

## EMPLOYMENT POLICY IMPLEMENTATION MECHANISMS IN THE REPUBLIC OF KOREA<sup>1</sup>

The ILO and its constituents have made significant progress in developing national employment policies (NEPs). However, unless appropriate institutional arrangements can be put in place to ensure their timely and effective implementation, even sound policies may not produce the desired results. To respond to the increasing requests from its constituents for assistance in NEP implementation, the ILO launched a research project on “a comparative analysis of employment policy implementation mechanisms in selected countries”. Case studies<sup>2</sup> and a synthesis report were published in the form of working papers. This research brief presents the coordination framework, employment insurance system, and monitoring and assessment of employment policy implementation in the Republic of Korea.

### 1. National employment policy in the Republic of Korea

National employment policies helped support the economic takeoff and industrialization of the Republic of Korea (ROK) since the 1960s. When the 1997 Asian financial crisis caused a severe employment crisis to the ROK, employment policy was overhauled: the nationwide Public Employment Services (PESs) system was strengthened, and a range of labour market interventions were introduced. In response to the 2008 global financial crisis, the ROK Government put forward a job-focused economic and social policy — the National Employment Strategy (2020) — along with reformed employment policy coordination mechanisms, and new monitoring and evaluation systems (see Table 1).

**Table 1. A history of employment policy development in Korea**

1960s-1970s Industrialization period	Supply side policies: Education system expansion, job matching, vocational training.
1970s-1980s High economic growth period	Employment stabilization policies.
1990s Economic slow down	1995 Employment insurance system (EIS); active labour market policies (ALMPs).
1997s Asian financial crisis	1. Social protection: Wage Guarantee Fund, financial supported recruitment, employment maintenance; 2. Institutions: “Work-net”—Public job portal network; “Job Centre”—PESs offices.
2000s Economic restructuring period	EIS extension: youth internships, non-regular workers.
2008 Global financial crisis	Grand Social Compromise; National Employment Strategy (2020); reformed coordination mechanism, monitoring and evaluation.

**Figure 1. The 70% Employment Rate Roadmap**



Source: Kang (2014).

In 2013, the ROK Government launched the 70% Employment Rate Roadmap (2013-2017), which calls for all policies – including economic, industrial, education, welfare – to be reviewed from an employment perspective. The main goal of economic development shifted from GDP growth to the employment rate, while the focus of employment policy shifted from exports, the manufacturing sector and large firms to domestic demand, the services sector and small- and medium-sized enterprises (SMEs). To achieve the target of a 70 per cent employment rate by 2017, 2.38 million jobs were to be created, and a series of employment programmes implemented (see Figure 1).

## 2. A comprehensive coordination framework of employment policy

The coordination framework of employment policy in the Republic Korea (ROK) was stipulated under the Framework Act on Employment Policy in 2010, with the purpose of establishing a basic plan for national employment policies every five years. In 2013, the National Employment Strategy was established as the 70% Employment Rate Roadmap (2013-2017), announced at the Cabinet Meeting chaired by the Korean Prime Minister. The coordination framework comprises three structures: (i) the Cabinet Meeting (National Employment Strategy Meeting) at the national level, (ii) the Employment Policy Council at the ministry level, and (iii) the Local Employment Policy Council. The tripartite partners and private sectors are actively involved in these three structures (see Figure 2).

**Figure 2. Framework of employment policy coordination in South Korea**



Source: Sangbok Lee (2017).

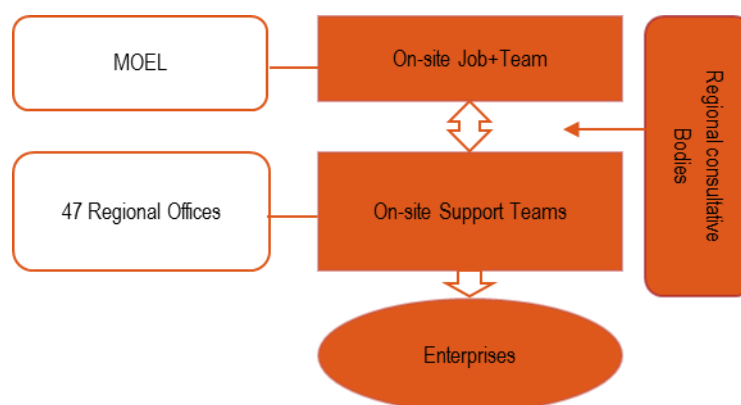
## 2.1 Three layers framework of the employment policy coordination

1. The *Cabinet Meeting* is the highest level coordination body for coherent NEPs between Government departments. It is held under the name of National Employment Strategy Meeting to include and coordinate other interest groups and experts. The tasks and members of National Employment Strategy Meeting are the following:
  - Tasks: 1) review the existing policies and systems to make them more employment-friendly; and 2) manage the National Employment Strategy 2020.
  - Members: 1) the heads of each Government ministry; 2) political parties; 3) relevant government institutions – the Bank of Korea, the National Economic Advisory Team, the high ranking presidential secretaries including the Chief Presidential Secretary for Policy Coordination and Chief Secretary for National Policy Planning; 4) relevant local government bodies; and 5) experts from academia.
  - The President chairs the Meeting, which reviews of the progress made by each ministry (initially on a monthly, but now as needed). The Prime Minister's Office evaluates each ministry's progress measures and reports to the Meeting.
2. The *Employment Policy Council* at the ministry level is regulated by Framework Act on Employment Policy, and was set up in the Ministry of Employment and Labor (MOEL) to deliberate important matters concerning employment and to coordinate the allocation of national employment strategy tasks between the ministries, national and local governments. During 2009-2013, the Government expanded the membership of Employment Policy Council to implement and coordinate various employment policies under the name of *Employment Policy Coordination Meeting*. The tasks and members of Employment Policy Council are as follows:
  - Tasks: 1) implement the National Employment Strategy; 2) coordinate among ministries, Central and local government in implementing job creation projects while resolve overlapping tasks between the Central and local governments; and 3) collect opinions from a variety of sources on NEP implementation, and bridge between government and business organizations.
  - Members: 1) workers' and employers' representatives, 2) employment policy experts, 3) the vice ministers or vice-ministerial level officials of the relevant ministries and 4) representatives from local government. Under the latter two headings also fall the Head of the SMEs Administration, the vice-mayors of the 16 cities and vice-governors of provinces, the Presidential Secretary for Employment and Labor Affairs, and the Director for Social Integration Policy in the Prime Minister's Office<sup>3</sup>.
  - The Minister of Employment and Labor chairs the Council and Meeting, which are held quarterly or as needed.
3. The *Local Employment Policy Council*, chaired by the local government, was set up to coordinate employment policy at the local level. Local governments are involved in national employment policy formulation and implementation through their working relationship with the MOEL and its regional offices, as well as with the other ministries linked to employment policies and the employment budget. However, local governments develop their own employment policies, and set local employment targets. The Local Employment Policy Council has a similar structure and function to the National Employment Policy Council; tripartite partners and the private sector are also involved in local employment policy.

## 2.2. Other specialized coordination structures

1. The *Public-Private Job Creation Consultative Committee* was created to strengthen coordination between the Government and private sector on job creation. Its composition is listed below:
  - Tasks: 1) develop public-private cooperation projects for job creation, define the role of the business organizations in job creation, analyse labour market trends, and implement employment policies; 2) discuss issues regarding public-private cooperation and the challenges that the business organizations face in job creation; and 3) suggest further policies and actions to be pursued in public-private cooperation.
  - Members: 1) delegates from the five major business organizations (the Korea Chamber of Commerce, Federation of Korean Industries, Korea International Trade Association, Korea Federation of SMEs, and Korea Employers' Federation), 2) the Minister of Employment and Labor, and 3) representatives from other Government ministries related to job creation.
  - The Minister of Employment and Labor chairs the Committee, while Meetings are convened once a quarter or upon request.
2. The *On-site Job+ Team* was created by the MOEL to coordinate and adjust employment policy implementation at the enterprise level. Government officials regularly visit workplaces to assess the employment challenges faced by companies and workers. At the local level, On-site Support Teams were established under each Regional Employment and Labor Office and staffed from Job Centres and labour inspectorates. These teams provide on-site employment support, and are responsible for coordination. In order to make these teams more efficient, the MOEL encouraged collaboration with regional consultative bodies, such as local employment forums (see Figure 3).

**Figure 3. Coordination structure at the enterprise level**



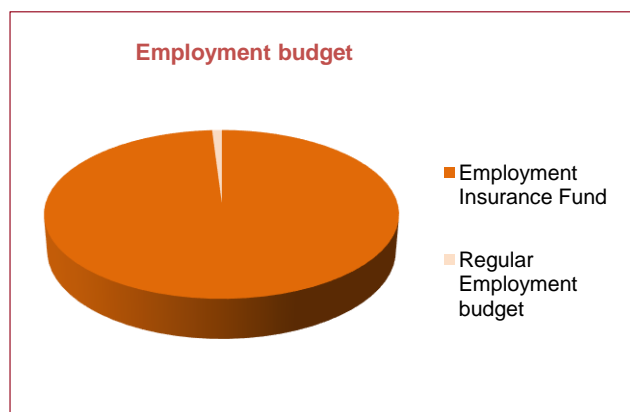
Source: Kang (2014).

3. The *Economic and Social Development Commission* (formerly the *Tripartite Commission*) has had an important role in coordinating employment policies in different ways in different periods:
  - In response to the 1997 Asian financial crisis, the Grand Social Compromise was established in February 1998, which divided the responsibilities for employment policy implementation between social partners and the Government. The Government raised the budget to implement public works programmes, as well as to expand and strengthen social protection coverage. Companies enhanced employment flexibility options to provide more job opportunities rather than lay off workers.
  - To address the employment challenge brought by the 2007 global financial crisis, the Emergency Committee was established in 2008 at the suggestion of the Federation of Korean Trade Unions. It consisted of Government, workers', and employers' representatives, as well as religious, social and citizens' groups. A new tripartite "Grand Social Compromise" was reached in February 2009 to tackle the employment challenges stemming from this latest crisis.
  - To implement the 70% Employment Rate Roadmap, the Jobs Pact was agreed by tripartite partners in May 2013. The Jobs Pact seeks to: (i) encourage job creation by promoting corporate growth and investment; (ii) increase decent part-time jobs and public-sector social service jobs; (iii) create more jobs for youth, the elderly, women, and enhance their employability; (iv) reduce working hours and improve the wage system to create further jobs; and (v) retain current jobs while creating new job opportunities.

### 3. Employment Insurance System: The basic institutional support to NEPs

To support NEP implementation, there are several structures worth mentioning: (i) the Employment Insurance System (EIS), (ii) the public employment services (PESs), (iii) the labour market information system (LMIS), and (iv) the vocational training system. The EIS is the most representative and basic support system to employment policy implementation. Most employment policies are based on EIS programmes, and accordingly the majority of financial resources for them come from the Employment Insurance Fund managed by the Ministry of Employment and Labor (MOEL); the employment budget contribution from the Government regular budget is very limited, although members of the Employment Policy Council can apply for regular budget support for employment programmes (see Figure 4). Local government can also access the Employment Insurance Fund and the regular employment budget from other ministries to implement employment policies upon request. The Employment Insurance Fund and regular budget constitute the job creation budget in the ROK. Table 2 shows the budget for job creation in 2015, of which 65 per cent was MOEL managed, and the remaining 35 per cent by the other ministries.

**Figure 4. Financing employment policy**



Source: The Author

**Table 2. Budget for job creation in 2015**

Employment programmes	Budget allocated (billion Korean Republic won)
Direct Work	2419
Vocational Training	1902
Employment Services	680
Employment Subsidy	2653
Business Start-up	2084
Unemployment Benefit and Income Support	5400

Source : Lee (2017)

The ROK EIS was established in 1995 and applies to all businesses. Its principal purpose is to foster economic and social development by delivering preventive measures against unemployment and adopting various active labour market policies (ALMPs) such as strengthening job skills development and efficient job placement services, as well as providing financial assistance to redundant workers.

The EIS has three basic programmes: 1) unemployment benefits, which are contributed by workers, employers and the Government; 2) the Employment Stabilization and Vocational Skills Development Programme funded by employers only (the contribution rates are showed in Table 3); and 3), the Childcare and Maternity Leave Benefits programme, paid for from the unemployment benefits contribution as requested by several women's associations since 1998 in order to support working women.

**Table 3. EIS contribution rates in 2017 (% of wage)**

	Size of business	Worker	Employer
Unemployment Benefits		0.65	0.65
Employment Stabilization and Vocational Training Programme	Less than 150 employees		0.25
	More than 150 employees		0.45
	150-1000 employees		0.65
	More than 1000 employees		0.85

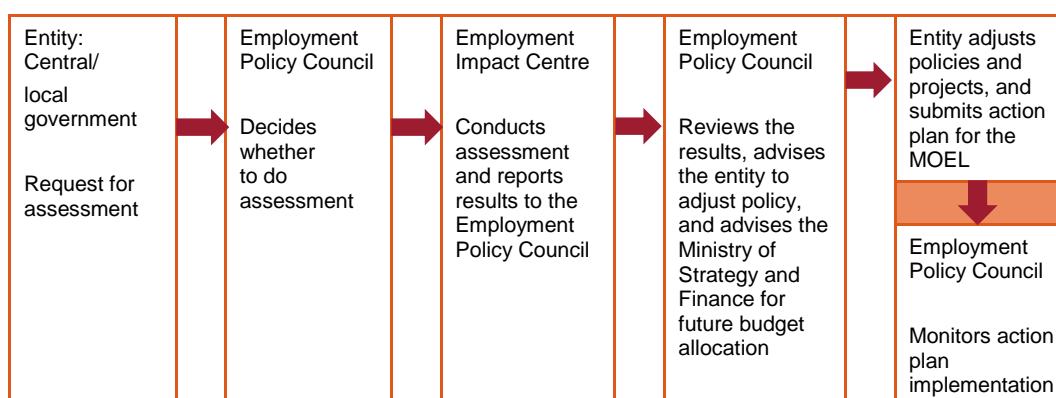
Source: MOEL (2017), *Employment Insurance White Paper* (Seoul)

#### 4. Employment Insurance System: The basic institutional support to NEPs

The ROK strengthened its NEP monitoring and evaluation system to support employment policy in response to the global financial crisis in 2008. The system's main components are: 1) the Employment Impact Assessment Programme, 2) the Local Job Creation Strategy Notice System, and 3) the Employment Insurance Assessment Centre.

1. The Employment Impact Assessment Programme is designed to improve existing policies and seek policy alternatives. The policies to be assessed cover employment policies as well as other policies and public projects that impact on employment. The key players under the programme include the Ministry of Employment and Labor (MOEL), the Employment Impact Assessment Centre designated by the MOEL, local and central government, the Employment Policy Council, and the Ministry of Strategy and Finance. Figure 5 shows the employment impact assessment process of and Table 4 describes the methodology.

**Figure 5. Process of employment impact assessment**



Source: Kang (2014).

**Table 4. Methodology of employment impact assessment**

Description		Analysis methodology
Relevance to employment	<ul style="list-style-type: none"> <li>• Relevance to employment and labour market</li> <li>• Feasibility of goals regarding employment</li> <li>• Nature of jobs created upon implementation of the project</li> <li>• Spill-over effects of the project on job creation in other industries</li> </ul>	<ul style="list-style-type: none"> <li>• Surveys, interviews</li> <li>• FGIs (Focus Group Interviews)</li> </ul>
Employment impact	<ul style="list-style-type: none"> <li>• Maximum amount and quality of jobs that can be created through the project</li> <li>• Amount and quality of jobs that can actually be created directly and indirectly through the project</li> <li>• Changes in the labour market structure and number of jobs expected or occurring upon implementation of the project</li> </ul>	<ul style="list-style-type: none"> <li>• I-O (input-output) model analysis</li> <li>• PSM (Propensity Score Matching) model</li> <li>• CGE (Computable General Equilibrium) model</li> </ul>

Source: Kang (2014)

2. The Local Job Creation Strategy Notice System is another evaluation system created by the MOEL in July 2010 in which all 244 municipalities in the ROK participate in the system. Each local government sets its own job creation targets in the regional specific context, and reports the progress and results to the Notice System of the MOEL. The MOEL reviews the assessment of the targets achieved and policies implemented, and then provides support to improve policy effectiveness through professional consulting agencies. Local governments are evaluated through the System, and various benefits – such as the grant of awards and preferential budget assistance – are given to the top performers. Every year, a competition on “Local Job Brands” is organized. The evaluation system has been effective in supporting employment policy implementation. A number of local initiatives have been undertaken, the local budget for employment increased, and the employment policy governance structure strengthened.

3. The Employment Insurance Assessment Centre was established in 2007 to annually review and assess employment insurance-related programmes to improve the efficiency of labour market policies. The functions of the Centre include to: 1) conduct studies to improve the Employment Insurance System (EIS) in response to changing social and economic challenges, 2) propose improvements to the employment insurance programmes, and 3) estimate the budget for prior appraisal of new such programmes. The MOEL uses the results to restructure and improve the employment insurance programmes, and make the annual management plans of the Employment Insurance Fund. The Ministry of Strategy and Finance uses the results to conduct performance assessments of the Employment Insurance Fund and prepare the budget for the following year.

## 5. Summary

The Republic of Korea (ROK) Government has sought to place employment at the heart of national economic and social policies. Initiatives such as the 70% Employment Rate Roadmap strategy have been introduced to increase employment through macroeconomic policy, welfare and industrial policies.

The Employment Insurance System (EIS) is the basic institution supporting employment policy implementation. The majority of employment projects are based on the EIS programmes, and accordingly most of the employment policy budget comes from the Employment Insurance Fund. However, the Ministry of Employment and Labor (MOEL) and other ministries can also implement related employment policies through the regular and employment insurance budgets.

The Government has set up a comprehensive coordination framework for NEPs, which comprises tripartite partners, relevant ministries, Central and local governments, business and academia. The coordination structures encourage collaboration on effective employment policy implementation between the Central government, local governments, business organizations and enterprises. The MOEL has a pivotal role, notably through the Employment Policy Council, which is the permanent body to coordinate policy horizontally at the ministry level and vertically with local governments.

A special structure, the *On-site Job+ Team*, coordinates employment policy implementation at the enterprise level. It involves the MOEL, employers and workers, and regional consultative bodies in policy implementation, adjustment and improvement, and seems effective in employment policy practice.

The ROK monitoring and evaluation system is comprehensive, relying on a mix of employment impact assessment using advanced methods, and competition between local governments for the best employment policy designs and implementation.

## Endnotes

<sup>1</sup> This research brief was prepared by Yadong Wang, based on Kang (2014), Employment policy implementation mechanism in the Republic of Korea (Employment Working Paper No.158, Geneva: ILO). Sangbok Lee provided updates and valuable inputs. Aurelio Parisotto reviewed the research brief

<sup>2</sup> The following countries are covered: Argentina, Bosnia and Herzegovina, Burkina Faso, Brazil, China, Republic of Korea, South Africa, and the European Union (EU) including the United Kingdom and Germany. Apart from Argentina and South Africa, the other countries mentioned here have ratified ILO's Employment Policy Convention, 1964 (No. 122)

<sup>3</sup> Membership of the Employment Policy Council is purely at the discretion of Minister of Employment and Labour: there are no permanent members of the Employment Policy Council under the 1993 Framework Act on Employment Policy, merely those who "represent workers and employers", as well as those who "have knowledge and experience in employment issues" (Art. 10 (3))

### Contact:

Employment and Labour Market Policies Branch  
Employment Policy Department  
International Labour Office  
4, route des Morillons  
CH-1211 Geneva 22, Switzerland

<http://www.ilo.org/emppolicy/lang-en/index.htm>

EMPLAB@ILO.ORG

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