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## 2022 Labor Market Review and 2023 Outlook\*

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Center for Labor Trends Analysis\*\*

### Introduction

2022 was characterized by the continuing employment recovery trend that appeared from the second half of 2021. Although it had been expected that the increase in the number of employed people would decline slightly due to the base effect of the previous year, in reality, the increase in 2022 exceeded expectations. As the number of the unemployed and the economically inactive population dropped at the same time, Korea's labor market recovered its quantitative vitality. Despite various changes in internal and external conditions that could have a negative impact on the labor market, the number of employed people continued to rise, mainly in manufacturing and contactless services. Starting in Q3 2022, employment

in traditional face-to-face services showed signs of recovery, especially in the accommodation and restaurants industry that had been slow to recover. However, the employment performance in 2023 is projected to decline compared to previous years, as the recent slowdown in employment growth and rising economic uncertainties—caused by the ongoing interest rate hike and inflation worries, and increased external economic risks—may be reflected in the labor market with a time lag.

### I. 2022 Labor Market Overview

On a month-over-month (MoM) basis, the seasonally adjusted number of employed persons showed great

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

(Unit : 1,000 persons, YoY)



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

volatility in the first half of the year, but is remaining flat in the second half. With the slowdown in the rate of increase in the number of employed persons since May, the number has recently entered a downward trend, but the changes in the employment rate and unemployment rate are not significant. Similar to the slowdown in the rate of increase in the number of employed persons on a year-over-year (YoY) basis, the same rate on a MoM basis is also slowing.

At the industry level, employment in manufacturing is still growing above the long-term trend. The number of workers employed in the construction industry increased in the first half but turned to a decreasing trend in the second half. The employment growth in the social services sector (centered on health care and welfare services) and the contactless service industry, which had driven employment recovery after the emergence of COVID-19, decelerated overall. Among traditional face-to-face services, the wholesale and retail businesses remain sluggish in employment recovery. On the other hand, accommodation and restaurants—having the second largest share of employment after wholesale and retail—have recently seen a rise in the number of employed persons. In

summary, while the overall employment indicators in 2022 continue to increase, the rate of increase is slowing down.

## II. 2022 Labor Market Sectoral Review

### 1. Slowdown in Declining Unemployment Rate

In 2022, day-to-day life returned to normal, with the lifting of social distancing and outdoor mask mandates, and the labor market also showed signs of full recovery from the effects of COVID-19. The unemployment rate dropped every quarter from 3.5% in Q1 to 3.0% in Q2, and further to 2.5% in Q3, the lowest unemployment rate since the 2000s. However, in terms of the rate of change compared to the same period of the previous year, the declining trend slowed down from -1.5%p in Q1, -0.9%p in Q2, and -0.4%p in Q3. Since the unemployment rate has actually reached the lowest level in the long term, there is little room for further reduction in the future.

Unemployment rates improved in all age groups, but the trend of improvement differed by age group. Young people led the decline in the unemployment rate in the first half, but by recording a similar level of drop in Q3 to that of the same period last year, their decline slowed down rapidly. A similar trend was also seen among people in their 30s and 40s. On the other hand, the unemployment rate for those in their 50s and 60s and older decreased steadily throughout 2022, leading an overall drop in the unemployment rate in Q3. However, as mentioned, the unemployment rate for all age groups excluding those aged 15 to 29 years (6.1%) was 1.5 to 2.7% in 3Q 2022. This is close to the natural rate of unemployment, which is considered to be full



employment excluding frictional unemployment that occurs in the process of job search, such as changing jobs or finding a new job.

In 2022, not only the unemployment rate but also the extended unemployment rate (labor underutilization indicator 3) continued their steady decline. The most notable thing in 2022 is that unlike the unemployed, the decline in the potential labor force is gaining pace compared to the previous year, which seems to be a factor that will lead to a drop in the extended unemployment rate in the future. Taken together, it can be said that the unemployment rate in 2022 showed a very positive improvement even from a comprehensive perspective.

The trend in the number unemployed persons varies depending on the cause of unemployment (see Table 1). For example, among various reasons that those with work experience leave their jobs, the factor related to ‘business conditions’ accounted for the greatest decrease, followed by ‘termination of temporary jobs’. These two factors, which can be attributed to involuntary demand, increased significantly during the COVID-19 outbreak, decreased during the recovery period, and recently a trend toward a smaller decrease has been observed. Meanwhile, a notable change in 2022 is regarding the number of unemployed people who left their jobs for the factor related to ‘working conditions’ of the job. Their number generally decreased before 2022, but switched to an increase in Q2 and Q3 of 2022. Since this is likely to be voluntary change to find a better job in line with the recent active labor market situation, there is room for positive evaluation of such change even if the number of unemployment people increased numerically.

The decline in the economically inactive population further expanded in 2022. After the first decline began

Table 1. Fluctuations in the Number of Unemployed by Cause of Unemployment

(Unit : 1,000 persons, YoY)

	2022		
	Q1	Q2	Q3
Total	-389	-249	-88
No Work Experience	-7	-17	-2
With Work Experience (more than 1 year)	-74	-64	-20
With Work Experience (less than 1 year)	-309	-169	-66
Personal and Family-related	-16	-44	-5
Working Conditions	-3	34	33
Business Conditions	-189	-99	-73
Temporary Jobs/Completion of Work	-88	-65	-18
Other	-12	5	-3

Note : ‘Personal and family-related’ causes include personal and family reasons, childcare and domestic work. Causes related to ‘working conditions’ mean dissatisfaction with working conditions (hours, wages, etc.). Causes related to ‘business conditions’ include temporary/permanent business closure, honorary retirement, early retirement, layoffs, lack of work, and business slump. Causes related to temporary jobs/completion of work refer to the completion of temporary or seasonal work. Other causes include mental and physical disabilities, regular retirement, old age, and others.

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

in Q2 of 2021, the trend of gradual widening continued to be observed, and in Q3 of 2022, there was a decrease of a total of 527,000 persons.

By reason for inactivity, those who were economically inactive due to ‘employment preparation’ related to the labor market and ‘taking a break from work’ continued to decline from the first half of 2022 through Q3 of 2022, indicating a solid transition to economic activities. In addition, the number of discouraged workers also dropped noticeably in 2022. There was a decrease of 236,000 in Q1 of 2022 compared to the same period last year, and of about 180,000 in both Q2 and Q3, showing that the decrease was slightly reduced but still at a significantly high level.

Persons on temporary absence did not show much change as it was stabilized due to no unusual shock to the labor market in 2022. Except for the temporary rise in March 2022, the number of persons on temporary



absence increased by 3,000 in Q2 and dropped by 10,000 in Q3, recording almost the same level as the previous year. As of January to October 2022, the number of persons on temporary absence was 495,000 persons (1.8% of all employed), slightly higher than 429,000 persons in 2019 (1.6% of all employed).

## 2. Employment Growth Led by Youths, Middle-aged and Older Adults

By age, the employment growth of young people (15 to 29 years) and middle-aged and older adults (aged 50s, 60 years and older) is noteworthy. In the case of young people, the increase in the number of employed persons expanded significantly on average from January to October 2022, but the recovery is slowing when examined on a quarterly basis. In the case of those in their 50s, the rate of increase in the number of employed persons was not small given their population growth, and accordingly the employment rate also rose notably. The number of employed persons who are aged 60 or above is increasing significantly, not only because their population growth rate is high but also the impact of the implementation of the job creation project cannot be ignored. As for those in their 30s, their demographic change is not large, but the increase in the number of employed persons in Q3 expanded compared to Q1 and Q2, which can be viewed as a positive trend.

Compared to those in their 30s and 40s, the number of employed youths increased significantly, but recently there has been a slowdown in employment. Between January and October 2022, the number of employed youths increased by an average of 130,000, with a noticeable rise among regular workers by position, and by industry, health and welfare, followed by accommodations and restaurants. After Q3, the pace of

Table 2. Trends in Major Employment Indicators by Age

(Unit : 1,000 persons, YoY)

		Average (Jan~Oct)		
		2020	2021	2022
Aged 15~29	Population	-145	-138	-201
	Employed	-165	94	146
	Employment Rate	-0.1	-1.0	-1.6
	Unemployment Rate	-1.1	1.7	2.7
Aged 30	Population	-143	-147	-128
	Employed	-154	-121	45
	Employment Rate	0.0	-0.1	-0.6
	Unemployment Rate	-0.6	-0.1	2.0
Aged 40	Population	-67	-71	-76
	Employed	-158	-41	10
	Employment Rate	0.2	-0.1	-0.4
	Unemployment Rate	-1.3	0.2	0.8
Aged 50	Population	16	-8	35
	Employed	-83	42	216
	Employment Rate	0.4	-0.3	-1.0
	Unemployment Rate	-1.1	0.6	2.2
Aged 60 or older	Population	626	659	560
	Employed	388	334	450
	Employment Rate	0.1	0.2	-1.0
	Unemployment Rate	1.1	0.4	1.6

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

increase in the number of employed persons gradually slowed, reaching only 28,000 in October.

In Q3, the slowdown in employment growth among those in their 20s was more noticeable among women than among men, which is a phenomenon caused by a higher rate of increase in employment among women at the beginning of the year. Looking at the employment situation of females in their 20s by graduation status, employment of graduates was more sluggish than that of current students. Among different types of graduates, the drop in the employment rate of junior college graduates was large. This was due to the fact that employment in traditional face-to-face services including wholesale and retail businesses, membership organizations and other personal services, but excluding accommodation and restaurants, decreased, and employment in health



care (nursing-related), which had steadily increased, slowed down. However, considering the base effect of a significant increase in employment from the second half of 2021, there is no need to judge that the current situation is problematic right away.

Despite the slowdown in employment for those in their 20s in Q3, the number of people employed in accommodation and restaurants showed a meaningful increase. They were mainly people in their early 20s, current students, and temporary workers, which appears to be due to a rise in part-time employment. It remains to be seen whether the gradually recovering economy in the accommodation and restaurants industry is starting to be reflected in the young people's labor market.

Due to the decrease of the population in their 30s by about 130,000, it is difficult to expect an increase in the number of employed persons at a similar level to the other age groups. However, it is noteworthy that the number of employed persons actually increased slightly despite the population decline, and the employment rate continued to rise accordingly. By gender, the increase in the employment rate of women was greater than that of men. Women in their early 30s tended to be employed in the field of social services such as education, public administration, and health and social welfare. As for women in their late 30s, an increase in employment was observed in the manufacturing industry and office jobs in the information and communication industry, and the professional science and technology service industry. On the other hand, men in their 30s showed a decrease in employment in wholesale and retail, business facilities management, etc.

People in their 40s saw a smaller rate of increase in the number of employed than those in their 30s, despite the fact that their decrease in population was smaller than those in the 30s. Therefore, the growth in the

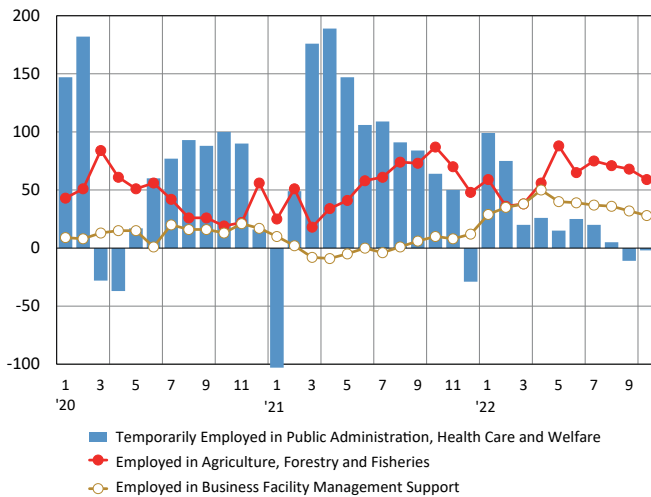
employment rate was also lower than that of those in their 30s, and it can be evaluated that, among the core working age group, the employment of people in their 40s is relatively more sluggish. By age and gender, employment in the wholesale and retail businesses is increasing for both men and women in their early 40s, whose population has been expanding. On the other hand, men in the late 40s, with a declining population, saw a decrease in employment in the construction industry and the wholesale and retail businesses, while women in the late 40s saw a faster decline in employment in the wholesale and retail businesses, and membership organizations and other personal services.

In the case of people in their 50s, the number of employed persons is showing an increase that exceeds the population growth rate. In particular, the number of the employed rose by about 80,000 persons despite the decline in the population of those in their late 50s. By gender, it is observed that the industry distribution is different, and employment changes also vary accordingly. Men's employment increased mainly in the manufacturing industry and the professional science and technology service industry (sub-industry related to the construction industry). Women's employment rose at a faster pace in care-related health care and welfare services and the education industry. Since manpower demand for care is expected to continue to rise in the future, it is highly likely that the employment increase in the number of women in their 50s in the field of care will also continue for the time being. As for men, the future direction of employment will be influenced by the economic situation of the industries where the majority of men in their 50s are traditionally hired, such as manufacturing and construction.

Employment of older people in their 60s or over continued to increase even when employment in other



Figure 2. Fluctuations in the Number of Persons Aged 65 and Over who are Temporarily Employed in Public Administration, Health Care and Social Welfare Service; and Employed in Agriculture, Forestry and Fisheries, and Business Facility Management Support



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

age groups decreased, owing to population growth, expansion of job creation projects, and delayed retirement due to the aging society. In 2022, however, the share of employment related to job creation projects, which had contributed to a significant level of employment growth for the elderly, decreased significantly. The number of temporary workers aged 65 or older employed in public administration, and health care and welfare service began to decrease in September, while those employed in agriculture, forestry and fisheries, and business facility management support services (mainly surveillance or intermittent work, or cleaning-related jobs) showed an increasing trend during the same period. It can be interpreted that the decrease of employment of the elderly in the public sector was replaced by employment in the private sector to a certain extent. If this trend continues in the future, older people whose population is growing rapidly will be able to expect a similar level of employment growth in the future.

### 3. Employment Growth Centering on Regular Workers and Recovery of the Self-employed

Employment growth of regular workers, which began in the second half of 2021, continued throughout 2022. The number of regular workers in most industries is increasing, and it is rising even in the wholesale and retail businesses, where the industrial recovery is relatively sluggish. By industry, employment of regular workers increased significantly in the order of the manufacturing industry, the health care and social welfare service industry, and public administration. In Q3, the accommodation and restaurants industry also saw a significant rise in the number of regular workers. Although the rate of employment growth for regular workers temporarily dropped due to the increase in COVID-19 confirmed cases, the size of employment itself did not decline significantly. Therefore, even in terms of the seasonally adjusted series, the current employment growth exceeds the level of employment in the period before the spread of COVID-19. However, it seems that additional discussion is needed as to whether the increase in the number of regular workers can be accepted as an increase in quality jobs without checking their working conditions.

Temporary workers' recovery slowed after Q1 of 2022, and turned to decline in Q3. In the wholesale and retail businesses, the number of temporary workers is still declining, and the number of those engaged in public administration and health and social welfare also decreased as the impact of direct job creation projects diminished. However, in Q3, employment of temporary workers in the accommodation and restaurants industry is showing signs of recovery. It remains to be seen whether the increase in employment of temporary workers will signal a recovery in employment in the



accommodation and restaurants industry as a whole. In terms of the seasonally adjusted series, it seems that the employment level before the spread of COVID-19 has recovered, but it still falls short of the long-term trend, so it can be evaluated that the employment recovery of temporary workers is slower than that of regular workers.

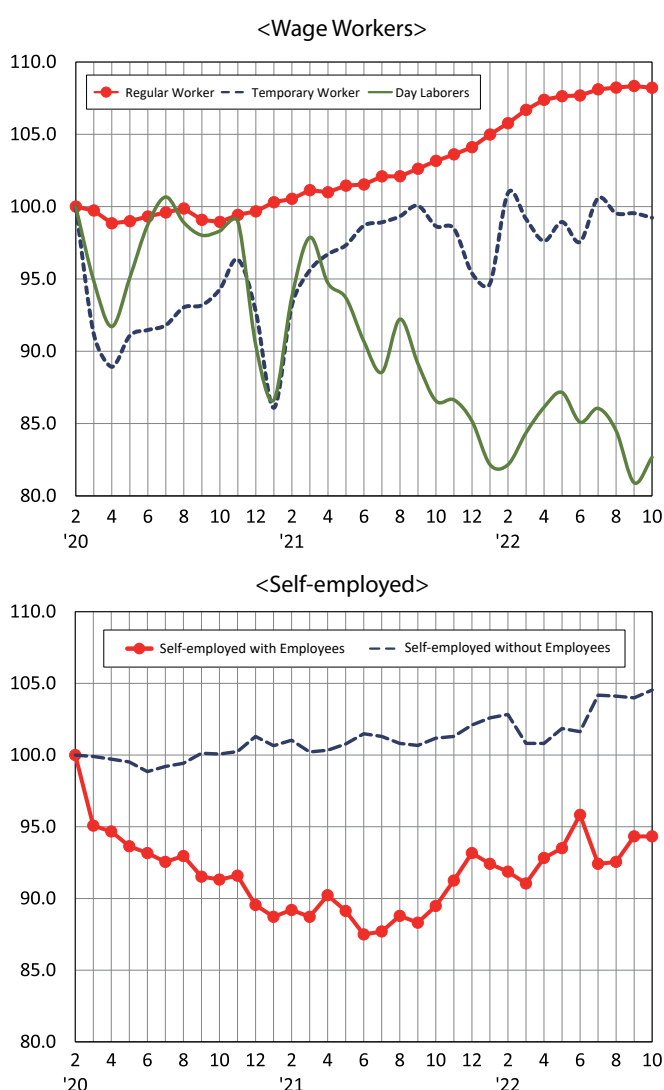
The number of day laborers continues to decline. The construction industry, which accounts for the largest proportion of employment of day laborers, are

employing less day laborers, and the situation is the same for the manufacturing industry. However, this seems to be indicating the result of the recent labor shortage in these industries.

Starting in 2019, the decrease in the number of self-employed with employees and the increase in the number of self-employed without employees continued. However, in 2022, as the number of self-employed with employees turned to an increasing trend, the employment situation of self-employed people changed somewhat. Since Q2, there has been a noticeable increase in the number of self-employed with employees, particularly in manufacturing and construction, which are known to be experiencing difficulties in manpower supply. In the case of the wholesale and retail businesses and the accommodation and restaurants industry, both of which have high proportions of employment of self-employed with employees, there was no significant change, but the number of self-employed with employees rose slightly in the accommodation and restaurants industry after Q3. Although a number of negative macroeconomic conditions are occurring that could limit the growth of self-employed with employees, if private consumption does not decline markedly and the recovery seen in the accommodation and restaurants industry continues for the time being, the growth in self-employed with employees at the current level may continue for some time.

As for self-employed without employees, the share of employment is high in agriculture, forestry and fisheries and transportation and storage; and the size of employment growth is also large. On the other hand, the share of employment of self-employed without employees in traditional face-to-face services, such as wholesale and retail businesses, and other personal

Figure 3. Fluctuations in Employment by Occupational Status following the COVID-19 Outbreak (Seasonally-adjusted)



Note : Feb. 2020=100

Source : Statistics Korea, KOSIS.



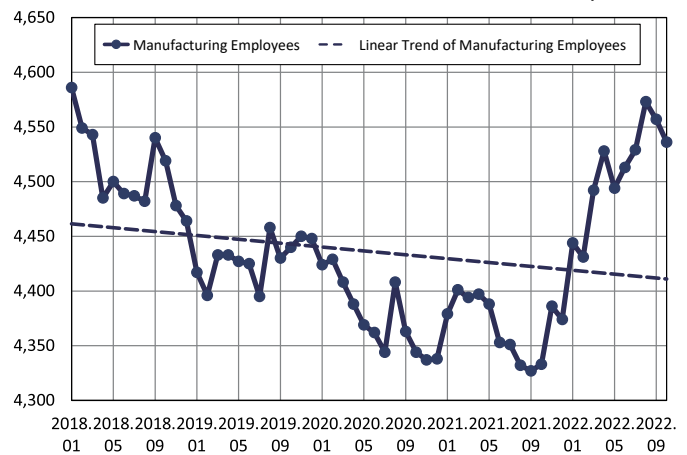
services, continues to decline. It is noteworthy that, in the accommodation and restaurants industry where other employment statuses are showing signs of recovery, the number of self-employed without employees is still declining. This is interpreted as the base effect of the noticeable growth of self-employed without employees in the accommodation and restaurants industry in the second half of last year. Until now, employment of self-employed without employees has served as a kind of buffer to mitigate negative shocks within the labor market. Therefore, when the economy was good, the number of self-employed without employees tended to decrease, and when the economy is bad, their number tended to rise. Recently, this trend has not been very evident because overall employment is not bad in terms of quantity. However, since the employment of self-employed without employees, which decreased somewhat in the first half of the year, is showing signs of increasing again in Q3, it is necessary to monitor whether the pattern of their employment growth caused by the economic downturn is reappearing.

#### 4. Employment in Manufacturing Continues to Rise Significantly Throughout the Year

Employment in the manufacturing industry in 2022 increased by an average of 144,000 between January and October compared to the same period last year, with the rising trend in the number of the employed in the first half continuing into the second half. Compared to the increase in the number of employed during the same period in the past, this was the first large increase after 2015. Even based on the seasonally adjusted data on the number of employed persons in the manufacturing industry, an increasing trend is observed on a MoM basis in 2022 (see Figure 4).

Figure 4. Number of Employed in Manufacturing (Seasonally-adjusted)

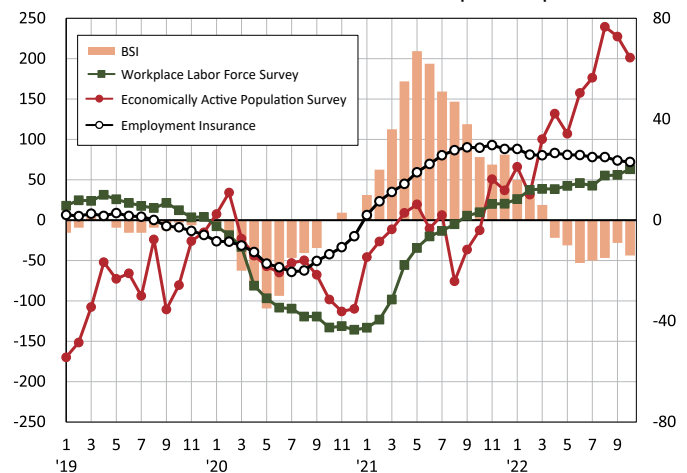
(Unit : 1,000 persons)



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

Figure 5. Trends in BSI and Employment Index Fluctuations, Manufacturing Sector

(Unit : p, 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; Bank of Korea (BOK), 「Business Survey Index」, ECOS.

Despite the recent September-October consecutive decrease in the number of employed persons on a MoM basis, the increasing trend of the previous period shows that it is not yet a cause for concern. Furthermore, until recently, the number of people employed in the manufacturing industry remained well above the long-term trend. The robustness of employment in manufacturing is also confirmed by statistics of the insured in employment insurance (see Figure 5).



Employment in the manufacturing industry continued to increase throughout 2022, recording large monthly increases, but it is unclear whether it will continue to increase at the same level in the future. This is because the prevailing view is that domestic economic conditions and external conditions will not have a positive effect on employment in the manufacturing industry in 2023. Korea's economic growth rate in 2022 is slowing down in the second half. Considering that there is a time lag for the economic conditions to be reflected in the employment market, it is difficult to conclude that all economic conditions that emerged since the second half of 2002 were all reflected in the employment in the manufacturing industry. Korea's economic growth in 2023 is projected to record a modest growth rate of around 2%, and future external conditions are expected to deteriorate significantly, with interest rate hikes accelerating in many countries around the world and export growth decelerating due to the global economic downturn. If this situation continues in the future, the employment in the manufacturing industry is likely to be difficult to maintain the same growth rate as in 2022.

The increase in manufacturing industry employment in 2022 was led by the employment of manufacturing of electronic components, computers; manufacturing of visual, sounding and communication equipment; manufacturing of other machinery and equipment; manufacturing of chemicals and chemical products; manufacturing of fabricated metal products; and manufacturing of electrical equipment. Employment in manufacturing of food products also showed an increase, driven by strong domestic and overseas demand.

Manufacturing of electronic components, computers, visual, sounding and communication equipment had a good employment situation this year following last

year. Production and exports of this industry, centered on semiconductors, showed high growth until the first half of the year. However, beginning in August, semiconductor exports declined for three consecutive months through October due to a combination of such factors as slowing demand from downstream operations and falling prices. Semiconductor production, which had recorded a high rate of increase for several years, turned to decline from September. Although the slowdown in production and export of electronic components, computers, visual, sounding and communication equipment does not appear to have had an immediate impact on employment, it is judged that there will be changes in the employment situation following the decrease in production and export, especially for semiconductors, depending on the duration and intensity of the decrease.

Manufacturing of other machinery and equipment was also an industry with a large increase in employment in 2022, showing a steady growth throughout the year. Exports of construction and machine tools continued to rise as investment in infrastructure and facilities continued to expand overseas. However, exports of general machinery were sluggish in the second half due to a combination of factors such as slowing demand from downstream operations and the recent poor exports to China. If machinery exports recover and production and domestic demand continue to grow in the future, employment in manufacturing of machinery employment is likely to remain positive in 2023. However, uncertainties in external conditions are still high and there is little room for corporate investment to expand given the current domestic economic conditions.

Manufacturing of electrical equipment is experiencing a significant increase in export as well as production as the demand for secondary batteries grows both



domestically and abroad. In particular, exports of secondary batteries have been recording a double-digit growth rate for several months as the demand for electric vehicles has risen noticeably with various countries implementing eco-friendly policies. Thanks to this trend, employment in manufacturing of electrical equipment maintained a steady increase in 2022. This year's growing demand for secondary batteries also had an impact on the increase in employment in manufacturing of chemicals and chemical products, with a focus on secondary battery materials.

The automobile manufacturing industry showed an employment recovery trend this year, but the recovery was slightly weaker than in the second half of 2021. Overall, conditions in the automobile manufacturing industry started to improve considerably after the second half. Production is increasing as the shortage of parts begin to be partially resolved, and exports are recording high growth rates as an overseas demand for domestic brand SUVs and eco-friendly vehicles continues. Overseas demand is expected to continue for a considerable period of time, and assuming that domestic production and sales do not fluctuate significantly, the automobile manufacturing industry is expected to be in good shape next year as well. Accordingly, employment is also expected to grow beyond the level this year.

Employment in manufacturing of other transport equipment—including the shipbuilding industry—showed a gradual improvement in the second half of this year. Since February, the production index has shown an upward trend and the amount of orders received has also increased, but the recovery of employment has been weak compared to the recovery of the industry due to increased financial costs for companies resulting from interest rate hikes and continuing labor shortages. If production continues to grow for the time being

and labor shortages in the shipbuilding industry are alleviated, employment in manufacturing of other transport equipment is expected to increase for a considerable period of time.

## **5. Employment in the Construction Industry under Adverse Conditions**

In 2022, the number of people employed in the construction industry greatly weakened in the second half. After peaking in January with an increase of 100,000 compared to the same month last year, the rate of increase in the number of employed persons has since declined. However, the data on the insured of employment insurance or the data on workplace labor force do not show the same slowdown in employment as in the Economically Active Population Survey data. It is difficult to judge that employment in the construction industry was particularly sluggish in 2022 compared to other years, but the possibility that employment growth in the construction industry will slow further than now cannot be ruled out. Next year, domestic construction orders are expected to be sluggish in both the public and private sectors, and construction investment is also expected to be weak. In addition, the macroeconomic environment—such as rising interest rates and raw material prices—which directly affects the construction industry is highly likely to have an adverse effect. Sluggish conditions in the construction industry are likely to be reflected in the job market relatively quickly, starting with temporary workers and day laborers. Thus, employment in the construction industry, which is in a somewhat unfavorable environment, seems unlikely to expect a large quantitative increase like last year.



## 6. Recovery of Employment in Service Industries

The average number of employed persons in service industries increased by 620,000 people between January and October 2022 compared to the same period last year. Considering that there was a drop of 220,000 people between January and October 2020 and a rise of 230,000 again in 2021, it can be seen that the increase of 2022 is quite large. It was initially expected that the trend of employment growth in service industries in the first half would subside in the second half, particularly in traditional face-to-face services, due to re-proliferation of COVID-19, but the risk of re-proliferation does not appear to have a significant impact on service industries any longer.

In the case of the wholesale and retail businesses, where employment had been declining from 2019, there were signs of a recovery in employment in 2022. However, after peaking in July 2022, employment is showing a downward trend again from August, and the extent of the recent decline is widening again.

Table 3. Fluctuations in the Number of Employed by Type of Service Industries

(Unit : 1,000 persons, YoY)

	2020 Jan~Oct	2021 Jan~Oct	2022 Jan~Oct
Wholesale and Retail	-155	-160	-34
Transportation and Storage	56	97	86
Accommodation and Restaurants	-144	-54	57
Information and Communication, Financial and Insurance Activities, Real Estate Activities, Professional Business Support	-29	172	193
Public Administration, Education, Health Care and Welfare	77	272	322
Arts and Recreation related, Membership Organizations and Personal services	-28	-93	-5

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

By occupation, it was the increase in office workers responsible for management and accounting that mainly led the employment recovery in the first half, but due to the nature of the occupation, it seems difficult for the employment growth of office workers to continue. Employment in service industries and the sales industry, which account for a large portion of the wholesale and retail businesses, decreased by around 100,000 per month for the past three years, so employment in the wholesale and retail businesses is unlikely to recover easily next year.

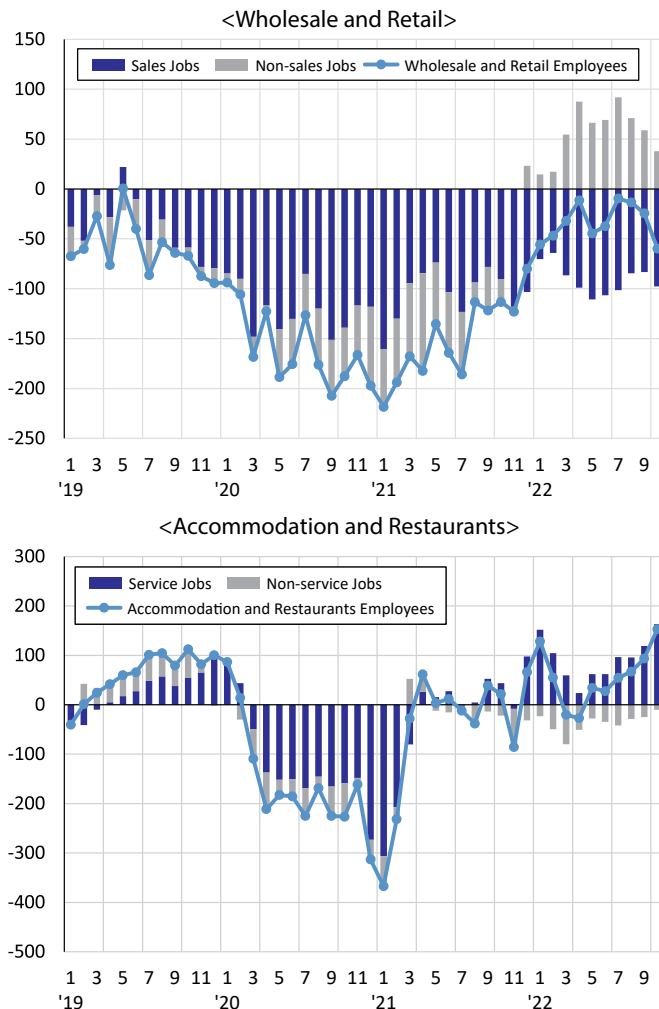
Employment in the accommodation and restaurants industry is exceeding the recovery trend of the first half of the year, with an average increase of 86,000 people between January and October 2022. Based on the seasonally adjusted figures, employment in the accommodation and restaurants industry averaged about 2.2 million people between July and October 2022, which can be evaluated to have almost recovered to the pre-COVID-19 level (about 2.3 million people, January-February 2020), but the next year's accommodation and restaurants industry employment flows are likely to change depending on economic conditions.

The transportation and storage industry showed a high increase in employment in 2022 following 2021. During the period of social distancing, the number of employed people in this industry continued to go up due to the spread of non-face-to-face consumption. Assuming the number of transportation and storage workers with employment insurance before the spread of COVID-19 is set at 100, the current number is maintained at the level of 110, so next year the industry is likely to maintain a similar employment level.

Employment in financial and insurance activities and real estate activities expanded rapidly in 2021 but has recently slowed down. Considering the decrease in



Figure 6. Fluctuations in the Number of Employed in the Wholesale and Retail Industry and the Accommodation and Restaurants Industry by Occupation  
(Unit : 1,000 persons, YoY)



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

real estate transactions and in the number of stores in the financial and insurance industry, it seems unlikely that the industry will easily escape the slowdown in the second half. Meanwhile, information and communication, as well as professional, scientific and technical services have maintained their 2021 growth rates so far. If the government's direction to foster information and science and technology industries—such as IT and semiconductors—is maintained next year, there is a possibility that the current employment flow will continue. The business facility management

service industry is increasingly employing middle-aged and older adults over the age of 50. Employment in this industry in the future may be influenced by the demand of companies that can provide jobs for baby boomers such as cleaning jobs or janitor jobs.

## 7. Slowing Employment in Social Services

Public administration, education, and health care and social welfare services (hereinafter referred to as “the social services industry”) showed an employment increase of about 400,000 people at the beginning of the year. However, as the employment of those under the age of 60 no longer continued, the second half saw the slowdown in the rate of increase, recording an increase of 200,000 employed people.

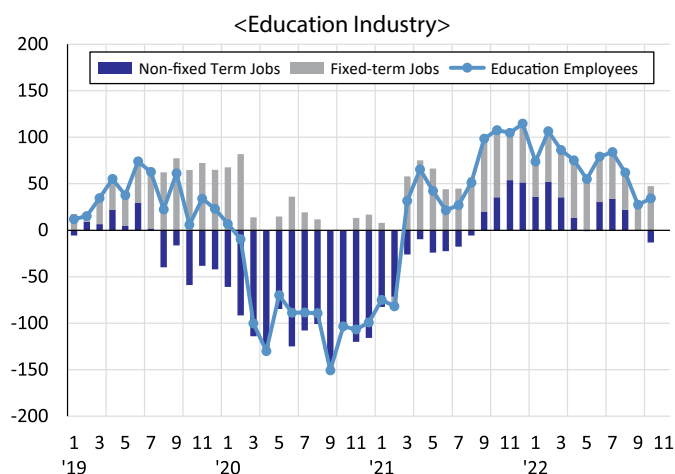
Employment in public administration is currently transitioning from job creation of temporary jobs to support the livelihood of the vulnerable class that arose after the outbreak of COVID-19 in the second half of 2020, to employment of regular workers, those in their 20s and 30s, by large-scale businesses with 300 employees or more at present.

Most of the employment growth in the education industry, which has been increasing from the second half of 2021, is dominated by fixed-term contracts. The phenomenon of filling vacancies due to regular retirement of teachers with fixed-term jobs in preparation for a future drop of the school-age population is reflected in statistics. It is likely that the decrease in the school-age population will continue to accelerate and the unstable employment situation related to fixed-term contracts, such as the issue of consolidation and closure of schools in small areas will be maintained for the time being.

Employment growth was mainly led by service employees in health care and social welfare services,



Figure 7. Fluctuations in the Number of Employed in the Education Industry for Fixed-term and Non-fixed Term Jobs  
(Unit : 1,000 persons, YoY)



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

and by professional workers and office workers rather than simple laborers. Thus, it can be assumed that the growth occurred mainly in the health care industry where professionals, large-scale businesses, and relatively young people can freely enter the workforce, rather than in the social services industry. The share of senior employment and social activity support projects that drove the increase in the number of older employees over the past five years started to decline in the second half of 2022. As explained above, the increase in the employment of the elderly in the private sector can be seen as offsetting the decrease in the employment of the elderly in the public sector.

### III. Employment Outlook for 2023

The major socioeconomic factors in Korea that will serve as the premise of the annual employment outlook for 2023 are as follows. First of all, according to major economic forecasting agencies, the Korean economy is projected to record a growth rate of less than 2% in

2023, from a macro perspective, which is below the potential growth rate. The Bank of Korea predicted that the growth rate for next year would be 1.7%, 0.4%p lower than the previous estimate of 2.1%; and the Korea Development Institute (KDI) and the Organization for Economic Cooperation and Development (OECD) suggested 1.8%. Except for 2020 (economic growth rate -0.7%), when the COVID-19 pandemic had a major impact, the most recent time when Korea's economic growth rate fell below 2% was in 2009 (economic growth rate 0.8%) during the global financial crisis. Therefore, the Korean economy is expected to show obvious signs of slowing down next year.

Domestic demand conditions are also expected to be sluggish. Although the rise of CPI (Consumer Price Index) has slowed down due to stabilization of international oil prices, it is still showing a high level of over 5%. The Bank of Korea's forecast for next year's inflation rate is 3.6%, which will be lower than this year, but it is still far above the inflation target of 2.0%. If the aftermath of an interest rate hike strikes while high prices continue, it is highly likely that consumption, production, and employment will suffer a cascading blow due to a decline in consumers' real purchasing power and a slowdown in consumption of goods. Looking at the flow of production and consumption indicators before presenting employment outlook, all industrial production declined for four consecutive months until August, and consumption also decreased by 0.7% in October.

However, it is unclear whether the downturn in Korea's economic conditions will lead to a sharp decline in employment next year. Even after 2021, when COVID-19 entered the calming phase, economic downside risks such as raw material supply and demand imbalance, global logistics disruptions, the US-China



trade conflict, and the Russia-Ukraine war existed, but had a limited effect on employment. Accordingly, the KLI (Korea Labor Institute) and other major research institutes are paying attention to the possibility that the connection between the recent macroeconomic situation and the employment market has weakened or may arise with a time lag.

In consideration of the above factors, the KLI estimates the employment outlook for the second half of 2022 and the annual employment outlook for 2023 as follows. As mentioned, if additional situations that will negatively affect the labor market—such as the intensifying trend of re-proliferation of COVID-19, contraction of the global economy and domestic market, and intensifying trade conflict between the US and China—do not occur within this year, the number of employed persons in the second half of 2022 is projected to record an increase of 722,000 compared to the same period last year. Accordingly, the annual number of employed persons in 2022, reflecting an increase of 941,000 in the number of employed persons in the first half of this year, is expected to reach 831,000 persons

In 2023, the number of employed people estimated by KLI is expected to reach 28.193 million persons, reflecting an increase of 89,000 compared to 2022. Of course, this increase reflects the decline in the economic growth rate and the slowdown in employment due to economic contractions resulting from changes in prices and interest rates, and it is significantly less than the increase of 790,000 in 2022. However, as to whether this forecast falls under the level of employment crisis as reported by some media outlets, there is room for thinking differently. As mentioned earlier, after 2020, when COVID-19 emerged, the number of employed persons in 2021 increased by 370,000 compared to the

previous year, and again increased highly by 790,000 in 2022.

Even in terms of the seasonally adjusted series, the number of seasonally adjusted employed persons in October 2022 is at 102.5% compared to the peak before COVID-19 (February 2020) and exceeds the long-term trend. Therefore, the trend of favorable employment in 2022 will inevitably serve as a high base for the changes in the number of employed in 2023. Thus, it is appropriate to interpret that an increase of 89,000 in the number of employed persons compared to the previous year estimated by the KLI means that the employment recovery trend up until recently has entered a phase of gradual slowdown. Accordingly, when the employment outlook is divided into first and second half, it is expected that the first half of 2023 will see an increase of 138,000 persons compared to the same period of the previous year, and of 40,000 persons in the second half, meaning that even in terms of the half-yearly employment flow, it is also predicted that the pace of employment recovery would gradually slow down.

However, it is necessary to remain alert about the impact of the macroeconomic downside risk on the domestic employment market if the recent interest rate hike trend continues or if the global economic contraction deepens. In other words, it is necessary to be vigilant against the possibility that the slowdown in employment growth may intensify, and to ensure that the quantitative slowdown in employment does not lead to a deterioration in job quality. In this regard, the recently announced policy of strengthening vocational training and expanding employment is an appropriate response by the government, but considering the possibility of an additional economic downturn, it is necessary to keep up the efforts to improve the effectiveness of the financially-supported job creation



project by balancing it with employment incentives and direct jobs.

It is hoped that the government's policy efforts for employment recovery will continue and bear fruit, so that the current economic downturn trends will only have a limited effect on employment, and such efforts will serve as a foothold for further employment growth in the mid- to long-term.

Table 4. 2023 Employment Outlook

(Unit : %, 1,000 persons)

	2022			2023*		
	H1	H2*	Full-year*	H1	H2	Full-year
Employed Population	27,858	28,350	28,104	27,996	28,391	28,193
(Rate of Increase)	3.5	2.6	3.0	0.5	0.1	0.3
(Increase/Decrease)	941	722	831	138	40	89
Unemployment Rate	3.2	2.6	3.0	3.8	2.9	3.3
Employment Rate	61.6	62.6	62.1	61.7	62.4	62.1

Note : \* represents projections.

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