

Executive summary

A slowdown in economic growth is prolonging the transition from school to work for many young Koreans. The youth employment rate stands well below the OECD average and youth unemployment surpasses the OECD average since 2017. Rather than accepting a low-paid or temporary job in a highly segmented labour market, many young people prefer to continue investing in formal and informal education or spend a long time preparing for company entry exams. Korean youth are amongst the most educated and skilled in the OECD area, but the financial costs of education for the government and parents are high, as is the personal investment of young people in terms of time and energy devoted to studying. In addition, their skills do not always match labour market needs and many small and medium-sized enterprises struggle to fill positions as they are unable to offer the same working conditions as larger firms.

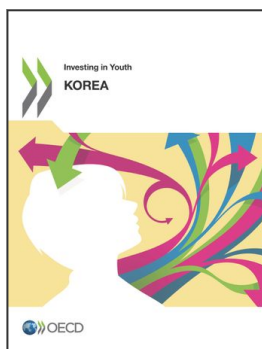
Awareness of the skill mismatch issue is high and the Korean government has launched a number of important initiatives in recent years to alleviate it. Measures include additional public funding for career guidance and counselling in secondary schools, (re)introduction of apprenticeships and Meister high schools to strengthen vocational education and training, incentives for tertiary institutions to offer more labour-market relevant degrees and advocacy for competency-based recruitment practices. These reforms follow international best practices and are likely to reduce the gap between skill supply and demand. However, relatively small adjustments could further boost the pay-offs of these reforms.

To further support young adults, the Korean government announced in March 2018 an ambitious plan with a wide range of youth support measures. Many measures are an extension of existing ones, but there are also important new initiatives, with an important shift from indirect measures, such as subsidies for firms that hire young people, towards a stronger focus on measures that directly benefit youth, such as tax exemptions and in-work benefits. To further facilitate access to rewarding employment and prevent social exclusion, Korea would have to expand its social safety net and activation support for young people, and address the country's labour and product market duality.

Key policy recommendations

- Improve educational choices by increasing the effectiveness of career guidance and counselling, and involving employers.
- Promote upper secondary vocational education by improving and deepening the connections with the industrial sector and expanding apprenticeship programmes.
- Ensure quality tertiary education by incentivising students to select better institutions, requiring institutions to publish employment outcomes, and fostering collaboration with employers.
- Support companies in altering their recruitment practices by providing training in competency-based hiring and introducing intermediary matching services for small and medium-sized enterprises.

- Break down the product market polarisation by reforming large business groups and enhancing dynamism in smaller firms to broaden the opportunities of young people in the labour market and spread human capital more equally across economic sectors.
- Improve the social safety net by better enforcing social security legislation, expanding eligibility for Employment Insurance to voluntary job leavers and non-standard forms of employment, and easing access to the Basic Livelihood Security Programme.
- Offer adequate employment support for young unemployed people by applying stricter quality assessment of private employment services, extending the contract duration for well-performing agencies and proactively outreaching to unregistered jobseekers.
- Facilitate access to affordable housing by moving away from support for jeonse deposits towards housing allowances for youth and rental market regulation.



From:
Investing in Youth: Korea

Access the complete publication at:

<https://doi.org/10.1787/4bf4a6d2-en>

Please cite this chapter as:

OECD (2019), "Executive summary", in *Investing in Youth: Korea*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/525e866c-en>

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