

Recent experience of Korea's subsidy programs for youth

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Growth rate of economy and employment

	1984~02	2003~07	2008~11	2012~17	2018
Growth rate (%/yr)	7.7	4.4	3.1	2.9	2.7
Emp. growth rate (%/yr)	2.2	1.1	0.9	1.4	0.4
Emp. increase (thousands)	403	253	203	36.6	9.7

Source: Bank of Korea, National Account
Statistics Korea, Economically Active Population Survey

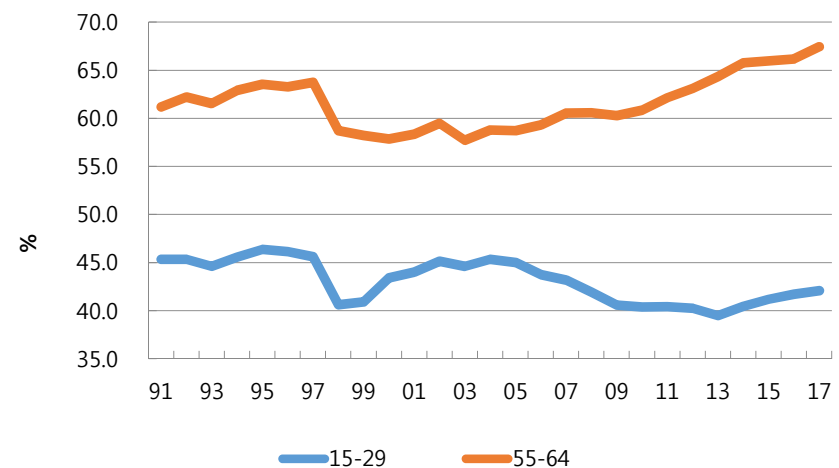
Youth Idle Labor

- Youth unemployment rate 9.5%
 - Now surpassed that of USA, Germany and Japan
- 20-29 NEET 18.5%, College and University graduate NEET 24.8%
 - Cf. Germany 9.7%, Japan 10.8%
- Delaying graduation : on average a year
- Job search period : 11.2 mo. before finding a first job

Employment condition

- Employment rate
 - 45.1('04) → 39.7('13)→42.1% ('17): decreased between 2004 and 2013
 - Increased simultaneously with unemployment rate between 2013 and 2017
 - unemployment rate: 8.3 ('04) → 8.0 ('13) → 9.8% ('17)
- Over-education 18.9%
- Work in non-regular jobs 2/3

Employment rate of youth and elderly



Race between generations? Of course not!

- Adaptation failure of skill formation as well as institution and policy in the face of rapid technical change, ageing, growth slow-down, changing work moral, etc.
 - Increasing gap between large firm workers and SME workers, between permanent contract and other non-regular workers, and consequently between core protected workers and others,
 - Steep seniority wage scale in public sector, etc.
- How about moving from subsidy for SME interns to subsidy for mutual aid program to address mismatch in the labor market?

Relative wages, workers in large firms and those in SMEs

(Average of non-agricultural sector firms =100)

	1988	1995	2000	2005	2010	2015
Workplaces with 10-99 employees	90.2	89.2	88.7	88.5	85.3	83.1
Workplaces with 300 employees +	110.8	117.2	125.8	125.7	132.8	147.9
Proportion of workers in large workplaces (%)	40.0	30.6	23.7	24.3	24.9	22.0

	Large firm permanent contract workers	SME permanent contract workers	Average
Monthly average wage in thousand KRW	4,092 (100.0)	2,779 (67.9)	2,558 (62.5)

Mobility

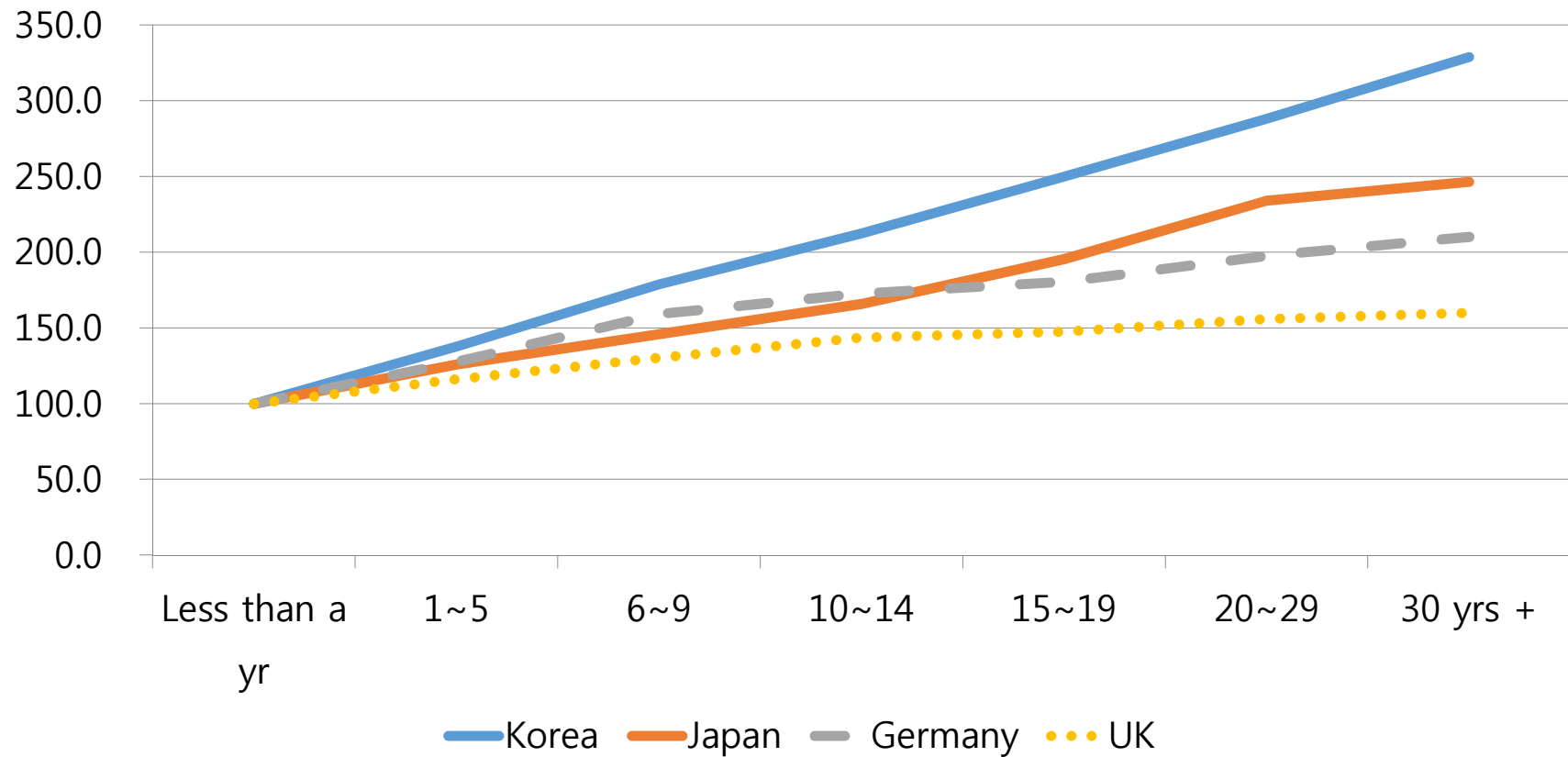
Tenure (yrs)	12.1	6.8	6.0
Workers w/ tenure < 1 yr (%)	8.4	21.7	30.9

Social insurance coverage (%)

National Pension	98.5	82.8	69.8
Nat'l Health Insurance	99.5	87.3	75.5
Employment Insurance	79.3	76.5	66.1
Retirement Benefit	96.4	83.2	73.9
# of Workers	2,211 (11.0)	11,768 (58.7)	20,045 (100.0)

Source: Author's calculation, based on Supplement Survey of Economically Active Population, August 2018.

Wage increase with tenure



Source: EUROSTAT, Structure of Earnings Survey, 2010.
Japan and Korea, 「Wage Structure Survey」, 2010

Recent Evolution of Youth Labor Market

- Participation rate(%) : 46.7('17) → 47.1('18)
- Employment rate(%) : 42.1 ('17) → 42.7 ('18)
- Unemployment rate(%) : 9.8 ('17) → 9.5 ('18)

Subsidy programs for youth

- Background: Korean SMEs have been suffering from chronic shortage of manpower because the youth are reluctant to get into SMEs.
- Objective: to boost youth employment at SMEs by helping encourage more young job seekers to get jobs from and stay longer at SMEs
- Three representative subsidy programs: 'Additional Youth Employment Subsidy Program for SMEs'(AYES), 'Tomorrow Mutual Aid Program for Young Employees' (TMAPY), and 'Youth Job Search Allowance' (YJSA).

Additional Youth Employment Subsidy Program for SMEs(AYES)

- Aims to support SMEs with good prospects and to continue creating decent jobs;
- If an SME (w/ 5 employees or +) hires three young people as regular employees, a subsidy of up to KRW 27 mn a yr is provided for three yrs to cover the full amount of the wages of one of those employees.
- Firms w/ 30 employees or less, subsidy is provided from 1 additional employment
- Firms w/ 30-99 employees or less, subsidy is provided from 2 additional employment
- Firms w/ 100 employees or more, subsidy is provided from 3 additional employment

Impact of AYES

- Avg # of youth employed increased by 32.2%
- Firms hesitate less in hiring.

	Total # of youth employed		Avg # of youth employed	
2016	136,139		6.8	
2017	158,786	+16.6%	6.8	+0.8%
2018	229,073	+44.3%	9.0	+32.2%

Tomorrow Mutual Aid Program for Young Employees(TMAPPY)

- Provided to young workers aged between 15 and 34 who are employed by SMEs and have worked for the companies for 2 or 3 yrs depending on what the type of the deduction s/he has applied.
- Young employees, business, and the government jointly contribute to the aid fund.
- Upon expiration of the funding period, young employees receive the total amount of the fund up to KRW 30 mn.
- SMEs could reduce labor cost and training cost w/ increased tenure yrs.
- Side effect is sense of loss of those not entitled

Employment effect

- Those w/ tenure > 1 yr: 78.4% (TMAPY) vs. 48.6% (Total)
- Job search period : 5.9 mo. (TMAPY) vs. 11.2 mo. (Total)

	# of participants	Probability of separation w.r.t. non-beneficiaries
2016	5,217	-63.6%
2017	40,170	-68.5%
2018	108,486	-85.8%

Note: Gender, age and monthly wages are controlled

Source: Kim, Yoobin et al.(2018: 44)

Youth Job Search Allowance (YJSA)

- Provided to young job seekers aged 34 and under, and pays KRW 500,000 a mo. for a max. of 6 months after s/he has carried out her/his job search plan.
- Formerly activation based for 3 mo.('18)=> activation loosened, self-regulated for 6 mo.('19)
- Evaluation not existent

Envisaged fine-tuning of TMAPY in 2019

- Retraction term : 3 mo. -> 1 mo.
- Wage ceiling : KRW 5 mn a mo.
- Minimum hours worked per week : 30 hrs or more
- Reported for the first time to Employment Insurance or those who get a job within a yr after graduation: EI insurance record of less than 3 mo. will not be counted
- Those who quit and enter into the same firm are not entitled at least for 6 mo.: if her/his status was changed from non-regular to regular, this condition is not applied as far as former tenure period is less than 3 mo.
- Enrolled students are no entitled: entitled as long as s/he works and receive pay.

Expected adjustments

- Financial burden of government
 - => To derive optimal budget size of the program by program evaluation considering industry, size of firms, R&D expenditure, performance indicator of firms and wage level, working hours of workers, etc.;
- Administration burden of firms and agencies
 - => To streamline process and systemize directives, and to take advantage of on-line and mobile tools, etc.
- Due to budget of 3yr-TAPY is rationed, a certain part of demand for 3yr-TAPY is not met;
 - => 2yr-TAPY only?
- Support for those excluded from TAPY w/in the same firms
 - => Sense of loss due to compensation reversal

Budgets for three programs (KRW bn)

Program	'17	'18	'19
AYES	4.8	341.7	674.5
TMAPY(GB)	70.9	215.4	574.0
TMAPY(EI)	20.4	209.4	423.2
YJSA	-	172.8*	158.2

Note: GB=financed by general budget, EI=financed by Employment Insurance

Thank you.

감사합니다.