

**OECD Recommendations on Labor Issues and Korean
Compliance with Evaluations**

- Labor Law, Relations, Market, and Social Security –

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Abbreviation of the Paper on Labor Issues

This paper deals with the Korean compliance on labor issues toward OECD recommendations with evaluations. OECD recommendations to Korea are in several different sectors such as trade, banking, labor and regulations.

OECD recommendations are better reviewed in two periods; the first is from 1996 – 1998 and the second is from 1999 and after. The division depends on the difference in content between the 2 groups of recommendations.

In the first period, OECD recommendations were proposed on more general and broad labor issues regarding Korean membership in OECD , by the Council of the organization in April of 1996. In the second period, the recommendations dealt with more on detailed and specific issues toward Korean adjustment to a changed labor environment from the financial crisis and on the Korean compliance to the previous recommendations(Table 1).

Let me explain briefly the background relationship between the changes of Korean labor and the influenced factors of the change. Four important factors to be mentioned are OECD recommendations, the financial crisis in Korea which took place in the beginning of December of 1997, election of the new president one month after the break of the crisis, and the role of the Tripartite Commission.

First, in the April of 1996, there were OECD Council recommendations toward Korea based on the ELSAC(Employment, Labor and Social Affairs Committee) report reviewing of Korea membership.

Second, the financial crisis resulted from the shortage of foreign currency resulting in a high unemployment rate from the level of 2% to an 8% level at it' s peak.

Third, Korea elected a new president one month after the crisis, as was previously scheduled before the crisis broke. The change in

political power also influenced the change of Korean labor quite intensively.

Fourth, the Tripartite Commission - an association for agreements among trade unions, employers, and government - also took a great role in resolving disagreements on labor issues.

The Korean society and government had made efforts to have a better and more modernized labor environment and to be in line with the OECD recommendations before the break of the crisis. But, the reform of Korean labor was in February of 1998, two months after the crisis.

The reform was carried out by the revision of Labor laws such as "The Trade Union and Labor Relations Adjustment Act(TULRAA)" and "The Labor Standards Act(LSA)" in February 8, 1998 based on the agreement proposal at the Tripartite Commission in February 6, 1998.

The most important reforms were in the lay-off system, multiple trade unions system, legislation of employment leasing, a more flexible work hour system, protection of part-time, daily, and temporary workers to stimulate more flexible labor environment, and expansion of the social security network.

Important phenomenon to be indicated after the crisis and labor reform in Korea are: the rapid increasing rate of "daily and temporary workers" and increased income disparity. The proportion of "daily and temporary workers" has increased from 41% in the early 90's to 53% of wage workers, in 1999 and thereafter.

Therefore the EIS(Employment Insurance System) and active labor market schemes have been expanded for the unemployed, youth, female primary providers. The NBLSS(National Basic Livelihood Security system) was also enacted and has been effective for the people in low income brackets from October 1 of 2000.

There are 17 issues to deal with in four areas - labor law, labor relations, and the labor market and social security network - on Table 1 of

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I want to add that there are differences in labor environments from country to country and therefore this should be considered in the change in labor reform and to the comparison between Korea and other OECD countries.

I want to emphasize that Korea has an enterprise based trade union system which is quite different with those of other OECD countries.

Chapter I. Introduction

1. There are two sources of recommendation by the OECD toward Korea ; The first recommendations are from the ELSA committee. The second are “Korean Economic Surveys” which are published by the OECD annually.
2. In April of 1996, the ELSA committee proposed some important recommendations regarding the discussion for Korean OECD membership.
3. The representatives of the ELSA committee at the discussion made the following 3 recommendations to the Korean government ; first, the Korean government should make its best effort to arrange Korean labor law to meet ILO standards. -- second, minimize arrests and imprisonment of union officials and members. -- third, create less hostile labor relations in Korea.
4. The Korean government responded to these recommendations with a new proposal stating that it would make efforts to revise labor law and improve labor relations. The ELSA committee decided to continuously monitor Korean labor to inspect the process of the new proposal.
5. The most recent monitoring results were reviewed at the 96th regular ELSA meeting in April of 2000. The recommendations at this meeting were on labor law, labor relations, labor market policies and, most importantly, on economic and sociological change in the environment.
6. The recommendations for the Korean labor market and social securities are in “the Korean Economic Survey”. This survey, which was published in 1997/ 1998(footnote 1), has six main suggestions.

Footnote 1) the 6 main recommendations are as follows; First: The Korean government should make efforts to have more flexible employment, Second: enlarge social welfare, Third: have more active labor market, Fourth: have a more competitive product market, Fifth: have a more trained workers, and Sixth: have more innovative technologies.

(Table 1) Recommendations by OECD and their Process and Achievements

Issues	Period	Recommendations by OECD	Korean Compliance
Labor law	New member (1996)	multiple trade unions	· introduction of multiple unions · delay enterprise level until 2002
		right of public servants to organize trade unions	· permission for teachers' union · public workers' workplace organization
		third party intervention	· abolition of provision banning third party intervention
	1999 and after	political activity of trade union	· abolition of provision banning political activity of trade union
		earlier than scheduled introduction of multiple unions at enterprise level	· establish ways of unifying the bargaining channel(the system will start Jan, 1, 2002)
		expand the number of public officials joining the workplace associations	· this issue will be discussed in the Tripartite Commission
		abolition of notification of third party intervention	· the provision on notification regards government help to third parties
		wage payment to full time union officials	· discussion is under way by the Tripartite Commission
	1999 and after	narrow the scope of essential public services	· from 2001, inner-city bus services and banking services will be excluded from scope, and other services are currently discussed in Tripartite Commission
		union membership of unemployed workers	· this issue is under discussion by the government
Labor relations	New member	arrests of union officials and members	· strict application of law · minimize number of arrests
	1999 and after	delay in implementation of agreement made at Tripartite Commission	· launch of the 3rd Tripartite Commission
Labor market	New member	flexible labor market	· new legislations of lay-off, and employment leasing(Feb. 14, 1998)
		protection for the weak group	· special unemployment schemes for youth, female, and non-standard workers
	1999 and after	expansion of active labor market	· intensifying job search network and job training system
		mid and long term unemployment policy	· more investment of HR development in youth and long term unemployed
Social security	1999 and after	social security net expansion with minimum cost	· establish productive social workfare network

7. In chapter 2, this paper reviews what the OECD recommendations are, Korean compliance toward the recommendations, and their evaluations. In chapter 3, this paper reviews future policy implications.
8. The recommendations by the OECD on Korean labor issues and social securities are better reviewed during two periods. The 1st is between 1996-1999 regarding the recommendations for Korea's new membership in the OECD. Another is after "the Meeting of the Extended Bureau of the ELSA Committee" in June of 1999, which proposed new recommendations in lieu of the changed Korean environments after their financial crisis.

CHAPTER II. Korean Compliance with Evaluations toward OECD Recommendations.

A. Labor law Issues

1) Abolition of the Provision Against Multiple Trade Unions.

1. The Korean Government revised "The Trade Union and Labor Relations Adjustment Act (TULRAA)" abolishing the prohibition of multiple trade unions on March 13, 1997.
2. At the enterprise level, the effective date will begin Jan.1, 2002, to establish a bargaining channel.
3. As a result, the Korean Confederation of Trade Union (KCTU), 18 quasi-industrial organizations, and the trade unions at the enterprise level, which join KCTU, are legalized in their activities.

2) The Right of Public Servants and Teachers to Organize Trade Unions

1. The Korean government enacted “ The Teachers’ Trade Union Establishments and Their Management Act”, in December of 1998 to implement the former agreement made at the Tripartite Commission regarding teachers’ rights to organize trade unions.
2. As a result, the Federation of Teachers’ Union(FTU) which joins KCTU, was legalized.
3. The subjects for negotiations are limited with respect to the issues, work standards, and welfare. In Jun of 2000, the collective agreement between the FTU and Minister of Education was signed.
4. The “Establishment and Operation of The Public Officials’ Workplace Associations Act” was enacted on Feb.20, 1998 and has been effective since Jan.1, 1999.
5. On Feb. 6, 1998, the first Tripartite Commission decided to grant public servants the right to organize in two stages as follows;
 - Step 1: Grant establishment of “public servants’ workplace associations” as a prior step to trade unions.
 - Step 2: Allow the organization of trade unions while taking into account public opinion and the revision of related laws.
6. Public officials of grade 6 or lower are now eligible to join the association, where a range of issues will be discussed, such as handling grievances in the workplace, improving the work environment, enhancing job efficiency etc.
7. The actual number of public officials eligible to join the association stands at 338,000(64%) and the rate of organization is 9.2% (32,000).

3) Abolition of the Provision Banning Third Party Intervention

1. The Korean Government abolished a legal provision which prevented third party intervention, in March of 1997, to bring the labor legislation in line with internationally recognized standards.
2. Under the new law, both trade unions and employers are entitled to receive support when engaging in collective bargaining and industrial action from 4 groups:

- 1) industry level unions or national federations, to which the trade unions belong;
- 2) employer' s associations to which the employers belong;
- 3) persons who are authorized by other relevant laws and regulations;
- 4) these notified to the authorities 3 days in advance by trade unions or concerned employers from whom they wish to receive support (Article 40(1) of the act).

4) Authorizing the Political Activity of Trade Unions

1. the 1st Tripartite Commission decided to abolish the provision banning the political activity of trade unions and guaranteed authorization of trade union political activity.
2. Trade Unions were exceptionally authorized to have free political activity among groups of associations by adding a provision in “the Election for Public Office and Election Malpractice Prevention Act” in April of 1998.
3. The political activity of trade unions were substantially opened by the revision of labor law (TURRAA) in December of 1998.
4. The Korean Federation of Trade Union (KFTU) and The Korean Confederation of Trade Union(KCTU) nominated and supported their own candidates for the National Assembly election in April 2000.

5) Earlier than Scheduled Introduction of Multiple Unions at the Enterprise level.

1. The reason for the delay in the introduction of multiple unions at the enterprise level was to have sufficient time to work out ways to unify the bargaining channel.
2. Most trade unions in Korea are enterprise based. Therefore multiple collective bargaining agreements need to be signed depending on the number of unions in the work place. It would lead to business interruptions if an employer needed to engage in bargaining with every union in the firm.
3. The revision of labor related acts in March of 1997, granted a multiple trade union system in principle. However, the implementation of the multiple union system at the enterprise level has been delayed for five years, amidst worries of possible disorder and confusion in the collective bargaining

process. (Article 5(1) of Addenda of The Trade Union and Labor Relations Adjustment Act)

4. Regarding the delay, both the labor and management sides have not taken any objection.
5. In addition, the bill containing the bargaining channel unification options is pending at the National Assembly. This bill was enacted on suggestions by The Tripartite Committee(footnote 2).

6) Expand both the Number of Public Officials Joining the Workplace Association and the Right of Public Servants to Organize Trade Unions.

1. The Korean government tries to extend association membership to public officials by prudently reviewing the operation of the Workplace Association.
2. The Korean government expanded its scope (footnote 3) of membership to officials whose jobs are in guidance or intermission in: the Cultural Property Bureau, Environment Agency, and the Transportation Office.

(footnote 2) The contents are as follows: First, Trade unions at the enterprise level will create an exclusive unified bargaining channel. Second, if unification is not made, a trade union fitting the requirements of a representative union -- having more than 50% of union members among the total union members at the enterprise level-- will have the right to bargain with the employer. Third, if there is no representative, a trade union can be organized according to stipulations of presidential decree.

(footnote 3) The reasons for limiting this scope of membership are as follows: First, officials of grade 5 or less are managers or supervisors in government. They act as the heads of organizations with whom the workplace associations are to have consultations. Second, those who deal with confidential information such as personnel, budget, and jobs in security, etc, need to be excluded from joining the workplace associations to ensure autonomy in workplace association operation. Simply, those who act for management and those who represent the interests of management should be excluded from joining trade unions.

3. Lee (1997) has an opinion for the gradual establishment of trade unions in the Korean government.
4. The ILO committee on freedom of association recommends that the right of organization should be allowed for public officials as well, and that the scope of public officials limited in their right to strike should be minimized.
5. Advanced countries usually limit the right to strike for trade unions of public officials, but guarantee their right of organization.
6. The Federal Court of the United States decided in 1969 that a state act limiting trade union membership for public officials was in breach of the constitution. Yet this limitation of the right to strike has different features from state to state.
7. Public officials in Japan are allowed to have trade unions, except for those in fire fighting, police, and prison.
8. The issue allowing trade unions for public officials will proceed following discussions at the Tripartite Commission, taking into account public opinion while simultaneously collecting information on workplace association operations.

7) Abolition of Notification of Third Party Intervention

1. The original reason for the notification procedure was to promote the autonomous resolution of problems between parties concerned. This was accomplished by the prevention of unnecessary conflict between providers of support for trade unions and employers, as well as between employers and trade unions by clearly defining those supporters.
2. This procedure does not entail permission or approval from authorities. Therefore, trade unions and employers are able to receive necessary support during collective bargaining and industrial action from persons of their own choosing.
3. The act stipulates that any unauthorized third person who intervenes in collective bargaining or industrial action without being notified to the competent authority is subject to punishment. (Article 89 of TURLAA). The purpose of this provision is to discourage those who intentionally manipulate, incite illegal strikes, or act in a way to disturb legal exercises of labor rights by workers.

8) Wage Payment to Full Time Union Officials

1. Article 24 of the TULRAA stipulates that wage payment to full time officials by employers is prohibited in line with the “Principle of Unions’ Independence” starting Jan. 1, 2002.
2. The third Tripartite Commission attempted to develop a concentrated opinion on the issue based on the consultation between the Korean government and the KFTU, but the Commission failed to come to an agreement on the issue even though they debated for one month in September of 1999.
3. In December of 1999, the members of the public sector of the Tripartite Commission suggested this arbitration, therefore the Korean government proposed legislation based on this suggestion to the National Assembly.
4. The contents of the proposed legislation by the Korean government is as follows: First, there is no obligation for the employers to pay wages to full time union officials. But, there is an exception made if there is an agreement between employers on the issue. The employers would then be allowed to pay wages on the condition that the number of the full time union officials is less than or equal to the number stipulated by presidential decree: Second, the article stating that wage payments to full time union officials be included in unfair labor practice should be cancelled: Third, the articles on Prohibition and dealing with punishment for strikes for the purpose of obtaining wage payment to full time union officials will be established.
5. Most OECD countries leave the issue of wage payment to full time union officials to personal decisions between the employers and trade unions.
6. In the U.S, traditionally employers have paid wages to full time union officials,(footnote 4) but the number of paid trade union officials and the supported activity of trade unions by employers are limited and clearly stipulated.

(footnote 4) “The Labor Management Relations Act or Taft – Hartley Act’ prohibits an employer’s payment to trade unions intending to control trade unions. This payment is regarded as unfair labor practice (Section 8(a) 2.). Still this provision does imply that prohibition of wage payment to trade union officials and precedents for the issue should be approved. The precedent for the issue was set in the case of Caterpillar Inc. vs. United Auto Workers, CA3, NO. 96-7012, 3/3/97. d.(Ministry of labor, Republic of Korea, April 2000)

7. In EU countries, such as the United Kingdom, Germany and France, the issue of wage payment to trade union officials is left to both the employer and employee exclusively. (footnote 5) Park (1999)

8) Narrow the Scope of Essential Public Services

1. The ILO considers that right to organize is completed by the right to strike and recommends that the scope of essential public services be minimized. The ILO also indicates that limiting the scope of the right to strike will be flexibly applied to each country's circumstance. (footnote 6)
2. The ILO Committee on Freedom of Association has limited the scope of essential public services to those "sectors which threaten people's life, safety and health if their operations are stopped," thus excluding the banking, transportation, and oil refinery sectors.
3. The scope of essential public services in Korea has been defined as follows: (Article 71 (2) of the TULRAA) : 1) railroad and inner-city bus services, 2) water, electricity, gas, and oil refining and supply, 3) hospitals, 4) banking and 5) communications services.
4. Banking and inner-city bus services will be excluded from the scope of essential public services in 2001.
5. The scope of essential public services in Korea has been substantially reduced in enactment of the related law in March 1997, after considering their weight in the national economy and the availability of workers to be replaced in those services.
6. Most of the countries of the world, with some degree of difference, limit labor disputes in essential public services compared to other businesses. (footnote 7)

(footnote 6) Taken from the "ILO, Freedom of Association" : Digest of Decisions and Principle of Association Committee of the Governing body of the ILO, fourth edition, Geneva, 1996.

7. Through discussion by the Tripartite Commission, measures of narrowing the scope of essential public services in stages will be reviewed.

(Table 2) Comparison of essential services of Korea and ILO

Korea	ILO standards
Water supply & electricity Hospital services Telecommunications services Under the Public Officials Act, air traffic controllers are restricted in their rights to collective action.	Water supply & electricity Hospital services Telephone services Air traffic controllers
Gas, oil refining, and oil supply services Railroad (including urban railway)	Not included in essential public services

(footnote 7) Examples of other countries defining essential public services ; USA: If an industrial action threatens public health and safety, the action is barred for 80 days by presidential decree declaring an emergency state.; U.K.: When the required services for the national economy are suspended, the government has the authority to utilize available means, including mobilization of the army, under laws related to national emergency.; Japan: Administrative authorities and labor relations commissions can refer industrial disputes in essential public services to compulsory mediation and, when a strike breaks out, order emergency mediation which automatically imposes a no-strike period of 50 days. Workers in the electricity and coal mining businesses are forbidden to strike under a strike-regulation law. Compulsory arbitration applies to workers(public employees) at state-run corporations, such as postal services, forestry management, minting, printing, etc., and to local public workers at local public corporations, such as railroads, public transportation, gas and water supply corporations, etc.; Singapore: Strikes are forbidden in water supply, electricity, gas and power supply services. A no-strike period applies to transportation, banking, broadcasting, postal and hospital services for a certain period of time, and industrial action in these sectors may be referred to as compulsory arbitration.

8. Railroad service in Korea is a monopolistic business run by the state or local governments. The dependence of the public on the national railroad and the subway in major cities (ex: Seoul, Busan) is too heavy to exclude them from the list of essential public services because the strikes will bring severe losses and impediment to the national economy. (footnote8)
9. Excluding petroleum refinery and supply businesses from the scope of essential service sectors is not quite feasible in Korea because of the importance of these businesses to national security and the economy.
10. Oil is the key energy source in Korea, accounting for more than 60% of domestic energy consumption. Thus, an undisturbed oil supply remains a critical underpinning for the national economy. If the oil supply is cut off due to industrial actions or other reasons, strategic industries will possibly be brought to a halt, inevitably jeopardizing national security and inflicting a significant loss on people's lives, society and economy

(footnote 8) There is a Supreme Court precedent for the subway service in the scope of essential public services.(The Supreme Court Precedent, May 15, 1990, on the "Restriction and Prohibition Dispute Act")

10) Union Membership of Unemployed Workers

1. Article 2 of the "Trade Union and Labor Relations Adjustment Act" defines workers as those who live on wages, salary or other equivalent forms of income. The Act also prescribes that if a non-worker is allowed to join a trade union, the trade union is disqualified.
2. However, if a dismissed worker has made an application for the remedy of unfair labor practices to the Labor Relations Commission, he/she will hold union membership until a review of the decision is made by the Central Labor Relations Commission.(Paragraph 4 of Article 2 of the TULRAA) Therefore, in reality, the unemployed(dismissed) are denied membership to a trade union.
3. In Korea, most of the trade unions are enterprise-based. A trade union is an organization that exists to maintain and improve the working conditions of laborers and to enhance workers' economic and social status.

4. Since non-workers, i.e. the unemployed (the dismissed, or people who leave jobs voluntarily), do not belong to the workplace, the purpose of regulating the eligibility requirement is by law to make clear the above fact. Expected problems which arise when people who lose their jobs are allowed to join trade unions are as follows:
5. If a third party member without employment relations to an enterprise (a dismissed worker or a displaced worker) joins a union and works as a union member, he/she does not need to engage in collective bargaining with the enterprise, yet he/she will also be participating in collective bargaining. Employers may face a contradictory situation where they have to engage in collective bargaining at the request of someone who has no employment relationship after he/she is appointed as union official.
6. The Korean government attempted to legislate a bill granting the unemployed (the dismissed) union membership only at non-enterprise level unions.
7. Unit trade unions can be largely divided into enterprise level unions which are organized at each enterprise, and non-enterprise level unions which are organized by units of occupation and industry.
8. In case of an enterprise level union, union membership is granted only to those employed in the firm concerned due to organizational characteristics of the union. Accordingly, there is no room for the unemployed (the dismissed) to be granted union membership at enterprise level unions.
9. An effort is being made to earnestly implement agreements reached at the Tripartite Commission on 6 Feb. 1998 and 28 Sept. 1998.
10. There were 2 revision bill submissions for the TULRAA to the National Assembly and rejections of the bill by the National Assembly for the reason that more in depth studies have to be conducted in scope of the dismissed or the unemployed.
11. The Subcommittee on Labor- Management Relations of the 3rd Tripartite Commission decided to present 3 alternative options (footnote 9) on the issue to the Standing Committee. (on Nov. 11, 1999).

B. Labor Relations Issues

1) Arrests of Union Officials and Members

1. Arrests of union officials and members are mostly due to violations of other laws rather than labor related laws. The majority of illegal strike acts in Korea, unlike in other countries are criminal violations, such as violence during strikes, unlawful occupation of premises, damage to facilities, etc.
2. As of Feb. 23, 2000, the number of imprisoned workers and those wanted by the police are 4 and 1, respectively. Out of the 131 imprisoned , 123 were released before 1999, and coming into the year 2000, 4 more were released, leaving only 4 in prison. Five workers imprisoned in 2000 were released.

(footnote 9) 1st opinion—Remove sub-paragraph d. of paragraph 4 of Article 2 of TULRAA which prescribes that those who are not workers “should be allowed to join the organization, provided that a dismissed person shall not be regarded as a person who is not a worker, until a review decision is made by the National Labor Relations Commission, when he/she has made an application to the Labor Relations Commission for remedies for unfair labor practices”. Insert in its place a provision stating that in case of enterprise level unions, workers who are not employed by a firm or workplace concerned are not allowed to be members of the union of the firm. 2nd opinion—As agreed in the 2nd Tripartite Commission, grant the displaced workers union membership to non –enterprise level unions. 3rd opinion—Through revision of Article 23(1) of the TULRAA, relax the qualification requirements of unions to have as officials those ineligible to be union members. In this option, the unemployed are not granted union membership. On Nov. 12, 1999, the Standing Committee of the Tripartite Commission decided to have the Ministry of Labor and the Ministry of Justice report the results of consultation on this issue, and prepare alternative options in cooperation with the “Implementation Monitoring Team” at the Subcommittee on Labor- Management Relations. They re-submitted the alternatives to the Standing Committee. With the declaration of non- participation in the Tripartite Commission by the FKTU on November 15 ,1999, the discussion was suspended.

(Table 3) Number of Arrests

(As of 23 Feb., 2000)

	Total	Arrested						
		Released						
		Sub-Total 1	Arrest cancelled	Review of legality for confinement	On bail	On probation		
Total	14	13	-	2	7	-	4	1
Violation of the Law	3	3	-	-	-	-	3	-
Illegal strike	11	10	-	2	7	-	1	1

3. There is a reason why there are many arrests of union members. The law on assembly and demonstration, etc. could be resolved using the following two solutions: one, a trade union system at the enterprise level and another, the existence of pre-modern labor management or labor relations at the enterprise level.
4. The Tripartite commission has developed better labor relations and has made less arrests of union members.

2) Activate the Tripartite Commission and the Implementation of the Agreement Made at the Commission.

1. The Tripartite Commission was established to have more effective structural reform in financial crisis. The Commission's goal is to have a policy agreement among the tripartite - the employee side, the employer side, and government.
2. The procedures of the Commission are as follows: First, in the beginning of 1998, the president elect proposed an establishment of the Tripartite Commission. Second, in January of 1998, the Commission was established and there was social agreement on 90 issues at the Tripartite Commission. Third, the Korean government enacted "The Establishment and Management of the

Tripartite Commission Act”(May 24,1999) to have more institutional policy agreements among the Tripartite.

3. Fifty nine agreements are fulfilled out of seventy one government duties, most notably, budget expansion against unemployment, the legalization of teachers trade unions, political activities of trade unions, and the appliance of employment insurance to all establishments.
4. The third Tripartite Commission is currently in discussion on the reduction of working hours, employment patterns etc. to have more stable labor relations and better policies dealing with global competitiveness.

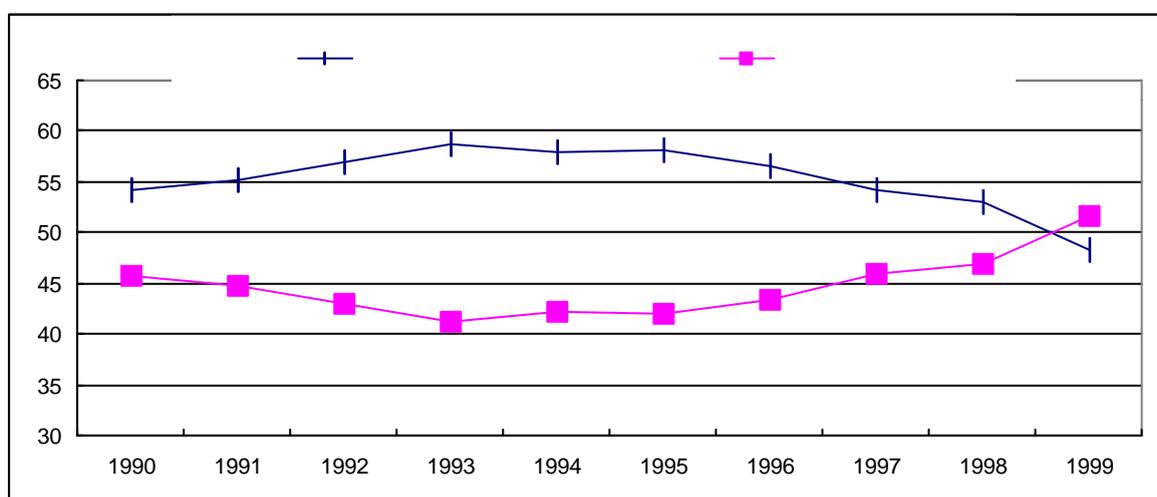
C. Labor Market Issues

1) Flexible Labor Market

1. The Korean government recognized that the stiffness of the labor market has resulted in high costs and low efficiency and that the government has continuously made efforts to have a flexible labor market.
2. To have a flexible labor market the Korean government has tried to introduce the flexible working hour system, the new lay-off legislation, and the employee leasing system of 1993.
3. In 1997, the flexible working hour system was started by revising “The Labor Standard Act”. The new layoff system and the employee leasing system have begun due to an agreement by the Tripartite Commission in February of 1998.
4. The Korean labor market has changed rapidly, while the Korean economy has suffered from financial crisis. After this financial crisis, the life-long employment style had diminished and diversified employment patterns had been rapidly introduced.
5. Increasing the rate of regular workers has decreased and the rate of daily or temporary workers has increased. The rate of daily or temporary workers was 53% in 1999 (graph1) and in 2000.
6. The change in wage systems has spread in the Korean labor market. In big firms and in the banking industry, the seniority wage system has been reduced and the annual salary system, incentive wage system and stock option systems have expanded.(Park and Lee,2000)

7. Reform of the labor market structure in Korea has been an important factor to overcome financial crisis.
8. Labor market flexibility has been accompanied by some undesirable phenomenon as well. First, rapid changes of employment pattern have resulted in the resistance of trade unions to adjust. Second, labor market flexibility without social security network growth has resulted in an unstable society with higher proportions of non-regular employment than normal, worsening the quality of life in the socially weak group.

(Graph 1) The rate of non-regular(Daily, Temporary) workers (unit: %)



source: Song (2000)

2) Protection for the Weak Group : Female-Primary Provider, Youth and Non-Regular Workers.

1. The Korean government has strengthened support to the weak group dealing

- with work conditions and secure living.
- From Oct. of 1998, employment insurance has expanded its coverage to less than 5 establishments and the unemployment benefits receiving period has increased by 60 days resulting in receiving dates in the range of 90 - 240 days.

(Table 4) Expansion of the Coverage of EIS (unit: 10 thousand persons)

	'95.7	'98.1	'98.3	'98.10	'99	2000
Establishments	30 more	10 more	5 more	all	all	All
Covered persons(A)	431	567	611	850	860	870
Number of joined(B)	430	430	469	490	600	646
B/A(%)	99.8	75.8	76.8	57.6	69.8	74.2

Sources : Ministry of Labor(2000a)

- The number of poor people who are covered by the National Assistance Act has been expanded from 310,000 in 1998 to 570,000 in 1999.
- The Korean government has established a data base for the poor group and strengthened the support of job training, job searches and so forth for them. The loan schemes for the poor and unemployed have also begun in April of 1998, dealing with living costs, educational fees, and small business starter.
- The National Basic Livelihood Security Act (NBLSA) was enacted in Aug. of 1999 and enforced from October 1,2000. This system will contribute to the protection of low income group living institutionally.
- The Korean government announced a guide principle on the application of labor standards dealing with short term contract workers in Jan. of 2000. Coverage of the major 4 social insurance(Employment Insurance, Medical Insurance, Work Accident Insurance and the Pension Scheme) has been applied to daily or temporary workers and the coverage of Work Accident Insurance has been expanded to less than 5 establishments from July of 2000.
- To promote women's job opportunities, the "Female Job Quota System" and the "Fair Employment between Women and Men System" has been introduced. Also, to support primary providing women, special training systems for employment or starting a business are being introduced.
- The intern system, public works, and training for youth have been introduced and strengthened to promote youth employment. Around 45% of youth interns were hired at their work place as regular workers.(Jeong, 2000)

(Table 5) Youth Unemployment

(unit : %)

	Korea	U.S.A.	UK	France	Germany	OECD average	
Unemployment rate(total)	6.8	4.5	6.3	11.7	9.4	7.0	
Youth	11.7	10.4	12.3	25.4	9.4	12.8	
Youth/total	172.1	231.1	195.2	217.1	100.0	182.9	
Education	Less middle	5.7	10.9	10.9	14.8	14.2	11.1
	Less high	8.2	5.1	7.1	9.7	8.9	6.5
	Less tech college	5.7	2.4	3.5	6.7	5.2	4.0
Higher tech college/total	83.8	53.3	55.6	57.3	55.3	57.1	

note: the rate for Korea is the average of Jan. - September, 1999, and the rate of youth for other countries are in 1998. The rate by education for other countries are in 1996.

source: Korean National Statistics Office, *Economically Active Labor Force Survey*; OECD, *Employment Outlook*, 1999.

9. Even though the Korean youth unemployment rate shows similar percentages as OECD countries in Table 5, there are more levels and therefore the youth exit rate into the non labor force is also high in Korea.
10. To promote the youth employment rate, more fundamental and institutional approaches to the “school to work” transition would be required, especially job training in high school, and school to work cooperation networks. Also, a hiring system would be reviewed and changed to meet the industrial and employment structural change.
11. Non-standard employment needs more opportunity and job security for social insurance. Fast growth of the non-standard employment pattern has contributed to more flexibility in the Korean labor market but has resulted in widening the income disparity between groups and worsening employment security to the weak group.

3) Expansion of Active Labor Market Policies

1. Strengthening executions for job matches in public and in private sectors has been carried out during the financial crisis. The Work-Net has been introduced and expanded nation-wide to have better job information for workers and businesses.
2. The Daily Worker Employment Center was established nation-wide to improve job opportunities for the “Daily Workers” and to have better consultation and job training systems for them.

3. Training for the unemployed, youth, and poor groups has been strengthened by introduction of the industry demand based training system, training benefits which cover 50% of the minimum wage, the incentive system toward better qualified training institutions, and the training voucher system.
4. Some unfairness and ineffectiveness appeared dealing with public support for private training, such as training cost calculations according to the number of trainees. The job acquisition rate also should be reformed in order to be more competitive and stimulating.
5. Occupations in public job training institutions should be changed to more advanced technological industries from the declining labor intensive industry that now exist.

Table 6. Training for the unemployed in Korea

	1998		1999	
	Persons	%	Persons	%
<i>Total</i>	331	100.0	331	100.0
<i>Re-employment training</i>				
Sub-total	301	90.9	280	84.6
Re-employment training for the unemployed	170	51.4	200	60.4
Employment promotion training	106	32.0	55	16.6
Training for high school graduates and the newly unemployed	11	3.3	7	2.1
Training for over junior college graduates in the promising jobs	-	-	10	3.0
Training for starting a business	14	4.2	8	2.4
<i>Manpower development training</i>				
Sub-total	30	9.1	51	15.4
Training for skilled workers	15	4.5	15	4.5
Training in priority jobs	11	3.3	16	4.8
Paid leave training	4	1.2	20	6.0

Note: See Kang, Soon-Hie, Jaeho Keum, Dong-Heon Kim(1999) about training category in details.
Source: the Ministry of Labor

4) Mid and Long Term Unemployment Policies

1. Mid and long term unemployment policies are need to replace temporary

programs. The unemployment rate decreased to the level of 4% (970,000 unemployed) in the beginning of 2000 from the peak value of 8.6% (1.78 million unemployed) in February of 1999.

2. Starting in March of 2000, the unemployment rate has decreased steadily to 3.7% in May of 2000, due to current economic recovery.
3. Annual comparisons of budgets for unemployment counter-measures since the year 1988, is as follows: The Korean government established the first comprehensive unemployment counter measures in March of 1988 in the wake of the economic crisis at the end of 1997. It continued to formulate “the Comprehensive Unemployment Counter-Measures” in 1999.
4. The Korean government set aside a total of 9.24 trillion Won as the budget for unemployment counter-measures in 1999.
5. In 2000, the Korean government reduced the budget for unemployment counter-measures by 35.9% compared to the 1999 budget due to expected economic recovery. The reduction was made mainly in short term jobs such as public works (Tale 8). But, the Korean government wants to place or maintain more focus on job training and job searches for youth, female primary providers, and the poor group. Support for livelihood stabilization for the unemployed would be continued even if the unemployment rate has sharply decreased.
6. The Korean government has made efforts to expand the “Employment Insurance System”(EIS) and to establish more solidly the “National Basic Livelihood Security System”(NBLSS).

(Table 8) Unemployment Budget (Unit : 100 million won)

	Budget		
	1998	1999	2000
Total amount (% change)	42,807	92,400 (86.3)	59,220 (35.9)
·Provision of short-term jobs	10,444	25,218	11,000
·Vocational training and job placement services	9,011	6,868	4,305
·Employment stabilization support	1,224	4,832	3,663
·Support for Livelihood stabilization for the unemployed	22,128	55,482	40,252
Unemployment rate(E%)	6.8	6.3	4.5(estimate)

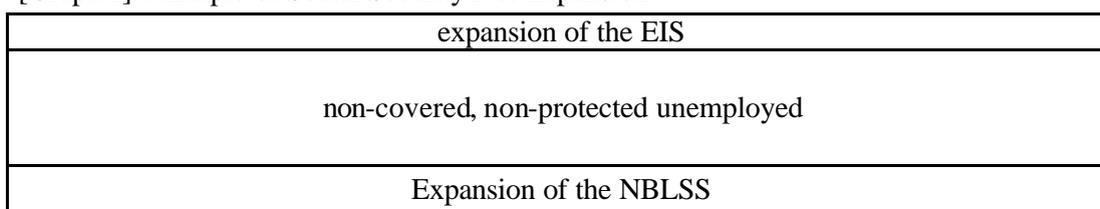
7. Expansion of the EIS, establishment of the nation wide Work-Net, and the Profiling System for the unemployed will be of greater focus in order to become the skeleton of long term unemployment counter measures.

D. Social Security Net Issues

1) Social Security Net Expansion and Cost Minimization

1. The EIS and the livelihood protection programs are implemented as primary safety nets, while public works, vocational training, loans to jobless people, school expenses and lunch support for children of the unemployed are offered as supplementary safety nets.
2. Korea lags behind other advanced OECD countries in terms of types of social safety net programs, scope of application, level of benefits, and lack of connection between social safety net programs.
3. Expansion of the EIS and the NBLSS would take on the most important roles for the future Korean social safety net, especially for the unemployed and people in low income brackets.

[Graph 2] Principle of Social Security Net Expansion



4. The EIS will be expanded so that it can cope flexibly with recent employment status change such as the increase in daily workers and long-term unemployment problems.
5. The NBLSS has been designed to guarantee minimum living conditions, and medical and school expenses for people in low income brackets by the government, while assisting those in the program to escape from poverty and unemployment.
6. By establishing the link between each social safety net program, a continuous service will be provided for a certain period of time until jobless people get re-

- employed.
7. Since the level of the social safety net for people in low income brackets is low compared to that of advanced OECD countries, it will be continuously expanded.
 8. To prevent welfare recipients from falling into welfare traps which has been experienced by some advanced countries, the government will establish the safety net so that welfare receipt is linked to corresponding work requirements for people capable of work (called the future oriented productive welfare system).

Chapter III. Conclusion and Policy Implications

1. The ELSAC (Employment, Labor and Social Affairs Committee) found the Korean labor law reform to be highly improved at the 96th meeting in April of 2000.
2. The ELSAC reviewed the monitored results on Korean labor issues and decided that the special monitoring on labor reform should be stopped and that monitoring would be included in the issues of the labor market and social security net. These issues would be reviewed approximately 18 – 24 months later. (footnote 10)
3. The Korean government and society have enacted a better labor environment for themselves to escape from financial crisis and to fulfill the OECD recommendations on Korean labor issues.
4. We will have some policy implications in future reviewing Korean compliance and evaluations toward the OECD recommendations.
5. First, Korea needs more advanced systems in labor law, relations and labor market sectors to be adaptive to the global economy and to be an advanced society.
6. Second, the influence of the Tripartite Commission is essential for Korea to instill harmonious actions between employers and trade unions. This would provide socially agreeable structural change.
7. Continuous investments in job search systems in public as well as in private sectors would be carried out and job training systems would need to be adaptive to industrial demands and to be changed more effectively.

8. The Social Security Net should expand toward a future oriented productive welfare system which meets the needs of the Korean model of development based on comparative country studies.

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