

## Chapter 3

### Helping displaced workers back into jobs

*This chapter examines active labour market policies and programmes designed to help displaced workers find new jobs. Displaced workers can access job search assistance and training from an array of organisations, including central and local government job centres, non-governmental organisations, and private employment agencies and training providers. Overall, too much emphasis is currently given to vocational training at the expense of job-search assistance and training, which has been shown to be the most effective form of intervention, particularly for people with a relatively short duration of unemployment. All programmes need to be thoroughly evaluated to ensure that resources are allocated as efficiently as possible, particularly now that private employment agencies and local government are playing a greater role in service provision.*

## Introduction

In Korea, relatively few public resources are devoted to labour market programmes that are targeted specifically at displaced workers. Instead, most displaced workers will access at least some more general re-employment services to help them get back into work, ranging from consultation of job vacancy listings online to comprehensive retraining programmes. Such assistance could be provided by central or local governments, non-government organisations or private employment agencies.

In this chapter, the programmes available to help displaced workers find jobs are examined. The second section gives an overview of the main providers of employment services in Korea. The following section provides a review of outplacement services in private firms, followed by a section on job-search assistance measures provided by Job Centers [Korea's Public Employment Service (PES)], including job-matching, job-search training and intensive assistance.<sup>1</sup> The last section contains an overview of various training programmes for the unemployed.

## Basic structure of employment service delivery

### *Policy setting and budget*

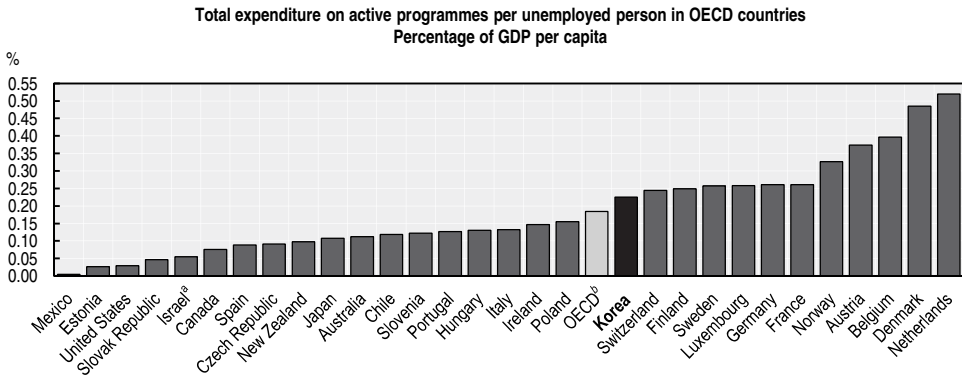
The Ministry of Employment and Labor (MOEL) has primary responsibility for the design and implementation of labour market programmes. However, the MOEL collaborates with the Ministry of Strategy and Finance (MOSF) in determining the budget allocation for labour market programmes. Each year, the two ministries consider the economic situation, labour market conditions and other relevant factors in determining labour market programmes for the following fiscal year.

Active labour market measures in Korea have traditionally been financed through the Employment Insurance (EI) scheme (Chapter 2). However there is a growing reliance on central funding, particularly for job-search counselling and training for the unemployed, so that workers who are not eligible for EI can receive support. Nonetheless, EI is still the main source of funding for re-employment assistance programmes for displaced workers.

Korea's spending on active labour market programmes is just over the OECD average when taking into account the relatively low unemployment rate (Figure 3.1). Although Korea's expenditure on active labour market programmes has increased in recent years, the bulk of spending (almost 70%) is on direct job creation. While these types of measures have

some value in a deep recession when alternative employment opportunities are scarce, in general they have been found to be ineffective at helping unemployed people move into stable jobs in the private sector, and can even hinder future job prospects by distracting jobseekers from searching actively for work (OECD, 2009a). By contrast, Korea spends a relatively small proportion of its ALMP budget on the PES.

Figure 3.1. **Expenditure on active labour market programmes, 2010**



- a) Information on data for Israel is available at: <http://dx.doi.org/10.1787/888932315602>.
- b) Unweighted average of countries shown above.

Source: OECD calculations based on *OECD Labour Market Programmes*, *OECD National Accounts* and *OECD Main Economic Indicators* databases respectively for ALMP expenditure per GDP, population and harmonised unemployment.

### ***Co-operation between central and local governments***

Co-operation between central and local government is based on the Framework Act on Employment Policy, under which the central government establishes national employment policies, while local governments develop policies to promote employment in their regions paying particular attention to the specifics characteristics of local labour markets. However, there is no clear delegation of responsibilities for providing employment services for displaced workers between central and local governments, and in practice both play a role.

Nevertheless, the central government remains the primary provider and funder of employment services in Korea, with local governments playing a supporting role. The exception is Jeju Island, which was designated as a self-governing province in 2006 (Box 3.1).

### Box 3.1. Jeju Island: a lesson in decentralisation

Jeju Island is the only region of Korea designated as a special self-governing province. In 2006, the operation and function of the MOEL Job Center in Jeju was taken over by the local administration. This is the first case of decentralisation of the PES function in Korea. However, in reality more than 90% of the budget for active and passive measures, including operating costs of the Jeju Job Center, still comes from the central government, while virtually all the services provided by the Jeju Job Center are the same as in MOEL Job Centers elsewhere in the country.

It may be too early to evaluate the consequences of the decentralisation on employment outcomes. Nonetheless, there have been some interesting developments stemming from the changes. First, because the special Act which enables self-government must be revised article by article to enact changes to national policies at the local level, new national programmes are typically introduced in Jeju with a delay of one year.

Second, employment-related expenditures in Jeju Province, particularly for unemployment benefits and job training, have increased substantially. The increase in the number of unemployment benefit recipients after the merger was much higher than in other regions, while the employment rate after training declined considerably (see the table below). The increase in unemployment benefit recipients was due to both an increase in applicants and a more generous interpretation of the rules for determining eligibility by Jeju Job Centers. While unemployment benefits remain funded at the national level, this change in eligibility conditions without concurrent increase in contributions could undermine the fiscal viability of the scheme over the longer term, or if a similar decentralisation of administration responsibility was implemented more widely.

Finally, even after the transfer of the Job Center to Jeju Province, there is considerable duplication of services between the local administration and the Job Center. For example, both operate job-counselling and job-matching services in parallel. This suggests that it would be desirable to review the operation of employment services in Jeju to ensure that resources are being used as efficiently as possible.

#### Performance before and after the transfer of the Jeju Job Center to Jeju Province<sup>a</sup>

Percentage points and percentages

	Jeju Province	Nationwide 81 MOEL Job Centers
Unemployment rate	+0.1 pp	-0.1 pp
Spending on employment security and job-training programmes	+110.9%	+70.2%
Employment rate after training	-14.0 pp	+0.7 pp
Spending on unemployment benefits	+52.0%	+41.4%
Number of people deemed eligible for unemployment benefits	+33.9%	+24.3%

a) pp: percentage points. Unemployment rates refer to June 2006 and June 2007; employment rate after training refer to the average from January 2005 to June 2006 and from July 2006 to December 2007.

Source: MOEL and Jeju Province.

To promote employment policies better tailored to local labour market conditions, the MOEL organises “Employment Policy Coordination Meetings” at which local governments and the relevant social partners negotiate and co-ordinate economic, social and employment policies. Local organisations are also connected to MOEL Job Centers through Work-Net, which provides labour market information and job-vacancy listings.

### ***Key providers of employment services for displaced workers***

Publicly funded employment services are generally classified into those directly managed by MOEL Job Centers and those commissioned to private employment agencies or non-governmental organisations. Services are also provided by local governments, schools, universities, job training institutions and other ministries.<sup>2</sup> Indeed, there are so many potential providers of employment services that there is a risk that jobseekers might be confused as to the best option (see Box 3.2 for a solution to this problem in operation in Busan). This section will give a brief description of the key providers of employment services to displaced workers and their roles, as well as some overall performance measures. Programmes and services provided by the MOEL Job Centers will be discussed in more detail in the section on “Job-search assistance for displaced workers”.

#### **Box 3.2. Negotiating the web of employment service providers in Busan**

In Busan, there are three MOEL Job Centers as well as services provided by local government, the Korea Labor Foundation’s Re-employment Assistance Center, universities and colleges. Even Busan Bank has a job centre where it recruits workers on behalf of its corporate clients. The plethora of employment service providers makes it difficult for jobseekers to know what services are available and how to access them. There is also considerable scope for duplication of services and programmes.

To avoid this, employment service providers in Busan meet four times a year to share information and develop joint programmes. To help jobseekers determine the best service for them, they have produced a map and brochure which lists all the job centres in the city and provides contact details and a summary of the services offered by each, along with public transport information and job-seeking tips. The map is available at all job centres in Busan. This simple initiative seems to be a valuable tool to help jobseekers understand the services available and get in contact with the most appropriate providers to help them find work.

### *MOEL Job Centers*

MOEL Job Centers are the primary point of contact for employment services for displaced workers. Job Centers are responsible for administering unemployment benefits, provide job counselling, job training, job matching and placement, career path guidance and vocational psychology testing. They also refer jobseekers to outsourced training programmes.

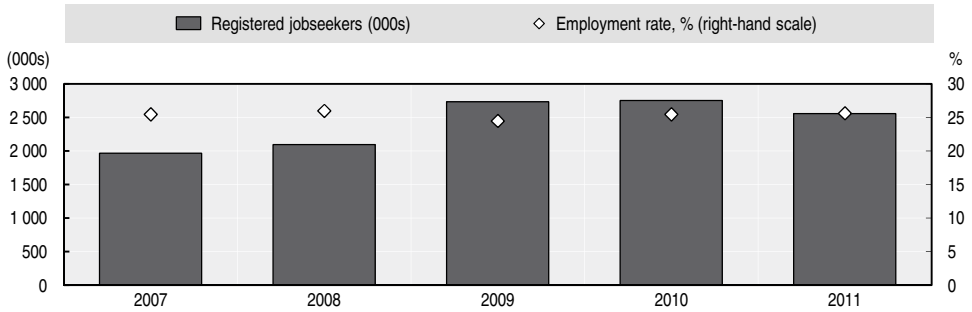
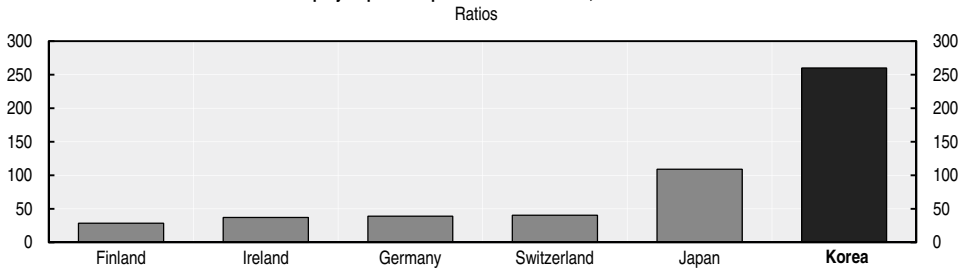
In addition, Job Centers provide a range of services to school-leavers, workers and firms. As well as providing job-matching services for firms with vacancies, Job Centers administer the many wage and training subsidy programmes aimed at firms and existing workers and visit firms to identify problems they face with recruitment and labour regulations. They also deal with foreign worker permits and maternity leave. Job Centers also work with local governments and communities to encourage job creation at the regional level.

In 2011, Job Centers provided services to around 2.5 million jobseekers (Figure 3.2, Panel A). However, despite their extensive responsibilities and central importance in the delivery of employment services, Job Centers are under-resourced to perform the required services to an adequate level of quality. Only 81 Job Centers are in operation around the country, with around 3 500 staff. The number of Job Center staff, relative to the client and workloads, appears inadequate by comparison with other OECD countries for which data are available (Figure 3.2, Panel B). The ratio of unemployed persons to Job Center staff in Korea is more than twice that in Japan and more than six times that in Germany. The resources devoted to job matching and counselling appear even more inadequate considering that less than 40% of total Job Center staff work on employment or job-search support (MOEL, 2010a).<sup>3</sup> Only 25% of registered jobseekers are employed after being referred to a vacancy by the Job Center.

However, some positive steps have been made in recent years to devote more attention to job counselling. Most notably, a restructuring in July 2011, combined with allowing unemployment benefit recipients to file evidence of job-search online, has allowed staff to spend more time providing counselling to jobseekers. For example, in the Seoul Job Center, the average time spent with clients rose from 5 to 15 minutes and the proportion of jobseekers successfully placed in employment by the Job Center increased from 32 to 36% between 2011 and 2012.<sup>4</sup>

Figure 3.2. **Staffing and customers at MOEL Job Centers**

Levels, percentages and ratios

**A. Number of customers and re-employment rates****B. Number of unemployed persons per PES staff member, selected OECD countries**

Source: MOEL (2011), *Employment White Paper*, Gwachun and MOEL (2012), *Employment White Paper*, Seoul for Panel A. For Panel B, data on PES staff are from Duell, N., D. Grubb, S. Singh and P. Tergeist (2010), “Activation Policies in Japan”, *OECD Social, Employment and Migration Working Papers*, No. 113, Table 2A.2, <http://dx.doi.org/10.1787/5km35m63qqvc-en>. Data on unemployed persons are from the *Online OECD Employment Database*, [www.oecd.org/employment/database](http://www.oecd.org/employment/database). Data refer to 2011 for Korea, 2006 for Germany and 2007 for other countries.

*Local government*

While the network of local government employment services is more extensive than the MOEL Job Centers, few resources are devoted to these services by each local government. In 2006, a local government survey showed that each local government administration had, on average, 1.2 full-time equivalent staff dealing with employment issues.

Generally, employment services are provided from within the local government administration. However, a small number of local governments operate their own job centers. For example, Seoul City has been operating the Seoul Job Plus Center since 2009 and has 39 staff, including 23 job counsellors.<sup>5</sup> It provided services to around 20 000 jobseekers in 2010

(Table 3.1). Its main function is to provide job-matching and business start-up services to jobseekers in Seoul City. Its limited responsibilities compared with the MOEL Job Centers have allowed it to concentrate on job matching. In terms of employment rates, it performs relatively well. However, it may be misleading to compare employment rates for those accessing services through MOEL and local government job centres because of the differences in the characteristics of participants and the nature of services provided. In addition, the quality of jobs may differ across different types of job centres. For example, unpublished data from Work-Net provided by the MOEL show that people who find jobs through MOEL Job Centers have a higher rate of EI coverage in their new jobs (81%) than those who find a job through a local government job centre (69%).

Table 3.1. **Job services provided by Seoul City Job Plus Center**

	Registrations from jobseekers	Average referrals to job vacancies per jobseeker	Percentage of jobseekers employed
	Levels	Ratios	%
2009	14 508	1.8	42
2010	21 432	3.0	55
January-April 2011	5 192	4.2	51

Source: Seoul Job Plus Center, information provided during the OECD mission to Korea, February 2012.

Local governments play an important role in activating recipients of Basic Livelihood Security. Traditionally, low-income earners receiving social assistance who are able to work are required to search for work. From 2009, some of these people have been able to take part in the *Employment Success Packages* programme (ESP) (discussed below). Local governments are responsible for choosing which recipients will take part in the ESP programme, which is run by the MOEL. Therefore, good co-ordination between MOEL Job Centers and local governments will be crucial in the future. To assist this co-operation, the MOEL has recently subsidised the employment of 100 job counsellors to work with local governments and help them to identify appropriate participants.

Although some of the services provided by local governments tend to overlap with those provided by MOEL Job Centers, this is not necessarily undesirable. Local government services can be better tailored to region-specific needs and take advantage of closer links with local businesses. By focusing on job matching, they can also provide more personalised services and greater choice for jobseekers. However, as local governments expand the range of services they provide, more concerted



co-ordination with the central government will be necessary to avoid duplication as well as to promote efficiency.

In addition, local governments seldom devote sufficient resources to properly evaluate programmes, a requirement of the Framework Act on Employment Policy.<sup>6</sup> Even in well-resourced areas such as Seoul City, there is no systematic evaluation of programmes, and little co-ordination between those working on employment issues across different local governments. This limits opportunities for local governments to learn from each others' experiences and for the most effective local programmes to be rolled out more widely. Future efforts to increase the role of local governments in providing active labour market programmes should include a requirement for mandatory evaluation for programmes over a certain size, as well as devote adequate resources for evaluation and for sharing the results between regions.

### *Korea Labor Foundation Re-employment Assistance Centers*

The first joint labour-management Re-employment Assistance Center (RAC) opened in 2005 after a tripartite agreement between the Korea Federation of Trade Unions and the Korea Employers Federation. The network has grown and now there are 14 centres across Korea, managed by the Korea Labor Foundation (KLF), and funded by the Ministry of Employment and Labor. In a number of locations, the RAC operates in conjunction with the local government.

RACs provide job matching, individual counselling, training in resume and interview preparation and networking and provide facilities for jobseekers such as computer and internet access, photocopiers and training rooms. Audiovisual equipment allows jobseekers to film mock job interviews and review their performance. There are also special programmes to provide intensive support for jobseekers with mental health problems.<sup>7</sup>

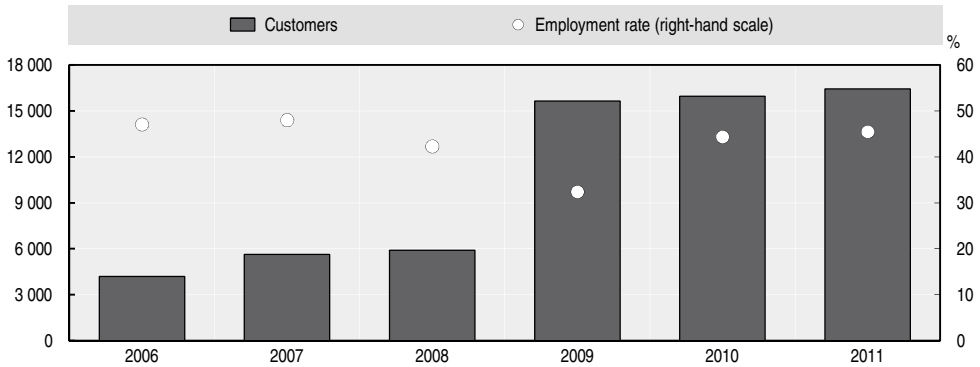
After an expansion in 2007, RACs help around 16 000 jobseekers each year, almost a third of whom use the two Centers in Seoul (Figure 3.3). Half of customers are referred from MOEL Job Centers, and the remainder have typically passed through other employment service providers before being referred to the RAC. As a result, customers tend to need more intensive assistance and are harder to place in jobs, on average, than the much broader group of jobseekers who use the MOEL Job Centers.

The proportion of customers who are employed or who start their own business after using RAC services has been around 45% in recent years. Almost three-quarters of customers are men, but there are growing numbers of women seeking help to move back to work after a career break. Most

customers are aged in their forties or fifties and typically have some prior work experience. RACs also provide assistance and retirement planning for baby boomers nearing retirement.

Figure 3.3. **Re-employment Assistance Centers**

Levels and percentages



Source: Korea Labor Foundation, information provided during the OECD mission to Korea, February 2012.

While the RACs appear to perform better than MOEL Job Centers in helping jobseekers move back into work, there is considerable overlap between the types of services offered by the two organisations, which are both funded by the MOEL. It may be more efficient to more clearly define the role and target population of the RACs, possibly focusing their efforts on providing more intensive assistance to jobseekers who have not been successful in finding work through MOEL Job Centers, as well as their assistance offered directly to firms.

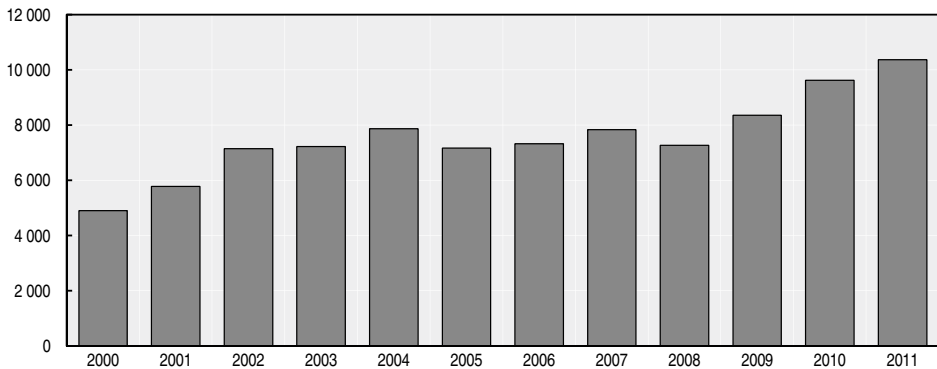
### *Private employment agencies*

Private employment agencies play an increasingly important role in the Korean job market, especially in facilitating job matching. The majority of agencies are micro-businesses with one or two employees who offer job-placement services. However, there is a growing number of larger, more sophisticated agencies that offer a full range of re-employment services to jobseekers, including individualised counselling and referral to training providers.

The MOEL has been active in promoting the development of private agencies, both to create job opportunities within the sector and to ease pressure on under-resourced MOEL Job Centers. After stagnating in the

mid-2000s, the private employment agency market has grown steadily over the past few years. The sector is likely to continue growing as the MOEL contracts out more employment services to private agencies under the ESP programme (see next section) and (until 2012) the *Job Transfer Support Programme* (see previous section). As of 2011, there were about 10 000 agencies, around 8% of which operate on a non-profit basis (Figure 3.4).

Figure 3.4. **Number of private employment agencies in Korea**



Source: MOEL (2012), *Current Policy Issues*, Gwachun.

The operations of private employment agencies are regulated through the Employment Security Act. Fee-charging agencies offering domestic job vacancies must register with the local government. Agencies must have at least one qualified or experienced job counsellor in each office. Outstanding agencies can receive certification from the Korea Employment Information Service (KEIS). There is no requirement to obtain certification, but certified agencies receive preferential treatment for government contracts. Since 2008, around 60 agencies have been certified.

### **Outplacement services for workers facing displacement**

There is no legal requirement for firms to provide outplacement services for dismissed workers. However, some firms do so voluntarily, particularly for older workers who are approaching the firms mandatory retirement age. Between 2001 and 2012, the government reimbursed some of the cost of firm-provided outplacement services under the Job Transfer Support programme. From 2013, this programme will be discontinued due to low take-up rates.

### ***Firm-provided outplacement services***

After the financial crisis in 1997, large Korean firms became more aware of the necessity of making small, continuous adjustments to their workforce, rather than mass dismissals in times of crisis. Providing outplacement services, either in-house or by contracting out to a private employment agency, has become part of the process of adjustment in some large firms. In situations where outplacement is used to help workers as they approach their firms' mandatory retirement age, outplacement services are viewed positively by workers (Box 3.3). However, the use of outplacement services as part of dismissal processes has led to hostility from workers and trade unions towards outplacement in general. As such, firm-provided outplacement services are the exception, rather than the rule, in Korean enterprises.

#### **Box 3.3. In-house outplacement services for early retirees at Samsung Electronics**

A number of large firms provide in-house outplacement services to help workers who are approaching the mandatory retirement age with the transition into a "second career". These programmes are generally seen in a positive light by employees and most participants take part voluntarily. By encouraging continuous voluntary turnover of staff, firms are able to reduce their need to restructure through involuntary layoffs, which reduces conflict and restructuring costs.

Samsung Electronics has been providing outplacement services since 2001 to employees approaching the firm's mandatory retirement age of 55. Samsung employs 11 people in its Career Consulting Center (CCC) and provides services to around 300-400 employees per year. Most participants tend to be white-collar, managerial-level employees, as production workers tend to work until retirement age. The outcomes of the programme are very good, although this to some extent reflects the good reputation of Samsung Electronics employees among prospective employers. Around 92% of participants found new jobs and 5% successfully set up their own businesses. Around 94% of re-employed programme participants receive the same or higher wages in their new jobs and 70% hold more senior positions than in the jobs they left.

*Source:* Discussions with Samsung Electronics during the OECD mission to Korea in February 2012.

### ***Job Transfer Support Programme***

To encourage more firms to provide outplacement services, the *Job Transfer Support Programme* was introduced in 2001. This was the only labour market programmes targeted specifically at displaced workers. Until 2010, the programme provided subsidies to reimburse firms that voluntarily provided outplacement services for displaced workers. It was financed from the EI scheme, and applied only to contributing firms and employees. The subsidy was paid to employers who provided outplacement services to outgoing employees when employment adjustment was unavoidable due to output reduction or business shutdown. The scope of the programme was

expanded in 2002 to cover employers who provide outplacement services jointly with other employer/s, and in 2004 to cover employees who reach the firm's mandatory retirement age or the end of their employment contract. Nevertheless, the number of employees benefiting from it remained very low, averaging around 1 400 per year from 2007-10 (MOEL, 2012b).

An evaluation of the programme in 2007 showed that subsidies tended to be concentrated on large companies rather than SMEs, and on manufacturing firms. Around 68% of participating workers questioned answered that the programme was not helpful in finding a new job, while only 21% responded positively. The survey results suggested that more concerted efforts on job-matching services were required to raise the effectiveness of the programme (KLI and KRIVET, 2007).

Many firms found the statutory requirements to receive the subsidy too restrictive, which may account for the low take-up rate.<sup>8</sup> Among firms with 500 or more workers in 2009 that were undertaking restructuring, only 16% made use of the subsidy. In addition, because the subsidy was paid retrospectively, only a limited number of small firms were able to take part because of the high upfront cost of providing outplacement services. For example, in 2009, less than 2% of beneficiaries were from firms with less than 30 employees, even though these firms account for the vast majority of total employment in Korea and have a higher propensity to lay off workers than larger firms (Chapter 1). Nevertheless, those firms that used the subsidy were very satisfied: 96% said they would use it again. However, deadweight loss effects seem to be considerable: 60% of participating firms surveyed said that they would have provided outplacement services to departing employees even without the government subsidy (KLI and KRIVET, 2007).

As a result of these problems and with a view to expanding the scope of the programme to better cover employees in SMEs and those who reach the mandatory retirement age or the end of their contract, the subsidy programme was transformed in 2011. The newly renamed *Private Agency-Commissioned Job Transfer Support Programme* was designed to operate when applications are received from either firms or employees. Specialised private employment agencies designated by the MOEL were commissioned to provide outplacement services to successful applicants. Firms and individual employees must have been covered by EI for at least ten years to be eligible for the programme (this requirement was changed to seven years in 2012).

Despite these changes, the programme will be discontinued from 2013 due to low take-up. This seems to be a good outcome, given the limitations of the programme and the characteristics of the Korean labour market. There is very limited international evidence that outplacement services are the

most effective way to help displaced workers find new jobs (Box 3.4). In many ways, firm-provided outplacement is not well-adapted to the needs of the Korean labour market. Most adjustment for economic reasons is done by small firms, and large firms tend to make continuous small adjustments to staffing levels rather than mass layoffs. This makes it difficult to achieve economies of scale when offering outplacement services (Lee, 2011). Large firms also tend to offer outplacement services voluntarily to smooth the dismissal process and maintain good community relations. As such, there is little justification for providing public subsidies for large firms since the deadweight loss is so high.

#### **Box 3.4. Empirical evidence on the effectiveness of outplacement services**

There is very little international empirical evidence on the effectiveness of outplacement services in helping displaced workers find jobs. The few studies that are available have mixed findings. Westaby (2004) and Arellano (2007, and 2009) find that workers who take part in more intensive outplacement programmes (compared with group counselling) tend to take longer to find new jobs, but the jobs they find have higher wages, suggesting the additional time is used to find a better matching job. By contrast, Davy *et al.* (1995) find little difference in employment outcomes between the two groups, even though those who took part in outplacement had better job-search skills.

It is difficult, however, to draw general lessons from these few studies about the effectiveness of outplacement services compared with other employment services. First, the groups that participate in outplacement tend to be more highly educated and paid than displaced workers in general. None of the studies mentioned above examines the impact of randomly assigning displaced workers to different outplacement programmes. Second, there seem to be no available empirical studies that compare outplacement services provided by firms with the types of job-search assistance typically provided by public employment services.

By contrast, small and medium-sized employers do not generally provide outplacement services and there may be little that can be done to encourage more to do so in a cost-effective manner. Very few small firms and even fewer of their workers would have met the eligibility criteria of ten years of Employment Insurance coverage as required under the 2011 Job Transfer Support programme. As such, it is difficult to see how a government programme will be able to increase the availability of outplacement services to those workers most at risk of displacement. A better option would be to focus more efforts on providing job-search assistance and matching services to displaced workers through MOEL Job Centers.

### **Job-search assistance for displaced workers**

Many studies in OECD countries have shown that job-search assistance and job-matching services are among the most effective and efficient active labour market measures that governments can adopt to help the unemployed

move into work (Card *et al.*, 2009; Martin and Grubb, 2001). This is likely to be particularly the case for displaced workers, who are more job-ready than many other unemployed, given their recent work experience. This section will examine various forms of job-search assistance provided for displaced workers at MOEL Job Centers. These include initial registration and “activation” measures,<sup>9</sup> job-matching, job-search training and intensive assistance.

### ***Registration and activation of the unemployed***

In Korea, jobseekers who wish to receive unemployment benefits must register at the Job Center, after which there is a one week waiting period to receive benefits. Benefit recipients must then report on their job-search efforts to the Job Center once every four weeks, on average, providing a list of at least one employer who they have contacted to find work (OECD, 2007). Initial registration must be done in person at the Job Center, but ongoing reporting of job-search effort can be done online.

Compared with many OECD countries, Korea’s unemployment benefit system is not very strict when it comes to job-search and availability requirements for recipients (Venn, 2012). Korean unemployment benefit recipients can refuse a job offer without sanction if it does not match their skills or abilities, if it is in a location that is not suitable or if the wage level is unduly low. Benefit recipients who are taking part in active labour market programmes, including training, are exempted from active job-search while they take part in these programmes. The sanction for refusing to take up a job offer or vocational guidance (a benefit stop of two weeks) or attend a vocational training course without justification (four weeks) is also relatively light by OECD standards.

Well-designed and enforced activation measures can play an important role in offsetting any adverse work incentives generated by unemployment benefits. This is particularly important in preventing long-term welfare dependency in countries where unemployment benefits are very generous (in terms of the net replacement rate) or where the duration is very long or unlimited (OECD, 2009b). However, as discussed in Chapter 2, Korean unemployment benefits have a low replacement rate and relatively short duration. Combined with the low coverage of the unemployed by benefits, it could be argued that further efforts to activate benefit recipients should not be a priority if resources for providing employment services are limited.

Nevertheless, any further expansion in coverage of the unemployment benefit system should be accompanied by credible activation measures to ensure that there no adverse employment incentives are generated. This is especially important because an expansion in coverage will likely bring in more low-income workers, whose replacement rates (taking into

consideration the maximum daily limit on benefits) are higher, on average, than the current stock of unemployment benefit recipients.

Of more pressing concern is how to better target employment services to those who are not eligible for unemployment benefits or whose benefits have expired. More than half of all people who register with Job Centers do not receive unemployment benefits, so are not subject to activation requirements.<sup>10</sup> While Korea has remarkably low long-term unemployment by OECD standards, part of this seems to be due to many unemployed giving up on looking for work (Box 3.5). Without the threat of heavy benefit sanctions, it is difficult to encourage the long-term unemployed to continue searching actively for work.<sup>11</sup> Providing effective re-employment services to these people and keeping them connected to the labour force is a key challenge.

### Box 3.5. Why are there so few long-term unemployed in Korea?

Korea has amongst the lowest long-term unemployment in the OECD, even in the period prior to the Great Recession when OECD unemployment rates were at record lows. According to the Economically Active Population Survey, 12% of the unemployed in Korea in 2007 had been unemployed for more than 6 months, compared with an OECD average of 45%. Less than 1% of unemployed in Korea had 12 months or more of unemployment, compared with 31% for the OECD on average.

One of the reasons that there are so few long-term unemployed in Korea is that many people move back into work relatively quickly. The table below shows that around 46% of unemployed in Korea in 2006 were employed by the following year, comparing favourably with many European countries. This probably reflects Korea's relatively good labour market conditions, but also the lack of income support that sees many unemployed without alternative means to support themselves.

Of more concern, however, is that 37% of Korean unemployed move into inactivity within one year, almost three times the proportion of Europeans and twice that of Australians. This means that they give up actively searching for work, inhibiting their future employment prospects. Only 11% of inactive people move back into work each year, highlighting the importance of keeping unemployed people searching for work and attached to the labour market.

#### Year-to-year transitions from unemployment, 2006-07<sup>a</sup>

Percentage of unemployed in 2006

	Employed	Unemployed	Inactive
Australia	57.1	21.6	21.3
<b>Korea</b>	<b>45.6</b>	<b>17.3</b>	<b>37.1</b>
EU8 <sup>b</sup>	32.5	54.2	13.3

a) Persons aged 15-64 years.

b) EU8 includes Belgium, Denmark, Germany, Greece, Italy, Portugal, Spain and the United Kingdom.

Source: OECD calculations from the KLIPS for Korea, respectively from HILDA for Australia; and European Commission (2009) for EU8.



### *Job-matching services*

Upon registration at the Job Center, unemployment benefit recipients are assessed on their job-finding ability and required to attend one collective information session explaining the process for maintaining benefit status as well as the services and programmes available at the Job Center. All jobseekers, regardless of their eligibility for unemployment benefits, may be referred to relevant vacancies (primarily through Work-Net) or encouraged to attend further job-search training sessions. However, participation in programmes run by the Job Center is not mandatory.

In 2011, Job Centers received more than 1.7 million registered job vacancies, which jobseekers can access by visiting the Job Center or on the Work-Net website (Box 3.6). The ratio of registered jobseekers to vacancies has been falling over recent years, despite a small increase in 2009 at the height of the economic downturn when the number of registered jobseekers increased. In 2011, the ratio was about 1.5 jobseekers for every vacancy (MOEL, 2012a).

Large firms visited by the OECD mission team said that they did not generally make use of Work-Net or Job Centers to recruit workers because they have few problems attracting suitable applicants for vacant positions. By contrast, Job Centers are an important recruitment tool for small and medium-sized firms. As a result, most registered vacancies are for less-skilled jobs in smaller firms. This seems to be a good focus, as applicants for higher-skilled vacancies are well served by a number of other privately run internet recruitment portals, or tend to apply for jobs directly with firms.

As well as providing a listing of vacancies, Job Centers organise Job Fairs and their staff can accompany jobseekers to interviews (Table 3.2). Job Centers also provide recruitment services for individual firms, although the number of jobseekers participating in this programme has fallen substantially in recent years. In total, about 3% of registered jobseekers participated in these three types of interventions in 2011.<sup>12</sup> No data are available on employment outcomes for participants.

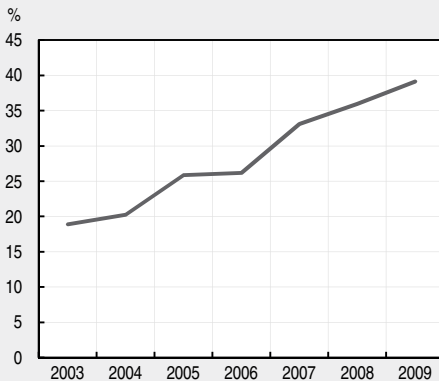
### Box 3.6. Finding a job online

As in many other OECD countries, the use of the internet as a job-search tool has soared in recent years in Korea. In 2009, almost 40% of people who had recently found a job said that the internet was the way that they found their job, up from 19% in 2003 (see figure below). However, people with less than secondary education are much less likely to use the internet than those with a post-secondary qualification. For the low-skilled, personal contacts – through family, friends, teachers or former colleagues or business contacts – remain the most successful method of finding work. Around 6% of the low-skilled workers successfully found a job through the Job Center, compared with less than half that for high-skilled workers. Private agencies are also more important for the low-skilled, although their use remains low.

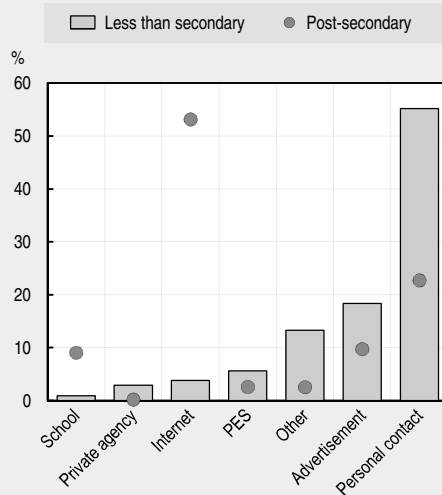
#### Method of successful job search

Percentage of recent job finders

A. Internet



B. Main method of job search by education level, 2009



Source: OECD calculations based on the KLIPS.

The MOEL’s Work-Net website is also an important tool for connecting jobseekers with available vacancies. Work-Net was launched in 1998 and its functions have expanded over time. From 2011, users have been able to search for jobs listed on other privately operated websites and from local governments through Work-Net. Users can also view their job application history, take vocational aptitude tests and manage their relationship with the Job Center online, including updating their jobseeker registration and applying for Job Center courses or counselling sessions. Employers can list vacancies and search for new staff. The system also provides information for Job Center counsellors and local governments providing employment services. As at January 2012, Work-Net had 368 000 daily visitors, viewing more than 31 million pages. There were around 720 000 jobseekers and 61 000 employers registered with the site. In total, 200 000 vacancies were listed (KEIS, 2012).

Table 3.2. **Number of participants in job-matching services at Job Centers**

	2008	2009	2010	2011
Job fairs	47 269	51 057	53 112	57 025
Accompanied interviews	2 244	4 595	5 623	5 487
Recruitment services for firms	63 645	53 374	24 578	11 279

Source: MOEL (2012), *Employment White Paper*, Seoul.

### ***Job-search training***

As well as job-matching services, Job Centers provide training and guidance in job-search skills. Depending on their needs, jobseekers are encouraged to attend other collective sessions in addition to the mandatory session upon registration, although attendance is not obligatory. In theory, job-search training is available to all jobseekers, regardless of whether they are receiving unemployment benefits or not. However, no data are available on the proportion of participants in various training sessions that are not eligible for unemployment benefits. The availability of sessions is advertised in Job Centers and on Work-Net. Job-search training is conducted mainly by Job Center staff, although an increasing number of sessions are undertaken by private employment agencies (MOEL, 2012a; and 2011).

The number of jobseekers participating in job-search training has been increasing over recent years (Table 3.3). The largest programme of job-search training consists of short lectures (running for a few hours) to improve basic skills, as well as career planning, résumé writing and interview training. While the programme is open to all jobseekers, Job Center counsellors often recommend this programme to unemployment benefit recipients, who are not required to show proof of job-search while they participate. However, participation is not mandatory. In addition, each Job Center also runs sessions tailored to the needs of jobseekers in their region. These programmes are generally not targeted at particular groups of jobseekers but are open to all jobseekers on a first-come first-served basis. In total, these two programmes had around 250 000 participants in 2011, equivalent to about 14% of registered jobseekers if it is assumed that each jobseeker participated in only one session.

Finally, there are a number of programmes targeted at jobseekers with particular difficulties in finding work, including people with low employability, youth, older workers, women who are returning to the workforce after a career break, veterans and marriage migrants. These programmes tend to be more intensive, with courses lasting three to five days instead of a few hours for short-term training programmes. However, the numbers participating are small: around 35 000 in 2011, and are unlikely to include many recently displaced

workers. Jobseekers are referred to these programmes by Job Center counsellors and cannot sign up voluntarily. In total, participants in these programmes make up around 15% of registered jobseekers, although this figure likely overestimates the true proportion of jobseekers who participate because some may participate in more than one programme.

Table 3.3. **Number of participants in job-search training at Job Centers**

	2008	2009	2010	2011
Short-term job-search training	135 550	145 132	231 951	197 711
Job Center-developed programmes	75 557	114 001	5 749	163 401
Other employment assistance programmes <sup>a</sup>	..	..	22 583	35 233

.. Data not available.

- a) Includes the programmes Achievement, Career Assistance Program, Hope with Employment, Sincerity, plus programmes targeted at women returning to the workforce after a career break, veterans, youth and marriage migrants.

Source: MOEL (2012), *Employment White Paper*, Seoul.

### ***Intensive assistance***

For jobseekers who cannot find work unassisted or who need more help than basic job-search training can provide, more individualised assistance may be required. In Korea, Job Centers have traditionally provided this type of assistance to small numbers of very disadvantaged jobseekers, but its use is not widespread. However, with the introduction in 2009 of a new programme for welfare recipients and its subsequent expansion to more groups of jobseekers, the use of intensive assistance has been expanding in recent years.

### ***Comprehensive counselling at Job Centers***

If jobseekers are particularly disadvantaged, they may be referred to the comprehensive counselling service operated by Job Centers. The targeted groups are unemployment benefit recipients with low employability, as well as older workers, women returning to work after a career break, North Korean refugees and foreigners who migrate to Korea for marriage (so-called marriage migrants). In practice, only 0.3% of registered jobseekers take part in comprehensive counselling (Table 3.4), few of whom are likely to be recently displaced workers. Employment rates after participating have increased in the past few years and are around double the employment rates for all registered jobseekers.

Table 3.4. **Comprehensive counselling programme at Job Centers**

	Levels and percentages			
	2008	2009	2010	2011
Number of participants	8 981	10 841	12 407	8 899
Employment rate (%)	38.4	39.1	55.7	56.7

Source: MOEL (2012), *Employment White Paper*, Seoul.

### *Employment Success Package programme*

With a view to providing better employment services to people who are not covered by Employment Insurance, the MOEL in 2009 introduced a package of labour market services specifically targeting vulnerable groups in the labour market, which is known as the *Employment Success Package* (ESP) programme. This is a programme funded from the general budget. In its first three years of operation, the ESP programme did not target displaced workers, rather it covered very low-income people living under 150% of the minimum living cost who were capable of work, including those receiving Basic Livelihood Security benefits (see Chapter 2 for a description of Basic Livelihood Security).

However, changes from 2012 onward will see the coverage of the ESP expanded considerably to cover at least some types of displaced workers.<sup>13</sup> There are three new target groups, as well as the low-income earners who were already included in the programme prior to 2012:

- *Unemployed youth aged 15-29 years:*<sup>14</sup> High-school graduates who do not intend to pursue further education can participate immediately after completing high school. Youth with a college degree or higher are eligible they are unemployed more than six months after graduation.
- *Low-income, middle-aged unemployed people:* Participants must be aged 30-64 years, be members of a household earning 250% or less of the minimum living cost and satisfy one of the following conditions: *i)* still unemployed after the expiry of unemployment benefits; *ii)* was contributing to Employment Insurance but did not satisfy the minimum contribution requirement to receive benefits; or *iii)* has never contributed to Employment Insurance and has been unemployed for more than six months.
- *Free Trade Agreement (FTA)-displaced workers:* Workers who have been displaced as a result of Korea's recent FTA with the United States are eligible for the ESP programme from 1 March 2012, regardless of their income level.<sup>15</sup>

### Box 3.7. Stages of the ESP programme

**First stage:** This consists of individual counselling and a four-week course aimed at boosting participants' confidence and desire to work. The career guidance stage includes group counselling, vocational psychology testing, etc., and each participant is expected to develop an Individual Action Plan (IAP). Those who complete the group counselling course and prepare an IAP are paid a bonus of KRW 200 000, or around 7% of the average monthly wage. Those who decline to participate in or finish the first stage can be allowed to participate in the second stage and receive KRW 50 000 when they enroll. All participants are then encouraged to go on to the second stage.

**Second stage:** During the second stage, participants are monitored at least once every two weeks by officials in the Job Centers who meet with participants, both face-to-face and *via* the Internet. Depending on their IAPs, participants receive more job-search training through collective sessions, or one of three types of services:

- *Vocational training:* Participants who need vocational training are provided with an Individual Training Account (ITA – see next section) where the full cost of the training is subsidised. During the training course, participants also receive daily allowances of KRW 15 000 (maximum KRW 200 000 per month) for living costs. This is to help people from marginal, low-income group who find it practically difficult to participate in training because they need some income to support them and their families during the training course.
- *Work experience:* Participants needing an opportunity to become acclimatised to a working environment and learn necessary job skills are offered work experience. They can work 15-35 hours per week in a “transition job” which is typically a government-funded job in a non-profit organisation, such as a welfare institute, school, training institute or social enterprise. These jobs last 3-5 months and participants can earn a monthly income of up to KRW 760 000 (around 25% of the average monthly wage) based on a 35-hour workweek. Youth participants who are better prepared for regular employment are offered Youth Internships in SMEs in the location of their choice.
- *Business start-up:* Participants who wish to start a new business can participate in a Business Start-up Support course offered by the Small Business Development Center, working with the support of the Small and Medium Business Administration and the Korea Workers' Compensation and Welfare Service. Participants receive business start-up training and may also receive additional supports if necessary, including start-up loans for their own business.

**Third stage:** Participants are helped to find employment through intensive job-placement services provided by both public job centres and contracted-out private employment agencies. These services include searching for the best job matches for each participant based on her/his vocational preferences, aptitudes and participation history in the second stage of the programme. If they wish, participants can also receive coaching on job-interview skills and be accompanied during job interviews. Low-income participants obtaining a job receive an allowance of up to KRW 1 million (around 32% of the average monthly wage), paid in three instalments upon receiving the job and three and six months later if they still have the job. Starting from 2012, the government will continue to pay educational and medical benefits for two years to former Basic Livelihood Security recipients who have successfully completed the ESP programme.

The ESP is a three-stage programme, providing customised assistance for up to 12 months. In the first stage, participants receive individual counselling and develop an Individual Action Plan (IAP). Depending on their IAP, participants then go on to receive further job-search assistance, training, work experience or help to set up their own business. Finally, intensive job-placement services are provided. Financial incentives and income support are also provided at various stages to promote participation (Box 3.7).

In 2009, 48% of participants finished the programme after the first stage, 15% after the second stage and 25% after the third stage. Around 12% of participants found work during either the second or third stage and therefore did not complete the stage (KLI, 2009).

The initial results of the ESP programme are very promising in terms of its effectiveness in helping people find work. An evaluation by the KLI (2009) found that 76% of participants who completed IAPs were successful in finding work (Table 3.5). This employment rate is very high given that most of the participants were welfare recipients with presumably poor ties to the labour market prior to participating in the programme. Employment rates were lowest for those who took part in training in the second stage (58%).

Table 3.5. **Employment rates among ESP participants in 2009**

Percentages		
Stage of programme completed	End first stage	73.4
	End second stage	58.3
	End third stage	86.7
	Job-matching during 2-3 stage	86.8
First/second stage participants: by type of intervention	Collective counselling (stage 1)	74.1
	Short-term job-search lectures	72.7
	Training	58.1
	Subsidised work experience	83.3
	Business start-up	83.3
Third stage participants: by service provider	Job Center	86.2
	Outsourced private employment agencies	90.5
	Job Center and outsourced private agencies	87.8
<b>Total</b>		<b>76.1</b>

Source: KLI (2009), “Evaluation of the Successful Employment Services Packages Programme”, Seoul.

Regardless of the type of intervention in the second stage, participating in intensive job-placement in the third stage improved employment outcomes compared to just completing the second stage. Employment outcomes were slightly better for those who receive third-stage job-placement services from private agencies than from Job Centers.

The expansion of the ESP programme to cover additional vulnerable groups is welcome, particularly given the promising early results for welfare recipients. As the programme is rolled out more widely, one issue that should be addressed is the relative effectiveness of Job Centers and private agencies in delivering the programme. In the initial evaluation, KLI (2009) argued that, regardless of the form of service delivery, there were not enough personnel to perform the necessary services properly. While the performance of Job Centers and private job placement agencies is being monitored and the initial results are encouraging, it would be important to carry out a formal evaluation to estimate the *net* impact of the programme on employment outcomes of participants and to evaluate the relative effectiveness of the public and private provision of the services provided under the programme.

Of key importance if private agencies are going to play a major role in delivering the programme in the future is finding the best way to monitor and reward their performance. Currently the short-term nature of contracts between the MOEL and private agencies makes it hard to use longer-term outcomes (such as employment status three or six months after programme completion) to measure the performance of agencies.<sup>16</sup>

Private agencies visited by the OECD argued that the inflexibility of the current system meant that they did not have time to provide the kind of tailored counselling that they felt was most effective in helping people find work. More effort is needed to refine the contract system to ensure that agencies can take advantage of their strengths, are adequately rewarded for their performance and that public money is being spent in the most efficient way possible.

### ***Improving job-search assistance for displaced workers***

For many displaced workers, basic assistance such as listings of job vacancies and short-term courses on job-search skills will be sufficient to help them get back to work quickly. However, as shown in Chapter 1, around half of displaced workers do not find a new job within a year of displacement. These people may need more intensive assistance. However, very few jobseekers in Korea currently receive intensive assistance, and recently displaced workers are not typically targeted by these programmes. This is a pity because those who do take part in intensive assistance have much better employment outcomes, on average, than registered jobseekers in general.



MOEL Job Centers have too few resources at their disposal to ensure that those that need intensive assistance get it. Some additional capacity has been created in recent years by allowing unemployment benefit recipients to maintain their benefit status online. However, more staff, especially job counsellors, are required if Job Centers are to operate at a similar capacity to public employment services in other OECD countries.

Recent policy initiatives, such as the ESP programme, have shown good results in helping very marginalised people find work by providing customised, intensive assistance. The 2012 expansion of this programme to cover more jobseekers is welcomed, although careful targeting is required to avoid inefficiency as the programme becomes more widespread. For example, it is not clear that all workers displaced by FTAs will require such intensive assistance, at least not in the initial stages of unemployment. It may be better to provide less costly assistance – such as job-search training – and allow these workers to search for work for a period of time after job loss and only refer them to the ESP programme if they are unsuccessful.

More generally, it may be worth considering offering services equivalent to the first stage of the ESP programme to all jobseekers who have been unemployed for more than a certain time, say six months. After drawing up an IAP, jobseekers could then be referred for additional assistance, such as personalised job placement, job-search training, vocational training or work-experience placements, as required.

## **Training programmes for displaced workers**

The Workers Vocational Skills Development Act of 2004, together with the 2009 “Action plan to build a market-friendly job skills development system” provide the framework for training programmes in Korea. Most training programmes, both for existing workers and the unemployed, are funded through the Employment Insurance system, although there have been moves in recent years to fund more training from the general budget for those unemployed people who are not eligible for EI.

Participating in training while employed can reduce job turnover and improve re-employment after displacement (Kim *et al.*, 2009). As such, increasing the skills of workers at risk of displacement before they lose their jobs could improve their outcomes after displacement. Training programmes for existing workers pay subsidies to employers that provide training for their workers, either directly or through outsourced providers, as well as encourage firms, employer federations, universities and other training providers to set up training consortia to help SMEs provide training to their workforces (Box 3.8). However, training participation

remains quite low for those workers most vulnerable to displacement, such as the low-skilled, non-regular workers and those working in small firms.

### Box 3.8. Training programmes for existing workers

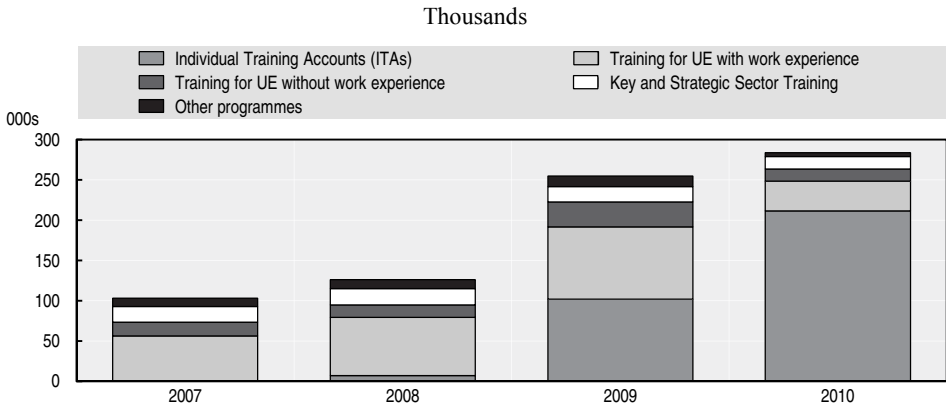
All training programmes for existing workers are financed through the Employment Insurance Fund. Most programmes comprise subsidies paid to employers who provide skills development programmes for their employees. The government refunds training expenses to insured employers when they provide, either directly or through outsourced providers, vocational training authorised by the MOEL. A subsidy can also be paid to cover training costs and minimum wage when an employer offers training leave to employees with one or more years of service.

There are also a number of programmes to encourage SMEs to provide training to their employees. SMEs can be reimbursed for all or part of the training costs for their employees who take part in authorised training programmes to improve performance of “core tasks”, such as sales, marketing, production and quality management, human resources and organisation management. There is also support for groups setting up a “training consortium” to help provide vocational training to SME workers. The government subsidises training expenses and facility and equipment expenses to the consortium, which could be comprised of companies, employers’ federations, universities or other training providers. Around 250 000 employees from 120 000 SMEs participated in the consortium project in 2011, a very small proportion of all SME employees in Korea.

Efforts have been made in recent years to increase training rates among vulnerable workers such as those with non-regular contracts or SME workers. However, training participation still tends to be higher among those workers whose re-employment prospects are already relatively good. For example, Kim *et al.* (2009) found that the average number of training sessions attended was higher for men, those aged in their thirties and workers with a higher education. More generally, as discussed in Chapter 2, the reliance on funding through the Employment Insurance system means that the most vulnerable workers are most likely to miss out.

Participation in training programmes for the unemployed increased almost threefold between 2007 and 2010 (Figure 3.5). The vast majority of the increase is due to the introduction of a system of Individual Training Accounts (ITAs) in late 2008 and its rapid expansion in subsequent years. As a result, the two major training programmes for the unemployed prior to 2009 (Training for the unemployed with and without work experience) have now been completely replaced by the ITA.<sup>17</sup> Participants in training programmes (and other active labour market programmes) are not required to continue actively searching for work while in training.

The next sections will examine the three main training programmes used in recent years to help displaced workers: Training for the unemployed with work experience; Key and Strategic Sector Training; and the ITA.

Figure 3.5. **Participants in training programmes for the unemployed,<sup>a</sup> 2007-10**

- a) Includes only training programmes for the unemployed with prior work experience, including Training for unemployed with work experience, Key and Strategic Sector Training, Individual Training Accounts and other programmes. UE: unemployed. Figures for participants in ITA in 2008 and 2009 are an estimate based on the number of accounts issued in 2008 and 2009 and the ratio of training participants to accounts in 2010.

Source: KEIS (2007, 2008, 2009 and 2010), *Analysis of HRD-Net Statistics*, Seoul.

### ***Training for the unemployed with work experience***

Prior to the introduction of the ITA in 2008, “Training for the unemployed with work experience” was the main training programme for displaced workers. To qualify, participants must have been unemployed from a job where they were contributing to Employment Insurance, be registered with the Job Center and want job training. Referral to the programme from Job Centers typically occurred several months after registration with the Job Center. In 2010, around one-third of participants were referred to the programme in the first 3 months of unemployment, 27% after 3-12 months of unemployment and 37% after 12 months of unemployment (KEIS, 2010).

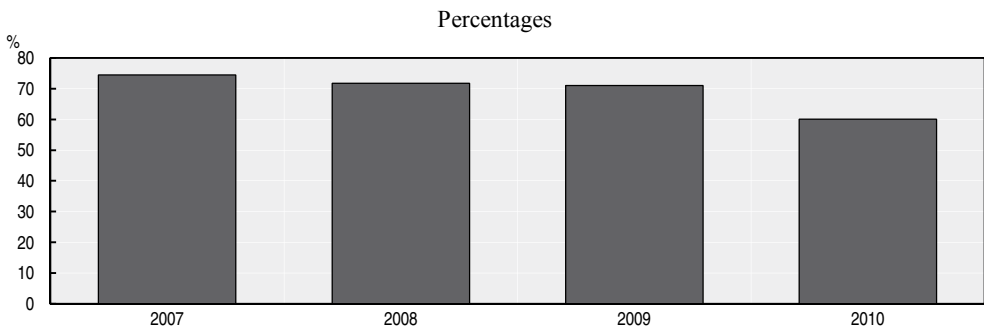
The government paid public and private training providers to run training programmes for eligible participants, as well as paying allowances to participants to cover food and travel expenses. Training duration was at least 60 hours in total during a period between one month and one year. In 2010, more than two-thirds of training courses lasted 3-6 months and a further 28% lasted 6-9 months. Almost 80% of students completed the course (KEIS, 2010).

The MOEL determined which training courses were offered and their content. In 2010, around three-quarters of training places were in one of four areas: office management (20%); service sector jobs (18%); information

and communication technologies (17%); and machinery and equipment manufacturing (17%) (KEIS, 2010).

Post-programme employment rates were above 70% each year in the years 2007-09 (Figure 3.6). The employment rate fell considerably in 2010. The most likely explanation for the fall is that economic conditions were poorer for participants in 2010 than in earlier years due to the onset of the economic crisis. Participants in 2010 had also been out of work for longer than in earlier years, making them harder to place in jobs. For example, 31% of participants had been out of work for more than 12 months before participating in training on average in 2007-09, compared with 37% in 2010. The demographic composition of participants also changed somewhat, with slightly more low-educated and older participants in 2010 than in previous years (KEIS, 2007; 2008; 2009; and 2010).

Figure 3.6. **Employment rate after training for the unemployed with work experience, 2007-10**



Source: Unpublished data from the MOEL.

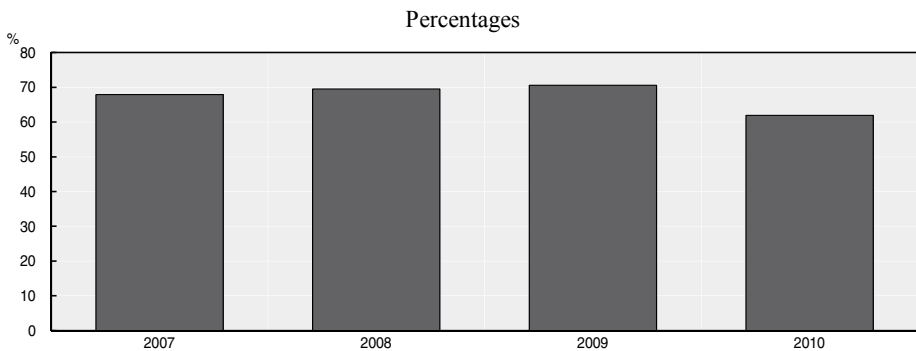
### ***Key and Strategic Sector Training Programme***

To meet labour demands from industries that are suffering labour shortages, the government supports skills development training in key and strategic industries. The target group for this programme are the unemployed aged 15 years or older who are registered with the Job Center or senior high school students who do not wish to pursue university education.<sup>18</sup> In 2010, 79% of participants in the programme were unemployed people with previous work experience who were receiving unemployment benefits (KEIS, 2010). Participants are overwhelmingly male (73% in 2010), of prime-working age (only 16% were aged over 50 in 2010) and typically have relatively low levels of education (62% have high-school qualifications or less) (KEIS, 2010).

Participants can take up to three training courses provided by central and local government, public organisations or government-authorised private training institutions. Trainees can receive a training allowance (KRW 200 000) as well as allowances for transportation (KRW 50 000) and meals (KRW 66 000) (MOL, 2009). Training typically lasts for three months (350 hours) to one year (1 400 hours). In 2010, 52% of courses lasted six to nine months and a further 41% lasted more than nine months (KEIS, 2010).

The MOEL designates priority occupations for which training is provided under the programme. In 2010, 61% of training places were targeted at manufacturing industries, with machinery and equipment manufacturing alone accounting for 47%. Information and communications technology (ICT) courses accounted for 18%, with the remainder concentrated on construction, electricity production and craft skills (KEIS, 2010). The post-programme employment rates for participants are just under 70% on average over recent years (Figure 3.7). Employment rates tend to be much higher for younger workers, and decline to around 50% for those aged over 50. Employment rates are lowest for those completing courses on ICT (57% in 2010) and textiles manufacturing (43%).

Figure 3.7. **Employment rates after Key and Strategic Sector Training Programme, 2007-10**



Source: KEIS (2007, 2008, 2009 and 2010), *Analysis of HRD-Net Statistics*, Seoul.

### ***Individual Training Accounts***

The Individual Training Account (ITA), also called “My Work Learning Card”, was introduced in late 2008. The ITA is a training voucher which allows holders to participate in job skills development training programmes of their choice. Participation in the programme has grown quickly since its

introduction. In 2010, the ITA programme accounted for 70% of spending on training for the unemployed (MOEL, 2010b).

To be eligible for an ITA, applicants should be either unemployed people who were previously contributing to Employment Insurance, or first-time jobseekers, and should be registered at a Job Center. From 2009, ESP participants have also been eligible to participate (see previous section on “Job-search assistance for displaced workers”). In 2010, 74% of account holders were unemployed with previous work experience while 26% were first-time jobseekers (KEIS, 2010). As is the case for other training programmes, participants are chosen in interviews at the Job Center, and must be in need of training in order to help them find a job.

Participants receive up to KRW 2 million (KRW 3 million for ESP participants) to cover training expenses for one year. Around two-thirds of account holders participate in training within three months of receiving their account. More than 85% of training participants complete the course (KEIS, 2010). Most participants must pay 25-45% of the total training cost to ensure that they choose job-relevant training and encourage diligent participation. However, some groups (including ESP participants and training-linkage youth internship participants) are exempted from paying any of the training cost.

The key innovation of the ITA scheme compared with previous training programmes for the unemployed is that participants can choose to participate in any training course recognised by the MOEL. The number of recognised courses increased to 22 442 in 2011 from 3 948 when the ITA was introduced, and covers a wide range of skills and fields. Some counselling is provided to encourage jobseekers to take courses that are most likely to lead to employment. However, the final decision on the type of course taken is left to participants.

On average in 2011, 38% of ITA participants were employed in a job covered by EI after participating in the programme (the corresponding figures for 2009 and 2010 were 45% and 34%, respectively). These data are not directly comparable with data in Figures 3.6 and 3.7 as employment rates after participating in the ITA include only people who found jobs covered by EI. By contrast, the employment rates in Figures 3.6 and 3.7 include all post-programme employment, including in jobs without EI and self-employment.<sup>19</sup> Based on data on EI coverage from the Economically Active Population Survey, the MOEL estimates that the true post-programme employment rate (including self-employment and employees not covered by EI) is probably around 60-70%. This is of a similar magnitude to employment rates from previous training programmes for the unemployed.

In 2010 (the latest year for which data are available on employment rates by participant characteristics and field of training), employment rates after training were highest for men and for those aged in their twenties and much lower than average for participants aged over 50. Employment rates also varied substantially by field of training. Around 50% of participants were employed after nine months if they took part in courses on management, healthcare, transportation/driving, mechanical or chemical skills or ITC. By contrast, employment rates of graduates of sales, cleaning, security, beauty, hospitality and textiles courses were below 15% (KEIS, 2010).

Although the training budget for the unemployed increased by around 30% between 2007 and 2011, the number of training participants has increased by around 2.7 times over the same period. The cost per training participant fell from KRW 2.4 million in 2007 before the introduction of the ITA to KRW 1.2 million in 2011. This is primarily because the length of the training periods has been reduced from an average of 102 days in 2007 to around 64 days in 2011.<sup>20</sup>

### *Problems identified with the ITA pilot programme*

Evaluations of the pilot programme for the ITA highlighted a number of problems with its operation. Many participants appeared to choose courses in fields that were not in demand in the labour market. For example, Ra *et al.* (2009) report that many people used their ITA to pay for “leisure” courses such as cooking, which had low post-training employment rates.

Even if they wanted to do training that would help them find work, participants may have been lacking the information to choose the most appropriate courses. Choi *et al.* (2009) argue that pre-training counselling was inadequate and that counsellors did not have sufficient information available on the types of skills that are most in demand in the labour market or on the courses or training providers available. Providing adequate guidance to participants to help them make good choices is a key problem for training voucher programmes in general (Hipp and Warner, 2008; Bruttel, 2005).

Participants were also reluctant to change their field of training, even when advised to do so by counsellors. Choi *et al.* (2009) report that more than half of participants came to the programme having already decided on their field of training, or even on the training provider, and it was difficult to persuade them to change courses. Some participants learnt about the availability of ITA funding from training providers themselves, and saw the counselling interview as just a step in the registration process rather than being open to career guidance. Around 97% of counsellors suggested a change of training field if they thought

the participant's choice was inappropriate. However, just 43% of participants accepted this advice and changed courses as a result (Choi *et al.*, 2009).

This evidence suggests a number of sources of inefficiency in the initial phases of the programme. First, the programme may have been subsidising training that participants would have paid for themselves anyway, in which case the deadweight loss could be considerable. Second, the programme may have been subsidising skills that are not useful in the labour market, in which case the argument for providing *public* subsidies is weak. In either case, better screening procedures could ensure that participants are in need of training and that they are committed to finding work. Ko *et al.* (2010) suggest that referring people to the programme only after a period of independent job search could help target the programme more carefully at those who are most in need of help. Expanding intensive counselling services at Job Centers could help address this issue by giving job counsellors more time to assess the training needs and job-search motivation of potential participants. Requiring training participants to continue looking for work could also improve employment outcomes.

### *Recent changes to the ITA programme*

In light of the problems identified in the pilot stage of the ITA programme, a number of changes were made to improve counselling and screening of participants. In 2010, the number of training counsellors was increased from 269 to 353. A training-counselling manual was compiled and distributed to local government offices across the countries to improve the quality of advice given to potential training participants.

Participants in some courses with poor employment outcomes (*e.g.* beauty, cooking) were required to pay 40% of the training cost instead of 20% and those without recent work experience were provided with extra counselling if they wanted to take courses with low employment rates (*e.g.* beauty, cooking) to ensure that they were willing to work. Information on the employment rate of each course and training provider is now provided on the HRD-Net website so that potential trainees can see which courses are most effective.

Further steps were taken in 2011, including imposing a ceiling on the number of places available in each training field to better match the training demand of industries and providing more information to trainees about the operation of the programme and the performance of particular courses and training institutions.

In addition to improving the information available to help participants choose a suitable course, participants are now subject to stricter screening prior to being issued with an ITA. ESP participants, who make up around



half of ITA participants, are only issued with an ITA after completing stage one of the ESP programme, which involves in-depth counselling and takes two to four weeks (see previous section on “Job-search assistance for displaced workers”).

Non6ESP participants are now required to apply for two job vacancies. When a jobseeker applies for an ITA, a counsellor will check that the jobseeker has applied for two genuine vacancies before issuing an ITA. As a result of these changes, the average time between registration as a jobseeker and the issuance of an ITA has increased considerably (Figure 3.8).

Figure 3.8. **Time after initial registration until issuance of ITA**



a) As of October 2012.

Source: KEIS (2010), *Analysis of HRD-Net Statistics*, Seoul and unpublished data from HRD-Net provided by the MOEL.

These are all positive steps towards addressing the main problems identified in the pilot phase of the ITA programme. The impact of the changes on employment rates and other indicators of the outcome of the programme should be closely monitored over the next few years. Areas where additional changes may be required include strengthening post-training counselling and job-matching services, particularly for non-ESP participants and extending further the required period of job-search before ITAs are issued. While the number of training counsellors was increased substantially in 2010, there are still less than 400, while more than 150 000 people hold ITAs as of October 2012. As such, employing more training counsellors may be warranted.

## Conclusion

Many displaced workers will find a new job relatively quickly, either by themselves or with limited assistance from a Job Center such as by providing a listing of job vacancies or basic job-search training. However, providing adequate re-employment services to help the 50% of displaced workers who do not find a job in the first year after displacement can help limit the cost of displacement for individuals and society.

Subsidised outplacement services do not appear to be well-matched to the needs of the Korean economy and have not performed well in the past. The scrapping of the Job Transfer Support programme from 2013 is a sensible step as it was not reaching the workers who were most at risk of displacement. A better option would be to increase the resources devoted to Job Centers to allow them to provide more intensive assistance to the jobseekers who need it. Recent strains on Job Centers have been addressed, in part, by outsourcing some tasks to private agencies or RACs operated by the Korea Labor Foundation. More thorough evaluation is needed to ensure that this is the best use of public money and to avoid duplication of services between the two organisations.

At the moment, very few jobseekers, and almost no recently displaced workers, are referred for intensive assistance. It may be worth considering offering services equivalent to the first stage of the ESP programme to all jobseekers who have been unemployed and searching actively for work for more than a certain time. After drawing up an IAP, jobseekers could then be referred for additional assistance, such as personalised job placement, job-search training, vocational training or work-experience placements, as required.

This approach could also be used to improve the screening of ITA participants and the support they receive after undertaking training. Recent changes have made some job search a pre-condition of getting an ITA, but requiring a longer period of job search could ensure that those who can find a job quickly do so and that the training budget is more strongly targeted on those who lack the skills needed by the labour market.

Finally, more thorough evaluation of active labour market programmes is warranted, and indeed, required under the Framework Act on Employment Policy, to identify the most effective and efficient programmes. While some evaluation already takes place, more rigorous methods should be used to provide better information on a variety of outcomes including employment rates, job quality indicators (such as wages and future job security) and, for training programmes, whether participants find work in the fields in which they train. As far as possible, analyses

should also include a suitably selected comparison group of non-participants to determine what the outcomes would have been in the absence of the programme. Any new labour market programmes should include such an evaluation as a key requirement of implementation.

## Notes

1. In this report, “job-search training” is used to describe programmes to help workers find jobs by improving their job-search skills. These might include, among other things, resume preparation, job-interview practice, job-search strategies and vocational counselling.
2. Schools and universities typically provide services to graduates, while a number of Ministries provide employment services to diverse target groups. For example, the Ministry of National Defense and the Ministry of Patriots and Veterans Affairs have job centres for retiring servicemen or veterans; the Ministry of Health and Welfare funds the Korean Senior Citizens Association Job Center as well as vocational rehabilitation for the disabled; the Ministry of Gender, Equality and Family provides support for women re-entering the workforce after career breaks; and the Ministry of Unification and the Ministry of Public Administration and Security provide employment services to North Korean defectors.
3. Data from MOEL (2010a) show that 32.8% of Job Center staff in 2010 worked on employment support and 6.1% on job-search courses.
4. This information was provided by the Seoul Job Center during the OECD mission to Korea in February 2012.
5. A total of 64 job counsellors are employed by Seoul City to work across the whole city.
6. The Act requires that local governments analyse and evaluate the effects of policies on employment and job creation and reflect the results in future policy making and implementation. Local governments can also ask the Minister of Employment and Labor to undertake the evaluation and report back on the results.
7. As well as services for jobseekers, the KLF provides training for career counsellors and since 2012 has had responsibility for monitoring the MOEL’s contracted-out outplacement services programme.
8. Anecdotal evidence suggests that another reason that the largest firms shy away from using these types of programmes is because it signals to the market that they are suffering from financial difficulties.
9. “Activation” describes measures taken to ensure that jobseekers have a better chance of finding work. These include expectations that unemployment benefit recipients will actively search for work, accept suitable job offers and take part in active labour market programmes to

help improve their employability, enforced by the threat of benefit sanctions in cases of non-compliance. In return, jobseekers are provided with income support and adequate re-employment services (OECD, 2009b).

10. Over the course of 2011, around 2.6 million people registered at Job Centers and 1.1 million received unemployment benefits (MOEL, 2012a and 2012c).
11. Benefit sanctions are effectively quite low even for those who do receive unemployment benefits, due to the relatively short duration and low replacement rate of benefits, combined with low sanctions (two to four weeks of benefits) for those who breach requirements.
12. This is the ratio of participants to jobseekers. Some jobseekers may have participated in more than one type of intervention, in which case, the actual proportion of jobseekers participating would be lower.
13. Around 156 000 people will potentially be covered by the programme. Eligibility will be determined by the FTA support team.
14. 15-32 years for those who have completed military service.
15. It is unclear how eligibility for these workers will be determined.
16. Contracts are for three years but are reviewed every year and non-performing agencies have their contracts terminated.
17. Other training programmes for the unemployed tend to be small in scope and focus on groups with long-term detachment from the labour force or particular problems finding work, such as unemployed female household heads and North Korean refugees.
18. Unemployed with prior work experience must have been previously in a job where they were contributing to Employment Insurance.
19. Prior to the introduction of the ITA, training participants were monitored to keep track of their post-programme employment outcomes. The sharp increase in the number of training participants since 2011 has made it practically difficult to monitor employment outcomes for all participants, so data on EI coverage are used by the MOEL as a proxy for post-programme employment.
20. Data provided by the MOEL.

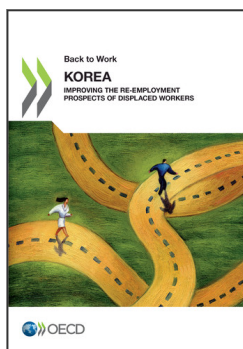
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