

The logo features a central dark blue square with the text 'KWPF Global Workshop 2024' in white. This square is surrounded by several overlapping, colorful geometric shapes in red, blue, and yellow. The background of the slide is white with faint, colorful geometric lines in the corners.

KWPF
Global
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2024

The Future is Now: Jobs as Engines of Economic Transformation

Youngsun Koh



Korea's successful transition

- Only a few economies have made a successful transition from a low/middle-income to a high-income status.

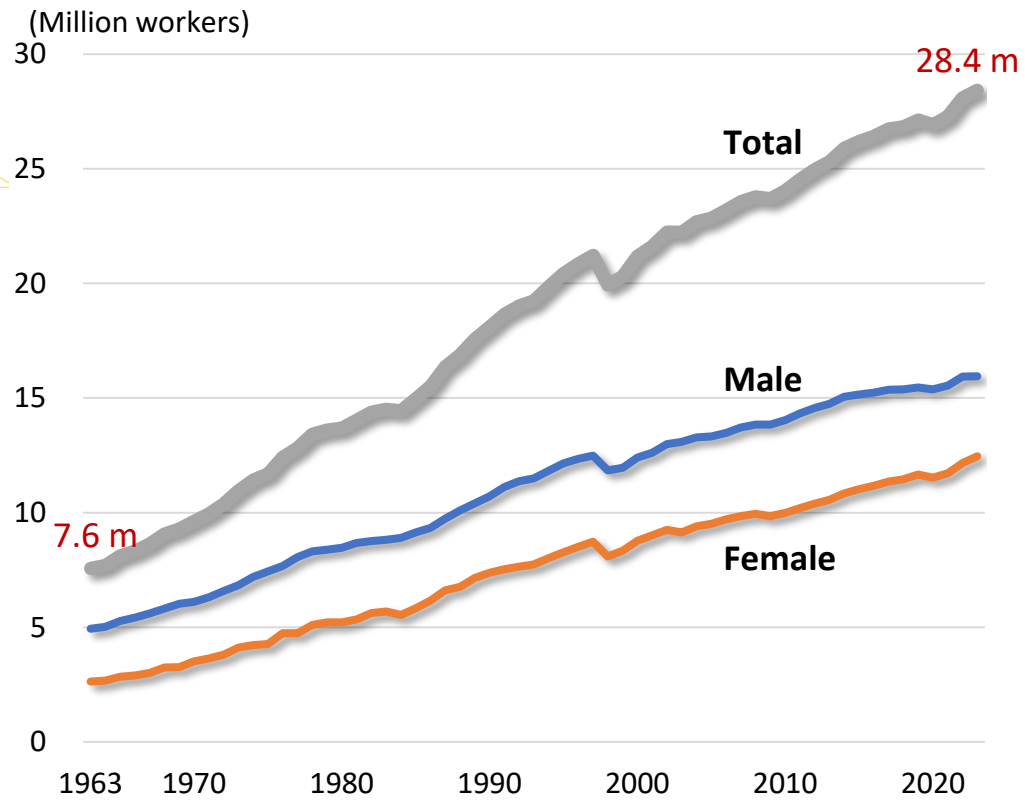


Note: The horizontal and vertical bars indicate the 10 percent and the 50 percent levels of the US GDP per capita. Hong Kong (HKG) on the horizontal axis refers to year 1961 instead of 1960.

Source: World Development Indicators.

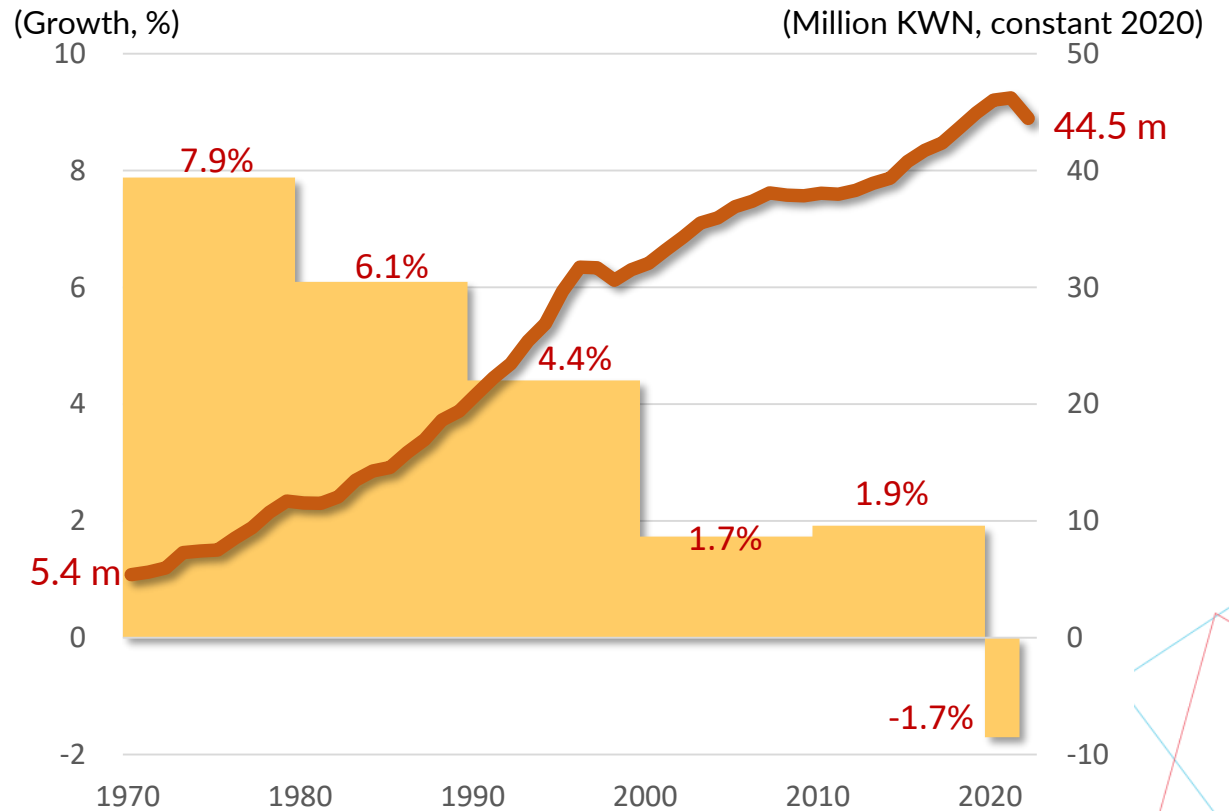
Creating jobs and raising wages

Employment (1963-2023)



Source: Statistics Korea.

Real wage per worker (1970-2022)

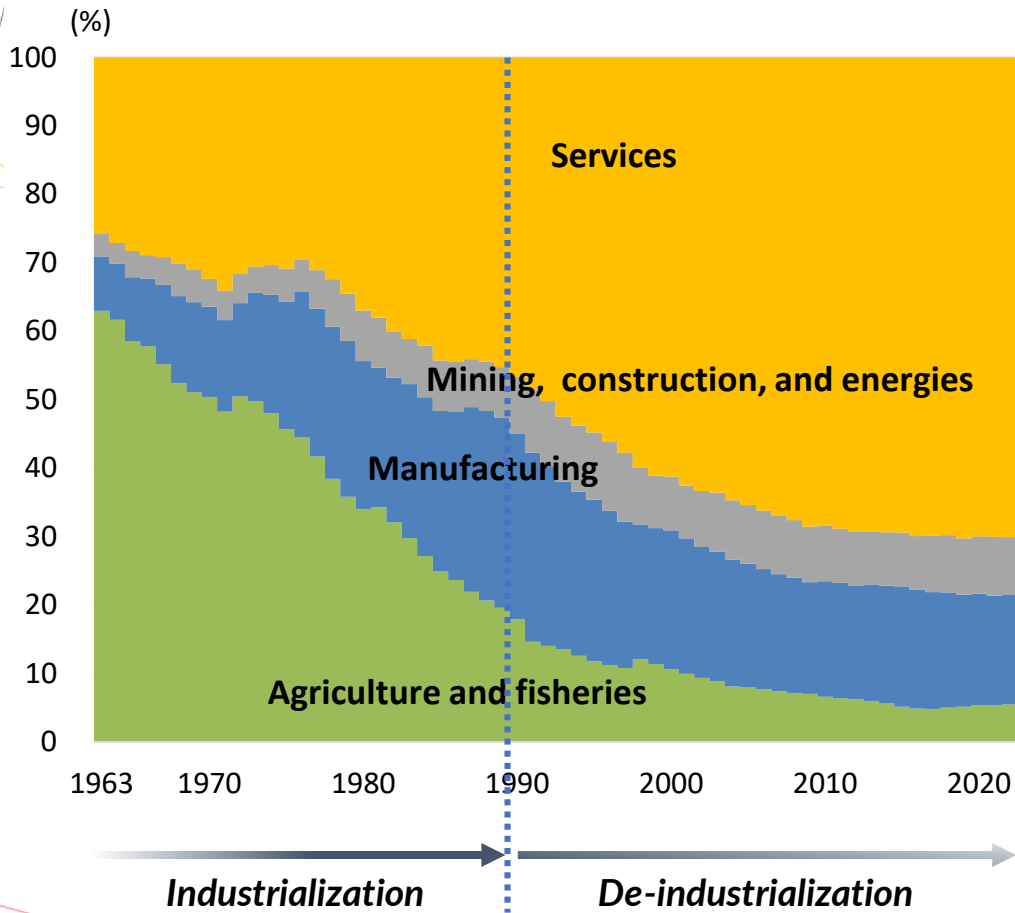


Note: Real wages were obtained by dividing the total nominal compensation of employees from the National Accounts by the number of employees and then deflating the nominal value with CPI.

Source: Bank of Korea, Statistics Korea.

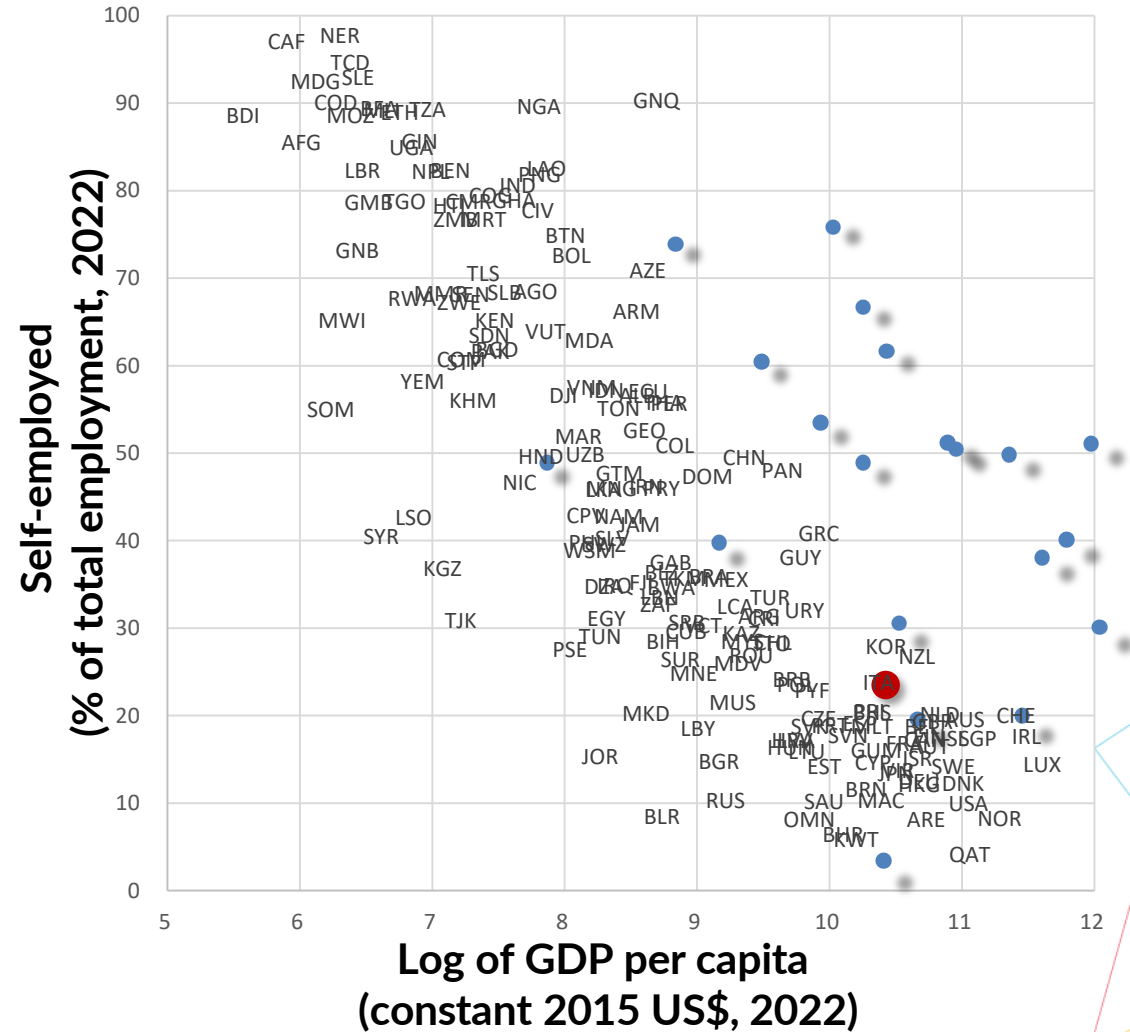
Structural changes in employment

Employment by sector (1965-2022)



Note: The fraction of workers in manufacturing reached a peak at 28% in 1989.

Source: Statistics Korea.



Source: World Development Indicators.

Made possible by export-promotion

- Industrialization in Korea began with the launch of export-drive in the 1960s.
- Efforts were initially focused on light manufacturing, and then on heavy and chemical industries

Early exports

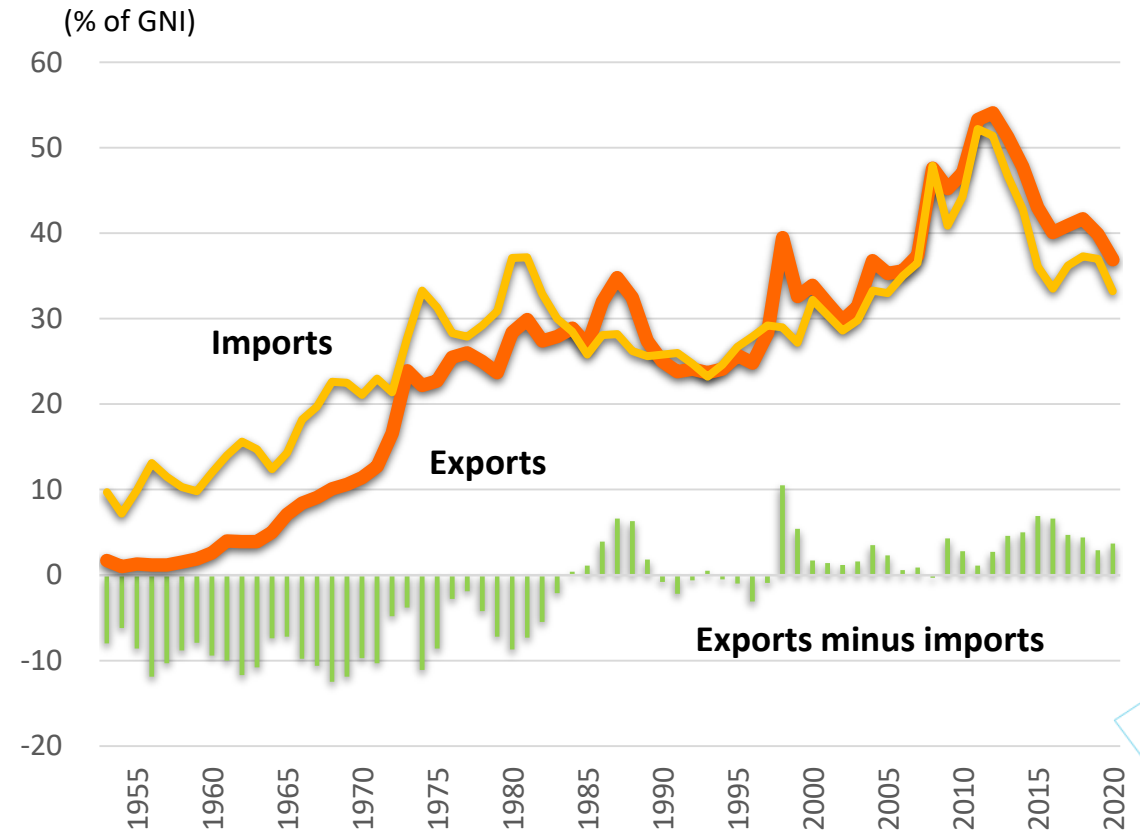


Later exports



To promote exports, the Korean government...

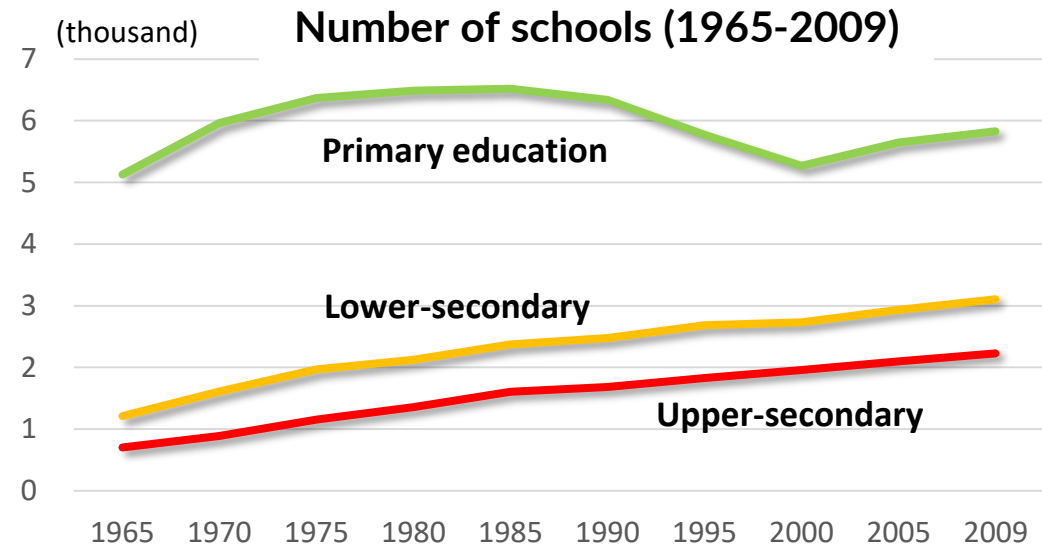
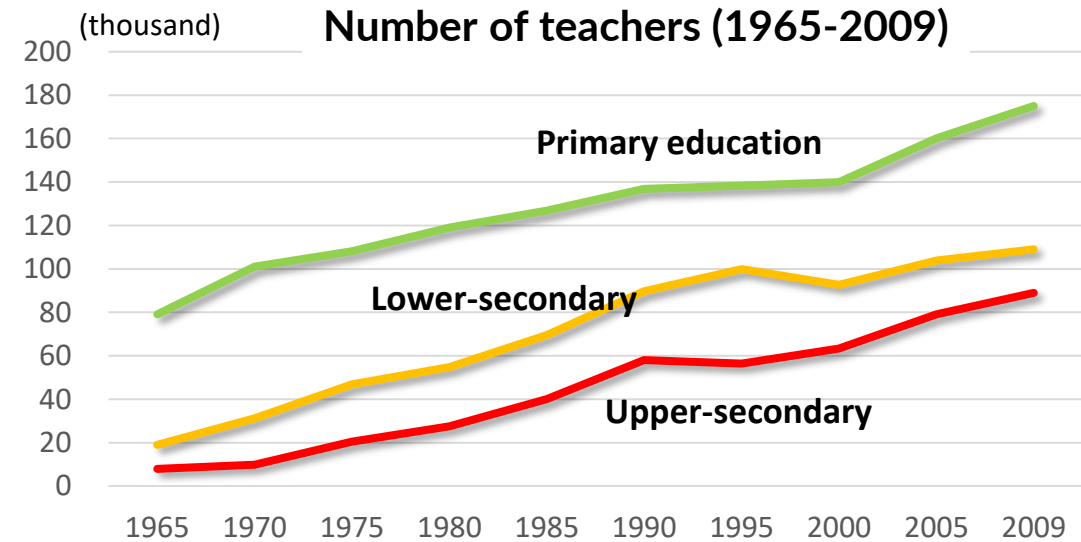
- Abolished the multiple exchange rate system and maintained competitive exchange rates;
- Built infrastructure: industrial parks, transportation networks, energy production and distribution systems, water supply systems, etc.;
- Expanded education and job training opportunities; and
- Provided subsidies to exporters.



Source: Bank of Korea.

Strong emphasis on education

- A five-year plan (1954-58) to eradicate illiteracy among adults
 - Illiteracy rate:
(1948) 78.2% → (1958) 4.1%
- A six-year plan (1954-59) for universal primary education
 - Elementary school enrollments:
(1954) 2.68 mil. → (1959) 3.56 mil.
- Continuous investment in school building and teacher training programs
 - A fixed portion of central government tax revenues have been set aside for education.



Source: Korean Educational Development Institute.

An open-field classroom during the war



The only heating in the classroom



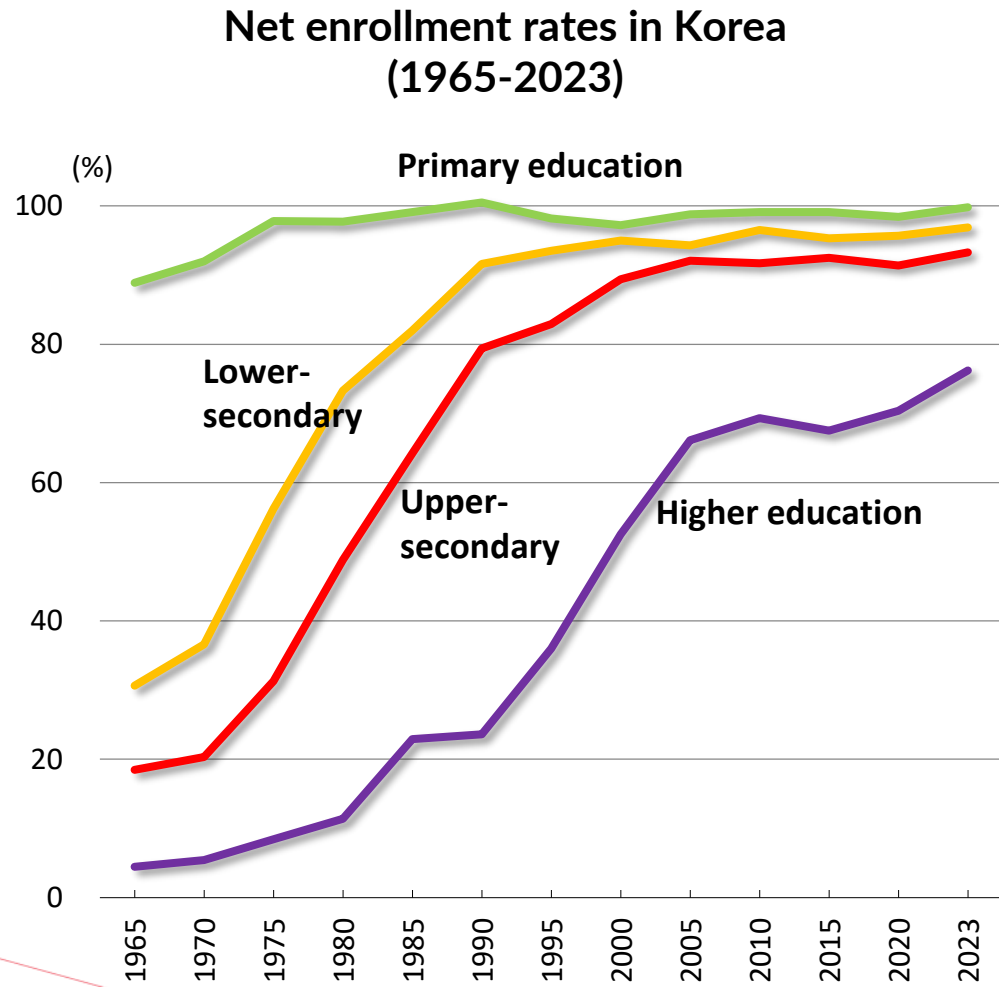
Too many students



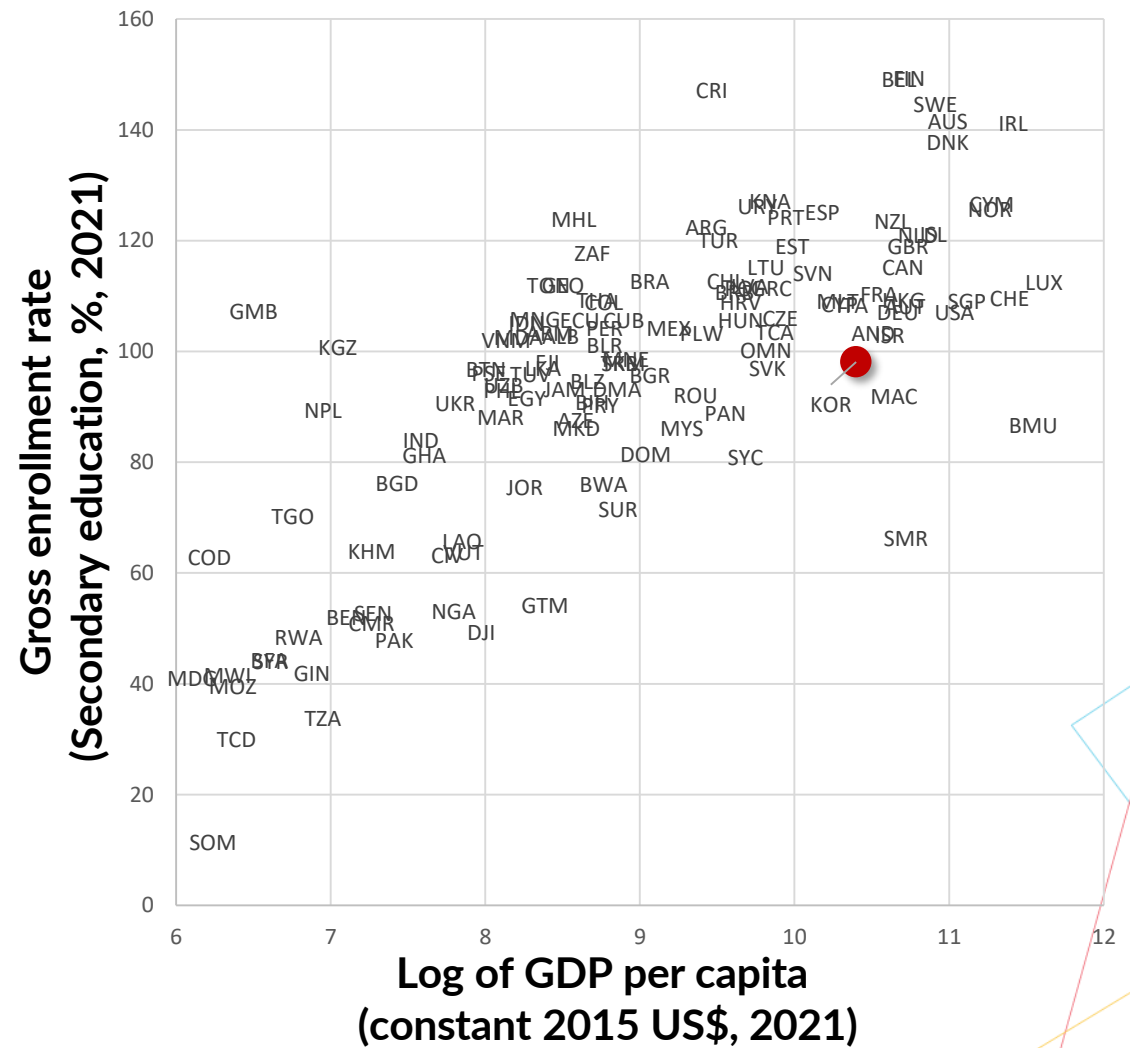
Illiteracy eradication campaign



Surge in enrollment rates



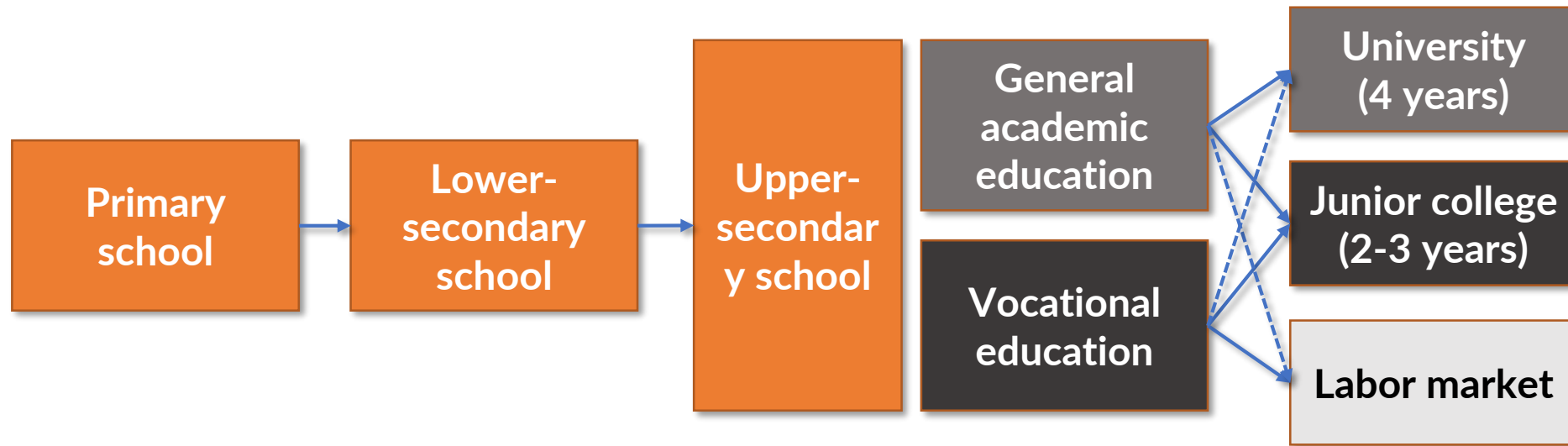
Source: Korean Educational Development Institute.



Source: World Development Indicators.

Vocational education and training

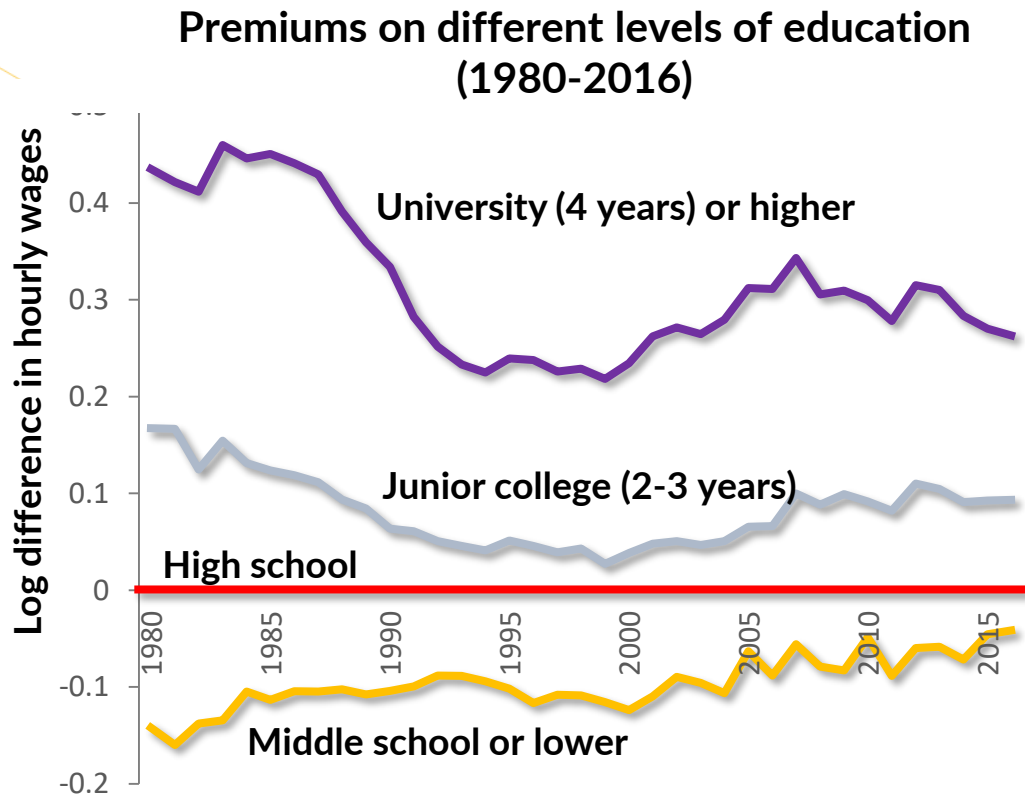
- **VE: Tracking starts at the upper-secondary level**



- **Mandatory inhouse training by firms for their workers**
 - Firms required to provide inhouse training, or pay a levy to the government (Firms with 300+ workers since 1976; 200+ since 1989; 150+ since 1992)
 - Changed into a refund system in 1995 with the introduction of the EIS (Employment Insurance System; pay insurance premiums and then get refunded for training expenses)

Race between education and technology

- Increasing demand for high-school graduates in the 1980s and that for college-graduates since the 1990s have produced fluctuations in inequality.



Note: Based on the estimates of a Mincer-type wage equation.
 Source: Youngsun Koh, *The Evolution of Wage Inequality in Korea*, 2018, KDI.



Note: Wage inequality: Q5-Q1 gap of log annual earnings of workers in establishments with 10+ workers.
 Gini (1): Urban households with two or more members, all ages, market income.
 Gini (2): All households, ages 18-65 years, market income.
 Source: Ministry of Employment and Labor (*Wage Structure Survey*); Statistics Korea (*Household Income and Expenditure Survey*, *Household Finances and Living Conditions Survey*);
 Youngsun Koh, "Wage Inequality: Why and how it has changed over the decades," 2019, KDI.

Challenges (1): Difficulty in school-to-work transition

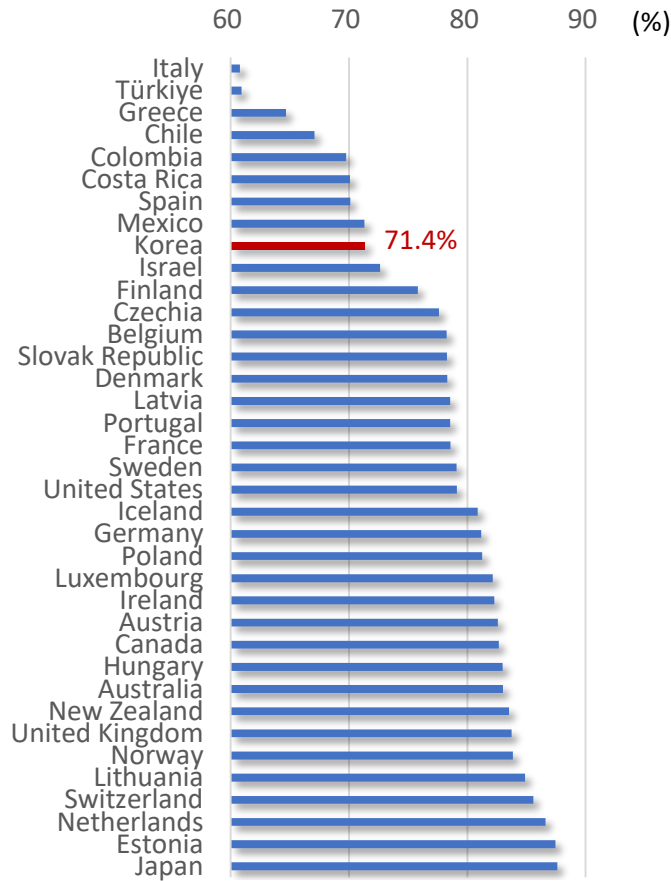
- Youth employment is low and NEET* is widespread.

* Neither in Employment nor in Education or Training

- Possibly due to

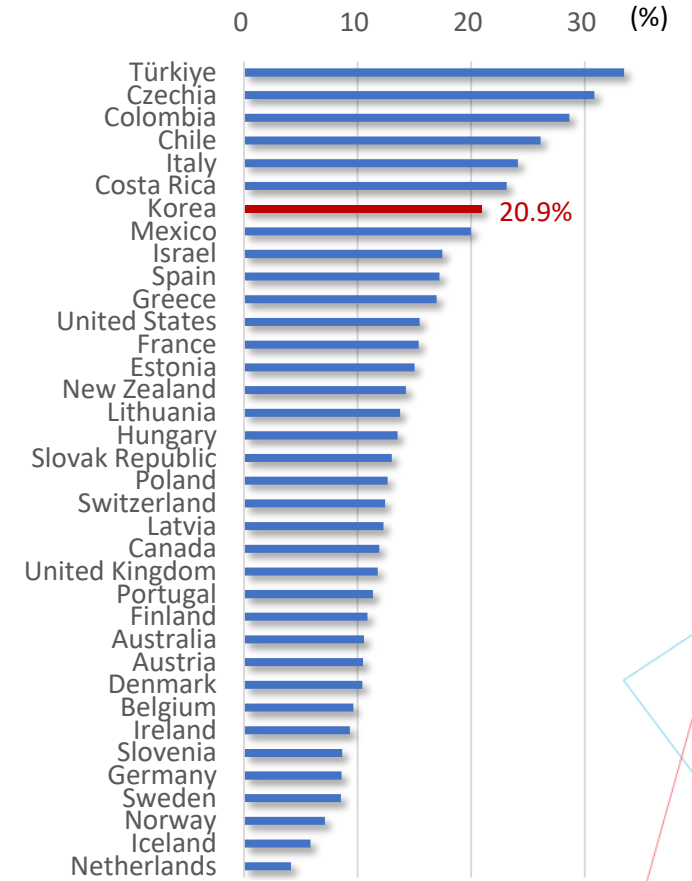
- 1) Scarcity of good jobs; and
- 2) Inadequate quality of higher education

Employment/population ratio for the 25-29 year olds (2022)



Source: OECD.

Fraction of NEETs among the 15-29 year olds (2022)



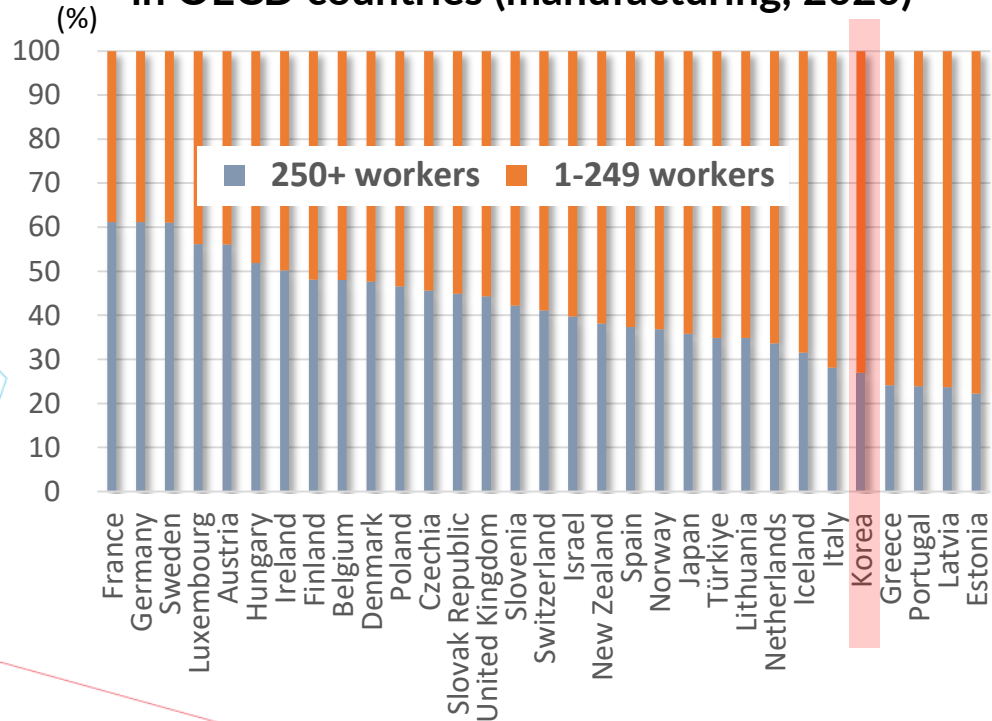
Note: The figure for Korea is given by 정재현(2022) and refers to 2020.

Source: OECD; 정재현, "청년 NEET 특성 및 유형 분석," 『고용이슈』, 2022 여름호, pp.32-54, 한국고용정보원.

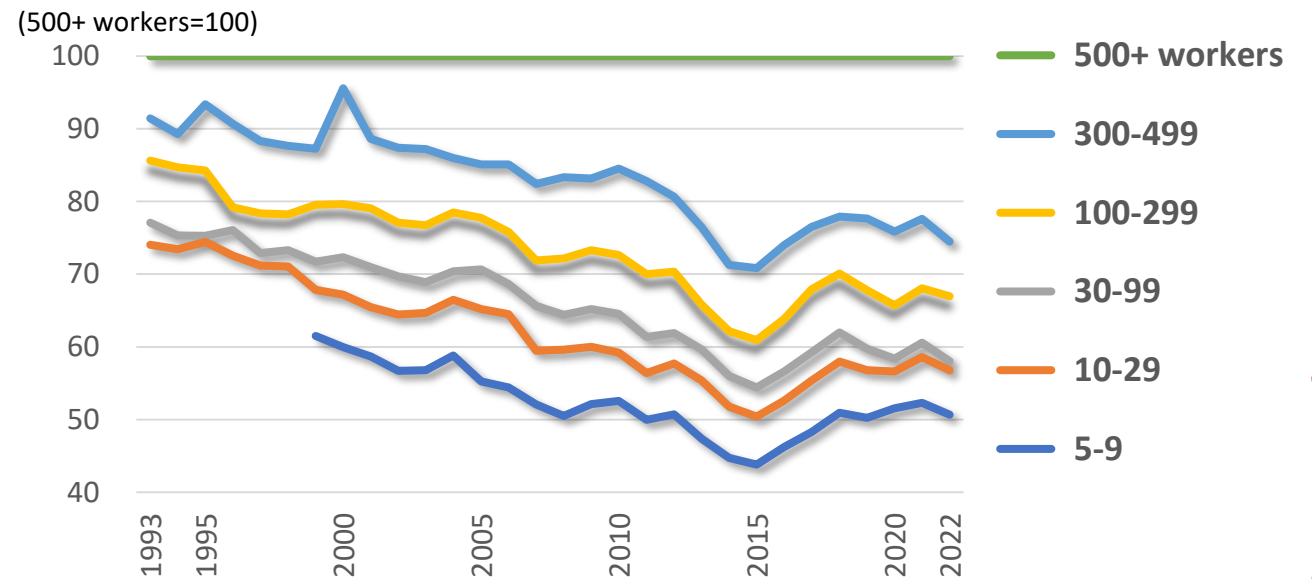
Challenges (1): Difficulty in school-to-work transition

- Many jobs in Korea are located in SMEs, many of which offer low wages and poor working conditions, and fail to attract young job seekers.

Distribution of workers by enterprise size in OECD countries (manufacturing, 2020)



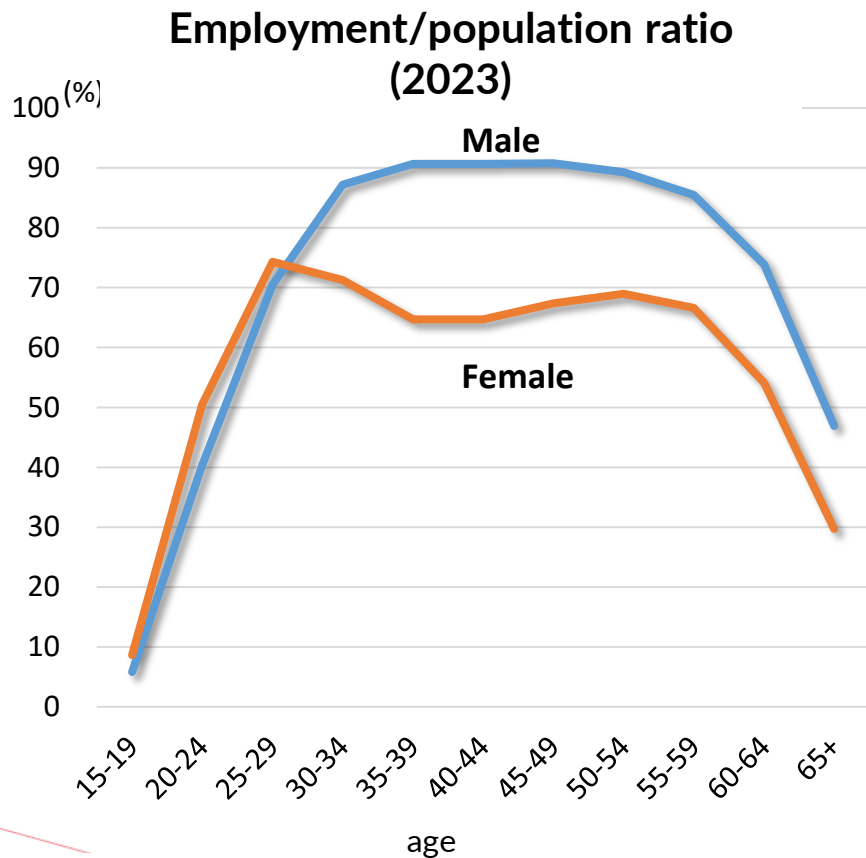
Wages by establishment size (1993-2022)



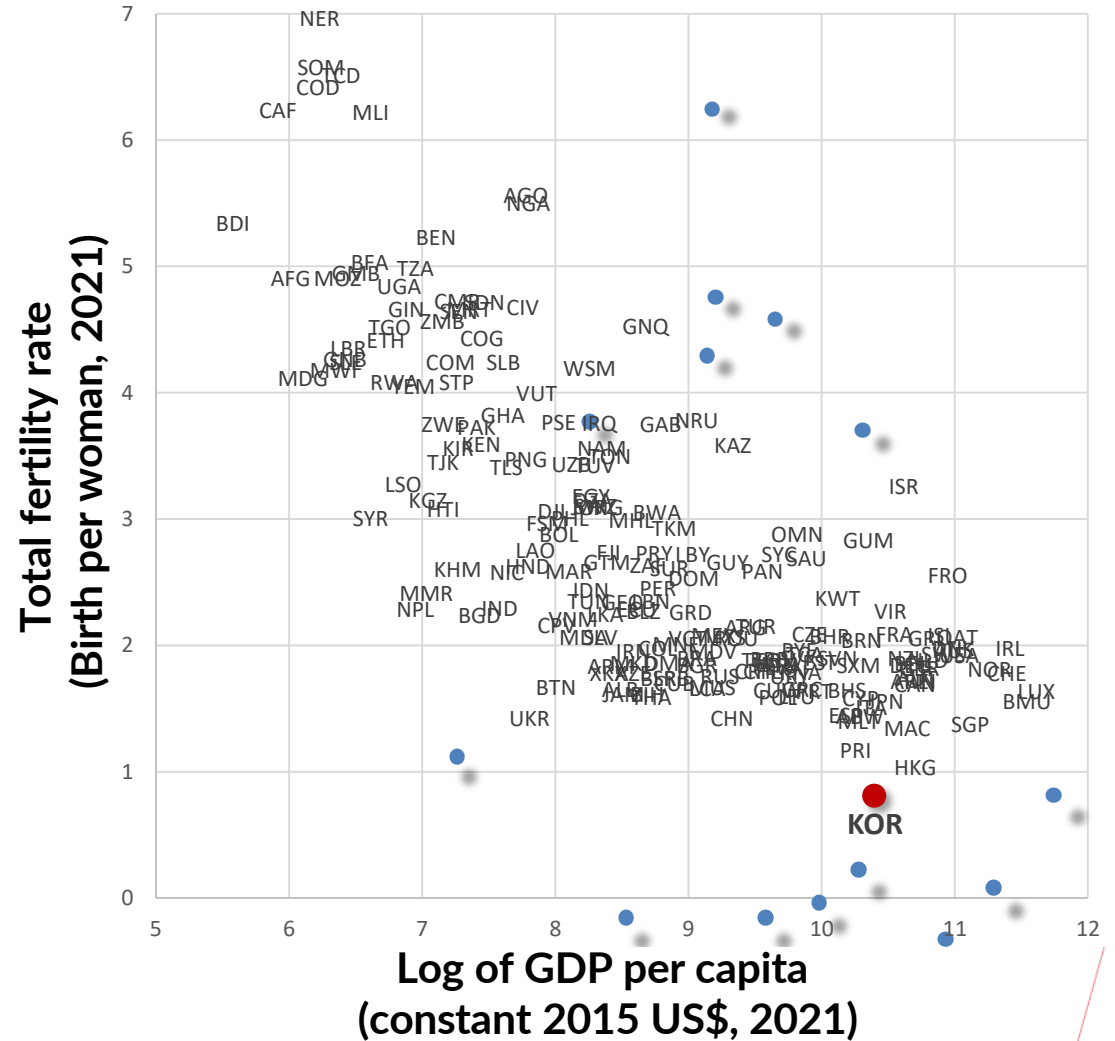
Note: An "enterprise" may refer to a firm or an establishment depending on the country. Source: Statistics Korea. Source: OECD, SDBS Structural Business Statistics (ISIC Rev. 4).

Challenges (2): Low labor market participation by women

- Difficulty in maintaining work-life balance



Source: Statistics Korea.

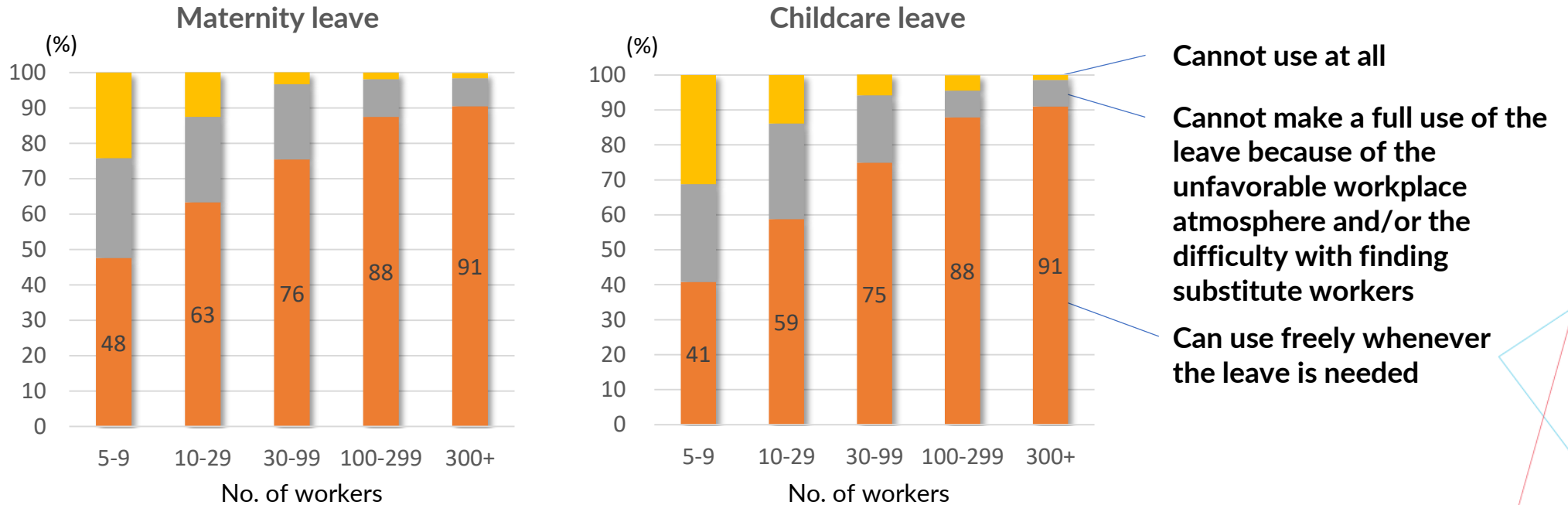


Source: World Development Indicators.

Challenges (2): Low labor market participation by women

- Workers in SME face particular difficulty in utilizing maternity and childcare leave.

Use of maternity and childcare leave by establishment size (2021)

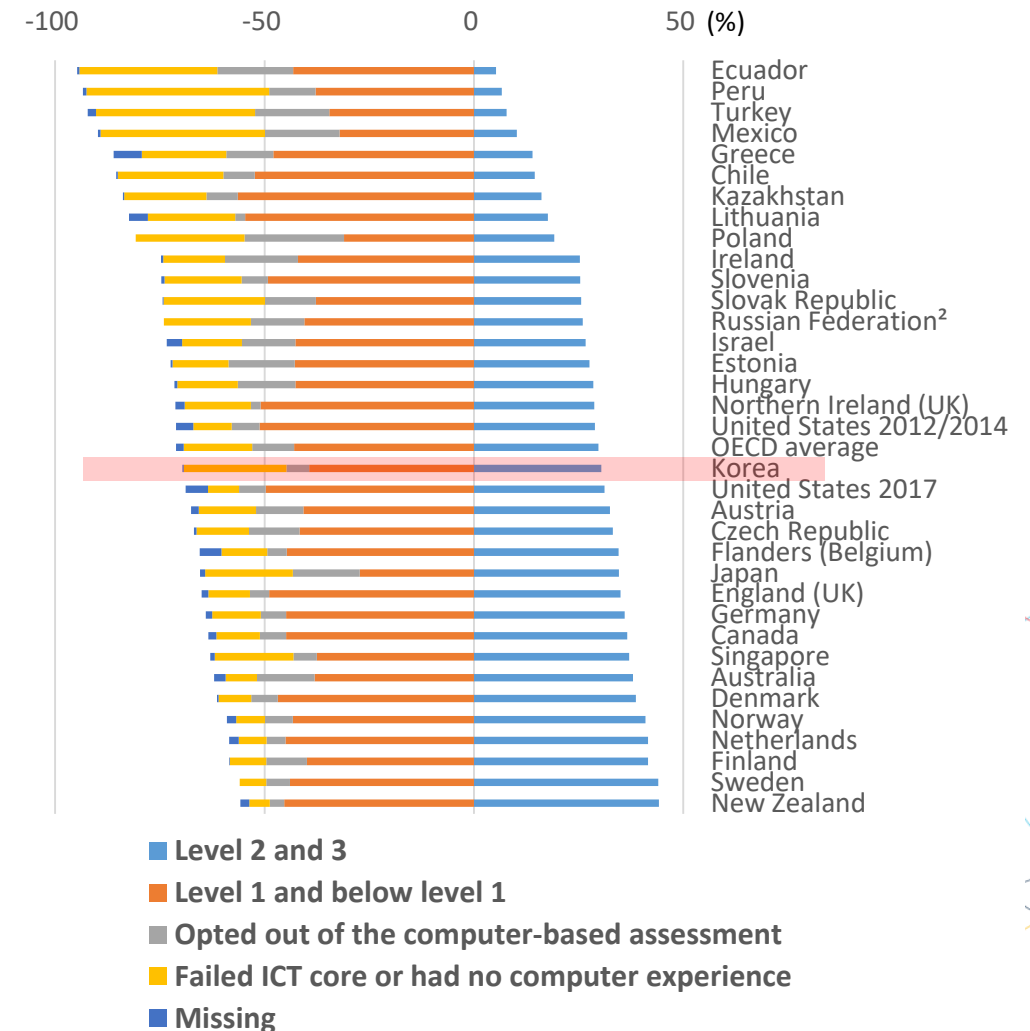


Source: Ministry of Employment and Labor.

Challenges (3): Coping with DX (digital transformation)

- Relatively low level of digital literacy among the Korean workers
 - Among older workers in particular
- Rapid changes in business environment (e.g., VUCA) and in labor demand
 - Greater need for flexibility in labor market
- Growing number of platform workers, who are often excluded from legal labor protections or social insurance programs
 - Diverse nature of these workers and not-so-successful attempts to meet their needs for social protection

Proficiency in problem solving in technology-rich environments among adults



Source: OECD, Skills Matter: Additional Results from the Survey of Adult Skill, 2019.

Meeting the challenges

- **Offering a favorable environment for DX**
 - Facilitating the transition: Light manufacturing → HCI → ICT → DX
 - Removing regulatory barriers to DX
- **Promoting dynamism in the corporate sector**
 - Restructuring or eliminating the policies that impede the scaling up of firms
- **Enhancing flexicurity in the labor market**
 - Protecting “workers” instead of “jobs” through ALMPs and lighter regulations on employment
- **Improving the quality of education**
 - Preparing schools to better meet the changing demand for skills
- **Encouraging the lifelong learning**
 - Setting out strategic priorities with an emphasis on promoting digital literacy
- **Targeted and evidence-based support for the youth, female workers, and platform workers**
 - Streamlining the existing programs and focusing on those that work

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Thank you

