


# Public and Social Services Employment in Korea



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Employment is currently the hottest topic in Korea. Changes in monthly employment from the previous year show a downward trend since the Moon administration took office in May 2017. This resulted in a rising trend in unemployment rate during the same period, with the latest data (for April 2019) recording 4.4%, a 0.2 percentage point rise compared to the month before President Moon's inauguration. Critiques see this as evidence that the government's strategy of income-led growth is backfiring. They claim that the line of policies for income-led growth, particularly the rapid increase of minimum wage, are to blame for the sluggish employment and rising unemployment.

Whether the income-led growth strategy backfired and caused the sluggish employment is a question that requires careful counter-factual analysis. Looking at sectoral employment, however, the data suggests that the overall employment would have been much worse without the expansion in the public and social services sector which is also a part of the income-led growth strategy. Employment in public and social services has been rapidly rising in the current government, from less than 4.9 million in May 2017 to more than 5.1 million in April 2019, while the

other sectors combined showed a slightly declining trend during the same period. The Moon administration's goal is to create 340 thousand jobs in public and social services during its mandate, to improve the scope, quantity and quality of these services.

Last year, KIEP argued that the size of Korea's employment in public and social services is too low compared with other OECD countries. In 2017, for instance, Korea's employment in this sector was 72 per 1,000 inhabitants, near the bottom of the OECD countries, together with Bulgaria (78) and Romania (62). Also, Korea is located far below the regression line of this measure against income level and age distribution. Considering public and social services "normal" – for which demand increases as income rises – Korea's meager size of employment in this sector suggests that the government's drive to expand employment in this sector is likely to be welfare-improving.

Among the areas within public and social services, Korea particularly lacks social workers and health workers. With rising income level and shifts in age distribution, demands are also likely to rapidly increase in these areas. In this regard, the government is rightly focusing on these areas. Also, as KIEP pointed out last year, access to medical service varies significantly across regions in Korea: urban areas not only have more health workers but also have more health workers per inhabitant. Probably in recognition of this divergence, the Moon administration's policy priorities include improving access to medical service in rural areas.

Some critiques warn against using public and social services employment as a counter-cyclical measure. This is because, among other reasons, the additional employment will stay on the government's payroll even after the need for fiscal expansion has passed. But the Korean government's expansion of public and social services employment is different from, for instance, the EEA and CETA, which were the U.S. government's response to the stagflation of the 70's, or the ARRA during the great recession. As mentioned above, Korea is lagging far behind in public and social services employment given its income level and age distribution. Increases in the scope, quantity and quality of services that will follow are likely to be welfare-improving. And if expanding the government's payroll feels too burdensome, public and social services need not be delivered directly by the government; instead, the government could rely, directly or indirectly, on private entities for the delivery.

Most critiques of the Korean government's income-led growth strategy are focused on the negative effects of minimum wage increase. While minimum wage is clearly an important policy measure with both positive and negative aspects, many other important measures for income-led growth are implemented as well, including a sizable expansion of public and social

services employment. The aim is to improve the scope, quantity and quality of the services, thereby reducing the burden on households in acquiring an adequate standard of living. The meager level of employment in this sector implies insufficient provision thereof. When successfully implemented, the government's plan is expected to be welfare-improving. **KIEP**