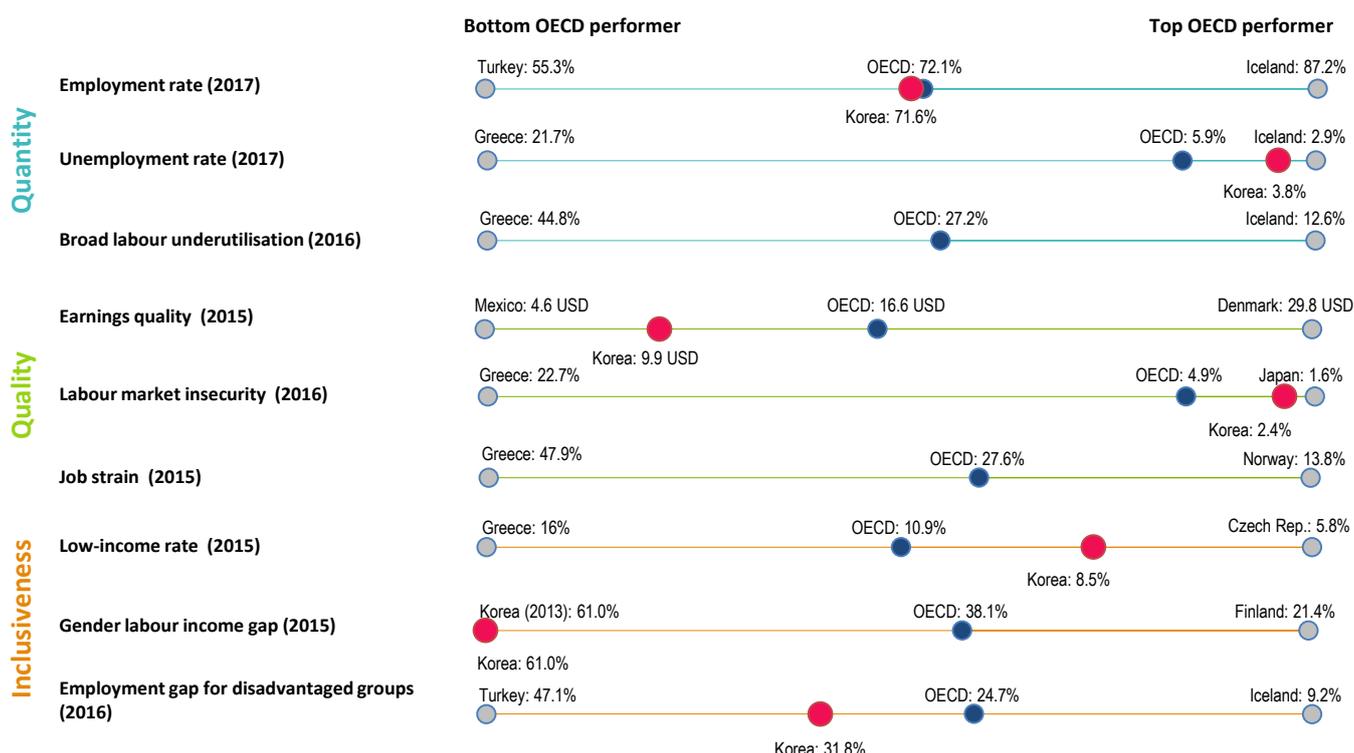


How does KOREA compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new *OECD Jobs Strategy* provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for Korea



Notes: Employment rate: share of working age population (20-64 years) in employment (%). Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%). Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new *OECD Jobs Strategy* presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all

indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- Korea's employment rate matches the OECD average as a high rate for prime-age men is offset by low rates for women and youth. Women face a number of obstacles to employment, such as a lack of work-life balance and labour market dualism, which confines many women to low-paid non-regular jobs. The employment rate for youth (15-29) is well below the OECD average. While Korea has the highest



graduation rate from tertiary education, many cannot find suitable jobs. Meanwhile, around 80% of SMEs complain of labour shortages.

- Korea's earnings quality is substantially below the OECD average as a result of relatively low average wages and high wage inequality. Wage inequality reflects labour market dualism, which results in a large wage gap between regular and non-regular workers. This is associated with a large productivity gap between large firms and SMEs, and a high share of workers who are employed in very small firms. Labour market

insecurity is low, reflecting both the country's low risk of unemployment and the short duration of joblessness spells.

- Despite high wage inequality, the share of working-age persons in relative poverty is below the OECD average. However, the gender labour income gap is the largest in the OECD, reflecting low employment rates of women and the large number of women in low-paid, non-regular jobs. The high employment gap for disadvantaged groups, (e.g. mothers with children, youth, and people with disabilities) is also associated with labour market dualism.

FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY

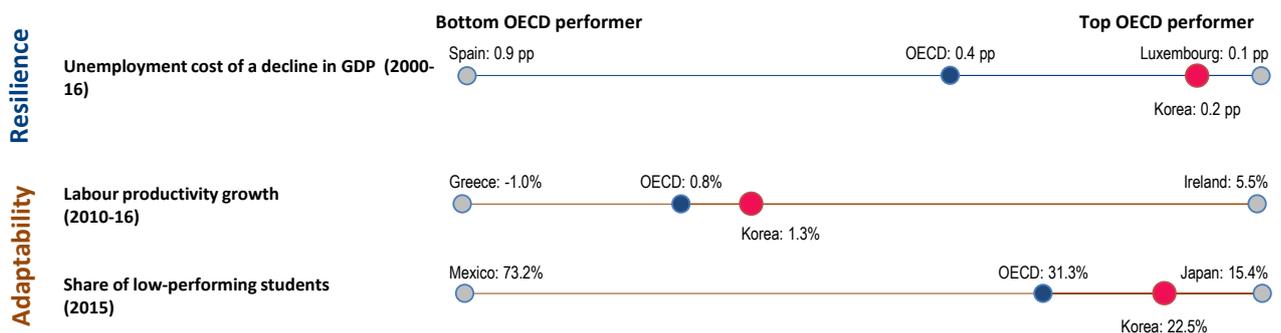
Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key precondition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers' productivity and wages and provide an indication of the readiness to respond to future challenges.

- Korea's labour market is one of the most resilient in the face of economic shocks due in part to employment protection for regular workers, which limits adjustments in employment. This is balanced by the flexibility of wages, which are negotiated at the firm level. Moreover, bonus payments, which are linked to

firm profitability, are an important component of employee compensation.

- Labour productivity growth in Korea has been slightly above the OECD average, although the level is only about half that of the top performing OECD countries, reflecting large gaps between manufacturing and services and between large firms and SMEs. Given high R&D investment and the large investment in education, Korea has scope to narrow the productivity gap.
- The share of low-performing students is below the OECD countries average, reflecting Korea's high quality education system.

Framework conditions for Korea



Notes: Resilience: average increase in unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).