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# The Public Employment Service in the Republic of Korea

Sungpil Yang

Employment  
and Labour  
Market Policies  
Branch



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## Preface

The primary goal of the ILO is to work with member States towards achieving full and productive employment and decent work for all. This goal is elaborated in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,<sup>1</sup> which has been widely adopted by the international community. Comprehensive and integrated perspectives to achieve this goal are embedded in the Employment Policy Convention of 1964 (No. 122), the *Global Employment Agenda* (2003) and – in response to the 2008 global economic crisis – the *Global Jobs Pact* (2009) and the conclusions of the *Recurrent Discussion Reports on Employment* (2010 and 2014).

The Employment Policy Department (EMPLOYMENT) is engaged in global advocacy and in supporting member States in placing more and better jobs at the center of economic and social policies and growth and development strategies. Policy research and knowledge generation and dissemination are essential components of the Employment Policy Department's activities. The resulting publications include books, country policy reviews, policy and research briefs, and working papers.<sup>2</sup>

The *Employment Policy Working Paper* series is designed to disseminate the main findings of research on a broad range of topics undertaken by the branches of the Department. The working papers are intended to encourage the exchange of ideas and to stimulate debate. The views expressed within them are the responsibility of the authors and do not necessarily represent those of the ILO.

Azita Berar Awad  
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<sup>1</sup> See [http://www.ilo.org/public/english/bureau/dgo/download/dg\\_announce\\_en.pdf](http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf)

<sup>2</sup> See <http://www.ilo.org/employment>.



## Foreword

This paper examines the legal framework, organizational structure and functions of the public employment service in Korea, with a particular emphasis on the Job Centre. It analyses the performance of the Job Centre and highlights policy implications that follow from such analysis.

The work of the Job Centre is supported by the Framework Act on Employment Policy, the Employment Security Act and the Employment Insurance Act. The Job Centre has been established and operates as a fully integral part of the Ministry of Employment and Labour (MOEL) under this legislation. The Job Centre is recognised as a core organization as it is responsible for every kind of public employment service within the Employment Insurance System. This system is regarded in Korea as a key and comprehensive instrument in delivering such services because it includes employment stabilization and vocational skills development programmes as well as unemployment benefit as major tools of active labour market policies to reduce unemployment and promote reemployment.

Although the Job Centre has made commendable achievements, the Job Centre faces the challenge of tackling many contentious issues such as partnership with other organizations that deliver employment and welfare services, insufficient staff to meet workloads, and too many complicated programmes that are not easily accessible to customers. In-depth discussion and review of the future of the Job Centre is needed in terms of its organizational status, setting reasonable workloads, and partnership with other organizations including functional linkages, as well as the introduction of an effective evaluation system.

In sum, this paper is a good example of applied studies in the operation and effectiveness and operation of public employment services. There are important lessons that one can extract from the Korean experience. Through this study, one becomes aware of notable achievements as well as prevailing challenges.

Iyanatul Islam  
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## Executive Summary

The public employment service (PES) plays an overarching role in achieving employment security and job creation at local level. As the International Labour Organization (ILO) has highlighted, the PES has made a major contribution as the principal implementing agency for the Government's labour market programme in response to the global economic crisis. The organizational structure and functions of the PES in the Republic of Korea, especially the Job Centre, are well established.

### *Overview of the PES in Korea*

The PES in Korea is based on the following laws: the Framework Act on Employment Policy, which includes the duty of central government to provide employment services, while the Employment Security Act provides that these services are delivered by local employment security offices. The Employment Insurance Act provides individual and specific labour market programmes under the Employment Insurance System (EIS).

Although a few central government ministries, local governments and some government affiliated bodies deliver public employment services under the above legislation, the Job Centre is the core PES organization as it implements most of the programmes in the EIS. As a key tool of labour market policies, it has made considerable contributions to overcoming employment crises on two occasions through effective delivery of the labour market programmes.

### *Organizational structure of the Job Centre and its history*

The Job Centre operates at local level under the Ministry of Employment and Labour (MOEL) as laid down by the Employment Security Act, which provides that the establishment and operation of employment security offices are the duty of central government.

The Job Security Division and the Employment Insurance Division in the regional labour office were merged into the Job Centre in 1998 as massive unemployment caused by the 1997 Asian financial crisis gave rise to the need to reform the PES system.

In the light of the continued rise in unemployment following the financial crisis, several steps were taken, such as the recruitment of 620 new employment consultants and conversion of 1,400 counselling staff to government officials, to reinforce the Job Centre. In particular, the transfer of the vocational training function from the General Management Division to the Job Centre enables it to provide a one-stop service linking payment of unemployment benefit, job placement and vocational training. Job Centre services have also been strengthened by introducing intensive counselling and an active labour market programme, the Successful Employment Package Programme.

### *The Employment Insurance System (EIS) in Korea*

The Job Centre's functions are mainly performed in the framework of the Employment Insurance System (EIS) which was designed to prevent unemployment and support the early reemployment of the unemployed. The EIS covers unemployment benefit, employment stabilization programmes, vocational skills development programmes, and maternity protection programmes.

Unemployment benefit, which consists of job seeking allowance and employment promotion allowance, is paid both to stabilize the livelihood of the unemployed and to foster activities to help beneficiaries gain early reemployment.

The EIS employment stabilization programmes include job creation, employment adjustment and employment promotion.

Vocational skills development programmes were introduced to nurture lifelong learning for workers in a changing labour market and to promote a high-performance workplace to prevent unemployment and enhance competitiveness. The Vocational Skills Development Account System, a customer-oriented programme and the basis of comprehensive job placement service, plays a core role in implementing these programmes. Job seekers with a pre-issued card can select training courses suitable for them. Issue of the card to the unemployed is subject to compulsory vocational counselling.

Maternity protection programmes, divided into childcare leave and maternity leave benefits, form a support system for women to prevent career breaks, promote female labour force participation, and guarantee work-life balance.

### *Functions and performance of the Job Centre*

The Job Centre engages in job placement in various ways in response to the individual needs and characteristics of job seekers and recruiting companies. The number and rate of workers obtaining jobs through the Job Centre has been continuously increasing, and is now over three times that of local government services. It also operates a systemic employment assistance programme called the Successful Employment Package Programme for vulnerable groups. This programme consists of a comprehensive process of diagnostics and career path planning through focused consultations and vocational psychological tests, morale and capacity building through vocational training, start-up programmes, youth internship programmes and focused job matching services. The beneficiaries of this programme have increased every year and 50-60% of the participants in the programme obtain a job, higher than other Job Centre schemes.

Payments of unemployment benefit, managed directly by the Job Centre, peaked in 2009 following the 2008 global economic crisis. The number of beneficiaries was 165 times higher in 2013 than when they were introduced in 1996 and the total amount paid was 369 times higher. This clearly shows the enhanced role of unemployment as a social safety net. The various employment stabilization programmes delivered by the Job Centre have made a considerable contribution in providing the basis of employment promotion of vulnerable groups, alleviating manpower shortages in SMEs and creating jobs. It played an especially important role in preventing unemployment during the 2008 global economic crisis. In the case of the employment adjustment subsidy, the number of beneficiaries and total payments in 2009 were 10 times higher than in 2008. This subsidy allowed companies to retain their workers instead of laying them off in the face of economic difficulties. As the maternity protection policy was pushed forward to promote female labour force participation and work-life balance, the amount of payments of childcare leave benefits and maternity leave benefits delivered by the Job Centre increased. The tasks of the Job Centre in vocational skills development include vocational counselling and guidance, issuing the card to persons eligible for taking vocational training under the Vocational Skills Development Account System, approval of vocational training courses, payment of training costs and allowances, and monitoring and supervision of vocational training institutions.

To address *de facto* blind spots in the Employment Insurance System, affecting 27.7% of eligible salaried workers, the Social Insurance Subsidy Programme for small companies with 10 or fewer employees was introduced in 2012. To promote it, the Job Centre set up and operates the Council for the Expansion of Social Insurance comprising the heads of the related social insurance institutions and employment experts.

Considering the labour market situation, in which the employment rate has been stagnant at 63-64% since 2003, the Korean Government established the "Roadmap to

Achieve a 70% Employment Rate” in May 2013 in the belief that work is the basis of life and happiness, and that raising the employment rate is the key to overcoming ageing of the population and low fertility. To support the Roadmap, the tripartite parties reached an Agreement on Jobs and, at local level, actions are being implemented by the Job Centre to back up central government.

The Job Centre has also developed relations with other organizations delivering employment services on matters of cooperation, complementary measures, competition and supervision.

### *Some issues surrounding the Job Centre and policy implications*

The main factors in the development of the Job Centre and its core role in the PES relate to its organizational structure as the direct central government body, this enables it to respond swiftly and actively to changes in the labour market situation. It has the advantage of stable funding from the EIS and its organization and activities are based on a framework of legislation.

The Job Centre faces some difficulties and challenges. Firstly, there has been controversy over the relationship between the Job Centre and other PES organizations. This includes the issue of the linkage between employment and welfare services. Secondly, staffing problems are embedded in the Job Centre due to the tensions and conflicts among staff caused by their different status and the shortage of the numbers. Thirdly, the fact that the Job Centre has various and numerous tasks is not only an advantage, but also a problem. In addition, there has been a tendency to add new functions without reducing its current functions. These challenges are closely entangled. Therefore, in-depth discussion and review of the future of the Job Centre is needed in terms of organizational status, workloads, and partnership with other organizations including functional linkage, in addition to introducing an effective evaluation system to respond to the challenges.

# 1. Introduction

Employment security cannot be achieved only through economic growth and well-designed employment policies, but must also be supported by complete and solid implementation of those policies. In other words, by implementing and delivering labour market programmes at local level, public employment services (PES) play an overarching role in achieving employment security, employment promotion and job creation. Considering the important role of the PES, the Employment Service Convention, 1948 (No. 88), which proposes a network of conveniently located local offices that provide job seekers and employers with services such as job placement and labour market information, has been adopted. In a similar vein, the International Labour Organization (ILO) highlighted that the PES made a contribution as the principal implementing agency for the Government's labour market programme in response to the global economic crisis.<sup>1</sup> Given that the employment crisis has continued because recovery from the global economic crisis is both fragile and uneven, it is expected that the role of the PES is still of a great importance and will be strengthened. In addition, in order to achieve the ACI target on "Promoting more and better jobs for inclusive growth", one of the major policy goals of the ILO, the PES should play a significant role in meeting the conditions and situations in the labour market of individual countries.

Though the PES in the Republic of Korea (Korea) does not have a long history, its organizational structure and functions are well established. It started life as a means of addressing the Asian financial crisis in 1997 and made a considerable contribution in coping with employment difficulties caused by the global economic crisis in 2008. The Korean case was presented by the Inter-American Development Bank as an example of a successful PES in terms of employment insurance, integrated and specialized care and an information and knowledge-based system<sup>2</sup>. Korean experiences in the development of employment policies have already been presented by the ILO<sup>3</sup>, but the value of this paper is that it focuses on the aspects of implementation and delivery of labour market programmes by the PES rather than policies as such, together with detailed information on various labour market programmes administered by the Job Centre.

Employment services in Korea have been provided by various types of organization, such as central government, local governments, government affiliated bodies and private employment agencies. In other words, both public employment services and the private agencies have co-existed in Korea. However, the PES is more developed and plays a key role in the labour market in terms of its size, functions and performance. By contrast, the private employment agencies tend to be smaller in terms of human and material resources and mainly provide job placement services and carry out tasks outsourced by the PES.<sup>4</sup>

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<sup>1</sup> ILO. 2009. *Public employment services responses to the global economic crisis*, p.1. Available at: [http://www.ilo.org/skills/pubs/WCMS\\_117382/lang--en/index.htm](http://www.ilo.org/skills/pubs/WCMS_117382/lang--en/index.htm).

<sup>2</sup> <http://blogs.iadb.org/trabajo/2014/10/12/three-keys-first-class-employment-service/>

<sup>3</sup> Joonmo Cho and Byung-Jin Ha. 2012. *Republic of Korea: Development of national employment policies through two economic crises*, International Labour Office. Soonhie Kang. 2014. *Employment policy implementation mechanisms in the Republic of Korea*, Employment Working Paper No. 158, International Labour Office.

<sup>4</sup> Private employment agencies with less than 10 employees account for 70.3% of the total, and their job placement activity focuses on job matching for temporary or daily workers such as workers at construction sites, care workers and day maids (Krivet, 2010. *The current situation of the private employment service market and policy tasks*, The HRD Review, 2010, Winter, pp 69-73).

Although some parts of the PES are provided by a few central government ministries, local governments and government affiliated bodies, the core organization delivering the PES is the Job Centre operated under the supervision of the Ministry of Employment and Labour (MOEL). The Job Centre implements most of the labour market policies including unemployment benefit, vocational training and skills development and employment security support programmes, as well as job placement services and related activities such as job counselling, vocational testing and career guidance. Thus, it is at the heart of the delivery system for active labour market policies and, moreover, the Korean Government has further promoted its role and functions as the main organization responsible for the PES.<sup>5</sup>

Considering these unique characteristics of the PES system in Korea, this paper aims to examine the legal framework, organizational structure and functions of the Job Centre and its historical evolution, and some related issues and policy implications. Section 2 will elaborate on the overview of the PES in Korea, providing a brief explanation of the major functions of various organizations delivering the PES. The legal status of the Job Centre, its organizational structure and historical evolution are described in Section 3. Section 4 provides an overview of the Employment Insurance system (EIS) in the framework of the Job Centre operates. The main functions of the Job Centre, its recent performance and analyses are discussed in Section 5. Section 6 highlights issues surrounding the Job Centre and their policy implications. The paper is summarized and concluded in Section 7.

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<sup>5</sup> Dug Ho, Kim. 2014. *Review of the Public Employment Service in Korea*, p.38. KLF.



## **2. Overview of the Public Employment Service in Korea**

### **2.1 Legal Framework of the Public Employment Service (PES)**

The PES in Korea is based on the following three laws: Framework Act on Employment Policy, Employment Security Act, and Employment Insurance Act.

First of all, the Framework Act on Employment Policy sets out the basic core clauses relating to the PES, as follows:

- establishment and implementation of five-year basic plans on employment policies (article 8),
- basic duties of central government to provide employment services such as the collection and provision of employment information, job placement, vocational guidance, career development of the underemployed, subsidies for employment promotion, etc.(article 6 para. 1),
- the duty of the State to establish and operate employment security offices by region so that the workers and businesses may receive employment services conveniently (article 11),
- the duty of local government to promote the employment of local residents taking into account the characteristics of the local labour market (article 8 (3)), institutionalization of the Korea Employment Information Service (KEIS) for collection, analysis and dissemination of labour market information, operation of information and communications networks, and evaluation and support of employment services (article 18),
- establishment and operation of the Korean Job World for exhibition and supply of data and information on jobs, operation of programmes for job experiences and implementation of vocational guidance programmes for young people (article 18(2)).
- Secondly, the Employment Security Act defines is considered as the comprehensive law on employment services, both public and private. It covers the provision of employment information, job placement, vocational guidance, development of vocational ability, etc. for recruiters and job seekers (article 2-2, para. 9),
- employment security offices provide employment services at local level (article 5),
- principles, methods and process in the job placement of the employment security offices (articles 8 -13),
- content of vocational guidance and employment information provided by employment security offices (articles 11-17),
- regulations on establishment and operation of private employment agencies (articles 21-33)

Lastly, the Employment Insurance Act sets out the specific individual programmes managed by the Job Centre and the considerable range of tasks performs with the financial of the Employment Insurance Fund, including:

- the types and eligibility requirements of unemployment benefit (articles 37 and 40),
- the definitions and payment requirements of various types of employment security and vocational skills development programmes (articles 19 - 36), and payment requirements and procedures for childcare leave benefits and maternity leave benefits (articles 70 - 77).

Summing up the characteristics and relations of the three laws, Framework Act on Employment Policy sets out the basic content of the public employment service, the Employment Security Act (ESA) provides practical clauses on the scope of the PES whilst the Employment Insurance Act EIA mainly deals with the scope of specific programmes for the unemployed and businesses serviced by the Job Centre.

## 2.2 Brief explanations on the organizations delivering the PES

Other organizations, apart from the Job Centre, deliver the PES in application of the above-mentioned laws. A few central government ministries provide job placement and vocational training to promote employment within their ministries' remit. The Ministry of Gender Equality and Family assists the establishment and operation of the Occupation Centre for Women, solely to support women whose career is interrupted due to childbirth, childcare, etc. The centres provide employment counselling, vocational training and job placement; 120 centres are in operation as of 2013.<sup>6</sup> The Ministry of Health and Welfare supports the Centre for Self-Support established to help the poor escape from poverty. These centres, in total 258 nationwide, offer opportunities for the poor to work and eventually be able to make a living on their own through employment assistance, asset building programmes, start-up assistance, etc.<sup>7</sup> The Ministry of Defence and Ministry of Patriots and Veterans Affairs also operates employment assistance centres. These Centres provide pre-retirement or retired soldiers with job information, job counselling and job placement.<sup>8</sup> These ministry-supported PES organizations, except for the MOEL, have few beneficiaries and the scope of employment services is restricted compared with the functions and customers of the Job Centre. The major functions of those ministries are not directly related to employment and employment services are provided in addition to their own functions.

Local governments also organize the provision of job placement and vocational training services, under the clause of the Framework Act on Employment Policy on the duty of local governments to promote employment of local residents, on the grounds that this is good for local indigenous business. For example, Seoul, the capital of Korea, operates Job Centre Plus which delivers job matching, vocational training and internship programme for youth and SMEs. The total number of staff is only 34, of whom 23 are contract workers who are not civil servants.<sup>9</sup> Other local governments operate organizations similar to Centre of Job Plus either directly or outsourced to the private sector.

A few government affiliated bodies provide different types of the PES functions according to their own mandates under legislation or missions commissioned by the MOEL. These organizations are established and operated under the supervision of the MOEL which has responsibility for establishing and implementing overall employment policies. The names and main functions of these organizations are as follows.

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<sup>6</sup> <http://english.mogef.go.kr>

<sup>7</sup> <http://www.cssf.or.kr>

<sup>8</sup> <http://www.mndjob.or.kr>, <http://www.vnet.go.kr>

<sup>9</sup> Kilsang-Yoo et al. 2012. *The Development Direction of the Job Centre for Reinforcing the Public Employment Services*, MOEL, P.107.

**Table 1. Names and main functions of government affiliated bodies delivering the PES**

<b>Name of organization</b>	<b>Main functions</b>	<b>Legal basis</b>
<b>Korea Employment Information Service (KEIS)</b>	<ul style="list-style-type: none"> <li>• Collection, analysis and provision of employment information</li> <li>• Operation of employment-related information system</li> </ul>	Framework Act on Employment Policy
<b>Korean Job World</b>	<ul style="list-style-type: none"> <li>• Presentation and supply of data and information on jobs</li> <li>• operation of programmes for job experiences</li> </ul>	Framework Act on Employment Policy
<b>Human Resources Development Service of Korea (HRD Korea)</b>	<ul style="list-style-type: none"> <li>• Operation of lifelong skills development programmes</li> <li>• Administration of job certification exams</li> <li>• Assistance to hire foreign workers</li> </ul>	Act on Human Resources Development Service of Korea
<b>Korea Polytechnics</b>	<ul style="list-style-type: none"> <li>• Operation of various vocational training courses from 6 months to 2 years degree programme to promote employment in the 11 colleges on 34 campuses nationwide</li> <li>• Provision of vocational education to enhance workers' job skills</li> <li>• Conducting industry-academia cooperation</li> </ul>	Act on the Development of Workers' Vocational Skills
<b>Korea Employment Agency for the Disabled (KEAD)</b>	<ul style="list-style-type: none"> <li>• Operation of 5 vocational education and training centres for the disabled</li> <li>• Job matching for the disabled</li> </ul>	Act on Employment Promotion and Vocational Rehabilitation for the Disabled
<b>Korea Labour Foundation (KLF)</b>	<ul style="list-style-type: none"> <li>• Operation of job information centre for the middle-aged</li> </ul>	Act on Assistance to the Development of Industrial Relations

Sources: author's own elaboration based on the 2013 *Labour Situation in Korea* (KLF) and <http://www.law.go.kr>

### 3. Organizational structure of the Job Centre and its historical evolution

#### 3.1 Organizational structure of the Job Centre

The Job Centre in Korea is the major PES organization established and operated at local level under the MOEL under the Framework Act on Employment Policy and Employment Security Act which state that the provision of employment services and establishment and operation of employment security offices at local level is the duty of central government. In this sense, the Job Centre is legally an integral part of the MOEL according to the classification criteria of the ILO.<sup>10</sup> 82 Job Centres in total had been established nationwide as of December of 2013 by their own administrative jurisdiction. However, the Job Centre is not directly established within the MOEL, but exists as an internal part of the regional office<sup>11</sup> of the MOEL, supervised by the head of the regional office.<sup>12</sup> In this regard, the Job Centre is not an independent organization.<sup>13</sup> Nevertheless, it has much higher status than other regional office units, as each regional office has several Job Centres, each with several divisions conducting different tasks, which enables beneficiaries to access them.<sup>14</sup>

The Job Centre is basically made up of three divisions: planning and coordination, job placement assistance, and business assistance.<sup>15</sup> The representative Job Centres in the six metropolitan cities<sup>16</sup> and the Job Centres with large jurisdiction and large numbers of customers have additional divisions such as regional cooperation, vocational training and skills development, and investigation of unlawful benefits. In other words, the number of divisions in the Job Centre depends on the size of jurisdiction and the number of customers. The title and number of divisions and their functions are stipulated in detail in the Presidential Order on the Organizational Chart of the Ministry of Employment and Labour and its Affiliated Bodies.

The main task of the Planning and Coordination Division is to support the overall operation of the Job Centre. In smaller Job Centres which do not have a regional cooperation division and the vocational training and skills development division, it covers

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<sup>10</sup> The ILO classifies the organizational status of public employment service as three kinds of types in terms of legal categories; an integral part of the Ministry of Labour (or whatever department has the relevant responsibilities), autonomous administration under a commission or council representing the social partners, and privatized organizations (ILO. 2001. *The public employment service in a changing labour market*, pp 23-24).

<sup>11</sup> With regard to the functions of the MOEL such as labour inspection relating to labour standards and occupational health and safety, guidance for stabilization in industrial relations and the design and implementation of labour market policies, the headquarters of the MOEL takes charge of policy making and evaluation while policy implementation is conducted by the 47 regional offices.

<sup>12</sup> Presidential Order on the Organizational Chart of the Ministry of Employment and Labour and its Affiliated Bodies article 21(3) and article 22(2).

<sup>13</sup> A paper on the PES in Korea explains the Job Centre as an independent organization (Seong-Uk Oh; Seok-Hyun Choi. 2013. *Building an Employment Service System for Efficient Utilization of National Human Resources*, KDI School of Public Policy and Management, p.80), but it should be noted that the organizational status of the Job Centre is misunderstood.

<sup>14</sup> The grade of the head of Job Centre is higher than that of other divisions to reflect this organizational feature.

<sup>15</sup> According to the recent revision of the Presidential Order on the Organizational Chart of the Ministry of Employment and Labour and its Affiliated Bodies, the internal structure of the regional office including the Job Centre has been changed. However, this paper describes the previous organizational structure as the functions of the Job Centre are substantially unchanged and there is frequent organizational change in the regional office.

<sup>16</sup> Seoul, Incheon, Busan, Daegu, Kwangju, Daejeon.

both these functions. The Job Placement Assistance Division provides job placement services to match job seekers with recruiting companies, payment of unemployment benefit, vocational guidance for vulnerable groups such as the elderly, female breadwinners, the disabled and youth, and administers the comprehensive job search service, the Successful Employment Package Programme. The Business Assistance Division manages the various employment security programmes and issues employment permits for foreign workers.

**Figure 1. Organizational chart of the Job Centre**



### 3.2 Historical evolution of the Job Centre

The origin of the PES in Korea was the Job Security Office established in 1961. This office was integrated into the regional labour office and became the Job Security Division in the regional labour office in 1970<sup>17</sup>. The main function of the PES in this period was to provide vocational training services to the unemployed and supply skilled workers to meet labour market demands in response to the rapid economic growth.<sup>18</sup> When the Employment Insurance System was introduced in July 1995, the Employment Insurance Division was established in the regional labour office alongside the Job Security Division.

<sup>17</sup> Seong-Uk Oh; Seok-Hyun Choi. 2013. *Building an Employment Service System for Efficient Utilization of National Human Resources*, KDI School of Public Policy and Management, p.30.

<sup>18</sup> Seong-Uk Oh. 2012. *Development and Evaluation of the Public Employment Service in South Korea*, KEIS, p.8.

Massive unemployment caused by the 1997 Asian financial crisis gave rise to the need to reshuffle the PES system.<sup>19</sup> The two divisions were merged into the Job Centre, the concept of a one-stop service to job seekers in July 1998 being a positive response to the change of labour market environment.<sup>20</sup> The number of job consultants was increased from 107 in 1997 to 1,825 in 1999.<sup>21</sup> However, the service in the early stages was less effective than expected.<sup>22</sup> The inter-linkage between the payment of unemployment benefit, job placement and vocational training was not active because the vocational training function was not transferred but remained with the General Management Division of the regional office. In addition, the Job Centre faced problems of shortage of counselling staffs and their insecure status as contingent workers.<sup>23</sup>

In the light of the continuous growth in unemployment after the financial crisis, several steps were taken to reinforce the organization and personnel of the Job Centre. 620 new job consultants were recruited between 2006 and 2007 to respond to increasing demand for employment services.<sup>24</sup> Furthermore, nearly 1,400 counselling staff who had not been government officials were given that status in 2006,<sup>25</sup> to enhance morale and improve the quality of service. Internal structure of the Job Centre has been strengthened as some divisions such as the Planning and Coordination Division, the Job Placement Assistance Division and the Business Assistance Division were newly made. More importantly, the transfer of the function of vocational training to the Job Centre from the General Management Division enabled the Job Centre to provide one stop service linking payment of the UB, job placement, and vocational training service.

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<sup>19</sup> Unemployment soared to a record high level of 7.0% in 1998 from 2.6% in 1997 due to the 1997 Asian financial crisis. Before the crisis, the unemployment rate in Korea had kept at less than 3%.

<sup>20</sup> Seong-Uk Oh; Seok-Hyun Choi. 2013. *Building an employment service system for efficient utilization of national human resources*, KDI School of Public Policy and Management, p.17.

<sup>21</sup> Jaejun Hur.2013. *Korea's Active Labour Market Policy: Its Birth, Establishment, and Development*. KLI, p.32.

<sup>22</sup> Seong-Uk Oh. 2012. *Development and Evaluation of the Public Employment Service in South Korea*, KEIS, p.9.

<sup>23</sup> Although the demand for employment services increased due to the high unemployment caused by the Asian financial crisis, counselling staff with fixed term contracts were hired as the Korean Government did not have a sufficient budget to recruit regular government officials.

<sup>24</sup> Soonhie Kang.2014. *Employment Policy implementation mechanisms in the Republic of Korea*, Employment Working Paper No. 158, ILO, p.9.

<sup>25</sup>Seong-Uk Oh. 2012. *Development and evaluation of the Public Employment Service in South Korea*, KEIS, p.10.

**Table 2. Trend in the number of the Job Centre staff**

Year	Number of staff		
	Total	Government officials	Job consultant
2002	2,364	543	1,821
2004	2,347	632	1,715
2006	2,897	1,323	1,574
2008	2,996	2,884	112
2011	3,269	3,157	112
2013	3,410	3,107	303

Source: Seong-Uk Oh (2012) and MOEL internal data (2014)

In parallel with the measures to reinforce the organization and personnel of the Job Centre, its services were also strengthened.<sup>26</sup> Intensive counselling, known as customized employment services, was provided to job seekers in order to assess their capabilities and to establish an individual action plan from 2006. In 2009, the MOEL introduced an active labour market integration programme, called the Successful Employment Package Programme. The programme provides vulnerable groups in the labour market with customized training opportunities and job placement services depending on their capacities assessed in personal interviews. The programme is discussed in detail in Section 5.

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<sup>26</sup> Jaejun Hur.2013. *Korea's Active Labour Market Policy: Its Birth, Establishment, and Development*. KLI, p.39

## 4. The Employment Insurance System in Korea

As explained above, the Job Centre carries out every function of the PES within the framework of the Employment Insurance System (EIS). Unlike other countries, where the unemployment insurance system focuses mainly on providing unemployment benefit to secure the subsistence of the unemployed, in Korea the system has been designed to prevent unemployment and support early reemployment as the core element of active labour market policies. Unemployment benefits are paid, not only to stabilize the living needs of the unemployed for a certain period, but also to assist beneficiaries' in their job seeking activities to facilitate early reemployment. The EIS also has an Employment Stabilization Programme and Vocational Skills Development Programme to prevent unemployment and promote employment. This is the reason why the Korean system is called "Employment Insurance" rather than unemployment insurance.<sup>27</sup> Also importantly, about 70 per cent of labour market programmes are funded by the Employment Insurance System while the other 30 per cent is financed by the general budget.<sup>2829</sup>

Meanwhile, the Asian financial crisis in 1997 and resulting labour market turmoil paved the way for the extension of the Employment Insurance System.<sup>30</sup> When it was first introduced in 1995, unemployment benefit was limited to workers employed in firms with 30 or more employees. In response to rising unemployment and employment vulnerability of workers at small size firms, the coverage in terms of the firm size has been extended, as shown in Table 3. The minimum contribution requirement was also relaxed, from 12 months out of the previous 18 months to 180 days out of the previous 12 months to protect marginal workers and newly enrolled employees. In addition, the benefit duration period was extended from 60 to 210 days to 90 to 240 days in January 2000.

**Table 3. Extended coverage of the Employment Insurance System**

Date	Unemployment insurance component	Employment subsidy & vocational training component
1 July 1995	30 or more	70 or more
1 January 1998	10 or more	50 or more
1 March 1998	5 or more	50 or more
1 July 1998	5 or more	5 or more
1 October 1998	1 or more	1 or more

Source: Ministry of Labour (2003)

Despite the above extension of the Employment Insurance System, there remain blind spots which are discussed in detail in Section 5.

<sup>27</sup> Kil-Sang Yoo. 2011. *The Introduction and Development of Employment Insurance in Korea*, KLI, p.12.

<sup>28</sup> Dug Ho, Kim. 2014. *Review of Public Employment Service in Korea*, KLF, p.10.

<sup>29</sup> With regard to the 2015 budget of the MOEL, the planned expenditure of the EIS fund is KRW 7,768 billion while that of the General Budget is KRW 2,050 billion (National Assembly Budget Office. 2014. *20152015 Budget Bill Analysis by Ministry*, p.200).

<sup>30</sup> Jaeyun Hur. 2013. *Korea's active labour market policy: Its birth, establishment, and development*, KLI, p.43.



**Table 4. Brief overview of the Employment Insurance System in Korea**

Classification	Contents
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• to prevent unemployment and promote employment</li> <li>• to stabilize the subsistence needs of the</li> <li>• to develop workers' vocational skills</li> </ul>
<b>Year of introduction</b>	1995
<b>Competent authority</b>	Ministry of Employment and Labour
<b>Coverage</b>	All workplaces
<b>Average premium rate</b>	0.65% for employees and 0.9%-1.5% for employers
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Unemployment benefits</li> <li>• Employment stabilization programme</li> <li>• Vocational skills development programme</li> <li>• Maternity protection programme</li> </ul>
<b>Legal basis</b>	<ul style="list-style-type: none"> <li>• Employment Insurance Act</li> <li>• Act on the Collection of Premiums for Employment Insurance and Industrial Accident Compensation Insurance</li> </ul>

Source: MOEL (2013d)

## 4.1 Unemployment benefit

Unemployment benefit refers to the cash benefits that are paid for a certain period of time to workers covered by employment insurance who have become jobless involuntarily. The benefits play a significant role not only in addressing income security of the unemployed, but also in supporting active reemployment activities. To that end, it consists of two components: Job Seeking Allowance and Employment Promotion Allowance.

### 4.1.1. Job Seeking Allowance

The Job Seeking Allowance is the core unemployment benefit to alleviate financial hardship. To prevent abuse, claimants must meet certain qualifying requirements in terms of work experience and eligibility. These conditions are as follows (Employment Insurance Act, articles 40 and 42): the claimant's insured employment period should be at least 180 days in total out of the 18 month base period before the day of job separation; the claimant is out of work but remains willing to and able to work, and is actively seeking a job to the best of his or her ability; the claimant must register at the Job Centre as a job seeker; the reason for job separation should not disqualify the claimant from receiving unemployment benefit, such as voluntary unemployment without good cause, dismissal for misconduct, etc.

The daily amount of job seeking allowance is, in principle, 50% of the eligible recipient's daily average wage for the three months just before job termination (Employment Insurance Act, article 45(1) and article 46 (1)). The ceiling of the allowance

is KRW 43,000 (EIA, article 45(1) and the Employment Security Act Enforcement Order, article 68), and the minimum is 90% of the minimum wage (EIA article 46(2)).<sup>31</sup> This limiting regulation is designed to reduce the gap between beneficiaries and ensure fairness in benefit payment. It was, however, estimated that the actual replacement rate was only 31% in 2010. As shown in Table 5, the maximum duration of allowance varies from 90 to 240 days depending on the insured period and age (EIA, article 50).

**Table 5. Maximum duration of the job seeking allowance**

		Contribution period				
		Less than 1 year	1-3 years	3-5 years	5-10 years	10 years or more
Age	Below 30	90	90	120	150	180
	30-49	90	120	150	180	210
	50 or above or Disabled	90	150	180	210	240

Source: MOEL (2013 d)

Meanwhile, payment of the job seeking allowance may be restricted if claimants refuse to accept job placement services or take vocational training suggested by the Job Centre even if they meet above requirements (EIA, article 60). On the contrary, extended allowances may be paid under certain circumstances if claimants take recommended vocational training or face difficult individual situations and high unemployment rates, as shown in Table 6. In addition, a special Sickness Allowance can be paid when a claimant cannot get a job due to injury, sickness or child birth after applying for the job seeking allowance (EIA, article 63).

**Table 6. Types and requirements of Extended Allowances of the JSA**

Type(Related clause)	Requirement	The amount of payment/Maximum period
<b>Training Extended Allowance</b> (EIA, article 51)	<ul style="list-style-type: none"> <li>When a claimant takes vocational training as suggested by the Job Centre</li> </ul>	100% of JSA/2years

<sup>31</sup> The ceiling of the JSA had been kept at KRW 40,000 since 2006 while the minimum allowance had been continuously increased as the minimum wage had increased every year, so the difference between the ceiling and the minimum narrowed from 55.8% in 2006 to 93.8% in 2014. In addition, the minimum was predicted to exceed the ceiling in 2015. Considering this situation, the MOEL made a plan in June 2014 that the ceiling of the JSA would increase from KRW 40,000 to 50,000 and the minimum of the allowance would decrease from 90% to 80% of the minimum wage. However, the minimum was not changed as a result of the discussion in the National Assembly, but the ceiling of the allowance increased by KRW 43,000. In relation to this modification, a suggestion has been raised that the ceiling and the minimum of the allowance should be linked to criteria such as the average wage instead of the minimum wage because there is a possibility that the minimum can exceed the ceiling as the minimum wage increases every year (National Assembly Budget Office. 2014. *Evaluation of unemployment benefit*, p.43).

Type(Related clause)	Requirement	The amount of payment/Maximum period
<b>Individual Extended Allowance</b> (EIA article 52)	<ul style="list-style-type: none"> <li>When the Job Centre recognises that it is extremely difficult for a claimant to be reemployed in a short period and the claimant has difficulties in maintaining his/her livelihood</li> </ul>	70% of JSA/60days
<b>Special Extended Allowance</b> (EIA, article 53)	<ul style="list-style-type: none"> <li>When the employment situation has rapidly deteriorated, for example, when unemployment rate is higher than 6% for three consecutive months</li> </ul>	70% of JSA/60days

Source: <http://www.ei.go.kr>

#### 4.1.2. Employment Promotion Allowance

The Employment Promotion Allowance is designed to encourage reemployment and to minimize excessive dependence of claimants on the JSA. The allowances comprise the Early Reemployment Allowance, the Vocational Skills Development Allowance, the Wide-Area JSA and the Moving Allowance. The Early Reemployment Allowance, which has the element of an incentive to encourage early reemployment of the insured in a stable job and minimize the duration of unemployment is the representative allowance, thus it is the most frequently paid of the four allowances. The types and requirements of EPA are as follows.

**Table 7. Types and requirements of the employment promotion allowance**

Type	Requirement	The amount of payment
<b>Early Reemployment Allowance</b> (EIA, article 64 and EIA Enforcement Order, article 84)	<ul style="list-style-type: none"> <li>The claimant must find a new job before reaching the halfway point of the total benefit period. The claimant must be reemployed in a job for more than 1 year</li> </ul>	<ul style="list-style-type: none"> <li>50% of remaining amount of JSA, 2/3 of remaining amount of JSA for those whose age are 55 or older and the disabled</li> </ul>
<b>Vocational Skills Development Allowance</b> (EIA, article 88)	<ul style="list-style-type: none"> <li>When the claimant participates in one of vocational training courses as instructed by the Job Centre</li> </ul>	<ul style="list-style-type: none"> <li>The cost necessary for taking vocational training such as transportation and meal cost during the vocational training period</li> </ul>
<b>Wide-Area JSA</b> (EIA, article 89)	<ul style="list-style-type: none"> <li>When the claimants engage in job seeking activities in areas that are at least 50km away from their areas of residence upon arrangement by the Job Centre</li> </ul>	<ul style="list-style-type: none"> <li>Cost of accommodations and transportation</li> </ul>

<b>Moving Allowance</b> (EIA, article 90)	<ul style="list-style-type: none"> <li>When the claimant changes residency to gain employment or take vocational training under the guidance of the Job Centre</li> </ul>	<ul style="list-style-type: none"> <li>Actual moving cost</li> </ul>
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Source: <http://www.ei.go.kr>

## 4.2 Employment stabilization programmes

As explained above, one of the main features of the Employment Insurance System is that it functions as a major tool of active labour market policy for preventing unemployment and promoting reemployment.<sup>32</sup> This aim is well reflected in the employment stabilization programmes, chiefly: the Job Creation Programme, Employment Adjustment Programme and Employment Promotion Programme.

### 4.2.1 Job Creation Programme

The Job Creation Programme was introduced to provide needed assistance to an employer who expands employment opportunities by improving the working environment, implementing alternative work patterns, or making other efforts to create jobs (EIA, article 20). This programme has the following five sub-programmes: subsidy for job sharing, subsidy for improvement of employment environment, subsidy for creation of part-time jobs, subsidy for employment in promising start-ups and subsidy for employment of professional workforce. The individual qualifications and levels of payment of the subsidies are shown in Table 8 below.

**Table 8. Types of subsidy in the Job Creation Programme**

Type of subsidy	Qualifications	Duration and amount of subsidy (millions)
<b>Job sharing subsidy</b>	<ul style="list-style-type: none"> <li>Where there is an increase in the number of employees due to the recruitment of unemployed people by providing periodic educational training and sabbatical leave, work shift, or reduction of working hours, etc.</li> </ul>	1-2 years, KRW 7.2-21.6 for added employee
<b>Improvement of employment environment subsidy</b>	<ul style="list-style-type: none"> <li>Where there is an increase in the number of employees due to the improvement of employment conditions by installing and operating the facilities determined by the MOEL and by recruiting unemployed people</li> </ul>	<ul style="list-style-type: none"> <li>KRW 1.2 for added employee (up to 30 people)</li> <li>50% of the amount invested to improve the employment environment (up to KRW 50)</li> </ul>

<sup>32</sup> Kil-Sang Yoo. 2011. *The introduction and development of employment insurance in Korea*, KLI, p.18.

<b>Creation of part-time jobs subsidy</b>	<ul style="list-style-type: none"> <li>The employer shall hire unemployed people as part-time workers with open-ended employment contract who work 15-30 working hours per week by dividing work, restructuring a labour system or developing part-time work, etc.</li> </ul>	12 months, 50% of the wages for each newly employed part-time workers (up to KRW 0.6 for large companies and KRW 0.8 for SMEs)
<b>Employment in promising start-ups subsidy</b>	<ul style="list-style-type: none"> <li>Where a start-up enterprise falling under the types of business with good prospect for growth, business with mismatch, regionally specialised business or return home enterprise hires an unemployed person</li> </ul>	6-12 months, KRW 7.2-10.8 for added employee
<b>Subsidy for Employment of Professional Workforce</b>	<ul style="list-style-type: none"> <li>Where a preferentially supported enterprise (e.g. SMEs) falling under the types of business such as manufacturing or knowledge-based service sectors hires those with professional qualifications or uses professional human resources dispatched from enterprises other than the preferentially supported enterprises</li> </ul>	3-12 months, KRW 2.8-10.8 for added professional worker

Source: Employment Security Act Enforcement Order, article 17 and <https://www.ei.go.kr>

#### 4.2.2 Employment Adjustment Programme

The purpose of the Employment Adjustment Programme is to stabilize employment by providing employers with a subsidy to cover part of the costs involved in minimizing lay-offs in the course of employment adjustment.<sup>33</sup> The subsidy is paid to employers who retain their workers by taking proper measures for employment maintenance, such as redeployment, temporary shutdown, leave and vocational skills development training for job transfers when they find it inevitable to adjust employment due to downsizing, closing or converting their businesses following changes in business conditions or industrial structures (EIA, article 21). The specific requirements and amount of subsidy as of 2014 are as follows.

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<sup>33</sup> Kil-Sang Yoo. 2011. *The introduction and development of employment insurance in Korea*, KLI, p.28.

**Table 9. Requirements and amount of the employment adjustment subsidies**

Types of measure	Requirement	Amount of subsidy
<b>Temporary shutdown, etc.</b>	<ul style="list-style-type: none"> <li>If working time is reduced more than 20/100 of the total working time of the insured through adjustment of working time, reorganization of the shift system or temporary shutdown, and allowances should be paid to workers for reimbursement of pay in response to the reduced working time.</li> </ul>	2/3 (1/2 for large firms) of allowances paid to workers
<b>Leave</b>	<ul style="list-style-type: none"> <li>If workers are granted leave of 1 month or more</li> </ul>	2/3 (1/2 for large firms) of allowances paid to workers(200,000 KRW per person for unpaid leaves)
<b>Training</b>	<ul style="list-style-type: none"> <li>When training suitable for employment retention is conducted</li> </ul>	3/4 (2/3 for large firms) of paid wages and all costs for training

Source: Employment Security Act Enforcement Order, article 19 and <https://www.ei.go.kr>

In addition, a subsidy for workers to support their subsistence has recently been introduced into this programme, in 2011. If the amount of wage for workers who accept the temporary shutdown or leave from employers facing financial difficulties is reduced by more than 1/2, the subsidy can be paid to the workers (EIA, article 21 and EIA Enforcement Order, article 21 (2) and (3)). The amount of the subsidy is decided by the Deliberation Committee at the Job Centre considering the situation of the individual company within the 50% of the average wage (up to KRW 40,000). The duration of payment period is up to 180 days.

#### **4.2.3 Employment Promotion Programme**

The Programme for Employment Promotion is aimed at facilitating the employment of those who face particular difficulties in finding jobs under normal labour market conditions (EIA, article 23),<sup>34</sup> In other words, to expand employment opportunities for vulnerable groups. It consists of the subsidies for employment extension of the elderly, employment promotion of the severely disabled, female breadwinners, etc., wage peak system, employment security of pregnant workers and working mothers. Unlikely other subsidies paid to employers, subsidies for wage peak system are paid to workers. Individual requirements and amount of the subsidies are as follows.

<sup>34</sup> MOEL. 2013 *Employment and labour policy in Korea*, p.65.

**Table 10. Requirements and amounts of subsidies under the Employment Promotion Programme**

Type		Requirements	Amount and period of subsidies
<b>Subsidies for employment extension of the elderly</b> (EIA Enforcement Order, article 25)	<b>Subsidy for retirement age extension</b>	<ul style="list-style-type: none"> <li>When employers with less than 300 employees retain elderly workers who have worked for 18 months or longer by abolishing the retirement age or by extending the age by one year or more and the newly prescribed retirement age shall be not less than the age of 60</li> </ul>	<ul style="list-style-type: none"> <li>KRW 0.3 million per month per worker</li> <li>Where the retirement age is abolished: One year</li> <li>Where the retirement age is extended by at least one year and less than three years: one year;</li> <li>Where the retirement age is extended by at least three years: two years.</li> </ul>
	<b>Subsidy for reemployment of retirees</b>	<ul style="list-style-type: none"> <li>When employers with less than 300 employees continue to hire elderly employees who reached the retirement age(55 or older) and have been working for 18 months or longer, or reemploy a retired worker within 3 months of his/her retirement</li> </ul>	<ul style="list-style-type: none"> <li>KRW 0.3 million per month per rehired worker</li> <li>Where the reemployment period is at least one year and less than three years: six months</li> <li>Where the reemployment period is at least three years: one year</li> </ul>
<b>Subsidies for employment promotion of the severely disabled, female breadwinners, etc.</b> (EIA Enforcement Order, article 26)		<ul style="list-style-type: none"> <li>When employers hire a person who falls under any of the following categories for more than 3 months: A person who has completed the employment assistance programme, as notified by the MOEL, designed for those having particular difficulty in finding jobs under ordinary conditions of the labour market; A severely disabled person unemployed for one month or more; A woman unemployed for one month or more who is responsible for supporting her family members</li> </ul>	KRW 6-9 million up to 12 months pursuant to the employment lasting period
<b>Subsidies for wage peak system</b> (EIA Enforcement Order, article 28)	<b>Retirement age extension</b>	<ul style="list-style-type: none"> <li>When pay of worker with retirement age extension is reduced to under 80% of the current level</li> </ul>	<ul style="list-style-type: none"> <li>Reduced pay up to KRW 6 million for maximum 10 years</li> <li>Reduced pay up to KRW 6 million for maximum 5 years</li> </ul>
	<b>Reemployment</b>	<ul style="list-style-type: none"> <li>When a retired worker is reemployed under the condition of pay reduced to under 80% of the previous level</li> </ul>	
	<b>Working hours reduction</b>	<ul style="list-style-type: none"> <li>When the working hours of worker with retirement age extension is reduced along with more than 50% reduction of current pay level</li> </ul>	

			<ul style="list-style-type: none"> <li>Reduced pay up to KRW 3 million for maximum 10 years</li> </ul>
<b>Subsidies for employment security of pregnant workers and working mothers (EIA Enforcement Order, article 29)</b>		<ul style="list-style-type: none"> <li>When an employer hires replaced workers for pregnant workers and workers getting maternity leave and childcare leave</li> </ul>	KRW 0.6 million per month for a worker (in case of large firms, KRW 0.3 million)

Source: MOEL (2011), EIA Enforcement Order article 25-29, and <https://www.ei.go.kr>

## 4.3 Vocational skills development programmes

The vocational skills development programmes in the Employment Insurance System were introduced to nurture the lifelong learning of workers in a changing labour market and promote a high-performance workplace to prevent unemployment and enhance competitiveness.<sup>35</sup> It is an incentive scheme to encourage the active participation of employers and employees, to enhance their employability and competitiveness. The programme is divided into three categories: assistance to employers, assistance to workers and support to the unemployed.

### 4.3.1 Assistance to employers

The assistance to employers aims to encourage employers to provide vocational training for their employees and prospective employees. The subsidy is provided to reimburse the training costs of implementing in-house or external training courses approved by the Job Centre (EIA, article 27 and EIA Enforcement Order, article 41). There are two kinds of programmes in the category of assistance to employers. One is training provided by employers, on a relatively short-term basis, for their employees and new recruits. The other type is the training under paid leave supported by employers. This programme provides employers who give their employees paid leave for medium and long-term training with reimbursement of part of training costs and wages of participants. The two types vary in terms of training participants, period of training, the scope of reimbursement, etc.

**Table 11. Comparison of the two types of training in the category of assistance to employers**

Classification	Employer-provided training	Training under paid leave
<b>Participants</b>	Newly-recruited employees, and job seekers registered at the Job Centre	Employees
<b>Training period</b>	Over 2 days with 16 hours (SMEs 1 day with 8 hours)	<ul style="list-style-type: none"> <li>Employers with fewer than 150 employees: Minimum 30 hours under the consecutive paid leave of 7 days</li> <li>Other employers: over 180 hours under the consecutive paid leave of</li> </ul>

<sup>35</sup> Kil-Sang Yoo. 2011. *The introduction and development of employment insurance in Korea*, KLI, p36.



		60 days
<b>Scope of reimbursement</b>	Training costs, allowances for new recruits and job seekers registered at the Job Centre	Training costs, wages of participants

Source: (MOEL 2013c)

In addition, the system of low interest loans for training facilities and equipment can also be included in assistance to employers. Under this system, an employer, employers' association, workers' association or vocational training organization that has provided or intends to provide vocational skills development training can benefit from this loan scheme for training facilities and equipment (EIA, article 30 and EIA Enforcement Order, article 48).

#### 4.3.2 Assistance to workers

The assistance to workers is to support directly workers who take a vocational training course of their own choice. This programme is designed to provide the group with insufficient training opportunities, i.e. non-regular workers and workers in SMEs, with better access to training.<sup>36</sup> This programme is divided into the My Work Learning Card System and the Grant for Enhancement of Employees' job skills. The former gives the workers training opportunities by issuing a card worth a maximum KRW 2 million a year while the latter reimburses workers for the training costs after finishing the training.

**Table 12. Comparison between the My Work Learning Card System and the Grant for Enhancement of Employees' job skills**

	<b>My Work Learning Card System</b>	<b>The Grant for Enhancement of Employees' job skills</b>
<b>Targets</b>	<ul style="list-style-type: none"> <li>Non- regular workers such as part-time, on-call and daily workers</li> <li>those who are scheduled to change current jobs within 90 days, those on unpaid leave for 90 days or more</li> </ul>	Non-regular workers, workers in SMEs
<b>Amount of payment</b>	KRW 2 million a year, KRW 3 million within 5 years	KRW 1 million a year, KRW 3 million within 5 years
<b>Requirement of training course</b>	Course of more than 10 days or 40 hours approved by Job Centre	Course of more than 2 days or 16 hours approved by Job Centre
<b>Form of support</b>	Card issued prior to training	Ex post reimbursement after training

Source: MOEL (2013c), p. 10

#### 4.3.3 Support to the unemployed

The support to the unemployed is intended to promote job placement by enhancing the employability of the unemployed. This programme is operated on the basis of the Vocational Skills Development Account System called My Work Learning Card System.

<sup>36</sup> 73.5% of the beneficiaries of the grant for enhancement of employees' job skills in 2011 were from companies with fewer than 50 employees (Youngsun Na. 2013. *Vocational education and training in Korea*, Krivet, pp 84-85).

The system was fully introduced in 2010 to improve performance by expanding training choice for the unemployed, lowering entry barriers of training institutions, raising the quality of training through greater competition and strengthening the linkage between job placement and vocational training services through mandatory vocational counselling<sup>37</sup> and guidance to card applicants. The system is a customer-oriented programme whereby job seekers with a pre-issued card equivalent to KRW 2 million limits<sup>38</sup> can select training courses suitable for them and pay directly for training costs.<sup>39</sup> As the new system imposes obligatory vocational counselling before the card is issued, it establishes the basis of a comprehensive job placement service consisting of vocational counselling, vocational training and intensive job placement. A trainee should cover 25-45% of the total training cost to ensure careful choice of training course and responsibility completing the training. However, the trainee contribution is waived for trainees taking tailored and exclusive courses for vulnerable groups such as marriage-based immigrants, North Korean refugees, recipients of national basic subsistence benefits, and people participating in the Successful Employment Package Programme.

Meanwhile, there are two other types of training for the unemployed. One is the training for jobs in national key and strategic industries.<sup>40</sup> This training is intended to foster highly skilled manpower for jobs that are short of human resources and have the potential to increase demand for industrial workers. The participants in this training receive a training allowance, travel and meal costs, as well as the training costs. The other type of training for the unemployed is the training course for juvenile delinquents. Psychotherapy, personality education as well as technical training are provided to the training participants.<sup>41</sup>

#### 4.4 Maternity protection programmes

The Employment Insurance System has a support scheme for women to prevent career breaks, promote the rate of female labour force participation, and guarantee work-life balance. If the insured has been covered for 180 days and gets childcare leave for longer than 30 days, childcare leave benefit equivalent to 40% of the monthly ordinary wage (maximum KRW 1 million per month, minimum KRW 0.5 million per month) is paid to the insured during the leave (EIA, article 70 and EIA Enforcement Order, article 95). In the case of maternity leave<sup>42</sup>, the insured is paid 90 days' salary for employees in SMEs and 30 days' salary for employees in large companies (maximum: KRW 1.35 million per month, minimum: minimum wage) if the insured has been covered for 180 days and is granted maternity leave (EIA, article 75 and EIA Enforcement Order, article 101). In addition, the insured can reduce his/her working hours during the childcare period instead of taking childcare leave (Act on Equal Employment and Support for Work-Family Balance article 19(2)), and the benefit for reduced working hours during the childcare period is provided to the insured choosing the reduced working time (EIA, article 73(2) and EIA Enforcement Order, article 104 (2)).

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<sup>37</sup> As of 2013, 309 consultants in total have been additionally recruited to deliver intensive counselling at the Job Centre (MOEL, *2014 White Paper on employment and labour*, p. 149).

<sup>38</sup> KRW 3 million for trainees participating the Successful Employment Package Programme, KRW 4 million for trainees taking SME friendly training courses (idem).

<sup>39</sup> On the other hand, the Job Centre assigned a specific number of trainees to the limited number of training institutions selected by it and reimbursed the training costs to the training institutions under the old system called the Trainee Assignment System.

<sup>40</sup> As of 2013, 109 out of the total occupational category are selected by the MOEL (MOEL, *2014 White Paper on employment and labour*, p.141)

<sup>41</sup> idem, pp.153-154.

<sup>42</sup> Employers should guarantee maternity leave of 90 days according to the Labour Standards Act, article 74.

## 5. Functions and performance of the Job Centre

### 5.1 Job placement

Job placement has been the basic and major function since the initial phase of the PES. This function is carried out in various ways in response to the individual needs and characteristics of job seekers and recruiting companies. Job placement is carried out on the basis of information in the Work-Net (<http://www.work.go.kr>)<sup>43</sup>, the public job information network that collects stores and provides the details of job seekers and recruiting companies.

The simplest form of job placement is the provision of job information to job seekers with the necessary skills and the intention to work. Individual counselling may be provided for those who have lost the urge for job seeking, to encourage and enhance self-esteem, motivation, interpersonal and communication skills. Job placement services include a group counselling programme for targeted people who have severe difficulty in finding a job to encourage confidence and develop job search skills. The Job Centre also holds various types of job fairs: a small scale job fair for the limited district or group of job seekers, a specialized job fair for young people or the elderly, and a large-scale job fair for job seekers generally to achieve success in finding a job. On occasion, job consultants will accompany job seekers to an interview with a recruiting company. This provides proactive help to customers and enhancing the job placement success rate.

**Table 13. Outcome of the Job Centre's various job placement activities, January to October 2013**

Category	Number of participants	Number of successful participants
Vocational counselling	44,107	22,703
Job fairs	32,529	3,017
Accompanying to interview	2,761	1,206

Source: MOEL (2013d), p.36 and internal data of the MOEL

The number and rate of workers who found jobs through the job placement service of the Job Centre shows the trend that has been continuously increasing, (Table 14).

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<sup>43</sup> This system was established to provide job-seekers and recruiting companies with timely and convenient information on jobs and available talent through the Internet since 1998(KEIS. 2012. *Public Employment Information System*, pp 7-8). The number of newly-employed workers through Work-Net has been steadily increasing (internal source of the MOEL): 599,473 in 2008, 885,759 in 2010, 1,139,979 in 2012 and 1,468,171 in 2013.

**Table 14. Number and rate of workers who found jobs by the Job Centre**

	2008	2009	2010	2011	2012	2013
Number of workers who found jobs	544,122	669,535	701,928	656,494	731,257	853,362
Percentage obtaining jobs	26.0	24.5	25.5	25.6	29.1	29.6

Source: MOEL (2014a)

This increasing trend highlights the leading role of the Job Centre in job placement. The number of workers who found jobs through the Job Centre was over 3 times the total number of workers who found jobs through local government help.<sup>44</sup>

Meanwhile, the Employment Security Act suggests some principles in relation to the job placement as follows: principle of matching the qualified, principle of matching jobs within commuting area, principle of specifying working conditions, principle of confidentiality in dealing with information, and principle of equal treatment (ESA, articles 8-13). These principles provide job consultants with guidelines in managing job placement.

## 5.2 Delivery of the Successful Employment Package Programme

This systemic employment assistance programme was first introduced in 2009 to help people in the low income bracket earning less than 150 per cent of the minimum cost of living to escape poverty through work. Since 2012, the programme has been open to youth and middle-aged unemployed earning less than 250 per cent of the minimum cost of living.<sup>45</sup> The programme involves a comprehensive process of diagnosis and career path planning, morale and capacity improvement and a focused job matching service. At the first stage of diagnosis and career path planning, a personal employment assistance plan is set up through focused (individual or group) consultations and vocational psychological tests within one month. Vocational training, work experience, start-up programmes, or youth internship programmes are provided at the second stage of morale and capacity improvement over a period of 6 to 8 months. The last stage involves intensive job matching, in which Job Centre counsellors sometimes accompany programme participants to their job interviews. Allowances are paid at all stages: KRW 200,000 ~ 250,000 at stage 1, KRW 400,000 a month up to 6 months for vocational training and KRW 2-3 million for the cost of vocational training at stage 2, maximum KRW 1 million on the basis of successfully obtaining employment in stage 3.<sup>46</sup>

The beneficiaries of this programme have increased every year as shown in Figure 1. The programme has produced good results, with 50-60% of participants in this programme finding jobs, higher than the overall rate through the Job Centre 24-28% and the

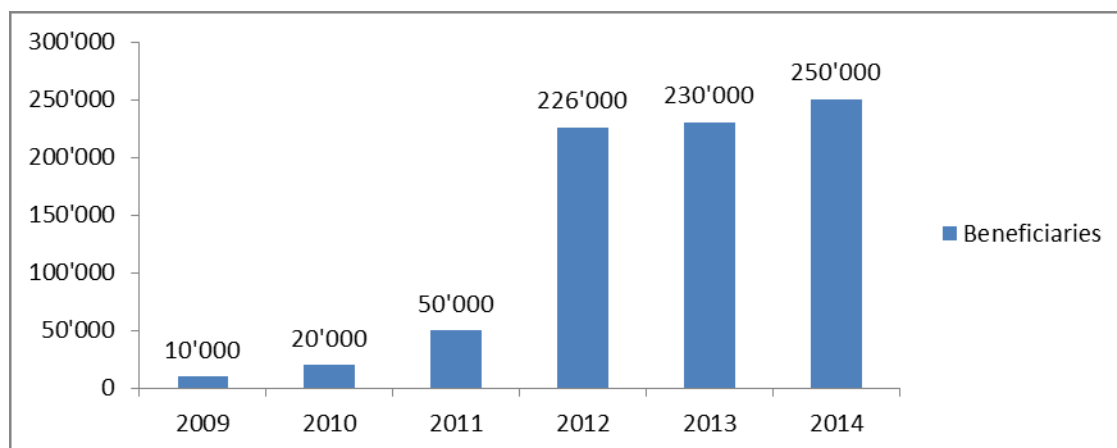
<sup>44</sup> The total number of people who found jobs through the Job Centre reached 853,362 in 2013 while the total for local government was 281,349 (internal data of the MOEL).

<sup>45</sup> As a result of the above measure, the Youth Employment Service (YES) project for youth (aged 15-29) and the Finding New Job Programme for the middle-aged (aged 40-64 earning less than 200 per cent of the minimum cost of living) have been integrated into the Successful Employment Package Programme (Soonhie Kang, 2014. *Employment Policy implementation mechanisms in the Republic of Korea*, Employment Working Paper No. 158, ILO, p. 10).

<sup>46</sup> MOEL. 2014. *2014 Employment and Labour Policy at glance*, pp 16-17. and <http://www.moel.go.kr>

reemployment rate of recipients of unemployment benefit of 32-38%.<sup>47</sup> About 800 new consultants have been recruited since the programme was introduced. However, the programme is jointly operated by civil servants, job counsellors who are not civil servants and consultants, with the problem of different working conditions for the same service.

**Figure 2. Trend of beneficiaries of the Successful Employment Package Programme**



Source: internal source of MOEL (2014)

Meanwhile, one view is that this programme needs to be expanded further to address the institutional blind spots of the employment insurance system, under which payments are conditional on employment counselling, vocational training, and job placement consultation.<sup>48</sup> On the other hand, as was pointed out, it would be necessary to secure an appropriate level of budgetary funding because of the rapid increase in potential beneficiaries.<sup>49</sup>

## 5.3 Implementation of the employment insurance system

### 5.3.1 Payment of unemployment benefit and reemployment assistance

The Job Centre manages payment of unemployment benefit<sup>50</sup> in connection with reemployment service directly. As it is paid to those unemployed who have the necessary intention and abilities, the Job Centre needs to check this regularly, as the job seeking allowance component of unemployment benefit can only be paid when the Job Centre confirms that the recipient is actively seeking a job (EIA, articles 2- 4 and article 44). At the same time, the Job Centre should take steps to facilitate the reemployment of eligible recipients (EIA, article 44 (4)).

<sup>47</sup> MOEL Internal data

<sup>48</sup> Gyeongjoon Yoo. 2013. *Institutional blind spots in the South Korean employment safety net and policy solutions*, KDI Focus No.28, p. 8.

<sup>49</sup> National Assembly Budget Office. 2014. *2015 Budget Bill Analysis by Ministry*, p. 206.

<sup>50</sup> The insurance premium is collected by the National Health Service, as collection of premiums of four social insurance schemes was integrated into the National Health Service in 2008 as a public sector efficiency measure.

**Box I Employment promotion measures for eligible beneficiaries (EIA Enforcement Order, article 67)**

- Assistance in reemployment planning: Guidance and education on the insurance, including unemployment benefits
- In-depth counselling and guidance on preparing for reemployment, including occupational aptitude tests and provision of occupational information
- Guidance on reemployment, including tips for searching and utilizing job information such as job vacancies and training, preparing a CV and interview technique.
- Providing information on jobs, offering jobs, interviews in company, and providing opportunities to participate in events relating to employment
- Measures to promote reemployment, including counselling on the need for training, information on suitable training courses, and instructions on training.

In 2013, some KRW 3.9 trillion was paid to some 1.2 million recipients, 165 times more beneficiaries and 369 times the total amount paid compared with the early phase in 1996 (KRW 10.6 billion to 7,300 recipients).<sup>51</sup> This highlights the enhanced role of unemployment benefit as a social safety net. The amount of benefit paid peaked in 2009 due to the 2008 global economic crisis. It decreased as the economy recovered in 2010 and 2011, but resumed an upward trend after 2012.

Although unemployment benefit has proved its worth as a social safety net, it has been suggested that additional measures may be needed. While the average unemployment period of the unemployed qualifying for unemployment benefit was 4.3 months in 2012, short-term recipients (90 to 120 days) accounted for 45.5% of the total. Given that the eligibility period is shorter than the average unemployment period of those qualified the minimum eligibility period needs to be extended.<sup>52</sup> It should also be considered whether long-term job seekers who have made themselves voluntarily unemployed should be included in unemployment benefit, as the proportion of unemployed with a sufficient contribution record, but not eligible due to voluntary unemployment in 2012 was 66.7%.<sup>53</sup>

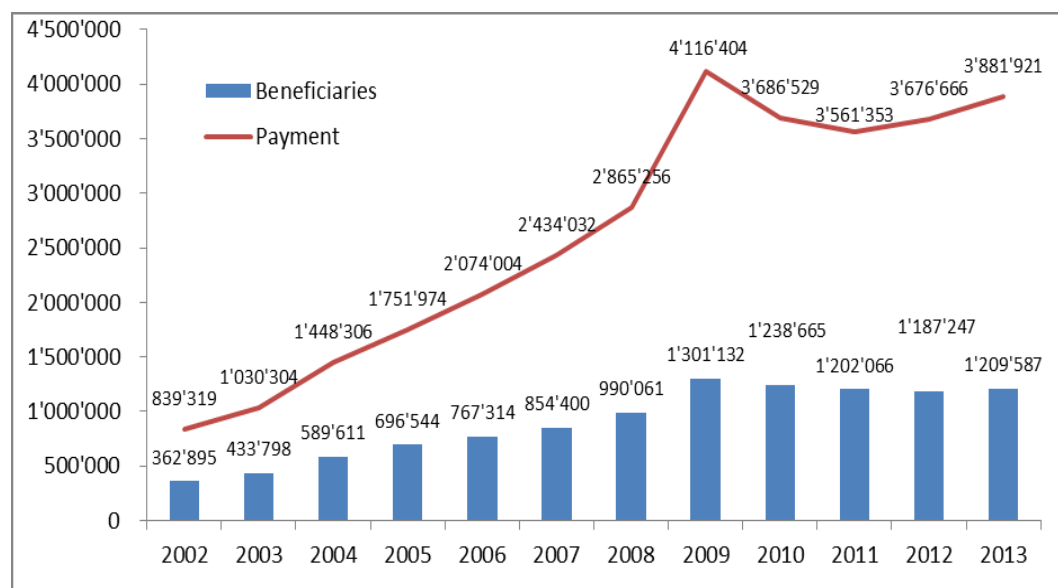
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<sup>51</sup> MOEL, 2014. *Employment and Labour White Paper*, p. 184.

<sup>52</sup> National Assembly Budget Office. 2014. *Analysis of the unemployment benefit on employment*, p.74.

<sup>53</sup> KLI. 2013. *Evaluation paper on employment insurance (summary)*, pp 17-19.

**Figure 3. Trend of paid unemployment benefits**



Source: MOEL (2014a)

### 5.3.2 Delivery of employment stabilization programmes

The various employment stabilization programmes described in Section 4 are also managed and delivered directly by the Job Centre. These programmes have made a considerable contribution to employment promotion of vulnerable groups, alleviating manpower shortages in SMEs and employment creation.<sup>54</sup> The normal payment procedure is as follows: employers submit and implement employment retention plans or job creation plans (for the job creation and employment adjustment programmes), or payment requests in case of the employment promotion programme, for approval by the Deliberation Committee in the Job Centre, followed by payment.

The employment stabilization programmes played an important role in overcoming the economic crisis and preventing unemployment during the 2008 global economic crisis. As indicated in Figure 3 below, the number of beneficiaries and payment of employment stabilization programmes peaked in 2009, and recipients and the amount of payment of the employment adjustment subsidy in 2009 was over 10 times higher than in 2008.<sup>55</sup> This implies that companies retained their workers instead of laying off redundant workers in the face of economic difficulties thanks to the employment adjustment subsidy and other measures.<sup>56</sup> However, the subsidies are too many and complicated and this causes problems, such as unlawful benefits and losses, and this is despite the achievements made

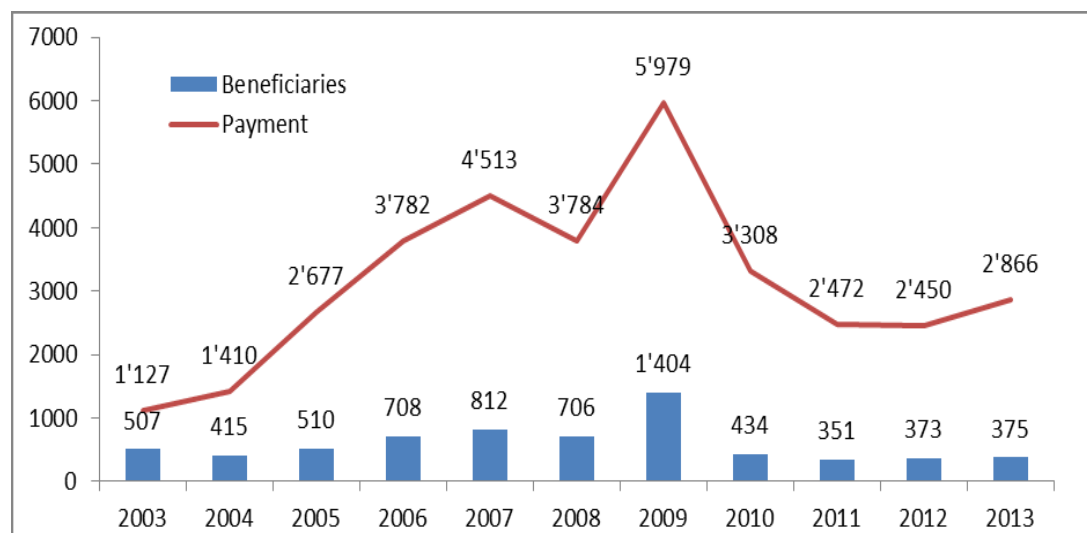
<sup>54</sup> MOEL. 2013. *Employment Insurance White Paper*, p.154.

<sup>55</sup> Total of 88,012, KRW 30,642 million in 2008 against 941,674, KRW 310,224 million in 2009 (MOEL. 2013. *Employment Insurance White Paper*, p.167)

<sup>56</sup> While companies laid off workers in an effort to lower labour costs, leading to mass unemployment during the Asian financial crisis, they utilized various measures such as flexible working hours, mandatory additional leave without pay, reducing overtime work, reducing regular working hours, adjusting wages to avoid laying off workers in response to the 2008 global economic crisis (Sung Teak Kim. 2010. *Korea's Unemployment Insurance in the 1998 Asian Financial Crisis and Adjustments in the 2008 Global Financial Crisis*. Asian Development Bank Institute Working Paper Series No.214, Asian Development Bank Institute, p.18).

and efforts to restructure the programmes.<sup>57</sup> It has been suggested that employment stabilization and vocational training programmes and various assistance programmes for companies in the General Budget need to be consolidated and restructured in a comprehensive customized assistance programme for SMEs. The argument is that it is not easy to select suitable recipients depending on the different programmes and this reduces their effectiveness.<sup>58</sup>

**Figure 4. Trend of beneficiaries and payments under the employment stabilization programmes**



Source: MOEL (2014a)

### 5.3.3 Maternity protection assistance

As the maternity protection policy has been put forward to promote female labour force participation and work-life balance, the beneficiaries and the amount of payment of childcare leave and maternity leave benefits delivered by the Job Centre have been increasing, as indicated in Figure 5 and Figure 6 below. In addition, measures to raise the payment levels of childcare leave benefit have been taken to stimulate its take-up.<sup>59</sup>

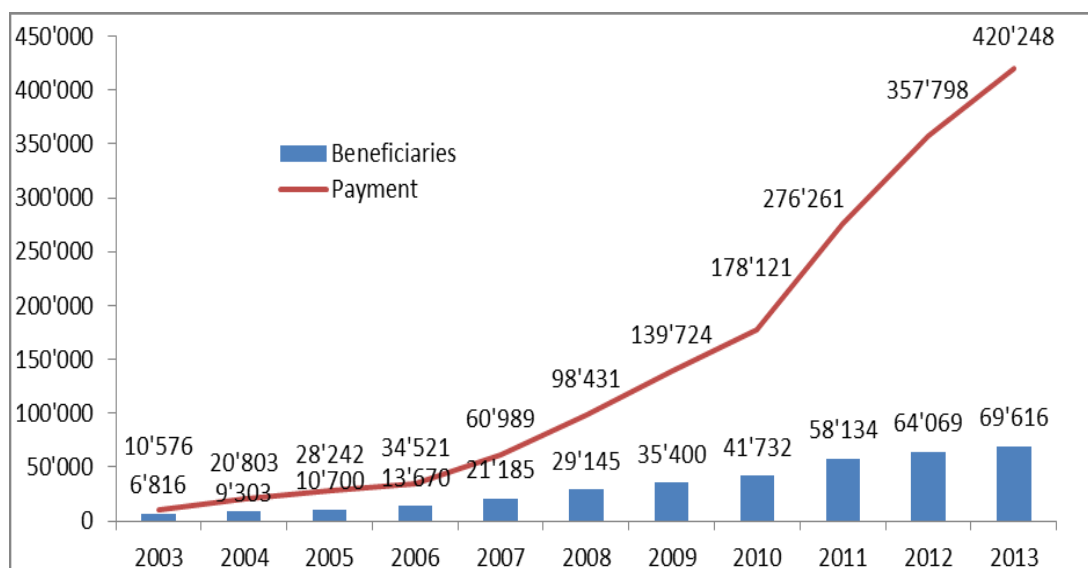
<sup>57</sup> MOEL. 2014. *2014 고용노동백서* [Employment and Labour White Paper], p.206.

<sup>58</sup> Jaeho Keum et al.2013, *Reorganization plan on the Employment Stabilization Programme for reinforcing the proactive function of the Employment Insurance System*, KLI, pp15-23.

<sup>59</sup> KRW 200,000 in 2001, KRW 300,000 in 2003, KRW 400,000 in 2004, KRW 500,000 in 2007 with 40% of salary( maximum KRW 1 million, minimum KRW 0.5 million) since 2011 (MOEL. 2014. *Employment and Labour White Paper*, p.74).

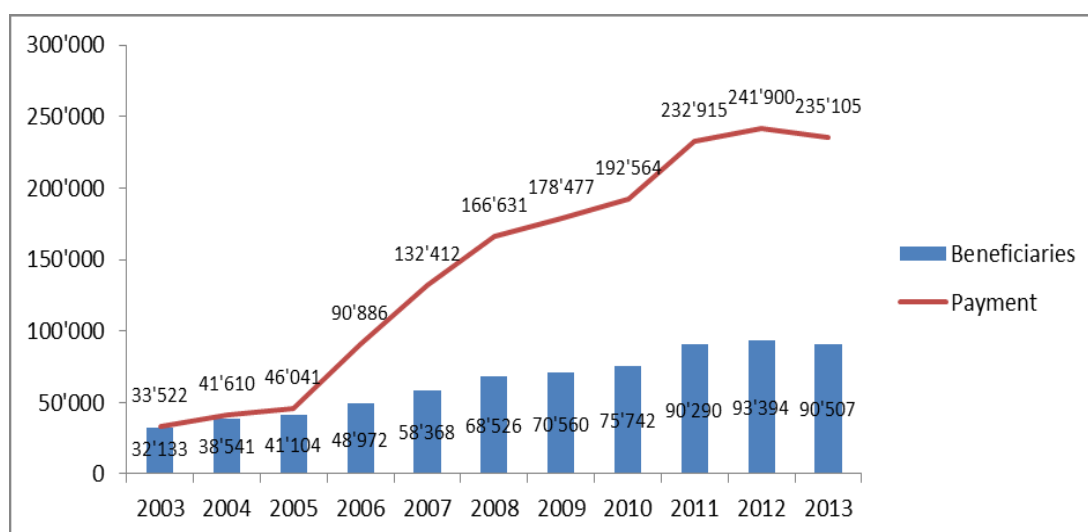


**Figure 5. Payment trends for childcare leave benefit**



Source: MOEL (2014a)

**Figure 6. Payment trends for maternity leave benefit**



Source: MOEL (2014a)

According to one study<sup>60</sup>, there is no empirical evidence that employment of female workers of childbearing age has declined as a result of the introduction and expansion of maternity protection programmes. On the other hand, regular workers in large companies, who enjoy relative employment security, are benefiting from the maternity protection programmes as indicated in the following figures. In 2012, 37.8% of workers in receipt of maternity leave benefit and 42.6% of workers in receipt of childcare leave benefit were employed by companies with more than 500 employees.

<sup>60</sup> Jayoung Yoon. 2014. *Employment Effect of Maternity Protection Programmes*. KLI Employment and Labour Report No.55.

### 5.3.4 Management of vocational training and skills development

The Job Centre is responsible for various vocational skills development services. These include vocational counselling and guidance, issuing the card to the workers and the unemployed eligible for taking vocational training under the Vocational Skills Development Account System, approval of vocational training courses, payment of training costs and allowances, and monitoring and supervision of training institutions. The beneficiaries of vocational training services are employers, employed workers, the unemployed and new entrants. With regard to funding, the vocational training service is supported by the General Budget as well as the Employment Insurance Fund. The General Budget is reserved for new entrants and the unemployed who have not been insured while the EIS fund covers the training costs and allowances of insured and previously insured workers. This vocational training programme is very large in terms of budget and its effect<sup>61</sup>.

The Vocational Skills Development Account System may be as well settled, given that training courses increased from 4,280 in 2009 to 9,000 in 2013 and the participation rate also increased from 74.7% in 2011 to 91.3% in 2013.<sup>62</sup> In spite these positive results, the employment rate through the system is lower prior to its introduction<sup>63</sup>, and participants tend to prefer three occupational categories, administration and clerical work, catering and design where the employment rate is not high.<sup>64</sup>

## 5.4 Efforts to address blind spots in the Employment Insurance System

Although, under the legislation, the Employment Insurance System has come to cover most workplaces through progressive expansion, blind remain. They can be divided into two types: *de facto* blind spots where people are legally eligible but are not actually enrolled and institutional blind spots where people are excluded from the legal provision.<sup>65</sup>

In the case of *de facto* blind spots, only 72.3% of those eligible are enrolled, total 14,870,000 at August 2012. In other words, 27.7% of eligible salaried workers, some 4.12 million people, are not enrolled in the Employment Insurance System. This is due to insufficient understanding of social insurance among eligible employers and employees, the premium burden and inadequate administrative capabilities.<sup>66</sup> In the meantime, those employed by small non-corporate agriculture, forestry, fishing, and hunting businesses with four or fewer permanent workers, those aged 65 and older, workers working less than 60 hours per month, public officials and teachers covered by the Pension for Public Officials

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<sup>61</sup> The total budgets for the Vocational Skills Development Programmes amounted to KRW 1.55 trillion as of 2011, and over 80%(KRW 1.26 trillion) of the budget came from the EIS fund(Youngsun Na. 2013. *Vocational Education and Training in Korea*, KRIVET, p. 110).

<sup>62</sup> MOEL.2014. *Employment and Labour White Paper*, pp 150-151.

<sup>63</sup> The employment rate of vocational training for the unemployed between 2007 and 2009 before the Vocational Skills Development Account System was introduced was around 70%, but the employment rate in 2013 after the system was introduced was 34%(internal data of the MOEL).

<sup>64</sup> Heesook Yoon.2014.*Improvement Direction of the Policy of Vocational Training for the unemployed*, KDI, p.3.

<sup>65</sup> Gyeongjoon Yoo. 2013. *Institutional Blind Spots in the South Korean Employment Safety Net and Policy Solutions*, KDI Focus No.28, p3.

<sup>66</sup> Gyeongjoon Yoo. 2013. *Institutional Blind Spots in the South Korean Employment Safety Net and Policy Solutions*, KDI Focus No.28, p.7.

or the Pension for Private School Teachers, etc. are legally excluded (EIA, articles 8 and 10, EIA Enforcement Order, articles 2 and 3). These amounts to some 2.86 million people, or 16% of all salaried workers.

**Table 15. Blind spots in the Employment Insurance System**

Total population aged 15 and older: 41,660,000(100%)						
Economically inactive population: 16,040,000 (38.5%)	Economically active population: 25,620,000 (61.5%)					
	Unemployed: 760,000 (1.8%)	Employed: 24,860,000 (59.7%)				
		Non-salaried workers: 7,160,000 (17.1%)	Salaried Workers: 17,730,000(42.6%)			
			Ineligible: 2,860,000 [16.1%]	Eligible: 14,870,000 [83.9]	Enrolled: 10,760,000 (72.3%)	Not enrolled: 4,120,000 (27.7%)
Officially excluded		Institutional blind spot	Eligible for employment insurance	Employment insurance beneficiaries	De facto blind spot	

Source: Gyeongjoon Yoo (2013)

To address *de facto* blind spots and strengthen the function of social insurance, the Social Insurance Subsidy Programme, known as the Duru Nuri Programme offering assistance to small businesses was introduced in 2012, based on the perception that the blind spot is mainly a problem of small companies.<sup>67</sup> The Programme provides the workers earning less than KRW 1.35 million a month in small businesses with 10 or fewer employees with half of the EIS and National Pension premium.<sup>68</sup> The Job Centre has set up and operates the Council for the Expansion of Social Insurance to promote the Duru Nuri Programme. The Council, chaired by the Head of the regional office, includes the regional director of the Korea Workers' Compensation and Welfare Service, the regional director of the National Pension Service, representatives of business circles, employment experts, and the head of the Job Centre. As a result of joint efforts by related social insurance institutions through in-depth discussions in the Council, 304,000 businesses and 612,000 workers benefited from the programme. In particular, 379,000 workers were newly enrolled in the EIS by December 2013.<sup>69</sup>

However, there is a criticism that the number of employees benefiting from the programme is below target, at 61%, and the new enrolment was not successful.<sup>70</sup>

<sup>67</sup> The enrolment rate of salaried workers at workplaces with less than 5 employees in the EIS is 28.9%, and that of workplaces with at least 5 and less than 10 employees is 56.2% respectively according to August of 2012 data from a supplementary study as part of the Economically Active Population Survey by the Statistics Korea(MOEL, 2013.*Employment Insurance White Paper*, p.135).

<sup>68</sup> When the programme was introduced in 2012, a half of the premium was given to the workers earning less than KRW 1.35 million at the workplaces with 10 or fewer employees and a third of the premium was paid to those workers whose monthly wages fall within the interval between KRW 1.05 million and KRW 1.25 million at the workplaces with 10 or fewer employees.

<sup>69</sup> MOEL, 2014.*Employment Insurance White Paper*, p.141.

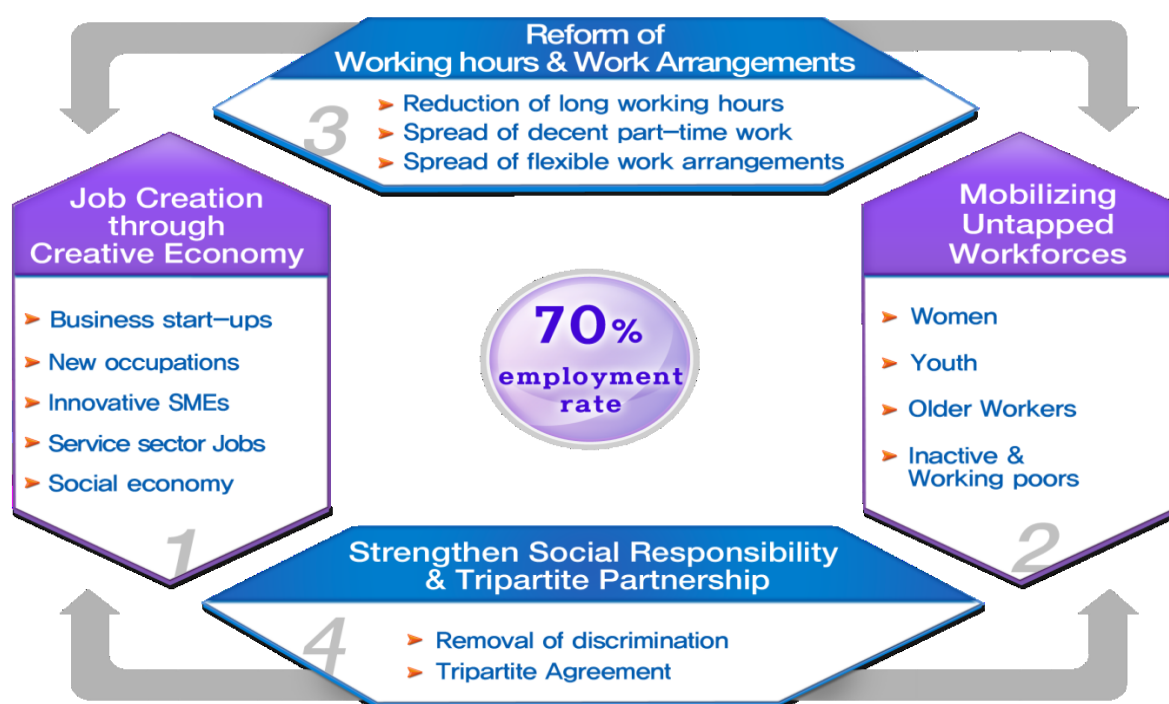
<sup>70</sup> National Assembly Budget Office, 2014. *2013/2013 Final Accounts Analysis by Ministry*, p. 209.

Accordingly, the target and budget need to be adjusted to an appropriate level, measures to increase the number of workers registered in the EIS should be considered.<sup>71</sup>

## 5.5 Task Force to achieve a 70% employment rate

Korea has faced a rise in unemployment since the 1990s and the employment rate has been stuck at 63-64% since 2003. This figure is lower than the average of OECD and major OECD countries.<sup>72</sup> Considering the labour market situation, the new Government that took office in February 2013 launched 'the Roadmap to Achieve 70% Employment Rate' in May 2013 in the belief that work is the basis of life and happiness and that raising the employment rate is the key to overcoming ageing of the population and low fertility. In order to achieve the 70% employment rate by 2017, the number of people in employment needs to be increased by 2.38 million, an annual average of 476,000 over the next five years. The Korean Government set 137 tasks involving 13 government ministries under four policy pillars: Job creation through a creative economy, reform of working arrangements and working hours, enhancement of employability of key workers, and strengthening social responsibility for job creation to achieve this goal.<sup>73</sup>

Figure 7. Major policy tasks to achieve a 70% employment rate



Source: Jaeheung, Lee (2013)

To support the achievement of the 70% employment rate, the tripartite parties reached an 'Agreement on Jobs to achieve the 70% employment rate' in May 2013<sup>74</sup>, immediately before the announcement of the roadmap. The progress of the roadmap has been monitored

<sup>71</sup> National Assembly Budget Office. 2014. *2015 Budget Bill Analysis by Ministry*, p212.

<sup>72</sup> The average employment rate of OECD countries was 64.8% in 2011.

<sup>73</sup> Details of the roadmap can be found in [http://www.moel.go.kr/english/poli/poliLaw\\_view.jsp?id=991](http://www.moel.go.kr/english/poli/poliLaw_view.jsp?id=991).

<sup>74</sup> Among two confederations in Korea, the Federation of Korea Trade Unions participated as a player of the Agreement, but the Korean Confederation of Trade Unions did not participate in the course of discussion and agree the Agreement.

at various levels, such as the Meeting of Economic Ministers and the Meeting for Monitoring the Roadmap to Achieve the 70% Employment Rate to drive more effective implementation of the roadmap. At local level, the Job Centre operates the 'Task Force for the Achievement of 70% employment rate' to back up central government. The Task Force includes staff from the Labour Inspection Division, local government and related employment institutions, as well as Job Centre staff. It promotes projects suitable for local labour market conditions among three core themes: decent part-time job creation, job creation through reducing long working hours and addressing job mismatch in SMEs.<sup>75</sup> As a result of the Korean Government's efforts, the employment rate has been rising<sup>76</sup>, despite criticism that this is chiefly driven by those aged over 50 years old, while employment of young people and women on career breaks is not increasing.<sup>77</sup>

## 5.6 Partnership with other organizations

The Job Centre has built relations with various other organizations delivering employment services. The relationships can be divided into cooperation, complementing, competition and supervision. The Job Centre establishes cooperative relationships with local governments, outsourcing institutions, and private employment agencies, sharing job information through Work-Net and delivering job placement services. Especially close relationships have been built up with local governments in co-hosting job fairs and through staff participation as members of various employment related councils.<sup>78</sup> In addition, the Job Centre has the opportunity to involve itself and give advice when local government units design their own job creation strategy under the Local Job Creation Strategy Notice System<sup>79</sup>

A complementary relationship arises between the Job Centre and the institutions carrying out outsourced tasks on its behalf. Job placement for vulnerable groups such as the homeless, married female immigrants and daily workers at construction sites, the Successful Employment Package Programme, and group counselling programmes are currently outsourced to private employment agencies and non-profit corporations in order to make use of their special expertise and alleviate the burden of staff shortages on the Job Centre.<sup>80</sup> In addition, under the assistance to universities in contracting job consultants through the matching fund, the Job Centre shares the labour costs of employment consultants in a ratio of 60%/40% with the universities.

As job placement is provided by private employment agencies and the outsourcing institutions, a competitive relationship exists between all the organizations providing job placement services. The Job Centre is responsible for supervising activities of its outsourcing and vocational training institutions, which have to report the Job Centre. In this sense, a supervisory relationship exists between the Job Centre and these institutions.

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<sup>75</sup> MOEL. 2013. *Guideline on the organization and operation of the TF for the Achievement of 70% employment rate at the local level*. pp. 2-3.

<sup>76</sup> Employment rate : 64.2% (2012) , 64.4% (2013), 65.3% (2014)

<sup>77</sup> National Assembly Budget Office. 2014. *2013 Final Accounts Analysis by Ministry*, p.194.

<sup>78</sup> For example, the head of the JC participates as an official member in consultative bodies such as the Local Employment Council chaired by the governor of local government and the Local Employment Forum, and suggests and collects various opinions for the promotion of employment at the local level.

<sup>79</sup> Under the system, the local government establishes and announces its own job creation targets catering to the characteristics and situation of the region and MOEL conducts a review and assessment of the progress of implementation of the announced policies. In the assessment process, MOEL supports the local government in pursuing regionally customized job creation policies with the consultation of employment experts.

<sup>80</sup> 11 specific job placement projects were outsourced to 379 institutions nationwide in 2014, and outsourced institutions in the Successful Employment Package Programme provided services to 80,000 out of 250,000 targeted beneficiaries in 2014 (MOEL internal data ).

## 6. Some issues surrounding the Job Centre and policy implications

The Job Centre developed and played a role as the major public employment service in Korea in the era of employment crisis. The main factors in this development can be explained as follows. Its organizational characteristic as a direct arm of central government enables the Job Centre to respond swiftly and actively to changes in the labour market situation. This means that the Job Centre has the responsibility of leading the implementation of new projects such as the Task Force for the Achievement of the 70% Employment rate and the Duru Nuri Programme under the direction of the MOEL. The point that the main tasks of the Job Centre are based on the EIS has the advantage that the tasks can be reliably funded from the Employment Insurance Fund, especially as securing general budget finance is harder than EIS funding. In addition, the organization and activities of the Job Centre are supported by the legal framework (see Section 2).

In spite of its achievements and contributions, the Job Centre faces some difficulties and challenges. Firstly, there has been controversy over the relationship between the Job Centre and other organizations delivering public employment services. While there is an argument that the Local Government Employment Division and the Job Centre need to be merged to remove the functional duplication, and the functions of the merged organization should be transferred to local government under the decentralization process, there exists view that the competition and cooperation between the two organizations is more effective in delivering more and better jobs. The new Government has established the Employment Welfare plus Centre providing employment and welfare services at one place in terms of linkage between employment and welfare services.<sup>81</sup> The concept of the Centre is that employment and welfare agencies, including the Job Centre, provide services in the same place so that people can visit just one place to receive various employment and welfare services while keeping the status and independence of each agency intact in terms of organization, personnel management and budget. It would also take into account the necessity of customer-oriented service and collaboration among ministries of the central government and between central and local government. Although this policy is a step forward, it does not lead to the integration of various functions. In this sense, individual agencies may feel challenged to deliver their own services better than before in cooperation with other agencies, but in the same place for the synergistic effect. Otherwise, the demand for full integration between employment and welfare services may appear, generating another heated argument around reorganization of the Job Centre and merger between the Job Centre and the Local Government Employment Division. In any case, it seems clear that the time for in-depth discussion and review of the future of the Job Centre in terms of linkage between employment and welfare functions and the relationship between the Job Centre and other organizations, especially with the approach of local government decentralization .

Secondly, staff problems are endemic in the Job Centre, related to the various categories: general public officials, public officials for job counselling, fixed-term employees, part-time employees, and indefinite term employees who are not public officials. There inevitably exist tensions and conflicts among the staff because of their different status, as it is sometimes difficult to differentiate their job specifications. In addition, the number of staff in the Job Centre is not enough to meet the workloads: labour force served by one staff member is larger than in some advanced countries. Accordingly, general public officials tend to be reluctant to be transferred to the Job Centre, while job

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<sup>81</sup> Namyangju Employment Welfare plus Centre was opened for the first time in January 2014, and 70 in total will be established by 2017(internal source of the MOEL).

counselling officials suffer from low morale because of the restrictions on transfer and long-term service. In the case of non-regular workers, who account for one tenth of the total Job Centre staff, job security is precluded by tight budgets. Consequently, Job Centre managers face problems in managing and coordinating their staff.

**Table 16. Comparison of the labour force population for one staff member among countries**

	<b>U.K.</b>	<b>Germany</b>	<b>USA</b>	<b>Korea</b>
<b>The labour force participation for one staff member</b>	384	479	3,705	8,293

Note: Data is as of March 2008, data on Korea is as of March 2009

Source: Dug Ho, Kim (2014)

Thirdly, the point that the Job Centre has various and numerous tasks is not only an advantage, but also often a problem. For example, in the case of the Employment Stabilization Programmes, the types of programmes are too many and complicated (see Section 4) so that it is hard for customers to know the requirements for payments in individual programmes. In addition, there has been a tendency to add new functions to the Job Centre without reducing existing functions. In other words, new projects are often instructed centrally from the MOEL, although the Job Centre's own functions include various tasks in the Employment Insurance System. These factors suggest that effective evaluation is needed to streamline its tasks. Accordingly, the current evaluation system that determines the performance and rewards of the Job Centre needs to be revised to enlarge, reduce and abolish its tasks and activities accordingly.

## 7. Conclusions

The public employment service has played a significant role in addressing job mismatches, helping job seekers find jobs, encouraging employment promotion of vulnerable groups and alleviating manpower shortages in SMEs. Its importance is expected to continue as employment has not fully recovered after the global economic crisis. In Korea, it has also made a considerable contribution in overcoming two employment crises and its role as the major implementing body for labour market policies is of great importance and will not change.

This paper has examined the legal framework, organizational structure and functions of the public employment service in Korea, especially focusing on the Job Centre. It has analysed the performance of the Job Centre, and reviewed issues and policy implications surrounding it. Its organization and activities are supported by the Framework Act on Employment Policy, the Employment Security Act and the Employment Insurance Act. The Job Centre has been established and operates as a fully integral part of the MOEL under this legislation. Although there are some employment service organizations providing job placement and vocational training on a small scale, the Job Centre is recognised as the core organization as it is responsible for every kind of public employment service within the Employment Insurance System. This system is regarded in Korea as a key and comprehensive instrument in delivering such services because it includes employment stabilization and vocational skills development programmes as well as unemployment benefit as major tools of active labour market policies to prevent unemployment and promote reemployment. It also finances a large number of labour market programmes.

The Job Centre has played a considerable role in the Korean labour market. The number and rate of job placements by the Job Centre have steadily increased. It has contributed to protecting the unemployed, promoting reemployment and preventing unemployment through payment of unemployment benefit, and delivery of employment stabilization and vocational skills development programmes. The Job Centre also implements new projects such as the Successful Employment Package Programme and the Social Insurance Subsidy Programme and the Task Force for the Achievement of the 70% employment rate, under the central direction of the MOEL to meet a changing labour market situation.

Although the Job Centre performs significant functions and has made important contributions in the labour market, the Job Centre faces the challenge of tackling issues such as partnership with other organizations delivering employment and welfare services, the staffing problem in terms of the existence of various types of staff, insufficient staff to meet workloads, and too many complicated programmes not easily accessible to customers. These challenges are closely entangled. Accordingly, in-depth discussion and review of the future of the Job Centre is needed in terms of its organizational status, setting reasonable workloads, and partnership with other organizations including functional linkages, as well as the introduction of an effective evaluation system.



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