Information of Professional Human Resources

A continuous increase in the highly-educated population after implementing a graduation quota boosted the necessity for a Center for Employment Information for Professional Human Resources. In order to support the employment and smooth supply of professional human resources, the first meeting of the Special Committee on Employment in November 1985 decided its establishment, launching it in October 1986 in Seoul. The Center served as a planning mechanism for supplying professional human resources, providing job matching services and vocational guidance for professional human resources, and analyzing job seeker and hiring information. In doing so, the Center alleviated the unemployment situation by providing good employment information. The Center has information for 12,395 people and provided job opportunities to 4,470 people. Finally, 346 people were employed via the Center.

3.2.3. Private Employment Service Agency

During this period, Korea made the Center for Employment Information the principal agency for job matching and sought to minimize the activities of private job agencies. The requirements for license approval and the monitoring operations of private agencies were strict. Nevertheless, many people still sought to open a private job agency.

Private job agencies are divided into free job agencies and fee-based job agencies. The fee-based job agency could collect fees up to a 10th of the first month's income; while free job agencies were not allowed to collect any kind of fees. Private job agencies usually matched service jobs, and those employed consisted most of women. Based on Article 10 of the Job Security Act and Article 4 of its implementing ordinance, the number of private fee-based job agency approved by the Labor Commissioner Office was 362 as of August 1977. Most of these agencies were located in metropolitan areas: 91 in Seoul (25.1%), 36 in Busan, 49 in Gyeonggi, 45 in Gyeongbuk, 35 in Chungnam, 28 in Gyeongnam, 25 in Junnam, 17 in Junbuk, 17 in Gangweon, 14 in Chungbuk, and 5 in Jeju. Since private job

agencies mostly conducted fee-based job matching services, the criteria for obtaining a license for the job matching market, as well as the capital and facility requirements and fee system, were strictly regulated. From March 1979, no new licenses were issued.

Illegal job matching practices were intensively scrutinized as cooperation among the Ministry of Labor, Prosecutor Office, Police and Provincial and City government resulted in severe crackdowns. The provincial government also conducted a crackdown twice a year.

3.3. Characteristics of Employment Service

3.3.1. Job Matching

The number of job seekers and hiring positions in 1976 through the local Labor Office, Provincial and city Job Agencies, and Private Job Agencies was about 301,000 and 326,000, respectively. About 80% of these people and positions were registered at private job agencies, and only 20% were registered at public job security agencies. The number of successful job matches was about 258,000 (80%). Around 87% of these success cases were recorded at private job agencies. Women accounted for 78.9% of the hired positions, 80.2% of the job seekers, and 84.0% of the job matches. The gender composition in the job matching service differed based upon the type of agency. Although the proportion of women who used private job agencies was more than 80%, 70% of those who accessed the local Labor Office were women, and less than 40% were women in the case of public service agencies. By occupation category, 70% of the jobs sought and hired for were service jobs, and around 20% were production jobs. Other occupations included professional skilled jobs, office and sales jobs, and agricultural and fishery jobs. And figures for these occupations also differed by agency. In the case of the Labor Commissioner Office, around 70-80% of the jobs were in production, and only 5% were service jobs, compared to around 40% and 20% for public agencies, respectively. In the case of private agencies, production jobs were less than 5%, while more than 90% were service jobs.

According to the survey on workers employed in the manufacturing industry in the Gyeongin region conducted in June 1976, job security agencies were highly underdeveloped. Around 73.7% of workers were employed as a result of a referral by friends or relatives, followed by advertisements (12.6%), a visit to the job site or factory (4.8%), through a public and private job agency (1.0%), and by other means (8.0%).

In 1977, the proportion of organizations that used national, public and private job agencies for finding a job was 13.6%, 3.7%, and 82.6%, respectively, while that of job seekers was 12.2%, 3.8%, and 8.4%, respectively. The proportion of people employed as a result of using those agencies was 6.8%, 3.9%, and 89.3%, respectively. The proportion of

women somewhat declined. Among about 306,000 job positions, the proportion of positions for women was 76.9%. The proportion of women among the job seekers was 78.7% out of about 291,000 people. The proportion of women employed was 81.6% among about 246,000 people. Job Security Agencies in Korea played a limited role in supporting the employment for unskilled workers such as women unskilled workers. Most of the workers were independently hired by each company out of these agencies.

The number of those registered for hiring positions at national Job Security agencies increased from 52,012 in 1982 to 180,966 in 1986, and the number of job seekers also increased from 39,310 to 120,388. However, the rate of job matches and successful cases was 65.6% and 18.9%, respectively, which was less than the respective 90.9% and 85.2% recorded at public agencies. As of 1986, the registered numbers of hiring positions and job seekers were around 810,000 and 790,000, respectively, while that of job matching was about 670,000.

Table 2-5 | National Job Agency: Job Matching Statistics

(Unit: Thousand, %)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Hiring Position	306	337	293	262	243	308	407	526	649	809
Job Seekers	290	291	238	257	246	347	341	499	669	793
Job Matching	245	251	201	206	199	245	286	419	572	670
Employment Rate	84.6	86.4	84.3	80.0	80.9	70.7	84.0	83.9	85.4	84.9

Source: Ministry of Labor

However, the proportion of people employed by using the Job Security Agencies was not significant. In 1983 and 1984, the proportion of those employed through open recruitment was 35.9% and 36.3%, respectively, while that through job security agencies was 2.1% and 1.6%, respectively. Connections made through schools were 4.5% and 4.3% in 1983 and 1984, respectively, and referrals by family or relatives recorded 57.5% and 57.8%, respectively.

3.3.2. Employment Information Provision and Vocational Guidance

a. Occupational Analysis

The government conducted an analysis of occupational information such as work content, required level of general education for work, duration of work preparation, time-dependent work characteristics, work environment, risk and hazard, required physical conditions, hiring venues, and employment opportunity and prospects. In the early 1980s, a

work analysis technique was introduced so that the Central Job Security Office could apply relevant information toward scientific and rational management of job security tasks. The Central Office had provided the data to job seekers, vocational training trainers, school graduates and institutions working for vocational guidance.

The U.S. Dictionary of Occupational Titles was used from 1980 to 1981 as a foundation for Korea's occupation analysis efforts. A launch of the occupational analysis from 1982 examined 2,702 jobs published in the dictionary of occupational titles for the construction and metal industry. In 1983, the dictionary of occupational titles for metal assembly, machinery, and equipment manufacturing industries contained 3,830 jobs, further classified into 1,879 occupations. In 1984, an analysis of textile clothing, leather product, and chemical industries resulted in 4,354 occupation classifications by 9,730 jobs investigated and, in 1986, about 25,000 jobs were examined in 17 industries. In late 1980, the Korean Dictionary of Occupational Titles that included 10,451 jobs was published. At the same time, the manual for work analysis was also published.

b. Diversification of Job Information Provision Means

The Ministry of Labor published Job Information Flyers once a week from 1982 for quick provision of employment information. These flyers were distributed to public service centers in cities, provinces, towns, stations, and terminals in major cities for free of charge. To promote employment, the frequency, number of publications, and distribution areas were expanded. In addition, regional information flyers were also published and distributed to the Ministry of Labor, public institutions, and business associations for free once a week. Once a month, the magazine called "Professionals" was published at the Center for Information on Professional Human Resources. In 1982, an ARS call center (1919) was set up at 19 local job security offices to provide hiring information to job seekers.

c. Development of Vocational Guidance Technique

In order to provide employment information to job seekers, materials on the theory and application of job consultations and vocational guidance were published. In late 1986, the "World of Jobs" was published, which included work content, required level of general education for work, duration of work preparation, time-dependent work characteristics, work environment, risk and hazard, required physical conditions, hiring venues, and employment opportunity and prospects. The manual was distributed to schools and vocational training institutes. In addition, five sets of slides were made to guide work ethics and job selection.

d. Job Aptitude Test

The Ministry of Labor developed a Job Aptitude Test for Koreans, and a prototype was conducted in 1982 on a total of 9,376 people. The first test was conducted on 1,677 people;

2nd test on 4,147 people; and 3rd test on 3,543. The standardization of this test module was executed in late 1983 by examining the questionnaire, duration of the test, and statistical reliability and validity. The validity examination was continued after 1984 for verifying the level achieved during the Job Aptitude Test.

e. Job Consultation

The job consultation method was continuously innovated in order to increase the performance of vocational guidance. Jobs seeking front line staff could conduct individual consultations or collective consultations with school students or vocational trainees. Job consultations require general knowledge on psychology, education, and sociology, along with professional knowledge of the work because they provided advice or guidance to job seekers and workers about their selected job or transition. The Ministry of Labor positioned qualified consultants who had the ability to listen to personal problems and analyze personal characteristics without revealing the contents of the consultations except for their collected purpose.

In the process of preparation, a consultant 1) clarifies the person's efforts to solve problems and the reason for the consultation; 2) decides if the consultation is necessary; 3) creates an amiable atmosphere for discussion; 4) pursues active ways to solve the person's issues; and 5) decides on a plan of action. In stage 5, conditions to continue or terminate the consultation are reviewed and, when terminated, the goal and results of the consultation are evaluated.

4. End of Advanced Industrialization (1980-1997)

4.1. Characteristics of Labor Market

4.1.1. Deepening Labor Shortage

The labor supply shortage deepened after the late 1980s. The rate of population increase for ages 15 and over was 2.5% in 1987, but the rate dropped to 1.5% in 1992. In particular, the population increase rate for ages 15 to 24, which is when someone typically newly enters the labor market, was less than 2% in the late 1980s, and -2% in the 1990s. The rate of workers in the agriculture sector, which had constituted the largest source of labor in the past, also rapidly declined. On the contrary, the demand for labor increased because of the "boom with three lows" period of 1986 through 1988, in addition to the 2,000,000 units of housing construction that began in 1988.

The labor shortage was relatively stable until 1986 but rapidly deepened after 1987. The shortage of labor supply in the production sector in 1986 was on average 3.6%, but this increased to 5.5% in 1987 and further to 9.6% in 1991.

Table 2-6 | Labor Shortage by Industry

(Unit: %)

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Total	3.36	4.10	2.44	3.57	5.46	5.88	5.53	7.41	9.57
Food & Beverage	1.23	4.10	1.30	3.43	3.64	4.05	4.67	6.65	6.15
Textile & Clothing	4.02	6.00	3.83	4.54	7.26	6.74	7.12	9.98	12.51
Woods , Furniture	3.84	4.69	5.01	3.47	4.74	8.41	7.61	6.85	10.96
Paper, Printing	1.29	3.47	2.87	2.00	2.56	5.15	3.80	6.24	6.67
Oil, Chemical	2.54	1.70	1.93	1.16	3.71	4.68	4.78	6.94	7.79
Non-metal	3.82	1.48	0.91	2.33	4.57	10.98	5.40	5.67	5.62
Metal	1.42	0.90	1.35	1.03	2.36	3.06	4.51	3.44	7.05
Machine, Equipment	3.14	3.12	1.43	3.80	4.83	5.51	4.73	6.21	8.74
Other Manufacture	5.43	4.54	4.85	4.14	8.50	3.99	4.44	5.39	10.76

Source: Ministry of Labor

In fact, a severe labor shortage existed at many small businesses. In the process of this increase in labor shortage, company size was a factor: the smaller the size of the company, the more severe the labor shortage. The production worker shortage at large companies was mostly around the 2% level except for when it recorded 3.5% in 1987 and 3.6% in 1991. In 1994, the rate declined to 1.7%. However, in the case of small companies, the shortage rate rapidly increased through the late 1980s and peaked in 1991. Companies with 10-29 workers indicated a shortage of production workers of only 2.4% in 1984, but 18% in 1991. The rate peaked in 1991 and declined thereafter, but increased again in 1994. The labor shortage in the manufacturing and construction industries was above average. But in the mid-1990s, the big shortage occurred in the communications industry due to rapid expansion of the information and communication industry. By occupation category, the increase in demand for production and professional engineering was higher than supply, while white-collar, administrative, service jobs did not experience a labor shortage. By company size, small businesses had experienced serious shortages while large companies did not experience such a severe shortage.

Table 2-7 | Labor Shortage Trend

(Unit: persons, %)

	1988	1990	1992	1994	1996	1997
Total	4,332,377	4,428,266	4,615,224	4,903,528	5,217,993	5,293,678
Shortage	153,231	192,055	196,563	174,827	155,596	129,257
Shortage Rate	3.54	4.34	4.26	3.57	2.98	2.44

Source: Ministry of Labor

It was no longer possible to supply labor effectively in the traditional ways (i.e. in the agriculture regions or cities) or by flexibly adjusting income. Rather, it became an important issue to supply labor by strengthening the institutional groundings of the job security function through service linkage between hiring and job seeking both from the public and private sector, as is done in advanced countries. In addition, it became necessity to develop programs to reduce the burden of maternity care to induce women into the workforce, as well as programs assisting older workers. Although many people found that the bust of labor-management conflicts in the late 1980s were became of labor-oppressive labor relations, as well as a general shift in the worker's mindset, it can be said that the labor market environment marked by a labor shortage and the ensuing difficulty in finding skilled workers also affected this conflict.

4.1.2. Deepening Labor Market Disparity

Based on macro indicators, the labor market in Korea seems to have functioned well after the late 1980s. Indeed, the unemployment rate continuously declined, falling to 2% in the 1990s. Although income steeply increased (more than 10%) after the 1987-98 labor-management conflict, the unemployment rate was low. This means that the labor market was still flexible. Regarding income structure, income disparity according to education level, occupation, and gender continuously declined. These flexible functions of the labor market brought about a decline in income inequality. According to Fields and Yoo (1995), the Gini coefficient for income disparity in Korea was 0.493 in 1976 and 0.302 in 1991 – marking a decrease of 23.4%.

However, there was also employment instability despite the low unemployment rate due to an imbalance in labor supply and demand, which varied by region and industry, accompanied by rapid changes in the international environment and industry structure. While the number of production workers declined rapidly, resulting in serious labor shortages, the youth also experienced serious problems in the labor market. In particular, the unemployment rate of college graduates between the ages of 20 and 24 was 13.0%. This

was due to the structural imbalance of labor supply and demand because of the large number of humanity and social science graduates, which differed from the demand for professional engineering human resources. There was a disconnect between school education and industrial human resources demand. Utilization of the youth labor force was low because it was mostly grounded in traditional academic elitism. This was also affected by a college graduation quota policy in the 1980s, and postponing graduation for employment to find better jobs or to pursue additional education became increasingly popular.

The labor market imbalance was severe because of the decline in employment in the manufacturing industry, labor shortages in small companies, and unstable employment of the youth. This imbalance was not an issue of signaling or price mechanisms of the Korean labor market, rather the structural problem of a labor market that functioned in accordance with a full labor force.

Labor unions became an institutional factor playing an important role in the labor market after the 1987 labor conflict. Labor unions had the power to influence income increases and worker's welfare, effectively promoting income disparity between companies. Differences in productivity and income between companies according to its size had rapidly increased after 1988. This became much more severe with low competitiveness (productivity) leading to low paying capability (low income) and the flow of outstanding human resources to large companies – becoming a vicious cycle and exacerbating the shortage of production workers.

The late 1980s and early 1990s was the time that the capital market induced large changes in the labor market and reinforced the supply and demand labor imbalance. In the 1970s, the first labor market and the second labor market were dominated by modern industry sector workers and unofficial workers in cities. In the late 1980s, the composition of workers changed to reflect growing industry, large company workers, declining industry, and small enterprise workers.

4.2. Development of Employment Service

Employment service was still underdeveloped. Job seekers did not look for a Job Security Agency, and hiring companies also did not look for Job Security Agencies. There was widespread belief that Job Security Agencies could not locate proper work places, and even that companies did not feel the necessity to find workers by using Job Security Agencies. They would rather use personal networks or advertisements.

The Job Security Department was not highlighted in the government organization as something that solved labor relation problems or monitored working conditions. It was given even less priority than vocational training departments. As a result, the budget and

staff for Job Security departments was severely lacking. Chief Officers in the local labor office also were not concerned about job security tasks, but more concerned about labor conflicts and relations.

While Job Security Agencies were spread out throughout the country, it was not prepared to serve job seekers and hiring companies. Even their location was inconvenient, and the available job positions were not enough to satisfy job seekers. In fact, there was not much information for job seekers.

The big issue in the Job Security Bureau in the Ministry of Labor was the establishment of a new Job Security Center and getting more manpower, based on comparative reports between Korea and other advanced countries. It has been emphasized that vocational training and education were priorities, but the linkage between job seekers and hiring companies made much more of sense to staff at the Job Security Bureau.

4.2.1. Expansion of Employment Service Institutions

Employment Service Institutions perform job matching, provide job information, and give vocational guidance via a comprehensive employment information system, serving as an institution managing labor supply and demand in the region. The Institution responds to the needs of job seekers and hiring companies. As of late October 1991, the number of employment service institutions totaled 1,116. Among them, national institutions numbered 51, city and provincial public job agencies 16, and private agencies 1,049 (free: 98, fee-based: 951). Only 51 were operated by government institutions with a staff of 343 people.

The Korean government planned to respond to the labor shortage and strengthen the role of job security. The government formulated in cooperation with relevant institutions the “idle manpower use and job security function strengthening plan” on August 2, 1991. In this plan, the government decided to mobilize women and older workers as a way to resolve the labor shortage; focus on the supply structure of labor and distribution – unlike in the past when it focused on training human resources; expand job security institutions; provide employment information; use municipal governments which are frequently accessed by citizens; open an employment consultation service in town offices; install employment information centers that connect to the employment control network used by the Job Security Agency of the Ministry of Labor; and conduct research.

The Ministry of Labor articulated an internal manual for installing employment consultation windows at employment information centers. It also opened 278 employment information centers and 3,607 employment consultation windows at citizen service centers from November 1991.

In 1992, the Korean industrial human resource institute opened an employment information center in its headquarters and local offices, in addition to the Central Job Security Office, and approved free job matching services for 24 occupations from 1992 to 1994.

4.2.2. National Job Matching Network and Center for Employment Information of Professional Human Resources

a. National Job Matching Network

The manual nature of the job matching system translated into limited ability to provide timely and updated information. The Ministry of Labor designated job matching as a top priority when constructing its administrative networks and opened the job matching network on May 1, 1987. It was the first job matching network by a national administration.

The job network included 37 computers in 44 national job security agencies and were connected to each other. In doing so, the time needed to find a job match was reduced to within three minutes, compared to 30-60 days.

The network increased the number of occupations from 99 jobs to 6,450 jobs, and allowed scientific and efficient labor administration. In 1991, 52 terminals were connected to each other, and the number of connections increased in 1992 to 100, and in 1993 to a total of 180 terminals connected and operated.

In order to qualify for unemployment allowance, the person must have registered for a job seeking activity. Therefore, there was a need to link the network to the employment insurance database. Thus, the employment administration network was reformed, and a new “comprehensive employment information system” was developed. In 1996, the Ministry of Labor had 52 systems, the city and other levels of government had 135 systems, and the Human Resource Development Service of Korea had 17 so that overall 204 systems were connected.

b. Center for Employment Information of Professional Human Resources

The Special Committee on Employment was established in November 1985 and opened its Seoul center in October the following year. The Center’s objective was to perform planning activities for supplying human resources, provide job matching and vocational guidance for professional human resources, analyze job seeking and hiring information, and contribute to improving the unemployment situation with viable employment information. The Center has information on 12,395 people and provided job opportunities to 4,470 people. Finally, 346 people became employed via the Center, mitigating the negative impacts of unofficial hiring and saving time and energy throughout the process.

In 1996, three centers in Seoul, Gwangju and Daegu were transformed into the Human Resource Bank, and other three centers were also integrated in 1997.

4.3. Characteristics of Employment Service

4.3.1. Job Matching

In order to increase the effectiveness of job matching services, the Employment Information Center was established at the city, county, and district level in 1991. The training of the staff at local, city and district Labor Offices was based on the “Handbook on Job Matching Service” distributed in December 1991. Annual training for job security service staff improved the level of professionalism in the job matching service and also contributed to improving the actual job matching and employment rate. Although Public Job Security Offices had been offering a job matching service for all occupations, the majority of job matches were for simple day jobs such as housing keeping or custodial services. Private job agencies mainly provided service jobs for women.

In spite of these efforts, the rate of people looking for jobs through the job security network was very low. In 1989, among 994,905 people hired, 29.6% of people were hired from open recruitment. Around 60% and 8.1% were hired as a result of a referral by an acquaintance or a school, respectively. The rate of people hired through a job matching service of the Job Security Office was only 2.5% (24,460).

Table 2-8 | Employment Related Trends (1987-1997)

(Unit: Thousand, %)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Job Seeking	873	831	831	918	862	1,221	1,323	1,531	1,802	2,177	2,641
Hiring	703	651	702	777	712	985	1,217	1,373	1,661	2,221	2,729
Job Matching	606	588	667	733	705	937	1,200	1,492	1,769	2,417	3,127
Employment Rate	74.3	85.4	80.7	80.8	80.5	75.1	78.4	87.9	87.9	87.2	83.9

Source: Ministry of Labor

The number of people hired in 1993 was about 18,100,000. By company size, companies with less than 100 employees hired about 15,124,000 (83.5%), and those with 100 to 299 employees hired about 1,186,000 (6.6%). For companies with 300-499 employees and more than 500 employees, the number of those hired was about 500,000 (2.8%) and 1,290,000 (7.1%), respectively. The number of those employed with vocational degrees was about 14.5% of the total. Broken down, this amounted to 5.3% from institutions affiliated with companies, 4.9% from private training agencies, and 4.3% from public vocational training institutions out of 2,625,000. Out of those hired for less than three years (about 6,378,000), 48.4% (about 3,086,000) were referrals by friends and relatives, and 25.2%

(about 1,610,000) were self-employed or worked for a family business. The rate of people hired through a recruitment test was 10.0% (about 640,000), and those hired through newspaper and magazine ads were 7.5% (about 477,000). Even those hired through schools exceeded those hired through Job Security Offices - 5.7% (about 367,000) vs. 1.5% (about 94,000). Hence, the actual usage rate of Job Security Offices was extremely small, but their performance during the same period increased.

4.3.2. Employment Information Provision and Vocational Guidance

a. Multiple Information Provision and Human Resource Policy Implementation

Rapid growth from the 1960s to the early 1970s was due to an affluent labor force and a boom in the global economy. However, a global recession (i.e. oil shock) and trade protectionism after the 1970s increased unemployment concerns. In addition, as the increase in the economy of scale also worsened the imbalance between labor supply and demand, this imbalance became an important issue for job security policy. In this period of industry structural adjustment, the prompt provision of labor supply and labor market information were beneficial. The revision of labor-related laws in December 1993 also impacted the transition of employment policy from passive measures to active measures while also encouraging further research into employment trends. Such research allowed for some forecasting of labor supply and demand, significantly improving labor market functions.

In order to obtain information on labor demand and the recruitment plans (i.e. number of recruitments, application periods, etc.) of approximately 8,500 companies with more than 100 employees, job information magazines were gathered and delivered to schools. On the supply side, information on high school graduates was gathered and provided to hiring companies. “Research on Manufacturing Industry Employment Trends” revealed how company managers adjusted their employment practices based on business cycles and forecasted employment schedules.

Information from the top 50 largest companies, government-owned and invested companies, and financial institutions was also gathered and applied to job information provision and monitoring efforts. For example, the data on hired college graduates in the previous year from the top 50 companies (number of people hired, hiring methods, regions, etc.) was used to forecast future labor demand for college graduates and to set up a basic employment policy plan. Other data such as labor shortages in industry complex regions and the number of company that went out of business were also used.

b. Job Analysis and Occupation Research

The Ministry of Labor analyzed approximately 25,000 jobs and published the “Dictionary of Occupation Titles in Korea” at the end of 1986. “The Handbook of Standard

Nomenclature of Occupation” was published annually by classifying the occupations in the dictionary according to industry type.

In 1995, the Dictionary and the Handbook were integrated and revised in the “Korean Dictionary of Occupation Titles.” The Dictionary in 1995 had supplemented job requirements to help users set up a long-term career plan and path.

Follow-up research on job aptitude, physical and educational requirements, and key personality factors was conducted for occupations in the Dictionary from 1987. A series of research projects on jobs were also conducted, based on a classification of 351 categories according to similarity of work tasks and job requirements. The project further elaborated on the job requirements such as work function, job aptitude and conditions, education and training level, and promotion and job transition. The research resulted in publications such as “Professional Technicians” in 1987, “Management, Office and Sales Jobs” in 1988, “Manufacturing Jobs I & II” in 1989 and 1990, respectively, “Service, Agriculture & Forestry & Fishery & Livestock Industry Jobs” and “Manufacturing Jobs III” in 1991. In 1996, “Job Research” was published, explaining the criteria for job classification and work tasks. In 1997, an explanation on construction jobs was also added.

c. Job Information Magazine and Automated Response System (ARS)

The Ministry of Labor provided labor market and job information to job seekers and hiring companies in order to cope with rapid changes in industry structure.

The Central Job Security Office had published 900 copies of the weekly magazine called “Wide-Area Job Information Magazine.” Labor Offices also published 50,000 copies of weekly job information magazines for each of their 20 living zones. The magazines were freely available at public service centers, educational institutions, schools, industry complexes, and public institutions. A 24-hour ARS job information call center was available by dialing 1919, which automatically retrieved job information in three minutes. In 1994, a total of 755,591 people used this ARS service. On average, it accepted 2,070 calls per day, including 40 calls per local office. In 1996, 348,306 people used the service – on average 968 calls per day – in addition to 21 calls per local office. The ARS service was set up at the local Labor Office, Professional Human Resource Center, and Human Resource Bank. In 1997, the ARS was upgraded so that job seekers could input their job preferences into the ARS and made available in six areas (Seoul, Busan, Daegu, Incheon, Gwangju, and Daejeon).

d. Vocational Guidance

The Central Job Security Office had developed a computerized system for vocational guidance from 1992 and constructed a comprehensive job information database in 1993.

The database included information on job type, job certificates, licenses, and areas of expertise according to occupations that helps vocational guidance and distributed this database to local Labor Offices and local education office in 1994. In 1995, “Handbook of Occupations” that included basic job information on training, qualification, and specialty areas was published. In 1996, a diskette containing a computerized vocational guidance system was distributed for using the database in any personal computer and continuously updating job information.

A computerized vocational guidance system is a program that finds the most suitable job for an individual by considering personal qualifications such as aptitude, interest, education, training, physical conditions, and personal certifications. The system had five processing functions for aptitude test, suitable job searching, matching jobs, job certifications, and vocational training information. In particular, the use of OCR had enabled the processing of a large amount of data within a short time and proved to be useful for vocational guidance for large groups such as students. The use of the touch screen made the system easier to use while providing detailed results, eliminating the need for additional consultations.

“The World of Jobs” videotape was also made to introduce the real job environment and to facilitate proper job selection and job ethics. The tape was distributed to local Labor Offices, Professional Human Resource Information Centers, and Educational Research Institutes throughout cities and provinces. The tape also contained information on specific job tasks, training, qualifications, trends and job market forecasts. “The Guide on The World of Jobs” was also published to provide detailed and useful information such as job statistics that were not contained in the tape.

Production of the videotape was extended from 1987 to 1992, involving 20 occupations in five sectors that were selected as strategic occupations. A special edition contained 29 job titles with information on 119 occupations titled, “The World of Jobs and Proper Job Selection” in 1992. Overall, 45 titles with information on 173 occupations in 42 sectors existed until 1997. In 1997, three additional video titles for job introduction were produced.

e. Vocational Guidance for the Youth

The Ministry of Labor selected the model school for vocational guidance in order to guide suitable career path decisions and selection. The school conducted surveys on career sense, job aptitude tests, lectures on jobs, “The World of Jobs” video, post-surveys on career sense, and job consultations. The number of model schools was 15 in 1994, 48 in 1995, and 47 in 1996. In 1997, one school for every Labor Office was selected (total 46 schools).

Retired civil servants and teachers who had rich social experiences and professional knowledge conducted job consultations. They served as honorary consultants for middle and high school students and the youth. They were assigned to the local Labor Office and

Central Job Security Office from June 1993. The number of honorary consultants was 41 in 1994, 43 in 1995, and 42 in 1996. They performed not only job consultations but also life consultations.

f. Aptitude Test

The aptitude test that researched and verified job eligibility and had been prevalent at middle and high schools was expanded to vocational trainees and job seekers after 1987. The job aptitude test for professional occupations, however, was more difficult to implement because of the lack of professional staff at the local Labor Office. Computerization of the aptitude test in 1989 allowed, however, for simple assessments and test results. The number of people who took the test was 3,702 in 1987, 10,134 in 1988, 23,730 in 1989, 28,688 in 1990, 75,878 in 1991, and approximately 300,000 in 1997. An OCR reader was installed at the Central Job Security Office, Busan Labor Office, and Gwangju Labor Office in December 1992 and was used from January 2013 enabling massive processing of test results and notifications.

Job interest is a factor in deciding job fit. It is a psychological feature influencing job performance, satisfaction, and aptitude, as well as a factor affecting job selection and its success. The job interest test was composed of indicators on job interest, job preference, and job confidence. These indicators were applied to eight sectors of job areas. The test was developed from 1987 with 98 questionnaires and tested on 1,851 subjects for reliability and validity. In 1989, a pre-standardization test was conducted on 3,376 subjects, and standardization completed in 1990 with 4,348 test subjects. In 1991, the response form was improved for easy processing and computerization of test results. In 1992, the Korean career interest test was conducted and also processed through OCR readers. From 1993, it was distributed and used at local Labor Offices.

The Career Interest Test provided useful measures for career guidance for job seekers and the youth with indicators on personal qualifications, capabilities, interest, and confidence.

4.3.3. Increase in private employment services

In Korea, job security tasks were performed by public job security agencies, and private agencies were under the strict control of administrative offices. The job security function of private agencies was mainly worked through job introductions, job information provision, and public work programs. In the mid-1990s, several revisions of the Job Security Act were made to deregulate the job security function of private agencies.

Private Job agencies are divided into non-fee agencies and profit-based agencies. Running both types of agencies was required to have a license from the government. Non-fee agencies could only be run by non-profit organizations and public corporations.

Issuance of new licenses stopped in March 1979 due to the increase in the negative social impacts of private agencies and reinforced monitoring of the agency. However, the license issue was resolved in May 1989 due to increased demand for private agencies led by the expansion of urbanization and the service sector – as well as illegal agencies. The increase in private job agencies continued and, as of 1996, 276,890 people used 150 private agencies for housekeeping and security jobs.

The revision of the Job Security Act in January 1994 classified profit-based job agencies for domestic jobs and required a license from the local government. Agencies for abroad jobs require a license from the Ministry of Labor, according to the revised Act. Profit-based job agencies often suffered from intermediary exploitation. Therefore, strict restrictions on these licenses were applied. However, this restriction also effectively facilitated the operations of legitimate job agencies, and the operational standards and penalties for violations were strengthened. In 1997, profit-based private agencies had matched 2,093,033 people to jobs, and two agencies for overseas jobs employed 25 people.

In order to eliminate job matching by non-licensed private agencies and illegal practices by licensed private agencies, a crackdown on these agencies was continuously enforced. Violations of relevant laws and ordinances by licensed agencies were penalized by revoking the license, closing the agency, or issuing warnings. In the case of non-license agencies, their illegal practices were met with judicial action.

According to Article 23 of the Job Security Act, the provision of job information through newspapers, magazines and other publications or wired/wireless broadcasting and computer communications only can be conducted by reporting their business to the Ministry of Labor. This type of business was different from a job agency because it did not actual find a job but only offer employment information.

After the revision of the Job Security Act in 1995, many business entities providing job information and job matching services through computer networks and the Internet increased. As of the end of 1997, the reported number of job information agencies was 35.

5. Development of Human Resources and Employment Services after 1998

5.1. Characteristic of the Labor Market

5.1.1. Massive Unemployment Era

After the 1997 financial crisis, the number of the unemployed surged to the extent that the rate of the economically non-active population recorded a 5.5% increase in 1998 alone. The unemployment trend before 1997 shows that proportion of women among the unemployed decreased in 1998 and 1999 to 32.7% from 36.7% in 1997. In 2000, unemployment slightly increased. The trend shows that the number of unemployed men was almost twice as large as women, and that the unemployment rate of men overall has been higher than for women. These numbers remained unchanged after the financial crisis.

Table 2-9 | Unemployment and Unemployment Rate Trends (1998-2002)

(Unit: Thousands, %)

		1998	1999	2000	2001	2002
Total		1,490 (7.0)	1,374 (6.3)	913 (4.1)	845 (3.8)	708 (3.1)
Gender	Male	1,005 (7.8)	926 (7.2)	613 (4.7)	561 (4.3)	467 (3.5)
	Female	486 (5.7)	448 (5.1)	300 (3.3)	284 (3.1)	241 (2.5)
Age	15-29	574 (12.2)	574 (10.9)	388 (7.6)	388 (7.5)	383 (6.6)
	30-39	364 (5.7)	336 (5.3)	217 (3.4)	193 (3.0)	177 (2.8)
	40-49	273 (5.6)	267 (5.2)	180 (3.3)	162 (2.8)	111 (1.9)
	50-59	155 (5.3)	153 (5.1)	88 (2.9)	79 (2.6)	56 (1.8)
	60 and above	44 (2.4)	44 (2.3)	26 (1.3)	23 (1.1)	22 (1.0)
Education	Mid. School Graduate & below	404 (5.9)	360 (5.3)	227 (3.3)	192 (3.0)	138 (2.1)
	High School Graduate	790 (8.3)	734 (7.6)	471 (4.8)	433 (4.3)	358 (3.5)
	College Graduate	297 (5.9)	281 (5.4)	216 (4.0)	221 (3.8)	212 (3.5)

Source: National Statistics Office,
“Yearbook of Economically Active Population”, Each Year

When looking at the unemployment rate by age, the unemployment rate of the youth between the ages of 15 and 29 was 12.2% in 1998, 11.0% in 1999, 7.6% in 2000, and 6.6% in 2002. For those between 15 and 24, the unemployment rate increased to 16.0% in 1998 and 14.2% in 1999. The unemployment rate of the youth peaked in February 1999 at 19.3%. The unemployment rate of the youth rapidly increased during the financial crisis. The gender composition was the same with unemployed women in this age group outnumbering the men. In 1997, the number of the unemployed between 15 and 24 was approximately 191,000 but increased to about 344,000 in 1998 and 301,000 in 1999.

Although a high rate of unemployed youth is a common feature for OECD countries, Korea was much more severe because of the youth that were not classified as unemployed but belonging to the “economically non-active population” by simply preparing to get a job.

The severity of youth unemployment did not cloud the seriousness of unemployment among those between 40 and 59. The unemployment rate of this population was less than half the entire unemployment rate, and less than 20% in terms of their absolute numbers before 1997. However, the unemployment rate of this population increased to the 80% level of the unemployment rate of the entire population, and their absolute numbers had increased to 30% of the total number of the unemployed. The increase rate of unemployment compared with previous years in 1998 was 94.5% for 15-29 year olds, 212.2% for 30-39 year olds, 292.7% for 40-54 year olds, and 253.1% for those over 55. This indicates that the middle aged group was the most severely impacted in terms of unemployment after the financial crisis. Namely, unemployment before the financial crisis was concentrated on those who had yet to enter the labor market, while unemployment after the crisis referred to those who had lost their jobs.

Looking at unemployment according to educational levels, the unemployment rate of those having college degrees or above was higher than that of people having high school diplomas or less before 1996. This is a unique characteristic of the Korean labor market. However, the trend began to reverse in 1997 and changed completely in 1998. The unemployment rate of people with middle school degrees and below had been very low in the 1990s but increased significantly in 1998 after the financial crisis. This implies that people having high school diplomas and below were more seriously hit by the financial crisis. Considering the fact that the less educated had been mostly working on simple projects or unskilled tasks, it seems that the structural adjustment of companies had been prioritized to remove these workers first.

Although massive unemployment peaked in 1999 and decreased later, seasonal and sectoral unemployment did not improve. The youth postponed their college graduation by serving a mandatory military service earlier than scheduled, going abroad for language training, and

by taking academic leave. The years 1997-1998 marked gloomy days for college graduates. For seasonal unemployment, winter was the hardest season to find work for the poor.

5.1.2. Increase in Labor Flexibility

Companies during the financial crisis put effort into introducing a new paradigm of human resources and labor relations management. The HR management system of the United States was one of the alternatives. The U.S. system aimed to increase productivity by headhunting and by offering aggressive incentives for superb human resources during the business boom. Meanwhile, the American way was to downsize the company by firing and enforcing leaves for their employees during business recession. Therefore, the U.S. system was considered flexible and effective at responding to business cycles. In contrast to the protectionism of workers in Europe such as Germany and France, which suffered from massive unemployment, the U.S. system showed a low unemployment rate as labor flexibility was a big issue for companies.

In general, before the crisis, it was typical for a person to work at one job until retirement, living on his pension afterward. However, the crisis forced companies to make structural adjustments in their workforce, leading to the disappearance of the concept of the “lifetime workplace” and introducing the new concept of “lifetime work.”

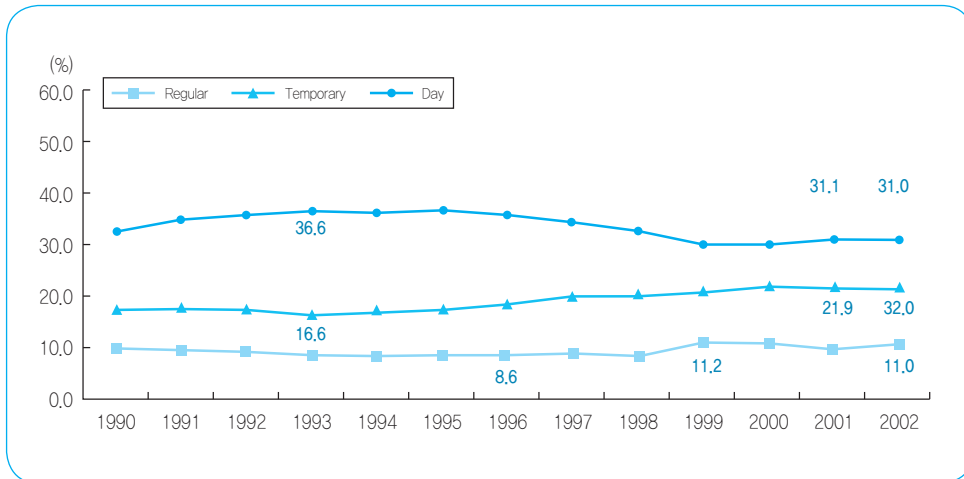
Breaking up a company, outsourcing, and adjusting productivity were ways to cut costs. These were methods for improving a company’s problem of “high cost and low productivity,” and focusing a company’s capabilities on core areas of the business by outsourcing to professionals. Ultimately, this led to an increase in and improved competitiveness.

The compensation system of a company also experienced a significant change. The number of companies that abandoned the previous system of income based on seniority and introduced an incentive-based and annual salary system largely increased as part of an increasingly flexible income system.

The proportion of regular workers among income workers increased until 1995 (58.1%) but gradually decreased. The absolute number of regular workers also decreased from about 7,429,000 in 1995. In contrast to this, the proportion of temporary workers continuously increased after 1995, and the financial crisis strengthened this trend. The rate of day workers was about 9% in the 1990s, increasing to 11% in 1999. The number of day workers and temporary workers was more than 50% of the total number of income workers after 1999.

The increasing trend of “contingent workers” had been widely discussed. Reasons for this include labor cost reduction, flexibility in downsizing, and the weakening labor unions. Other reasons include natural factors like aging, the increase in the female labor force, and the lack of full-time, permanent jobs for highly-educated job seekers.

Figure 2-1 | Proportion of Temporary and Day Workers (1990-2002)



Source: Choe Gyeong-Su, 「the structure of employment, the economic crisis period of change」, Journal of Labour Economics, 22, No. 2, 1999. pp.102 ~ 109

5.2. Development of Employment Service

5.2.1. Establishment of Job Center

The period after the 1998 financial crisis can be regarded as the time when the Job Center (formerly known as the Job Security Office) and service delivery system came into being. It is also when human resource development and corresponding development of employment services gained more attention. A large number of the unemployed visited local Labor Offices to receive their unemployment allowance. However, most of the local Labor Offices were located on the outskirts of major traffic points so that they were hard to access. The process for applying for unemployment was complicated. The unemployed needed to apply for their unemployment allowance at the Employment Insurance department, and then moved to the Job Security department for verifying their job seeking activity. Then, people needed to revisit the Employment Insurance department for processing their application. People were already irritated by the fact that they lost their jobs and were in a position to apply for unemployment allowance, and complained about the service and were angry by visiting the offices.

In July 1998, the Employment Insurance department and Job Security department were integrated into a new institution, the Job Center. The Job Center provided one-stop service that provided job matching, employment insurance benefits, and vocational training in one place. The Job Center conducted job assistance such as job matching and consultations,

employment insurance operation such as management of the insured and unemployment allowance, and vocational training development including other job security services. As the number of the unemployed increased, the budget for employment services also increased. In turn, the number of Job Centers increased around the major traffic points and the Center's facilities improved – i.e. semi-closed service windows for protection of personal privacy.

The 1998 plan to establish the Job Center in every district of metropolitan cities changed in 2000 to a few large Job Centers around major traffic points in metropolitan cities, in addition to smaller Job Centers at the district level of towns and small cities. This reflected the discussion that accessibility is more important in small town and cities than in large cities. Since larger populations means more job seekers, the large Job Centers caters to these populations while branch offices serve smaller areas. This restructuring was also part of the plan for a national level job center network. There were also other plans to adjust the size of the Job Center depending on the administrative demand and hire regional residents in remote areas.

However, the decreasing unemployment rate prompted the Ministry of Labor to the number of public job security offices from the budget perspective. Since it was generally more difficult to hire staff in smaller cities or towns, and job performance in the regional areas was low, the Job Centers were reorganized. In addition, a survey on customer satisfaction for each Job Center was conducted to improve service quality.

Although the workload of job security tasks propitiously increased due to the financial crisis, increasing the staffs at the Job Centers was impossible. Only 400 job consultants were hired to staff shortages in the beginning of 1998. The staff shortage problem was increased by the expansion of unemployment insurance to all business entities having more than one employee in October 1998. Instead of hiring unemployment insurance staff, however, the government hired additional job consultants. Since job consultants specialized in consultations rather than unemployment insurance, existing staff at unemployment insurance operations were opposed to this expansion. And the number of job consultants at Job Centers was much higher than that of civil servants.

Table 2-10 | Job Center Statistics

(Unit: agencies, persons)

		1998	1999	2000	2001	2002
Number of Job Centers		99	122	126	168	166
Number of Staff	Total	2,050 (100.0)	2,661 (100.0)	2,436 (100.0)	2,497 (100.0)	2,357 (100.0)
	Civil servants	754 (36.8)	786 (29.5)	517 (21.2)	548 (21.9)	516 (21.9)
	Job Consultants	1,296 (63.2)	1,875 (70.5)	1,919 (78.8)	1,949 (78.1)	1,841 (78.1)
Average number of staff per Job Center		20.7	21.8	19.3	14.9	14.2

Source: Ministry of Labor

Although highly qualified job consultants were hired and devoted themselves to increasing the job performance of Job Centers, there were many conflicts and difficulties in cooperation between civil servants and the contracted consultants due to difference in their status and culture.

5.2.2. Human Resource Bank, Day Job Center & Professional Human Resource Information Center

A human resource bank was established to play the role of a “comprehensive regional employment information center,” providing quality employment assistance service and employment information to job seekers and hiring companies. The full-scale operation of unemployment insurance also contributed to the establishment of human resource banks emphasizing cooperation between central and local governments.

Three human resource banks were established in July 1996 and, ever since, the number has increased. In 1999, the total number of human resource banks was 20. Mostly community leaders were appointed as the president of the human resource bank, so the banks possessed quality equipment and facilities. In spite of the fact that their performance was successful as regional centers, in reality, the bank was the only option to overcoming the budget limitations of the central government by using local government resources. In addition, their function was not differentiated from the Job Center without coherence of operations between regional banks. Therefore, 13 banks were integrated into Job Centers in 2000 except for seven banks located in metropolitan cities. These seven banks were also integrated into Job Centers in 2002.

The human resource bank provided occupation-specific consultations to job seekers and hiring companies and vocational guidance service such as job preference tests, job aptitude tests, and career interest tests. It also collected regional information on employment

assistance programs and employment trends, and focused its job matching services on the long-term unemployed, workers newly entering the labor market, and other hidden human resources. Later, these functions were transferred to the Job Center.

The Day Job Center was established to assist temporary or seasonal workers, who had traditionally not been include in unemployment policies such as employment insurance, vocational training, and public work programs. In October 1998, the Report to the President included “measures for assisting low income earners, such as day workers in the winter season” and confirmed these measures in the following cabinet meeting such as the establishment of the Day Job Center and Public Work Program for day workers, vocational training assistance programs, and retirement deduction system for construction workers.

In November 1998, the Day Job Center was opened in 15 areas, and later the “Wolmido Day Job Center” hired construction workers for the Yeongjongdo new airport construction project. As of December 2002, 16 Day Job Centers were operational. The main functions of the Day Job Center were registration for job seeking information and hiring information, job matching, managing the database for construction day workers and provision of job information, and information on the government’s unemployment policy (vocational training, loan program, public work programs). It also conducted consultations on labor-related tasks such as occupational accidents and safety and delayed payment of salaries.

The Professional Human Resource Center operated several programs to support professionals such as retirees of large companies and government-owned and invested institutions, and to match them into jobs such as professional managers, human resource staff, factory plant managers or professional engineers. The Center also helped to establish professional associations for providing vocational guidance to middle and high school students, management consultants, and voluntary services.

5.2.3. Public Employment Service of Local Governments and Human Resource Development Service of Korea

According to Article 4-2 of the Job Security Act, local governments and public institutions can also provide job information, vocational guidance and domestic job matching services. The local head of municipal governments had the authority to operate ‘Job Information Centers’ as part of their public service centers, and to assign specialist civil servants. As of 2002, there was 253 local Job Information Centers. Often these centers were called “Job Information Banks” and operated in their own regional context.

The Human Resource Development Service of Korea operated Employment Promotion Centers in four local headquarters and 19 Regional Job Information Centers from 1992. The main focus of the Human Resource Development Service of Korea was engineers

to be employed abroad, providing them with services related to registration, recruitment, selection of human resources and job matching. The Korea Employment Agency for the Disabled also provided employment assistant programs for the disabled. Other public institutions except these two institutions can provide job matching services after registering with their local municipal government. The school principal or chief officer of public vocational training and development facilities can conduct job matching services to their trainees without registration as a free service. There were also non-profit social service institutions such as female welfare institutes, working youth centers, and centers for women which operated public job agencies and Day Job Centers for promoting employment of day workers.

5.2.4. Contracting-Out Central Employment Information Center

The structural adjustment of the public sector strongly after the financial crisis resulted increasing outsourcing of services. The Ministry of Government Administration and Home Affairs had strongly requested contracting-out public services to the Ministry of Labor in 2000, following their internal policy to complete contracting-out projects. The Central Employment Information Center managed annually 9.36 million cases of personal information from six databases (1.14 million cases of job opening, 3.62 million cases of job seeking, 2.71 million cases of public work, 620,000 cases of public charge, 540,000 cases of vocational training, and 4.35 million job seeker information). It also managed information on 640,000 workplaces that adopted employment insurance, 6.44 million insurance beneficiaries, employment insurance budget control, vocational guidance and development of job information, and Work-Net (employment information network) operation.

The department of labor policy in the Ministry of Labor considered contracting-out the work of the Central Employment Information Center as inefficient and ineffective due to the importance of labor market information management and the sheer volume of information. In addition, privacy protection was also too important to outsource employment insurance information.

The Ministry of Labor sought to establish the “Korea Employment Information Service (KEIS)” as a government-invested independent institution and planned to contract-out the tasks of the Central Employment Information Center. Although the KEIS was established, the tasks of the Central Employment Information Center were contracted out to the Human Resource Development Service of Korea with conditions to upkeep the facility and maintain the independence of the Central Employment Information Center, as well as to return their responsibilities to the KEIS at the request of the Ministry of Labor.

5.2.5. Construction of Work-Net

“Work-Net” opened in April 1999 for the purpose of enhancing the information provision system to job seekers and hiring companies and analyzing this information in order to assist labor market functions regarding labor supply and demand. It also aimed to construct linkages between private, non-fee job agencies and vocational training agencies in order to effectively use private job matching information and provide employment trend information and professional job information and employment service.

The Work-Net upgrade project was conducted from July 2000 and finished its first stage upgrade in December 2000 and the second stage upgrade in February 2001. These upgrades were due to the need for user-friendly service diversification, building computerized infrastructure for National Basic Livelihood Programs, and improvement of previous system. In September 2002, the Work-Net upgrade project was conducted for customer-oriented personalized service, and online job applications and recruitment.

Work-Net has a faxing feature that automatically sends job matching notices and job application results for hiring companies. It is one of the user-oriented programs of Work-Net. For job seekers, an SMS service that texts messages to cellular phones regarding job seeking activity results, job matching results, job application results, information on job openings and job fair schedules was also added. Since Work-Net was used by various government institutions conducting job matching tasks, there were frequent errors on data input. Constant monitoring of employment information in Work-Net was conducted from July 2001.

5.3. Korea Employment Information Service Established to Meet the Demand for a Variety of Employment

5.3.1. Outline

Through the Central Employment Information Office in the Human Resources Development Service of Korea Central Employment Information from the National Employment Office, vocational guidance and employment information were provided. But it was recognized that employment-related computer network integration was needed to manage Korea’s employment needs in 2006.

The Korea Employment Information Service (KEIS) was the central institution for employment service as a long-term manpower supply and demand tool, performing timely analysis of employment trends by providing support for the establishment of national manpower policy. The KEIS worked on a compilation of a vocational dictionary by occupation study and provided labor market information and employment information to

the youth and job seekers trying to understand the world of work and the right job. Jobs are supported through appropriate vocational training for employment information such as the job placement inversion net: the Job Summary and Employment Insurance computer network operating system to support job matching between job seekers and companies and workers who lack the ability to find a job.

Components of the KEIS include the organizational director and research and development headquarters, computerized business headquarters and the Planning and Coordination and Manpower Forecasting Center, the research and development headquarters Employment Survey Analysis Center, Employment Services Assessment Centre, Career Education Center, Vocational Studies Center and employment policy monitoring center, Computerized Division consists of Work-net Planning team, Work-net Development team, information operations team, Employment Insurance team, foreign employment skills development team, management team and data management team. And the number of employees is more than 200. Funds are provided through the general account budget, and the employment insurance fiscal budget is about 50 billion won.

5.3.2. Key Features

To reduce the uncertainty of the future labor market through effective national workforce policy support, the National Manpower Forecasting organization performs analysis of employment trends. It also provides timely information through the analysis of recent employment trends and labor market statistics to identify fluctuations of the labor market through a panel survey such as Youth Panel, Graduates Occupational Mobility Survey (GOMS), and High School Graduates Occupational Mobility Survey (HSGOMS).

The organization provides a wide range of material that contains in-depth information on jobs through channels such as the Korea Network For Occupations and Workers (KNOW), Korea Occupational Outlook Handbook, Korea Dictionary of Occupational Titles, and Occupation Information Handbooks to help students and job seekers select jobs and plan careers, as well as to assist teachers and vocational counselors in providing effective career consulting services.

Various career guidance programs to support the development and utilization of the correct career choice of young people also emerged. School career centers, including on-site support to improve the professionalism of the personnel for the professional abilities and aptitudes of youth and adults, Vocational Psychology Career Exploration, materials on employment support programs, career videos, and training were developed.

The programs were intended to support the effective enforcement of national employment policies, employment policies for monitoring and assessing employment services, to

evaluate and analyze the impact on the quality of job creation and employment businesses, to analyze the effectiveness of employment policies of the central government and local governments, and for assessing the performance of public and private employment services through fair and objective procedures to improve the quality of support.

National employment support information systems are built to provide computerized job placement, as well as support employment insurance-related tasks such as unemployment benefits and unemployment insurance. Integrated vocational development to build the HRD-net to improve the vocational skills of job seekers is also supported. In addition, the system includes foreign employment management and wage and hour information.

5.4. Characteristics of Employment Service

5.4.1. Job Matching

Figures collected from the Job Center showed that the number of job seekers peaked in 1999 before witnessing a downturn after 2000. The number of registered hiring positions increased from 1998 to 2002. Jobs were found through referrals by friends and relatives, followed by newspapers, magazines, placards, and posters. The rate of job seeking activity through public and private job agencies was 3.9% in 1998 but increased to 6.7% in 2000.

Table 2-11 | Performance of Job Center : Job Matching

	Job Seekers	Job Offering	Job Matching	Number of Employed	Employment Rate
1998	186,361	1,221,413	1,186,792	69,798	5.7
1999	541,488	1,456,658	2,387,325	237,088	16.3
2000	557,096	972,382	2,194,293	242,979	25.0
2001	608,154	1,025,962	2,772,858	241,978	23.6
2002	642,032	873,296	2,530,734	191,979	22.0

Source: Ministry of Labor

Table 2-12 | Performance of Human Resource Bank : Job Matching

	Job Seekers	Job Offering	Job Matching	Number of Employed	Employment Rate
1998	113,829	271,270	734,283	58,219	21.5
1999	155,880	245,561	741,655	81,816	33.3
2000	118,748	157,748	469,748	64,337	40.8
2001	48,155	69,902	209,547	22,619	32.4
2002	9,385	12,946	24,393	2,112	16.3

Source: Ministry of Labor

Table 2-13 | Performance of Day Job Center : Job Matching

	Job Seekers	Job Offering	Job Matching	Number of Employed	Employment Rate
1998	5,851	16,428	-	5,339	32.5
1999	69,594	104,184	64,577	62,654	60.2
2000	240,508	274,931	233,586	230,346	83.8
2001	292,737	309,740	288,401	282,703	91.3
2002	233,467	249,898	231,067	226,654	90.7

Source: Ministry of Labor

Table 2-14 | Performance of Municipal Governments : Job Matching

	Job Seekers	Job Offering	Job Matching	Number of Employed	Employment Rate
1998	155,953	656,264	320,769	87,860	13.4
1999	307,289	1,695,521	570,886	86,325	5.1
2000	369,397	1,198,410	632,909	134,312	11.2
2001	331,383	767,265	717,048	126,123	16.4
2002	281,452	472,949	652,829	136,048	28.8

Source: Ministry of Labor

5.4.2. Online Services of Job Seeking and Hiring

The development of computer and communication technology led to many changes in the labor market. In particular, job seeking and hiring activities were largely impacted. Previously, job seekers depended on newspapers, flyers, and job information magazines for job information. But now job finders looked to the Internet for job information. Large companies also used their websites to advertise job openings. In addition to gathering job information, the Internet is used for sending job application documents and conducting online visual interviews.

The opening of Work-Net in April 1999 was one of the responses to use information and communication technology for employment service. Initially, Work-Net had the most accessed websites among the government's websites. Later, it became a common practice that communication service providers, internet portal sites, and private job agencies opened their sites to link job seekers and hiring companies. The reduction in transaction cost due to information technology was expected to improve labor market efficiency, and the Ministry of Labor had implemented several policies to promote provision of job information by private job agencies.

5.4.3. Employment Information Provision and Vocational Guidance

a. Employment Information Provision

There were several efforts to increase policy research through employment information provision. The employment insurance sponsored an annual "Korea Labor Institute Panel Survey (KLIPS)" of the Korea Labor Institute (KLI) from 1998. The survey sampled 5,000 households and their members.

KLI released the findings of the Panel Surveys and collected whitepapers at its conferences. The institute convened many academic and policy meetings for national interests.

KLI also conducted the "Workplace Panel Survey (WPS)" in 2002 by sampling 2,000 workplaces. The WPS is a longitudinal survey on representative workplaces in Korea and composed of three parts – human resource management questionnaires by human resource staff, and labor relations questionnaires by both company staff and worker representatives. WPS data contains information on the management environment, human resource management system, labor relations, and salary negotiations.

The Ministry of Labor sponsored the Youth Panel Survey in 2001. The youth panel sampled 6,000 subjects aged between 15 and 29, asking questions about their education, job selection, job preparation activity and economic activity in order to obtain data on the transition from school to work.

Investment in computer equipment also increased with Work-Net and the increase in the number of Internet users. The number of desktop computers for customer use at Job Centers and Human Resource Banks increased. ARS service for employment information provision and consultations began in October 1998.

b. Vocational Guidance

The “Korea Occupational Outlook” was published in order to help individuals understand the job finding process, as well as to use as a reference for labor supply and demand policy and vocational training plans. In 1999, the first Outlook containing information on 213 occupations was published. In 2001, 33 IT-related occupations were contained in the “Information Technology Occupational Outlook.” In 2002, the “Korea Occupational Outlook of 2003” contained information on 218 occupations. The “Korean Network for Occupations and Workers” is an up-to-date information system that was developed based on information on 90 occupations in 2001. It provides systematic information on the real work environment, work accomplishments, job prospects, and job requirements and training. In 2002, job information on 220 occupations was developed and provided online (<http://know.work.go.kr>).

Vocational guidance services for job seekers and the youth were also provided. In 1998, a job preference test for adults was developed and distributed. In 1999, a “Job Seeking-level Diagnosis Test” was developed and distributed to evaluate motivation and desire. Consequently, other tests such as job aptitude tests for adults, effectiveness test for job seeking, job transition test, business creation diagnosis test, and career interest test for the youth were developed in 2000. In 2001, these tests could be conducted through the Internet and, in 2002, psychological tests were also distributed.

5.4.4. Private Employment Service Industry

a. Private Job Matching Business

Since fee-based job matching services are for profit, there is always the possibility of exploitation by job agencies and their middle man positions. Therefore, the job matching business has been based on licenses. This process changed into a registration system after the financial crisis via revision of Article 19 in the Job Security Act. Upon this change, several other changes were made: relaxing the requirements for this business such as staff and resource qualifications; abolishing location restrictions for job consultations; reducing record-keeping requirements; and abolishing mandatory training requirements for job matching staff. These deregulations were to promote new market participants, reduce administrative burden and social costs, and guarantee citizen rights and freedoms.

As a result, the number of fee-based job placement agencies was increased from 1,773 in 1998 to 2,422 in 1999, showing a 36.6% increase. This was much higher than the 9.1% in 1998. The total number of job placement agencies increased from 3,378 in 2000 to 5,997 in 2002. The number of for-fee job placement agencies increased from 3,168 in 2002 to 5,169 in 2002, marking a 63.2% increase. The number of corporations in the job placement business increased from 463 to 515, while that of individuals rose from 2,705 to 4,654. The number of free job placement agencies increased from 210 in 2000 to 403 in 2002, showing a 91.9% increase.

Although job matching performance by private agencies rapidly increased, most of the jobs matched were for day workers. The Ministry of Labor had penalized violations of relevant laws and ordinances by licensed agencies with administrative measures, and unregistered practices were faced with judicial actions.

Table 2-15 | Number of Private Placement Agencies

	1998	1999	2000	2001	2002
Charging	1,773	2,422	3,168	3,969	5,169
Free	129	173	210	346	403

Source: Ministry of Labor

Table 2-16 | Performance of Private Job Placement Agencies: Job Matching

	1998	1999	2000	2001	2002
Charging	1,414,218 (1,297,118)	1,750,990 (1,634,328)	2,649,957 (2,553,898)	2,553,502 (2,445,739)	4,476,032 (4,195,615)
Free	123,639	70,727	-	-	-

Source: Ministry of Labor

Note: () = Day worker

b. Private Job Information Provision Business

The job information provision business refers to providing job information through newspapers, magazines and other publications or wired/wireless broadcasting and computer communications. The development of information and communication technology led to an increase in the number of companies providing job information through the Internet. Employment contracts are considered job placement, and provision of job information service online is categorized as part of the job information provision business. There are

several types of Internet job information provision businesses, ranging from specialized sites to additional services through internet portal sites or journalism media. The number of job information provision companies had increased from 146 in 2001 to 264 in 2002, showing 80.8% increase for the year.

System of Employment Service

1. Role of Employment Service as Employment Stability Program
2. Task and Role of Employment Service
3. Public Employment Service
4. Legal Basis of Private Employment Service and Business Overview
5. Major Content of Employment Service

System of Employment Service

1. Role of Employment Service as Employment Stability Program

Employment service is one of the core infra-services in the national economy to support lifetime job activity, business management of enterprises, and effective utilization of national human resources by providing comprehensive job-related services. Employment service also performs functions to support job-related personal activities and management of human resources and to manage national flow of human resources by providing job information, guidance on vocations and careers, employment assistance, vocational training, and unemployment allowance.

Generally, employment assistant service is classified into public employment service and private employment service. Another classification further divides it into job information provision, head hunting, job placement, supply of workers, and temporary worker provision by service type. From the viewpoint of the labor market, employment service plays the role of allocating labor products in the labor market by matching labor supply (workers) and labor demand (enterprises). Since significant portions of employment service are conducted by self-fulfilling provisions between enterprises and workers, the government only deals with a small part of the entire employment service market.¹⁴

It is cost-effective to purchase labor in the market or to use a public service if there exists a high search cost in the labor market due to a lack of information.¹⁵ These services are conducted by private employment agencies (PREA) and public employment services

14. Public Forum for Advancing Service Industry by Korea Labor Institute (2009).

15. For example, most private companies advertise job vacancies by spending their own funds, and workers also find job information at their own cost.

(PES). In particular, market failure, whether it is due to a lack of knowledge on either the supply- or demand-side, will lead to active government intervention in the form of a public employment service.¹⁶

The institutions delivering an employment service are roughly categorized into public institutions (central government and municipal government) and private agencies (non-profit and for-profit organizations). In the past, public institutions dominated the public employment service, and private agencies dominated in OECD countries. Recently, however, countries such as Australia and the Netherlands started to reform public employment services by contracting out their services to private agencies. In the case of Korea, deregulation of the private employment service market and increase in outsourcing of public employment services to private agencies (non-profit and for-profit organizations) has led to discussion on how to reformulate the role between public and private services for building an effective employment service system. Governance in employment service deals with this very issue, and many countries have addressed this issue in various ways. Previous examples of privatization by Australia and the Netherlands are unique and progressive cases. Although the context for each country is different, most advanced countries in the area of employment service have built their governance systems by partnering with private agencies or municipal governments.

Employment service can be classified into several types: public-led type, competitive-relation type, partnering type, and private-led type.¹⁷ Public-led type has advantages of strengthening services to vulnerable social groups and managing employment information with a single information network. But the downsides of this type are bureaucratization of the public sector and hampering creative and flexible service development due to the ineffectiveness of budget and manpower.

Competitive-relation type is led by competition between the public sector and private sector. It has the advantage of increasing service performance but is hampered by the issue of avoiding services to vulnerable social groups. In addition, the existence of the public sector can weaken private employment services due to the information network and infrastructure of the public sector. Countries in this category include Korea, Sweden, France, and Belgium.

Partnering type is an ideal type by contracting-out vulnerable social groups to private agencies and providing standardized and large-scale services to general job-seekers. Profit areas of job services, such as headhunting for high income professionals and online provision

16. The scope of public employment service can be expanded by re-defining the provision of employment service to citizens as a "basic right."

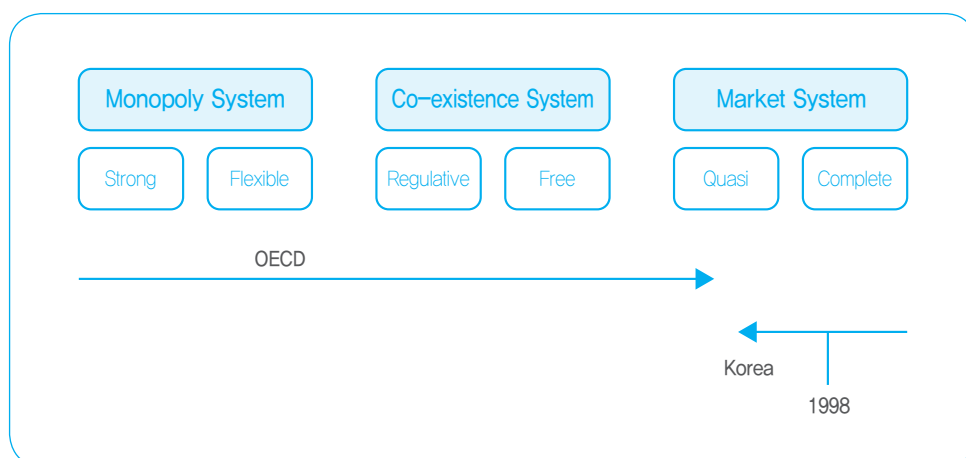
17. Kim (2005). Other classifications can also be made. According to Walwei, the types of employment services can be divided into the monopoly system, coexistence system, and market system.

of job information, are assigned to perfect market competition. Service to vulnerable social groups such as the long-term unemployed is contracted-out to private agencies. Countries in this category are the United Kingdom, Germany, Netherlands, Denmark, and the United States.

Private-led type is, in fact, an exceptional case and exclusive to Australia. The entire public employment service is consigned to a private employment agency. Problems with this type are poor quality service to vulnerable social groups and lack of integration among training systems.

The recent issue in public service is how to divide services with municipal governments. In other words, various types of governance have emerged: monopolized operation of central government, cooperation or competition with central and municipal governments, and monopolized operation of municipal government. All are attempts to maximize efficiency of the labor market by partnering services with diverse service institutions and agencies.

Figure 3-1 | Employment Service Type by degree of Monopoly



Source: Kim, Seung Taek. Sin, Hyeon Gu, 'Public and Private employment Service Operating and Improvement projects', Korea Labor Institute, 2004

Box 3-1 | Employment Service

Employment service performs functions to support job-related personal activities and management of human resources; and to manage national flow of human resources by providing job information, guidance on vocations and careers, employment assistance, vocational training, and unemployment allowance.

2. Task and Role of Employment Service

Employment service is employment support by matching job seekers and hiring companies.¹⁸ In other words, it is the provision of service for job searching (suitable candidate searching for hiring companies) and labor market information. It plays the role of assistance by matching open job positions with job seekers and brings new employment contracts for effective labor market functioning. In a general sense, effectiveness of matching means immediate assistance to make a contract between job seekers and job offers. As the duration of opened job positions lengthens, the effectiveness of the labor market declines.

The intervention of public job matching institutions lies in the assumption that the information between job positions and job seekers is asymmetrical and imperfect. Thus, intervention and active participation of public institutions in the labor market will improve the quality and usability of labor market information. The intermediary role of public job matching institutions can increase the probability of employment for job seekers. And it also positively influences productivity of companies and social welfare. Additionally, an increase in the probability of employment will contribute to shortening the duration of unemployment and significantly improve labor market functions and the social cost of unemployment.

Public employment service institutions provide consultations to job seekers for developing their work skills. They also give out information about job seekers to hiring companies. Employment service requires gathering information about job positions and working conditions according to region, industry type, and occupation. This information is then used as a basic framework for policy utilizing human resources. In particular, public employment service provides employment promoting programs and projects for job seekers, which improves market competitiveness and the work skills of job seekers. The public service also develops hiring promotion programs and projects for hiring companies.

As mentioned earlier, employment service institutions can be divided into public employment service institutions and private employment service agencies, and public employment service institutions can again be classified into employment service institutions of the central government (in the Korean context, “Job Centers”) and employment service institutions of municipal governments (in the Korean context, “Job Information Center”). Private employment service agencies are classified into the job information provision industry and job matching industry.

18. Indeed, in Article 2-9 of the Employment Security Act, employment service is defined as services for supporting employment by provision of employment information to job seekers or hiring companies, job matching, vocational guidance and/or vocational training.

In Korea, employment services are provided by the (1) Job Center; (2) Job Information Center of municipal governments; (3) School career guidance counselors; and (4) Private job matching agencies. The detailed descriptions of these institutions are in <Table 3-1>.

Table 3-1 | Employment Service by Institutions

Category	Institutions	Service Client
Central Government	Job Center Korea Institute of Maritime & Fisheries Technology Job Center, Ministry of Patriots & Veterans Affairs Job Center, Ministry of National Defense	National Citizens, Foreigners Ship Crew National Merits Retired Solider
Public Institutions	Job Center, Human Resources Development Service of Korea Korea Employment Agency for the Disabled Job Center, Korea Industrial Complex Corp Human Resource Bank, Small & Medium Business Corporation	Technician (incl. Foreigner) Disabled National Citizen National Citizen
Municipal Government	Job Information Center, Province Job Matching Center for the Aged	Town Citizens Aged
School	College & School Job Center	Students
Private Agency	Free & Non-Free Job Agency Job Information Provision Company	National Citizens & Some Vulnerable Group

Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

Employment service for job seekers is to support their efforts to secure employment by assisting with a job information search, job matching support, career plan assistance, training information search assistance, labor market information provision, basic vocational training, and provision of job seeking techniques. For hiring companies, it is to support employment retention and promotion of employment by assisting their job seekers' search efforts, matching job seekers, improvement of human resource plans, and provision of labor market information. Other services include consultations for individuals and groups, providing trend analysis of the labor market, research and development of employment facilitating programs, job guidance service, utilizing various employment service information, and application of comprehensive services regarding psychological/economic/cultural factors in employment such as ethical issues, personal networking, and skills for job consultations.

In addition to this, one of the major roles of employment service includes assistance to the unemployed in order to reduce the time, cost and energy of job searches, supporting

the re-entry of workers into the labor market as a result of labor turn-over, provision and gathering of useful labor market information, in-depth assistance to the youth, the disabled, and the unemployed, effective operation of unemployment allowances, and human resource management in the case of a national emergency.

The function of employment service has changed in order to improve the sustainability of employment during a life cycle. First, the job matching method has changed. Job matching is the oldest and core service of employment services that mediates an employment contract between job seekers and hiring companies. Recently, job matching has been conducted by various information publishing methods that are related to public, semi-public or private entities. In addition, the development of information technology has also expanded the employment service function by harnessing an online medium (i.e. Work-Net in Korea). Second, new sources for labor market information have been developed and improved. The present employment service emphasizes finding new sources and refining information that assists in the job search and career development. In addition, trends and information on supply and demand in the labor market, information that is essential to employment, and updating changes in employment trends by region, industry, and occupation are provided. These pieces of information facilitate labor market policy-making at the country level. For the employer, the information is useful for planning investments and reallocating human resources. Third, the global trend of vitalization plans for a welfare state called for labor market adjustment programs. Alongside the basic employment services, there is a direct job creation program at the front line of executing labor market policy implementation. Lastly, there is an active labor market policy that assists active job searching activity by actively using unemployment allowance information rather than simply managing the unemployment allowance itself.

3. Public Employment Service

3.1. Public Employment Service (PES) Delivery System

The Job Center is part of the local administration office under the Ministry of Employment and Labor. The job security agency in Korea was historically a bureau-level entity under the local office of the central government. The programs provided concentrated on monitoring vocational training and private job agencies that provided job placement and skilled workers. It means that the role of the agency in providing direct employment services was weak. In 1994, the Employment Security Act stipulated that the job security agency was a local administration office under the Ministry of Employment and Labor, assigning public staff and vocational directors to the agency.

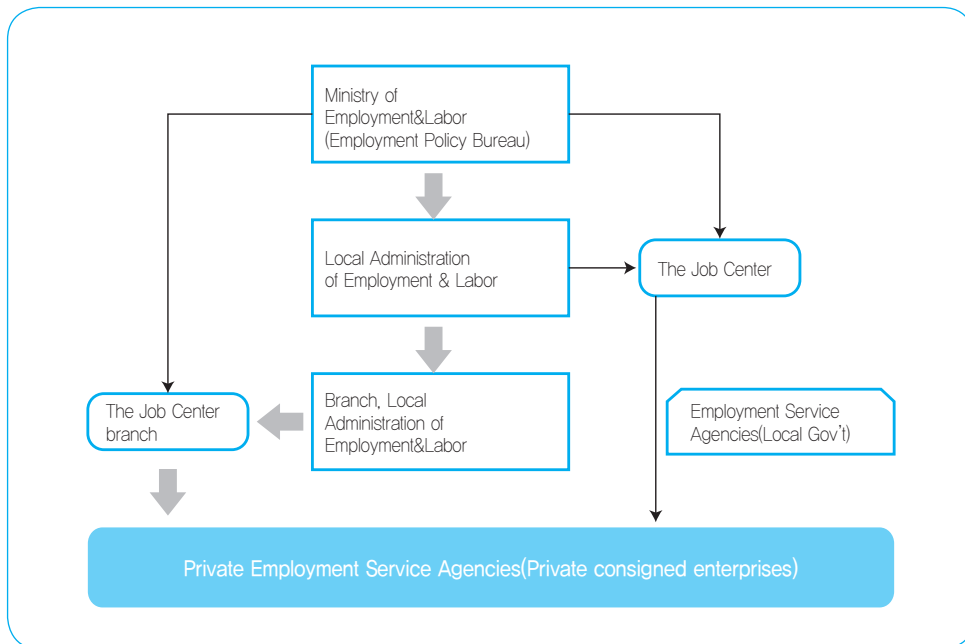
The organizational status of the Job Center is one that is owned by the local labor office or its branch, which is under the local administration of the Ministry of Employment and Labor. The employment security agency used to be one of the bureaus of the local labor office or its branch until the late 1990s, but at the moment, it is an independent organization under the local office. At present, six metropolitan cities (Seoul, Busan, Daegu, Incheon, Gwangju, and Daejeon) have Job Centers under their local labor office, and 41 branches of the local office also have their own Job Centers. For example, the Seoul Job center is under the Seoul Labor Administration Office, and six branches of the Seoul Labor administration Offices (Seoul Gangnam Labor Administration Office Branch, East Seoul Labor Administration Office Branch, West Seoul Labor Administration Office Branch, Seoul Nambu Labor Administration Office Branch, Seoul Bukbu Labor Administration Office Branch, and Seoul Gwanak Labor Administration Office Branch) have their own branches of the Job Center. As of 2011, there were a total of 81 Job Centers in Korea (71 Job Centers and 10 affiliate Branch Centers).

The president of the Job Center is commissioned irrespective of the head officer of the local labor office or its branches. The salary grades of the president of the local Job center and its branch centers are class 3 (Deputy Commissioner) and class 4 (Secretary Official), respectively. The president of the Job Center or of its branch takes charge of its operation and performance. From an organizational perspective, the function of the Job Center is related to the Employment Policy Bureau of the Ministry of Employment and Labor, which supports the center through practical or policy means.

The organizational structure and operation of the Job Center is based on the Job Center Operation Regulation. The difference between the local Job Center and its branch is the size of the organization and the range of programs.

The diagram below illustrates the Korean PES delivery system. As of 2011, a core agency delivering PES in Korea is the Job Center. It is far from obvious that the Job Center is a unique agency. PES is also provided by employment service agencies of local governments. Private employment service agencies also play a part. The relationship between private employment service agencies and the Job Center is somewhat ambivalent. Private employment agencies not only cooperate with the Job Center, but are also under the supervision of the Job Center, which monitors these agencies' activities.

Figure 3-2 | PES Delivery System



Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

Box 3-2 | Job Center

The Job Center is the primary agency of public employment service in Korea. The employment service agency of the municipal government also provides public employment service. The relationship between the Job Center and private employment service agencies is somewhat ambivalent in the sense that the Job Center is not only monitoring private agencies, but it is also a partnering agency for contracting-out employment service tasks.

[Figure 3-2] illustrates how the Job Center carries out the central government's policy. It is able to do so by serving as a local organization under the supervision of the central government, with staff like the head officer who are assigned as a part of the job rotation system of the central government.

The local Job Center is made up of four departments: Planning and Coordination Department, Job Placement Assistance Department, Business Assistance Department, and Vocational Skill Development Department. The main task of the Planning and Coordination

Department is to support the operation of the Job Center. The task of the Job Placement Assistance Department is job placement assistance for employment insurance beneficiaries and general job seekers, the operation of unemployment verification and unemployment benefits, finding hiring enterprises, job placement assistance for the disadvantaged such as the elderly, women heads of households, and the youth. The main task of the Business Assistance Department is to run the employment stability programs, provide general business assistance, hire foreign workers, and verify eligibility of employment insurance benefits. The Vocational Skill Development Department runs programs such as vocational training, the certification and supervision of vocational training facilities, and vocational training assistance.

This organizational structure often varies in the branch of the local Job Center depending on local circumstances. There are four types (A, B, C, and D) of the organizational structure of the local Job Center: Type A is composed of three departments without the Vocational Skill Development Department. Six branches of the Seoul Job Center and an industrial complex such as Busan and Ulsan belong to this category; Type B is the same as Type A except for the Business Assistance Department, whose works are performed by the Planning and Coordination Department and Job Placement Assistance Department. Type C is usually located in the small and medium size regional cities. This type has three teams instead of departments: the Planning and Coordination Team, Job Placement Team, and Business Assistance Team. Type D is the same as Type B, but having teams as opposed to departments.

Table 3-2 | Organizational Structure of the Job Center

	Local Job center	Branch of local Job center			
		A Type	B Type	C Type	D Type
Planning & Coordination	Dept.	Dept.	Dept.	Team	Team
Job Placement	Dept.	Dept.	Dept.	Team	Team
Business Assistance	Dept.	Dept.	N/A	Team	n.a.
Vocational Skill Development	Dept.	n.a.	n.a.	n.a.	n.a.

Source: Operation Manual of Job center, Ministry of Employment and Labor

The number of staff at the Job Center is indicated in <Table 3>. As of 2008, the total number of staff was 2,996. The number of government officials and private job consultants were 2,884 and 112, respectively. Government officials are composed of 1,431 general

staff, 1,414 consulting staff, and 39 statistical work staff. As can be seen from the table, approximately half of the officials are job consultants. There are also contingent workers at the Job Center. As of December 2008, there were 153 contract workers without terms, and 210 contract workers with terms. In 2009, as the number of contingent workers witnessed significant growth, 1,651 new short-term contingent workers were deployed (as of June 2009).

<Table 3> also presents yearly trends in number of staff. According to <Table 3>, the number of Job Center staff increased gradually, but the increase remained moderate. At the same time, it is evident that there were statistical grounds for a decrease in the number of Job Centers. Dramatic changes in the number and composition of staff occurred in 2006 when the status of private job consultants was converted to government officials and the coverage of the Job Center was widened. As a result, the number of government officials increased greatly, whereas the number of private job consultants, which had reached more than 1,500 2006, decreased by just over 100 in 2008.

Table 3-3 | Number of Job Center Staff

(Unit: agencies, persons)

Year	Number of Job center	Number of Staff		
		Total	Government Officials	Job Consultant
2002	156	2,364	543	1,821
2004	118	2,347	632	1,715
2006	85	2,897	1,323	1,574
2008	82	2,996	2,884	112
2011	81	3,269	3,157	112

In order to scrutinize the extent to which PES staff provided employment services, the number of economically active population per staff and that of job seekers per staff were measured in 2008. According to the results, the number of job seekers per staff was 1,121, and that of the economically active population per staff was 8,239. As far as the number of economically active population per PES was concerned, however, Germany and the UK recorded 564 and 436, respectively, which means that the number of PES staff in Korea is far lower compared to that of Germany and the UK.

Table 3-4 | Number of Customers to Number of Staff (2008)

(Unit: persons, agencies)

Category	Korea	U.S.A
The number of staffs	2,859	70,000
The number of agency	81	2,998
The number economic activity population per staff	8,239	3,312

Source : Work-net, Statistics of Economic Activity Population Database

Public employment service work also includes that provided by local governments and public agencies for job placement, according to the ILO (2001) and Article 4 of the Job Security Act. The increasing popularity of personalized employment support systems in 2005 made public employment services and their related logistical information, infrastructure improvements, employment support program expansion, and related quality control mechanisms a priority. There has also been much support for the empowerment of municipalities, schools, and private employment services in an effort to expand the target of public employment services.

Despite these achievements, however, the public employment service is riddled with many problems. The supply chain of the Department of Labor is very weak compared to developed countries, and customers lack accessibility. Although the Department of Labor's Employment Centers number 82 throughout the country, they experience high traffic and lack of capacity. At the municipality level, in-depth counseling is essential, especially for vulnerable employment support – which refers to the majority of the tasks performed in the center to support employment, insurance-related tasks, and administrative affairs.

While enhanced services and the employment information infrastructure are considered networking strengths, the public sector bureaucracy is likely to be inhibited by high inefficiencies in the budget and personnel, and the development of creative and flexible services are necessary.

Korea's unemployment rate since 2005 has shown a steady 3% range for the most part, but still suffers from a low employment rate, especially among the youth. Continued employment services infrastructure expansion is required to solve such problems. Korea's infrastructure when compared to that of developed countries like Germany is lacking.

Table 3-5 | Unemployment Rate and Employment Rate Trend (2005-2010)

(Unit : %)

Year	GDP Growth	Total		Youth (15-29)		Male		Female	
		Unemployment	employment	Unemployment	employment	Unemployment	employment	Unemployment	employment
2005	4.0	3.7	59.7	8.0	44.9	4.0	71.6	3.4	48.4
2006	5.2	3.5	59.7	7.9	43.4	3.8	71.3	2.9	48.8
2007	5.1	3.2	59.8	7.2	42.6	3.7	71.3	2.6	48.9
2008	2.3	3.2	59.5	7.2	41.6	3.6	70.9	2.6	48.7
2009	0.3	3.6	58.6	8.1	40.5	4.1	70.1	3.0	47.7
2010	6.2	3.7	58.7	8.0	40.3	4.0	70.1	3.3	47.8

Source: Bureau of Statistics

It is important to invest in employment services for personal, corporate, and national competitiveness and employment to minimize anxiety on labor market policies. General account budget limitations for funding (employment insurance system was introduced, but program development constitutes a very low proportion of GDP) hinders this process. Expansion of human and material resources of the public employment service agency itself is also required.

Table 3-6 | Labor Market Policy Budget as Proportion of GDP

(Unit : %)

	Korea	Japan	U.K.	USA	Germany	France	Sweden	OECD avg.
Total	0.37	0.59	0.61	0.38	2.97	2.32	2.32	1.52
Active labor market policies	0.13	0.19	0.42	0.14	0.88	0.92	1.36	0.62
Public employment Service	0.03	0.14	0.37	0.03	0.27	0.24	0.23	0.16
Vocational Training	0.05	0.04	0.02	0.05	0.33	0.29	0.33	0.17
Jobs and Employment maintenance support	0.03	0.01	0.01		0.06	0.12	0.58	0.10

	Korea	Japan	U.K.	USA	Germany	France	Sweden	OECD avg.
Budget support jobs			0.01	0.03	0.01	0.07	0.20	0.08
Direct job creation	0.01			0.01	0.09	0.19		0.06
Incubator					0.12	0.01	0.03	0.02
Passive labor market policies	0.24	0.40	0.19	0.24	2.09	1.39	0.96	0.87
Unemployment benefits, etc.	0.24	0.40	0.19	0.24	2.04	1.35	0.96	0.75
Early retirement support					0.05	0.05		0.11

Source: OECD Employment Outlook 2008, Most of 2006 budget, Denmark : 2004

3.2. Legal Basis of Public Employment Service and Business Overview

As mentioned earlier, PES in Korea has legal authority based on several laws – the Framework Act of Employment Policy, Employment Security Act and Employment Insurance Act. “The purpose of the Framework Act of Employment Policy is to allow each citizen to develop his/her employment abilities throughout his/her lifetime; to secure more employment opportunities through the State’s establishment and implementation of policies on employment; to contribute to the integration of society through improvement in the quality of life; and sustainable economic growth and employment by striving for the improvement of efficiencies in the labor market and balance in the supply and demand of human resources” (Article 1). The Frame Act includes provisions for overall labor policies including job placement, vocational guidance, the collection and provision of employment information, vocational skill development training, employment adjustments and stability of enterprises, and the establishment of job security agencies and the Korean Employment Information Service.

The purpose of the Employment Security Act is to strive for the employment security of all workers; to contribute to the balanced development of the national economy by providing workers with an opportunity to find a job for which they may develop and display their individual ability; and to pursue the smooth supply of and demand for the workforce required for industries, based on cooperation between the State and the private sector (Article 1). The Security Act not merely includes the practical provisions of job placement and vocational

guidance, but also provides employment information and the Job Center as well. The Employment Insurance Act is a law on employment insurance containing the provisions of employment security and vocational skills development with regard to unemployment benefits, which means that it also includes PES related to employment insurance. To put it another way, the Framework Act is a basis for institutional strategy for employment policies, and the other two acts, namely the Employment Security Act and the Employment Insurance Act, define the practical provisions of PES and employment insurance, respectively. Although it is the Employment Security Act that defines the provision of PES through the Job Center, PES itself is inevitably linked with and provides programs of employment insurance.

The main tasks of the Job Center are classified into employment service programs and employment insurance programs. Employment service programs contain services of job placement, vocational guidance, and vocational skills development for the unemployed, while employment insurance programs involve those of unemployment benefits, employment security, and vocational skills development for the employed.

Similar to the traditional unemployment insurance, the Employment Insurance Program in Korea contains both unemployment benefits and active labor market policies which minimize unemployment and promote the development of worker's vocational skills in the course of structural adjustments of enterprises. In this regard, the program consists of three subprograms: first, an employment security program minimizes unemployment via the structural adjustment of enterprises due to changes in technology, industry structure, or market environment; and the remainder are vocational skills development and unemployment benefits in general.

Based on the task of the Job Center, there is employment insurance administration, unemployment benefits, job placement assistance, employment security, vocational skills development, employment assistance for foreign workers, and maternity care programs.

First, the Job Center oversees insured workers and fraud management. Other types of administration such verifying the eligibility and collection of incentives for employment insurance are conducted by the Korea Worker's Compensation and Welfare Service. The Job Center's tasks concerning the insured worker are along the following lines: (1) the acquisition, loss or transfer of insured status; (2) a report on severance from employment; (3) a request for changes in name or other details; (4) a request for verification of insured status; (5) a report on work details for temporary, daily worker; and (6) a report on details about subcontractors at construction sites. Fraud management includes the prevention of, the discovery of, and the investigation into those who commit fraud.

Second, unemployment benefits administration means the reimbursement of unemployment allowances to insured workers who have the willingness and ability to work,

but have been involuntarily unemployed. Unemployment benefits are composed of two parts: the job seeker's allowance and the employment promotion allowance. The process includes (1) filing a report on transferring workplace by employees and a report of unemployment by workers; (2) filing a report on the eligibility of benefits; (3) registering job seekers; (4) verifying unemployment; and (5) conducting unemployment benefits awareness class.

Employment assistance programs are composed of two services: job placement services for job seekers, and human resource services for enterprises that are hiring. Job placement services for job seekers are vocational psychological tests and their assessments, the provision of job information, the provision of vocational skills tests and vocational training information, advanced vocational counseling, successful employment package programs for people in the low income bracket, and steppingstone work projects for the disadvantaged. Human resource services are job matching, delegated hiring services, the provision of professionals by customized training, and hosting job fairs. Employment assistance programs also include a group counseling program for those who have difficulties finding a job. The purpose of this counseling program is to promote employment through the development of skills in the job search and a rise in emotional encouragement. The Career Assistance Program Plus (CAP+), Employment Hope Program, Successful Employment Program, and Job Re-employment Assistance Program for the Aged are examples.

The Employment Stability Program is an assistant program for smooth employment adjustments of business enterprises due to structural adjustments of the industry and technology development. The program is composed of sub-programs of job creation assistance, employment adjustment assistance, employment promotion assistance, employment infrastructure assistance, and employment security for construction workers. The objective of the Job Creation Assistance Program is to support job creation by reducing working hours and improving the working environment. Accordingly, it contains subsidies for a reduction in working hours, the transition to a shifting system, an improvement in working conditions and the use of professional human resources for small and medium enterprises (hereafter, SMEs). The Employment Adjustment Assistance Program is an assistant program for business proprietors who have to adjust employment structures due to a reduction in their output or an increase in an amount of stock. This program is composed of the Employment Retention Subsidy and Job Search Assistance Program, aimed at preventing unemployment among workers and reducing the management burden of workers on enterprises. The Employment Promotion Program is a program to promote hiring disadvantaged people such as the elderly, the long-term unemployed, and women. The program is mostly associated with subsidy programs, such as Employment Promotion Subsidies for Aged Workers, Reduced Peak-salary Allowance, Recruitment Promotion Subsidy, Subsidy for Hiring Middle-aged Graduates of Vocational Training, Child-Care Leave Subsidy (Hiring Substitute Worker Subsidy), and Extension of Retirement Subsidy. The Employment Infrastructure Assistance Program

promotes the economic activity of women with the help of wage compensation for teachers in workplace childcare facilities and financial support for installing workplace childcare facilities. The Employment Security Program for Construction Workers is composed of three subsidies: Management Subsidy for Construction Workers' Employment Insurance to induce applications for employment insurance for construction day workers; Employment Retention Subsidy for Construction Workers to promote continuous employment by providing wage subsidies for non-work days due to seasonal or weather issues; and the Subsidy on Wage Reduction for Construction Worker's Retirement Plan.

The Vocational Skills Development Program is a vocational training assistance program to develop job skills and competitiveness. To be more exact, its components are: a) the Subsidy to Business Proprietors for covering vocational skills training costs; b) Self-study Subsidy that covers the full or partial cost of enrolling in job training programs or foreign language programs; c) Worker Skills Development Voucher Card Program for enrolling in vocational skills development programs using employment insurance; and d) the Vocational Competency Development Accounts Program that covers the cost of eligible job seekers for taking a vocational skills development program via an individual card account.

3.3. Public Employment Service Performance

The number of new jobs increased within the range of 5~25% annually, and the number of new job seekers within the 37% range grew every year. This figure sharply increased at the turn of 2009. Employment numbers increased every year, alongside the number of new job seekers, and employment maintained 26% compared to 2005, increasing by approximately 2 percentage points. New job vacancies maintained the level of the fill rate (59%), while the employment number increased every year compared to 2005 and 2009 by approximately 11 percent. It is clear that public employment service established itself as a major main path to employment.

Table 3-7 | Performance of Public Employment Service

(Unit : Thousand, %)

	2005	2006	2007	2008	2009
New Vacancies	866	915	1,151	1,249	1,457
New Job-seeker	1,687	1,873	2,231	2,362	3,256
Employed	415	485	594	636	865
Employment Rate(%)	24.60	25.89	26.61	26.62	26.56
Vacancies Filled Rate(%)	47.92	53.01	51.61	50.92	59.37

Source: 『Work-net Data』, KEIS

4. Legal Basis of Private Employment Service and Business Overview

The ILO is a private employment services group made up of private actors. Among its wide range of tasks involves labor supply and demand, brokerage firms, private employment service providers or career counseling support companies, and companies that provide employment services. The organization has a triangular relationship with companies, professional personnel and online entities. According to the Job Security Act, organizations that support dispatched workers provide job information and job placement can be classified as paid employment agencies. Paid Employment Agencies, Employment Agencies, and Search Firms (headhunting) companies, are separate from free employment agencies or even overseas paid employment agencies. Private employment service agencies since deregulation in 1999 witnessed a sharp increase numbers. Daily construction workers, care-takers, and care-givers accounted for the highest percentage of total private employment service type of employment agency. However, more than 90% of job placement and temporary or daily jobs focus on small private businesses, and qualitative growth was limited. Free services by local governments and free employment agencies target vulnerable groups in the region. Mainly as a result of additional budget support, services expanded to contracting businesses, women, older workers, the disabled, and other vulnerable groups. Career information providers or job portal sites accounted for a large proportion of total sales. For example, the job portal site Job Korea, Incruit, was among the top six companies that accounted for 90% of total sales.

Private employment services and service providers continue to grow in leaps and bounds. In addition, the mitigation of laws and regulations, as well as the financial crisis, directly influenced this growth, as well as changes in the economic environment. However, except for some large companies and small-sized businesses, most do not overcome the low productivity and poor competitiveness problems. The number of workers in 2005 that paid an employment agency (including representatives) occupied more than 90% of daily placements that were only temporary.

Table 3-8 | Private Employment Services and Year-specific Trends

(Unit: agency)

		2004	2005	2006	2007	2008	2009	2010
Total		6,776	7,125	7,274	7,792	7,226	8,330	9,576
Agencies	Free Agencies	402	419	409	514	546	665	617
	Non-free Agencies	6,096	6,379	6,503	6,848	6,241	7,115	8,247
	Free Oversea Agencies	-	2	5	3	3	11	14
	Non-Free Oversea Agencies	27	49	57	71	80	88	107
Job Information Provider		251	276	300	356	356	451	591

Source: Ministry of Labor

On the other hand, because of the weak infrastructure in the public sector, there was a push to expand the program using public-private partnerships and advancing support for cooperation from the civilian sector. This method was seen as addressing the increasing demand for public employment service while also taking advantage of the relative strengths of the private sector. In 2011, 13 contracting businesses were in operation. These businesses focused on providing successful employment packages, vulnerable employment support projects, elderly talent bank, mid-sized professional employment centers, mental well-being support programs, group counseling programs, in-sourcing opportunities, college youth employment centers, idle nurses reemployment business, and several other areas.

Nevertheless, the low number of such agencies, in addition to a general lack of competency at private employment agencies, did not ensure quality services. Public-private employment agency partnerships and the private employment services market were still small, and the system of fees collected was underdeveloped.

Table 3-9 | Performance of Private Employment Service

(Unit : %)

	'04	'05	'06	'07
Vacancies	5,516,017	6,340,186	4,674,309	9,402,610
Job-seeker	6,865,844	6,877,953	5,044,651	8,849,618
Job placement	5,507,901	6,092,743	4,548,073	8,356,322
Employed	5,094,223	5,491,455	4,080,768	7,110,204

Source: Kim, SungTek (2008) Job Security System Reorganization Study of the Korea Labor Institute

5. Major Content of Employment Service

5.1. Job Placement Institution

a. Meaning of Job Matching

Job matching service is a service of helping to make an employment contract between the job seeker and job offerer by searching for job seekers or a hiring company upon receipt of a job-offering and job-seeking application (c.f. Article 2-2, The Job Security Act).

Job matching refers to the activity of matching the most suitable job with a job seeker, as well as the most qualified workers with hiring companies. The job matching service at the regional job security office has contributed to the development of the local community and national economy through a smooth adjustment of labor supply and demand.

b. Function of Job Matching Service

- 1) To reduce cost and time for matching supply and demand in the labor market and, in doing so, to reduce problems caused by the imbalance between labor supply and demand.
- 2) To play a role in reducing or mitigating frictional unemployment or temporary oversupply of labor force by delivering information on labor supply and demand in the market. In particular, to bridge segmented labor markets according to region, industry, and occupation so that smooth transition to other jobs takes place.
- 3) To prevent mutual loss between job seekers and hiring companies (i.e. time and energy).

Box 3-3 | Job Matching Service

Job matching service is a service of helping to make an employment contract between a job seeker and hiring company by searching for opportunities upon receipt of a job-offering or job-seeking application. It is the same concept as job placement and job recommendation.

5.1.1. Principles of Job Matching Service

a. Principle of Matching the Qualified

For job seekers, the job matching service introduces jobs suitable to the job seeker's work capability. For the hiring company, the service also introduces qualified job seekers to the company.

b. Principle of Matching Jobs within Commuting Area

Introduces jobs within the commuting area of the job seeker's residence.

c. Principle of Specifying Working Conditions

- 1) Working conditions and expected duties should be specified before the job match.
- 2) Duties, salary, working hours, and other relevant information should be explained in detail so that workers can adapt to their new jobs.

d. Principle of Confidentiality

Staff or relevant workers in the job placement service or recruiting effort should not reveal information about the job seeker or the hiring company while conducting their job matching duties. Violation of this principle will result in a penalty of year in prison or 5 million won (USD 5,000) fine.

e. Principle of Equal Treatment

Nobody will be discriminated against because of his gender, religion, social status or marital status during the job placement, vocational guidance or employment decision process.

f. Principle of Freedom:

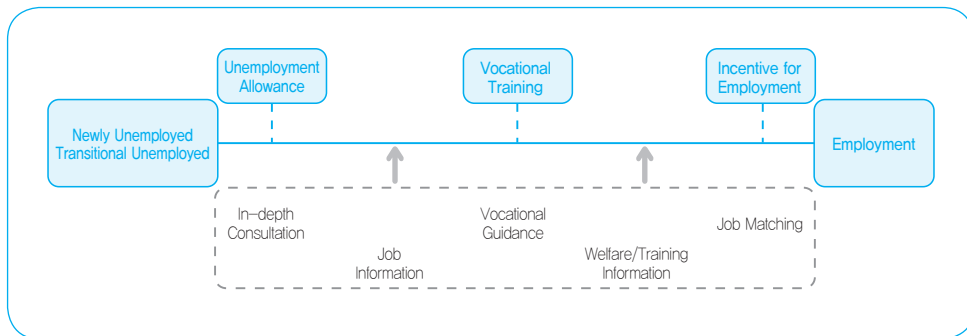
All citizens have the right to choose their own job.

5.1.2. Types of Employment Services

a. Job Searching Service

- 1) For the unemployed: this service assists the unemployed by providing vocational guidance, job consultation, job matching, labor market information, active labor market policy program consultation, and unemployment allowance.
- Newly unemployed: includes those who are just entering or previously entered the labor market.
 - Transitional unemployed person: voluntarily or involuntarily unemployed because of retirement, layoff, etc.

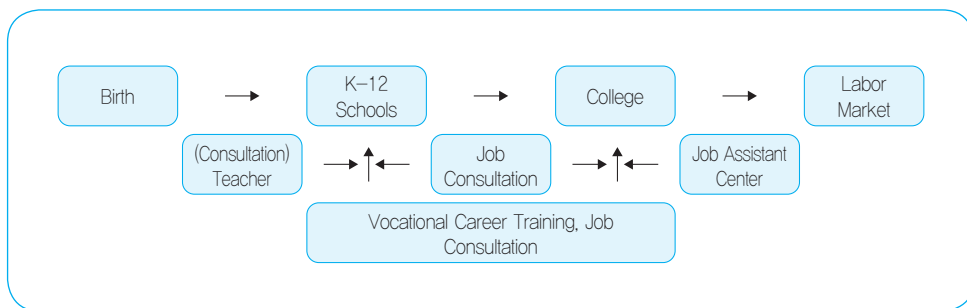
Figure 3-3 | Job Searching Procedure



Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

- 2) For current workers: assists in the smooth transition to other workplaces.
- 3) For new graduates (or soon-to-be-graduates) and school students: assists in the smooth transition from school to work by providing vocational guidance, job consultation, job matching, and labor market information.

Figure 3-4 | Employment Assistance by Life Cycle



Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

- 4) For the underemployed (contingent workers, workers in a labor-intensive industry, the disabled, defectors from N. Korea, beneficiaries of basic livelihood allowances and other social services beneficiaries): assists in upward career mobility by providing vocational guidance, job consultation, job matching, labor market information, and active labor market policy program consultation.
- 5) Assists the disadvantaged (beneficiary of basic livelihood allowances, women with breaks in career history, and the disabled).

- 6) For the economically non-active population with working capability: facilitates reentry into the labor market by providing vocational guidance, job consultation, job matching, and labor market information.
- 7) For social welfare beneficiaries with working capability: promotes their participation in active labor market policy programs.

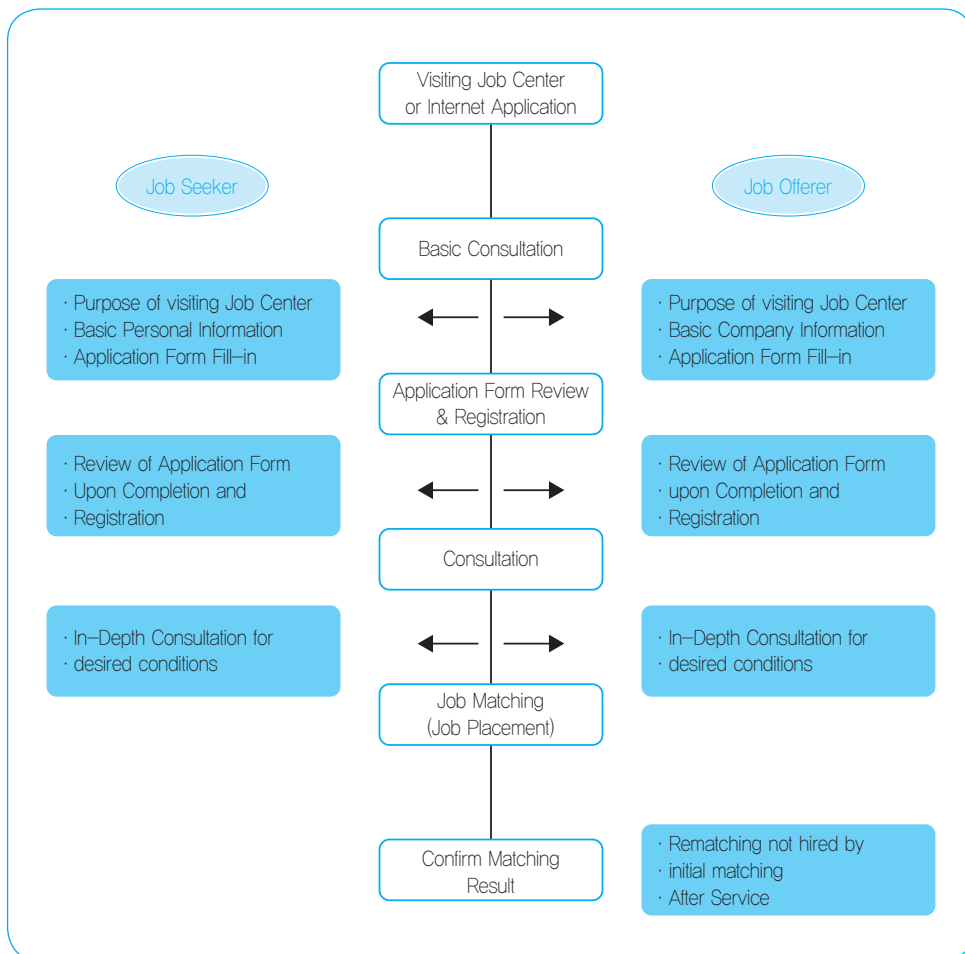
b. Hiring Service

- 1) Assists in the hiring and managing of human resources and career development of the employed.
- 2) Assists in vocational training development, job creation, employment adjustment, and employment promotion. In addition, assists in the registration process for employment insurance, hiring foreign workers, and consultations and reimbursement of employment insurance programs which could be used by companies.
- 3) Assists in vocational training for job seekers and shares the cost of vocational training with business owners.
- 4) Provides consultation and support for obtaining work pay or work system flexibility.
- 5) Assists with the Foreign Workers Employment Permit System.

5.1.3. Registration, Consultation, and Unemployment Verification Process

a. Procedure Diagram

Figure 3-5 | Job Placement Procedure



Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

- 1) Visiting Job Center: Job Seekers or Hiring companies visit the Job Center
- 2) Basic Consultation: Identifies the purpose of the visit, gathers personal information (job seekers) or company information (hiring company), and then collects the necessary forms (for the job seeker or hirer).

3) Reviewing the Application Form and Registration: the job consultant reviews the details of the fill-in forms such as required information for job matching and then registers the application form.

Upon registration, verification of personal identity is required. The verification needs to be conducted via ID cards (citizen registration card, driver license, and passport). If the age of the applicant is between 15 and 18, consent for employment from a guardian or parent is required.

Upon review of the hiring company's form, verification of the salary level to ensure it is above the minimum wage is required. The minimum wage for workers is 4,320 won per hour, 34,560 won per day (8 hours), 902,880 won per month (40 hours per week), and 976,320 won per month (44 hours per week).

4) Consultation: Additional information will be collected through consultation such as a job description for the open position or working conditions.

5) Job Matching (Job Placement): Based on the information gathered, job matching is conducted.

6) Confirming Matching Results: After job matching (job placement), a personal interview between the job seeker and the hiring company takes place, and the Job Center confirms whether or an employment contract was made. Depending on the result, the case is closed, or the candidate is re-matched with another job.

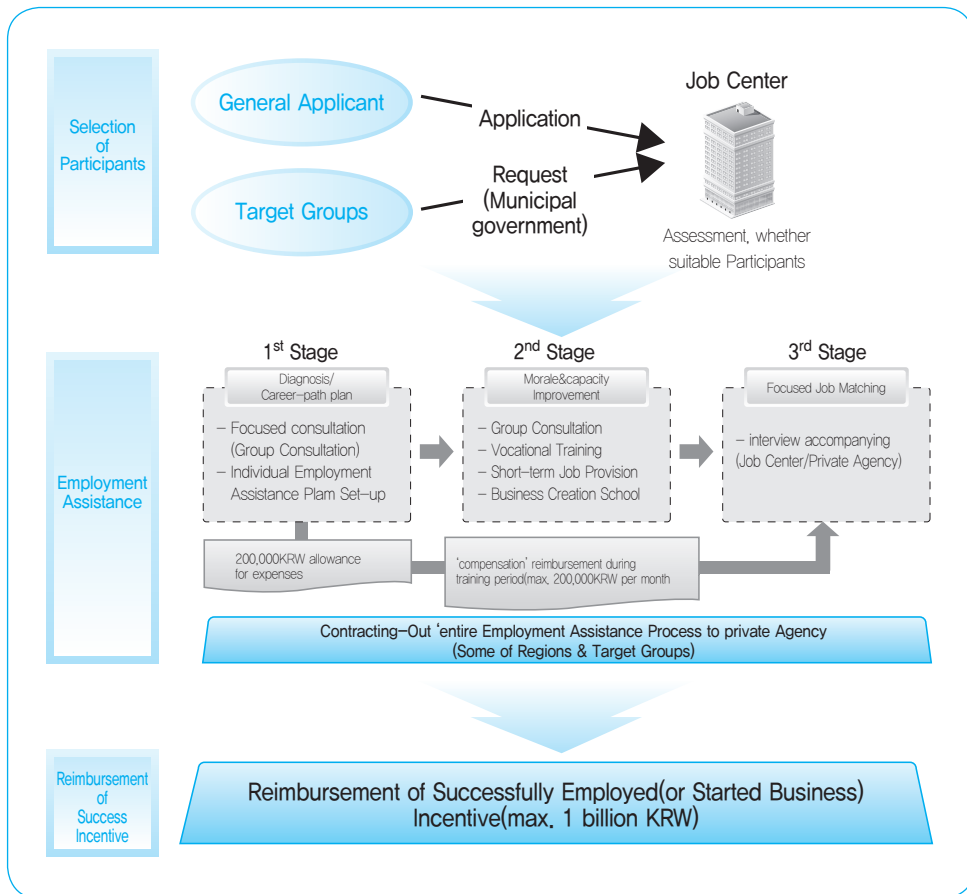
These procedures are often conducted in-person at the Job Center. However, the same process applies to telephone or internet registration.

5.2. Successful Employment Package Program

5.2.1. Program Description

The individual employment assistance plan for the low income bracket consists of a comprehensive process of diagnosis, career path planning → morale and capacity improvement → focused job matching service. In the case of successful employment, the “incentive for employment success” is reimbursed. These are systematic employment assistance programs for the low income bracket.

Figure 3-6 | Successful Employment Package Program Procedure



Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

5.2.2 Program Participants

a. Type of Package by Participant Group

Table 3-10 | Classification of Successful Participants

Type I (the Low Income)	Type II (Youth)	Type III (Training)	Type IV (Etc.)
<ul style="list-style-type: none"> • Third Level from the lowest income bracket and below • Homeless, defectors from N. Korea • (ex) Prisoners • Marriage-Immigrants • Youth at-risk • Participants of credit repair programs • Non-dwelling residents 	<ul style="list-style-type: none"> • Unemployed with high school diploma or below • Long-term unemployed (at least six months) • NEET (Not in Education, Employment or Training) • Other youth 	<ul style="list-style-type: none"> • (At least three months) long-term older (age 50 and above) job seekers • Construction day workers and job-seekers 	<ul style="list-style-type: none"> • Head of family • Self-employed small businessman

Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

b. Procedures for Selecting Program Participants

a) Program Participant Selection (Recruitment)

- Job Center identifies participants and collects personal information. The Job Center then decides whether the applicant will participate at the Center or be contracted out to another agency.
- Employment capacity assessment (profiling) is conducted to assign participants to the proper contracted-out agency.

Box 3-4 | Employment Capacity Assessment Factors

- Age, education, duration of unemployment, job experience, vocational training experience, length of time unemployment insurance was collected, related job certifications
- Classifying participants into four categories (ABCD) and assigning the vulnerable groups (ABC) to a contracted-out agency

b) Assign Participants to Outside Agencies and Personal Interviews

- Assigning participants to an outside agency by using the Successful Employment Package Program Computer Network

5.2.3. Contents of the Program

a. Employment Assistance Stage 1: Diagnosis and Career Path Plan Set-up

a) In-Person Consultation

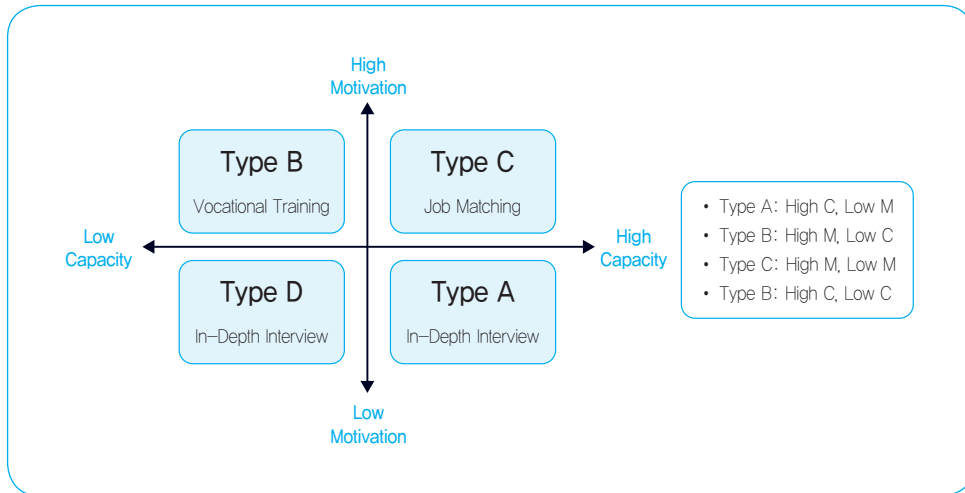
- Personal Consultation for 4-6 weeks to set up individual 'Employment Assistance Plan' (Personal consultation frequency: 4-6 times)
 - ※ Filling out the application form, registering as a job seeker, setting personal goals, conducting the initial consultation, taking the vocational psychology test, diagnosing basic job capacity, and conducting the job search.
- Group Consultation Program (24 hours, 6 hours per day)
 - ※ Small-Group Level Training Programs for Basic Job Capacity (Social Relations, Communication, Self-Control), Self-Understanding (MBTI, Enneagram), Job Information Search, Job Seeking Skills, Common Sense for Working, Vocational Career Plan
- Conference with program graduates successfully employed

b) Participant Classifications

- Participants are classified into four types based on job capacity and employment motivation: using personal data such as age, education, experience, job certifications, physical characteristics, job preferences and working conditions, and level of desire.

c) Consultation Strategy

Figure 3-7 | Classification of Participant Type by Motivation and Job Capacity



Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

Table 3-11 | Type of Assistance Based on Participant Type

Type	Diagnosis	Assistance
A	High C Low M	<ul style="list-style-type: none"> • Participant without Career Plan <ul style="list-style-type: none"> - Due to long-term unemployment, business failure, family break-up, lack of job information • Purpose of Consultation: <ul style="list-style-type: none"> - Reducing anxiety, depression, and uncertainty - Promoting positive self-reliance and recovering self-confidence - Objective Assessment of personal capacity
B	High M Low C	<ul style="list-style-type: none"> • Participants without job seeking skills and job capacity <ul style="list-style-type: none"> - Diagnosis of basic job skills, work capability, job seeking skills for improving specific skills - Mostly consisting of women who left the work force, youths without job experience, the middle-age and aged, immigrants-by-marriage who lack basic job skills ※ Low level of education translates into a lack of social experience and opportunity

Type	Diagnosis	Assistance
C	High M Low M	<ul style="list-style-type: none"> • Focused Job Matching Subjects - Employment assistance to those who lack job information and understanding of the assistance program - Providing information and incentives (employment promotion incentives, incentives for successfully employed)
D	High C Low C	<ul style="list-style-type: none"> • Most difficult to assist (by providing job information and job matching service) <ul style="list-style-type: none"> - People with psychological (emotional) issues - Training is required • Significant help is needed but often not effective ※ Many participants in the program (often participants with health/mental conditions) belong to this group type - Majority of people in this group avoid self-help or only have interest in maintaining qualifications for allowances or for vocational training

Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

d) Individual Employment Assistance Plan (IAP)

- State I: Focused (individual, group) consultations and vocational psychological tests, setting up individual employment assistance plans such as vocational training or directions for job seeking activity
- Employment Assistance Stage 2: Promoting Motivation and Job Capacity
- * Conducting Stage 2 program in order to train to supplement job capacity following IAP.
- * Enhancing personal job capacity by providing proper vocational training course recommendations and information provision. Vocational training participation is assisted by ‘Vocational Competency Development Accounts Program’
- * Assistance allowance for training is, in principle, limited to KWR2 million, but for Type I participants, the limit is KRW3 million.
- * For the purpose of providing job experience, motivation, and basic work skill learning, “Cornerstone Jobs” (internships) are provided, and for those wanting to start their own business, the “Business Start-up Assistance Program” is also provided.
- Employment Assistance Stage 3: Job Matching

Focused job matching is provided to those who finish stage I and II. Job matching is provided by taking into consideration the IAP and record of participation in sub-programs. If necessary, a job consultant accompanies the program participant on job interviews.

b. Ability to Promote Employment Support Step 2: Motivation

- (1) Individual job search activities formulated and implemented in accordance with individual employment plan: Phase II program will be implemented for the purpose of enhancing employment competencies.
- (2) Participation in vocational training: Level of desire to participate in training courses and suitability of the training courses in providing provide information and recommendations for improving employment competencies.
- (3) Support limit of KRW2 million, but as a general rule, the limit is set to KRW3 million for defectors, married immigrants, and youth in crisis.
- (4) Workplace motivation to raise employment through job experience and learn basic skills necessary for the purpose of temporary jobs or internships and entrepreneurship support.

c. Intensive Job Placement

- (1) Candidates are those who complete the jobs provided: Conduct intensive job placement.
- (2) Job Placement: individual employment plan and assessing real motivation. Ability to promote the details of the process of participation in the program as a personalized job placement effort based on the applicant's history.
- (3) General job opportunities and accompanying interview: Given the participation of the applicant, a specialist may accompany the candidate on the interview.

d. Other Details: Participants Suspended, on Probation, or Terminated, and Participants Receiving Employment Benefits such as Payment of Administrative Action.

5.3. Recognition of Unemployment and Re-Employment Assistance Service

5.3.1. Definition of Unemployment and Employment

The unemployment allowance through employment insurance has the purpose of implementing active labor market policy in order to provide effective re-employment service through a job security agency to the beneficiary of the allowance. It is different from passive unemployment allowance which does not test the job activity of the unemployed, or if they have intentions to participate in the labor market. Therefore, the job security agency verifies (or recognizes) unemployment during the duration of their allowance reimbursement and, at the

same time, assists re-employment. If necessary, proper measures such as guiding vocational training and development of vocational skills need to be supported for their re-employment.

The term “unemployment” refers to the situation in which a person remains unemployed in spite of the fact that he/she has the will and ability to work (Article 2-2, Employment Insurance Act).

The term “employment” refers to the situation in which a person provides labor by contract, subcontract, or contracting-out regardless of the actual amount of income or self-employed status (Article 2-1-6, Regulation on Unemployment Recognition and re-employment assistance).

The term “working intention” refers to the active intention to be employed, including job seeking registration at local labor offices and corresponding job placement and vocational guidance. Individual re-employment activity is also considered as having working intention.

The term working capacity refers to the mental, physical, and environmental capacity to provide labor for earning an income. The assessment of the capacity is evaluated through a comprehensive assessment of personal health, knowledge, roles, and living environment. The term unemployed status refers to the status of not being employed because personal and local labor office efforts were not effective.

The term “recognition of unemployment” refers to when the head of an Employment Security Office who recognizes that an eligible recipient prescribed in Article 43 of the Employment Insurance Act is actively engaging in finding a job during unemployment. The recognition of unemployment program is a procedure to verify whether the unemployment allowance recipients were actively looking for jobs through re-employment activity but while in a state of unemployment. Since the purpose of unemployment allowance lies in the assistance for re-employment, this process is applied.

The term “re-employment activity” refers to the activity of the recipient of unemployment allowance for re-employment such as job seeking activity, self-employed preparation, taking vocational training courses, and participating in vocational guidance.

The term “re-employment assistance” refers to assistance programs at job security agencies intended to re-employ the unemployment recipient. It includes assistance with setting up employment activity plans, job placement, vocational guidance, and information provision for job capacity training.

The term “direction such as vocational training” refers to activity by the job security office that directs the unemployment recipient to participate in a vocational training course or vocational guidance.

5.3.2. Recognition of Unemployment and Re-employment Assistance Procedure

The head of the job security office (Chief Officer of Job Center) is responsible for appointing staff to work on tasks regarding unemployment recognition and re-employment assistance. The staff must abide by certain principles.

First, the staff must handle their tasks with unbiased and objective standards in order to obtain the trust of the unemployment recipient since unemployment recognition and re-employment assistance tasks are closely related.

Second, the staff are required to explain the assistance program of the job security agency such as job placement, vocational guidance, and vocational training programs. The procedures and programs for unemployment allowance also need to be explained in detail.

Third, the staff are required to put forth effort at the initial stage of unemployment in order to achieve re-employment of the recipient as soon as possible.

Fourth, the staff are required to accept requests to change their local job security agency for such reasons as distance or traffic.

a. Unemployment Recognition and Re-employment Assistance Tasks

Table 3-12 | Tasks of Unemployment Recognition and Re-Employment Assistance Stage

	Tasks
Unemployment recognition	<ul style="list-style-type: none"> ① Verification of application for unemployment recognition and job seeking registration ② Confirmation if the recipient visited the Job Center on a designated date and their duration of allowance ③ Reimbursement bank account confirmation ④ Verification of employment during the duration of unemployment allowance ⑤ Verification of active job seeking activity during the period of unemployment recognition ⑥ Next date of unemployment recognition update ⑦ Explanation of exceptional procedures for unemployment recognition and allowance for residents of island areas ⑧ Data input of unemployment recognition application form ⑨ No-show management

	Tasks
Re-employment Assistance	① Information provision on re-employment assistance program and services ② Review of individual plan of re-employment ③ Data input to Work-net about the recipient's records such as work experience ④ Information provision for re-employment of the recipients ⑤ Information provision on re-employment activity required by the recipients ⑥ Confirmation of reasons for denying job-seeking allowance ⑦ Job seeking or offering conditions adjustment ⑧ Hiring Information Gathering

Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

(2) Working Procedure of Unemployment Recognition and Re-employment Assistance Tasks

The staff follow the following procedure for Unemployment Recognition and Re-employment Assistance tasks:

- 1) On the date of unemployment registration, initial consultation, provision of information on re-employment assistance program and unemployment allowance are conducted.
- 2) Preparation of personal analysis of the recipients for setting up their re-employment activity and classifying their type between the date of registration and the first unemployment recognition date.
- 3) On the date of the first unemployment recognition date (2 weeks after registration), setting up a personal plan and classifying the recipient.
- 4) After the first unemployment recognition date, flexibly specifying the date of unemployment recognition.
- 5) After 14 weeks from the date of unemployment registration, in-depth consultation is conducted and personal plan reviewed.

2012 Modularization of Korea's Development Experience
Building an Employment Service System for Efficient
Utilization of National Human Resources

Chapter 4

PES Performance Management System

1. Public Employment Service Performance Management System
2. Contracting-Out Performance Management System of Employment Service
3. Construction of Employment Service Performance Management System



PES Performance Management System

1. Public Employment Service Performance Management System

Although the evaluation items of the Job Center had been somewhat composed before 2009, they were simplified on the basis of job placement performance and utilized absolute standards from 2009 onward. With reference to performance indicators for job placement assistance in 2009, the main performance evaluation was drawn from indicators for successful job matching for general job seekers, disadvantaged people, package program participants, and other job placement services – for example, Work-Net, including temporary work provision. Other indicators were evaluations of work-in-progress performance and specialized programs.

In 2010, the performance evaluation of the Job Center became much simpler. It only evaluated job placement assistance. Indicators were somewhat similar to the ones being used in 2009; and job placement was categorized as general job seekers, unemployment beneficiaries, temporarily available job-spot workers, disadvantaged people, packages for people in the low income bracket receiving unemployment benefits, successful employment package/youth new start program participants, and in-depth consultation program participants. However, the evaluation of the Job Center posed several problems.

First, it did not consider unique factors such as regional characteristics, the demands of the customer, and circumstances specific to the Job Center. Also, it did not generate any positive, pro-active, or creative motivation for working. Therefore, there was a need to set up goals based on active participation, process and results evaluations, and feedback.

Second, only quantitative indicators were adopted. The problem of quantitative measurement was that many of the indicators did not consider any qualitative factors

affecting performance. There was a need to add evaluation indicators for the core task of the Job Center, as well as for other works such as qualitative improvements on job placement performance, systematic work processes, job quality control, regional cooperation and linkage establishments, and customer satisfaction.

Third, the evaluation did not take into account linkage with other regional institutions or their resources. The evaluation underscored goal achievements based on organizational and human resources within the Job Center. Since employment policies necessitated efficient linkages between regional institutions and programs, there was a need to reinforce linkage and cooperation with regional institutions and agencies in an attempt to implement the policies successfully.

Fourth, there was concern about how to use the evaluation other than the Job Center's performance ranking. The focus of the evaluation needs to be diversified into other uses such as benchmarking exemplary cases and feedback systems whose function was to reflect the evaluation results on the next goals of the Job Center by analyzing centers that achieved low levels of performance.

Therefore, research has been conducted to improve the performance evaluation system of the Job center based on the MBO performance management system in 2011.

Three points are considered in setting up performance management indicators. First, indicators should minimize any possibility of arbitrary judgment in order to obtain the objectiveness of indicators. Accordingly, the indicators need to be divided into detailed items, and each item needs to have a specific description.

Second, the performance evaluation should contribute to an improvement in the PES, which is the purpose of the evaluation in terms of efficacy. Also, it should not cause the Job Center to incur any burden of workload and cost.

Third, there needs to be a causal relationship between evaluation indicators in a logical sense. This implies that indicators are required to show the core causal relationship between strategy and customer-oriented leadership and human resources management, process control, and program performance.

In view of these points, research has been widely carried out. Studies into previous Job Center evaluation indicators as well as into advanced countries' PES evaluation indicators have been done with the aim of investigating the effectiveness of the current Job Center evaluation indicators. They looked at key performance indicators in more detail according to the unit of working teams and work contents. In addition, consultations with the Job Center's hands-on staff and external professionals were held on the basis of the previous cases of performance indicators. With these processes, MBO-related evaluation indicators were studied.

Furthermore, characteristics of the indicators were identified by a pre-analysis of indicators with related experts using the Analytic Hierarchy Process (AHP) method. The AHP method used the two-stage structure of MBO performance indicators that separated the Job Center’s evaluation indicators into key performance indicators and detailed performance indicators. As a result, it is observed that indicators need to underscore job seeker’s employment, job placement service, and customer satisfaction.

An MBO performance evaluation scheme was drawn up after interviewing the Job Center (9 centers), holding consultations with the Job Center personnel and external experts, and collecting feedback and opinions from the local labor office and branches (4 times). Evaluation indicators are composed of qualitative indicators and management indicators with the focus on key performance factors in each area of work.

Performance indicators are to assess the contribution of PES by the Job Center and made to comply with job seeker employment and enterprises’ hiring tasks. Regarding both quantitative and qualitative performance, the indicators are set as follows:

Table 4-1 | Performance Indicators

Performance Indicators	Efficiency	Effectiveness
Number of job-seekers Number of employed Number of hiring company Job seeker’s satisfaction Job offerer’s satisfaction		Goal Achievement Rate
Employment rate Employment insurance obtaining rate, job retention rate, income level of the employed, rate of job placement for hiring company	Employment rate in fixed terms Employment insurance obtaining rate in fixed terms Rate of job placement for hiring company in fixed terms	Job retention rate in fixed terms Increase level of Income

Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

Management Indicators are intended for better service application and program improvement of the Job Center in order to conduct programs and work efficiently. They are not directly reflected in the evaluation, but are used for monitoring indicators for secondary data to performance management.

Evaluation is focused on the extent of goal achievement in each area of indicators. The goals of each local labor office are set up by each office, and the achievement levels of those goals are evaluated by absolute standards. Qualitative indicators are assessed by

an Evaluation Committee who visits and evaluates the working site. In light of applying the results of the evaluation to performance and management indicators, the former takes priority over the latter, which is used for performance management monitoring and reference indicators.

2. Contracting-Out Performance Management System of Employment Service

The contents of the PES evaluation for programs contracted-out to the private sector are job placement performance, employment retention rate, customer satisfaction, links and cooperation with the Job Center, and field evaluation. The evaluation is applied to all 11 programs – Successful Employment Package, Employment Assistance Program for the Disadvantaged, Human Resource Bank for the Aged, Job Center for Junior Professional Employment, Transition Worker Assistance Program, Psychological Stability Assistance Program, In-sourcing Group Consultation, Youth Job center in College, and unemployed nurse re-employment program.

The assessment system for the contracted-out programs is introduced for effective evaluation of programs by applying standard indicators and finding best practices. Indicators are integrated by similarity between programs but reflect each program's unique characteristics in some parts. 'PMS' has not been properly implanted in these programs, leading to a fixed-amount assistance policy. For this reason, the number of programs conducted by well-performing agencies decreased. In addition, it has brought about a difference in the operation procedures of programs such as program practice, unit price of contracted-out programs, and evaluation method. It has also led to non-standardization of program design by program operating departments.

Therefore, the purpose of the assessment is, first, to maximize performance of those programs and to promote employment of job-seekers by improving service quality and preventing misuse (i.e. cherry picking, parking) for healthy operation of contracted-out programs. Second, it is to actualize employment of customers as the top priority objective of contracted-out programs via the assessment that emphasizes successful employment and quality of employment. Third, it is to foster PES contracted-out to agencies of quality and to strengthen assistance for quality improvement of PES by proactively contracting-out services to agencies. Fourth, throughout monitoring, field assessment, and evaluation of incorporation and linkage to the Job Center, it is to build cost-effective future program models by cross referencing and comparing programs, and to set up transparent partnerships of PES with contracted-out agencies. It also aims to enhance customer satisfaction by improving customer service.

The assessment is done by the Ministry of Employment and Labor. The Ministry builds evaluation policy and implements the assessment results. The Korea Employment Information Service operates the practical procedures of the assessment. The results of the assessment are used for deciding continuance of services for the following year. Assessment scores of the participating agencies are ranked by each program and, based on the ranking, the agencies are classified into Class A, B, and C.

Table 4-2 | Class Classification by Assessment

Class	Ranking Order	Actions
A	50%	Continuous of service in following year
B	30%	Continuous of service in following year
C	20%	Discontinued service in following year (1 year)

Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

Contracts for Class A and B agencies are automatically renewed for the following year. For Class C agencies, the basic principle is to discharge them from service. However, additional evaluations of the agency – locating their performance in the overall performance of the program as a whole and discussion within the local labor office – are generally conducted to finalize the discharge decision. In spite of this, belonging to Class C twice means being discharged from service the following year. Evaluation for the whole unit period of the contract (three years) is also conducted. For automatic renewal of the contract for the next unit period, the agency must qualify as Class A for three years two times. Having never placed among Class A agencies means continued competition for the service contract against other agencies.

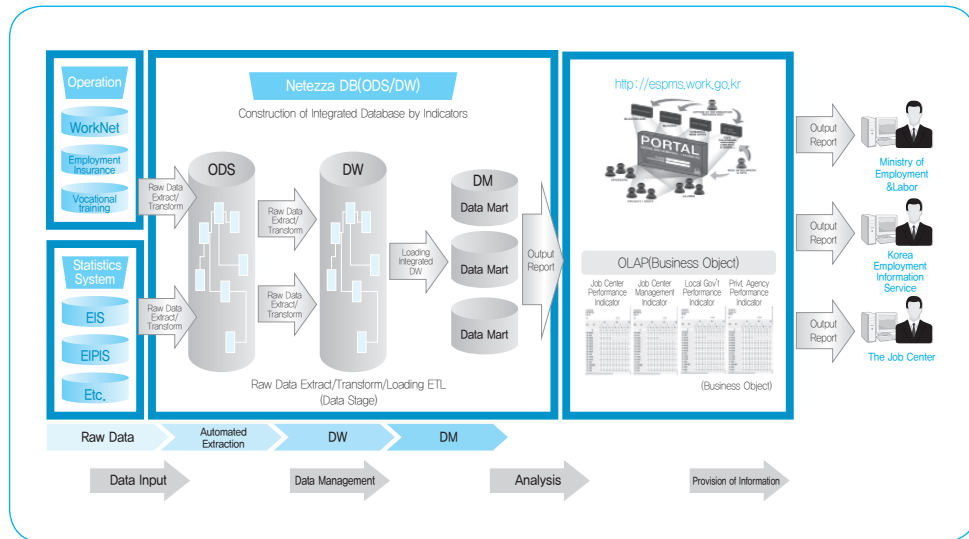
3. Construction of Employment Service Performance Management System

In 2006, the Employment Service Evaluation Center was set up in the Korea Employment Information Service. The center was intended to advance employment services by quality improvement; and improvements by continuous assessment, monitoring, quality certification, and skills development for employment service, conducted in both public and private sectors. The ultimate goal was efficient operation in the transition of the labor market.

In 2011, the performance management system for employment services was constructed. The system contains analysis modules that provide overall management of performance

indicators for the services conducted by the Job Center, local governments, and private employment service agencies. Hence, it is possible to assess the performance of employment services by agency type and deliver the analysis results to those agencies.

Figure 4-1 | Performance Management Analysis System (esPMS) Scheme of Korea Employment Information Service



Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

Prior to construction of this system, the yearly performance scores assessing job placement services by each Job Center were not available at the end of a year. As a result, there was no way to monitor the progress of the center’s performance. In addition, time-series information on performance was not delivered, not to mention any comparison to the previous year’s performance. Delivering an analysis of employed workers with regard to their age, gender, educational level, and assistance program type was also not possible.

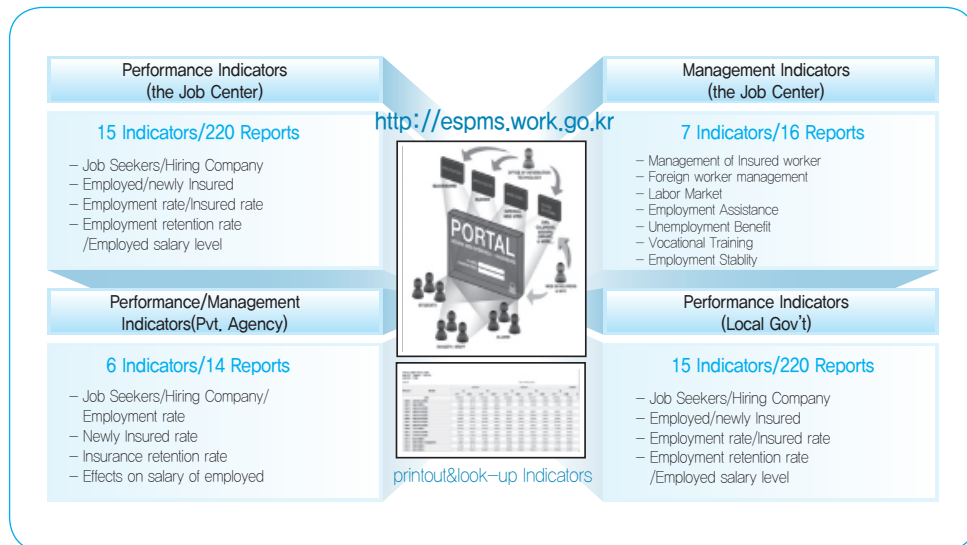
In this sense, the system was constructed for the purpose of contributing to the provision of effective employment service by monitoring the process of performance, providing time-series data, and allowing comparisons with previous years.

The system is able to provide performance data by indicators of evaluation according to agency type on a real-time basis from 2008 with data integration and transformation. Automated comparison of performance results (monthly/yearly/fixed periods) is also possible.

Furthermore, the introduction of the system has several advantages. For policy planners, it allows constant monitoring and integrated analysis for all types of agencies so that they can use the data as supporting material to make reasonable policy decisions. For program managers, it allows effective management of their program because it enables them to compare the status of their program from various viewpoints.

The information on performance indicators is composed of Job Center performance indicators, Job Center management indicators, performance indicators for contracted-out private agencies, and performance indicators for local governments.

Figure 4-2 | Performance Indicators Composition by Agency Type



Source: Oh, Seong-Uk, Employment Service Key Issues and Development Directions, 2012

Evaluation and Applicability

1. Employment Service in Korea
2. Employment Service Policy and Korea's Labor Market
3. State-led Employment Delivery System of Korea
4. Employment Service Business Linkage and Cooperation System of Korea
5. How to Apply Employment Service in Korea

Evaluation and Applicability

1. Employment Service in Korea

1.1. Evaluation

Employment service system in terms of the organization or role has experienced many changes through industrialization. In the early years, there was embryonic differentiation of industry and occupation because they were not mature in the early stages of industrialization. The labor market was naturally set up so that employment was established by employees and employers dealing directly based on labor allocation, not requiring special features or technologies. Companies hired workers within a narrow region or through someone they knew, such as family. Human resource management was conducted in the form of self-sufficiency within a small area, and there was little demand for employment services.

Labor supply by type of workers and industry through direct recruiting was difficult. Depending on the differentiation of occupational duties and needs, and whether or not one was suitable for a particular job, hiring workers who possessed specific qualities became increasingly employment. Hence, the employment service system became necessary to connect job seekers and employers. In the early days, local ads and job-oriented brokerage services existed, but accelerating industrialization made it more critical that workers were connected to the right place.

The employment service system of the pre-crisis era (before the end of 1997) and after (since 1998) can be evaluated by separating the Korea's Employment Service priorities. Before 1997, the major interest was the lack of human resources in the field of industrial distribution. The focus was workforce supply and demand and the imbalance therein because of rapid industrialization. Labor disputes were also a problem. Therefore, this time

did not necessitate the building of a public employment service network. The problem of unemployment became eventually concentrated at a personal level rather than a national level, and awareness of the problem was achieved through vocational training to address, for example, the lack of human resources to meet competency needs. These needs effectively pushed out the priorities of the business sector and were promoted from the Department of labor inside after the late 80s.

An advanced network of employment services became more necessary at the end of 1997 with the pervasive effects of the currency crisis. This time was marked by massive unemployment. In addition, momentum had already begun to build in 1995 with the formation of a new paradigm of lifelong employment in connection with the employment insurance system. The problem of job seekers as a personal problem of access had morphed into a vast social and national issue that required a national response, and a network of employment services was promoted. The government therefore provided one-stop employment services under one roof to provide job placement, vocational guidance, employment insurance and job training assistance.

In terms of employment services, the reality is that Korea still lacks in effectiveness compared to developed countries. New employment service programs focused on the reality of the Korean job-hunting experience will continue to develop on par with developed countries.

1.2. Applicability

Many countries with developing labor markets or witnessing rapid industrialization will be interested in Korea's experience in employment services. In order to prevent or minimize problems associated with these trends, countries must formulate Job Security Laws and make institutional arrangements. In addition, primary school and secondary school students must be schooled on understanding the labor market and be prepared to make career choices. They must also be prepared to adapt well to the labor market. In addition, at the national level, the employment service system needs to be introduced as soon as possible to better understand the characteristics of the labor market. The system must provide expanding employment opportunities to many people struggling to get a job, as well as pursue workforce stability and a seamless workforce. The system must guarantee employment opportunities by minimizing the rate of unemployment to ensure the stability of life and contribute to the stability of society.

On the other hand, there is a need to build a network of public employment services. There is a need to focus on the problem of mismatch between jobs and job seekers, and to systemize various job and career information, pinpoint problems and navigate personnel information systems.

Strengthening vocational education, career guidance to children, and placement capabilities for the unemployed are also important. Intensive counseling for job seekers experiencing difficulties in employment is critical. Countries must understand how to interpret characteristics of the labor market in addition to building a network of employment services dedicated to resolving the problem of mismatched jobs before it becomes a social issue in collaboration with community efforts.

2. Employment Service Policy and Korea's Labor Market

2.1. Evaluation

When looking at the development experience of employment services, it is apparent that they evolve according to industrial development and labor market policies. Industrialization marks the early stages of a technology workforce, marked by an influx of the rural workforce into cities. Urban unemployment is addressed by providing technical personnel, a system of employment services through cooperation in related industries, and increased training and education. Labor mobility is also critical to preventing mismatched jobs, which involves retraining the unemployed and strengthening the employment service infrastructure.

The Job Security Law was enacted in Korea in the early 1960s, which marks the early stages of economic development. The law introduced employment services and organizations, as well as related systems for a basic employment services framework. As a result, Korea was able to more flexibly respond to changes in the economic environment and cope with changes in the labor market.

2.2. Applicability

The process of industrialization in countries such as Korea, as well as short-term employment services policy goals, should be configured so that a long-term goal of employment service can be established. Funding employment services through the general account will limit their productivity and potential. A long-term master plan should include ways to promote employment services with unemployment insurance funds and dealing with scarce resources. A master plan may need to be configured to include matters concerning employment service agencies and local government partnerships, as well as labor market information systems responsible for organizational management, public employment services and independent operations. The Korea Employment Services Policy Act, which supplemented the original job security law, was introduced in the late 1990s and serves as the foundation for many of today's policies.

3. State-led Employment Delivery System of Korea

3.1. Evaluation

The early 1960s marked by economic development saw local government employment bureaus assist in maintaining a consistent policy of employment services. Not only does the local labor office region play a key role in the governance of regional employment, it also promotes retention of expertise of local employment service personnel.

Another reason for building a centralized employment service delivery system in the 1960s was to address the need for skilled technicians to manage employment services systematically.

In the case of Korea, the centralized employment service organization needed to regulate private employment service agencies. In the early stages of expanding economic development, public employment services fell behind private agencies in providing human resources because of the time it took to develop the public employment services sector.

The progression of employment service agencies after the 1960s includes the participation of the Department of Labor as employment services became linked with economic development. In particular after the 1998 financial crisis, there was a need to advance and expand the employment service delivery system to cope with mass unemployment.

3.2. Applicability

During the early stages of industrialization, countries face problems that inhibit the development of the national economy in the direction of work. Therefore, there is a need to build and promote a country-driven support system of employment services and an employment service delivery system at the national level. In addition, issues such as investment priorities and funding lose ground, requiring that employment service networks be set up in cooperation with local governments and related agencies as part of a business model. In other words, there is a need to improve synergies through close cooperation with central-local private employment services. Central and local governments should establish a system by taking advantage of each of the relevant agencies to collaborate with each other. Nationwide employment support services, infrastructure building and operations are the responsibilities of the central government, which must allow local governments the freedom to perform the business based on local characteristics. There is a need to increase efficiency through fostering and utilizing the expertise of professional institutions.

In addition, there is a need to strengthen the partnership between employment services providers. Meanwhile, the employment service network should be strengthened to encourage

harmonious development through public-private partnerships to strengthen awareness. Leading employment service agencies, local governments, educational institutions, social welfare agencies, and public employment service agencies must participate actively to the induction of growth through the sharing of information.

4. Employment Service Business Linkage and Cooperation System of Korea

4.1. Evaluation

Industrialization drives employment policy to cover vocational training, employment services, and unemployment insurance. The issue of national human resources supply and demand mismatch may occur in the process of industrialization and labor allocation, and collaborative relationships must be built to keep pace with industrialization. After the financial crisis, Korea was able to respond by expanding the public employment services infrastructure to facilitate organic linkages between all parties of the labor market, as well as develop a system of cooperation. The employment insurance system played a particularly large role, and the introduction of vocational training institutions have been traditionally used to solve the problem of mass unemployment. Especially since 1998, to effort to build a one-stop employment service further addresses the complexities of the unemployment issue.

4.2. Applicability

In the case of Korea in the 1960s, the government began pursuing labor-based employment services involving businesses, government agencies, and vocational training for employment security. In addition, with the advent of industrialization in the late 1990s, employment insurance and the variety of employment services programs specifically linked to unemployment benefits were pursued. Cooperation was also used to strengthen business ties, on-the-job training and the employment services support system. The development and utilization of the employment insurance system helped to build positive and efficient allocation of national human resources.

Vocational training institutions are limited so recruitment subsidy schemes and organic linkages are needed. Vocational training, corporate recruitment incentives, and specific policies are critical for vulnerable groups. Job seekers experience livelihood difficulties and other barriers to securing a job, and unemployment assistance schemes must address this population. The livelihood of children and dependents must also be taken into consideration.

5. How to Apply Employment Service in Korea

5.1. Evaluation

In the early years, employment services constituted providing information as it became available. Specialized employment support services included specific assistance to disadvantaged groups, as well as embracing the concept of the transition to lifetime employment.

5.2. Applicability

Approximately 50% of the population could be considered a target for employment services in South Korea. The early stages dictated job placement. Institutionalization followed to prevent unreasonable damages that occur in the mediation process. Korea's successful employment package business is also benchmark-worthy, which takes into consideration the circumstances of job seekers who have difficulty in the labor market entry process by providing also re-employment support services. Vocational psychological test tools and a variety of vocational guidance and counseling techniques further contribute to an effective employment system.

There is a need to standardize and systematize employment services to support vulnerable groups at each agency by linking them for a multi-pronged support system. Program development must be based on specific characteristics such as training and experience.

2012 Modularization of Korea's Development Experience
Building an Employment Service System for Efficient
Utilization of National Human Resources

Chapter 6

Summary and Implications

Summary and Implications

Employment services in Korea are less developed compared with developed countries. The system is still vulnerable, and the level of locally-based service is not very high. Public employment service development began in earnest after the crisis of 1998 but lacked support from the labor market. The system is not large scale, it is region-based, and still personalized. The gap among industrialized countries in employment services infrastructure is large. Like developed countries, vulnerable groups must be protected with unemployment benefits and continuous employment opportunities.

The market size for public and private employment services in Korea is small. While the number of private employment service providers has greatly increased, the growth has been accompanied by fraudulent activities. While services have been contracted out since 2006 to expand on the employment service experience and professionalism, they are not enough, and Korea must continue to strive to supplement its limited public resources with private expertise. While the roles of public and private markets should be differentiated, their mutual ties must be strengthened.

Employment services at the national level in Korea and efforts to build networks have faced considerable problems. Lessons learned have positive implications for other countries interested in strengthening their employment services infrastructure. For example, Korea's experience with the Employment Security Law attests to efforts to correct the labor market when it does not work properly.

There are several points to consider when building a network of public employment services. First, countries should focus on the issue of job matching. Strengthening vocational education and career guidance for youth, for example, improves job matching potential. There must also be a support system. Several employment complaints are resolved during the course of intensive counseling. And supporting suitable recruiters and hiring companies

is critical to the support system. Korea's employment service system followed the path of introduction, development, implementation of employment services that met labor market policy, promotion of a state-led employment service delivery system, establishment of inter-business linkages, and formulation of an employment support system. All of these components are critical to setting up employment services that respond effectively to the national situation, efficiently utilize national human resources, and are effectively disbursed through an employment service delivery system.

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