

Youth Unemployment Problem in South Korea

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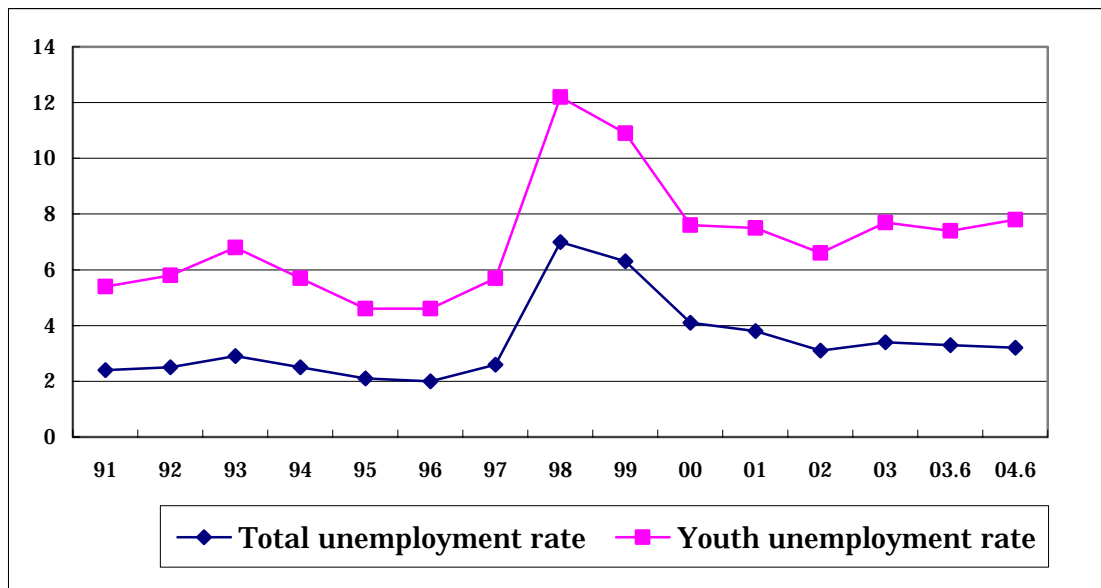
(Korea Labor Institute)

I. Present conditions of Youth Unemployment

The current Youth (Ages 15 ~ 29) unemployment rate in Korea is 7.8%. This is 2.4 times higher than the total unemployment rate in Korea, which is 3.2%. The number of the youth unemployment is 387,000 which are 50.7% of total unemployed people.. In 1998 just after the currency crisis in Korea it soars up to 12.2%. Then it headed down to 6.6% in 2002. But the recent recession caused it to rise again.

<Figure 1> Trends in youth unemployment rate in Korea

(Unit: %)



Source: Korea National Statistical Office, "Survey for economically active population"

Youth unemployment in Korea is not serious comparing to the other advanced countries. It is common to see the youth labor market to have weak structures which tends to overshoot to the recession. In 2002 the average total unemployment rate of OECD countries was 6.9%, and youth (ages 15 ~ 24) unemployment rate was 12.4%.

But after the currency crisis the increase of unemployed people with bachelor's degree, the decrease of jobs for youth and company's policy to hire contingent workers etc. have been ongoing behind the structural change of the youth unemployment.

The youth who are having trouble finding jobs differ in the way in the labor market based on their academic backgrounds. The youth with high school education tend to look for jobs very actively, while the youth with higher educational attainments look for jobs as a non productive economic unit or become idle resource. This suggests that there is a distinct difference between the two groups and the policy should consider segmenting the youth unemployed people and drive the policy differently based on the characteristics of two groups.

<Table 1> The difference of job searching way based on academic background

(Unit: Thousand, %)

	High school or lower graduate	Junior college graduate	University graduate	Graduate school degree
Employed person	1,783.6 (64.5)	1,102.1 (76.4)	958.1 (75.4)	60.1 (81.8)
Unemployed person	156.6 (5.7)	70.2 (4.9)	66.3 (5.2)	3.7 (5.1)
Employment- preparing and not economically active person	66.6 (2.4)	75.2 (5.2)	103.6 (8.2)	4.5 (6.1)
Idle and not economically active person	113.2 (4.1)	32.2 (2.2)	21.1 (1.7)	1.7 (2.3)
Other not economically active person	645.2 (23.3)	162.3 (11.3)	121.4 (9.6)	3.5 (4.8)
Productive population	2,765.8 (100.0)	1,442.0 (100.0)	1,270.5 (100.0)	73.6 (100.0)

Source: Korea National Statistical Office, "Survey for economically active population"

II. The Reasons for Youth unemployment

1. Demands factors

1) The relative decrease of the youth employment

The number of employed youth has decreased from 5,421,000 (1996) to 4,606,000 (2003). The major cause of this decrease is the decrease in the productive population among youths. But the employment ratio (=number of employed people/ productive population) presents that the jobs for youth had relatively decreased to 44.4%(2003) compared to 46.2%(1996)

2) Preference of employing experienced workers

Since the companies that youth with high academic backgrounds want to get into major companies (Cheobol companies, public companies, companies in financial industry) had decreased 335,000 people since 1997 to 2002, the 'decent jobs' have decreased greatly. Although it had increased a little in 2003, the percentage of youth employment to the total employment is only 31.0% in 2004, which is much lower than 40.6% in 1997 (before currency crisis). Most of the prestigious companies tend to prefer experienced work forces than the un-experienced new comers. And this trend is making the demands of the labor market more and more difficult for the un-experienced ones. This is also a major reason why the market structure itself is changing to value experienced workers, especially the ones with higher scholastic attainments.

<Table 2> Trends in employing experienced workers in major companies*

(Unit: %)

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Percentage of employing experienced workers	39.6	43.1	61.9	75.9	77.0	81.0	79.5	70.7	79.0

*Major companies are cheobol companies, public companies and companies in financial industry.

Source: Employment insurance data base

3) Worsening of quality in youth jobs

While the jobs for youth are relatively decreasing, the quality of youth employment is also worsening. The percentage of youth employees in large enterprises with over 300 employees is dropping consistently from 36.7% in 1996 to 25.2% in 2003. This is making the core workforce older and the youth to get jobs as contingent workers, which is driving the percentage of contingent workers to increase greatly.

<Table 3> Trends in quality of youth jobs

(Unit: %)

	Youth employed people / total employed people	Percentage of youth employees in large companies with over 300 employees	Percentage of contingent employees in youth employees
1996	26.0	36.7	41.7
1997	25.2	34.8	44.2
1998	23.7	30.0	48.1
1999	23.1	28.1	54.6
2000	23.1	28.8	54.4
2001	22.3	27.8	52.1
2002	21.6	25.0	52.6
2003	20.8	25.2	49.7

Source: Korea National Statistical Office, "Survey for economically active population"

2. Institutional factor: Mismatching between schools and labor market

1) Discordance of skills

The percentage of high school graduates who go on to a university has increased between 1995 to 2003 which caused increase of the university graduate to 180,000 more than the past. This situation caused the supply to exceed the demand of labor market making the discordance of the qualitative, and quantitative supply and demand problems.

<Table 3> Discordance between the major of the last school and the job

(Unit: %)

	Strongly discordant	Some discordant	Some accordant	Strongly accordant
High school graduates or lower degree	51.0	19.4	22.5	7.2
Junior college graduate	33.4	15.2	28.0	23.3
University graduate	24.7	14.6	29.0	31.7
Total	40.0	17.1	25.5	17.4

Source: Korea National Statistical Office, "Survey for economically active population"

2) Long term translation from school to labor market

It is taking average of 11 months for the youth to earn a job after their school education. 67.4 % of them get their jobs within 6 months of graduation, and 13.4% of them are in long term absence of jobs of more than 2 years.

To find out whether the long term translation from school to labor market is due to an efficient period searching for a decent jobs, we compared the term of translation to first jobs with the accordance of school major to job. The result; 50.9% of the people who get their jobs before their graduation and 45.7% of the ones who got their jobs within 3 months of their graduation recognized the accordance of their school majors to their jobs, while 61.1% of the ones who waited for 2 ~ 3 years and 69.4% of the ones who waited longer than 3 years had discordance between their major and their first job. This research shows that the length of time of waiting doesn't relate to finding a decent job. Moreover it suggests that the longer the translation term is, the larger the defects of youth workforce.

<Table 4> Translation term and accordance of school major to job

(Unit: %)

	Strongly discordant	Some discordant	Some accordant	Strongly accordant
Before graduation	32.7	16.4	30.6	20.2
Less than 3 months	38.1	16.2	26.3	19.3
3-6 months	43.3	18.8	24.3	13.6
6 months – 1 year	43.4	16.2	24.2	16.2
1 – 2 years	42.7	16.1	24.0	17.2
2 – 3 years	40.8	20.3	21.8	17.1
More than 3 years	49.2	20.2	21.0	9.6
Total	39.6	17.1	25.9	17.4

Note: $\chi^2 = 80.8334$ significance level: $p < 0.0001$

Source: Korea National Statistical Office, "Survey for economically active population"

3. Personal factors: Satisfaction level and family Dependence

1) Job seekers looking for prominent jobs

The desired pay level of the job seekers and the actual market pay had a big difference. The desired pay level were \ 1,310,000 which was 13.1% higher than the actual average pay of \ 1,160,000

2) Coexistence of labor shortage in small and medium business and youth avoidance of small and medium business

Although small and medium businesses have a labor shortage problem, the youth unemployment problem can't be solved. This indicates that the youth unemployment problem is not just due to the recession.

The solvency difference between the small and medium business and the large companies had deepen even after the currency crisis. In 1980 the solvency difference between the large companies with size over 500 employees were 3 times larger than the business with 5 -9 employees but in 1995 it increased to 4 times, and in 1995 5 times in amount. Medium size business has the pay level of only 66% and the cost of welfare is only 56% compared to the

large companies, while the rate of industrial accident is nearly 2.4 times higher. This kind of phenomena is causing the young job-seekers to prefer large companies and this preference is causing them to wait for an satisfactory job to come up.

3) Youth unemployment and the family dependency

The youth who live with their parent tend to be very low in rate of employment compared to those who are living independently apart from their parents. The rate of youth who are having trouble finding jobs are 17.5% compared to independent youth which is 8.1%. This result tells us that the family dependency is one reason of youth unemployment.

4. The problems in translation from school to labor market

1) Fragile function of career planning

50% of the youth workers who has work experience got their jobs by their own private connection. And most of them got their jobs by their family ties. But the other institutional supports for employment were proved to be insignificant. Youth job seekers are usually using news paper, magazine, internet, bills to look for jobs, and the role of institutional help to find jobs are proven to be very insignificant

2) Lack of work experience during school years

The demand for experienced work force in the labor market tells us that the work experience during school years will give the youth a broader view in the job market as well as insight in career planning. 47.8% of the youth who have finished their school has answered that they have had work experience while they were in schools. Majority of their work experiences were part time jobs(43.4%) followed by full time job(35.5%), field practice supported by schools(18.5%), internship(1.5%), field practice supported by the government(1.0%).

It shows that if young people had prior work experience during their school years, one tends to spend less time seeking their first job. 30.9% of the ones who have prior work experience already attained their jobs before their graduation, which is 11.4% higher than the ones with no work experience.

. Suggestions in the Policy

In 2003 the Korean government announced a policy to alleviate the youth unemployment problem. The Korean government has offered not only short term but also long term - concerning economical, industrial, educational- plan.

In order to uplift the effects of the plan without harming the equilibrium, the government should take into consideration that not all of the job seeking groups are homogenous, and establish a policy concerning the different characteristics. They should also recognize that the problem is not just the unemployment, but the problem is entangled in many different systems of society. The government should also take the regional difference into consideration to raise the efficacy of the plan.

1. Establishment of total employment support service system concerning the youth

The policy need to be set up in a way to promote the employment ability through work experience and career development programs. The plan should take the systematic change of preference of experienced workers into consideration and fortify the work experience education as well as support job seeking and career building. It is thought that supplementing the school education with proper work experience will give the youth a back lift to form right sense and attitude for jobs and also raise the understanding of the job market which eventually will help the youth to move into the job market more easily. So the support in the internship programs should be extended and linkage between the school and the job market should be tighter. Also the communication system of the employment support service should be innovated.

2. Active Job Creation

To relieve the hardship of youth employment we should converse the economical and industrial policy in a way that could uplift the companies' dynamics so that they could create more work places. To do so existing industries should transform to a high value added industry and the knowledge based industries should be developed as well to make long term jobs to be created. The tax system should relieve the manufacturing industry of the tax duties and distribute them to service industries. And also improve the financial aid and other supports to the healthy small and middle size companies so that they could make more job opportunities.

The public companies should also contribute to the solution to the youth unemployment by being flexible in creating jobs and also give opportunities for the youth that are inferior to others in finding jobs.

3. Fortification the connection between schools and labor market

The one reason why the youth employment is a problem is that it takes a long time for the youth to move into the labor market after school and the structure itself is very unstable. So it is one of the priorities in the unemployment problems to be prevented. To do so the industry and the school should be cooperative in the creation of job markets and supplying good quality human resources by declaring their success in the labor market while changing school curriculum to promote employment.

The building of information system that could convey the labor markets requests to the education market is also very important. The notification of the success in the labor market will not only give a good idea to set new curriculums that could fit the requests from the labor market but also make students easier to decide their future. To do this we should segmentate the employment rate in each major specifically. And by reflecting the employment rate in the school evaluation it should induce the change in the development of the school system.

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