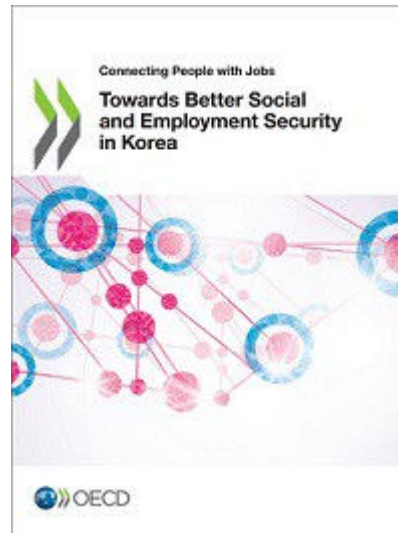


Better security, better jobs

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Korea has one of the lowest unemployment rates in the world. Of developed economies, it also spends among the least money on employment insurance programs. On the outset, this makes a lot of sense. If you don't have unemployment, why shell out on extensive unemployment benefit programmes?

But a March 2018 OECD report on Korean social security rightly points out that full employment doesn't mean high-quality employment. And although Korea has few long-term unemployed people, it has an enormous number of workers stuck in low-quality, low-paying and short-term jobs. Without sufficient employment insurance (EI) to fall back on, this population of workers is forced to keep accepting unstable jobs rather than transitioning to higher-quality ones.

Non-standard workers (part-time, contracted, and daily workers), small business employees and self-employed workers are the most affected by this pernicious cycle. This is partly because Korean EI excludes certain part-time and microbusiness employees, partly because it requires self-employed people to

“opt-in” within a short window, and partly because small businesses often evade EI registration without legal consequences.

The data confirms the huge coverage disparity between firms of different sizes. Large companies, with more than 300 workers, have nearly 100% employment insurance coverage. Microbusinesses, with fewer than 5 workers, have 40% coverage. And this is no insignificant part of the population. Some 40% of salaried Korean employees work in these microbusinesses—the largest proportion of all OECD countries. Demographically, these employees are predominantly women and workers over 50 years of age who face additional, compounded disadvantages in society.

Korean policymakers are aware of these welfare blind spots. Even though social spending in Korea is half the OECD average, the government has been drastically expanding its social security programme over the past few decades. But there are still major gaps. In order to make the system more inclusive and effective, especially for non-standard workers, significant additional investment is needed to better enforce current welfare policies and expand insurance coverage.

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