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Evaluation of 2017 Labor Market and 2018 Employment Outlook

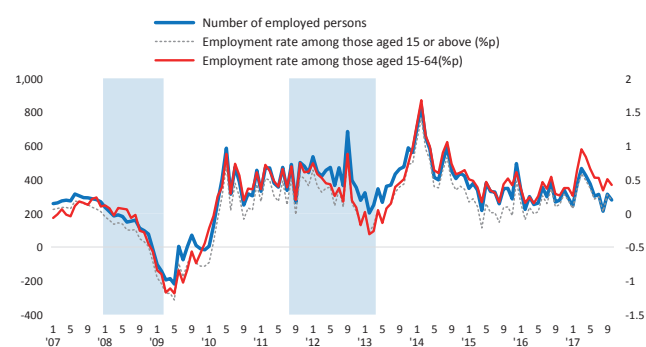
Center for Labor Trends Analysis*

I. Overview of Labor Market in 2017

With signs of economic recovery such as the manufacturing industry's turnaround to employment growth on the back of improving exports, the number of employed persons in January-October 2017 increased by 330,000 year-on-year, painting a brighter picture than 2016. However, the upward trend in the number of employed persons is somewhat faltering recently as shown by the statistics that the number of the employed rose by only 279,000 in the third quarter (October 279,000 ↑). Nevertheless, even in August-October marked by a slower growth in the employed population, employment rate among those aged 15-64 rose by 0.5%p year-on-year to 66.9%, and this indicates an improving trend compared to the year-on-year increase of 0.3%p during the same period in 2016

Figure 1. Trends in the Number of Employed Persons and Employment Rate

(Unit : 1,000 persons, %p, year-on-year)



Source : Statistics Korea, KOSIS

when restructuring was in full swing.

Meanwhile, the average unemployment rate in January-October remained the same as the previous year at

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Figure 2. Trends in the Number of Unemployed Persons (left axis) and Unemployment Rate (right axis)

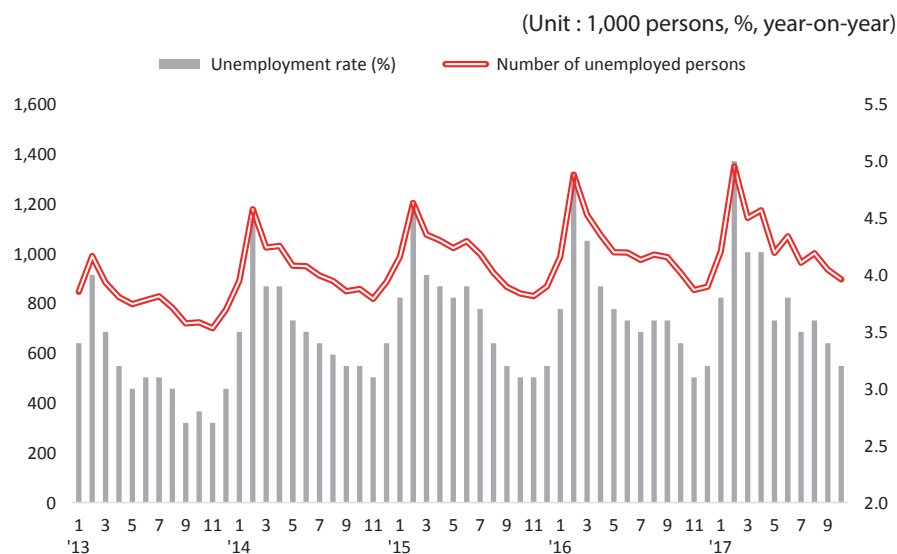


Table 1. Trends in Major Employment Indicators

(Unit : 1,000 persons, %, year-on-year)

		Jan-Oct 2014	Jan-Oct 2015	Jan-Oct 2016	Jan-Oct 2017
Aged 15 or above	Working age population (rate of increase)	42,474 -1	42,981 -1.2	43,389 -0.9	43,730 -0.8
	Economically active population (rate of increase)	26,538 -2.7	26,912 -1.4	27,249 -1.2	27,590 -1.3
	Employed population (rate of increase)	25,584 -2.2	25,910 -1.3	26,206 -1.1	26,536 -1.3
	(amount of increase)	-554	-326	-296	-330
	Participation rate (Male)	62.5 -74.1	62.6 -73.9	62.8 -73.9	63.1 -73.9
	(Female)	-51.4	-51.8	-52.1	-52.6
	Employment rate (Male)	60.2 -71.4	60.3 -71.1	60.4 -71	60.7 -71
	(Female)	-49.6	-49.9	-50.2	-50.7
	Unemployed population	953	1,002	1,042	1,054
Aged 15-64	Unemployment rate (Male)	3.6 -3.6	3.7 -3.8	3.8 -3.9	3.8 -3.9
	(Female)	-3.6	-3.7	-3.7	-3.7
	Economically inactive population (rate of increase)	15,936 (-1.7)	16,069 -0.8	16,140 -0.4	16,139 0
	Working age population (rate of increase)	35,941 -0.9	36,091 -0.4	36,335 -0.7	36,481 -0.4
	Participation rate (Male)	67.8 -78.6	68.3 -78.7	68.7 -78.9	69.3 -79.3
	(Female)	-57	-57.8	-58.3	-59.1
	Employment rate (Male)	65.3 -75.7	65.7 -75.7	66 -75.7	66.6 -76.1
	(Female)	-54.9	-55.6	-56.1	-56.9

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

3.8%. However, it fell by 0.1%p to 3.5% in the third quarter and by 0.2%p to 3.2% in October. Unemployment rate among the youth aged 15-29 decreased by 0.1%p year-on-year to 10.0%, which is still quite high.

II. Evaluation of 2017 Labor Market by Sector

1. Decrease in employment rate of the youth in their 20s

Though employment rate of the youth (aged 15-29) posted a steady rise this year, this is attributable to the slight rise in employment rate of those aged below 20. Employment rate of those in their 20s continued to fall throughout the year.

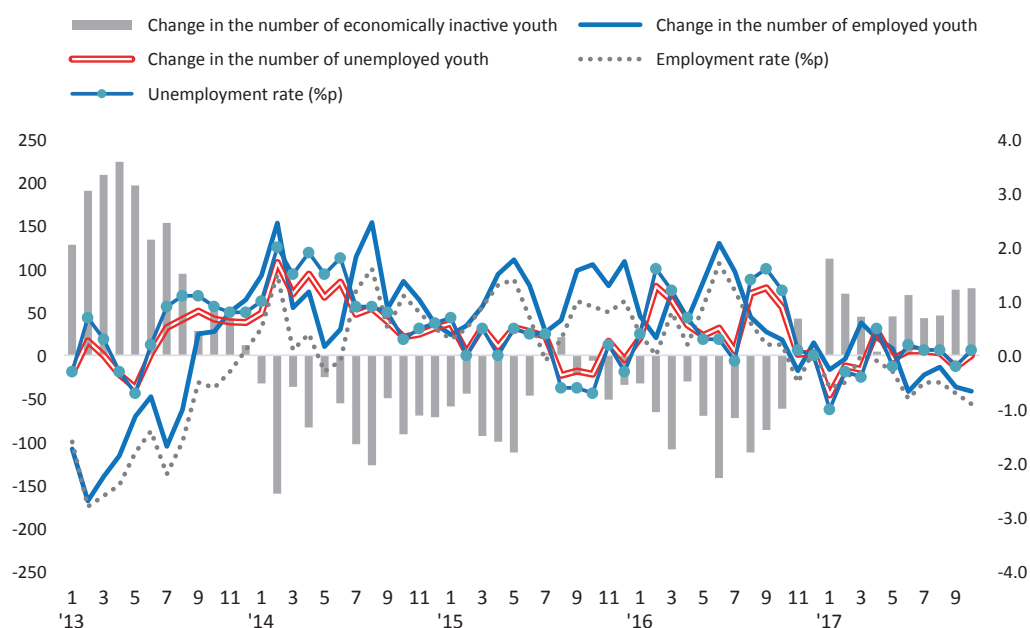
The average employment rate of those aged 19-29 decreased by 0.5%p year-on-year to 55.7% (3rd quarter 56.4%, October 55.4%) in January-October 2017, and unemployment rate in January-October 2017 stayed rather high at 10.0% even with the 0.1%p year-on-year fall.

In terms of educational level, unemployment rate de-

creased among high school graduates and those with technical/vocational college diploma whereas employment rate increased among those with 4-year university diploma. However, the latter increase may simply be a base effect from the previous year's decrease and therefore, it is yet to be seen until the year-end and early next year to determine whether this really signals reinvigoration of new recruitment. Over the past few years, employment rate showed a rapid increase among high school graduates, particularly among those who graduated from specialized vocational high schools, but it fell this year because of the impact of restructuring and stagnant domestic demand on manufacturing industry (blue collar workers) and restaurant/lodging industry, which have been the main source of employment for high school graduates over the past few years. The decline in employment rate among those with technical/vocational college diploma also seems to be the result of the slump in manufacturing industry (mostly blue collar jobs). It is also attributable to the fact that employment growth in childcare sector has been a standstill since two years ago as daycare centers reached a stage of saturation, which affected women with vocational college

Figure 3. Trends in the Number of Employed, Unemployed, and Economically Inactive Youth (aged 19~29) (left axis) and their Employment Rate and Unemployment Rate (right axis)

(Unit : 1,000 persons, %p, year-on-year)



diploma because an increasing number of these women have entered the career of nursing teachers after the government's announcement of expanded free childcare policy.

2. Steady increase of employment rate among married women in their late 30s since 2016

As the phase of entry into the labor market becomes increasingly extended, the age of labor market entry has now come to include early 30s. Economic recovery has not yet triggered strong new recruitment for this age group, as is the case for those in their 20s, and employment rate of men and unmarried women in their early 30s has decreased. However, employment rate of married women in their early 30s rose thanks to the sustained trend of their increasing economic activity participation over the past several years.

Meanwhile, employment rate of women in their late 30s increased regardless of their marital status and it has been on the rise ever since the first quarter of 2016. However, it is yet to be seen whether the trend of rising employment rate in this demographic segment will continue as it is doing for married women in their early 30s, because this trend of growth emerged after several years of falling or stagnant employment rate due to the low point in the M-curve, which reflects the effect of marriage and childbirth on employment, shifting to the late 30s.

In terms of men in their 40s, the average employment rate in January-October 2017 rose by 0.3%p year-on-year to 92.6%. Employment rate of women in their 40s also increased by 0.1%p year-on-year to 65.9%. However, employment rate of women in their early 40s has continued to decline after financial crisis due to the trend of later marriages and childbirth. On the other hand, during the same period, employment rate of women in their late

Table 2. Trends in Employment Rate by Age Group

(Unit : %, year-on-year)

	Total			Male (Female)					
	Jan-Oct 2015	Jan-Oct 2016	Jan-Oct 2017	Jan-Oct 2015		Jan-Oct 2016		Jan-Oct 2017	
Total	60.3	60.4	60.7	71.1	(49.9)	71.0	(50.2)	71.0	(50.7)
15~19	7.9	8.0	8.7	7.0	(8.9)	7.3	(8.7)	7.9	(9.5)
20s	57.9	58.4	57.9	56.4	(59.3)	57.0	(59.8)	55.9	(59.9)
20~24	46.2	46.1	45.6	40.9	(50.8)	40.8	(50.7)	40.3	(50.0)
25~29	68.8	69.8	68.8	69.3	(68.3)	70.1	(69.4)	67.8	(69.9)
30s	74.1	74.5	75.2	90.9	(56.7)	90.1	(58.2)	90.1	(59.4)
30~34	75.2	74.6	74.8	90.0	(59.7)	88.4	(59.9)	87.3	(61.2)
35~39	73.1	74.4	75.6	91.8	(53.9)	91.7	(56.5)	92.7	(57.9)
40s	79.0	79.2	79.3	92.2	(65.6)	92.3	(65.8)	92.6	(65.9)
50s	74.3	74.3	75.3	86.8	(61.8)	86.8	(61.7)	87.6	(62.8)
50~54	77.8	77.6	78.1	89.5	(65.9)	89.2	(65.7)	89.7	(66.3)
55~59	70.5	70.8	72.4	83.9	(57.2)	84.2	(57.5)	85.6	(59.5)
60~64	59.5	59.4	60.7	72.2	(47.4)	71.2	(48.1)	73.5	(48.3)
65 or older	30.8	30.9	30.8	41.3	(23.2)	41.3	(23.3)	40.4	(23.8)

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

40s showed a steady rise and continues to do so this year thanks to the trend of stronger labor force participation by women, allowing them to returning to work after a career break.

3. Sustained brisk economic activities of baby-boomers

The number of employed persons in their late 50s and early 60s increased by 325,000 (3rd quarter 289,000, October 301,000) and this is virtually leading the entire growth in the number of the employed population. This is because the baby-boomers (born in 1955-1963), who fall under this age group, continue to be economically active.

The rise in the employed population in their late 50s was mainly driven by manufacturing industry (year-on-year increase by 37,000 on average in January-October), wholesale and retail industry (increase by 27,000), real estate and property lease industry (increase by 17,000), and construction industry (increase by 12,000). As for those in their 60s, the main drivers of employment growth were agriculture, fishery, and forestry industry (increase by 12,000), construction industry (increase by 41,000), and healthcare and social welfare industry (increase by 20,000).

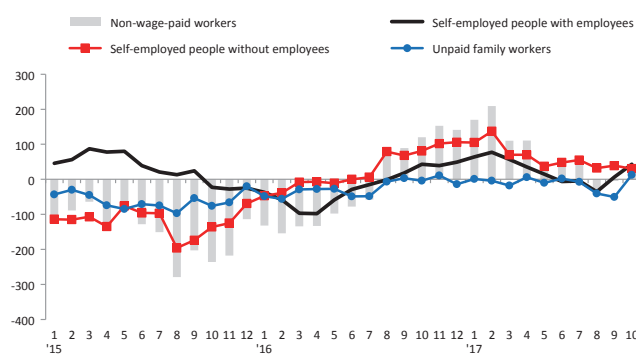
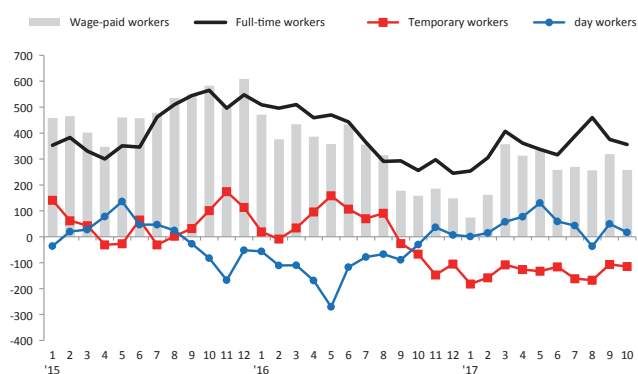
4. Employment growth led by full-time workers

Increase in the number of full-time workers slowed down significantly in 2016 as a result of restructuring and economic recession, but it is regaining momentum in 2017 (1st quarter 322,000 ↑, 2nd quarter 338,000 ↑, 3rd quarter 408,000 ↑). As the number of wage-paying jobs shrinks, the number of self-employed persons tends to increase as people who need income are forced to start their own business and struggling small business owners delay closing down their business. This explains the upward trend of self-employed population that emerged from the second half of last year. This year, the self-employed population increased by 170,000 in the first quarter, reaching a peak in terms of the amount of increase, followed by a slower growth once the economy entered a recovery phase. Nevertheless, the number of the self-employed remains on the rise overall (3rd quarter 31,000 ↑), which is likely because wage-paying jobs are not increasing much due to the sluggish growth of domestic consumption.

The number of self-employed persons with employees, which showed signs of decline in the second quarter, is back on track with the upward trend. The increase is especially marked in real estate industry on the back of bullish construction industry, and the number is also rising in restaurant and lodging industry. Meanwhile, the

Figure 4. Trends in the Number of Employed Persons by Worker Status

(Unit : 1,000 persons, year-on-year)



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

number of self-employed persons without employees rose in restaurant, lodging, agriculture, fishery, and forestry industry. There was also a small but steady increase in construction industry. In terms of age group, increase in the self-employed with employees was the most pronounced among those aged 55-64 and for the self-employed without employees, many of whom work in agriculture, fishery, and forestry, a large part of the increase was led by an older age group of those aged 55 or above.

5. Gradual recovery of employment in manufacturing industry

In the second half of 2016, the number of employed persons in manufacturing industry started to fall sharply because of restructuring during the year. However, the number began to rise again in the third quarter (31,000) as sign of recovery thanks to the significant improvements in exports and subsequent briskness in production on the back of favorable overseas market developments in 2017.

The increase of the employed population in manufacturing industry is mainly driven by day workers (3rd quarter 105,000). Manufacturing employment of those in their 30s and 40s continues to decrease, but it rose by 66,000 for those in their 50s or above. This is attributable to fact that the industries most affected by external shocks such as restructuring of shipbuilding business mostly employed those in their 30s and 40s.¹⁾

According to the administrative statistics of employment insurance,²⁾ shipbuilding industry (and other transport equipment manufacturing industry) had 42,000 less insured persons in October 2017 on a year-on-year basis, but this decrease is alleviating mainly around large busi-

nesses. In the case of small to medium-sized businesses with less than 300 employees, the number of workers continues to fall with a year-on-year decrease of about 22,000 in the third quarter according to the occupational labor force survey (Ministry of Employment and Labor).

Meanwhile, changes in global oil prices and other market circumstances have triggered an increase of both production (3.4%) and export (5.9%) in chemical substance and product manufacturing industry. In addition, there was production increase of vehicles and trailers (2.7%) as well as other machinery and equipment (16.5%), all of which account for a significant proportion of manufacturing employment. As a result, the number of people insured by employment insurance in chemical product business is growing steadily (3rd quarter 6,000, October 5,000) and the number of the insured in machinery and equipment sector also rose by 14,000 in October.

Semiconductor export is experiencing a boom in 2017, as indicated by the average 4.5% increase in volume index of export in January-September, and 18.5% increase in terms of the value of export during the same period. Investment in semiconductors also leaped by 126.9%³⁾ and the total capital expenditure rose by 18.7% on average in January-September, all of which are expected to have a positive influence on employment in semiconductor-related machinery and electronic component manufacturing sector. However, it is yet to be seen as to exactly how much improvement will be made in manufacturing employment because the average capacity utilization rate in manufacturing industry (average of 71.8 in January-September) continues to be low and as much as 77.2% of capital expenditure is concentrated on semiconductor sector.

1) According to Regional Employment Survey for the first half of 2017, 30.4% (58,000) of workers in other transport equipment manufacturing industry are in their 30s and 30.4%(58,000) are in their 40s.

2) Ministry of Employment and Labor, 「October 2017 Press Release and Labor Market Trends shown in Employment and Administration Statistics」.

3) Bank of Korea (Oct 2017), 「Economic Outlook」.

6. Slowdown in increase of the number of employed persons in service industry

The upward trend in the number of employed persons in service industry is losing momentum this year. In October 2017, the number rose by only 108,000 year-on-year. In 2016, service industry, together with construction industry, acted as a buffer for absorbing the shock of labor market from reduced employment in manufacturing sector, but in 2017, employment in service sector slowed down even in the presence of gradual growth in domestic consumption (2.6% growth). This is attributable firstly

to the base effect of last year's sharp increase in service employment (especially in the 3rd quarter). Another cause for the poor momentum is because the pace of increase in wage workers (2nd quarter 179,000 ↑, 3rd quarter 176,000 ↑) is failing to catch up with the pace of slowdown in the number of self-employed service workers (2nd quarter 53,000 ↑, 3rd quarter 5,000 ↓) due to insufficient recovery in domestic demand.

By business type, the number of employed persons is showing a steady increase in the order of healthcare/social welfare business, wholesale/retail business, education service business, and real estate/property lease business.

Table 3. Trends in the Number of Employed Persons by Industry

(Unit : 1,000 persons, year-on-year)

	2014	2015	2016	Jan-Oct 2015	Jan-Oct 2016	Jan-Oct 2017
Total employed population	533	337	299	326	296	330
Agriculture, fishery, and forestry industry	-68	-107	-59	-109	-71	3
Manufacturing industry	146	156	-5	154	16	-28
Construction industry	42	27	22	36	7	123
Service industry	424	250	338	236	341	232

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

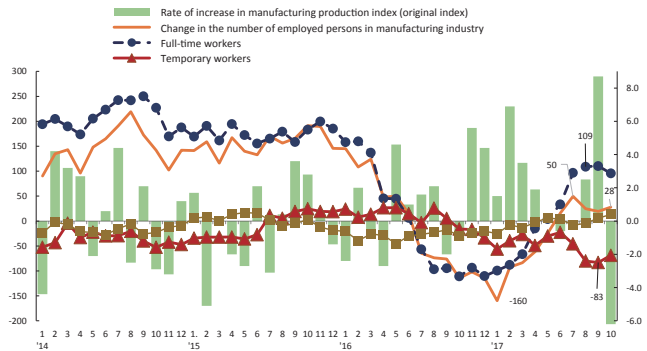
Table 4. Trends in the Number of Employed Persons by Business Type in Service Industry

(Unit : 1,000 persons, year-to-year, year-on-year)

	2014	2015	2016	Jan-Oct 2015	Jan-Oct 2016	Jan-Oct 2017
Service industry	424	250	338	236	341	232
Wholesale and retail business	132	-8	-54	11	-61	47
Transportation business	-6	2	3	2	5	-25
Lodging and restaurant business	127	81	98	82	99	11
Publication, video, broadcasting business	22	58	14	57	11	1
Financial and insurance business	-26	-48	7	-55	6	-15
Real estate and property lease business	22	27	36	23	36	50
Professional, science, etc.	3	23	54	17	60	-10
Business facilities management, etc.	7	68	44	69	47	-4
Public administration, national defense, etc.	-8	-21	57	-37	62	46
Education service	59	11	28	11	23	60
Healthcare, social welfare, etc.	139	77	82	79	82	64
Art, sports, etc.	1	31	-18	36	-25	21
Association and group, repair	-13	-22	-5	-31	1	-3

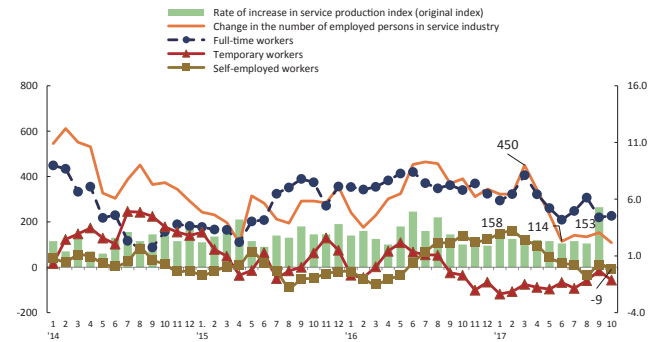
Source : Statistics Korea, 「Economically Active Population Survey」 source data, each year

Figure 5. Trends in the Number of Employed Persons in Manufacturing Industry (left axis) / Rate of Increase in Industrial Production Index (right axis)
(Unit : 1,000 persons, %, year-on-year)



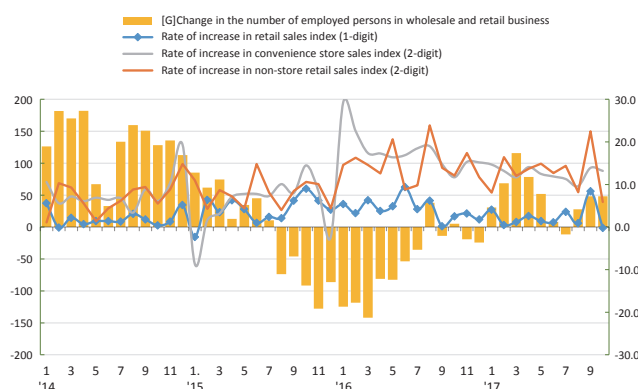
Source : Statistics Korea, 「Economically Active Population Survey」 source data, each year.
「Survey of Mining and Manufacturing Industry Trends」, KOSIS.

Figure 6. Trends in the Number of Employed Persons in Service Industry (left axis) / Rate of Increase in Industrial Production Index (right axis)
(Unit : 1,000 persons, %, year-on-year)



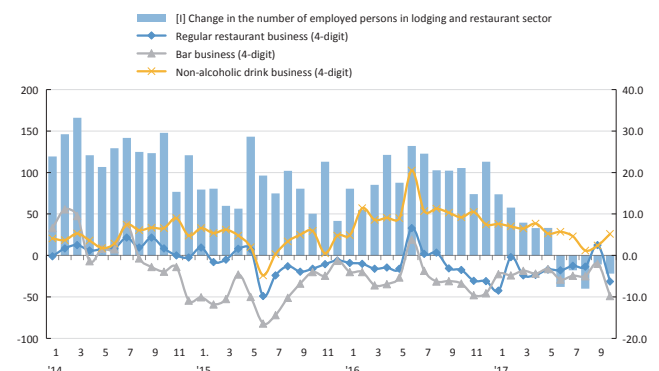
Source : Statistics Korea, 「Economically Active Population Survey」 source data, each year.
「Survey of Service Industry Trends」, KOSIS.

Figure 7. Trends in Rate of Increase in Retail Sales Index by Business Type (volume index, 2010=100)
(Unit : %, year-on-year)



Source : Statistics Korea, 「Economically Active Population Survey」 source data, each year.
「Survey of Service Industry Trends」, KOSIS.

Figure 8. Trends in Rate of Production Increase by Business Type in Restaurant and Bar Industry (Volume index, 2010=100)
(Unit : 1,000 persons, %, year-on-year)



Source : Statistics Korea, 「Economically Active Population Survey」 source data, each year.
「Survey of Service Industry Trends」, KOSIS.

Healthcare/social welfare business (increase by 64,000) is showing a steady rise in the number of the employed mainly among women (increase by 92,000) and those in their 50s and above (increase by 62,000). With the population aging, there is a sustained demand for healthcare and social welfare business, and the employment of professionals (58,000) including nurses and social welfare workers continues to increase on a steady basis.

In wholesale and retail business, which has the largest number of employed persons in service industry, there was an average increase of 47,000 employed persons in

January-October 2017, marking a recovery from January-October 2016 when the number decreased by 61,000. This increase was led mainly by full-time workers (84,000) and small businesses with 1-9 employees (46,000). This is because, based on volume index (2010=100), the rise in retail sales index is driven mainly by convenience stores (12.5%) and non-store retail sales (13.6%). Another reason is the growing employment in the expanding beauty & health-related distribution chains and other specialized retail businesses, including pet supply stores, as found in the regional employment survey for the first half of 2017.

Table 5. Trends in the Number of Employed Persons by Characteristic in Professional, Science, and Technology Service Industry

(Unit : 1,000 persons, year-on-year, year-to-year)

		2014	2015	2016	Jan-Oct 2015	Jan-Oct 2016	Jan-Oct 2017
Change in the number of employed persons in professional, science, and technology service industry		3	23	54	17	60	-10
Worker status	Full-time worker	-15	15	68	7	76	-18
	Temporary worker	0	7	-4	7	-4	-6
Size of Business	1~4	25	-1	-21	2	-23	18
	5~9	-13	10	3	8	7	7
	10~29	-20	-12	28	-17	27	6
	30~99	4	4	14	8	6	23
	100~299	14	20	5	18	8	-27
	300 or over	-7	2	25	-2	36	-37

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

The growth in employment is projected to continue because the rise in single-person households has sparked a trend of neighborhood consumption and also because beauty & health distribution chains and pet supplies are in trend as well.

In lodging and restaurant business, which has until now served as the main driver for the increase in employed service workers, there has been a slower employment growth from the end of 2016 due to economic recession and the number actually began to decrease recently. (It first started to decrease in June by 34,000 and decreased by 18,000 in October). Because of its small volume of employment, lodging business is heavily influenced by restaurant business in terms of its employment trend. In this context, production of non-alcoholic drink business, which has played a significant role in employment growth of restaurant business over the past few years, has been increasing more slowly after hitting a peak in June 2016, and the production increase in regular restaurant business continues its downward trend as well. As a result, the number of employed youth, a large portion of which was

absorbed by this business, is also falling. Though there is a gradual recovery of domestic consumption and a slight upturn of production index in September, it is yet to be seen whether this will lead to an actual upward trend. Employment growth in restaurant business after financial crisis is not a phenomenon restricted to Korea and it is considered to be boosted by the consumption trend of pursuing personal satisfaction. Furthermore, growing ranks of double-income families is another characteristic of Korea that is contributing to the rise of restaurant business. As such, once domestic consumption recovers, employment in this business type could start to go up again in the second or third quarter.

In addition to the restaurant business, decrease in the number of employed persons in professional, science, and technology service business was another major reason for the lost momentum of service industry employment growth⁴⁾ in 2017. This business covers those working in research institutions, large corporations' headquarters, construction-related engineering businesses, design houses, and entertainment companies. Employment rose in

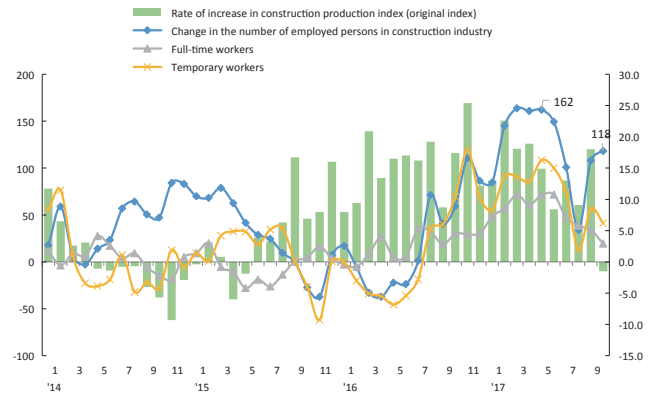
4) According to Occupational Labor Force Survey, the total number of workers in architectural technology, engineering, and other science and technology service industry (excluding the self-employed) increased by 6,000 on average in January-September 2017.

construction-related engineering businesses but mostly fell (64,000 ↓) in large businesses with 100 or more employees. This illustrates that employment shrunk in headquarters of large manufacturing-related enterprises, resulting in an overall decline of employment in this business type. If employment in manufacturing industry increases steadily as projected, employment in this part of the industry as well as the entire service industry could improve as well.

7. Increase of employment in construction industry at its peak

Employment in construction industry began to increase in July 2016 and since then, it continued to gain momentum and reached a year-on-year increase of 164,000 in March 2017, which is the largest increase since 2002. In January-October, it rose by 123,000 on average, driving the overall growth of employed persons in 2017 but some of the drive was lost in the third quarter (81,000). In

Figure 9. Trends in the Number of Employed Persons in Construction Industry (left axis) / Rate of Increase in Industrial Production Index (right axis)
(Unit : 1,000 persons, %, year-on-year)



Source : Statistics Korea, 「Economically Active Population Survey」 source data, each year.
「Survey of Construction Industry Trends」, KOSIS.

terms of worker status, there was a large increase in the number of full-time workers and day workers. Employment growth was found in most of the jobs among full-time workers (52,000 ↑) including professionals (11,000), clerks (11,000), and craft workers/plant and machine operators (32,000). The rise in day workers (72,000) was

Table 6. KLI Outlook for Labor Indicators in the Second Half of 2017 and 2018

(Unit : %, 1,000 persons, year-on-year, year-to-year)

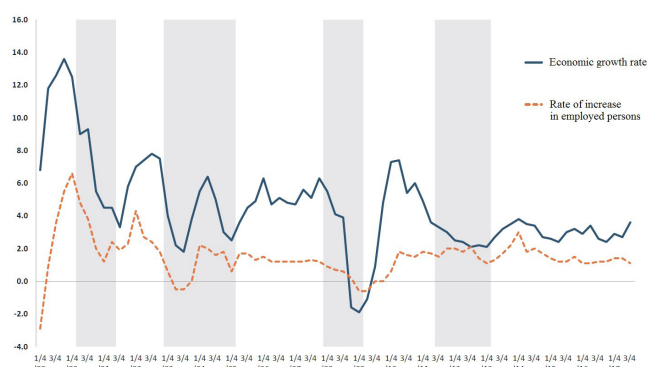
	2017			2018p		
	First half	Second half p	Annual p	First half	Second half	Annual
Economic growth rate	2.8	3.2	3.0	2.9	3.0	2.9
Population aged 15 or above	43,683	43,820	43,751	43,982	44,110	44,046
Economically active population	27,459	27,706	27,582	27,754	28,007	27,881
Labor force participation rate	62.9	63.2	63.0	63.1	63.5	63.3
Number of employed persons	26,335	26,783	26,559	26,622	27,089	26,855
(Rate of increase)	1.4	1.1	1.2	1.1	1.1	1.1
(Amount of change)	364	283	324	287	305	296
Number of unemployed persons	1,125	922	1,023	1,132	918	1,025
Unemployment rate	4.1	3.3	3.7	4.1	3.3	3.7
Employment rate	60.3	61.1	60.7	60.5	61.4	61
Economically inactive population	16,224	16,115	16,169	16,228	16,103	16,165

Note: p indicates projected numbers. Economic growth rate was projected by the Bank of Korea and employment indicators were projected by KLI.

Source : Statistics Korea, 「Economically Active Population Survey」 source data, each year; The Bank of Korea, 「National Accounts」, each issue; the Bank of Korea, 「2017-18 Economic Outlook」 press release.

Figure 10. Trends in Economic Growth Rate and Rate of Increase in Employed Persons

(Unit : %, year-on-year)



Note : Darker area shows periods of economic recession.

Source : Statistics Korea, 「Economically Active Population Survey」 source data, each year; The Bank of Korea, 「National Accounts」, each issue.

mainly driven by elementary occupations (51,000).

Increase in production index of construction industry slowed down slightly compared to the first half of the year. The Bank of Korea's construction investment outlook⁵¹ also predicts a significant loss of momentum from an annual increase of 6.9% in 2017 to 0.2% in 2018, implying the possibility of a sustained trend of slowdown in construction industry.

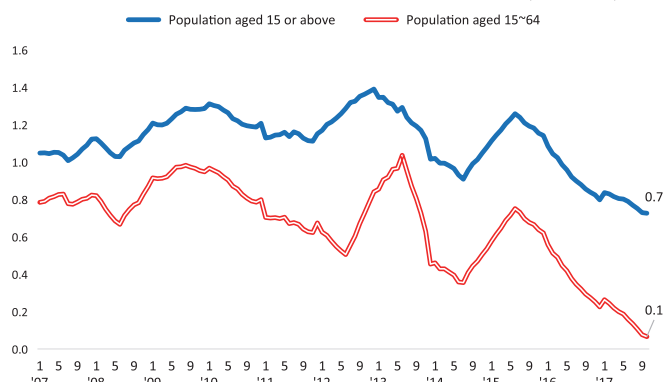
III. Employment Outlook for 2018

The Bank of Korea's announcement of projected economic growth rate (annual) for 2017 has been adjusted upward over the course of the year from 2.5% in January to 2.6% in April to 2.8% in July to the most recent projection of 3.0% in October. This is based on the expectation that the domestic economy will be positively influenced by the relatively favorable external economic conditions and a clear sign of recovery in the global trade landscape as indicated by the 4.2% increase in January-July (the average over the past 5 years was 2.3%).

Based on the Bank of Korea's economic outlook, the number of employed persons in 2018 is projected to increase by approximately 296,000 in 2018, which is a

Figure 11. Trends in Rate of Increase in Population Aged 15 or Above and Those Aged 15~64

(Unit : %, year-on-year)



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

slightly smaller amount of increase than this year. This is because although the economy is expected to grow by 2.9% next year, which is 0.1%p lower than this year but still a brisk growth, the rate of increase in population aged 15-64 is slowing down rapidly and in fact, this demographic group is likely start to decline in number from next year. Such demographic change would make it difficult to have a larger increase in the number of employed persons next year compared to this year. This demographic constraint is a structural limitation that is expected to exacerbate over time.

As a result, the number of employed persons will not increase by a significant amount despite the improving economic trends. The labor force participation rate and employment rate, however, are expected to show favorable growth, both rising by 0.3%p to 63.3% and 61.0% respectively.

Considering the constraint of demographic change, such outlook for the number of employed population next year reflects an improved labor market landscape. However, there may be downward pressures on consumption such as rising oil prices or interest rate hike (increased pressure to repay the principal of household debts) as well as the possible negative effect of interest rate hike on the number of newly opening businesses, which should be the

main driver for employment growth in service industry focused on domestic consumption. Nevertheless, if the aforementioned factors that could boost the number of employed persons all take effect simultaneously, the actual figures may exceed projected ones.

The year 2017 saw a sustained strong labor force participation of women and baby-boomers (aged 55-65). As we near the time when demographic changes can act as a fundamental restriction on labor supply, it is becoming more and more important to implement labor policies that can reinvigorate labor force participation of demographic groups that had, until now, a relatively low rate of participation. There needs to be aggressive and extensive incentive measures for labor supply.

There is still no sign of improvement in youth employment. This is why employment rate is still at a standstill and unemployment rate remains high. The cause of this problem, in addition to economic factors, is lack of decent jobs due to an overly large disparity in working conditions between large corporations and small to medium-sized companies. Next year, recovery is expected in economic factors thanks to some more employment pickup in manufacturing industry, professional/science/technology service industry, and restaurant industry, which are the main absorbers of youth workers, but structural factors will remain the same, preventing improvements in employment from being felt. In the short-term, there should be expanded and improved policies that support high-quality job seeking activities through provision of income support during job-seeking period. In the mid to long-term, there should be policy development to bridge the gap between jobs by promoting fair trade and encouraging economic agents to spontaneously narrow the disparity through initiatives such as benefit sharing system between large companies and small to medium-sized companies.

In 2018, minimum wage will be raised by 16.4%. In Korea, which ranks among the top OECD countries in terms of the ratio of low-wage workers, aggravating polarization and inequality has emerged as an economic and social challenge. In response, all presidential candidates in the last presidential election pledged to achieve a 10,000 won minimum wage within the term. However, the minimum wage raise announced is the largest rate of increase ever since entering the low growth cycle after financial crisis, and though this may have a positive impact on the quality of jobs or income level, it could also have a negative impact on the volume of employment. To address this issue, the government introduced a job stability fund to minimize any short-term issues that could arise from minimum wage hike. Also, the government announced a measure to enhance social protection of low-wage sector by coupling the conditions for employment insurance coverage with social insurance premium support that includes national pension and health insurance. If these measures work, they will resolve any negative repercussions on employment and also boost the level of wage among low-wage workers, contributing to improved income levels. Furthermore, these measures will promote labor demand by providing assistance to business owners and also drastically enhance the currently low level of social protection (unemployment benefits, pension, etc.) for low-wage workers, which has been pointed out as the most serious problem in this sector. Since it is the first time for Korea to adopt such an extensive wage subsidy program for business owners who hire low-wage workers, there should be thorough monitoring once the minimum wage is raised early next year in order to make sure that the new measures can take root and any problems arising during implementation are resolved as quickly as possible.