

Active Labor Market Policies in China and the Republic of Korea

-----A Comparison and Proposals for China's Future Reforms

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List of Acronyms

ACFTU: All-China Federation of Trade Unions

ALMP: Active Labor Market Policy

KLI: Korea Labor Institute

ILO: International Labor Organization

IT: Information Technology

LSSD: Labor and Social Security Department

MOL: Ministry of Labor

MOLSS: Ministry of Labor and Social Security

SOE: State-owned Enterprises

SOU: State-owned units

COU: Collective-owned units

SC: Shareholding Companies

FFE: Foreign-funded enterprises

PE: Private Enterprises

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Active Labor Market Policies in China and the Republic of Korea

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Active labor market policies (ALMPs) are vital to employment promotion, productivity enhancement and people's welfare. According to the ILO¹, active labor market policies (ALMPs) are those policies from the toolkits of policy makers that combine transfer payments with either work or training activities. They comprise an array of measures from job search assistance, training and education for the unemployed to subsidies for taking up jobs and job-creation activities. ALMPs are closely interrelated with "passive" labor market policies, as there is today an effort to "activate" the latter in order to enhance the integration of the unemployed and underemployed the labor market. Active policies are found in almost all countries of the world but differ in amplitude, design, and implementation. ALMPs can affect labor demand, labor supply, and the functioning of the labor market in matching the two. However, their effectiveness for affecting supply and demand of labor and integrating people in the labor market varies considerably across countries of measures. It is valuable to compare ALMPs in different countries in order to find the effective policies.

In this world of globalization, learning from each other is more important than ever before. In the history of about 3000 years, China and Korea have the tradition of friendship and exchange. There are many reasons for me to choose this subject:

¹ Peter Auer, Ümit Efendiog˘ lu and Janine Leschke, Active labour market policies around the world, 2005

First, China and the Republic of Korea have similar culture backgrounds. Since Korea is nearby to China, the development of Korea's language, character, morality and structure are similar to China's. That is the reason Korean and Chinese cultures are mutually acceptable and attractive, which are dominated by Confucian ideas. Since culture is influencing the ideas of every person, it has profound impact on employment and labor market decisions.

Second, the historical backgrounds of development are similar. Both China and Korea have encountered invasions from imperialist countries. At certain period of history, both had been colonized or semi-colonized, and won national independence at the same year. Besides, China and Korea rose economically from very poor rural economies. In both countries' development process, industrialization coincided with huge labor migration from rural to urban areas.

Third, both have experienced high economic growth in the last 30 years. Since 1978, China has witnessed an average annual growth rate of 9.67%, while Korea had a handsome 8.5% from 1963 to 1996. Although during the last 10 years, Korea's annual average growth rate is not as high as that in the previous decades, it is still well above the world average.

Forth, both Korea and China have been experiencing government intervention of economic lives, although both are market-oriented economies, the economic models in Korea and China are well controlled by the governments, and both have certain degree of characteristics of public economy and development planning.

Fifth, in terms of corporate governance, both Korean firms and Chinese firms have strong internal labor markets, and employees are loyal to employers. Redundancy reduction in enterprises is rare and employment is quite stable unless the economic situation is very serious. Korea and China have developed similar institutions in

the labor market. A dismissal without a just cause is strictly banned by the provisions and rules of EPL (Employment Protection Legislation). The HRM practices such as worker-based (not job-based) management system and seniority-based wages look similar in appearance between Korean firms and Chinese firms.

Seventh, bipolarization in the labor market is currently the one of the distinctive issues in both China and Korea, although evidences of polarization in the Chinese and Korean labor markets are different. For example, the bipolarization in Korea is observed in the various dimensions such as large and small company, regular and non-regular work, union and nonunion sectors. The Chinese bipolarization is seen in the aspects such as rural and urban areas, migrant workers and local workers, standard and non-standard employees.

Maybe these similarities could make the comparison between their ALMPs more worthwhile since Korea's experiences can be a mirror to China's future policies.

This report is divided into three parts. First part is the discussion of the labor market contexts in China and Korea, the second part is a comparison between the ALMPs of Korea and China, and the third is the suggestions for China's ALMPs in the future.

1. Labor Market Contexts in China and the Republic of Korea

1.1. China's Recent Labor Market

1.1.1. General Situation of the Chinese Labor Market

With 1307.56 million people², China is the most populous country in the world. The population over the age of 16 was 1025.34 million, of which the economically active population was 778.77 million and the workforce participation rate was 76.2 percent. China's population is rapidly ageing, and the population over 65 years old is now more than 100 million. In 2005, the total urban and rural employed population reached 758.25 million, of which the urban employed population was 273.31 million, accounting for 36%, and the rural employed population was 484.94 million, accounting for 64%. From 1990 to 2005, the employed population increased by 110.76 million, an average increase of 7.38 million per annum.

From 1996 to 2005, the employment in the three industries changed gradually, with the increase of employment in the tertiary industries as the main feature. (See Table 1 below) Rural underemployment and hidden unemployment are undoubtedly widespread since average household farm unit is too small to give productive full-time employment to all individuals reported to work there. Evidently, the numbers concerned by hidden unemployment will depend on what productivity level is regarded as acceptable. If the average GDP contribution per worker in nonagricultural jobs is used as a benchmark, rural hidden unemployment can be estimated to represent a shortfall of over 200 million jobs.

**Table 1 The Number of Employed Persons in Primary, Secondary
and Tertiary Industry**

From 1994 to 2005

Unit: 10,000 Persons

² Figure at end 2005, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Province. In the following context, the figures are all at the end of 2005, except otherwise dated.

Year	Urban employees	Rural employees	Proportion in primary industry	Proportion in secondary industry	Proportion in tertiary industry
1994	18413.0	48786.0	54.3%	22.7%	23.0%
1995	19093.0	48854.0	52.2%	23.0%	24.8%
1996	17262.0	51588.0	50.5%	23.5%	26.0%
1997	20781.0	49039.0	49.9%	23.7%	26.4%
1998	21616.0	49021.0	49.8%	23.5%	26.7%
1999	22412.0	48982.0	50.1%	23.0%	26.9%
2000	23151.0	48934.0	50.0%	22.5%	27.5%
2001	23940.0	49085.0	50.0%	22.3%	27.7%
2002	24780.0	48960.0	50.0%	21.4%	28.6%
2003	25639.0	48793.0	49.1%	21.6%	29.3%
2004	26476.0	48724.0	46.9%	22.5%	30.6%
2005	27331.0	48494.0	44.8%	23.8%	31.4%

Source of data: Labor and Social Security Statistical Yearbook of China, 2000—2006

Table 2 1990-2005 Employment-Population Ratio

Year	Total Population	Population Above 16	Employed Population	Employment-Population Ratio
1990	114333	82662	64749	78.3
1995	121121	88903	68065	76.6
2000	126743	97719	72085	73.8
2003	129227	100668	74432	73.9
2004	129988	102041	75200	73.7
2005	130756	102534	75825	73.9

Source: ILS, based on data in the China Statistics Brief (2006)

1.1.2. The Employee Redundancy with the Reforms in Urban Labor Market

With the market-based employment policies, China has made lots of employees in SOEs redundant in order to enhance its competitiveness or because of bankruptcy.

Early in 1997, the government carried out reemployment project, which focused on the reform of the state-owned enterprises. Up to the end of 2005, the number of employees in SOEs has decreased from 71.31 million to less than 30 million.

Table 3 Laid-off and Reemployment unit:10,000 Persons

Year	Laid-offs	Number in Reemployment Centers	Reemployed
1998	6.10	6.04	6.10
1999	6.53	6.23	4.91
2000	6.57	6.14	3.61
2001	5.15	4.64	2.27
2002	4.10	3.39	1.20
2003	2.60	1.94	0.85
2004	1.53	0.92	0.51
2005	0.61		

Note: From 2005, there were no laid-off workers in reemployment centers since the integration of laid-offs into the unemployment system.

Source: MOLSS, 2006

From 2005, the reemployment centers have completed their mission as a temporary arrangement for the redundant workers in SOEs. The massive laid-off from SOEs have ceased since 2005 due to the completion of major SOE reforms. However, in 2005 there are still some 61,000 laid-off workers.

1.1.3. Migrant Workers Increased Steadily

China's labor migration has been concurrent with urbanization. Urbanization has speeded up in today's China. The urban population is estimated to account for 43% of China's total population. New industries booming in cities have attracted rural young laborers who are flooding in.

"Migrant workers" are rural migrants without urban residence permits who engage in non-agricultural activities in cities. According to the survey by the MOLSS in 2006, migrant workers now number 120 million, with 100 million in urban areas, and 60 million are crossing provincial borders. Those migrant workers are quite young, most of them are under 35 years old. Migrant workers play an important role in China's industries. In the secondary industry, migrant workers account for 58% of the total workers, 68% in the manufacturing sector. In the wholesale, retail and catering and restaurant sectors of the tertiary industry, migrant workers account for 52%.

The main feature of China's migrant workers is the high mobility, not only mobile frequently between urban and rural areas, but also among work units and different small towns. The number of migrant workers increased annually since the adoption of the reform and opening up policy. Experts believe that this trend will continue until the 2020s. The annual increment could be about 5 million in the near future (He Ping, 2006).

1.1.4. Labor Forces are Increasing and Unemployment Pressure is Daunting

Since China is the most populous country, its labor force is also the largest. Furthermore, this labor force has been increasing and unemployment rate is increasing.

According to forecasts, the labor force will reach its peak---about 1 billion--- in 2015. So China's unemployment pressure will be even more daunting from now till 2015 since the employment generation effects of economic development is very limited.

In China, the official figure for urban unemployment includes only registered unemployment. These figures were rather low and seem to have significantly understated the actual level of unemployment, because they exclude jobless workers laid-off from state-owned enterprises (SOEs) and collectively owned enterprises as well as, unemployed rural migrant workers. However, the official urban registered unemployment is increasing, above 4% in recent years. In addition, ongoing developmental disparities between urban and rural areas generate an uninterrupted supply of rural migrants, who constitute the reserve army of labor for both the state and non-state sectors in urban areas. Thus the actual unemployment rate is much higher according to various sources and experts.

Urban unemployment is compounded by both the size of labor force and the deficiency of job opportunities. Due to the maturation of the baby boom generation

(born in the 1960s), many young people compete in the job market against tens of millions of redundant SOEs workers and surplus rural laborers. While a high level of employment was sustained in the past by the state's policy of keeping surplus workers in both SOEs and agricultural collectives, this policy was abandoned in the move toward a market economy. At the same time China's economy is undergoing large-scale structural adjustments, and this reduces the capacity of the agricultural and manufacturing sectors to absorb laborers. Facing unprecedented competition, state enterprises increasingly tend to adopt capital-intensive technologies. This has further limited their potentials to generate jobs. The urban unemployed rate through unemployed registration was 4.1% at the end of 2006, a drop of 0.1 percentage point over that of 2005. In 2007, the Chinese government plans to find employment or reemployment for 9 million people. And reemployed for 5 million laid-off people, of whom the number of those who have difficulties in finding a new job is 1 million. The registered unemployment rate in the urban areas is planned to be controlled at around 4.6%.

**Table 4 Registered Urban Unemployment Rates and
Estimated Actual Unemployment Rate (in percentage)**

	Registered rate	Estimated actual rate
1990	2.5	
1991	2.3	
1992	2.3	
1993	2.6	
1994	2.8	
1995	2.9	

1996	3.0	
1997	3.1	
1998	3.1	
1999	3.1	5.9
2000	3.1	7.6
2001	3.6	5.6
2002	4.0	6.1
2003	4.3	
2004	4.2	
2005	4.2	
2006	4.1	

Notes: From 1999 to 2002, the estimated unemployment rates are from Mr. Cai Fang's calculation in 2004.

Source: China Statistical Yearbooks 2003, 2004, 2005, 2006, and Ministry of Labor and Social Security, PRC, 2007

Although China do not release youth unemployment rate officially, many evidences show the severe situation of youth unemployment. For example, a survey conducted jointly by the MOLSS and China Youth Federation in 2005 found that 9% of youth were unemployed, much high than the average unemployment rate. The unemployment rate of youth who joined the labor before 22 years old was as high as 15%. Besides, about 72% of unemployed youth were long-term unemployed.

1.1.5. Composition of employment in urban units

a. Non-public and informal sectors absorbed the main new employment

New forms of employment mushroomed, such as jobs in foreign-invested firms and economic entities of diverse forms, part-time jobs, temporary jobs, seasonal jobs, work on an hourly basis and jobs with flexible working hours, and became important avenues for the expansion of employment. From 1997, the employment in state-owned units and urban collective-owned units decreased rapidly.

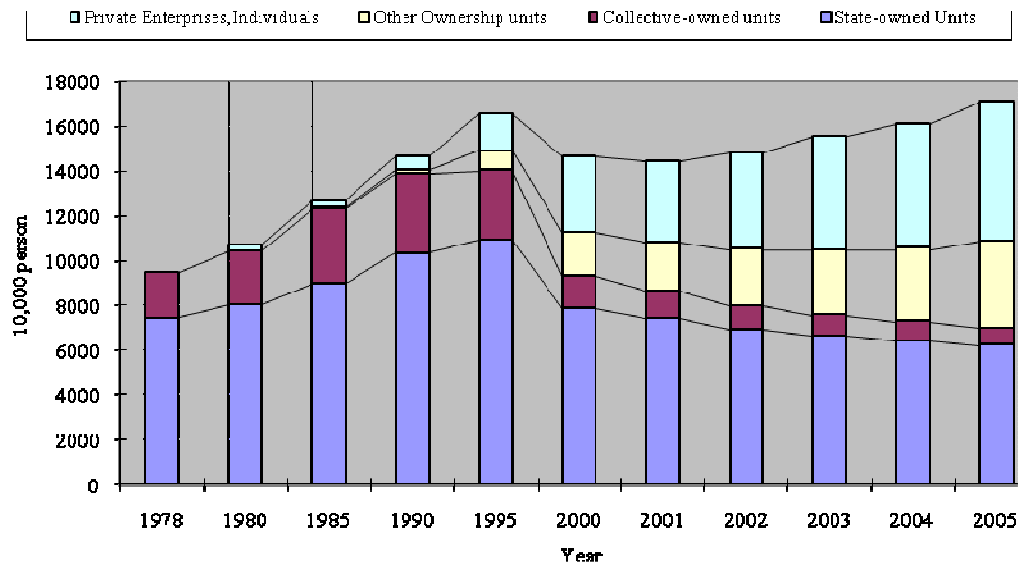
Table 5 Employment Generation in Different Types of Work Units unit: million

Year	Subtotal	SOU	COU	SC	FFE	PE	IE	Others
1997	8.59	-2.0	-1.33	0.99	0.41	1.30	2.1	7.12
1998	8.35	-19.80	-9.2	5.67	0.06	2.23	3.4	26.05
1999	7.96	-4.86	-2.51	1.35	0.25	0.8	1.55	11.39
2000	7.36	-4.7	-2.13	1.28	0.30	2.15	-2.78	13.25
2001	7.89	-4.62	-2.08	1.81	0.29	2.59	-0.05	9.97
2002	8.40	-4.77	-1.69	3.05	0.87	4.72	1.38	4.84
2003	8.59	-2.87	-1.22	2.43	1.04	5.46	1.08	2.65
2004	9.70	-1.66	-1.03	2.27	1.69	4.49	1.44	5.62
2005	8.64	-2.21	-0.87	3.85	2.12	4.64	2.57	2.02

Note: SOU: State-owned units; COU: Collective-owned units; SC: Shareholding Companies; FFE: Foreign-funded enterprises; PE: Private Enterprises; IE: Self-employed enterprises.

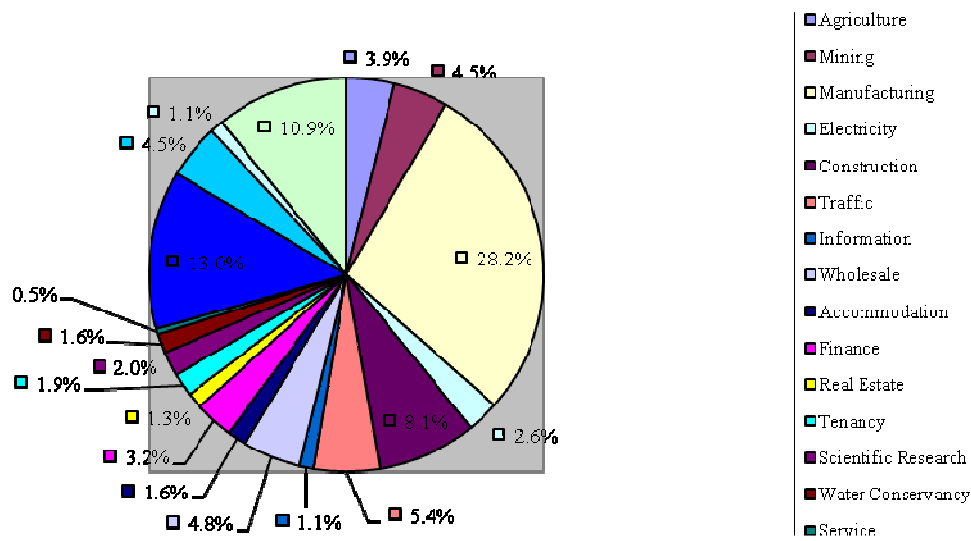
Source: China Statistical Year Books 2001, 2002, 2003, 2004, 2005, 2006

Figure 1 Composition of Urban Employment by Ownership



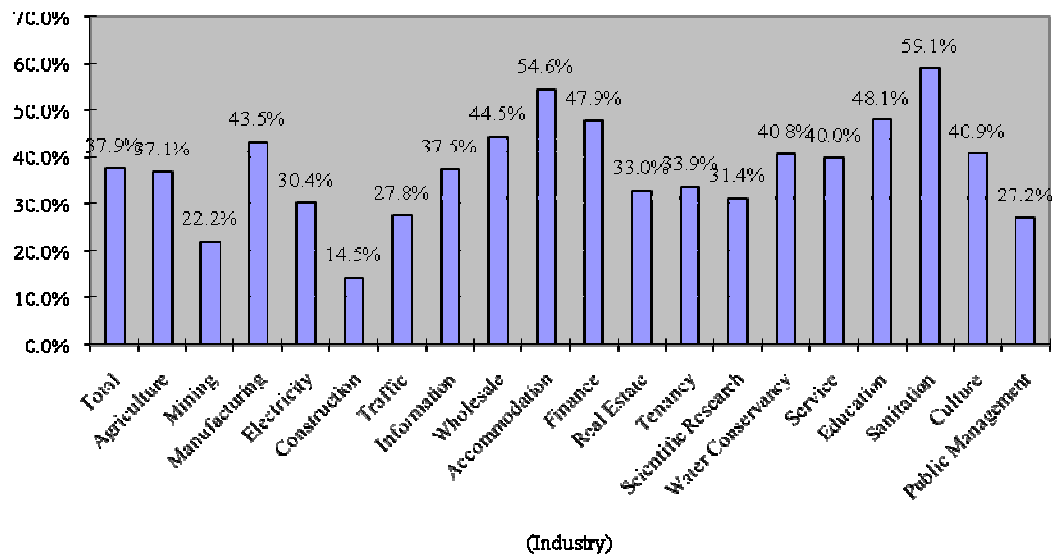
b. China still has a large proportion of manufacturing industries and workers in this industries account for 28.2%, followed by in formation industry, which is booming in recent years.

Figure 2 Composition of Employment by Industries in Urban Units (2005)



In China, women still concentrate on some industries, such as sanitation and accommodation.

Figure 3 Proportion of Female Employment in Urban Units by Industries (2005)



1.1.6. Geographic Areas

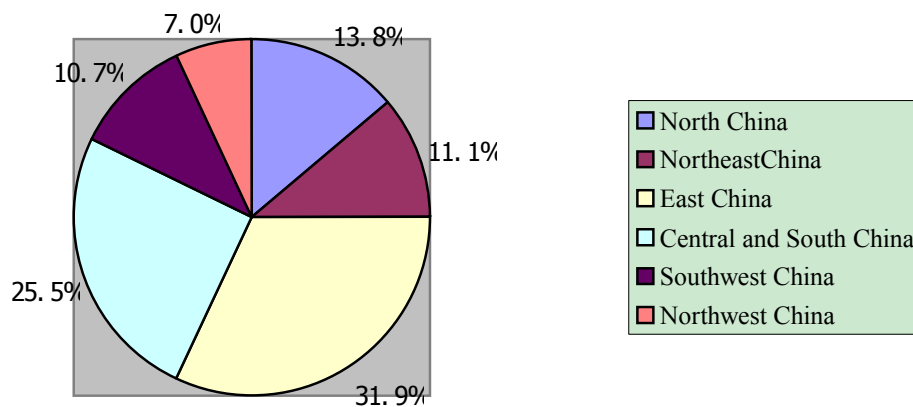
China's employment density in different areas is quite huge. Generally speaking, the eastern regions have high employment density, and the western regions are sparsely populated and have the low employment density.

Table 6 Urban Employment Composition at the Year-end by Region (2005)

Region	North China	Northeast China	East China	Central and South China	Southwest China	Northwest China
Number (10,000 persons)	2437	1956	5630	4498	1880	1239

Source: China Labor Statistics Yearbook 2006

Figure 4 Urban Employment Composition at the Year-end by Region (2005)



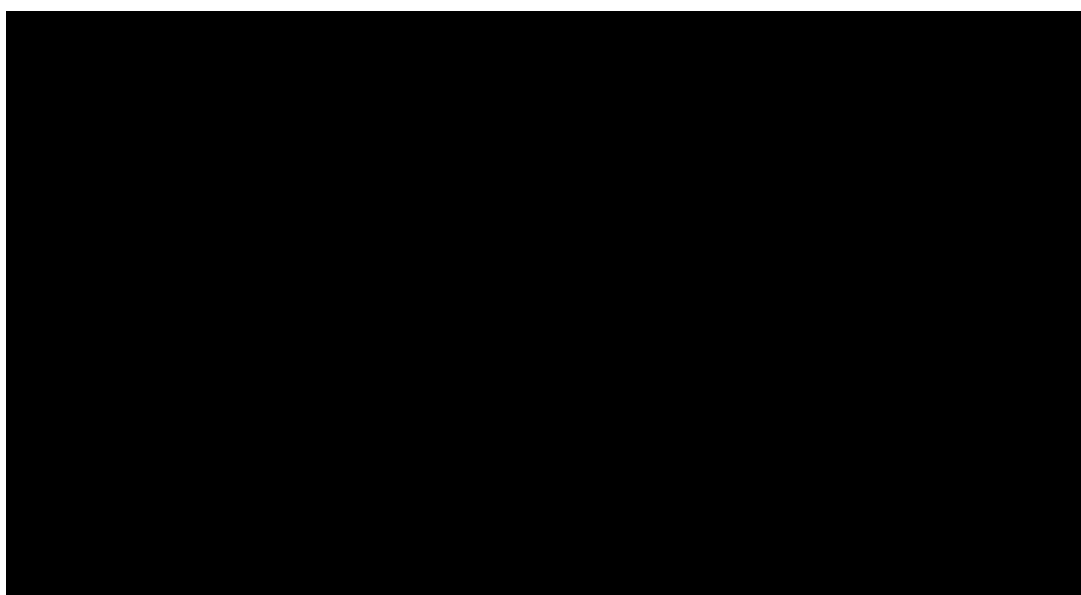
Source: China Labor Statistics Yearbook 2006

Table 7 Rural Employment Composition at the Year-end by Region (2005)

Region	North China	Northeast China	East China	Central and South China	Southwest China	Northwest China
Number (10,000 persons)	4895	2748	14878	15282	9262	3323

Source: China Labor Statistics Yearbook, 2006

Figure 5 Rural Employment Composition at the Year-end by Region (2005)



Source: China Labor Statistics Year book 2006

1. 1.7.Current Gender Situation on the Labor Market in China; Identification and Analysis of Gender Imbalances

The Chinese government puts gender equality high on the agenda and is serious about implementing relevant international conventions. China has ratified two ILO fundamental conventions on gender equality---- Convention No. 100 on equal remuneration and convention No.111 on discrimination. China has been implementing the "Beijing Declaration" and the "Platform for Action" adopted by the Fourth World Conference on Women in 1995; in February 2004, China submitted The Fifth and Sixth Regular Reports on the Implementation of the UN "Convention on the Elimination of All Forms of Discrimination Against Women;" and in March 2005, it submitted the Report on the Implementation of the People's Republic of China of the "Beijing Platform for Action" (1995) and the Document of Results of the 23rd UN General Assembly Special Session (2000). In May 2001 the State Council issued a Program on Women's Development in China (2001-2010) to ensure economic equality, eliminate sex discrimination, improve social security, provide labor protection and alleviate women's poverty. Article 12 of the Labor Law of the People's Republic of China states that "laborers shall not be discriminated against in employment, regardless of their ethnic community, race, sex, or religious belief." The Employment Promotion Law also has a clause which is against employment discrimination.

The state has made the guarantee of equal employment opportunities between women and men and the sharing of economic resources and results of social development the top priority for the advancement of gender equality and the development of women, and has worked out and adopted a series of policies and measures to ensure that women can equally participate in the economic development, enjoy equal access to economic resources and effective services,

enhance their self-development ability and improve their social and economic status.

The Chinese government has formulated and carried out supportive policies to encourage women to start businesses on their own initiative, and give them preferential treatment when granting employment training subsidies and small-sum guaranteed loans and conducting tax reduction and exemption. In the meantime, governments at all levels have adopted many favorable policies toward women, such as creating public-welfare jobs, opening employment service centers, sponsoring special recruitment activities and vocational training courses, monitoring sex discrimination against women in employment and help women, especially laid-off women, to find new jobs. With the support of the government, women's federations at various levels, trade unions and other NGOs have conducted their work regarding the employment and re-employment of women in a creative way. During the period from 1998 to 2003, women's federations nationwide endeavored to get small-sum credit loans to directly aid a total of 2.5 million women to get re-employed. Over the past decade, the number and ratio of women employed have remained fairly high.

Over the past few years, the tertiary industry has become the main channel for providing jobs to women, and an increasing number of women are entering the computer, communications, finance and insurance and other high- and new-tech industries, thus becoming an important force in these fields. At present, women owners of small and medium-sized enterprises account for about 20 percent of the national total number of entrepreneurs, and 60 percent of them have emerged in the past decade. State organs, enterprises and public institutions have long pursued the principle of equality between men and women in terms of recruitment, training of

professionals and technicians, as well as promotion in ranks and granting of professional titles to encourage women to display their abilities and come to the fore.

Over the past few years, the Chinese government has gradually reduced or eliminated the restrictive regulations on the employment of rural people in cities, and made great efforts to solve the problems of salaries in arrears, vocational safety, equal pay for equal work and social security for them so as to relieve rural migrant workers of anxieties regarding residence registration in cities and the schooling of their children, and actively protects the legitimate rights and interests of rural women working in cities. At the same time, the state also encourages and supports the building of training schools and legal assistance centers, and the publication of typical cases of infringement as a means to raise awareness of their rights among migrant women workers and enhance their ability to safeguard their rights in accordance with the law.

1.2. Korea Labor Market Context

1.2.1. General Situation of Labor Market in Korea

With 49,044,790 population (July 2007), Korea is relatively small compared with China's. However, Korea ranked 13th in terms of GDP in 2006. The number of labor forces was at 24,489,000 in the second quarter of 2007. The labor force participation rate stood at 62.6% in the second quarter of 2007, an increase of 0.1 percentage point from a year ago. The employment rate was at 60.6% in the second quarter of 2007, an increase of 0.2 percentage points from the same quarter in 2006. By gender, employment rate for men remained unchanged at 71.9% from a year ago, while the rate for women rose by 0.2 percentage points to 49.8%. Total

employment is 23,698,000 in the second quarter of 2007. In 2006 the ROK has 23,978,000 economically active persons (economic participation rate of 61.9%). Korea has a relatively high rate of male economic participation rate of 74.1%, while women economic participation rate is among the lowest in OECD countries (50.3%). There were 15,551,000 waged workers and 7,600,000 non-waged workers. The Korean labor market is highly dualistic, being divided into regular and non-regular workers. The labor market for regular workers is characterized by lifetime employment, low risk of layoffs, good social security, trade-union representation (at least in larger manufacturing companies), and minimal intercompany mobility. Although there are some elements of performance-based pay, the Korean wage system for regular workers continues to be dominated by seniority-based model, therefore employment security is widespread among regular employees. The market for irregular workers can be described as a competitive market which has almost no rules imposing restrictions on hiring and firing. Wages are based on market conditions, irregular workers have little union representation, some of them are not integrated into the social security system, and temporary, daily or temporary agency workers are taken on for a limited period. Also, irregular workers earn around 20% less than regular workers, if job tenure, job type and working hours are taken into account.

Employment stability began to decrease following the 1997 financial crisis, due to the promotion of labor market flexibility policies, changes in corporate human resource management strategy and the decline of trade union density (Kim, 2003). In practice, many irregular workers work permanently in a company, but under different conditions from regular workers. If only workers who in practice have a fixed-term employment relationship are counted as irregular workers, the rate is at about 25% (OECD, 2004). As well as being divided into regular and irregular

workers, the labor market is also divided according to company size and sex. In companies with 5-9 permanent employees, monthly wages are just over 50% of those in companies with more than 500 employees, and bonus payments are much lower. Further, there is little opportunity for workers in small companies to move to larger ones. The division in the labor market, the lack of mobility prospects for irregular workers and workers in SMEs, and the seniority-based wage system all mean that there is almost no incentive for many workers to invest in their own human capital. In the past few decades there has been a marked improvement in the skills structure of the Korean labor forces. One tool with which this improved quality can be determined is measurement of the stock of human capital. The stock of capital can be measured on the basis of years of school attendance, educational attainment, literacy rates, or the income-based approach. If it is measured on the basis of earnings achieved, for which figures for Korea are available, we find that 23% of the increase in aggregate labor input between 1963 and 2000 is due to improvement in the quality of human capital. Here, the percentage of quality improvement in relation to increase in labor input rose from 10% between 1963 and 1970 to 38% between 1991 and 2000, indicating the transition of the Korean economy to a knowledge-based economy.

Among the waged workers, 52.7% or 8,204,000 are regular workers, and others are non-regular, including 5,143,000 temporary and 2,204,000 daily workers.

In terms of employment by industries, in 2006 the share in primary industry was 7.7% (1,785,000), 18.1% (4,185,000) in the second industry, and 74.2% (17,181,000) in the tertiary industry. The economic restructuring in Korea was quite rapid. In 1963, the ratio of employment in primary was 63.2%, which means Korea was mainly an agrarian country at that time. With this rapid industrialization,

large number of rural people migrated to urban areas, and gave huge pressure to urban employment. The government promulgated many laws and regulations in this process to tackle the employment challenges.

Before the Asian financial crisis, Korea had been enjoying high economic growth with low unemployment rate. With the coming of the 1997 Asian financial crisis, the most devastating thing in the labor market was obviously the unemployment and job insecurity, together with cutting down wages and downsizing production scale. One million jobs were lost during the first half of 1998, and the unemployment reached 8% at summer 1998, while one year ago the unemployment rate was just 2.6%. Besides, the real wage decreased more than 9% during 1998. Employment security was in danger since those who had been sacked floated in the daily and temporary job markets in devastating search for good employment opportunities, enlarging the scale of the urban poor (World Bank 1999).

Korea's employment recovered from the devastating financial crisis very quickly. In 2001 and 2002, the unemployment rate fell to 3.8% and 3.1% respectively. However, after 2002, the unemployment rates rebounded a little bit annually until 2006. As the labor market programs are mostly targeted at regular workers of conglomerates, they are actually playing a role in reinforcing the duality and polarization in the labor market. As of 2005, the percentages of workers covered by social insurances including employment insurance, health insurance, national pension and corporate benefits including severance pay, bonus and paid leaves are about 80% for regular workers of conglomerates and around 20% for regular workers in SMEs. In terms of wage workers' participation in vocational training, 15% of regular workers and 2.3% of irregular workers received training.

Table 8 Changes in numbers of unemployed and the unemployment rate Unit 1000

year	2000	2001	2002	2003	2004	2005	2006
unemployed	827	899	752	818	860	887	827
Unemployment rate (%)	3.5	4.0	3.3	3.6	3.7	3.7	3.5

Source: Ministry of Labor, Korea, 2007

Job creation is top on the policy agenda of most countries, including Korea. However, jobless growth is widespread in the world. Cases that explain such phenomenon include the disparity of profit and wage between high-technological industries such as IT and labor-intensive manufacturing and also similar gap between the export-oriented companies and companies servicing domestic demand. In fact, since the mid 90s, the Korean export in the high-tech industry has been growing continuously, along with the increasing proportion of export in some of these business sectors. However, the manufacturing sector is challenged by low cost neighboring countries and the employment in this sector is decreasing. Therefore, the globalization process is heavily influencing the labor market in Korea. Within the framework of WTO and other international trade mechanisms, the division of labor in eastern Asia is inevitable. The key for Korean economic success lies in high quality labor, high-tech industries and know-how export. Since the Korean market is relatively small, labor-intensive industries servicing domestic demand are suffering lowered profit margin and decrease of jobs as the market is open to external competition. (JC Chang, 2004) It may not be that threatening issue if the export-oriented high-tech industries can create additional employment and that can be filled with people who lost their jobs. In these circumstances, well-educated labor forces are vital to both economic growth and job creation.

1.2.2. Gender Equality in Labor Market

In Korea, the number of women workers is increasing. Dual-income families, in which both partners work either in full time or part time, now represent more than 60 percent of families in Korea. In 2004, the labor participation rate for women aged 15-64 was 53.9%, increasing from 49.9% in 1990. However, the gap in the labor market is relatively big compared with other OECD countries. According to OECD, in 2004, 11.9% women workers do part-time jobs, while 5.9% of men work part-time (OECD, *Employment Outlook*, 2005). In July 2007, the labor participation rate for women was 51.0%, while at the same time the labor participation rate for men was 74.8%. In recent years, the women labor participation has been increasing since in 2002, 68% of adults over 15 were in the workforce with 49.8% of women reported as taking part. About 78% of women in the workforce are married, and carry the burden of household work in addition to engagement in paid employment. A system of parental leave was institutionalized in 2001 with the parental leave allowance and job protection. However, few working parents take up this leave as workplace culture does not encourage parental leave, or family-friendly measures since Korea is famous for long working hours and employees' loyalty to their employers. In addition, large numbers of women are in casual employment and are therefore unable to access this leave. Furthermore, the allowance offered to parents taking leave is too low to sustain a family. Some commentators link the difficulties faced by young women seeking to raise a family with the low fertility rate in Korea. The participation rate of women in the formal labor market continues to show an M shaped distribution for women in the period between age 25 and 34, the typical child-bearing age. Linked to the unsatisfactory nature of parental leave is the high demand for infant care services that appear inadequate both in environmental and pedagogical quality. In Korea, the child care facilities are mainly run by not-for-profit or for-profit entities even if they legally appear as not-for-profit entities. One of the reasons some married

women withdrawing from labor market to take care of children is the high spending of child care in private facilities.

In contrast, the Korean women in their 20s are almost as equally employed as their male counterparts, and the gender gap in that age group is disappearing. According to a report by the National Statistical Office, the employment rate of women in their 20s steadily increased to 59.7 percent in the second quarter this year, from 54.9 percent in 2000. In contrast, the employment rate of men in their 20s declined to 60.7 percent in the second quarter from 66 percent in 2000. The gender gap in the rate of employment in the age group has narrowed to 1 percentage point in the second quarter from 11.1 percentage points in 2000. If this trend persists, more women in their 20s will be employed than their male counterparts. In July 2007, the labor force participation rate for women aged 15 to 29 is 47.5%, almost the same as their men counterparts (47.7%). The increase in young women's employment rate was due to the fact that more Korean women now focus more on jobs than marriage, and the recent trends for young couples desire to have two incomes partly because of economic pressure.

The labor force participation of women remains determined to a large extent by the level of female education, overall labor market conditions and cultural attitudes. Flexible working-time arrangements and in particular the possibility to work part-time help women to combine market work with traditional family responsibilities. The possibility to find a part-time job can thus be crucial to the labor-force participation of these women, particularly when family responsibilities can not be discharged in another way.

The reasons behind sex difference in labor market are very complicated, but at least there are following causes. First, the Confucian ideas treat men and women differently. As such, gender role division derives its justification from the Confucian philosophy. Confucianism believes that men should dominate the outside and women should take care of the inside, so many people it is reasonable to have occupational segregation in the labor market. Of course, biological differences between men and women are natural. However, some people use these differences as the base for justifying the discrimination, propagating gender role division in terms of rights, responsibilities, limitations and remunerations. Another reason relies on the gender difference in productivity as justification for discriminate women. Women's role in childbirth and child rearing, and lack of motivation for career accomplishment are thought to be main cause for low productivity. Therefore some employers think women are not worth hiring.

1.2.3. The Status of Youth Unemployment

Youth unemployment in Korea is high and has persisted since the financial crisis. Since 2000, the youth unemployment rate in Korea has been averaging around 8%. Despite government emphasized on tackling youth unemployment problem, there has not much improvement.

The educational attainment of the unemployed youth is low, about 60% are high school graduates or below. Compared to college graduates who have a more difficult time finding jobs at graduation and who spend more time searching for jobs than before, the major problem in the high school or below group is that they experience more unstable employment bouncing among the employment,

unemployment, and economically inactive status. The youth unemployment rate in Korea surged up to 12.2% after the Korean financial crisis in 1998 and later decreased to 6.6% in 2002 nearing the 1997 level of 5.7%. However, economic slowdown again pushed it up by 2% point to 7.7% in 2003 and the latest official record in 2006 stands at 7.6%.

Table 9 Trend of Youth Unemployment rate

(Unit: 1000, %)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Youth	655(12.2)	574(10.9)	402(7.6)	388(7.5)	341(6.6)	383(7.7)	391(7.9)	366(7.6)	358(7.9)

Notes: Official government statistics now define unemployment as "four weeks of job searching" instead of "one week of job searching." However, in order to use time series data, this study follows the criteria of "one week of job searching."

Source: National Statistical Office, "Census of Economically Active Population" cited from Insoo Jeong, KLI

The most significant change in Korea's youth labor market is reduced job openings for youths on demand side. Economic growth has slowed down, dropping to around 3-5% in these years from 7% during the 1990s. And the capacity of creating employment is reduced due to the sophistication of industrial structure.

Major changes in terms of labor supply include big increases in the number of college graduates resulting from increased college enrollment rates. The college enrollment rate of high school graduates, which was only 33% in 1990, surged to 81% in 2004. In total, the number of college graduates has almost doubled during the period of 1985-2003, thus creating unemployment challenge for the college graduates. In recent years, the problem of youth unemployment is at almost the same level as before.

1.2.4. Ageing population in Korea

Due to low fertility rate, long life expectancy and other reasons, Korea's population is ageing rapidly. By the middle of this century Korea will have one of the oldest populations among OECD countries, just behind Japan, Italy and Greece. According to OECD, in 2050 more than one-third of the Korean population will be over the age of 65 and around half of all workers will be aged 50 and over. Population ageing will lead to a slowdown in labor force growth and within 20 to 30 years the labor force may even begin to contract. The timing and size of this fall and its impact on economic growth will depend crucially on future trends in the participation rates of older workers. In Korea, owners of enterprises have the tendency to lay off older workers after a certain age, sometimes as low as 50. It is common practice among firms in Korea to set a mandatory age of retirement well below the age of 60, which is the norm recommended under the Aged Employment Promotion Act, therefore aged workers' unemployment is widespread, although many of them could find some other jobs afterwards.

It is vital that appropriate reforms are taken now to improve labor market prospects of older workers. In particular, maintaining work incentives and improving job quality for older workers are important.

2. Active Labor Market Policies in China and the Republic of Korea

As stated in the beginning, ALMPS are defined in opposition to passive labor market policies, and the nature is the transfer payments for participation in training or job creation programs (passive transfer payments for willingness to job search only). The objective of ALMPs is pursuing labor market integration through better employability. Active labor market programs includes all social expenditure (other

than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. To be concrete, there are five main categories of "active labor market programs" (ALMPs) as follows:

- **Public employment services** include the activities of job placement, administering unemployment benefits, and referring jobseekers to available slots on labor market programs.
- **Labor market training** has two categories (1) spending on vocational and remedial training for the unemployed; and (2) training for employed adults for labor market reasons.
- **Employment promotion for the disadvantaged groups** contains youth, old workers, women and the disabled.
- **Subsidized employment** is divided into three categories: (1) hiring subsidies, *i.e.* subsidies paid to private-sector employers to encourage them to hire unemployed workers; (2) assistance to unemployed persons who wish to start their own business; and (3) direct job creation for the unemployed in the public or nonprofit sectors.
- **Public works** have: (1) Infrastructure maintenance, such as small community-based parks and other small infrastructure; (2) Public interest jobs: temporary works in communities or government organizations, such as jobs in museums and tutoring for children of poor families; (3) Maintenance: garbage disposal, national parks maintenance, streets cleaning, and plowing the snow.

In both China and Korea, ALMPs are very new compared with many European countries, which have implemented for many decades. It is difficult to have

through comparison of ALMPs between China and Korea since many fundamental figures are not available. However, some positive effects have been seen from both countries.

As we know, ALMPs were firstly created in Europe. In Korea, there was less pressure for active labor market policies prior to Asian financial crisis, since unemployment was not a serious problem and even labor shortage appeared from 1980s due to two decades of rapid economic growth.

After the 1997 crisis broke out, the Korean government began to design new labor market policies, intending to facilitate the enterprise restructuring and revitalize the sluggish economy. One focus was to increase the flexibility of labor market and employment promotion. Thus many ALMPs were introduced or expanded due to the surge of unemployment and labor market adjustment.

China's ALMPs learned from European countries, with the expertise from ILO and World Bank, in the 1990s since the unemployment process accelerated. Due to the furthering of reform and opening-up policy in mid-1990s, many Chinese State-owned enterprises were bankrupt or downsized. Thus the unemployment rate increased rapidly, although the official urban registered unemployment rate was not so high, the actual rate was about twice the official figure (about 7-8% in late 1990s).

Since both China and Korea have learned their ALMPs from other countries, and the history of ALMPs is relatively short. The expenditures on ALMPs are lower compared with many European counterparts. In 2002, Korea spent 0.27% of its GDP on ALMPs, while China only spent 0.19 % of its GDP on ALMPs in 2005. In recent years, both Korea and China have put ALMPs high on labor market policies agenda, and the expenditures could be expected to increase.

In conclusion, both Korea and China had the challenge of massive unemployment when the ALMPs were introduced or expanded, and the anti-crisis function was noticed distinctively. Until now, the expenditures on ALMPs are relatively low. However, nowadays ALMPs in both Korea and China have become an important employment policy tool for normal period of economic development since the governments have realized the advantages of implementing ALMPs.

2.1. Public Employment Services in Korea and China

The public employment service in China is mainly government intervention on the labor market. In recent years, characterized by high unemployment levels in China, the employment service is highly needed. China employment service is mainly targeted at the socially vulnerable groups, since these groups need the service most.

The employment services are mainly the following: China has 37,450 employment agencies and 123,203 staff members. 2006 witnessed 49,512,099 jobseekers and 47,358,965 registrations in those agencies. In 2006, 24,929,878 jobseekers found employment through these employment agencies. Nowadays, most employment agencies use “one-stop” service to enhance efficiency. This means that most formalities for employment service process are done at one stop. But in China, it is difficult for unemployed people to find a job in one visit to the employment agencies, especially for the long-term unemployed, since their skills are out-dated. Job-matching efficiency is quite low in some public employment service institutions, since the suitable jobs are insufficient and the gap is huge between job seekers’ expectations and the reality.

In general, the tasks of China’s public employment service are to promote employment, enhance skills, protect the laid-off and unemployed, and thus to promote economic development and people’s well-being.

The public employment service can be classified into two types, which are closely related with active labor market policies. The first one is indirect active labor market policy or also called indirect employment creation policies. They include vocational education, training, and employment service activities. The policies offer skills or vocational training for the unemployed to improve their employability and provide various service activities to facilitate job matching. The second one are direct active labor market policies or direct employment creation policies. They cover direct creation of jobs in the public sector and various employment subsidy programs, including public works programs, government subsidies to private employers, and government support for the unemployed to start new businesses.

In China, job-broking functions can be realized through “labor market offices” in different locations. This function was transformed with the introduction of self-service vacancy displays and makes vacancy files and sometimes jobseeker files available on the Internet. Nowadays, most of China’s “labor market offices” have internet access. However, direct interaction between staff and the public is still needed, particularly for those who are disadvantaged in the labor market. But the intranet of labor market information is still inadequate to provide good services, since many local labor market offices have no enough information, and are lack of capable staff and basic statistics.

The financial resources of China’s employment service come from both central government and the local government budget. There are 31,109 employment service agencies, of which 21,515 are public, 96,545 staff members are working

for employment exchange and related service. This mean on average each public staff member has to serve 8069 potential customers. All provinces have information centers which can provide computer and internet services for labor market information.

In June of 2005, all the provinces made a sum-up of implementation situation and the actual effect achieved of various reemployment supporting policies, and submitted the report on policy summing-up and evaluation respectively. It was broadly reflected in their report that the active employment policies implemented since 2002 were of strong pertinence, more policy content, and greater supporting strength. Viewing from implementation condition and effect, it was found that they were effective for increasing employment posts and solving reemployment problems of the laid-offs and the unemployed, especially ones from the state-owned enterprises, all the target tasks of employment and reemployment were fulfilled, all the reemployment supporting policies were well implemented, but there were still shortcomings, e.g. policy term was too short, applicable scope was too narrow, and operating procedures were too complicated for some policies, so it was suggested to make adjustments and improvements. Together with related departments of the State Council, the Ministry of Labor and Social Security made serious studies on the policy suggestions made by the local governments, teased the content of the existing policies, implementing effects and the problems item by item, and based on this, prepared a new frame of policy suggestions (Notification About Further Enhancing Employment and Reemployment Work-Draft for Comments), and made a subject report to the State Council at the end of June.

Professional level, systematic level and socialized level of public employment service system have been further heightened. Since the year of 2003, 13 million people have been provided with free job services in succession. At the same time, in the street offices and communities of all the cities labor insurance work platforms have been established, where working staffs have been hired, who are taking responsibilities of providing management services to the laid-offs and the unemployed for their reemployment and the retired employees and are warmly welcomed by the broad laborers. The social forces have been mobilized to undertake job training, the interlocking policy between the government training subsidies with reemployment effect has been implemented, and thus combination of business-opening training with guaranteed small loan has been promoted. From 2003 to 2006, totally 11 million laid-offs and the unemployed have participated in reemployment training, after-training employment rate is up to 60 per cent; 770 thousand people have participated in business-opening training and the rate of success in opening business reaches to 55 per cent.

Most of local governments have paid attention to holding a proper strength of closing and bankrupting state-owned enterprises and economical reduction of staff trimmer, and have effectively controlled unemployment rate in conjunction with promoting employment. The countrywide unemployment rate of urban areas is controlled under 4.3 per cent, and employment situation is basically stable. At the same time when reemployment work of the laid-offs and the unemployed is being done well, job guidance and services to university students are also strengthened. In the past two years, employment rate of university students is kept basically stable. New progresses have also been achieved in the respects of improving employment environment of peasant-workers in cities, developing organized

laborer output, carrying out transferred training and protecting legal rights and interests of peasant-workers, etc.

Besides, in the past two and more years, governments of all levels, all related departments and all ranks of the society made joint efforts and gradually established a set of effective working methods. For example, the system of joint meeting for reemployment work or relevant institution, with which a coordinating mechanism was formed, in which all ranks of the society participated in the work and relevant departments jointly controlled the work; objective responsibility system was established and implemented at each level, having fulfilled target tasks and formed a responsibility system for ensuring the implementation; supervision and inspection of the policy implementing situation was carefully organized and developed, which gradually became systematic and routine, forming a supervising mechanism for promoting implementation of the policies. At the same time, the governments at different levels and related departments also brought into full play their own functions and roles, developed their work in a creative way in conjunction with the local reality and explored and established a set of good methods for implementing the policies and solving the problems.

After the Chinese Spring Festival of 2005, a “Spring Breeze Campaign” has been carried out all over the country to improve service for employment of migrant workers. The movement includes: 1) public employment agencies in large and medium-sized cities shall include farmer laborers into the range of public interest service, and provide free employment-oriented service to farmer laborers seeking jobs in the cities. 2) a group of privately-run employment agencies of high trustworthiness shall be recommended, a group of privately-run employment agencies of superb excellence shall be cited for praise, and a group of illegal

employment agencies shall be cracked down so as to further standardize the labor market and cultivate good labor market environment for farmer laborers seeking jobs in the cities. 3) various means shall be employed to provide relevant information to farmer laborers seeking jobs in the cities.

The Korean public employment service was well improved after the financial crisis. One of the reforms is the combination of employment insurance section with the employment security section of the local labor offices, changing into a center called the “Employment Security Center”, and recently further changed into “Job Centers”. These centers are based on the concept of “one stop service” and designed to provide job seekers with various kinds of information and services, from job vacancy information to vocational training. One advantage of these centers is that the job seekers can receive service such as benefit claim and job search at one place, which means efficiency. The Manpower Bank, co-managed by the central government and provincial governments, is specializing at job-matching service, while the Employment Center for Daily Workers is for the job-matching service for daily workers. Almost all cities and local governments have established their own employment services, called “Employment Information Centers”. The employment information centers offer placement services, employment counseling, training programs and public work opportunities. In 2006, there are 84 job centers in Korea, with 2902 staff members. This means on average every staff member has 8069 potential customers.

These years, there are following employment services for facilitating employment services in Korea. The Korean government has done lots to increase the information system of employment service. The Work-Net is one of those efforts. In May 1999, the Work-Net was launched and improved then after. This net could

be accessed from the Internet at home, providing convenient services to job seekers such as job vacancy and training information, career guidance, employment and insurance policies and labor market situation. Therefore, the Work-Net can manage unemployment insurance, promote employment more efficiently and effectively since it can served on the internet. Nowadays, all job vacancies registered in public employment offices can be searched via Work-Net. Besides, in Korea there is a well developed Occupational Classification system, which provides the foundation for labor market information system and forms the basis for accurate job placement. Korean Worker Profiling System can provide detailed information on the job seeker, and both the employers and employees could be served. In these years, the Korean PES has expanded individual or user-specific information service that delivers only employment information that meets individual demand and there more and more zero-stop employment service available via the internet, cell phones, PDA, etc.

Presently, China's labor market information systems for analysis, management, planning and monitoring/evaluation of Active Labor Market Policies focus on performances and results are very weak, although most organizations related with ALMPs in China are reassessing and modernizing their internal and external control systems to enhance efficiency, effectiveness, and accountability. Almost all the organizations have also been active in computerizing administrative systems and arranging for office automation. The MOLSS asked the local labor departments to establish comprehensive information systems to ensure that they are using information technology effectively to carry out their substantive programs, enhance their management and program decision-making, and carefully analyze and streamline their work patterns and processes. To date, all provincial

labor and social security bureaus have their own labor and social security information centers, which could collect and disseminate information on active labor market policies and offer employment service. As a result of the decentralization of applications development and consolidation of computer networking, the reorganized information centers are now more focused on information technology. Specifically, it is now responsible for:

- _ maintaining the bureau's mainframe computers and all local county servers;
- _ ensuring optimal use of the facilities of the local county servers;
- _ providing user support to departments (undertakes analyses and provides guidance to facilitate their decisions on information technology);
- _ the planning, coordination and standard-setting for the use of labor market information and computer communications;
- _ standardize the software; and
- _ all aspects of internet and intranet connectivity.

The Chinese government made efforts to improve the employment information system. In order to monitor the unemployment situation, the Chinese MOLSS asked the local bureaus of labor and social security to report monthly through information networks. Therefore, the MOLSS could have more accurate unemployment figures and then formulate countermeasures to fight against unemployment effectively. The MOLSS strengthened the construction of the statistical management information system and promote the rapid flow of information among different labor and social security departments. In 2006, the

labor market information networks helped to conduct the survey on migrant workers' employment and seasonal labor demand analysis in spring 2006, and also dealt with the data on supply and demand of the labor market, and analyzed the labor market problems. However, the labor market information system is not so developed in China. Many grassroots labor and social security offices do not connect with the information centers and some even do not have computers. In addition, China is learning to manage, evaluate and analyze the labor market policy performances since it is lacking of effective methods and personnel. So it is impossible to have scientific evaluation. Lastly, the statistical system is backward compared with many developed countries.

Since the late 1990s, the Chinese government has made great efforts for building of a scientific, standardized and modernized the labor market, and established a public employment service system. Currently, in cities and some rural areas the public job agencies have been widely established.

Cities at the prefecture level and above set organizations to provide labor security work in local communities, and improved the network of employment service organizations at the grass-roots level. Almost a hundred large and medium cities in the country have launched websites providing information on the labor market, and ensured inter-connection between computers of the city and district employment service organizations.

In cities, the information websites can be accessed in local neighborhoods and communities. Most large and medium cities provide to the public analyses of information concerning supply and demand of the labor market by different categories of jobs. This service plays role in the promotion of the rational allocation of labor resources and the development of occupational training.

China had established a public employment services mechanism to serve the jobless, especially those with difficulties in finding job. The mechanism had enabled the establishments of 3860 government-funded employment agencies across the country by the end of 2005, with about 27,000 staff. The public job agencies provide employment service to some 20 million people each year, and have found jobs for 10 million people successfully. The government also encouraged the opening of private agencies to expand channels for job-seekers. By the end of 2005, about 8600 private job agencies had been set up, playing an important role in improving services for laid-off and migrant workers.

To encourage greater labor mobility, the Chinese authority reduced restrictions on internal migration to allow surplus rural workers to move into the cities and to allow unemployed and laid-off workers in regions of low employment growth to relocate to regions of higher employment growth. Therefore, gradually extending such public services to more migrant workers will be essential to promote urbanization.

The central government has initiated a range of vocational training programs that aim to help migrants obtain decent jobs that would enable them to settle permanently in the cities—in 2003, a national vocational training program took the form of an ambitious government-initiated plan to provide free or subsidized training for rural people who were either preparing to migrate or who were already in the cities. This plan is being financed by funds allocated by central and local governments; in 2004, the central government allocated 300 million Yuan (US\$ 36.1 million) to this project. Under the plan, over 7 years from 2005, an estimated 70 million migrant workers will receive training or additional vocational training.

In the cities, the Central Government has also launched several retraining programs to help laid-off workers and enhance their re-employability. A pilot “Reemployment Project” was initiated by MOLSS in 30 municipalities in 1994 and then expanded to 200 cities in 1995-1996. Following the success of this pilot project, MOLSS in 1998 launched another reemployment project called “Ten Million in Three Years”, which intends to provide reemployment training and job counseling services for 10 million laid-off workers for 3 years. In 2001, a second round of this project was launched by the MOLSS for 2001-2003. In 2005 and 2006, the government paid high attention to the training of migrant workers and high-caliber technicians. One of the major elements of “Spring Breeze Campaign” is to training migrant workers, and the government initiated the “Technician Project”, which plans to train more laborers into high-skill technicians.

Although the average number of potential customers per staff member should serve is almost the same, the service quality is different. In Korea, the information service is more customer-oriented, and the service has been improved. In the past, enterprises were regarded as targets for enforcing laws and supervision and subsequently were given limited service. Presently, the enterprises are well emphasized as clients who need to be offered complete employment service. The Korean government has established regional data network linking enterprises, universities and training institutes altogether. Besides, the Korean public employment service provides tailor-made assistance through “Professional Business Support system”.

In conclusion, both Korea and China have made efforts to advance the PES is more detailed and tailor-made to serve customers. Compared with the Chinese public

employment service, the Korean system is more complete, where the public employment services for the unemployed can be divided into six categories: unemployment benefits, vocational training, public works, temporary livelihood protection. Although both China and Korea have “one-stop service” concept and practice in PES, the information in Korea “job centers” are more convenient for customers to use since the job information in the whole country could be easily searched and profiles are more scientifically classified.

2.2. Labor Market Training

Both China and Korea have the tradition of regarding education level as a profile of social status and labor market training is well integrated with the vocational education system.

The Chinese government has been attaching great importance on labor market training. In 2004, technical schools and employment training centers affiliated to the MOLSS as well as approved private training institutions have together trained over seven million rural migrant laborers across the country. Of these, one million have been trained through institutional education and short-term training courses in 2,884 technical schools; 2.5 million have been trained by 3,323 job-training centers; and 3.7 million have been trained in over 20,000 private training institutions. In addition, training programs have also been conducted by the Departments of Agriculture, Education, Science and Technology, Construction, as well as the State Council Office for Poverty Alleviation and Development, trade unions, youth leagues, the Women’s Federation and Industry and Commerce Associations. However, except for graduates of technical schools and some junior

vocational schools offering a formal vocational education, the majority of rural migrants have only had short-term practical skills training, and only a small proportion attain the national vocational technical grade.

According to our survey, the laid-off and unemployed workers show great initiative in reemployment. 72% of the unemployed look for job through all kinds of channels, as do laid-off workers. Some employment agencies are helping those people with job application technique and the results are positive. The pressure to survive makes the poor unemployed more active for reemployment than the other groups. They would rather find jobs than receive the minimum livelihood guarantee. However, several disadvantages limit their reemployment and rising out of poverty. The laid-off and unemployed workers are not well qualified, they lack skills to apply for jobs, and they have little access to social resources and startup-business funds. Therefore, it is quite effective to train those people with appropriate skills.

In order to improve vocational training, the existing labor market information system should be fully utilized to select, analyze and deliver the information concerning market supply and demand; vocational training should be conducted according to the characteristics of the poor, and the practice of “the government buying the outcome of the training” should be adopted so as to improve the effect of vocational training radically. In particular, more attention should be paid to the “start-business training” targeted at those who have the intention to start their own business, which is some 20%-30% of the poor population. The labor and social security departments should provide policy consultation and follow-up service to increasing the successful rate of start-business. While developing job opportunities, provide job guidance to the poor and implement “employment service warranty”. It

is important to set up a group of responsible and competent job guides who would make the unemployed reevaluate themselves properly, improve their employability and make them more confident in finding jobs. Furthermore, one of the most effective measure, is an “employment service warranty”, which should be implemented, ensuring that all those who have received vocational guidance and passed skills training, and are willing to work and able, can get jobs as sooner. However, China is lacking of qualified vocational guides. The efficiency and effectiveness of vocational guidance is questionable. In order to promote the unemployed to find jobs, the local authorities help them engage in community service. Community service is very appropriate for the poor who want to work. It can provide job opportunities with low investment and low skills; many women workers are offering community services especially to other women; and residents prefer services provided by locals. Two problems should be solved. The first is the issue of employment access. It is hard to claim that this method is successful. The “informal work organizations” form adopted by the labor and social security departments should be expanded, so that more poor people can be reemployed in flexible forms of work. The second is to gain the confidence of the residents. The poor should be organized to engage in community service by employment service enterprises or community organizations. In China, small enterprises are the main source of job opportunities, and 75% of the urban workers are employed in small enterprises. However, the biggest problem for small enterprises and the unemployed who want to start business is to get bank loans. A survey conducted by the Institute of Labor Science in the city of Shenyang and Wuhan showed that, only 1 person out of more than 600 laid-off workers had successfully applied for a loan to start business. The reason is that small businesses have high risk and no collateral guarantees. In this case, a financial support system for small business should be established to provide small loans to the poor who want to start business.

And financial departments at all government levels should set up loan guarantee funds and comparatively independent guarantee organizations to provide loan guarantees for the poor who have passed their start-your business training. China also uses pre-employment training to enhance the quality of potential workers. The Government organizes a diverse re-employment training program, at several skill levels, to improve the employability of laid-off workers. For those who are ready to start a new business, the Government provides business development training and guidance, a project consulting service and a follow-up support service. The aim is to set up a self-employment model which more laid-off workers can follow.

1) In 2003, 1.26 million graduates from junior middle schools and senior middle schools who failed to enter schools of a higher grade have participated in preparatory labor training.³

2) About 85,000 students have participated in various vocational skill trainings and 166,000 students of high-level vocational schools have attended vocational skill appraisal.

3) In March 2004, the Central Committee of All China Federation of Youth launched a nation-wide “Move for College Students’ Engagement in Probation for Employment”, which refers to establishing probationary bases for employment in 5000 enterprises and setting up students’ information databases in over 1500 universities and colleges for the purpose of matching two types of bases with each other and making probation or employment opportunities available to students.⁴

In order to enhance the re-employment capacity of urban laid-off workers, in 1998 the Government implemented the “Ten Million in Three Years” training program, which has proved to be very successful. During the period of 2004-2005, the

³ Refer to the white paper of Employment Status and Policy in China 2004.

⁴ Data source: 2003-2004 China Employment Report.

Government initiated a re-employment training program called “Raising your Re-Employment Capacity.” The goal is to provide skills training to eight million laid-off workers within two years, targeting a qualification rate of 90% and a re-employment rate of 60%. Business development training was offered to 600,000 of those; 80% met the course requirements and there was a 50% success rate in starting new businesses. This new program aims at improving workers’ employability, entrepreneurial ability and capacity to accommodate to occupational changes. Measures included relying on qualified training organizations and education/training institutions to carry out re-employment training; supporting training activities sponsored by social organizations with policy, technology and funding; periodically providing training organizations with labor market information; and establishing information channels between training organizations and individual work units. The Government also provides various types of career counseling and training services to laid-off workers, graduates and rural workers. China vocational and skills training for migrant workers has been limited. National Bureau for Statistics sample surveys for 2004 show that, only 28% of 120 million rural migrant laborers had received training. Considering that some of these migrants had only received very basic and general training before coming to work in the urban areas, the proportion that actually received vocational and skill training is lower.

Korean training policy is always combined with industrial policy, because training policy was considered as one of the key manpower and employment policies needed to implement the economic development plan. The government requires industries to do training, or they will face training penalty. In history, Korean government was much involved in training, but recently the government-led

training system is weakened due to the economic development, democratization, globalization and privatization. One advantage for private training is the quick response to dramatic change in the demand for training, and the other advantage is relatively higher efficiency compared with public training because of the intensified competition, market-based management and increased connection with the industries of the private institutions.

In Korea, labor market training comprises both public and private training. Public vocational training is undertaken by the 7 technical colleges. It aims to train semi-skilled and skilled workers through programs lasting from three months to two years. The colleges concerned with a broad range of occupations, while local governments concentrate on training in trades necessary for increasing the income of farm households.

Special vocational training will be conducted for unemployed workers affected by corporate restructuring. Unemployed people will receive specific training free of charge as well as training and food allowances during their training periods. If a worker who plans to leave his job takes vocational training for re-employment at his own expense, he will be granted a training subsidy of up to 1 million won. At certain period, the Korean government has priority for specialized groups. For instance, in implementing the vocational training program in 2001, the government gave priority to workers at construction or manufacturing companies that are scheduled to close. In the first half of 2001, the government focused on vocational training for the re-employment of the unemployed. In Korea, the government provides assistance to the employers, employees and the unemployed. To the employers, the government provides subsidies for the training costs and loans for training facilities; To the employees, the government could provide both vocational training allowance and loans for tuition; To the unemployed, the Korean

government could provide aid for reemployment training or aid for youth training. In this respect, the Korean government has made efforts to help all the related parties on training.

In Korea, some training programs are well designed to solicit support from various resources. For example, the Job Skill Development Program(JSDP) is the most important program to support training, which is funded by the insurance premium paid only by employers, and this fund is collected by 0.1 – 0.7% of the total wage bill according to firm size. In recent years, there are some major changes in vocational training by the JSDP. These changes include the expansion of role of training policy, shift of training focus from initial training to further training. Furthermore, the Korean government encourages voluntary training in the private sector, however, government interventions still exist. These years, the training participation rate of the insured workers is increasing.

China's education system is similar to that of Korea, which focuses on highly competitive exams for entering, but high educational attainment does not necessarily mean acquisition of appropriate job skills. For employment promotion, an education system to equip job-seekers with the necessary skills is a basic requirement. Chinese students have little chance to encounter concepts like jobs, employment and getting hired during their formal schooling period and it is only when nearing final graduation that they think about it for real. However, the Korean is trying to have the students notice the labor market before graduation with lots of guidance and job search skill training in many schools.

These years, the Korean vocational training schools decrease the number of students per class step-by-step, and the training is more effective by certain

standard, since the institutions strengthened basic occupational abilities, enhanced autonomy in the operation of curriculum, reinforced job oriented work competencies by partnership between industry and educational institutions.

In Korea, efforts have been for better understanding among prospect students, parents, and the general citizenry, in order to enhance the awareness of importance. Sometimes, Korea holds various competitions for vocational high school students, and encourages four year colleges and universities to admit vocational high school graduates.

China and Korea began to emphasize vocational training for adults through lifelong learning in order to cope with ever-changing employment requirement. It was a prominent change for adult workers to train themselves to hold jobs.

In conclusion, both China and Korea have attached great importance to training, with many labor market training programs in practice, targeting various kinds of people. However, the Korean system is more detailed and exquisite in terms of service contents.

2.3. Employment promotion for the disadvantaged groups

2.3.1. Youth measures

In Korea, youth employment is mostly supported through public works and subsidized employment in firms. Subsidized vocational training is also provided for employment promotion purpose. One successful program is the "government-subsidized intern program". In this program, the Ministry of Labor pays those

firms which hire youth as interns (for a minimum period of three months), and pays the amount for three additional months if the firms convert them as regular workers. The main purpose is to provide unemployed youths with jobs and vocational ability development opportunities.

The Korean government enacted the “Employment Promotion Plan for High School Graduates or Below” in April 2006. Before that, youth measures were generally focused on the unemployment of the college student or college graduate group, and even if the focus was on high school graduates or below, the important window of implementation was the universities which made it hard in reality for high school graduates or below to approach the system voluntarily. This plan actively provides employment support services to resolve the lack of guidance in making job decisions and has improved the availability of information on the labor market. It also strengthens support for vocational high school students, youth that discontinued their education, and dropouts while at the same time induces employment at small and medium sized businesses through the fostering of manual workers.

The above-mentioned Plan is vital since over 60% of unemployed youth are high school graduates or below. Compared to college graduates who have a more difficult time finding jobs at graduation and who spend more time searching for jobs than before, the major problem in the high school or below group is that they experience more unstable employment bouncing among the employment, unemployment, and economically inactive status.

The Korean government noticed the seriousness of unemployment of high school graduates or below. So there are six basic policy directions for problem resolution. Nowadays, there are various departments involved in implementing measures to tackle youth unemployment, not only relevant government departments were recognized as youth unemployment measures. Especially the social partners are actively involved.

China uses tax cuts, regulations, training and facilitation as youth employment instruments, with the main focus being directed towards employability. Improvements in governmental and societal involvement, research, funding and training are seen as important measures that enhance youth employment programs. Improving the quality of the potential labor supply and stricter entrance requirements have been advocated in one of the programs.

In China, the youth pre-employment training program was launched in September 1999 to tackle the problem of youth unemployment. Since it was launched, the program has received encouraging support from various quarters of the community and attracted over ten thousand young people aged 15 to 19 to participate. Participating trainees and employers consider the training highly useful and suited to the needs of young school leavers. The Government has decided to continue and further expand the Youth Pre-employment Training Program. The On-the-Job Training Scheme (OJTS) was added to enhance the employment opportunities of young people and promote the importance of the concepts of "life-long learning" and "continued personal development". The OJTS aims at establishing partnership with the employers, enhancing the employability of the trainees under the Youth Pre-employment Training Program, and easing the manpower shortage problem of employers by helping them develop in-house talents through offering on-the-job

training. The employers and the trainees are free to negotiate the wages of the trainees during the on-the-job training period. The OJTS is quite successful since it focuses on practicability. Through specialized training arranged for the trainees by individual companies, a mentor relationship can be fostered which in turn reduces the staff mobility. It will not only be useful to sizeable organizations, but is also of particular benefits to Small and Medium Enterprises.

In conclusion, both China and Korea have serious youth unemployment problems, and the two governments attach great importance to this challenge. Compared with China, the Korean government has specific regulations to promote youth employment, but China has programs targeting youth training and employment.

2.3.2. Promotion of Employment for Women

The difference between the labor participation rates of women in China and Korea is huge and this could be explained in the many reasons. Firstly, China has been advocating gender equality and women emancipation for more than 50 years since the Communists took power; Secondly, the social security system is inadequate for people to have decent life after retirement, so it is necessary for everyone to work during working age; Thirdly, the wage level is low in China and two incomes are much better for most people's stable and comfortable living standard.

In recent years, the labor force participation of females in Korea is also increasing. The reasons behind is mainly due to increasing market wages, smaller size of the family with fewer children, cheaper supply of home appliances, and higher education level of females. However, the Korean government's efforts are effective in enhancing the labor participation. The Korean government made

efforts to provide married women with childcare centers, which help them keep both household and market works by lowering their cost of labor supply. Besides, the Equal Employment Act enacted in 1987 prohibits discrimination against females in the following areas as recruitment, promotion, training and job arrangement, etc. The Act is very progressive because the burden of proof is primarily given to employers, and it has been playing an important role to improve the status of women in the Korean labor markets, especially in the white-collar jobs in such as banking and insurance. Besides, the Korean government tried to find ways to extend and share the burden of maternity leave, which is believed to promote and at least keep women's participation in the labor markets.

In order to combat discrimination, Korea has affirmative action to address the discrimination in the world of work. Besides, there is an organization called the Discrimination Redress Committee which can deal with discrimination cases. For example, the Discrimination Redress Committee in October 2007 judged that since the non-regular workers, like the regular workers, had contributed to improving business performance in 2006, they also should be paid performance-based bonuses without discrimination, so the company's failure to do so citing their non-regular status and internal reasons such as institutional and budgetary limits is self-generated discriminative treatment which is not objectively reasonable.

Therefore, both Korea and China have done a lot to promote women employment and alleviate sex discrimination in the labor market. However, the gap between men and women is still huge in both countries.

2.3.3. Employment promotion of aged workers

In order to promote employment of aged workers in urban and industrial sectors, Korea enacted the Aged Workers Employment Promotion Law in 1991, which recommends establishments with over 300 employees to employ aged workers by more than 3 percent of total employees. The Law also urges the government to provide more training facilities and job information for aged workers. The effects of the Law on labor markets seem to be enormous even though the Law lacks enforcement closure such as punishment or levy. The increased participation of the aged is clearly a reflection of the current labor market situation such as labor shortage. Given the generally low skills and educational attainment of older workers, improving their employment prospects may depend on training. Government expenditures on lifelong learning, including vocational training, amounted to only 0.8 trillion won (0.1% of GDP) in 2004. Moreover, the participation rate in lifelong learning is less than 10% for those who failed to complete secondary school. The government has moved to increase financial and tax support for the training of middle and old-aged workers, although the return on such training is limited by their relatively short remaining working life. It is also important to ensure that the social safety net limits poverty among older persons during the transition period while the NPS is not yet mature and traditional means of old-age support are weakening. In Korea, many enterprises still use severance pay, a lump sum of at least one month of wages to each departing employee for each year worked, although in practice many large firms agree to pay about double that amount. From the end of 2005, the government introduced a company pension system, which could be a defined benefit pension plan or a defined contribution pension plan. This is in addition to the current system of lump-sum retirement allowances, which are still mandatory for all firms with more than five employees.

In China, many old-aged workers become redundant because of SOE reforms since they are lower in terms of educational status, skills and physical capacity compared with their young counterparts. The pattern of employees leaving firms at a relatively young age may have an increasingly negative impact on participation in the future. As the average education level of older age cohorts increases over time, workers over age 50 may become less interested in accepting self-employment and jobs at small companies offering significantly lower remuneration. Generally speaking, the employment promotion of old workers in some metropolitans is much better. For example, Beijing needs to add 300,000 jobs in 2006 to achieve its goal of keeping the urban registered unemployment rate below 2.5%. Currently unemployed residents include 180,000 laid-off workers, and 48% of them are in their 40s or 50s. Many older workers have been provided with community jobs in areas such as security and sanitation. For the men workers over 50 and women workers over 40, the governments at various levels have special policy to promote their reemployment. The main methods are tax exemption, social security subsidies and vocational guidance.

2.3.4. Employment promotion for the disabled

In Korea, approximately 1.45 million persons fit within the legal definition of disability, or about 3.09% of the total population. If persons with kidney failure and psychiatric disabilities are included, then another 1/3 million persons are legally disabled. However, the unemployment challenge for the disabled is huge since there are about 180,000 handicapped people currently unemployed in the country, with a 28.4% unemployment rate, much higher than the unemployment rate of the normal people.

Opportunities for employment for disabled people have been promoted by the Korean government, and Korea has laws and regulations to help the disabled to be employed. There are two important laws, one is the Act on Employment Promotion and Vocational Rehabilitation for the Disabled , which strives for the employment promotion and vocational rehabilitation of the disabled in order that they may live a decent life through working life suited to their ability, the other is the Welfare Law for Persons with Disabilities which provides that the national and local governments shall make efforts to protect and support organizations of and for persons with disabilities. Employment Quota System and Fund for People with Disabilities is applied to promote employment, and if the enterprises could meet the quota, they will be punished. In Korea, the Employment Promotion Committee of the Disabled has five full-time researchers to investigate and study specialized items on employment promotion and vocational rehabilitation for the disabled. Employers' and workers' organizations, and organizations of and for disabled persons are represented in the Committee. More than one third of the Committee members are persons with disabilities. This Committee was established in the Ministry of Labor by the Act on Employment Promotion and Vocational Rehabilitation for the Disabled in 1990. Its purpose is to deliberate the basic plan for employment promotion and vocational rehabilitation of the disabled and consider matters related to the employment promotion and vocational rehabilitation of persons with disabilities. Besides, the Korea Employment Promotion Agency for the Disabled, under the Ministry of Labor, facilitates the social inclusion and economic independence of persons with disabilities and carries out the services relating to their employment promotion and vocational rehabilitation. The Korea Employment Promotion Agency for the Disabled is a very important organization in promoting employment for the disabled. The Agency, with 5 subordinate

institutes located in different areas, has various services to the disabled, including information, job guidance, training, etc.

The Korea government regulates that firms that are subject to fines should they fail to meet the mandatory 2 percent handicapped employment level will include businesses with 200 employees in 2005, 100 employees in 2006, and 50 in 2007. A per capita charge of about 480,000 won (\$400) will be imposed on those companies with more than 200 employees that do not meet the 2 percent employment requirement starting 2004. In line with the new measure, employers who discriminate against physically challenged candidates during the recruiting process will face punishment. Employers who hire severely handicapped people will be exempted from some charges. The lack of disabled facilities available in central and provincial government buildings will also improve.

The Korean government endeavors to root out discrimination against people with disabilities in terms of employment, promotion, transfer and job switch. The government is considering supplementing a portion of the wages of newly recruited handicapped employees as an incentive for employees. The newly adopted measure was reported to the presidential transition team as part of “the second-phase five-year plan for welfare development for people with disabilities.” The five-year plan has been pushed by the Office for Government Policy Coordination in accordance with five administrations such as the Health and Welfare Ministry, and the Construction and Transportation Ministry. The plan covers such agendas as the education for the handicapped, welfare, employment and easy access to transportation. The new employment promotion plan is expected to allow some 60,000 disabled people to have stable employment within

the next five years, pushing down the handicapped unemployment rate to around 18 percent.

In China, the data of the Second National Sample Survey of the disable showed that by April 1st 2006, there are 82.96 million disabled people of all sorts in total which accounted for 6.34% of the total population, among which 62.25 million were living in rural areas accounting for 75.04%.

In China, a person with a disability refers to "one who suffers from abnormalities or loss of a certain organ or function, physiologically or psychologically, and has lost in part or whole the ability to engage in activities in a normal way, and is thus hampered in his/her normal functions in certain areas of social life" (State Council, 1988). There are six categories of disabilities including visual, hearing, speech, physical, psychiatric disabilities, and mental retardation. Working-age (15 to 60 years old) individuals constituted 45% of the total population of people with disabilities and the employment rate for those who lived in urban areas was estimated to be 70% in 2006. The MOLSS and the Civil Affairs Ministry was the most centrally involved in providing employment, rehabilitation engineering, and social services for people with disabilities. It established numerous "welfare enterprises" in which people with disabilities constituted at least 35% of the productive lines. These enterprises enjoyed tax exemption or deductions and were administrated by the ministry and the local civil affairs bureaus (LCAB) under the country's economic planning system. Beginning in 1984, a group of people with disabilities established the China Welfare Fund for the Handicapped (CWFH). The CWFH has raised money to build the first modern rehabilitation facility and help the disable's employment.

China adopts preferential policies as well as supportive and protective measures to promote the employment of disabled people through various channels, at various levels and in various forms. According to China's laws, the state guarantees disabled people's right to work. According to the newly adopted Regulation on Employment of the Disabled, the government imposes a compulsory rule for enterprises to employ disabled people at the ratio of at least 1.5 percent to their total employees. Otherwise, the enterprises will be required to donate money to a special fund beforehand or face a fine. Money collected in both ways will be used to support action related to employment of the disabled, such as small loans to factories or disabled individuals planning to start their own businesses. In addition, the Law of the People's Republic of China on Protection of Disabled Persons defines responsibilities of the government in rehabilitation, education, employment, welfare, environment, and the prevention of disabilities and establishes a quota system for the employment of people with disabilities. To guarantee disabled people's legitimate right to employment, the government has strengthened supervision China has brought into full play the guiding role of the government and general public in promoting the employment of disabled people, and made great efforts to create a favorable environment for disabled people to equally participate in social life. In line with the principle of combining group and individual employment, by group employment, it means that the state and the public arrange for the employment of groups of disabled people by running welfare enterprises, recuperation-through-work organizations, massage cure services, and other welfare undertakings. The government encourages the development of welfare enterprises with preferential policies, such as tax reduction and exemption, to enable more disabled people to find employment. By individual employment, it means that employing units hire a certain number of disabled people for suitable posts in proportion to their size of staff. Units with disabled employees fewer than

the required proportion must pay into an insurance fund for the employment of disabled people. The state has also adopted various preferential policies and supporting measures to encourage self-employment by disabled people in both urban and rural areas and, by way of granting discount-interest, poverty-alleviation loans, helped impoverished disabled people with the ability to work to set up their own businesses or start projects that can increase their incomes. Meanwhile, the government and social organizations actively offer employment services to disabled people, providing them with free vocational guidance, job referral and vocational training.

Vocational training has occupied an important position in preparing people with disabilities for employment in China. Several approaches have been developed to address the training issue. First, all special education schools for people with disabilities provide their students with vocational training programs. Courses offered by these programs include acupuncture, appliance repair, data entry, gardening, sanitation engineering, sewing, etc. Second, vocational schools provide a variety of associate degrees for people with disabilities. Third, thousands of vocational training centers that provide short-term training have been established by the Disabled Persons' Federation and other social organizations. After successfully completing training programs in these centers, people with disabilities are eligible for various certificates. Finally, entry level workers with disabilities in "welfare enterprises" receive training on the job.

In conclusion, both Korea and China have many ways to encourage employment for the disabled, such as quota system, training and rehabilitation.

2.4. Subsidized Employment

In this area, Korea's measures are more developed and well-established. After the crisis, the Korean government expanded the employment stabilization program, in which there are Employment adjustment assistance consists of employment maintenance subsidy and hiring subsidy programs (Yoo, 2000).

Hiring subsidy programs assist employers who contribute to the stabilization of the labor market by hiring those laid off in the process of employment adjustment through the public employment office. For priority firms, the subsidy amounts to 1/2 of wages that the qualified employer has paid for a maximum of 6 months.⁵ It is 1/3 of wages for large firms. If an employer has hired displaced workers unemployed for more than a year, or a worker who is 55 years old or over and unemployed for more than six months, the subsidy amounts to 2/3 of wages for priority firms and 1/2 of wages for large firms. However, if an employer has laid-off employees during the last three months before claiming the subsidy, he or she is not qualified for the subsidy.

Employment maintenance subsidy programs offer wage subsidies to firms that retain redundant workers while suffering short-term financial difficulties (OECD, 1999). Subsidies equivalent to 1/2 to 2/3 (depending on the size of the firm) of wages are provided for 6 months in the following cases:

⁵ When the programs provide subsidies to qualified employers, preferential treatment to relatively small-sized firms is conferred in the form of larger amounts of financial aid. These relatively small-sized firms are called priority firms, and non-priority firms are called large firms under the EIS. Determination of priority firms in each industry depends on the size of firm (i.e., number of employees). For example, firms with less than 500 employees in manufacturing and those with less than 300 employees in construction are priority firms.

- (a) Subsidy for temporary shutdown allowance: Firms that close for at least two days a month can receive 1/2 to 2/3 of the temporary shutdown allowance that must be paid to employees.
- (b) Subsidy for reduction of working hours: Firms that reduce regular working hours by more than 10 percent can receive 1/15 to 1/10 of the wage bill prior to the reduction.
- (c) Subsidy for training to retain employment: Firms that provide training to workers receive 1/2 to 2/3 of the wages, in addition to being reimbursed for training expenses.
- (d) Subsidy for paid/unpaid leave: Firms that grant paid leave of at least one month to its employees.
- (e) Subsidy for dispatching workers: Firms that transfer its workers to weaker affiliates.
- (f) Subsidy for manpower reassignment: Firms that switch to a new line of business while retaining 60 percent of its employees.⁶

The subsidy program was widely applied after 1997 by employers as a measure for reducing massive unemployment in the process of structural adjustment and for promoting employment of marginal workers. In 1998, 1,805 firms received employment maintenance subsidies, covering a total of almost 660,000 workers. On the other hand, 91 firms received hiring subsidies employing 5,483 displaced workers. The duration of subsidies was temporarily increased from 6 to 8 months during the first half of 1999, and 79.2 billion won was spent for a total of 369,591 workers to maintain employment in 1999. Most of the employment adjustment assistance was employment maintenance subsidy, which comprised 99.2 percent of

⁶ In the case of subsidies for manpower reassignment, subsidies are paid for one year following the completion of the reassignment.

the beneficiaries and 92.4 percent of the expenditures on employment adjustment assistance in 1998. However, in 1999, hiring subsidy rapidly increased and it comprised 21.5 percent of the beneficiaries and 48.6 percent of the expenditures on employment adjustment assistance in 1999. Since then, the Korean subsidies for the employment of older workers have recently been reformed and expanded. The coverage of the subsidy for hiring older workers was expanded from the 55 to 59 age group to 50 to 64 and the payment period was extended from 6 to 12 months. In addition, the amount of the subsidy was increased.

The re-employment subsidy for firms that re-hired former workers was replaced by a subsidy for continuous employment of workers past the firm's retirement age.

To limit deadweight costs, the threshold for receiving the subsidy for maintaining a large share of older workers was changed from 6% to between 4% and 42%, depending on the sector, and the maximum duration of the subsidy was limited to five years. In addition, only those who worked more than one year are eligible for the subsidy.

Korean real estate service firms account for about two-thirds of the companies receiving subsidies and they also receive about two-thirds of the total subsidies paid, with the majority concentrated in building maintenance services. The concentration of these subsidies in one business sector raises doubts as to their effectiveness in boosting the employment. In fact, 92% of firms receiving the subsidy responded that they would have hired the same number of workers in the absence of any assistance (Chang, 2004). Even the impact on the number of older employees appears to be weak. Less than 20% of firms replied that they would have hired young persons instead of older workers in the absence of the subsidy.

In Korea, the number of workers who benefited from the program was on average around 25,000 per month in 1998-99. According to the assessment of PES staff and monitoring reports, deadweight loss and substitution effects of the 'grants to promote employment of displaced workers' were substantial (Hwang, 1999; Kim et al, 2000). The subsidy program worked not so much as an incentive but as a compensation. It is costly, if not difficult, for the labor administration to determine whether or not the firm applying for wage subsidy program is in such a situation that employment reduction is inevitable. When a business is indeed in a precarious situation, wage subsidy programs, in most cases, would not be effective as an incentive to induce firms to retain redundant workers. Also, large-sized firms are in a better position to utilize the employment maintenance subsidy programs because, on the one hand, the application procedures are too complicated for small-sized firms and, on the other hand, small firms usually do not have enough resources to place workers on reserve. In sum, job retention subsidy programs seem to have contributed to compensating large firms that suffered involuntarily labor slack.

In China, employment subsidies are used to create jobs. The employment subsidies could be divided into two categories, one is direct employment subsidy, and the other is indirect employment subsidy. The direct employment subsidies usually give to the employers who create social jobs, and these jobs are of public interests, such as street cleaning, park maintenance, and so on. Region projects (middle and western regions and traditional industry base). The central budget has increased re-employment subsidy funds for subsidizing: (1) total funds for interest-subsidy for micro-credit; (2) partial funds for social insurance subsidies; (3) partial funds for subsidies to job placement and re-employment training. In 2004, subsidized funds totaled 8.3 billion Yuan.

The indirect employment subsidies take the following forms: First, the government use tax reduction and exemption as the ways to encourage the laid-off workers to be self-employed, encourage service enterprises to recruit more of the laid-offs, and encourage state-owned enterprises to make arrangements in various ways for their surplus workers by way of separating the principal production from the side occupation and through restructuring the side occupations based on the supportive policy of reducing and exempting taxes and administrative charges for three years over these businesses. The detailed policies are the preferential measures: (1) Where an existing service-oriented enterprise has, in the same year, created new jobs, thus newly recruiting the laid-off laborers equivalent to more than 30% of the total staff and reaching labor contracts with the new recruits with the term of more than 3 years, a reduced income tax shall be levied upon such enterprise within 3 years in accordance with certain proportion of income tax payable by recruits on an annual basis. (2) A newly-established service-oriented enterprise which has met the same qualification specified in (1), shall be exempt from business tax, city maintenance and construction tax, education expenses plus and income tax payable by such enterprise within 3 years. Where an enterprise which has newly recruited the laid-off and the unemployed laborers equivalent to less than 30% of the total employees in the same year shall be imposed upon with a reduced income tax payable in accordance with number of the recruits and a certain proportion of income tax payable by the recruits.(3)Where various service-oriented enterprises have created new jobs, thus newly recruiting the laid-off and the unemployed laborers from the state-owned enterprises and reaching labor contracts with them for the term of more than 3 years shall be granted social insurance subsidies for 3 years according to the number of the recruits. Standard for such subsidies shall be

worked out on the basis of the sum of the pension insurance contributions and the unemployment insurance contributions payable by the enterprises for their recruits.

Where large and medium-sized state-owned enterprises have employed more than 30% of redundant laborers of the original enterprises by establishing entities with independent accounting and clear definition of ownership with assets of non-major businesses, idle assets or valid assets of closed or bankrupt enterprises, and have amended original labor contracts or reached new labor contracts with the replaced laborers, such enterprises shall be exempt from income tax payable by within 3 years.

Second, the government provides low-interest small loans for laid-off workers who start up their own businesses or self-employed, small loans are available, the government has established a security fund for such loans, and provides loans at discount interest. However, some critics think that the maximum amount of 20,000 Yuan for small loans is too little since this amount is not enough for business.

Third, the Chinese government provides social security subsidies to encourage service enterprises to recruit more laid-offs. Job posts for the public welfare developed by neighborhoods and communities are provided for those who have difficulties in finding jobs with government investment, including social insurance subsidies and post subsidies, which means that those enterprises are exempt from social security contributions.

Forth, China helps unemployed for self-employment and entrepreneurship with financial assistance. The targeted groups are the following: (1) Laid-off employees

and unemployed laborers from the state-owned enterprises; (2) Laborers to be replaced due to closing and bankruptcy of the state-owned enterprises; (3) Other urban laid-off laborers enjoying minimum living security and being unemployed for more than one year; (4) Laid-off and unemployed laborers from collectively-owned enterprises (in areas which can meet the relevant requirements)

The preferential policies are for those who are self-employed (except for those employed in trades restricted by the State) shall be exempt from business tax, city maintenance and construction tax, education expenses plus and income tax as well as various administrative and operating expenses under the categories of management, registration and certificates for 3 years. The self-employed and unemployed laborers who start their own businesses shall be granted with the low or no-interest micro-credit. The term of the loan shall not exceed 2 years at the most. Extension of the term for once may be applied for if necessary. The interest rate for micro-credit shall be fixed in accordance with the standard credit interest rate published by the People's Bank of China and therefore shall not be floated upwards. A discount interest rate shall be applied by the central fiscal budget to the full amount of micro-credit for projects with little profits.

In conclusion, the employment subsidy programs in China are mainly indirect subsidies, and those in Korea are direct ways. In both Korea and China, employment subsidies are criticized as low efficiency.

2.4. Public works

In Korea, public works projects emerged as a crucial unemployment measure in the overall system of income support and social protection after the financial crisis (Lee, 2000), which aim to provide temporary job opportunities for the unemployed

in the public sector and thereby to guarantee the basic livelihood of unemployed families. That is, public works projects have two policy objectives: creation of temporary job opportunities and reinforcement of the social safety nets for the unemployed (Yoo, 1999).

Public works programs (PWP) and internship programs were introduced on a large scale to alleviate rapidly increasing unemployment and poverty. PWPs targeted unemployed men and women with low income as well as new entrants to the labor market who failed to find a job. In this way PWPs achieved two policy objectives: creation of temporary job opportunities enabling job seekers to maintain their connection with the labor market, and protection of the basic livelihood of the unemployed. In Korea, PWPs were classified into the central government's projects and local governments' projects. Local governments and ministries of the central government were allowed to propose various PWPs. Various database-building and public service projects were undertaken⁷ as follows: forestation, construction of cyber libraries, on-site monitoring of unemployment policy programs, restoration and maintenance of social welfare facilities and public facilities, etc.

In principle, participants for PWPs had to be from 18 to 60 years old. Eligible persons were either unemployed, daily workers without regular income, or verified as homeless by the administrative agencies or organizations. Recipients of unemployment benefits were not permitted to participate in PWPs regardless of the size of benefits received. However, spouses of those who received less than 300,000 won of unemployment benefits were eligible for public works. The daily

⁷ See Lee and Kim (2000) for more details.

wage rate for participants depended on the type and difficulty of work.

The Korean government used the PWP as a major way to alleviate the employment problem after the crisis. The projects consumed a substantial portion of the entire budget for unemployment measures: 31.0% in 1998, 36.6% in 1999, and 27.9% in 2000. The public works projects generated about 400,000 jobs on average during the year 1999.

In general, the public works projects fell into four broad categories. Infrastructure works projects involved forestation, new construction of small public facilities such as community parks, and repairing public property. Public service projects provided temporary workers to public organizations and community welfare service centers. These public workers engaged in a variety of activities, which ranged from managing cultural assets in national museums to teaching children from low-income families in after-school classes. Maintenance projects were mainly composed of such activities as garbage collection and lawn maintenance in national parks, snow removal, and street cleaning. Information Technology projects, added to the public works programs in 1999, can be classified as professional projects. Relatively young and educated workers were included in this category, and they mostly constructed database and provided assistance on resolving the year 2000 computer problems.

Public works projects in Korea have not simply been job creation programs. The unemployment problem was exacerbated by the fact that Korea lacked a pure income maintenance program for the unemployed. The Korean government expanded the existing livelihood protection programs in order to provide

temporary relief for the unemployed that did not qualify for unemployment benefits. In order to be eligible for the original livelihood protection program, one should have income less than 230 thousand won per month, must pass an asset test, and must have no family that can support them. This program was mostly for those who were unable to work, such as the handicapped, elderly, and children. The temporary livelihood protection program eased some of its strict means-test criteria to cover additional people. However, it is still too limited in its coverage and generosity to complement unemployment insurance and to substitute for unemployment assistance. Among those covered under the program, more than two-thirds were classified as the “self-supported,” for whom cash benefits were not available except during winter.

In China, the public works projects are targeting laid-off and unemployed laborers with difficulty in employment, who are males of over 50 years old and females of over 40 years old (referred as “4050” group). This project intends to engage them in public interest posts and granting social insurance subsidies to them. Every year, about one million people of “4050” group are served. For instance, in 2003, 1.2 million laborers aged “4050” and with difficulties in employment have been re-employed, with 840,000 laborers replaced in public interest jobs.⁸ Funds needed are mainly raised through budgets at the various levels of governments.

3. Suggestions for China’s future ALMPs

From the above-mentioned data and analysis, one can find the similarities and differences between the ALMPs in Korea and China. Compared with the ALMPs

⁸ Data source: “Public employment service and promotion of re-employment of the laid-off and the unemployed laborers in China”—special report given in the China Employment Forum.

in Korea and other developed countries in Europe, features and problems of the ALMPs in China could be identified, and the following reforms and changes are necessary for the future of China's ALMPs.

First, improvement of China's laws and regulations on ALMPs is one of the top priorities. Korea has specific laws and regulation on ALMPs. No matter on labor market training, employment subsidy and public works, Korea has very detailed regulations, which can guide the direction and reward those contributing to ALMPs. China has tried to regulate its ALMPs, but the legislation process is both time-consuming and difficult. Therefore, some specific regulations have not been drafted. Instead, there are many government policies on ALMPs, which are easily made and changeable, but the authoritative capability is in doubt. (Please see the Appendix for the related laws and regulations on ALMPs in China) Besides, many ALMPs need time to see the real effects, therefore because the policies are not stable as the laws and regulations, the long-term effects could be ignored by the policy-makers.

Second, the ALMPs in China should be more carefully designed to increase the efficiency. Many ALMPs are targeting socially disadvantaged groups since they are hard to be employed or reemployed, and China needs to have special ALMPs for youth, female, old and disabled in order to have more tailored programs, then efficiency might be possible. In China, the long-term unemployment is severe, and this does not mean exclusive targeting on the most long-term unemployed and on the otherwise-most-difficult to place, since this may give programs a bad reputation, making it impossible to substitute them for regular work experience as a screening mechanism for employers.

In fact, our ALMPs should also target medium-term unemployed and newly unemployed in order to prevent them from turning into long-term unemployed. This method may also be more efficient than trying to counteract the negative effects of long-term unemployment once it has occurred. At the same time, it is obvious that the very concept of targeting in order to redistribute employment opportunities puts severe restrictions on the overall size of programs. It seems important that programs are not of too long a duration in order to avoid locking-in effects. Otherwise there is a serious risk that programs are seen as a more favorable alternative than, for instance, temporary jobs in the regular job market that may serve as a stepping-stone to permanent employment.

Besides, the ALMPs providers should not always be government organs, and it will be more efficient to have some private institutions to be competing with the public ones. In particular, we should learn from Korea to introduce more private training schools to do the labor market training jobs.

Third, the ALMPs should be closely integrated with social security benefits. In a developing country like China, the social security system has been just established, so there are necessities for applying of enough passive measures, and in fact, every country has various interactions between active and passive measures. If passive measures are dealt well, the effectiveness of active measures could be enhanced.

At least the employment service should be combined with unemployment benefits. In China today, the unemployed claim benefits in local social security offices, and the connection between unemployment benefits and job seeking assistance is not as strong as that in Korea. Although China also uses the term “one-stop service”, the service in China is less complete. It is better to include the unemployment benefits service in the work of employment service centers in local areas. make continued

receipt of income support conditional on accepting to participate in active programs after a certain minimum duration of an unemployment spell (say after six or eight months); do not, however, guarantee a slot in a program by that time, but handle the referral flexibly in accordance with the availability of slots which correspond to the needs of the job seeker in question, ensure that participants in training and public sector employment programs continue to be available for work in the open labor market; encourage them to engage actively in job search.

Forth, China should have more infrastructure and capacity building in employment service. One advantage of Korean PES is the nationally connected network. Besides, the workers' profiling and occupational classification are prerequisite for excellent match between job seekers and the posts. However, in China these basic jobs should be strengthened in order to serve better. Using "profiling" for new benefit claimants to identify those at risk of becoming long-term unemployed could be also very useful to have them better guided and counseled vocationally. Quick response is also necessary for an effective PES, we should learn to provide the unemployed immediately with counseling and job-search assistance. In employment service, we should also make passive income support as "active" as possible. China needs to make a significant effort to improve the database of labor market information with whole- country-wide job bank. Besides, self-help facilities should be provided and make job-seekers easily accessible to all the necessary information like that in Korea.

Fifth, the ALMPs should have cooperation with other departments, such as Ministry of Finance, Ministry of Economy, and different other government organs. More effective active labor market policies are those could stimulate the

motivation of the unemployed to actively seeking reemployment. However, macroeconomic condition should be conducive to job creation. Therefore, fiscal and taxation policies are vital for the success of ALMPs.

Sixth, the designers of ALMPs in China should pay more attention to equality. Nowadays, China's ALMPs are mainly targeting the urban unemployed, in particular those laid-off from state-owned enterprises. In future, China should target all its workforces in order to practicing the principle of harmonious society and human rights. The ALMPs should focus on gender equality. China has done lots to improve sex equality, and paid parental leave and childcare subsidies have a significantly positive impact on female participation rates. These policies are likely to be effective in Korea as well given that a significant portion of women withdraw from the labor force at the time of childbirth.

In China, women are over-represented in non-regular positions, even women employed as regular workers prior to interrupting their careers for children find it difficult to return as regular workers. In addition, part-time jobs and flexible working hours may be preferable to some married women in order to balance work and family responsibilities. The negative aspects of non-regular jobs - significantly lower wages, employment insecurity and less coverage by the social safety net - appear to discourage female participation. Finally, the seniority-based wage system, in which age and tenure play a dominant role, is another negative factor for female participation, as women who have left the labor force are locked into low salaries regardless of their performance.

In short, more generous childbirth leave and childcare support may reduce the proportion of women leaving the labor force when they have children. As for women who have left employment, the rising share of non-regular jobs and the concentration of women in such jobs may discourage more highly educated females from returning to the labor force. Efforts to reduce labor market dualism may thus also have a positive impact on female employment. In addition, replacing seniority-based wages with a system that links pay to performance would also encourage the employment of women.

Seventh, in labor market training, China's problem is lack of attention on changes in labor demand. In some cases, the content of training provided had nothing to do with the skills demanded in the labor market. Analyses of the changes in the skills demanded have not yet been systematically incorporated into vocational training programs. In addition, the vocational training provided by the government has hardly involved actual workplace training because the private sector's involvement in the program has been quite insignificant. Thus, the training program tends to have weak linkages to the real needs of the workplace.

Furthermore, it is essential to develop a meaningful vocational training program for temporary and migrant workers. Training programs for them may not require a high level of sophistication, and even intensive short-term training of basic skills could greatly enhance their employability as well as their job satisfaction.

In sum, labor market training programs should be more demand-oriented. Industries should participate more actively in the curriculum designing process as well as in the actual teaching and training. In addition, labor market training program should be coordinated with job placement programs. Otherwise, training could produce workers with skills hardly demanded by industries.

Eighth, China should improve the quality of employment service, so training of staff members is vital in effective delivery of employment service. With respect to employment service activities, inadequate attention has been paid to the quality of the staff who actually carry out these services. In China, the major component of the current job placement service is simple provision of information on job vacancies while vocational guidance counseling is almost nonexistent. Vocational guidance counseling, based on in-depth analysis of future changes in occupational demand patterns, has become increasingly important in modern job placement services in many countries. China, by contrast, has not stressed staff training in this regard. Therefore, China should first train the staff for vocational guidance purpose.

Because of huge differences in terms of development among different regions in China, the poor quality of employment services in some underdeveloped areas is quite common. Generally speaking, the service provided by the central government and metropolitans is superior to those offered by local governments simply due to differences in staff quality.

Ninth, evaluation of ALMPs in China should be strengthened. In many developed countries, a complete evaluation would include assessment of costs relative to benefits and assessment of general equilibrium effects, i.e. displacement, substitution, deadweight loss. In China, there are too few evaluations on ALMPs, and most evaluations are done by internal evaluators. In this area, Korea has some useful experiences for China, such as independent evaluations. China needs to firstly make substantial improvements in methods and data quality, then more frequent, independent, transparent and fair evaluations are vital for future improvement of ALMPs.

Finally, both China and Korea have lower expenditure on ALMPs, and China's portion on ALMPs is even smaller. It is necessary for China to increase the spending on active ways instead of passive means. However, it is necessary for both the government and public to understand the meaning of ALMPs. Therefore, publicity should target more people and coordination among different government organizations should be strengthened.

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Appendix: Chinese Laws, regulations and policies on ALMPs

In China, the most important legislation on ALMPs is the newly adopted Employment Promotion Law, which will enter into force from January 1, 2008. The Provisions on the Administration of the Labor Market (Decree No. 10 of the Ministry of Labor and social Security) promulgated on 2002 is also very important, which provides special provisions on employment in the form of ministerial regulations. In addition, the Law for the Protection of the Disabled, the Law of the Protection of Minors, the Law for the Protection of Women's Rights and Interests and the Provisions on Prohibition of Child Labor (Decree No. 364 of the State Council) have certain provisions to regulate the employment issue from various angles and aim at various groups of persons.

In 2002, the Central Committee of the Chinese Communist Party and the State Council issued Circular on Further Promoting the Re-employment of the Laid-off and Unemployed Workers (ZHONGFA [2002] No.12), it stimulated two types of tax concession policies to promote the reemployment of laid-off workers. The first type is tax preferential policies for individuals. Laid-off workers who engage in self-employment businesses (except businesses restricted by the state) are to be exempted from business taxes, municipal maintenance and construction taxes, additional taxes on education and income taxes for three years. The second type is tax concession policies for enterprises. Also in that document, governments at all levels are required to adjust financial expenditure structures, increase input in re-employment and list re-employment promotion in government budgets.

The General Office of the State Council issued Circular on Preferential Policies for Laid-off Workers Who Start up Their Own Businesses (GUOBANFA [2002] No.57), in accordance with this document, laid-off workers who become self-employed or start up their own businesses may be exempted from the following two categories of charges: the first category comprises charges required by laws and administrative regulations as well as charges established and approved by

the State Council, the Ministry of Finance and the State Development Planning Commission (now it is National Development and Reform Commission), including: ①registration fees for self-employment enterprises charged by the administration for industry and commerce; ②the cost of tax registration certificates charged by the taxation authorities; ③the management fees for civil-run medical establishments charged by the health administrative departments; ④registration fees for private non-enterprise organizations charged by the civil administration departments; ⑤appraisal fees for contracts and fees for vocational qualification certificates charged by the labor and social security departments; ⑥the costs of special business licenses charged by the public security departments; ⑦and the fees for tobacco franchises. The second category comprises charges for quasi-registration, certification and management fees approved and established by the province people's governments and their subordinate departments for finance and pricing administration.

Other documents include:

--the Circular on Implementing "Re-employment Aid" (LAOSHEBUFA [2001] No.18);

--the Proposals on Issues of Implementing the Circular of the Central Committee of the Communist Party of China and the State Council on Further Promoting the Re-employment of the Laid-off and Unemployed Workers (LAOSHEBUFA {2002} No.20);

--the Circular on Issue the Dissemination Plan concerning Further Promoting the Re-employment of the Laid-off and Unemployed Workers (ZHONGXUANFA [2002] No. 9);

--the Circular on Management Issues concerning Re-employment Promotion Fund for Laid-off Workers and Unemployed Workers (CAISHE [2002] No.107);

--the Circular on Taxation Policies Issues concerning the Re-employment of the Laid-off and Unemployed Workers (CAISHUI [2002] No. 208);

--the Circular on Implementation Specifications of Taxation Policies concerning the Re-employment of the Laid-off and Unemployed Workers (GUOSHUIFA [2002] No. 160);

--the Circular on Issue the Management Measures of Small Loans for the Laid-off and Unemployed Workers (YINFA [2002] No. 394);

--the Measures on the Repositioning and Placement of Laid-off Workers from Large-and Medium-sized SOEs (GUOJINGMAOQIGAI [2002] No. 859);

--the Circular on Implementing the Circular on Further Promoting the Re-employment of the Laid-off and Unemployed Workers (GONGSHANGGEZI [2002] No. 250);

--the Circular on Piloting “Employment New Start” Plan (LAOSHEBUFA [2006] No.30);

--the Circular on Issue the Eleven-five Year Implementation Programme on Employment and Social Security of the Disabled (CAILIAN [2006] No.22);

--the Circular on Issue Guidelines on Piloting Employment Integration between Urban and Rural Areas (LAOSHEBUFA [2006] No.27);

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--the Circular on Issues concerning Intra-provinces Migration (LAOSHETINGFA [2004] No.9);

--the Measures on the Repositioning and Placement of Surplus Workers from Large-and Medium-sized SOEs (LAOSHEBUFA [2004] No.20);

--the Circular on Strengthen the Systemization, Specialization and Socialization of Employment Service (LAOSHEBUHAN [2004] No.103);

--the Circular on Further Implementing Small Loans Policy for the Laid-off and Unemployed Workers (YANFA [2004] No.51).