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The employment service package programme for youth

The Korean economy has recovered rapidly from the 2008–09 global economic crisis. Korea's unemployment rate fell to 3.4 per cent in the second quarter of 2011, down from a peak of 4.8 per cent in January 2010 and close to the pre-crisis level of 3.1 per cent in December 2007. This impressive resilience of the Korean labour market notwithstanding, the country faces the challenge of a very rapidly ageing population and will need to continue efforts to mobilize its human capital resources more fully. Of particular concern in recent years has been the falling employment rate for youth, particularly disadvantaged youth.

In 2008 the Government introduced a package of labour market services targeting disadvantaged youth, known as the Youth Employment Service (YES). YES sought to improve labour market opportunities for youth (15–29 years old) who had an upper secondary education or less and were either long-term unemployed or otherwise not entitled to unemployment insurance. Following several changes in content and scope, the YES programme was renamed the New Start Project for Youth¹ in 2009, and then in 2011 it became the youth component of the Employment Service Package Programme (ESPP), a broader employment support programme targeting people with low incomes, youth who are less educated and long-term jobseekers.

Customized assistance for young jobseekers

The ESPP for Youth is a holistic package, providing customized assistance to young jobseekers at risk of dropping out of the workforce. The programme lasts for up to 12 months and is divided into three stages, which cover career guidance, training or work experience, and job placement services. Modest financial incentives for participation and some income support are also provided.

The first stage consists of individual counselling and a four-week course aimed at boosting participants' confidence and desire to work. Career guidance is provided through group counselling and vocational psychology testing. Each participant also develops an

Individual Action Plan (IAP). Those who complete the group counselling course and prepare an IAP are paid an allowance² of 200,000 won (KRW) (US\$ 188).³

During the second stage and depending on their IAPs, participants receive one of three types of services:⁴

- **Vocational training:** Participants needing vocational training are provided with Individual Training Accounts (ITAs) that pay the full cost of vocational training (KRW 2–3 million, equivalent to US\$ 1,883–US\$ 2,825), whereas participants in government-sponsored training typically pay 20 per cent of the programme costs. During the vocational training course, participants also receive a KRW 15,000 (US\$ 14) daily allowance for living costs.
- **Work experience:** Participants needing an opportunity to become acclimatized to a working environment and learn necessary job skills are offered work experience. They can work between 15 and 35 hours per week in a “transition job”, which is typically a government-funded job in a non-profit organization, such as a welfare institute, school, training institute or social enterprise. These jobs last 3–5 months and participants can earn a monthly income of up to KRW 760,000 (US\$ 716) based on a 35-hour working week. Participants thought to be better prepared for regular employment are offered “SME Youth Internships”. They work in small and medium-sized enterprises (SMEs) in the location of their choice. Just like regular workers, SME youth interns receive monthly wages, but half of that wage (up to KRW 800,000, equivalent to US\$ 753) is paid by the government for six months. If the employer retains an intern as a regular worker at the end of the internship, a subsidy of KRW 650,000 (US\$ 613) per month is paid for another six months.
- **Business start-up support:** Participants who wish to start a new business can participate in a “business start-up support” course of-

ferred by the Small Business Development Centre, working with the support of the Small and Medium Business Administration and the Korea Workers' Compensation and Welfare Service. They receive business start-up training and may also receive additional assistance, including loans to start up their own business.

In the third stage, participants are helped to find employment through intensive job placement services provided by both public job centres and private job placement centres. These services include searching for the best job matches for each participant, based on his/her vocational preferences, aptitudes and participation history in the second stage of the programme. If they wish, participants can also receive coaching on job interview skills and be accompanied during job interviews. Participants who obtain a job receive an allowance of up to KRW 1 million (US\$ 942).

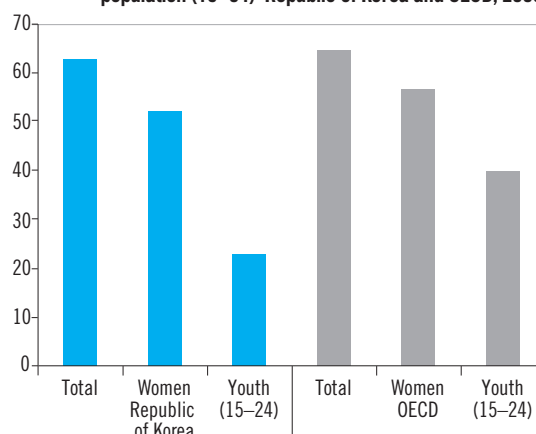
Estimated impact of the ESPP for Youth

Starting with 3,000 participants in 2008, the ESPP for Youth was expanded from 11,000 to 15,000 participants during 2009–10 in response to the economic crisis. All of these were young jobseekers ineligible for unemployment insurance. In 2009, 63 per cent of the participants succeeded in finding a job by the time they finished the programme and 55 per cent did so in 2010. These rates may be an understatement as additional participants may have found jobs later through post-programme management by job centres. While no formal evaluation has been carried out to estimate the net impact of the programme on employment outcomes of participants, the results are impressive given that the participants consist largely of long-term unemployed and less educated young people who typically have the greatest difficulty finding employment. This includes a number of marginalized youth who are at risk of social and economic exclusion.

The growing unemployment problem among less educated youth

The employment rate for 15–24-year-olds fell from 35 per cent in 1994 to 23 per cent in 2009, well below the OECD average of 40 per cent (figure 1). To a large extent, this reflects rising enrolments in education: the graduation rate from upper secondary school is 93 per cent compared to the OECD average of 80 per cent and enrolments in tertiary education have quadrupled over the past two decades. In 2010, 82 per cent of upper secondary school graduates advanced to tertiary education compared to the OECD average of 56 per cent. However, the low employment rate also reflects a skill and knowledge mismatch and a labour market that is severely segmented between regular and non-regular workers. The incidence of non-regular employment in 2010 was 64 per cent

Figure 1. Employment rates as a percentage of the working-age population (15–64)¹ Republic of Korea and OECD, 2009



¹ Data for the OECD are weighted average of OECD member countries' figures. Source: OECD (2010), Statistical Annex.

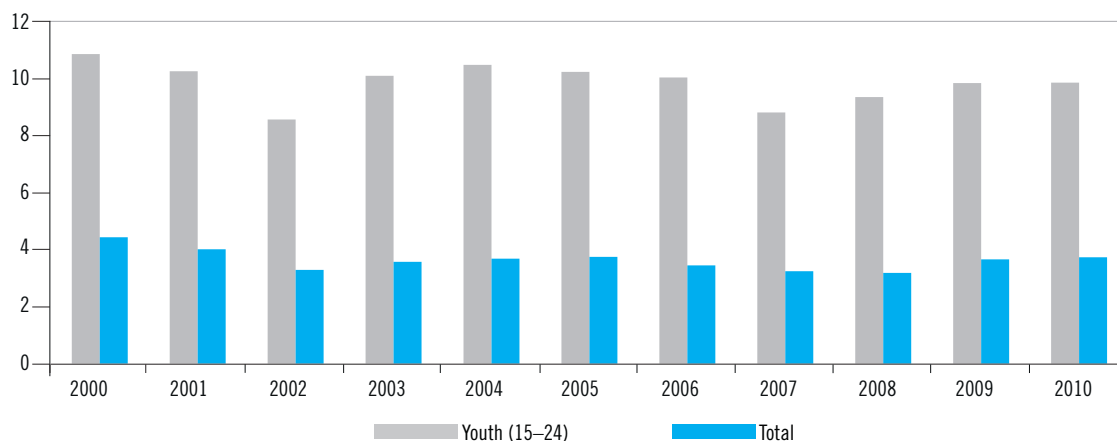
for those with only a primary education and 39 per cent for those with a secondary education, compared to 22 per cent for tertiary graduates.

Youth labour market conditions deteriorated in the wake of the economic crisis: the unemployment rate of youth aged 15 to 24 increased by 1.1 percentage point between 2007 and 2009, while the overall rate rose by only 0.4 of a point (figure 2). While Korea's youth unemployment rate is well below the OECD average of 16.4 per cent, it is concentrated among those with low educational attainment. Indeed, the unemployment rate for youth with an upper secondary education or less is almost double that for tertiary graduates. Higher unemployment reflects in part the more difficult school-to-work transition for less educated youth. Already in 2006, 16.3 per cent of those with an upper secondary education took more than 36 months to find a first job, compared to 4.8 per cent of those with a tertiary education. A prolonged search for a first job has a negative impact on later wage and employment prospects.⁵

Public spending on active labour market policies for youth increased from 0.02 per cent of GDP in 2002 to 0.09 per cent in 2007, encompassing 61 public programmes for direct job creation, training, employment subsidies and job experience programmes for youth. The fragmented policy approach has made it difficult for potential participants to understand the range of choices available and to choose an appropriate programme. Moreover, the large variety of small programmes has increased administrative cost and complicated monitoring and evaluation.⁶ In addition, training programmes aimed at youth tended to be supply-driven rather than responsive to labour market needs.⁷ By introducing a more comprehensive and coordinated package of measures, the ESPP for Youth is aimed at addressing these issues.

Furthermore, the programme focuses on disadvantaged youth. Indeed, prior to this programme, labour market measures for youth were concentrated on university graduates, while less educated and disadvantaged

Figure 2. Unemployment rate by age, 2000–10 (% of labour force)



Source: Korea Statistics.

youth were virtually neglected, raising important equity concerns. Indeed, 93 per cent of the participants in the Youth Job Experience Programme, the main initiative for facilitating the school-to-work transition, were university students or graduates.⁸

Assessment of effectiveness

Recent experience with labour market policies for youth in advanced and emerging countries shows that successful programmes share a number of characteristics in terms of content and design:⁹

1. Job-search assistance (JSA) programmes are often found to be the most cost-effective approach for youth, providing positive returns in terms of both earnings and employment. The ESPP for Youth contains a strong JSA component. The programme provides each participant with customized JSA services including career path counselling and intensive job placement services.
2. Training programmes should be designed to be responsive to local and national labour market needs. The training programmes supported by Individual Training Accounts in the second stage of the ESPP for Youth are basically a voucher programme that maximizes participant choice while also building in responsiveness to employers' recruitment needs. Similarly, the Small and Medium Enterprise Youth Internships provided in the second stage are designed to address labour shortages often encountered by SMEs. Participants can work as short-term employees only when there is labour demand in SMEs for their services.
3. Careful targeting of the programmes is also essential. For example, programmes addressing teenagers should be distinguished from those for young adults, and particular attention should be devoted to early school leavers. While the ESPP for Youth covers both teenagers and young

adults, the emphasis on one-on-one counselling and the development of individually customized IAPs is intended to assure that each participant receives services that are well tailored to his/her needs.

4. Strict job-search requirements tend to be as effective in encouraging early exit from unemployment for youth as for adults. Participants of the ESPP for Youth must meet certain requirements to continue receiving employment assistance service. Services are suspended if the participant is uncooperative in developing IAPs, does not show up for job training programmes without a valid excuse or refuses to accept job placements without good reason more than three times. After such a suspension, the individual is not allowed to return to the programme for one year.
5. Early action is particularly important for young people, as those without work experience are often not entitled to unemployment insurance or other welfare transfers. A number of advanced countries already have major programmes for youth that come into play before or at six months of unemployment.
6. Programmes that integrate and combine services and offer a comprehensive package approach seem to be more successful. One of the key characteristics of ESPP for Youth is that it offers a comprehensive package of measures to assist disadvantaged youth to obtain a solid foothold in the labour market.

The fact that the design of Korea's ESPP for Youth shares many of these best-practice features is promising in terms of its likely effectiveness. While the performance of public job centres and private job placement centres is being monitored and the initial results are encouraging, it may be useful to carry out a formal evaluation to estimate the net impact of the programme on employment outcomes of participants

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and to evaluate the relative effectiveness of the public and private provision of the employment services that are provided under the programme.

Conclusion

Korea's Employment Service Package Programme for Youth has a crucial role to play in providing effective employment services to disadvantaged youth, given that relatively few unemployed youth are entitled to unemployment insurance or social assistance benefits, reflecting the tight eligibility criteria. Consequently, the programme also provides a social safety net for this group. Furthermore, in terms of its content and design, the programme targets a specific group of youth, provides early assistance and offers a comprehensive package by integrating services. Given the serious dualism and the mismatch between supply and demand in the labour market in the Republic of Korea, it is essential that youth have access to employ-

ment services for job-search assistance and effective training courses that meet labour market needs.

¹ Whereas the YES Programme worked only with public job centres, the New Start Project brought the expertise of private job placement centres into play. When services are provided by private centres, their performance is regularly monitored by the public job centres. This arrangement was carried over to the ESPP for Youth in 2011.

² Youth declining to participate in or finish the first stage are allowed to participate in the second stage and receive KRW 50,000 when they enrol.

³ The US dollar figures provided in this brief are based on the market exchange rate on 1 September 2011 of 1,062 won (KRW) per USD.

⁴ During the second stage, participants are monitored at least once every two weeks by monitoring officials who meet with participants, both face to face and via the Internet.

⁵ OECD (2007).

⁶ OECD (2008).

⁷ OECD (2007).

⁸ *ibid.*

⁹ OECD (2007); Betcherman et al. (2004); Martin and Grubb (2001).