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# Labor Market Review for H1 2023 and Outlook for H2\*

Center for Labor Trends Analysis\*\*

## Introduction

Due to the tight monetary policy to stabilize inflation and significant external uncertainties, this year's employment was expected to shrink along with other macroeconomic variables. However, the labor market until H1 2023 had a soft landing at a slower pace than expected. The employment increased while the unemployed and the not-in-labor force decreased, showing a robust labor market overall. Accordingly, the Korea Labor Institute (KLI) made an upward adjustment of the forecast of the increase in the number of employed persons from that of December 2022, predicting that it would "start high, finish low" and maintain a pattern of the number of employed persons in H2 not being as large as in H1. The KLI forecasted

that the number of employed persons would rise by about 253,000 persons in H2 of this year, making a total increase of 312,000 persons in 2023 on an annual basis.

## I. H1 2023 Labor Market Overview

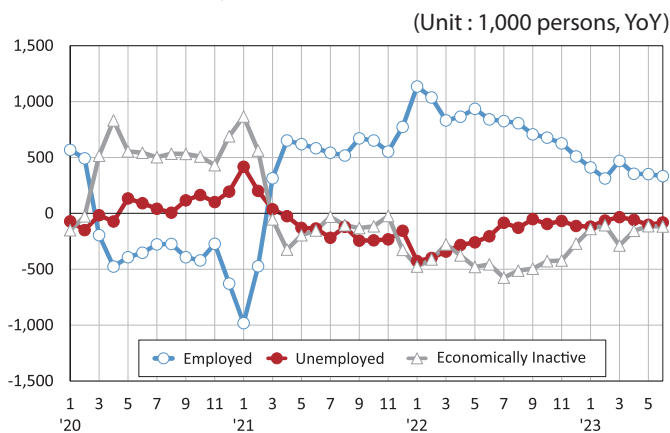
In Q1 2023, the number of employed persons rose by 397,000 persons year-over-year, followed by 346,000 persons in Q2, recording a total increase of 372,000 persons in H1. This is significantly higher than the figure expected at the end of last year. The employment rate has been steadily increasing since February 2021, and the unemployment rate is decreasing during the same period.

There are cases where employment growth surpassed

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Figure 1. Fluctuations in Employment, Unemployment and the Economically Inactive Population



the decrease in the number of employed for more than two years following such periods as the 1997 financial crisis, the credit card crisis of 2003, and the 2008 global financial crisis. During those periods, since the population was growing by about 400,000 to 600,000, even if the rise in the number of employed persons after each crisis was large, the increase in the employment rate was not significant. This time, however, Korea's population growth remained at the level of 150,000 persons, so the growth in the number of employed persons exceeding the population growth led to a large rise in the employment rate. The employment rate, reflecting a base effect owing to the decrease in employment rate during the crisis in 2021, steadily rose to reach 63.5% in June 2023, the highest level since June 1999. The employment rate is a representative indicator of how good the labor market is quantitatively. Analyzing the increase in the number of employed persons by group confirms that the increase stands out the most among women and those aged 60 or older. Until H2 2022, the number of employed men and women rose at a similar scale, but in H1 2023, the increase was led by females. While the male employment rate has declined, the female employment rate is still

increasing significantly. Such an increase is the result of the increased participation in economic activities of women in their 30s and elderly women in their 60s and older, and the rise in the number of employed persons in industries and occupations with a high proportion of female workers. This will further be examined in detail in the employment trends by sector later.

## II. H1 2023 Labor Market Sectoral Review

### 1. Decreasing Economically Inactive Population Led by Women, Slowing Unemployment Rate Maintained

The number of the unemployed continued to decline throughout H1 2023, remaining very low. The number of unemployed persons in H1 was 859,000, the lowest ever in H1 since 2000. Quarterly, the number of the unemployed dropped by 72,000 in Q1 and 81,000 in Q2 year-over-year. Considering that the economically inactive population also dropped during the same period, it can be concluded that the reduced number of the unemployed moved into employment.

The adjusted unemployment rate reflecting demographic changes is also declining. The decline in H1 2023 was led by those in their 20s and over 60 years of age. More specifically on those in their 20s, the unemployment rate for those in their early 20s maintained the downward trend of Q4 2022 into Q1 2023. Since the increase in the employment rate of those in their early 20s contracted in Q1 2023, the absence of a change in the downward trend in the unemployment rate means that participation in economic activities of those in their early 20s shrank significantly in Q1 2023. In Q2, the decline in the unemployment rate expanded

and the employment rate started to decline, indicating that the tendency to exit economic activities that appeared in Q1 intensified in Q2.

For those in their late 20s, the rate of increase in the unemployment rate expanded in Q1 2023, while the rate of increase in the employment rate slowed down. This indicates that the transition from unemployment to employment was not smooth, and that some exited economic activities. And, at least in view of the expansion of the unemployment rate, it seems that those in their late 20s engaged in job-seeking activities more actively than those in their early 20s in H1. In H2, the unemployment rate began to decrease, while the employment rate rose at a faster pace. However, the change in the employment rate was not as large as the change in the unemployment rate, so it appears some of the reduced number of the unemployed were absorbed into the economically inactive population rather than finding employment, resulting in those in their late 20s slowly entering a slowdown phase.

For those aged 60 and older, the unemployment rate of Q1 2023 dropped year-over-year, but the decline slowed significantly in Q2. The elderly unemployed that appear in Q1 of each year mainly consist of those who participate in job-seeking activities with the implementation of the Senior Employment Program, and the number of the unemployed who quitted temporary jobs following the expiry of the contract period in Q1 2023 decreased year-over-year, while those got incorporated into the economically inactive population for the same reason increased. In other words, the drop in the unemployment rate in Q1 2023 can be interpreted as a result of a reduction in job-seeking activities across the elderly, as well as the fact that the elderly, who had previously been economically active through the government program, did not participate in job-seeking

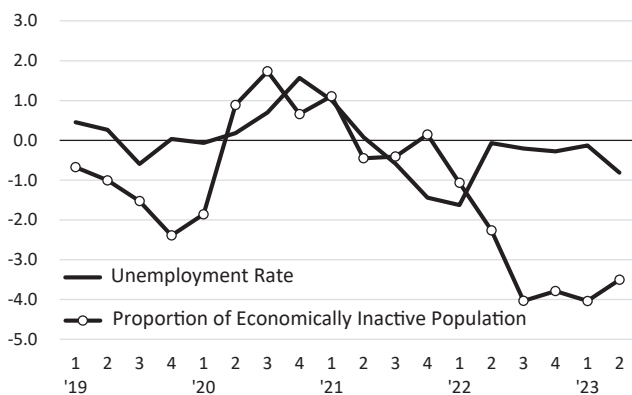
activities this year as much as in the previous year and remained economically inactive. In Q2, when the effects of the Senior Employment Program disappeared, the unemployment rate declined at a slower pace to reach the same level as the previous year, and the employment rate went up at a slower rate. It is interpreted to be due to the increase in the share of the elderly who lost their jobs, transitioning from employment to unemployment.

In terms of unemployment by gender, the decline in the female unemployment rate was remarkable. Compared to H1 of the previous year, the male unemployment rate in 2023 decreased by 0.2%p, while the female unemployment rate decreased by 0.5%p, more than twice that of male unemployment.

Analyzing the changing behavior of unemployed (unemployed and economically inactive population) females by age group shows that changes in the youth and those in their 30s are most characteristic. For those aged 15 to 29, the decline in the unemployment rate in H1 2023 was strengthened, while the percentage of the economically inactive population which had declined slowly from 2022 began to expand in 2023. As the employment rate of women aged 15 to 29 also began to decline, it can be seen that more people are getting incorporated into the economically inactive population, and that the reduced number of the unemployed are likely to have discontinued job-seeking activities.

On the other hand, in the case of women in their 30s, their employment rate is increasing and the unemployment rate is decreasing at a rate not so high, while the rate of decrease in the economically inactive population continues to be very rapid during Q4 (see Figure 2). In other words, women in their 30s are judged to have mainly transitioned from the economically inactive status to employment, and in particular, almost no change in their unemployment rate means that they

Figure 2. Unemployment Rate of Women in Their 30s and Changes in the Proportion of an Economically Inactive Population  
(Unit : %p, YoY)



Note : The proportion of an economically inactive population means its percentage against each group of female population.

Source : Statistics Korea, 「Economically Active Population Survey」 raw data, each year.

enter employment within one month of starting job-seeking activity, suggesting that employment of women in their 30s is occurring relatively quickly.

The number of unemployed persons who quit their jobs within the past year according to the concept of unemployment increased by 30,000 in H1 2023. In particular, the number of unemployed persons who quit their jobs voluntarily increased in H1 of the year. Among them, the number of unemployed rose in Q1 and began to drop in Q2, but the economically inactive population that does not continue economic activity rose in H1 of the year, meaning that the tendency of the voluntarily unemployed to discontinue job searching activities became stronger in Q2. On the other hand, unemployment due to involuntary causes is still declining among both the unemployed of H1 2023 and the economically inactive population.

In the case of the expanded unemployment rate of H1 2023, it still maintained a decline in the 2%p range even though the decline in the unemployment rate slowed. In 2023, the effect of the unemployment rate almost disappeared, and the potential economically active population led the reduction in the expanded

unemployment rate.

The drop in the potential economically active population is mainly attributed to the decrease in potential job seekers, an economically inactive population with a desire to find a job. The number of potential job seekers decreased by 405,000 in H1, and when the number of the reduced unemployed persons is added, the total number of unemployed persons with a desire to find a job decreased by 482,000 in H1. Meanwhile, the number of employed persons went up by 372,000. In other words, many of the unemployed who have a desire to work moved to employment, while others got incorporated into an economically inactive population who did not want to find a job or who could not find a job. Therefore, although the expanded unemployment rate in H1 of the year seems to be showing a favorable trend, continuing to decrease by 2.1%p, it is possible that the labor market is gradually entering a slowdown phase.

Based on the analysis of the decrease and movement of potential job seekers in H1, it was particularly noticeable that those in their 20s moved to an economically inactive population with no will to find a job. Among those in their 20s, the proportion of employed persons increased slightly and that of potential job seekers decreased, but the proportion of the economically inactive population also showed an upward trend. Put differently, it is observed that some of the 20-something potential job seekers and the unemployed are completely exiting the labor market, suggesting a possibility that the labor supply of those in their 20s may decrease in the future, regardless of the population decline. In addition, among young people in their 20s, the number of underemployed part-time workers began to increase in H1 2023, so looking at the details, it would be difficult to interpret this as a positive situation

even though the expanded unemployment rate for young people is decreasing.

The economically inactive population decreased by 154,000 in H1 2023, which was significantly less than the drop of 450,000 in H2 2022. By gender, the number of males increased by 81,000, turning into an upward trend, while the number of females declined by 235,000, continuing a steep downward trend, indicating differences in changes according to gender. By reason, the number of economically inactive males rose due to childcare, housework, and commuting to school, but the largest increase was seen in resting. Meanwhile, the number of economically inactive women increased due to commuting to school and resting, but decreased for reasons such as childcare, housework, job preparation, and old age.

Among the reasons for changes in the economically inactive population, the most noticeable is the increase in resting. The rate of increase in resting differs by gender, with the increase in males being more than twice that of females. This is judged to be because the employment recovery in 2023 appeared mainly in female employment-friendly industries, resulting in the stagnation of the male employment rate and the steady rise of the female employment rate.

By age group, the increase in resting was mainly seen in people in their 20s and those over 60 years. The number of those in their 20s who rested increased mainly among the population who did not want a job in the previous week, and when classified by the withdrawal from job-seeking, it increased among those who did not withdraw from job search. Therefore, it is judged that the majority of the increased number of youths who rested in H1 of the year took a rest by choice, rather than because they gave up looking for a job.

The rate of increase in the number of people aged

60 and older who rested is expanding, and like young people, their number increased mainly among the population who rested selectively because they did not want a job in the previous week. In addition, the number of those aged 60 and older who became economically inactive due to old age has been decreasing recently, an almost opposite trend to that of the economically inactive population who took a rest. In other words, there is a high possibility that some of the increase in the elderly population who rested may have transitioned from the reason of old age, so it would be necessary to further monitor this trend.

## **2. Slowing Youth Employment, Increasing Employment Mainly for Those in Their 60s and Older**

If the current trend of demographic change continues, it is highly likely that the scale of fluctuation in the number of employed persons will be greatest in the age group of 60 or older. This is because the population of all the other age groups is declining. Although the labor force participation rate of those aged 60 and older is the lowest among all age groups, their economic activity is more active than in the past, and most of their population growth is translating into a significant increase in the number of the employed.

Since the population of the other age groups is declining, changes in the employment rate should be examined first when determining the employment situation in terms of total amount. Since the employment rate of those in their 30s is increasing drastically, especially among women, and the employment rate of those in their 40s is not decreasing, it is difficult to judge that there is a particular problem with employment in the core age group. Although the increase in the

employment rate has slowed down for those in their 50s, the number of employed persons is showing a steady increase in the accommodations and food services industry and the industries related to care demand with a high share of employment. While it causes concern that the increase in the employment rate of young people in their 20s is rapidly slowing down over time, it should be taken into account that youth employment has shown a significant recovery in terms of quantitative indicators over the past two years.

Analyzing the employment of young people, mainly in their 20s, shows that the number of the employed rose significantly after Q2 2021. However, since H1 2022, the rate of increase has gradually slowed, and the

number of employed persons is currently declining. The overall employment rate has not yet declined. Judging by the employment rate, the employment situation of those in their early 20s seems to be worse. It should be noted that, rather than owing to a particular structural problem, such a situation is due to the effect of a gradual slowdown in the industries in which many in their early 20s belong to, that is, changes in employment due to economic cycles.

Next, the changes in the number of employed persons are examined by industry for detailed age groups. Among those in their late 20s, the drop in the number of the employed was large in the transportation and storage industry—where the special demand for non-face-to-face services disappeared—and in the manufacturing industry—where industrial production started to become sluggish. For those in their early 20s, the recent decline in the number of the employed was observed in the health and social work industries, which includes nursing personnel. Among face-to-face services, accommodations and food services saw an increase in the number of employed persons in all people in their 20s, while arts, sports and recreation related industries saw an increase in employment mainly in people who were in their late 20s. The number of employed persons in wholesale and retail trade activities is declining among the entire 20s.

Among young students in their early 20s, the proportion of temporary workers employed in domestic consumption services is high. It appears to follow the overall employment trends of these industries. The increase in the number of employed persons in the accommodations and food services industry peaked in early 2023 and has been slowing. In the case of graduates, there is a relatively large change in female employment. Until H1 2022, the increase in

Table 1. Trends in Major Employment Indicators by Age  
(Unit : 1,000 persons, YoY)

		H1		
		2021	2022	2023
Aged 15-29	Population	-135	-195	-182
	Employed	36	208	-103
	Employment Rate	0.2	-2.7	-0.5
	Unemployment Rate	1.1	3.4	-0.2
Aged 30	Population	-150	-133	-90
	Employed	-160	23	37
	Employment Rate	0.3	-0.9	-0.1
	Unemployment Rate	-0.7	1.8	1.6
Aged 40	Population	-71	-72	-110
	Employed	-78	22	-51
	Employment Rate	0.1	-0.5	-0.1
	Unemployment Rate	-0.3	1.0	0.4
Aged 50	Population	-13	35	4
	Employed	-1	244	68
	Employment Rate	-0.1	-1.2	-0.1
	Unemployment Rate	0.1	2.5	0.8
Aged 60 or older	Population	665	574	519
	Employed	321	443	421
	Employment Rate	0.5	-1.2	-0.8
	Unemployment Rate	0.4	1.6	1.4

Source : Statistics Korea, "Economically Active Population Survey," raw data, each year.



employment in the health and social work industries, including nursing personnel, was quite large, which has served as a base effect for the declining employment in these industries in H1 2023 .

In the case of those in their late 20s, there are many who want to enter the labor market in earnest, so it is necessary to take a closer look at the employment indicators. It should be noted that the decline in employment of graduates in their late 20s by industry is not a problem specifically for this age group, but rather is a case in which employment in the overall industries is stagnant. As uncertainty in the manufacturing industry rises, the number of employed persons is not increasing, resulting in a drop in the number of male graduates in their late 20s who are employed in the manufacturing industry. The conditions of the wholesale and retail trade industry as well as the transportation and storage industry also affected the number of employed persons in these industries in the form of a decrease in employment across all age groups. The employment increase in the accommodations and food services industry was initially driven by current students, but as the industry-wide recovery trend was fully observed, it also affected the employment of graduates.

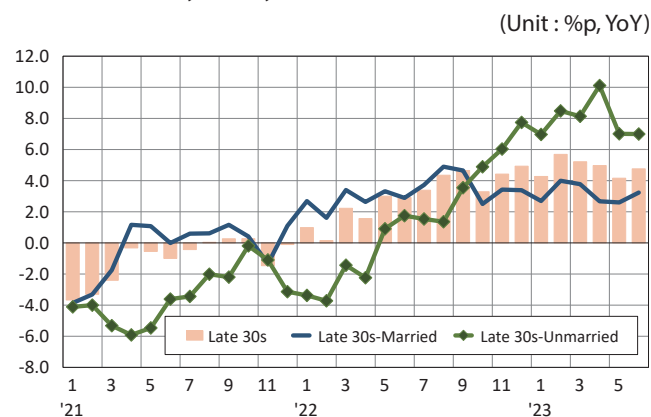
Examining the youth employment indicators in detail showed that there were no particular changes that were observed only in the age group new to the labor market. Changes in youth employment appeared, following the fluctuations in production and employment throughout the industries. As the proportion of youth employment was high in industries where business conditions were slowing down, adjustments in the number of youths employed in those industries naturally occurred. Conversely, when youth employment was on the rise, employment increased mainly in industries that were currently going through a downturn. When all

things considered, the current slowdown in the rate of increase in the number of employed young people can be evaluated as part of natural ups and downs in employment due to changes in the industrial economy.

What stands out the most among people in their 30s is the change in female employment. As the population is currently declining to the 100,000 level, it is difficult to judge the employment situation of this age group based on the fluctuation in the number of employed persons. Based on the increase in the employment rate, the rise in the employment rate for women in their 30s is noteworthy. In particular, the increase in the employment rate of women in their late 30s is greater than 4%p, driving the overall employment rate increase in this age group.

The economic activity status of women in their 30s varies greatly depending on their marital status. Although the employment rate went up for both married and unmarried women, the increase in the employment rate was greater for unmarried women. In particular, the employment rate of unmarried women in their late 30s rose significantly, which is due to their increasing participation in economic activities.

Figure 3. Fluctuations in Employment Rate of Women in Their Late 30s (35-39 years) by Marital Status



Note : Among the variables indicating marital status, 'single,' 'widowed,' and 'divorced' were classified as unmarried, and 'having a spouse' was classified as married.

Source : Statistics Korea, 「Economically Active Population Survey」, raw data each year.

The employment of males in their 30s is not as good as that of females, reflected by a slight decline in the employment rate in H1 of the year. By industry, the number of male workers in their 30s rose in the accommodations and food services industry, but decreased significantly in the manufacturing and construction industries, where the share of male employment in their 30s is typically high. In contrast, it is noteworthy that the employment in manufacturing is increasing among women in their 30s.

People in their 40s could not overcome the effects of the population decline, resulting in a decrease in the number of employed persons. However, since their employment rate is rising slightly, it can be said that the degree of slowdown in employment is not as severe as that of young people. The decline in the population in the late 40s is large, and given that the current trend of population changes of those in their early 40s is likely to turn into a downward trend within 2023, the decrease in the number of employed persons may expand slightly.

Just like people in their 30s, the employment situation of those in their 50s differ by gender. Based on the change in the employment rate, it can be evaluated that the employment situation of women is significantly better than that of men. Since Q2 2021, the employment rate of women in their 50s has been steadily increasing at a high rate, and while the rate of increase in the employment rate of women in their early 50s has slowed since H2 2022, that of women in their late 50s remains high up until Q2 2023. The characteristics of changes in employment for women in their late 50s tend to gradually coincide with those of elderly women aged 60 years and older. Their employment growth in the social welfare service industry due to the rising demand in employment related to care, and the wholesale and retail trade industry, a traditional domestic consumption

service industry, has been continuing for a long time.

As for the seniors aged 60 and older, the structural change of population growth is maintained, so the rate of increase in the number of employed persons is continuously maintained above a certain level. However, the proportion related to the Senior Employment Program among the increase in the number of employed, has been decreasing since H2 of last year. The rate of increase in temporary jobs in the public administration services sector and the health and social work sector for those aged 65 and older has declined compared to the past. The number of employed persons rose in 1) business facility management and business support services dominated by temporary jobs for seniors related to agriculture, forestry and fisheries, and surveillance, monitoring and cleaning; and 2) wholesale and retail trade as well as accommodations and food services, which are traditional domestic consumption service industries with a high share of elderly workers. The decrease in employment growth related to the Senior Employment Program is being filled by an increase in senior employment in the private sector. If the rate of increase in economic activity of elderly people in various industries continues in the future, the size of the increase in the employment of the elderly will continue to serve as an important factor in determining the size of the overall increase in employment.

### 3. Employment Growth Led by Permanent Jobs

When the increase in the number of employed persons is categorized by occupational status, it is obvious that most of the fluctuations in Korea's employment involve permanent jobs. Compared to the range of fluctuations in permanent jobs, that of the other occupational statuses is very small. In H1, the number of permanent workers

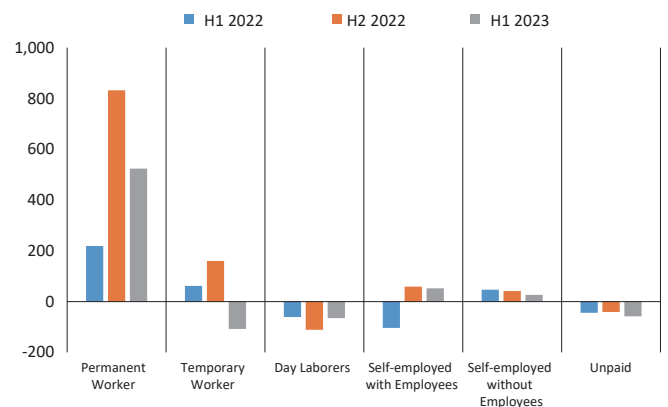


went up by more than 520,000. The results indicate that permanent jobs are the only occupational status that are showing significant growth in employment beyond the level of employment prior to the spread of COVID-19.

Analyzing the increase in the number of permanent workers by industry, the increase in manufacturing has slowed, but the increase in the health and social work industries—related to the rise in demand for care-related jobs—has been significant. In wholesale and retail trade activities, the number of workers in other occupational statuses dropped, but that of permanent workers rose. In information and communications, and professional, scientific and technical services, the number of permanent jobs in the existing non-face-to-face services continued to increase. The number of permanent workers also jumped by 100,000 in H1, with permanent jobs responding the greatest to the recovery in the accommodations and food services industry.

The number of temporary jobs is still decreasing after turning into a downward trend in Q3 2022. The slowdown in the number of temporary workers aged 65 years and older in the health and social work industries has been the biggest cause. In face-to-face services, such as accommodations and food services, and arts, sports and recreation related services, there is a tendency that the number of those working in relatively variable temporary jobs first increases when such industries recover. In fact, from 2022 to the present, the number of temporary jobs in these industries has been increasing. Meanwhile, temporary jobs continue to decline in wholesale and retail trade activities, where such jobs had already been declining, manufacturing and construction, where business conditions are not favorable, and the transportation industry, where the demand for non-face-to-face services is disappearing. The number of daily jobs is also declining due to the unfavorable economy

Figure 4. Fluctuations in Employment by Occupational Status  
(Unit : 1,000 persons, YoY)



Source : Statistics Korea, 「Economically Active Population Survey raw data each year.

in construction and manufacturing, which account for most of the workers.

Since Q1 2022, the number of employers and the self-employed has been rising. However, since the scale of increase is insignificant compared to permanent workers, those groups have not shown a remarkable increase in employment in terms of total employment. In the case of the self-employed with employee(s), their number increased the most in the accommodations and food services industry, while the number of those without an employee increased greatly among the elderly in agriculture, forestry and fisheries.

#### 4. Employment Growth in Manufacturing Slows

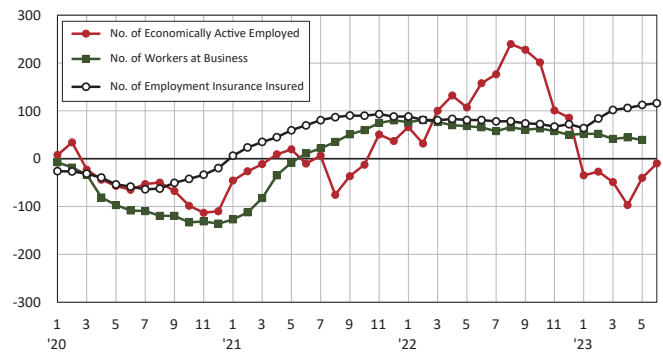
In H1 2023, the manufacturing economy was sluggish. Manufacturing production declined 2.6% year-over-year in Q4 2022, followed by a 3.3% decline in Q1 2023. This was in contrast to the high growth rate of service industry production during the same period. The export situation was also not good. From Q4 of last year through H1 of this year, exports continued to decrease every month. In particular, exports shrank, mainly in ICT, including semiconductors. Sluggish manufacturing economic indicators were also reflected in

the Business Survey Index (BSI). In H1, most indicators in manufacturing such as business performance, sales performance, and production performance declined year-over-year.

Manufacturing employment growth also slowed. According to the Economically Active Population Survey, the number of employed persons in manufacturing shifted to a decline, with a decrease of 43,000 in H1, and the increase in the number of workers at business establishments also slowed down slightly. Meanwhile, thanks to a huge increase in the number of insured foreigners under employment insurance during H1 (measures mandating foreign workers to purchase employment insurance were extended to workplaces with less than 10 employees starting in January), the number of the insured under employment insurance rose at a rapid rate during H1, but the total increase excluding foreigner remained at about 10,000 only.

However, examining the employment changes in the manufacturing industry by month indicates that, during March and April, the rate of decline in the number of economically active employed persons increased compared to the same months of the previous year, but the rate of decline has slowed down again since May, and the number of employed persons in seasonally adjusted manufacturing is also on the rise (see Figure 5). The rate of rise in the number of workers at business establishments is showing a modest drop, and the increase in the number of the insured under employment insurance excluding foreign subscribers remains at a low level, but the current situation has been maintained for several months until Q2 without any change, such as turning to a downward trend. In summary, considering the manufacturing industry's economic conditions such as production and exports in H1 of the year and the base effect from last year's strong employment growth,

Figure 5. Fluctuations in Manufacturing Employment Indicators  
(Unit : 1,000 persons, YoY)

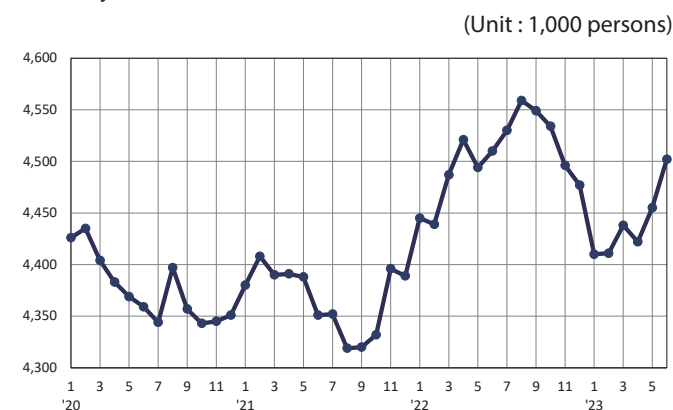


Source : Statistics Korea, 「Economically Active Population Survey」 raw data, each year; Ministry of Employment and Labor, 「Workplace Labor Force Survey」, KOSIS; Korea Employment Information Service (KEIS), 「Statistics on Employment Administration」, EIS

the slowdown in manufacturing employment can be evaluated as more gradual than originally expected.

Employment by subsector of manufacturing showed a generally similar trend during H1 of the year. In the case of manufacturing of motor vehicles, where production and exports continued to rise significantly, employment also continued to rise thanks to favorable business conditions. Medical chemicals manufacturing, medical and precision instruments manufacturing, and food products manufacturing, where employment is trending upward, also maintained an increase in employment in H1. The employment situation was also not bad in the machinery industries such as metal processing and manufacturing of machine equipment, and employment in electrical equipment manufacturing continued to expand as demand for secondary batteries continued to rise due to increased demand for electric motor vehicles. Even in H2, automobile production and exports are expected to be brisk, and demand for secondary batteries is likely to continue to increase for the time being as demand for electric motor vehicles continues worldwide. Manufacturing of automotive and electrical equipment is expected to maintain employment growth in H2, and manufacturing of medicaments, medical

Figure 6. Number of Employed in Manufacturing (Seasonally Adjusted)



Source : Statistics Korea, 「Economically Active Population Survey」, KOSIS.

appliances and instruments, and manufacturing of food products are also expected to support the improvement of the manufacturing employment indicators in H2 of the year as they maintain the existing growth trend. On the other hand, employment in manufacturing of electronic components, computer, and communication equipment and apparatuses showed a slowdown in H1 because their production and exports continued to decline due to the sluggish semiconductor industry. If the forecast that the semiconductor economy will improve in H2 of the year is realized, employment in manufacturing of electronic components, computer, and communication equipment and apparatuses is expected to stop slowing and rebound.

## 5. Sluggish Employment in Construction Continues

In H1 of this year, employment in the construction industry continued to decline. The rate of decrease in the number of economically active employed persons rose due to the sluggish construction industry and the base effect of the previous year, and the number of workers at business establishments turned to a decrease in Q2. The monthly increase in the number of insured persons

under employment insurance is also shrinking. Contrary to this year's huge increase in the value of construction completed, sluggish employment in the construction industry was observed in all indicators. It is unclear whether the sluggish employment in construction in H1 will be able to improve in H2. Construction investment, which increased slightly in Q1, is expected to turn negative again in H2 owing to the continued downturn in the construction economy, and construction orders received, a leading indicator of the construction market, also decreased in both the public and private sectors. The prevailing view is that the construction market in H2 of the year will experience a worse slump than H1 due to underperforming construction indicators and an unfavorable macroeconomic environment. Accordingly, employment in the construction industry is also likely to continue declining in H2 of the year.

## 6. Recovery of Employment in Face-to-Face Services

The number of employed persons in the service industry in H1 2023 reached 20 million, an increase of 474,000 compared to the same period last year, continuing the trend of employment growth since H1 of the previous year. Among the face-to-face services industries, the industries showing a remarkable trend include accommodation and food, arts, sports and recreation related services. As for accommodations and food services, the number of employed persons rose by 164,000 in H1 2023. This industry suffered a drop of 190,000 between 2020 and 2021 due to the impact of COVID-19, then recovered to pre-COVID-19 levels with an increase of 197,000 between 2022 and 2023. In the case of arts, sports and recreation related services, the number of employed persons also decreased

significantly due to COVID-19, and as the rate of increase in the number of employed persons gradually expanded in 2023, the number of employed persons increased by 37,000 in H1. On a seasonally adjusted basis, the number of employed persons in June 2023 was 535,000, exceeding the level in December 2019 (533,000), which was the pre-COVID-19 peak.

Overseas travel, which affects employment in accommodations and food services, as well as recreation related services, resumed after COVID-19, but the recovery rate for foreigners entering the country is slow compared to Koreans leaving the country. In particular, the entry and exit of Chinese travelers, who account for a major part of Korea's tourism demand, is showing a slow recovery after COVID-19. If the departure of Koreans increases and the entry of foreigners continues to be sluggish, the hollowing out of the domestic

tourism industry will occur, affecting the slowdown in employment in related industries.

## 7. Continued Employment Growth in Professional Services

In H1 2023, the number of people employed in the information and communications industry increased by 54,000 year-over-year, and that in professional, scientific and technical activities increased by 73,000. Although there has been a slowdown in employment since COVID-19, this industry has been least affected and the number of employed persons has been continuously increasing for more than 3 years without being affected by the base effect. The Workplace Labor Force Survey and the Employment Insurance statistics show similar results to the Economically Active Population Survey.

It is unlikely that the continuous increase in the number of employed for four years will turn into a downward trend in employment after H2 2022, but the rate of increase in the number of employed in the information and communications industry is gradually slowing from January 2023. As for professional, scientific and technical activities, it is highly likely that the rate of increase will slow down somewhat in H2 owing to the increase in the number of employed persons, which deviates from the trend in Q2.

## 8. Declining Employment in Transportation & Storage, and Real Estate due to Economic Slowdown

In the case of the transportation and storage industry, with the widespread culture of social distancing and non-face-to-face consumption after COVID-19, employment

Table 2. Fluctuations in the Number of Employed by Type of Service Industries

(Unit : 1,000 persons, YoY)

	2020 H1	2021 H1	2022 H1	2023 H1
Service Industry Total	-100	31	695	474
Wholesale and Retail Trade	-142	-177	-38	-54
Transportation and Storage	66	69	112	-30
Accommodation and Food	-98	-92	33	164
Information and Communication	-14	23	95	54
Financial and Insurance Activities	-18	23	-33	13
Real Estate Activities	-11	-13	35	-11
Science and Technology	16	42	75	73
Professional Business Support	22	49	62	-4
Public Administration	-18	67	73	25
Education	-65	1	79	10
Healthcare and Welfare	141	143	223	173
Arts, Sports and Recreation-related	34	-38	13	37
Membership Organizations and Personal Services	-53	-65	-20	15

Source : Statistics Korea, 「Economically Active Population Survey」 raw data, each year.

increased significantly, and the number of employed persons declined from H2 2022, and in H1 2023, it decreased by 30,000 year-over-year. By occupation, the number of workers engaged in the operation and assembly of equipment and machines decreased—such as those operating cargo and special vehicles, forklifts, and cranes—which is likely to have been affected by the economic and employment downturn in the manufacturing and construction industries.

The real estate industry saw a drastic increase in employment from H2 2021 to H1 2022 depending on the real estate market situation at the time, but the number of employed persons dropped by 30,000 in May 2023 due to the economic slump. In both industries, the decline is centered on occupations that are not typically covered by employment insurance, such as courier and delivery services, and real estate brokerage assistants.

### 9. Slowing Employment in Social Services

Due to the sluggish employment caused by the economic deterioration after COVID-19, middle-aged and elderly people actively participated in the government-funded job creation project, but as the policy direction changed in 2023 so that the project is mainly funded by the private sector, the number of middle-aged and elderly people, and young people employed in public administration decreased.

Employment in the education service industry is increasing as it is divided into different occupational groups such as education-related experts, shuttle bus drivers, and assistants. However, it is difficult to expect long-term employment growth as the demand for educational services gradually decreases due to a

reduction in the school-age population.

The number of employed persons in the health and social work industries rose by 173,000, mainly among professional and service jobs rather than simple labor jobs, among permanent jobs rather than temporary jobs, and among those who work more than 36 hours instead of part-time workers. The direct job impact within the Senior Employment Program has significantly decreased. It can be seen that there has been a change in policy that increased the share of jobs that are private sector- and social service-oriented rather than public sector-oriented.

## III. Employment Outlook for H2 2023

The labor market of H1 2023 performed stronger than forecasted by the Korea Labor Institute as well as other research institutes at the end of 2022. To make projections for the H2 of this year and yearly employment outlook, it is necessary to first examine the economy and employment by sector in H1. Real GDP in Q1 and Q2 of this year both grew by 0.9% year-over-year. Compared to the 2021 economic growth rate of 4.1% and 2022 economic growth rate of 2.6%, the overall growth is slowing. Among different industries, manufacturing grew by about -3.3% and exports by about -2.0% year-over-year in Q1, while the service sector and private consumption grew by about 3.4% and 4.6%, respectively.<sup>1)</sup> Manufacturing and employment, and net exports and employment have low correlations with employment, and there is a lag before they affect each other. On the other hand, both the service sector and consumption are highly correlated

1) According to the real GDP data for Q2 2023 announced by the Bank of Korea on July 25, 2023, manufacturing fell by 0.5% year-over-year in Q2 and exports by 0.6%. Services and private final consumption expenditures grew by 1.9% and 1.5%, respectively.

with employment and fluctuate in tandem. Therefore, it can be said that the H1 2023 labor market was partially understandable rather than completely separated from the macroeconomy or output market. In terms of labor supply, the elderly, women, and women in their 30s in particular, contributed to an increase in the number of employed persons as a structural factor, while the youth and men in their 20s through 40s had a slowdown in employment along with the economy.

Therefore, the Korea Labor Institute made an upward adjustment of the forecast of the increase in the number of employed persons from that of December 2022, predicting that it would “start high, finish low” and maintain a pattern of the number of employed persons in H2 not being as large as in H1. This reflects the consideration that the employment trend in H1 of the year will remain or fluctuate in a complex way. For example, in the case of employment in manufacturing, employment may slow down if the time lag between the manufacturing economy and employment is considered, but the weak correlation between the two and the gradual adjustment so far can also be taken into account. Moreover, the base effect of the employment recovery, which was significant last year, and structural and cyclical employment patterns by population group were also considered. When these factors were considered in the forecast model, it was confirmed that out-of-sample forecasting increased.

<Table 3> shows the forecasts of the Korea Labor Institute for H2 2023 and annual labor market projections considering the factors described above. In H2 of this year, the number of employed persons is expected to increase by about 253,000 compared to H2 2022, translating into an increase of about 312,000 on an annual basis in 2023. In terms of fluctuation rate, this means that it will increase by about 0.9% in H2 and by

Table 3. 2023 H2 Employment Outlook

(Unit: %, 1,000 persons)

	2022			2023		
	H1	H2	Full-year	H1	H2*	Full-year*
Employed Population	27,858	28,320	28,089	28,230	28,537	28,402
(Rate of Increase)	3.4	2.4	3.0	1.3	0.9	1.1
(Increase/Decrease)	941	692	816	372	253	312
Unemployment Rate	3.2	2.5	2.9	3.0	2.4	2.7
Employment Rate	61.6	62.5	62.1	62.2	62.9	62.6

Note : \* represents projections.

Source : Statistics Korea, 「Economically Active Population Survey」 raw data, each year.

about 1.1% on an annual basis. Considering population growth, the employment rate is expected to be about 62.9% in H2 of the year and about 62.6% in 2023, and the unemployment rate is projected to be about 2.4% and 2.7% in H2 and in the year, respectively.

Researchers and policy makers can consider two things. First, in the short term, in order to prepare for a situation in which employment significantly contracts in H2 of the year, they should constantly monitor the labor market with vigilance and strive to maintain an efficient level of employment in advance, while ex post facto, to make efforts to create an environment in which economic entities experiencing difficulties can return to the labor market in an efficient and stable manner. Second, in the long term, they must prepare the foundation for improving the soundness of the labor market. For example, efforts can be made to address mismatches by identifying and mitigating inefficient factors at the regional and industry level.

Although employment in H1 was better than the outlook, it was not evenly good across all groups. In order to improve social welfare, it will be necessary to carefully examine and analyze whether there is an economic entity experiencing difficulties along with efficiency.