

G20

Statistical Update



International
Labour
Office

REPUBLIC OF KOREA: ECONOMIC AND LABOUR MARKET VOLATILITY

Unstable growth has led to unemployment volatility

- After expanding by over 5.2 per cent in 2006 and 5.1 per cent in 2007, economic growth slowed to 2.3 per cent in 2008, due largely to a sharp decline (5.1 per cent) in the fourth quarter compared with the previous quarter. Real GDP growth in 2009 was volatile and expanded by just 0.2 per cent during the year.
- The unemployment rate, which had been declining prior to the crisis, rose from a low of 3.1 per cent in July 2008 to 3.8 per cent in March 2009, after which it declined.
- In January 2010 the unemployment rate jumped to 4.8 per cent, the highest since the beginning of the crisis. The number of unemployed persons totalled 1.2 million people in that month, representing an increase of 43.4 per cent year-over-year.

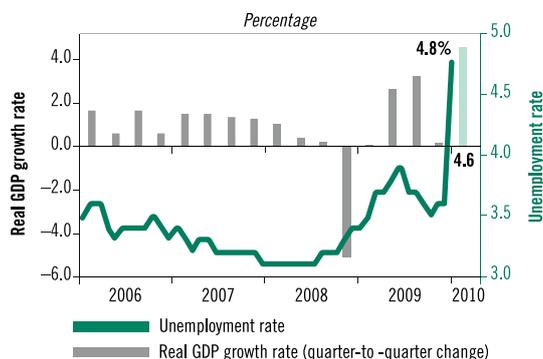
Stimulus package includes a sizeable labour market component

The Republic of Korea's fiscal stimulus amounts to KRW67.1 trillion (US\$56 billion) for the period between 2009 and 2012, corresponding to about 7.4 per cent of GDP.

The stimulus package includes tax cuts, investments in infrastructure, labour market measures, support to businesses, and green measures.

- The tax cuts, which include reductions in corporate and income tax, represent about half of the total stimulus package.
- Investments in infrastructure aimed at creating jobs, including green transportation networks, account for the next largest share, at 21 per cent.
- Labour market measures, including job training, job sharing and expansion of unemployment benefits and social assistance schemes comprise 16 per cent of the package.
- Furthermore, about one-seventh of the package was allocated to providing support to businesses, in particular small and medium-sized enterprises, including financial assistance, credit guarantees and business development services.
- A substantial portion of the total fiscal stimulus package was earmarked for green measures.

Figure 1. Monthly unemployment rate and quarterly real GDP growth rate, 2006 – 2009 and 2010 forecasts

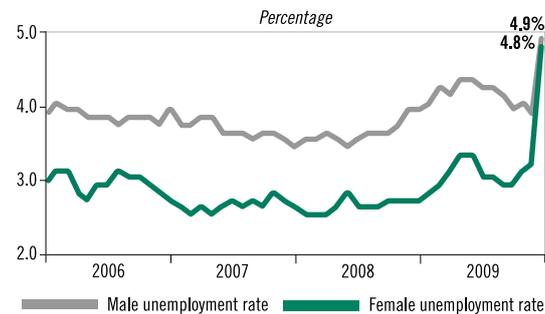


Source: Statistics Korea and Bank of Korea. Seasonally adjusted data. Projection for 2010 refers to annual growth.

The recent spike in unemployment reflects steep increases among women

- Unemployment rates by sex followed a similar volatile pattern as the total unemployment rate.
- The female unemployment rate, which had averaged about 1 percentage point lower than that for men, rose very sharply (1.6 percentage points) between December 2009 and January 2010, to 4.8 per cent, nearly the same rate as for men.
- The male unemployment rate rose 1.1 percentage points to 4.9 per cent in January 2010 from the previous month.

Figure 2. Male and female unemployment rates, by month, 2006 – 2009

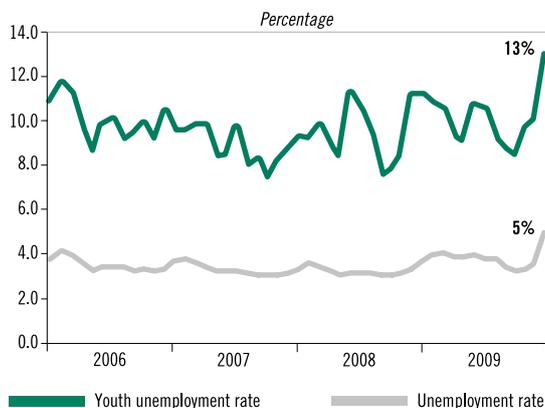


Source: Statistics Korea. Seasonally adjusted data.

Youth unemployment rate also showed a sharp increase recently

- The unemployment rate for young people, who represent over 15 per cent of the total number of unemployed, is nearly three times higher than that of the total unemployed population.
- The youth unemployment rate rose 0.5 percentage points to 9.8 per cent between 2008 and 2009. In January 2010 the rate increased further, to 13 per cent from 11.1 per cent a year earlier.

Figure 3. Total and youth unemployment rates, by month, 2006 – 2009

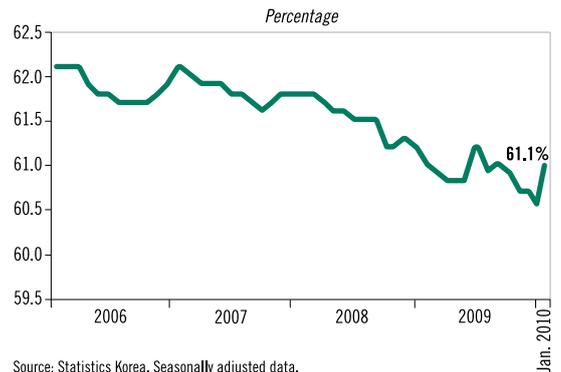


Source: Statistics Korea. Data not seasonally adjusted.

Labour supply continued declining during the crisis, but rose sharply in January 2010

- The labour supply, as measured by the labour force participation rate, declined from a recent high of 62.1 per cent in January 2007 to a low of 60.5 per cent in December 2009.
- The rate rose 0.6 percentage points to 61.1 per cent between December 2009 and January 2010.

Figure 4. Labour force participation rate, by month, 2006 – Jan. 2010

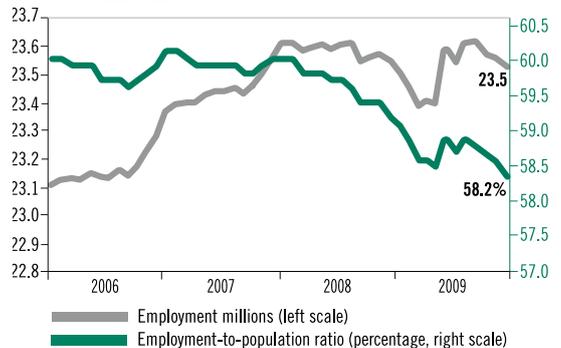


Source: Statistics Korea. Seasonally adjusted data.

Employment demand has declined considerably during the crisis

- After a sharp decline at the end of 2008 and beginning of 2009, the level of employment rose to near pre-crisis levels at the end of 2009. However, in January 2010 it declined again to 23.5 per cent.
- Employment demand, as measured through the employment-to-population ratio, reached a peak of 59.9 per cent in February 2008 and has since shown a downward trend, reaching 58.2 per cent in January 2010. To absorb the new labour market entrants, employment creation should be much higher.

Figure 5. Employment and employment-to-population ratio, by month, 2006–2009

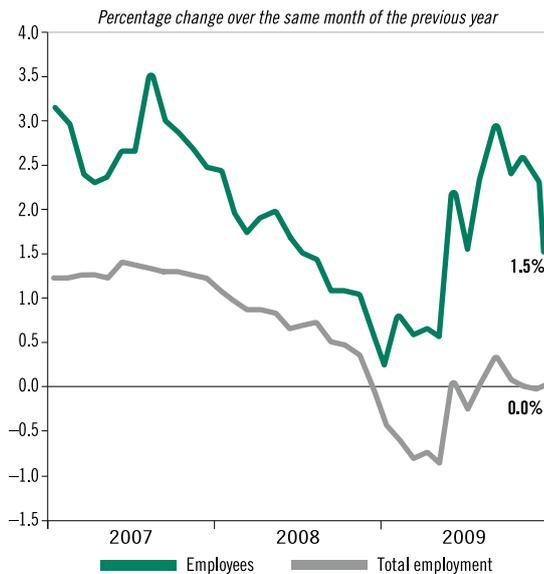


Source: Statistics Korea. Seasonally adjusted data.

Growth in paid employment slowed while employment declined in early 2009

- In January 2010, the number of employees was 1.5 per cent higher than a year earlier while total employment remained unchanged.
- Nonetheless, both indicators were substantially lower than pre-crisis levels.

Figure 6. Change in total employment and number of employees, 2007–2009

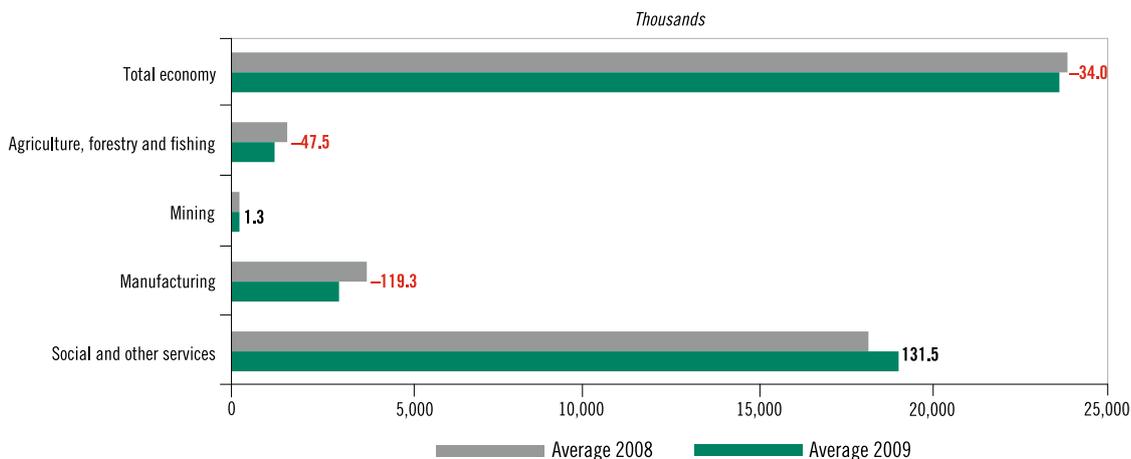


Source: Statistics Korea.

Manufacturing and agricultural employment have been most affected by the crisis

- Manufacturing and agriculture have been the hardest hit economic activities, as average job losses reached 119,300 and 47,500, respectively, in 2009 compared to 2008.
- Employment in agriculture fell 12 per cent in the fourth quarter of 2009 despite a recovery in output in the previous quarter. Job losses slowed in manufacturing, declining only 0.4 per cent in the same period.
- Increases in private consumption of non-durable goods (food and beverages) and durable goods (automobiles), as well as increased exports of cars, IT and electronic products, seem to be leading the recovery.
- The range of discretionary fiscal stimulus measures implemented by the government, and targeted programmes such as the “Hope Work Programme” seem to have boosted the economy and contributed to the containment of further deterioration in labour markets across sectors, particularly in services.

Figure 7. Employment in major economic activities, level and change. Average of the first three quarters of 2009 compared with the same period in 2008



Source: ILO, based on data from the Korean Statistical Information Service.

Figures next to the bars reflect changes in employment between the two periods.



Outlook points to improved labour market conditions in 2010

- As an export-dependent economy, prospects for the Republic of Korea will remain contingent upon developments in global demand. The Korean economy is projected to grow by 5.2 per cent (still somewhat below pre-crisis levels) and the unemployment rate to decline to an average of around 3.4 per cent in 2010 according to the Bank of Korea.
 - Youth unemployment is still a key concern as the unemployment rate for youth remains high.
- Creating decent employment opportunities for young Korean women and men continues to be a key challenge.
- Another concern is continued growth in the number of non-regular workers. It increased as a result of the 1997–1998 Asian financial crisis, reaching 34.9 per cent of the total number of employees in August 2009 (a 1.1 percentage point rise from 2008).
 - To address the various challenges in the labour market, particularly the lag between output and employment recovery, the Korean government will formulate a National Employment Strategy in the first half of 2010.