

## RISING UNEMPLOYMENT AND THE GOVERNMENT'S POLICY

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### *Rising Unemployment*

The number of jobless reached 1,235,000 in February — more than 30 percent up from 934,000 as of the previous month, indicating the ever-worsening job situation. More than ten thousand people per day are being laid off nowadays. During the first two months of this year, the number of jobless rose by 674,000: 373,000 in January and 301,000 in February. The number of unemployed last year was 556,000. The country's unemployment rate reached 5.9 percent in February, a more than two-fold increase from last year's average 2.6 percent, a Labor Ministry tally showed.

In previous years, unemployment trends reflected a seasonal pattern, with the rate peaking during the first quarter, and falling thereafter. This time, however, unemployment is expected to continue through the second quarter and the remainder of the year due to expected additional job cuts at businesses. According to the Labor Ministry, the total number of unemployed will probably reach more than 1.5 million, and the unemployment rate is expected to rise to 7 percent by May.

The unemployment prediction of the Korean government might even be optimistic. Some institutes are arguing that the jobless problem will probably even more severe than the Korean government thinks.

Morgan Stanley, a world-renowned U.S. brokerage house, forecast that unemployment might rise sharply to 2 million if the nation succeeds in reforming large business conglomerates. Morgan Stanley said, "the main reason why the bankruptcies of the large business conglomerates stopped last winter was because the

financial institutions have volunteered to roll over their credit to the large business conglomerates, but we know well that this would only postpone the inevitable: successful large business conglomerate reform will invariably involve bankruptcies."

Mentioning the reform of the financial sector, it said that bankruptcies of financial institutions, especially life insurance and trust companies, are likely in the next six to 18 months as a result of imprudent lending in the past and continued support to the large business conglomerates in recent months.

### *The Government's Unemployment Policies*

For the first time in decades, the Korean government kicked off an all-out campaign to reduce the jobless rate. In a weekly meeting with Cabinet members and economic advisors, the President emphasized the unemployment problem as the number one priority for his administration to resolve. The Korean government is trying to reduce the burden of unemployment in several ways.

First of all, the number of jobless who can get unemployment insurance has been expanded. Now insurance benefits are allowed to the employees of establishments with 5 or more workers.

However, a great number of jobless still cannot apply for unemployment benefits. According to the Labor Ministry, 76 percent of the unemployed are not able to get unemployment benefits. The Korean government plans to support their living by providing them with low interest money and offering them jobs through

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the expansion of public work projects.

The vocational training system is still inefficient and lacking in Korea. Infrastructure such as an employment security network which gathers all information about vacant jobs and the unemployed and matches job seekers to applicants for workers is still very weak. So the infrastructure of labor market which can help the unemployed get new jobs as soon as possible also will be expanded.

However, as the expansion of this infrastructure cannot be accomplished in the near future and support for the unemployed is still limited, long-term unemployment and their problem in supporting themselves in the interim could be very serious.

The Korean government is trying to build more fundamental and active unemployment policies recognizing the limits of these policies. Policies for the minimization of jobless are

being prepared. Financial support for small- and medium-sized businesses will be made to stabilize employment in that sector. Companies which reduce the working hours of their employees, provide them with vocational training or suspend business operations and give them some allowances for that period instead of laying off their employees will be supported by the government. Some portion of their costs will be subsidized from the unemployment insurance fund.

### *The Proper Priorities*

Providing companies with economic incentives like these measures to reduce the probability of unemployment is very important. However, the funds which can be

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〈Table 1〉 Outline of Korean Government's Unemployment Policies

Income transfer to the unemployed	<ul style="list-style-type: none"> <li>- Expansion of unemployment benefits</li> <li>- Financial support for the unemployed who cannot get unemployment benefits</li> </ul>
Vocational training & job placement	<ul style="list-style-type: none"> <li>- Vocational training for the unemployed</li> <li>- Vocational training for newcomers to the labor market</li> <li>- Vocational training for the incumbent</li> <li>- Expansion of employment agencies</li> </ul>
Minimization of jobless	<ul style="list-style-type: none"> <li>- Financial support for small- and medium-sized businesses</li> <li>- Financial support for companies which are trying to reduce no. of employees laid-off</li> </ul>
Job creation	<ul style="list-style-type: none"> <li>- Early execution of public SOC projects</li> <li>- Expansion of public work projects</li> <li>- Financial support for venture business</li> </ul>