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**For Inquiry:** KLI Academic Publishing Team

**Address:** 370, Sicheong-daero, Sejong-si, 30147, Korea  
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**Author(s):** Kyu-Yong Lee, Hyukjin Cho, Nan-Joo Yang,  
Soo-In Joo

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# A Study on the Labor Market of Foreign Workers for the Care Services Sector

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Kyu-Yong Lee, Hyukjin Cho, Nan-Joo Yang, Soo-In Joo

## I. Research Background and Objective

The key to approaching research on the utilization of foreign manpower in the labor market for care work lies in identifying the current status of foreign manpower utilization in the caregiving services market, determining whether there is a demand for foreign manpower, and examining the causes of such demand. Previous studies have shown interest in investigating these issues, which remain unsolved. This is primarily due to the difficulty in accessing data and presenting compelling arguments for the necessity of foreign manpower in the caregiving industry. In other words, proper research on the labor market in this field, which involves a significant percentage of the informal sector, has not been adequately conducted.

Furthermore, there is a crucial discussion overlooked in existing research. As all are aware, ethnic Koreans with foreign nationalities are already allowed to work

in the caregiving industry. Nevertheless, what is the core argument of the discussion on opening doors to foreign manpower beyond ethnic Koreans with foreign nationalities at the present moment? This can be seen as closely related to service pricing and service delivery methods.

The objective of this research is to discuss the topic of “the care labor market of foreigners” through examining its labor market structure, supplementary elements in the legal and regulatory aspects, and the validity of discussions regarding the introduction of foreign manpower. While establishing statistics is the most important task in a situation where statistical approaches to the utilization of foreigners in the field of caregiving services is difficult, it is still possible to infer the structure of the labor market of foreign workers based on its informal nature of statistics and using administrative survey statistics. Therefore, no separate parameter estimation is conducted for analyzing the

labor market structure. Instead, the study aims to scrutinize the basis of existing discussions that demand the expansion of foreign manpower supply in this field, and provide directions for foreign manpower supply through examining the current causes of the care labor market issues and proposing regulatory improvements for enhancing the care labor market structure. This paper will mainly discuss the following subjects:

		In-home Care	Facility Care
Domestic Work		◎	
Caregiving		◎	◎ (hospitals, convalescent hospitals)
Care	Elderly, Disabled, etc.	◎	◎ (nursing homes/adult day care)
	Childcare	◎	◎

## II. Structure and Characteristics of the Care Labor Market

The following are the main research findings on the structure and characteristics of the labor market for care work obtained through regional employment surveys, raw data from employment insurance, and a survey on convalescent hospitals:

First, the number of care workers has steadily increased from 2013 to 2021. It grew from 566,000 in 2013 to 750,000 in 2021, showing an average annual growth rate of 3.6%. This exceeds the average annual growth rate of 0.8% for other occupations during the same period. As of 2021, care workers account for 2.7% of the total employed population. However, when looking at specific job categories, the number of workers in caregiving and health care services has been increasing, while that of domestic helpers and babysitters has been declining. The fluctuations in the

number of care workers reflect the social demand for these occupations. The fact that their changes have shown a consistent trend over the past decade suggests that labor supply in this field is still being appropriately met.

The second characteristic is shown in the age distribution of care workers. Most of the growth in the number of care workers can be seen as a result of the increase in the number of employed persons aged 60 or older. This characteristic is the result of an increase in demand for care work in the aging era, and also means that care work serves as a basis for job creation for older female workers in the aging era. Therefore, the characteristics of the aging era should be considered in terms of both the increase in care work demand and the increase in care work supply. In addition to the aspect of job creation for middle-aged females, it is also necessary to consider the high accessibility of low-educated female workers.

Compared to other occupations, care work has a relatively higher proportion of low-educated workers. As of 2021, while 50.9% have a high school diploma or lower education level among the employed population in other occupations, the proportion of those with a high school diploma or lower education level among care workers is 75.1%. However, as Korean society continues to become more educated, the proportion of care workers with a middle school education or lower has been consistently decreasing, while that of high school and college-educated workers has been steadily increasing. This suggests that going forward, this trend will continue to expand. At present, the care labor market serves as a basis for job creation for middle-ages to older women, and this trend is expected to shift towards an increase in the proportion of high school and college-educated workers as education levels rise. Still,

given that this phenomenon is likely to continue for some time, it is not advisable to disrupt the job creation base of this low-educated female workers.

Thirdly, the labor market for care work is characterized by short working hours and low wages. The short working hours may be the result of personal choice or the result of reflecting institutional and labor demand characteristics. Nevertheless, despite having similar job characteristics, compare to those in the category of '(95) Domestic Helpers, Cooking Attendants and Sales Related Elementary Workers'—including '(952) Food Preparation Related Elementary Workers,' and '(953) Sales Related Elementary Workers'—with working hours of 100, care workers have relatively lower working hours of 85~89. However, in terms of hourly wages, care workers in caregiving and health care services earn higher wages compared to the comparison group, while domestic helpers and babysitters receive lower wages. This suggests the following points: First, in terms of the societal perception of the tasks performed, workers in caregiving and health care services cannot be considered to have lower societal perception compared to the comparison group. Especially considering that these fields are suitable for the labor of older women in an aging society and considering the short working hours, they can be seen as having higher job accessibility. Second, the number of domestic helpers and babysitters continuously shows a statistically decreasing trend. However, those finding babysitters are likely to have a lower dependence on foreign workers due to the nature of the job, such as language acquisition or the nature of childcare work. In this regard, it is suggested that prioritizing efforts to improve the quality of jobs for Korean nationals is necessary.

Secondly, the fact that workers in caregiving and

health care services, as well as domestic helpers and babysitters, have lower average monthly wages compared to those engaged in general simple labor, indicates that attracting foreign manpower to the field of caregiving is not easy. According to an analysis of the Employment Permit System raw data by Lee et al. (2019), foreign workers, especially female workers, engaged in agriculture show a high attrition rate. This is largely due to the working environment and low wage levels. This phenomenon is likely to be reproduced when introducing foreign manpower into the field of caregiving as well. In particular, the job instability in this field may further complicate employment management challenges.

Fourthly, the characteristics observed in the survey of caregiving workers show that, due to poor working conditions, a significant wage gap between local and foreign workers, and a concentration of ethnic Koreans with foreign nationalities in the metropolitan area, convalescent hospitals in the metropolitan areas highly utilize ethnic Koreans with foreign nationalities while those in non-metropolitan areas have a higher utilization of domestic workforce. It may be cautiously concluded that this phenomenon implies that the labor supply in the care sector is being addressed through the labor supply of locals in a situation where the residence rate of ethnic Koreans with foreign nationalities in non-metropolitan areas is low. Therefore, it can be inferred that there is still a supply of local workers for caregiving in convalescent hospitals, and the utilization of middle-aged and elderly Korean women is possible through the improvement of the labor market structure in this field.

Lastly, although it was not covered in the main text but discussed in the appendix, the analysis of long-term care demand and supply gap in the long-term care insurance system reveals that there is no shortage

of care work supply. However, considering regional variations, it is important to approach this issue from the perspective of regional labor market mismatches.

### **III. Care Work in Facility Care Services and Demand for Foreign Manpower**

In this section, the current status of residential care in Korean society is examined, focusing on long-term care facilities for the elderly and convalescent hospitals. For each type, the institutional characteristics and functioning of care work are compared and analyzed. The key research findings are as follows.

In our rapidly aging society, residential care and caregiving are at the center of facility care services. Residential care is represented by the nursing homes service by the long-term care insurance system for the elderly implemented in 2008. In the case of caregiving, it is also applicable to inpatients in acute care hospitals but is mainly represented by caregiving in convalescent hospitals, which has been greatly expanded in recent years. Currently, residential care is provided by personnel with licensed caregiver qualifications, while caregiving in convalescent hospitals is primarily carried out by both local residents and Korean Chinese(ethnic Korean with Chinese nationality). The wages and working conditions of licensed caregivers, who sign employment contracts with individual care facilities, are pretty tough, but caregiving in convalescent hospitals is entirely at the expense of the patient and is mostly procured by service brokers. The ratio of caregivers working on a live-in basis is quite high, and the number of patients per caregiver can range from 6 to more than 10, indicating a lack of standardization in the industry.

The reality in which future demand for residential

care and caregiving, which are characterized by the low wages, excessive reliance on women, and elderly labor, will grow exponentially, while the current difficulties in labor supply will exacerbate, is triggering discussions on whether or not the inflow of foreign manpower in the field of facility care services is necessary.

However, given that the overlapping roles of nursing homes and convalescent hospitals are resulting in the excessive institutionalization and hospitalization of elderly, and that internationally the number of elderly beds has been decreasing, it is not desirable to discuss workforce supply on the premise of maintaining the current number of facilities and beds.

To help older persons be able to live in dignity, priority should be given to receiving services in their own home and community. Facilities and hospitals should provide high-quality housing and services to those who truly need them. From this perspective, current nursing homes and convalescent hospitals with multi-person rooms and low staff-to-patient ratios fall far from being ideal facility care services.

The introduction of foreign manpower into facility care services needs to be discussed in parallel with institutional improvements for residential care and caregiving. It is first necessary to re-establish the current system in which certified caregivers and non-certified caregivers exist as two different qualifications and occupations, and nursing homes and convalescent hospitals serve the same target users. On the basis of improving the current institutional blind spots, the number of required beds can be calculated, and the demand for appropriate residential care and caregiving services and the required manpower can be calculated. To ensure sustainable residential care and caregiving services as well as their labor markets, it is crucial that the appropriateness of the introduction of foreign

manpower be discussed on the basis of improving the problems of the semi-formalized caregiving labor market and the sustainability of caregiving labor in convalescent hospitals.

#### **IV. Care Work in In-home Services and Demand for Foreign Manpower**

This section focuses on the care work within the home, exploring the characteristics of in-home care services and the demand and supply aspects of in-home care, surrounding the areas of pure domestic work such as cleaning, laundry, and kitchen tasks, as well as childcare. At the same time, the key issues related to the introduction of foreign manpower into caregiving services within the in-home service sector are examined. The major findings are as follows.

Care work in the field of in-home caregiving services is divided into full-time residency-type, full-time commuting-type, and part-time commuting-type. There is almost no demand for full-time residency-type, and most of the workers are part-time commuters. In the current market situation, it can be seen that there is little demand for residency-type workers. From the viewpoint of foreign manpower, full-time residency-type has an important advantage that the worker's housing problem can be solved, but since there is almost no demand for such type, the introduction of foreign manpower can go against market demand.

Currently, the demand for “full-time commuting-type” services is not significant, and the demand for such type services can fluctuate depending on the availability of childcare facility capacities. Even if the formalization of foreign manpower makes many to work as full-time commuters, there remains the issue of resolving the

housing problem for foreign manpower.

Currently, in the market for in-home caregiving services, there is the highest demand for “part-time commuting-type” services. However, for foreign workers to perform in-home caregiving services as part-time commuters, it is challenging to secure enough labor hours and address housing issues for them.

In addition, due to the nature of in-home caregiving services, effective language communication and mutual trust between the customer and the caregiver are crucial. As the services are difficult to standardize due to variations in customers' family, circumstances, and preferences, it is important to have effective language communication in the area where customer-caregiver interaction is highly significant. Moreover, in order to provide seamless services, it is crucial to select foreign manpower that is familiar with the Korean language and culture. The issue of screening and verifying the identity of foreign manpower for in-home caregiving services is also an important aspect that needs to be addressed.

#### **V. Characteristics and Issues in the Care Labor Market of Foreigners**

This section compares and analyzes the characteristics of the labor market for care work from the perspective of the systems related to the care labor market for foreigners and the existing labor market for foreign workers, and examines the key issues regarding the expansion of foreign manpower in the labor market for care work. The main research findings are as follows.

In the labor market for care work, foreign workers may work in a single occupation for an extended period, e.g. as personal assistants for the disabled, certified caregivers, non-certified caregivers, babysitters, and

domestic helpers. It is also common for them to engage in overlapping tasks related to both domestic work and caregiving. Foreign workers who can provide services in the care labor market are predominantly individuals with residency permits that allow for flexible employment, and due to language and cultural advantages, Chinese Koreans are often employed in this field.

The labor market for care work is particularly dependent on effective language communication since it involves direct face-to-face services. However, the caregiving industry generally offers lower wages and poorer working conditions compared to other industries.

Workers may have worked in other sectors and industries when they were young, but as they get older, they enter the labor market for care work in which one can work at a relatively older age with low entry barriers or even without qualification requirements.

As the demographic cliff resulting from the worsening low birth rate and aging population becomes a reality, immigration is being discussed as a solution to address the labor shortage and low birth rate issues. However, the government should not consider foreign employment in the labor market for care work as a universal solution for all problems. The labor market for care work is characterized by poor working conditions, long working hours, and low wages, making it an unfavorable labor market, so relying solely on foreign manpower to address the labor shortage without improving the current working conditions would further constrain wages, working conditions, and other aspects of the labor market for care work. As the labor market for care work deteriorates, it would become increasingly challenging for both existing local workers and new entrants to find suitable employment, and this vicious cycle in the labor market for care work is likely to repeat itself, ultimately

affecting the consumers and patients who rely on these services.

It is time to examine whether it is too narrow a market logic to think of entrusting care service recipients to foreigners who have not yet resolved language and cultural differences, and look back on the recipients' lives and rights since everyone grows old and sick. The labor market for care work should provide high-quality services by creating quality jobs and reducing the burden on care service recipients, with the goal of improving their human rights.

Taking the difference between the wage of the sending country and that of the receiving country as an example, one may assume that when a foreign worker enters the country, he/she would work in that industry unconditionally and the authority would be able to manage him/her. However, when a foreign worker enters the country, there is a shared wage standard for that country, and upon learning the information shared, such as the receiving country's "crackdown intensity," the worker may decide not to register. Introducing unprepared foreign workers to the labor market for care work with the idea that they are low-wage and cheap labor can rather become a pathway for human rights violations and undocumented workers. As the labor market for care work of ethnic Koreans with foreign nationalities who can communicate in the language still faces problems such as a lack of systematic management and quality of service, it is necessary to be cautious about the introduction of foreign manpower that have problems with language communication and cultural differences.

Since the market once opened is difficult to control, it is necessary to contemplate why the labor market for care work only permits foreigners who are allowed to work based on their status of permanent residence.



When opening the market to foreign workers, it would be helpful to think about cultivating manpower through customized language education and practice after establishing a training course on caregiving.

## VI. Conclusion and Policy Tasks

As the declining birth rate and aging population intensify each year, resulting in the demographic cliff, immigration is being discussed as a solution to the problems of labor shortage and low birth rate. However, the government should not consider foreign employment in the labor market for care work as a solution for all the issues. The current labor market for care work is characterized by poor working conditions, long working hours and low wages. Relying on foreign manpower to address the labor shortage without improving the current working environment in the care labor market is likely to become a constraining factor for wages, working conditions, and overall circumstances within the entire labor market for care work.

The decision to allow the introduction of foreign manpower in certain fields requires careful consideration due to the involvement of various stakeholders. Factors such as the demand for foreign manpower, domestic labor supply, and the impacts resulting from the influx of foreign manpower need to be taken into account. In the caregiving industry, there is another factor to consider beyond these aspects, which is the recipients of labor services. Can childcare be entrusted to foreign individuals with limited language proficiency? In addition to issues regarding the acceptance of caregiving or nursing services by patients, there are more complex problems such as the working conditions in facility caregiving, limitations of in-home services,

and the acceptance of duties by foreign workers due to employment insecurity in care work.

In addition, while examples such as Japan, Taiwan, Hong Kong, and Singapore are mentioned as countries facing similar circumstances, a closer look reveals that they have different factors at play compared to Korea. In the case of Japan, only the long-term care sector allows foreign manpower; the actual number of foreign workers who entered the sector is not many; and there is a national sentiment that disagrees with entrusting care work to foreigners. On the other hand, Taiwan focuses on in-home caregiving services based on the national sentiment of not relying on facility-based care and having a strong emphasis on family caregiving. Additionally, Taiwan has around 250,000 care workers, with the majority being of Indonesian nationality. Furthermore, Taiwan has also established eligibility requirements to receive caregiving services such as age (elderly or young children) and the need for care. Singapore and Hong Kong, which traditionally rely heavily on domestic work, have the characteristics of being city states, not implementing a minimum wage system, and providing domestic work services. These situations have both similarities and differences compared to Korea.

Considering the increasing elderly population, and the aging of ethnic Koreans with foreign nationalities who are the main labor supply in the caregiving sector, it is inevitable that the demand for foreign workers in caregiving services will continue to rise, even with increased utilization of robots. However, the discussion of utilizing foreign workers in this sector at a low cost is difficult to accept realistically. According to a study by Lee et al. (2019), analyzing raw data from the Employment Permit System, it is evident that foreign workers, especially female workers,

engaged in agriculture have a high attrition rate. This is largely attributed to poor working conditions and low wages. Such phenomena are likely to be replicated when introducing foreign manpower in the care sector. In particular, the job instability in this field can significantly exacerbate difficulties in employment management.

Based on the premise that these issues are examined in advance and lead to future improvements in the system, the following two major challenges are presented as necessary for the consideration of introducing foreign workers in caregiving services:

The first challenge is determining in which field of caregiving services the opportunity for utilizing foreign workers should be opened. In this study, care work was broadly categorized into domestic work, caregiving, and care (divided into elderly and disabled care and childcare). Recent discussions on the utilization of foreign workers in caregiving services mainly focus on services that combine domestic work and childcare. Such services are predominantly provided through in-home services, and the nature of their operation varies depending on who becomes the primary employer in the employment contract. If individual service users become the primary employers, they would be exempt from the application of the Labor Standards Act, including minimum wage regulations. However, if individual service users are allowed to arbitrarily set wages and working conditions, it could significantly disrupt the labor market. Therefore, it is necessary to establish regulations regarding employment relationships, such as setting appropriate wage guidelines, defining job scopes, and ensuring compliance with standard working hours, as implemented in countries like Taiwan.

If the system operates through a temporary work agency or a labor supply method rather than an

employment contract between individual service users and workers, it would naturally fall under the recently enacted Domestic Workers Act (Act on The Employment Improvement of Domestic Workers). In this case, the issue of the employer for foreign workers would be resolved, but various challenges related to workforce management would arise. Since most foreign workers engaged in domestic work are likely to prefer full-time employment, it is necessary to consider whether the demand for full-time work can be met and, if full-time employment is not feasible, whether alternative forms of service close to full-time can be provided. Given that foreign workers typically seek fixed working hours and days compared to domestic workers who have the flexibility to choose their working hours and days, it is also important to examine whether there is a risk of infringing upon domestic job opportunities in order to meet the demand for foreign workers.

Meanwhile, another controversial issue is whether the service provider will reside with the employer to provide services or adopt a commuting approach. When a foreign worker resides with the employer, it is necessary to make relevant regulations on how to provide living space, set the scope of work and working hours, and provide room and board expenses. If this is not the case, it is also necessary to discuss who will pay for the room and board of the domestic service provider. Considering these factors, a thorough examination of these issues is necessary when considering pilot projects. Given the nature of pilot projects, it would be desirable to first review the temporary work agency or labor supply method. As the demand for caregiving services by foreign workers increases, it will be necessary to gradually expand the use of individual employment contracts. However, even in this case,



it is important to establish and implement standard guidelines regarding wages and working conditions.

Secondly, it is necessary to establish the foundation for in-home caregiving services. Many individuals, such as those with disabilities or in need of elderly care, often require assistance that is equivalent to caregiving, and it is important to consider expanding the provision of such care in the form of in-home services. As aforementioned, it is timely to examine whether it would be desirable to institutionalize and hospitalize elderly care. Taking the perspective of care recipients into account, it may be better to expand in-home services by combining the care provided by caregiving workers with the care provided by family members or members of the local community. To this end, it would be helpful to explore expansion strategies for in-home caregiving services that are linked with local communities, health centers, and local hospitals, and to consider the introduction of foreign workers to meet the demand for such personnel. Since high costs are a challenge for in-home services, it is important to consider options for government support by subsidizing a portion of the costs

associated with caregiving services, taking into account the characteristics of service recipients and households. To facilitate accessibility, it is recommended to establish criteria for eligibility of caregiving service recipients, implement a scoring system, and diversify service delivery methods.

Meanwhile, unlike countries like Taiwan or Singapore where private employment agencies are involved in the management of foreign workers, Korea's employment management for in-home services is highly likely to be in a blind spot. Therefore, it is necessary to establish a system that checks and supports the employment management of in-home caregiving services, and the costs associated with this should be borne by the beneficiaries.

To summarize the discussions above, the key conclusion of this study is to enhance the accessibility of caregiving services for service recipients in need, ensuring that they receive high-quality services as needed, while also protecting the rights of caregiving professionals as workers by establishing relevant systems.

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