



**Asia-Pacific  
Economic Cooperation**

**Advancing** Free Trade  
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# **Best Practices of Youth Employment Policies in Selected APEC Economies**

**APEC Human Resource Development Working Group**

October 2018



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Economic Cooperation**

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Produced by

Yoo Kil-sang, Cho Jeongyoon, Park Jinhee, Oh Haksoo, Le Thi Thao  
Human Resources Development Service of Korea

For

Asia-Pacific Economic Cooperation Secretariat

35 Heng Mui Keng Terrace

Singapore 119616

Tel: (65) 68919 600

Fax: (65) 68919 690

Email: [info@apec.org](mailto:info@apec.org)

Website: [www.apec.org](http://www.apec.org)

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## **INTRODUCTION**

As stated in the APEC Framework for Youth Education, Employment, and Entrepreneurship, which was adopted by the APEC Human Resources Development Working Group (HRDWG) in 2016, approximately 11.4% of youth population in the Asia-Pacific region is neither employed nor enrolled in education or training, which means that they are least likely to be employed in the future. This is a matter of serious concern as it represents a decline in the engine for future growth.

In this respect, the Government of the Republic of Korea implemented APEC Project for Youth Employment Promotion, which attempts to identify key efforts to improve youth employment and their employability by sharing policies to enhance youth vocational skills among economies.

The purpose of this project was to contribute to establishing strategies for cooperation among APEC economies to enhance the employability of youth within the APEC region, which should be one of the key areas in the HRDWG's future works.

The project was implemented through research and the policy forum, that is, "the 2018 APEC forum for youth employment promotion" held in Seoul from June 26 to 28. Since employment-related indicators in the APEC region vary from economy to economy, four economies - Korea, Singapore, Japan and Viet Nam - were selected as subjects for research. The reasons for selecting the four economies are as follows. First, Japan and Singapore were selected as case studies of good economies with well-performing youth employment indicators. Singapore was specially chosen as an exemplary economy in human resources development. Second, Korea's youth unemployment indicators are not performing as it once used to in the past. However, Korea's past experiences offer many lessons and implications to APEC emerging economies. Korea was selected as it also has a wide range of good labor market programs. Third, Viet Nam is showing signs of improvement in youth employment conditions but still, face many challenges. Therefore, it has many implications to offer to APEC emerging economies.

In addition, this forum attempted to identify that labor mobility can contribute to reducing youth unemployment. In this regard, it examined the issues of international mobility of qualification and the possibility of youth mobility among economies.

The research on the four economies aimed to provide basic background information for discussions held at the forum for APEC Youth Employment Promotion. Five major contents of the research on the four economies were 1) statistical analysis on youth employment, 2) literature review on youth employment-related policies, 3) issues on youth employment policies, 4) youth employment program best practices and 5) conclusion. To provide information on each of the four economies, this paper introduced the cases of Korea, Japan, Singapore and Viet Nam at Chapters 1, 2, 3 and 4, respectively.

Chapter 5 of this report comprehensively addressed the cases of all four economies and proposed implications and conclusion. To this end, the general review addresses the four economies in the following perspectives; 1) youth employment situation in four economies, 2)



similarities and differences in youth employment situation in four economies, 3) policy responses on youth unemployment and best practices in each economy.

Based on the discussions covered in the general review at Chapter 5, this report derived eight implications from the experience of four economies. The implications were as follows. First, it is crucial to enable job creation by maintaining a stable macroeconomy and reforming regulations and systems that hinder job creation. Second, youth employment must be approached in two perspectives of increasing the number of jobs for the youth and improving the overall quality of jobs. Third, smooth school-to-work transition is crucial in preventing youth unemployment. Fourth, high-quality talent must be nurtured through innovating education and training, and employability and adaptability must be enhanced by stronger lifelong vocational training. Fifth, it is important to encourage better job matching in the labor market by continuously innovating the delivery mechanisms of employment services and information on the labor market. Sixth, NEETs or Hikikomori have very complex obstacles in finding jobs, so customized employment services must be provided for them. Seventh, measures in response to youth unemployment and employment policies must be developed and pursued according to the phase of economic development and political, socioeconomic and cultural environment of each individual economy. Eighth, it is important to establish a secondary social safety net for many young people who fall through the cracks of employment or unemployment insurance schemes.

Finally, this report extracted 4 conclusions which were necessary for solving youth unemployment issues in the APEC region. First, solving the youth unemployment issue is one of the top priorities in any economy. Therefore, there is a need to implement policy packages that address the fundamental causes of youth unemployment. Second, leadership that can bring together understanding and cooperation of social partners by forming a social consensus on youth unemployment is important. Third, as the youth are the ones who are impacted first in every employment crisis, the report points out that a social agreement to minimize direct impact on youth employment is necessary. Fourth, sharing the various policies and programs of tackling youth unemployment issues by each economy with APEC members and mutually benchmarking best practices have significant meaning.

## **EXECUTIVE SUMMARY**

As stated in the “APEC Framework for Youth Education, Employment, and Entrepreneurship,” which was adopted by the APEC Human Resources Development Working Group in 2016, approximately 11.4% of youth population in the Asia-Pacific region is neither employed nor enrolled in education or training, which means that they are least likely to be employed in the future. This is a matter of serious concern as it represents a decline in the engine for future growth.

With this respect, the Government of the Republic of Korea implemented “APEC Project for Youth Employment Promotion” which tried to identify key efforts to improve youth employment and their employability by sharing policies to enhance youth vocational skills among economies. From various discussions within the APEC, it has been identified that labor mobility can contribute to reducing unemployment. In this regard, the project also tried to examine the issues of international mobility of qualification and the possibility of youth mobility among economies. The purpose of this project was to contribute to establishing strategies for cooperation among APEC economies to enhance the employability of youth within the APEC region, which should be one of the key areas in the HRDWD’s future works.

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Summarizing abstracts of four economies was presented as followed in the sequence of Korea, Singapore, Japan and Viet Nam according to the presentation sequence at the APEC forum for Youth Employment Promotion in 2018.

At first, Korea successfully addressed the youth employment problem through a virtuous cycle of economic growth, job creation and income distribution. Korean Financial Crisis in November 1997 weakened the growth potential of the Korean economy and increased unemployment rate between 1996 and 1997. The youth (age 15~29) unemployment rate soared from 4.6% in 1996 and 5.7% in 1997 to 12.2% in 1998 and 10.9% in 1999. It decreased to 7.6% in 2000 but sustained at 7~8% level until 2013 and has been increasing since 2013 reaching 9.8% in 2017.

There are some characteristics of recent youth labor market in Korea. First, recruitment pattern of companies has been changed from a decrease in hiring workers without experience and increase in hiring workers with experience. Second, the quality of jobs for young people has been deteriorated. Third, the size of NEETs (those who are not in education, employment or training) has been increasing. Multiple empirical studies revealed that public-led short-term job-creating programs or employment subsidies for socially vulnerable groups themselves have limited effect. Direct job creation programs are more effective when they are connected with support for job seeking efforts. In the meantime, among youth employment measures, employment service and vocational training were proven to be most effective in many empirical studies. Studies show that the effect of employment service to support job seeking effort can vary depending on the beneficiary. It turns out that employment service is relatively more effective for vulnerable job-seeking groups, while vocational training is more effective for the long-term unemployed.

Empirical studies showed that it was more effective to provide customized service by tackling employment obstacles one by one after analyzing obstacles of unemployed individuals, instead of providing standardized and unified service to all customers in a conventional way. However, providing customized service to all individual unemployed people is not possible and effective mainly due to limited staffs and budget. In this regard, a customized approach is required first to eliminate obstacles of the vulnerable group which is likely experience long-term unemployment based on profiling after assessing employability of job-seekers through in-depth consultation at the job center. OECD recommended the Korean government to actively provide programs for fragile young people with low level of education, recognizing that increasing participation of young people in the labor market is a key task for the government.

As the supply and demand for youth labor force vary depending on economic development stage, the policy mix needs to be changed at each economic development stage. Since the 1960s, Korea achieved rapid industrialization and democratization in the shortest time period in the world. However, it is still struggling with youth unemployment problem that emerged after the 1997 Korean Financial Crisis. In this sense, the evolution process of youth employment policies in Korea at each economic development stage will provide lessons to many APEC economies.

To solve the youth employment problem, optimal policy mix based on accurate diagnosis of root causes for youth unemployment and the effective implementation of the policies are important. The Korean government has developed a lot of youth employment policies since

1998. The focus of policies was slightly different by each government characteristics in Korea, but there was a great similarity in basic policy directions. The major policy directions were stable economic growth, promoting economic and industrial policies taking both growth and employment into account, taking proactive measures for future changes, reforming labor market to improve labor market flexicurity, strengthening active labor market programs, innovating human resource development system based on the needs of industries, improving quality of jobs by alleviating gaps in labor market and improving working condition, delivering customized employment service and job skill development for vulnerable workforce, strengthening social safety nets for the unemployed, etc.

There are lots of best practices of youth employment programs in Korea. Employment Insurance (EI) System of Korea is one of them. Korean EI system is designed to organically connect and promote unemployment benefit scheme and active labor market programs in a same institutional framework. Thus, the EI system plays multiple roles, including career coaching for young people, job placement, employment support for the unemployed, prevention of unemployment and development and improvement of job skills, and the payment of unemployment benefits. Korean EI system consists of four programs: (1) Employment Stabilization Program, (2) Job Skill Development Program, (3) Unemployment Benefit, and (4) Maternity and Parental Leave Benefit. In 2016, Employment Stabilization Program provided in total 650 billion KRW worth support to 402,000 beneficiaries. Job Skill Development Program provided in total 1,446 billion KRW worth support to 3,465 thousand beneficiaries. Unemployment Benefit provided 4,895 billion KRW of benefit to (net) 1,279 thousand beneficiaries. Maternity and Parental Leave Benefit provided 873 billion KRW of benefit to 180 thousand beneficiaries.

Work-Net (<http://www.work.go.kr>) is a very efficient Korean National Employment Portal system. It provides labor market information, including recruitment and job-seeking information; information on employment support, career coaching and career guidance for job-seekers; information on current status and future outlook of occupations; occupational psychology test information; information on career and vocational counseling; and vocational training information. In 2016, average daily job opportunities posted on the Work-net was 230,000, and average visiting job seekers per day was 750,000. Also, two million job seekers found their job via Work-Net.

Employment-Welfare Plus Centers in Korea are one-stop centers for employment and welfare services aiming at maximization of user convenience, service effectiveness and satisfaction through user-oriented integrated employment and welfare service one-stop delivery system without silo effects among ministries, financial sources and programs. Users can access all employment and employment-related welfare one-stop services by visiting one of Employment-Welfare Plus Centers. Employment-Welfare Plus Centers have achieved a substantial outcome in terms of customer satisfaction and an increase in the employment rate.

Employment Success Package (ESP) program is a comprehensive employment support program providing customized three-stage package support from counseling, diagnosis and direction setting (first stage) to job skill improvement through vocational training and internship (second stage) to job placement (third stage) for up to a year to struggling job-seekers

among low income, young or middle-age groups by diagnosing individual employment difficulties. In 2017, 121 thousand persons participated in Package I for low-income unemployed people and 160 thousand young people and 35 thousand middle-age people participated in Package II. The employment rate of Package I participants was 67.8%, that of young Package II participants was 81.7% and that of middle-aged Package II participants was 74.9% in 2017.

Korea Job World is a comprehensive job experience center for children and teenagers established in May 2012. Korea Job World serves as a compass for children and teenagers to help them identify their interest and talent, explore career and future, and achieve their dream in the area they are good at, supporting a smooth transition from school to the labor market. Korea Job World became a popular job experience center with 728,000 visitors in 2017 and 90.7 points of satisfaction on a 1 to 100 scale (Korea Job World, 2018).

To promote workers' training and to ensure the quality of training outputs, The Vocational Training Law in 1967 launched not only a systematic vocational training system but initiated domestic skills testing and certification system. Many qualification items were initially implemented in the form of skills testing in accordance with the Vocational Training Law until 1973. This became the origin of the National Technical Qualification (NTQ) system introduced in 1973 by stipulating NTQ Law. From 1977 to 2016, about 87million applied for and about 28million passed NTQ testing. Given that the population of Korea is 50million, the number of applicants ay greater than total population shows the popularity of NTQ in Korea. This can be interpreted that NTQ is meeting the demand of applicants as well as companies, the consumer of NTQ. Now Korean NTQ system is faced with challenges to shift strategies and directions of policies promoted in the first phase to competency-based approach. NTQ the system started to be transformed into NCS-based qualification system since 2012. This change in NTQ system is expected to lead to the advancement of Korean society and NTQ at the same time by transforming Korean society to a competency-based society.

The Korean government paved the way for a new education and training system by spreading the Korean Apprenticeship (in another term, being called as Work-Study Dual System), a Korean-style apprenticeship training system introduced in 2013. In 2015, the Work-Study Dual System, which had been implemented mainly for graduates, was expanded into formal education courses available to students still attending high schools, junior colleges and universities, focused on the 'Apprenticeship system' as one way of overcoming youth unemployment, as well as to effectively match the skills development and skills utilization. As of October 2016, 8,345 companies are participating in apprenticeship programs; and 25,864 apprentices from 5,468 companies are either undergoing training or have completed their training. To sum about the total cost items of apprentice, participating company spends an average of 51,380,000 KRW (Korean Won) annually, which means the company spends an average of 33,530,000 KRW on one apprentice. According to the analysis of the benefits of apprenticeship, participating company obtains on average about 131,490,000KRW annually, which means the company obtains an average of 29,130,000KRW per apprentice.

Convergence Technology Campus of Korea Polytechnic has created high-tech non-degree vocational training course in preparation for the fourth industrial revolution in March 2016,

operating Data Convergence Software department, Bio-medical System department, and Embedded System department. Convergence Technology Campus of Korea Polytechnic opened company customized courses under a prior employment agreement with small champions in the capital area, allowing even job-seekers majoring in humanities get jobs at big data, bio or software companies and opening a new possibility for them. With modular curriculum, it shortened the two-year course of college to 10 months and invited field experts as professors, offering high-quality education in a short period of time. The level of training is equivalent to NCS 4 or 5, and the ratio of practical class to theoretical class is 74~99%. Convergence Technology Campus of Korea Polytechnic example gains attention as a gateway for graduates majored in engineering as well as those majored in humanities who are struggling even more to get a high-tech job related to fourth industrial revolution by participating an advanced and convergence training course.

Based on the best practices above mentioned, Korea side extracted following implications: Firstly, from 1962 to the mid-1990s, Korea was an exemplary economy that addressed youth employment issues through “virtuous cycle of economic growth-employment-income distribution.” Secondly, to overcome the economic crisis and high unemployment, Korea has tried economic and labor market structural reform, and has developed the labor market and welfare policies. Some reforms produced good results, and those companies that successfully improve competitiveness in the global market over financial crisis have become global champions. Thirdly, the best practices of youth employment programs introduced were evaluated as good examples by many researchers domestically and internationally, and OECD.

Second, regarding youth employment in Singapore, Singaporean case in terms of the small economy with lots of foreign workers comparing to total number of Singapore citizens could be characterized as the best example of small but economically advanced economy in Southeast Asia region. Based on Singaporean SkillsFuture Initiatives which are about developing skills relevant to the future, three important issues could be summarized related to youth employment directly or indirectly as follows: First, skills at workplace to harmonize with changes are more important than academic degrees from the perspectives of cultural and traditional change coming down from Confucianism; Second, raising awareness of SkillsFuture Initiatives in terms of activation of SkillsFuture movement, being implemented at initial stage; Third, development new evaluation metrics of SkillsFuture effectiveness as per quality management of SkillsFuture system and its policies.

Given the System of implementing SkillsFuture, originating from SkillsFuture Movement, first, close cooperation between Ministry of Manpower and Ministry of Education, second, Skills Framework, third, WSQ (Singapore Workforce Skills Qualification), and forth, SkillsFuture Credits were selected as best practices in the areas of infrastructure such as governance, skills and competencies for the workforce and financial grants, promoting youth employment directly or indirectly. In parallel, fifth, Enhanced Internships, sixth, SkillsFuture Work-Study Degree Programs, and seventh, SkillsFuture Earn and Learn Program were chosen as best practices which were focused on the enhancement of students’ employment facilitation through facilitating the participation of workplace-related education and training.

To understand Singaporean context, it would be useful for considering, 1) their education and training policies towards ability-driven education, 2) social benefits tied to employment like CPF, etc., together with 7 best practices selected by the author.

Third, by the 1980s, Japan had the lowest unemployment rate among the major industrialized economies under Japanese employment practices, and employment of young people was not a big problem. However, in the long recession after the collapse of the bubble economy in 1991, the demand for labor was decreased, so the unemployment rate rose, and the problem of youth employment was highlighted. The problem of youth employment seems to be charged more on the supply side than on labor demand side. In other words, those who cannot get a regular job at the same time as a school graduate have problems such as low consciousness for vocation or academic level, low attendance rate and the same goes for school dropouts. Under the strong hiring practices of recruiting new graduates, they could not find a full-time job and have remained freeters or the NEETs.

In 2003, the Japanese government launched a policy to solve the problem by reporting that young people's employment problems (especially freeters or the NEETs problem) caused a decline in the economy's competitiveness. The main policy contents were the smooth transition from school to work, the transition from irregular to full-time and the employment of young people in small and medium-sized enterprises. These policies have achieved some results, but they have limitations. It is because the problem of youth employment is very rooted and various factors are interrelated. The factors such as family, childcare / education, health, human relations, and corporate recruitment practices are so strong that it is difficult to solve the problems with a unified policy for young people and individual measures must be taken.

The implications of the study on youth employment in Japan are as follows. First, current employment practices that can be employed at the same time as graduation are useful for a good transition from school to work. In order to make these employment practices more effective, it is necessary to set up an education environment to reduce the number of school dropouts and for students to have a stronger professional consciousness. There is a divorce of parents and an economically difficult home environment in a background of school dropouts or low vocational consciousness. It is important that every student has a good education and enhance academic ability without being influenced by the home environment. For that public education, service should be strengthened. Second, it is the strengthening of vocational education. About 30% of college graduates turnover within three years of their first job. It is necessary to lower the first turnover rate by making the first job choice more accurate. In order to do this, it is necessary to provide education not only to provide a lot of job information in the school curriculum but also to increase the ability to select a job that is more suitable for oneself. Third, it is the realization of equal pay for the same work. It is very important to create a society in which individuals can freely choose work according to their own values and circumstances through minimizing the gap according to the employment type and realizing the ability and getting the treatment according to the value of work. At the present time, reforms which are promoted by the Japanese government can be the first step toward realizing such a society, and the role of labor and management is also very important.

Lastly, employment for young people is one of the priorities at the dimension of Vietnamese domestic policies. Job creation for youths and the improvement of young human resource quality are the most important tasks, contributing to the achievement of the industrialization and modernization goals in Viet Nam. Viet Nam labor force was over 54.5 million, of which the youth accounted for more than one-fourth. Positive changes were seen in the youth's employment structure as a proportion of employment in agriculture-forestry-fishery sectors declined, but in industry and service sector grew up. Moreover, as to the employment status, a portion of young vulnerable labor groups (own-account workers and family workers) gradually decreased, while there was an increase in number of waged workers and employers. These trends result in huge demand for employment for youth to meet the requirement of socio-economic development.

The unemployment rate in Viet Nam is not high (2.26% in 2017), but the youth unemployment rate is higher (7.67% in 2017) than the average domestic rate. As a result, Viet Nam is facing significant challenges related to employment creation for young people. In addition, low employment quality with high portion of young people working in the informal sector, shortage of skilled workers, the gap between skills of young people and the needs of labor market, and inappropriate TVET structure, etc. have become major difficulties in job creation, particularly in the context of Industrial Revolution 4.0 and international integration.

The number of policies to support and create employment for the labor force in general and for youth, in particular, has been implemented at both domestic and local levels such as 1) program of providing loans for employment creation from the National Employment Fund, 2) program to support youth in vocational training and entrepreneurship 2008-2015 and 3) project on supporting labor market development. The outstanding achievement of the employment policy is creating lots of job vacancies. However, a wide range of solutions needs to be implemented in order to overcome youth employment barriers as well as improve the competitiveness of the youth workforce. In this context, skill development, TVET and labor market development in supporting youth employment are crucial priorities.

Reviewing four economies' policies and systems as to facilitation of youth employment synthetically, there are similarities and differences among the four economies in terms of youth labor market. One similarity seen among the four economies is that the skills mismatch between labor supply and demand is worsening. This shows that the education and training of young people are not catching up to the rapid changes in industry demand since the 1990s when technology development accelerated. To solve the skills mismatch problem, Singapore has implemented an economy-wide talent development policy named 'SkillsFuture.' Korea developed National Competency Standards (NCSs) for some 800 key occupations and is implementing job-training based on NCS. Korea also pursues projects on talent development customized to local industries and programs to foster convergence-oriented talent in the era of the fourth industrial revolution. Both Korea and Japan have job competency development programs as part of employment insurance schemes to provide support to companies and workers alike by helping the unemployed develop their job competency as well as the employed build lifelong vocational skills. Viet Nam also faces the task of solving the issues of skills mismatch and lack of qualified young workers. As we enter an era of the fourth industrial revolution, skills mismatch issue will become a prominent issue to all economies.



The second similarity found among the four economies is that the share of young people with jobs of poor quality is very high. The ratio of non-regular workers among the youth is especially high. As of 2017 in Korea, 35.7% of young salaried workers in the ages of 15-29 are non-regular workers with unstable job security and low pay. The percentage has been on the rise since 2013. As of 2017 in Japan, 27.2% of young salaried workers in the ages of 15-24 and 25.9% aged 25-34 are non-regular workers. Job quality improvement for the youth is quite slow. Viet Nam's youth employment quality is quite low as well with many of its young people entering non-regular and unofficial job positions.

The third similarity is that youth not in employment, education or training (NEET) is a serious social issue in all four economies, especially in Korea. According to international comparison statistics on NEETs as per OECD Database, as explained in Chapter 1, 16.7% of Korean youth (ages 15-29) were identified as NEETs in 2017, which is significantly higher than OECD members' average ratio of NEETs in 2016 at 13.9%. Japan also faced youth NEETs issue due to a variety of reasons; 20 years of economic recession since the 1990s, changes in the industry structure from manufacturing-centered to service-centered economy, and changes in labor demand following rapid technology development. It has been long since Hikikomori, those withdrawing themselves from society and rarely leaving their homes, and freeters, who earn a living only through non-regular part-time jobs without stable regular jobs despite their abilities, have become a social problem in Japan. As of 2014, however, the share of Japanese NEETs (ages 15-29) was 9.8%, which is significantly lower than that of Korea in the same year at 15.6%.

One of the differences found when comparing the four economies' youth labor market is that it takes 11 months on average for a young Korean to find his or her first job after graduation. It shows how much difficult it is for young Koreans to transition from school to the labor market. In Korea, a whopping 15.7% of young people either defer graduation even after meeting all the qualifications to graduate to prepare for a decent job or intentionally take fewer classes in their final semester to postpone graduation because they are afraid of the stigma of being both out of school and without a job. On the other hand, 99% of young Japanese graduate with jobs, showing that it is easier for them to transition from school to the labor market.

Based on the discussions covered in the general review at Chapter 5, this report derived eight implications from the experience of four economies. The implications were as follows. First, it is crucial to enable job creation by maintaining a stable macroeconomy and reforming regulations and systems that hinder job creation. Second, youth employment must be approached in two perspectives of increasing the number of jobs for the youth and improving the overall quality of jobs. Third, smooth school-to-work transition is crucial in preventing youth unemployment. Fourth, high-quality talent must be nurtured through innovating education and training, and employability and adaptability must be enhanced by stronger lifelong vocational training. Fifth, it is important to encourage better job matching in the labor market by continuously innovating the delivery mechanisms of employment services and information on the labor market. Sixth, NEETs or Hikikomori have very complex obstacles in finding jobs, so customized employment services must be provided for them. Seventh, measures in response to youth unemployment and employment policies must be developed and pursued according to the phase of economic development and political, socioeconomic and

cultural environment of each individual economy. Eighth, it is important to establish a secondary social safety net for many young people who fall through the cracks of employment or unemployment insurance schemes.

In conclusion, this report extracted 4 conclusions which were necessary for solving youth unemployment issues in APEC region. First, solving the youth unemployment issue is one of the top priorities in any economy. Therefore, there is a need to implement policy packages that address the fundamental causes of youth unemployment. Second, leadership that can bring together understanding and cooperation of social partners by forming a social consensus on youth unemployment is important. Third, as the youth are the ones who are impacted first in every employment crisis, the report points out that a social agreement to minimize direct impact on youth employment is necessary. Fourth, sharing the various policies and programs of tackling youth unemployment issues by each economy with APEC members and mutually benchmarking best practices have significant meaning.

## **CHAPTER 1. CASE STUDY OF KOREA**

### **1.1 INTRODUCTION**

Between 1962 and 1997, the Korean economy has developed with over 8% of the average annual growth rate. High economic growth led to an increase in demand for labor, steadily raising employment rate and improving overall labor market situation including youth employment. In this period, Korea was an exemplary economy that successfully addressed the youth employment problem through a virtuous cycle of economic growth, job creation and income distribution. In the early 1990s, Korea succeeded in full employment for the first time in its history.

However, the Korean Financial Crisis in November 1997 and compressed restructuring measures by the International Monetary Fund (IMF) to overcome the crisis resulted in a fundamental change in Korean economy and labor market. Firms reduced hiring, increased layoffs, pursued labor market flexibility and adapted labor-saving production strategy. This strategy of firms to enhance competitiveness in the global market gave an opportunity to become global enterprises to some competitive companies. However, the growth potential of the Korean economy has weakened a lot. The GDP growth rate has been decreased. The demand for labor has been shrunk. Thus, the youth unemployment problem has been persistent since 1998. The global financial crisis in 2008 worsened labor market situation in Korea.

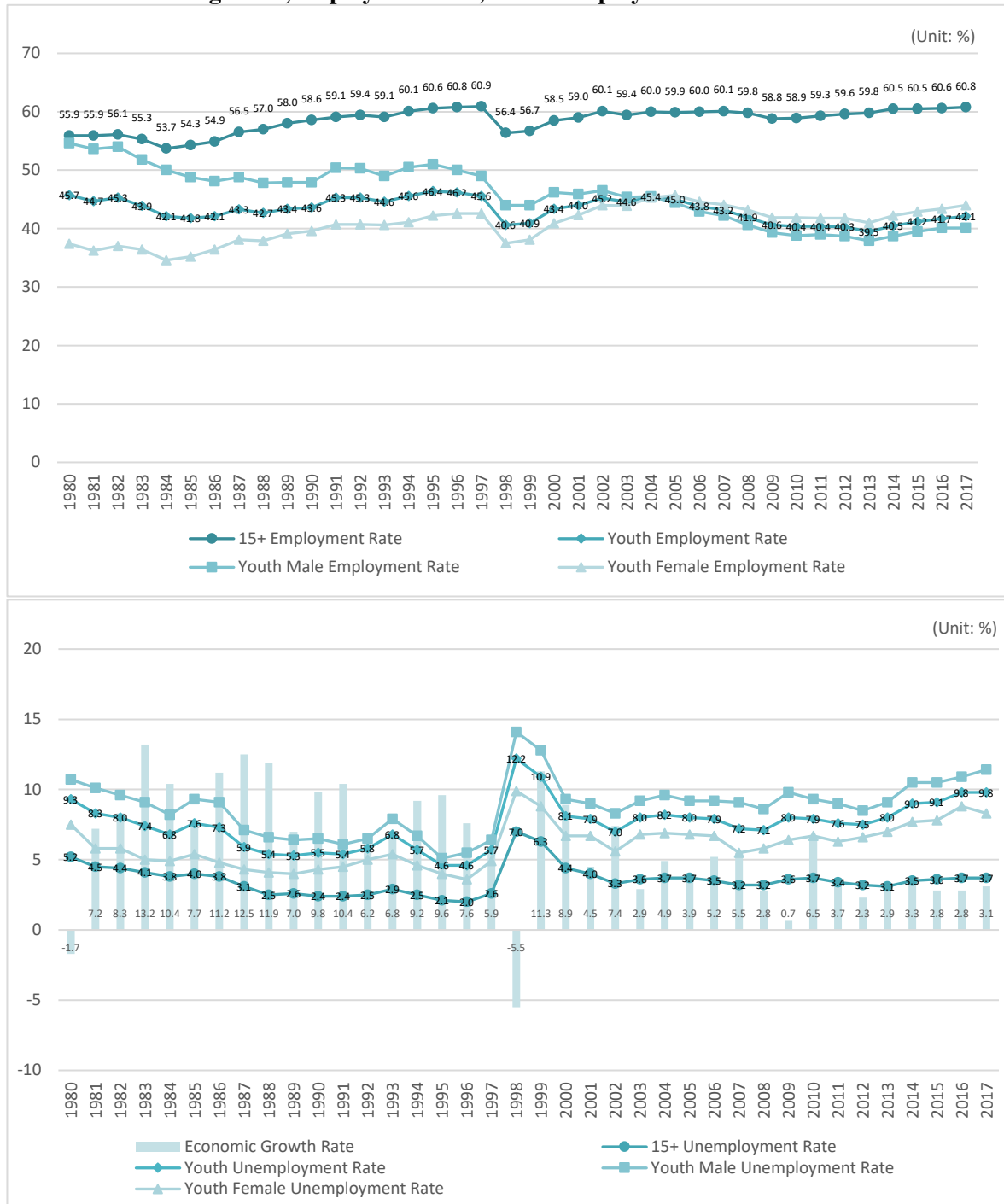
The impact of these two crises was the end of high economic growth and full employment in Korea. GDP growth rate dropped from 8.7% in 1990~1995 period to 4.7% in 1998~2008 period, 3.2% in 2009~2014, and 2.9% in 2015~2017. Unemployment rate increased from 2.0% in 1996 to 7.0% in 1998, and it gradually decreased to 6.3% in 1999, 4.4% in 2000, and 3.7% in 2017. Youth unemployment rate of aged 15~29 jumped from 4.6% in 1996 to 12.2% in 1998, and it sustained at the very high level at 10.9% in 1999, 8.1% in 2000, and 9.9% in 2017. The youth have been the greatest victim of low economic growth and high unemployment.

Korea has done its best to address high youth unemployment rate since 1998. Before the Korean Financial Crisis in 1997, economic and industrial development strategy and human resource development through education and vocational training were the main strategies to solve the youth unemployment problem. After the Korean Financial Crisis, Korea has developed various labor market policies and structural reform programs as well to address structural problems of the Korean economy and labor market. Korea also has developed individualized, tailored package programs of employment and welfare for the vulnerable target groups and developed public employment service and delivery system of labor market programs. In some sense, Korea has tried all of the best practices of youth employment measures in the world. Thus, experiences of Korean youth employment policies could give a lot of implications to both advanced and developing economies.

## 1.2 STATISTICS ANALYSIS ON YOUTH EMPLOYMENT

### 1.2.1 Korean Youth Employment Trend

**Figure 1.1**  
Economic growth, employment rate, and unemployment rate trends in Korea



Note: 1) Unemployment rate before 1999 is based on one week of job searching period, and from 2000 the rate is based on four weeks of job searching period. 2) Young adult means those aged 15 to 29.

Source: KOSIS, BOK

In Korea, for the statistical purpose, the youth is defined as young people aged 15 to 29. However, the age of the youth is sometimes expanded to age 34 for the youth employment policy target.

As shown in Figure 1.1, employment rate of population aged 15 years and over grew gradually from 55.9% in 1980 to 60.9% in 1997, and fluctuated during two economic crises in 1997 (Korean financial crisis) and 2008 (global financial crisis) before recovering to 60.8%, similar to the pre-crisis level, in 2017 (66.6% for employment rate of those aged 15-64 years). The employment rate of young people aged 15-29 fluctuated in a narrow range around 45.7% since 1980 and rose to 46.2% in 1996 until it plummeted to 40.6% in 1998 right after the first crisis. Subsequently, it picked up gradually, but after the second economic crisis in 2008, the figure dropped to 40.6% and even 39.5% in 2013. Later, it went up again to 42.1% in 2017, but it failed to reach the pre-crisis level.

The unemployment rate went down from 5.2% in 1980 (by 1-week job search duration criterion) to 2.6% in 1997 before a sharp jump to 7.0% in 1998 right after the Korean financial crisis and gradually decreased. Youth unemployment rate showed a similar trend with overall employment: it tripled from 4.6% in 1996 to 12.2% in 1998 with subsequent gradual decrease until 2008 global financial crisis that led to a generally high level of unemployment. As shown in Figure 1.1 the youth (age 15~29) unemployment rate soared from 4.6% in 1996 and 5.7% in 1997 to 12.2% in 1998 and 10.9% in 1999. It decreased to 7.6% in 2000 but sustained at 7~8% level until 2013, almost twice of pre-crisis level. The youth unemployment rate is increasing since 2013 and recorded 9.8% in 2017. Notably, after the second economic crisis, male youth unemployment rate has continuously grown to 11.4% in 2017. On the contrary, female youth unemployment rate was relatively lower than a male counterpart with 6.4% in 2009, 8.8% in 2016 and 8.3% in 2017.

### **1.2.2 Emergence and Persistence of Youth Unemployment after Two Economic Crises**

Before the Korean Financial Crisis in November 1997, high economic growth and consequent stable expansion of labor demand facilitated economic participation and expanded quality labor force, while improving overall employment environment. As such, young people taking their first step to the labor market experienced a constant increase in youth employment and relatively low unemployment thanks to growing demand for labor-backed by economic growth. During this period, the youth labor market problem was not evident as highly educated young people enjoyed relatively ample job opportunities. A major goal of policies for the youth labor market in this time was mainly nurturing skillful human resources.

After the Korean Financial Crisis, however, labor market structure in Korea has rapidly changed. Intensive restructuring in the Korean economy caused employment restructuring, early retirement, and hiring freeze, squeezing youth employment opportunities. Areas that still require labor force increased temporary positions that can be managed in a flexible manner, causing a higher level of employment instability. This situation together with the relaxation of college establishment requirements and encouraging policy to college advancement in the mid-

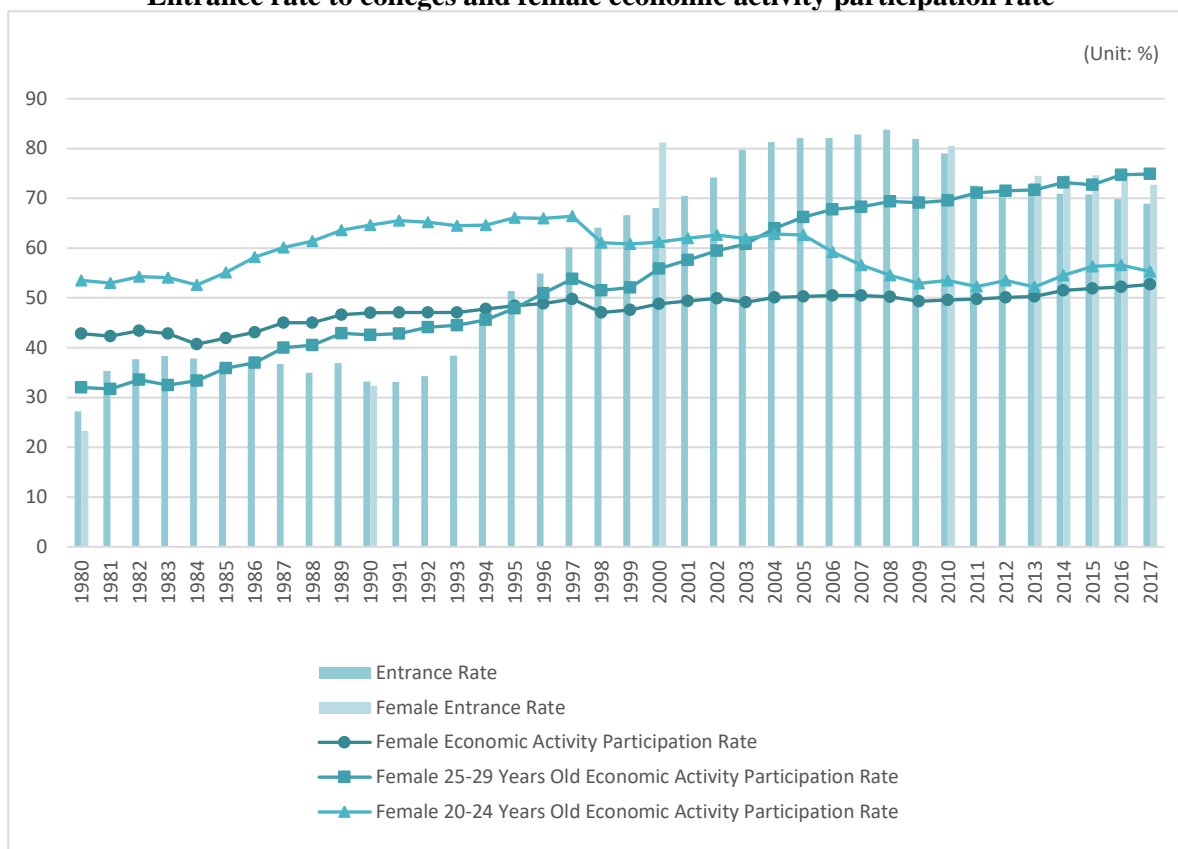
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1 From 2000, unemployment rate was calculated based on four weeks of job searching period, instead of one week. As a result, unemployment rate increased slightly, but both one-week and four-week unemployment rate showed downward trend.

1990s led more young people to advance to colleges and resulted in an oversupply of college graduates.

As shown in Figure 1.2, the ratio of students advancing to colleges increased after the Korean Financial Crisis in 1997. Also, with increased ratio of highly educated women and consequently increased number of young women trying to actively participate in economic activities, the supply of youth labor force has continuously increased, exceeding limited demand for the young labor force. As such, during this period, youth employment problems were a constant decrease in youth employment rate, increase in unstable employment status among young people, and consequent withdrawal of young workforce from the labor market.

**Figure 1.2**  
**Entrance rate to colleges and female economic activity participation rate**



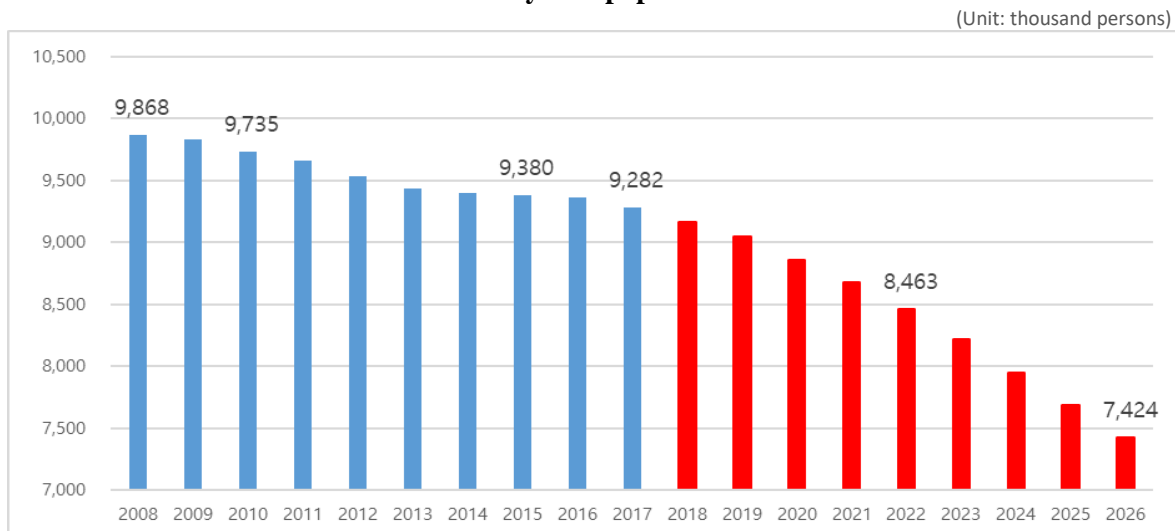
Source: School enrollment rate and advancement rate in the e-national index

After the global financial crisis in 2008, the youth employment problem has even worsened. Small and medium-sized enterprises (SMEs) went through restructuring, causing a sharp decrease in overall labor demand. In consequence, the labor market is suffering from worsening polarization of the labor market with widening gaps in wage and employment condition between SMEs and large companies. The global financial crisis also impacted the youth labor market in a negative way, lowering youth employment rate constantly. Though the employment rate has somewhat improved with the retirement of baby-boomers, who were born between 1955 and 1962, since 2012, still the figure is below the pre-crisis level.

Therefore, in this period, youth employment issues are extended transition period from school to labor market, large number of young workers in unstable employment status with low wage, and as much as 15% of young people staying out of labor market, advancing to upper schools, preparing for employment or being NEETs (those who are not in education, employment or training).

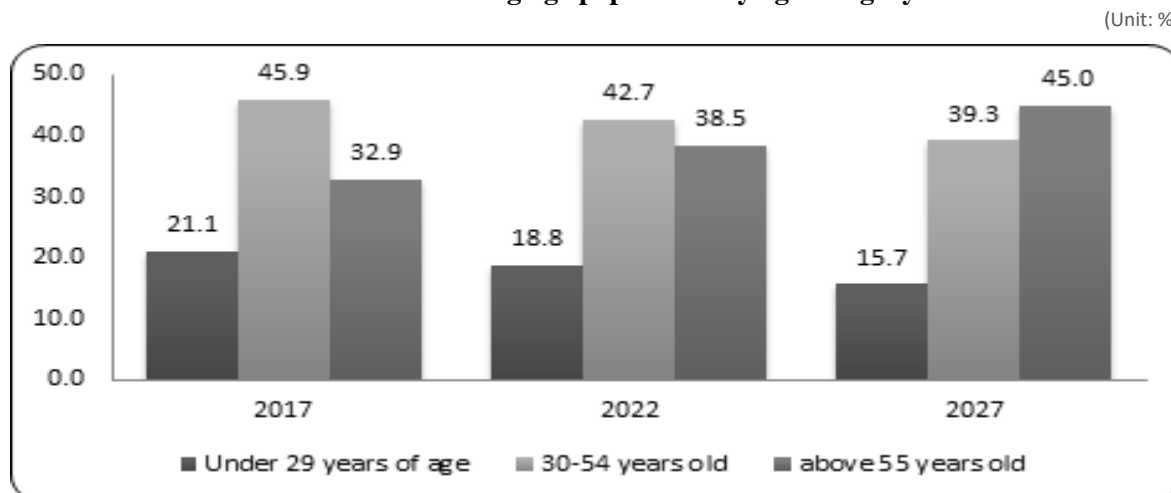
Low fertility rate and extension of lifespan have rapidly changed population structure in Korea. In the next ten years, the first baby boom generation, who were born between 1955 and 1963, will become 65 years or older. The second baby boom generation, who were born in between 1968 and 1974, will enter age 50s. While as shown in Figure 1.3 and Figure 1.4, the youth population is forecasted to be rapidly reduced because the eco-generation of the first and second baby boomers will enter to age 30s.

**Figure 1.3**  
**Forecast of the youth population of Korea**



Source: Korea Employment Information Service (2018), Forecasting Labor Force Demand and Supply 2017-2026.

**Figure 1.4**  
Forecast of working age population by age category



Source: Korea Employment Information Service (2018), Forecasting Labor Force Demand and Supply 2017-2026.

It is also forecasted that the youth labor market condition will be better due to the fact that the increase of population aged 50 and over, who show relatively lower economic activity, and a decrease of the youth population (Korea Employment Information Service, 2018).

### 1.2.3 Major Characteristics of Recent Youth Labor Market in Korea

Problems of youth labor market emerged during the last two economic crises in 30 years can be categorized in three ways: 1) difficulties in school to work transition, 2) increase in the share of positions with unstable employment and wage condition, and 3) increase in idling youth manpower ratio.

#### 1.2.3.1 Difficulties in School to Work Transition

As shown in Table 1.1, the transition period from school to labor market among young people takes very long, 10.6 months as of 2017, because companies prefer to hire those with work experience and jobs for the youth are limited. Pertaining to the transition period from school to labor market, the ratio of the youth who got jobs within a year before graduation decreased from 18.8% in 2004 to 12.3% in 2017, whereas the ratio of the youth who were hired at least 6 months after graduation went up from 32.6% in 2004 to 37.2% in 2017. As such, it takes longer to get a job than before.

**Table 1.1**  
The ratio of workers by the time of employment to the first job and average time

Unit: %, months

	Within 1 year before graduation	In 2 months after graduation	2-6 months	6-10 months	10-14 months	more than 14 months	more than 6 months	Average time
2004	18.8	34.1	14.5	6.2	6.5	20.0	32.6	9.5
2005	19.7	34.3	14.7	6.4	6.2	18.8	31.4	9.4



2006	18.0	33.4	13.7	6.9	6.3	21.7	34.9	10.6
2007	18.4	34.4	12.9	7.2	6.4	20.6	34.3	10.0
2008	14.9	34.5	15.3	7.4	7.2	20.8	35.3	10.0
2009	14.1	37.1	14.7	6.9	6.6	20.6	34.2	9.9
2010	13.7	37.0	16.4	7.2	6.6	19.1	32.9	9.5
2011	13.4	37.4	16.5	6.7	6.8	19.3	32.8	10.0
2012	14.0	36.0	17.4	7.0	6.6	19.0	32.5	9.5
2013	13.3	36.1	15.4	8.0	6.7	20.5	35.2	10.4
2014	13.5	35.8	15.6	7.2	6.7	21.3	35.2	10.6
2015	12.7	30.0	21.2	7.0	7.0	22.1	36.1	10.0
2016	13.9	28.7	20.7	6.9	6.4	23.4	36.7	10.2
2017	12.3	29.5	21.0	6.3	7.2	23.7	37.2	10.6

*Note:* The survey was carried out only for the graduate of the last school. Those who found jobs more than a year before graduation and maintained employment status were excluded from this.

*Source:* Additional survey for a young group, each year, Statistics Korea

As companies minimize training costs for new workers, companies prefer to recruit workers with experience. As a result, young job seekers have shrinking job opportunities and longer transition period from school to the labor market. Recent employment of companies by work experience is described in Figure 1.5. Preference toward workers with experience to those who newly entered labor market has dramatically gone up. In 2009 right after the global financial crisis, the ratio of hiring workers without experience was 42% compared to 58% of those with experience. However, the ratio has dropped to 22.2% in 2016, slashing job opportunities for young job seekers without experience.

**Figure 1.5**  
Ratio of newly hired workers by work experience



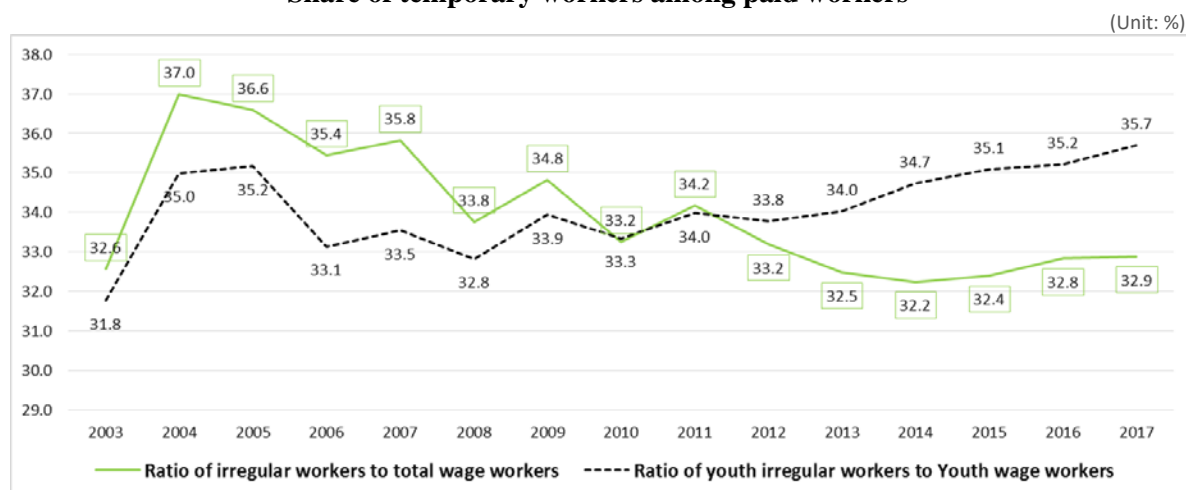
*Source:* Korea Employment Information Service, Work-Net recruitment DB

### 1.2.3.2 Increase in the Share of Positions with Unstable Employment and Wage Condition

The quality of jobs for young people has been deteriorated. While the share of temporary positions among young paid worker has steadily increased, the ratio of short-term employment

is growing. As shown in Figure 1.6, the share of overall temporary workers went down from 35.8% in 2007 to 32.9% in 2017, while the share of temporary youth workers went up gradually from 33.5% to 35.7% during the same period.

**Figure 1.6**  
Share of temporary workers among paid workers



Source: KOSIS

Moreover, the ratio of workers with less than a year of the term for the first job after graduating the last school rose from 8.8% in 2006 to 21.2% in 2017, whereas the ratio of workers with longer than a year of term diminished from 6.8% to 4.0%. Notably, from 2009 when the global financial crisis took place until 2011, the ratio of short-term (less than a year) contract workers surged, and then the figure has been around 20% subsequently. The ratio of workers with undetermined term who are likely to be in a stable status is also getting lower, down from 66.1% in 2006 to 61.4% in 2017.

**Table 1.2**  
Distribution of employment type for the first job by year

Unit: %, thousand

	Less than 1 year	Over 1 year	Undetermined term	Temporary position	Self- employed	Total
2006	8.8	6.8	66.1	16.0	2.2	4,692
2007	11.0	5.5	63.8	17.6	2.1	4,603
2008	11.3	6.4	63.9	16.6	1.8	4,537
2009	12.6	7.8	61.2	16.4	2.0	4,330
2010	16.4	5.4	59.9	16.2	2.2	4,229
2011	20.6	3.4	61.5	12.6	1.8	4,065
2012	20.1	2.9	63.4	11.6	2.0	3,984
2013	21.4	3.3	61.4	12.7	1.2	3,801
2014	19.8	3.1	63.0	12.5	1.6	3,770
2015	20.6	4.0	61.4	12.1	1.9	3,863
2016	22.5	4.2	58.6	12.7	2.0	3,988
2017	21.2	4.0	61.4	12.1	1.3	4,065

Source: Additional survey for young people, each year, Statistics Korea

The wage gap is also widening due to the dual structure of permanent and temporary positions among young workers. The hourly wage ratio between young permanent workers and temporary workers dropped from 90.4% in 2007 to 77.8% in 2014 by 12.6%p, which is twice larger than 6.5%p of a decrease in an overall population group. This confirms that the quality of employment among young workers is relatively poorer.

**Table 1.3**  
**Wage gap ratio between young permanent and temporary workers**

Age	Unit: %								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
15-19	97.5	92.8	94.0	90.9	98.2	85.5	99.1	88.9	100.6
20-24	94.8	95.1	94.1	86.8	82.3	82.3	85.2	90.4	85.8
25-29	88.0	91.9	92.6	89.5	89.8	87.6	80.6	84.5	85.1
Youth	82.1	82.6	84.2	78.9	78.5	77.8	76.3	79.8	80.6
Total	61.6	62.5	65.4	64.4	64.8	64.3	65.0	65.4	66.9

*Note:* The level of relative wage is the hourly wage ratio between temporary workers and permanent workers

*Source:* Additional survey by working type (August), each year, Statistics Korea

The initial employment status in the labor market has a long-term influence in the overall future career. Understanding this extremely well, young job seekers desperately endeavor to get a job with better employment status. According to the research of Lee & Yang, 2012, those young workers found their first jobs in SMEs frequently changed jobs in other SMEs, but only a limited number of workers changed jobs in large companies. Furthermore, the labor market has a dual structure of primary segment where satisfactory working condition and high wage is provided and a second segment where poor working condition and low wage is provided. It turns out that there is a path-dependency that a worker who gets a job in the second segment is highly likely to stay in the second segment down the road.

### **1.2.3.3 Increased Idling Youth Manpower and NEETs**

Due to path-dependent characteristics of Korean youth labor market structure where the first job has a decisive effect on the entire career path, private education expenditure for employment increases, preparing for employment is extended, and idling manpower is growing.

Some college students are postponing graduation to land a decent job. Among prospective university graduates, 15.7% are postponing graduation, and a higher ratio of male students postponed graduation than their female counterpart. Also, 12.2% of prospective graduates postponed graduation to find jobs before graduation.

While deferring graduation, they build stronger resumes with more qualifications. Compared to graduates, those who deferred graduation had lower GPA, higher TOEIC score, and more internship experience. They postpone graduation to acquire more qualification other than GPA in order to make up for their low GPA.

This situation resulted in private education for employment, such as additional education and training, language study abroad, and/or preparation for government employment examination

and professional certification examination even after the graduation of the university, increasing private education expenses.

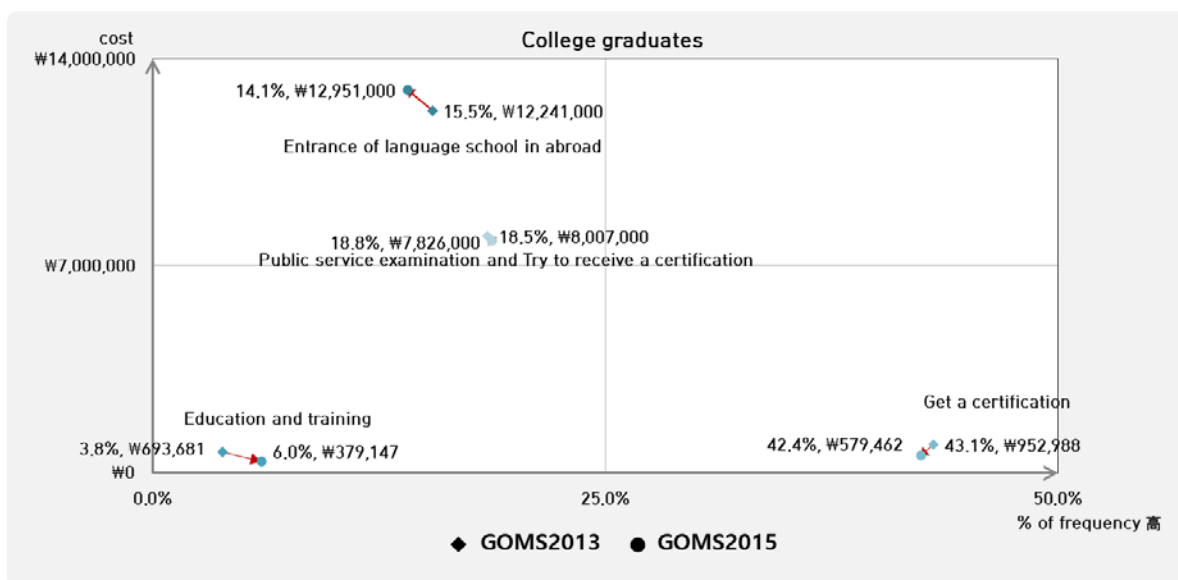
**Table 1.4**  
**Prospective university graduates deferring graduation**

		Unit: person, %	
		Number of deferment	Ratio
Prospective graduates deferring graduation	Total	1,962	15.7
	Male Student	1047	16.1
	Female Student	915	15.3
Prospective graduates deferring graduation for employment	Total	1,529	12.2
	Male Student	818	12.6
	Female Student	711	11.9
Total		12,499	100.0

*Note:* Postponing graduation is a way of delaying graduation. This includes those who applied for the official program for postponing graduation operated by schools as well as those who intentionally fail to meet the criteria for graduation. Deferring graduation for employment means prospective graduates defer graduation due to any reasons related to employment (such as having more opportunities to apply for jobs, making resume stronger, or avoiding uncomfortable interview questions about extended job searching period)

*Source:* Korea Employment Information Service, 2015 career path survey for university graduates (2015). GOMS

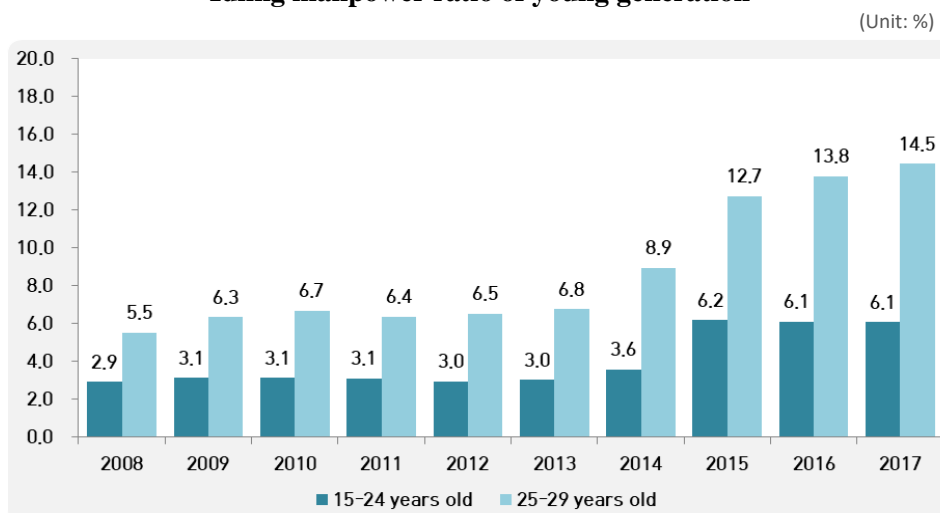
**Figure 1.7**  
**Experience and cost of private education for employment among university graduates**



*Source:* Korea Employment Information Service, career path survey of university graduates

In the meantime, idling young manpower is rapidly growing. Idling manpower ratio is the ratio of economically non-active or unemployed population who still want to find jobs. As shown in Figure 1.8, idling manpower ratio was 14.5% in their age 25-29 and 6.1% under 24 in 2017, up by three times from 2008.

**Figure 1.8**  
**Idling manpower ratio of young generation**



Note: Idling manpower ratio = [(Number of the unemployed + economically non-active population who seek jobs) / (economically active population)] × 100

Source: Statistics Korea, Economically Active Population Survey

Also, the size of NEETs is quite big. Though the young NEETs decreased somewhat to 1,559,000 which is 16.5% of the youth population in 2016, later it has gradually increased. The ratio of young NEETs was about 15.9% of the young population in 2008. During the financial crisis, the figure went up to 16.7% before it diminished to 15.7% in 2014. In 2015 and 2016, the figure once again recorded 16.5%. By gender, young female NEETs ratio was greater with 17.1% in 2016 compared to 16.0% of a male counterpart. By educational level, usually, the ratio highly educated young NEETs with at least university degree was high. In 2016, the ratio of NEETs with a low level of education was 13.6% of the total young population, whereas the ratio of NEETs with a high level of education was 22.6%. In particular, the ratio of young female NEETs with a high level of education was as high as 23.5%, showing gaps in the ratio of NEETs depending on educational level.

Young NEETs in Korea is 16.5% which is higher than 2016 OECD average (13.9%) and one of the largest aside from south European economies recently experiencing economic difficulties.

**Table 1.5**  
**Young NEETs ratio by gender and educational background**

	Unit: %									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total	16.0	16.8	16.6	16.4	15.9	15.8	15.6	16.4	16.4	16.7
Low education level	14.9	15.8	15.4	15.3	14.5	14.2	13.8	14.7	14.4	14.8
High education level	21.4	21.7	22.6	21.5	23.1	23.7	24.0	23.7	24.6	23.9
Female	18.2	18.6	18.4	17.8	17.3	17.0	16.2	17.0	17.0	16.6
Low education level	17.1	17.8	16.8	16.7	15.4	14.8	13.8	14.7	14.6	14.5
High education level	23.0	22.2	24.7	22.6	25.3	25.7	24.7	24.5	25.0	23.3

Male	13.7	14.9	14.7	14.8	14.6	14.6	15.1	15.9	15.8	16.7
Low education level	12.9	13.9	14.0	14.0	13.7	13.6	13.7	14.7	14.3	15.1
High education level	19.1	21.1	19.4	20.0	20.0	20.8	23.0	22.5	24.0	24.7

Source: Statistics Korea, economic participation census, original data

**Table 1.6**  
**Young NEETs ratio of major OECD members (aged 15-29)**

												Unit: %
Year	Australia	Japan	U.S.	U.K.	France	Germany	Sweden	Finland	Spain	Italy	Greece	OECD average
2008	10.4	11.4	14.7	14.8	14.3	11.7	8.8	9.9	16.7	19.2	16.0	13.0
2009	12.3	12.2	16.9	15.7	15.6	11.6	11.0	12.0	22.6	21.2	16.6	15.6
2010	11.8	12.0	16.1	15.9	16.6	12.0	10.3	12.6	23.7	23.0	18.1	15.8
2011	11.5	11.7	15.9	15.5	16.4	11.0	9.1	11.8	24.3	23.2	21.6	15.7
2012	11.7	11.5	15.2	16.3	16.6	9.9	9.7	11.9	25.6	24.6	26.7	14.9
2013	13.0	10.8	16.0	15.6	16.3	9.7	9.4	12.3	27.2	26.1	28.5	15.5
2014	12.7	9.82	15.1	14.4	16.3	9.2	9.5	13.0	24.3	27.7	28.3	15.1
2015	11.8	-	14.4	13.7	17.2	8.6	9.1	14.3	22.8	27.4	26.2	14.6
2016	11.4	-	14.1	13.2	17.2	9.6	8.2	13.2	21.7	26.0	23.5	13.9

Source: OECD Database (<https://data.oecd.org>) Accessed on 17 October 2017

### **1.3 LITERATURE REVIEW ON YOUTH EMPLOYMENT RELATED POLICIES**

#### **1.3.1 OECD Job Strategy to Facilitate Youth Employment**

As structural unemployment issues not related to economic fluctuation emerge in major advanced economies since the 1980s, OECD sought-after employment strategies at the international organization level, not individual economy level. In its 1994 Jobs Study, OECD diagnosed that structural unemployment issue is caused by the rigid labor market, suggesting employment strategies to make the labor market more flexible with structural reforms, including eased employment production system, mini-jobs, and early retirement, to recover market function. However, with the growing concern over low birth rate and aging society in the 2000s as well as increasing importance of labor-rich economies, such as China, India and Brazil in the global economy, OECD recognized the need for the New Job Strategy taking the impact of BRICs into account, releasing Reassessed Jobs Strategy in 2006. The revised strategy aims at qualitative improvement of the labor force and improvement of overall employment rate, focusing on ways to reduce structural unemployment, constantly develop the skill of laborers, and eliminate barriers impeding participation of vulnerable classes, such as women and aged people, in labor market. Though intensity may differ from economy to economy, social policy is being shifted to include vulnerable people to the labor market. Labor market policy is also emphasizing effective structure to enhance the flexibility of the labor market, develop skills of laborers, and support employment stability of entire workers.

OECD is now planning to adopt the New Job Strategy in 2018 by creating the New Job Strategy reflecting new environmental changes including technological advancement. Key elements of the New Job Strategy are under discussion based on suggested goals, such as creating more quality jobs, fairly distributing income and opportunities, ensuring free upward mobility, and establishing labor market that is adaptive and resilient to economic shocks and social changes.

Also, to enhance the achievement of the labor market, policies and systems are being reviewed in three aspects: quality and quantity of jobs, improvement of inclusion, and strengthening adaptability and resilience.

First, for better quality and quantity of jobs, policies and systems to reduce labor cost and effectively expand the supply of labor, such as life-long learning system, work-based learning, corporate flexibility and improved mobility, and social safety net need to be reviewed.

Second, in order to improve inclusion, vocational training for a vulnerable group, education for adults and information provision are required for improved inter- and intra-generational social mobility. Also, there should be policies and systems to alleviate wage unfairness.

Third, to strengthen adaptability and resiliency, the need for appropriate macroeconomic policy and restructuring to respond to environmental change, effective re-allocation of manpower, and stronger employment service are being discussed (OECD, 2017).

Aside from this employment strategy, OECD recommended employment policies specialized for young people. OECD suggested both employment policies for young people who are more vulnerable to economic fluctuation and youth employment measures to address the structural issues of the labor market. As companies refrain from hiring new workers during the economic

downturn, the youth employment issue is starker. Even in the economic recovery, recruitment of young job seekers is uncertain. Therefore, OECD recommended job policies with government financing during the economic downturn to facilitate youth employment. Nevertheless, to ensure the effects of labor market policies as well as education and training policies, OECD also recommended designing systems that clearly define policy beneficiaries. OECD diagnosed that structural factors give difficulties to young job seekers lacking labor market experience and know-how, and the increase in the ratio of advancing to tertiary education and ratio of NEETs lowers participation in economic activities, causing a decrease in youth employment rate. In particular, OECD regarded the seriousness of stable jobs and labor market inclusion for vulnerable young groups, such as those with a low level of education, migrated workers and those in poverty (OECD, 2011).

Against this backdrop, OECD saw that the government needs to support job seeking activities of unemployed young people with appropriate measures, such as policies and public employment service that can facilitate a smooth transition of young people from school to the workplace after equipping vocational skills. At the same time, a more in-depth strategy is required to provide customized vocational capacity building service for vulnerable and young unemployed people as standard labor market policies are not effective for them due to complex social risk factors (i.e., low level of education, minor ethnicity, poor region, drugs, psychological disability, etc.)

First, when it comes to transition from school to workplace, OECD highly praised apprenticeship in Austria, Germany and Switzerland where students work while continuing study, programs enabling short-term work with study in Australia, Canada, Nordic economies, the Netherlands, New Zealand, United Kingdom and the United States, and specialized education program of Korea where students receive training according to the demand of specific companies at vocational high schools (or colleges) that signed agreements with SMEs on the condition that the students will be hired after graduation as an effective tool to shorten the transition period.

Second, OECD recommended that various measures supporting job seeking activities of young people should be well designed and adjusted by adopting outreach program and selecting appropriate beneficiaries based on profiling in many areas, such as welfare system, labor market, and education/training for newly emerging jobs.

Third, OECD recommended policies that reduce unemployment and NEETs through exemption of social security contribution or payment of employment subsidies for the inclusion of the vulnerable young group in the labor market.

### **1.3.2 Recommendations of OECD for Youth Employment Policies in Korea**

OECD recognizes Korea as an economy with the high level of education that achieved rapid growth through export-oriented and manufacturing-centric growth strategy. The characteristics of the Korean labor market that are distinguished from other OECD members are as follows: 1) the level of unofficial employment is high, 2) the ratio of the self-employed and temporary position is high, 3) labor market is fragmented in terms of labor gap between permanent



position and temporary position, and 4) despite high level of education, the ratio of low waged laborers is third largest following the US and Ireland (OECD, 2018).

Also, OECD recognizes that youth employment rate is relatively lower than other OECD members, while the level of education for young people is higher. Moreover, the ratio of young people staying out of labor market is high because many of them try to obtain additional qualifications, such as various licenses, on top of formal education in order to get a quality job in large companies or public sector (OECD, 2018). Against this backdrop, OECD recommended the Korean government to actively provide programs for fragile young people with low level of education (OECD, 2012a), recognizing that increasing participation of young people in the labor market is a key task for the government. In the meantime, OECD highly praises the expansion of Successful Employment Package program and Vocational Skill Development Account System (Tomorrow Learning Card) introduced by the Korean government. It also recommended the government to expand vocational counselors at Job Centers to provide quality counseling and reemployment support service for job seekers (OECD 2013). The organization also recommended a balanced approach by pursuing non-discrimination, training and social protection for underprivileged class, while promoting structural reform of labor market to alleviate dual structure of labor market and provide quality job opportunities to young people (OECD, 2016b).

### **1.3.3 The Effectiveness of Labor Market Policies**

The Korean government announced youth employment measures more than 20 times since 2003. The Korean government has developed youth employment policies and budget. Local governments also carry out various labor market policies depending on their local situation using their own budget and grant from the central government. According to 2017 Guide Book for Korean Supporting Programs for the Youth, as of 2017, 14 ministries and 5 offices of the central government provide more than one hundred youth employment programs, and metropolitan governments offer 174 programs for young people (Korean Government, 2017). The question is among these various youth employment supporting programs, which programs are more effective and what is the more desirable way of implementation.

Seo et al. (2017) showed that youth employment policy outcome had statistically significant positive relations with the type, number and duration of participation in policy program. Also, Oh (2016) conducted survival analysis on transition period from graduation to the first job and the length of employment at the first job. According to the result, it evaluated that youth employment policy program shortened the transition period to the first job slightly, but the length of employment was short. Also, the participation of youth job policy did not significantly increase income. Therefore, it had a limitation in improving the quality of employment.

Youth internship program, one of the representative youth employment subsidy programs, had low actual effect as the rate of the shift from temporary position to permanent position and retention rate were a low, and deadweight loss was also substantial (Board of Audit and Inspection of Korea, 2016; Kim, T., 2017). Moreover, there has been criticism that the youth internship program is failing to create decent jobs in the private sector and just creating

temporary internship positions in the public sectors and private companies (Kim 2015; Hwang, Joo, & Choi, 2017). Also, Yoon et al., (2016) measured the outcome of youth internship program by comparing the employment rate of youth interns and former contract workers of SMEs. According to the analysis, former SME contract workers showed higher employment rate than youth interns at SMEs. After the end of youth internship program, former SME contract workers took about two-month shorter time than internship participants in finding their jobs. Based on this information, Yoon, et al., (2015) determined that the employment effect of a youth internship program at SMEs is almost nothing or limited. However, the study also points out that this result can be attributed to the fact that the employability of the participants in the youth internship program was lower than the other group from the beginning.

Multiple empirical studies reveal that public-led short-term job-creating programs or employment subsidies for socially vulnerable groups have limited effect (National Assembly Budget Office, 2006; Keum et al., 2002; Yoo, 2007). Yoo (2010) and Keum et al., (2002) argued that job programs financed by the government are desirable only temporary during the economic crisis due to its large deadweight effect. They asserted that after overcoming the crisis, the government needs to reduce the program drastically and shift to normal employment policies relying on market principles (Yoo, 2010; Keum et al., 2002). Card, Kluve, & Weber (2015) and Card, Kluve, & Weber (2010) analyzed that it is hard to find actual analysis proving the effect of direct job creating programs financed by the government. They argue that direct job creation is more effective in a temporary and limited form as a bridge in connection with support for job seeking efforts. In the meantime, among youth employment measures, employment service and vocational training were proven to be most effective in many empirical studies (European Commission, 2006; Card et al., 2015; Card et al., 2010).

Dominant studies in Korea show that public employment service and employment supporting service of universities are playing positive roles in youth employment based on the outcome of employment service for young people. Kang (2010) demonstrated that public service increased the possibility of employment in a permanent position and large companies by analyzing the effect of employment service among employed young people. However, those who were hired through the human network showed higher job satisfaction than those who were hired through public service. Yang, Jeong, & Choi (2016) illustrated that depending on the provider of public employment service, the policy effect is different. In other words, the employment outcome of Employment Center was lower than New Job Center but higher than Job Center. The authors believed that it is because the sizes of companies introduced by public employment service agencies are usually small and the meetings with counselors were different. Chung & Kim (2013) analyzed the direct and indirect impact of career development program experience at school to the employment. According to this study, participation in job or career development program had effects on employment by influencing career goal setting and career preparation. Won (2011) confirmed if job seekers obtain information from job information centers of the university, instead of public employment service, they tend to get relatively higher income. Hwang & Baek (2008) showed that satisfaction of employment support activities at the university had a positive impact on employment of university graduates.

According to Card et al. (2015), the effect of employment service to support job seeking effort can vary depending on the beneficiary. It turns out that employment service is relatively more

effective for vulnerable job-seeking groups, while vocational training is more effective for the long-term unemployed. According to Card et al., (2015), job-seeking support service was most effective in the initial several weeks to several months after unemployment, confirming the importance of early intervention after unemployment. Also, vocational training had a statistically significant positive long-term effect, especially in the high unemployment period.

Berkel & Valkenburg (2007) suggested that it is more effective to provide customized service by tackling employment obstacles one by one after analyzing obstacles of unemployed individuals, instead of providing department-store-like youth employment supporting program from supplier's side. Customized service can be characterized as a comprehensive provision of differentiated service according to the condition and quality of individual customers, instead of providing standardized and unified service to all customers in a conventional way. However, providing customized service to all individual unemployed people is not possible and effective mainly due to limited staffs and budget. In this regard, a customized approach is required to eliminate obstacles of the vulnerable group first which is likely experience long-term unemployment based on profiling after assessing employability of job-seekers through in-depth consultation at the job center.

In the meantime, there were studies on the relationship between lower employment protection for permanent positions and youth employment problems. Related foreign studies showed that employment protection for permanent position increases the cost of termination, reducing termination and negatively influencing new hiring (Bentolia & Bertola, 1990; Miller & Ganl, 2013; recited in Jang, 2017). Therefore, the study showed that higher employment protection affects youth employment in a negative way. Esping-Anderson (1999) argues that even though lowering employment protection for permanent positions may positively affect youth employment; it may cause a balloon effect by increasing employment instability for the middle age group. However, Jang (2017) examined the relations between the level of employment protection and youth labor market based on Korean examples. As a result, lowering employment protection for permanent positions had limited impact on youth employment outcome. Rather active labor market policies, including the participation of companies in vocational education, and vocational training, re-entry policies, had more positive effect on the youth labor market.

Korea continuously adjusted labor market policy programs by abolishing or diminishing less effective programs while expanding highly effective programs based on performance evaluation study on domestic and foreign labor market policy programs. Implementation of labor market policy program has shifted from listing programs from the perspective of suppliers to packaging customized service from the perspective of consumers.

## **1.4 ISSUES ON YOUTH EMPLOYMENT POLICIES IN KOREA**

### **1.4.1 Evolution of Youth Employment Policy in Korea along with Economic Development**

As the supply and demand for youth labor force vary depending on economic development stage and strategy, policy mix needs to be changed at each economic development stage. Since the 1960s, Korea achieved rapid industrialization and democratization in the shortest time

period in the world. However, it is still struggling with youth unemployment problem that emerged after the 1997 Korean Financial Crisis. In this sense, the evolution process of youth employment policies in Korea at each economic development stage will provide lessons to many APEC economies.

Korea promoted export-oriented economic development strategy since 1962, achieving 8~9% of high annual growth rate until 1997. It was able to grow economy, create jobs and improve income distribution at the same time. Based on this development, Korea even accomplished democratization in 1987. Youth employment policies in Korea has evolved in line with the change in industrial structure with economic development, educational level of people, level of democratization, and change in the international economic situation.

During the initial stage of the economic development from the 1960s to mid-1970s, Korea had pre-modern industrial structure pivoting around agriculture, forestry and fishing, while suffering from lack of resources and high unemployment level. To resolve unemployment and poverty, the Korean government adopted the export-oriented economic growth strategy and light-industry development strategy which is suitable for the initial development of an economy. In this period, youth employment policy focused on nurturing and supplying skillful human resources necessary for the development of light industry, creating more jobs in the labor-intensive light industry. To support this policy, the government established vocational education institutes and public vocational training institutes and introduced a technical qualification system.

Korea that recorded high economic development from 1962 nearing 10% of annual growth rate promoted policies to foster heavy chemical industry since the mid-1970s. Youth employment measures also shifted to upgrade vocational education and training and to nurture engineering colleges, universities, and graduate schools to foster high-quality human resources necessary for the development of the heavy chemical industry. To facilitate the participation of companies in vocational training, compulsory in-plant vocational training system was introduced in 1975. From 1977 polytechnic colleges were established to cultivate high quality and skillful human resources. In 1982, HRD (Human Resource Development) Korea was established to operate public vocational training institutes more efficiently, develop the technical qualification system<sup>2</sup>, and strengthen R&D function in vocational training.

As Korea achieved rapid industrialization, levels of income, education and social awareness of people have enhanced drastically, and in 1987 it succeeded democratization. Amid the advancement of industrial structure in the Korean economy, global scale of knowledge and information revolution, as well as globalization, started in its full speed from the 1990s. As a result, Korea inevitably had to change economic and social development strategy fundamentally. A government-led growth strategy that had continued from the 1960s evolved into market-led and private-led strategy from the second half of 1987. Also, the government-led vocational training system developed in the direction that the government provides more autonomy to companies and trainees while strengthening the role of private training institutes.

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<sup>2</sup> Introduction and development of National Technical Qualification System is introduced as an example in Best Practices of Youth Employment Programs in Korea below.

Korea introduced the Employment Insurance (EI) system on July 1, 1995. Unlike other unemployment insurance system focusing on unemployment benefit, Korea EI was designed to promote active labor market programs including vocational skill development program with a close relationship with unemployment benefits within a single institutional framework, causing a large paradigm shift in vocational training policies<sup>3</sup>.

Korean Financial Crisis in 1997 brought an immense shock to the Korean economy and labor market. In return for emergency bail-out fund from the IMF (International Monetary Fund), Korea carried out a large-scale restructuring in a short period of time as per the request of the Fund. During the restructuring process, many companies and financial institutes went bankrupt, increasing the unemployment rate. After the crisis, private consumption and corporate investment dwindled, marking the end of the high growth period in Korea. On the contrary, as economic growth rate gradually declined<sup>4</sup>, the Korean economy has stuck on a low growth path. Due to rapid deterioration of job-creating capability in the Korean economy, full employment that had continued until the mid-1990s turned into youth unemployment issue.

Korean Financial Crisis caused high unemployment. However, it also provided momentum to improve labor market policies and employment service in the process of overcoming the crisis. In order to address the youth unemployment problem, the Korean government promoted large-scale vocational training and active labor market policies for young people right after the crisis in 1998. In this process, there was an expansion of training contracted out to private vocational training centers, and performance-based evaluation system for vocational training was introduced to enhance the outcome of vocational training. In addition, public employment service was expanded for effective payment of unemployment benefits and active implementation of labor market policies. In order to facilitate job matching by linking job seekers with job vacancies in real-time online, Work-Net, a domestic employment portal has been developed since its establishment in 1998<sup>5</sup>.

After the financial crisis, while many companies went bankrupt in the process of compressive industrial restructuring, many companies such as Samsung Electronics have grown into large global companies. Nevertheless, the service industry and SMEs are lagging behind in competitiveness, and the wage gap has widened between temporary position and permanent position and between large companies and SMEs, worsening polarization in the labor market. Even after overcoming the financial crisis, companies pursued maximization of benefits for stockholders, instead of making a bold investment. As the companies minimized hiring, managed human resources focusing on key talents, conducted frequent restructuring and employment adjustment, youth unemployment problem has worsened.

After the financial crisis, Korea has been advancing employment service and promoting reform in vocational education and training to alleviate skill mismatch and resolve the unemployment problem. To advance employment service, Korea expanded public employment service institutes and innovated way of the service provision as well as employment information

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3 Employment Insurance System is introduced as an example of Best Practices of Youth Employment Programs in Korea (5.1) below.

4 Average GDP growth rate decreased from 8.7% in 1990~1995 to 4.7% in 1998~2008 to 3.2% in 2009~2014 to 2.9% in 2015~2017.

5 Work-Net was introduced as an example of Best Practices of Youth Employment Programs in Korea (5.2) below.

system. For unemployed people struggling in job seeking, Employment Success Package program was introduced in 2009 to help employment by providing customized employment support service. With achievement beyond expectation, Korea has expanded the program and beneficiaries<sup>6</sup>.

In 2014, Korea started innovation in employment and welfare service delivery system by gradually transforming existing Job Centers to Employment and Welfare Plus Centers to improve the outcome of employment and welfare service and to enhance convenience and satisfaction of people through one-stop, customized delivery of employment service for job seeking and welfare service related to employment<sup>7</sup>.

Career education at each school has been strengthened to provide teenagers with opportunities to experience jobs and have career counseling in school so that they can smoothly switch over from school to workplace. In 2012, Korea Job World, a comprehensive job experience center, opened to provide opportunities to experience various jobs for children and teenagers<sup>8</sup>.

As part of vocational education and training reform, to alleviate job mismatch and youth unemployment through industrial needs-based vocational education and training, in 2013 National Competency Standard (NCS) was introduced and applied to vocational education and training. Also, Korean apprenticeship, called dual vocational education and training system, was adopted<sup>9</sup>.

With the recent acceleration of artificial intelligence revolution (the fourth industrial revolution), Convergence Technology Campus of Korea Polytechnic was established in 2016 to foster human resources for convergence technology who will lead the fourth industrial revolution<sup>10</sup>. From 2017, Program to Foster Human Resources Leading the fourth Industrial Revolution has been carried out focusing on high-technology and convergence technology in cooperation with public and private education and training institutes. Additionally, to reflect changing trend of the fourth industrial revolution to vocational training for the economy's basic and strategic industries, NCS for the fourth industrial revolution related promising areas have been developed and adopted<sup>11</sup>.

#### **1.4.2 Diagnosis of Reasons for Youth Employment Problem and Policy Measures**

To resolve the youth employment problem, optimal policy mix based on accurate diagnosis of root causes for youth unemployment and effective implementation of the policies are important.

Youth unemployment rate of Korea skyrocketed from 4.6% in 1996 to 12.2% in 1998 in the wake of the financial crisis in November 1997 and somewhat dipped down. From 2003,

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6 Employment Success Package program was introduced as an example of Best Practices of Youth Employment Programs in Korea (5.4) below.

7 Employment and Welfare Plus Center was introduced as an example of Best Practices of Youth Employment Programs in Korea (5.3) below.

8 Korea Job World was introduced as an example of Best Practices of Youth Employment Programs in Korea (5.5) below.

9 Korean Apprenticeship was introduced as an example of Best Practices of Youth Employment Programs in Korea (5.7)

10 Convergence Human Resource Fostering Program offered by Convergence Technology Campus of Korea Polytechnic was introduced as an example of Best Practices of Youth Employment Programs in Korea (5.8) below.

11 Development and application of National Competency Standards(NCS) in the areas related to the fourth industrial revolution was introduced as an example of Best Practices of Youth Employment Programs in Korea (5.9) below.

however, the youth employment crisis has continued again. In 2017, youth unemployment rate stood at 9.9%, 2.7 times higher than 3.7% of overall unemployment rate. Despite a lot of efforts made by the Korean government, the youth unemployment issue has been persistent.

Regarding the cause of youth unemployment, Comprehensive Plan for Job Creation published by the Roh Moo-hyun administration in February 2004 diagnosed that it was caused by the decreased growth rate of the Korean economy, deterioration of job-creating capability, the gap between demand for human resources and nurturing human resources, and structural problem in the labor market. Based on this diagnosis, the government came up with measures, such as creating business-friendly environment, improving labor market structure, sharing jobs by reducing working hours and improving shiftwork system, increasing jobs in social and welfare sectors, expanding employment infrastructure, and creating a system to foster human resources according to the demand from the industry.

“National Employment Strategy for Job Creation and Social Integration”<sup>12</sup> announced by Roh Moo-hyun administration in November 2006 identified (1) slowdown of Korean economic growth and gap between growth and employment, (2) lack of flexibility and stability of labor market, and (3) discrepancy between demand and supply of manpower as the reasons for sluggish job creation. Based on this diagnosis, to solve unemployment problem, it set policy directions, such as (1) improving labor market structure and eliminating blind spot of labor market programs for vulnerable groups, (2) strengthening comprehensive relations among economy and industry, labor market, and education policies, and (3) evaluating the outcome of employment policies and improving review system. Under this policy direction, following four unemployment measures were taken.

First, create flexible and stable labor market through innovation in employment service, expansion of social safety net, reform of vocational skill development supporting system, improvement of employment-related laws and system, and reform in labor-management relations.

Second, increase mobility in labor market by facilitating the participation of idling workforce in labor market, alleviating unfair discrimination to a temporary position, preventing abuse of temporary position, expanding opportunities to shift temporary position to permanent position, integrating labor market for underprivileged laborers, and supporting them to escape from poverty.

Third, promote economic and industrial policies taking both growth and employment into account by innovating SMEs in the industries that can effectively induce employment, encouraging investment in industries with high job-creating capability, easing regulation in the service industry, making the service industry a highly value-added industry, and nurturing social service sector as a source of job creation.

Fourth, develop a human resource development system based on the needs of industries. To do this, address the qualitative discrepancy between supply and demand of manpower by nurturing workforce in growing sectors and facilitating manpower nurturing function of industries and

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<sup>12</sup> The presidential Committee on Jobs Strategy. “National Employment Strategy for Job Creation and Social Integration (16 November 2006).”

regions, and address the quantitative discrepancy between supply and demand of manpower by reforming the vocational education system and adjusting the capacity and departments of universities.

“2020 National Employment Strategy for Virtuous Cycle of Growth-Employment-Welfare”<sup>13</sup> announced by Lee Myung-bak administration in October 2010 identified that youth unemployment was caused by complex reasons from both labor demand and supply sides, weakening job-creating capacity and worsening dual structure of labor market. Based on this understanding, the administration promoted four major employment strategies, including (1) employment-friendly economic and industrial policies to link economic growth with job creation, (2) making fair and dynamic workplace by establishing fair order in labor market and contracting relations, improving working conditions of SMEs, making working hours more flexible, and improving employment regulation in a reasonable manner, (3) strengthening utilization and job skill development of vulnerable workforce, and (4) reforming social safety net that can induce work and allow workers to escape from poverty through work.

“Roadmap for 70% of Employment Rate” announced by Park Geun-Hye administration in July 2013 identified that employment crisis had been continued since foreign crisis because of (1) insufficient trickling down effect of export-oriented, manufacturing-centric, large company-based growth, (2) long working hour of male and full-time workers, (3) structural difficulties for employment of vulnerable groups, such as women and young people, and (4) insufficient job creating effect of major policies for industries and measures to address employment difficulties. Based on this recognition, the administration set a policy goal of increasing employment rate among those aged 15 to 64 from 64.2% in 2012 to 70.0% in 2018 and promoted four strategies and 137 action plans, namely (1) creating jobs through creative economy, (2) reforming way of work and working hours, (3) enhancing employability of vulnerable groups, and (4) strengthening social responsibility and alliance.

“Five-year Roadmap for Job Policies”<sup>14</sup> announced by Moon Jae-in administration in October 2017 identified three reasons for employment crisis: (1) weakened basis for job creation due to persistent low growth, (2) worsened quality of employment, such as a dual structure of the labor market and poor working environment, and (3) deepened income polarization and employment difficulties among young, female and middle age group due to quantitative and qualitative deterioration of employment. Based on this understanding, the administration set four major strategies: (1) taking proactive measures for future changes, such as fourth industrial revolution, low birth rate, and aging society, (2) creating sustainable jobs by establishing mutually beneficial eco-system and basis for innovative growth, (3) improving quality of jobs by alleviating gaps in labor market and improving working condition, and (4) customized support for vulnerable job seekers, such as young, female and middle-aged groups. Under this strategy, it also announced ten key tasks: (1) creating a job-centric government operation system, (2) strengthening employment safety net and developing innovative human resources, (3) making 810,000 public jobs, (4) facilitating innovative start-ups, (5) enhancing industrial competitiveness and nurturing new industries and service business, (6) activating social

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13 Related ministries, “2020 National Employment Strategy for Virtuous Cycle of Growth, Employment and Welfare: Five Tasks for Jobs” (12 October 2010).

14 Job Committee, related ministries, “Five-year Roadmap for Job Policies” (18 October 2017).



economy, (7) creating local jobs, (8) preventing overuse of temporary positions and making non-discriminatory workplace, (9) improving working environment, and (10) supporting customized jobs for young, female and middle-age groups.

“Youth Job Measures”<sup>15</sup> announced by Moon Jae-in administration on 15 March 2018 diagnosed that worsening youth employment situation is caused by accumulated structural problems in industries, education and a labor market with slow job creation and continued job mismatch. Therefore, it saw that both short-term measures and structural measures are needed to address the youth unemployment problem. First, as short-term measures, the administration promised that it would (1) strengthen the support for job-creating companies and employed young people in their income, housing and asset building, (2) facilitate start-ups, (3) make more employment opportunities, and (4) enhance practical capabilities of job seekers to allow them find jobs or start businesses without delay, by taking all policy tools, such as budget, tax system, financing and system improvement. In the meantime, to resolve structural problems of youth unemployment, the administration also announced that it will (1) promote structural response in industries, education and labor market continuously, (2) actively support job-creating effort of companies through acceleration of innovative growth and regulatory reform for the investment accompanied with employment, and (3) reform education and training system as well as labor market through upgrade of human capital.

As such, though identified problems and policy measures somewhat varied depending on the labor market situation, overall diagnosis of the reasons for youth employment crisis and policy measures to address youth unemployment were not fundamentally different. The problem is despite this diagnosis of the reasons for youth unemployment, various structural reform and policies to address the issue were not implemented in a timely manner due to the conflict and confrontation among labor-management-government or political parties, worsening youth unemployment problem. The example of Korea shows that even with comprehensive diagnosis and right policy direction for youth employment policies, political leadership, mature labor-management relations and civic awareness are required to implement the policies through social consensus in a democratic and diversified society.

### **1.4.3 Macroeconomic Policy and Youth Unemployment**

As demand for labor is derived demand, stable management of macro-economy is very important to address the youth unemployment problem. Therefore, appropriate macroeconomic policy direction of each economy is also important for the youth unemployment problem.

To overcome the financial crisis in November 1997, the Kim Dae-jung administration (Feb 1998 ~ Feb 2003) promoted economic and employment policies based on market economy principles, such as easing regulation on business activities and enhancing the flexibility of labor market. As a result, economic growth rate improved from -5.5% in 1998 to 11.3% in 1999 to 8.9% in 2000, while the economy overcame the crisis in just three years. However, as the wage gap between large companies and SMEs widened and polarization of labor market worsened with an increase of temporary position, criticism was raised over market failure.

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15 Job Committee, related ministries, “Fifth Job Committee Meeting/Youth Job Measure Announcement” (15 March 2018).

To relieve polarization caused by market failure, the Roh Moo-hyun administration (Feb 2003 ~ Feb 2008) set social integration as a policy direction, focusing on improvement of income distribution and alleviation of discrimination. Despite this effort, polarization worsened, the economic growth rate dropped<sup>16</sup>, and employment slowed down<sup>17</sup> deepening employment crisis. Against this backdrop, in the later period of Roh administration, policy direction shifted from social inclusion to market economic principle.

After the failure of social integration policies implemented by Roh Moo-hyun administration focusing on improvement in income distribution, following Lee Myung-bak administration (Feb 2008 ~ Feb 2013) promoted business-friendly social and economic policies. However, deregulation and flexible labor market strategy of Lee administration failed to create visible fruits due to conflict and discord among stakeholders. Moreover, due to the aftermath of the global financial crisis in 2008, economic growth rate went down<sup>18</sup>. Though employment rate recovered slightly<sup>19</sup> backed by the increase in employment of part-timers, the polarization of labor market and youth unemployment crisis continued. As a result, Lee Myung-bak administration gradually shifted its business-friendly economic and social policies to inclusive growth strategy, namely “Warm Market Economy” in the later term.

Under the goal of *virtuous circle of economic growth, employment and income distribution*, Park Geun-hye administration (February 2013 ~ March 2017) set the following policy directions: 1) 70% of employment rate (15~64 years old); 2) market-friendly reform, such as structural reform of labor market, corporate and financial reform, public sector reform, and deregulation for business activities; and 3) creating Korean style welfare state targeting *customized employment and welfare* to solidify social safety net. To get momentum for labor market reform, the administration finally reached “Agreement among Labor, Management, and Government for Labor Market Reform” after long, painstaking discussion on 15 September 2015. However, labor and government experienced conflict after the agreement. In January 2016, the Federation of Korean Trade Unions announced the abolition of the tripartite agreement, and the labor reform did not succeed. Due to the failure of addressing social conflict on structural reform, reform of the labor market, companies, financial sector and the public sector ended up with a standstill. As a result, the economic growth rate dropped further<sup>20</sup> despite the increased employment rate among those aged between 15 and 64 from 64.2% in 2012 to 66.1% in 2016, and youth unemployment rate went up from 7.5% in 2012 to 9.8% in 2016.

Moon Jae-in administration (May 2017 ~ May 2022) diagnosed that Market Fundamentalism has caused inequality and widened income gap, setting creating more jobs through income-led growth as a policy direction (National Planning Advisory Committee, 2017). Income-led growth is based on the belief that increased household income leads to an increase in

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16 Aside from -5.5% of economic growth rate in 1998 due to financial crisis, annual average economic growth rate dropped from 8.0% in 1999~2002 to 4.5% in 2003~2007.

17 Aside from the drop of employment by 1,276 thousand persons in 1998, annual average employment growth went down from 308 thousand persons in 1998~2002 to 196 thousand persons in 2003~2007.

18 Annual average growth rate decreased from 4.5% in 2003~2007 to 3.2% in 2008~2012.

19 Annual average employment growth increased from 196 thousand persons in 2003~2007 to 250 thousand persons in 2008~2012.

20 Annual average economic growth rate decreased from 3.2% in 2008~2012 to 2.9% in 2013~2016.

consumption, investment, and production, creating more jobs and eventually overcoming employment crisis (National Planning Advisory Committee, 2017).

Income-led growth strategy, a growth strategy suggested by ILO (Lavoie and Stockhammer, 2013) has not received much attention. However, it came into the spotlight as Moon administration promotes it as the economy's strategy to overcome employment crisis and polarization. As a part of income-led growth strategy, Moon administration tries to drastically increase the minimum wage (16.4% in 2018, 10.9% in 2019), create quality jobs in the public sector (810,000 jobs in 5 years), eliminate temporary positions, reduce working hours, and strengthen social welfare and right of labor.

#### **1.4.4 Structural Reform of Labor Market and Youth Employment**

OECD (2016a) recommended to Korea that it needs to strengthen social protection for the vulnerable social group while releasing overly rigid protection for permanent position workers because rigidity in permanent position labor market can worsen youth unemployment and dual structure of labor market. In Korea, though there is a social consensus that structural reform is required in the labor market, still conflict and confrontation are continued over the direction and substance of the reform, slowing down the process.

The agreement among labor, management and the government released on 15 September 2015 said: “it is required fundamentally to reform current labor market which was created in the industrialization period to achieve new takeoff in Korean economy and society and to resolve job problems.” Under this recognition, representatives of labor, management and government agreed to facilitate youth employment, improve dual structure of labor market, and enhance efficiency of labor market to ensure job stability and protection of socially vulnerable groups, including temporary workers, while substantially strengthening social safety net to improve labor market flexibility (Economic and Social Development Commission, 2015). However, this agreement has not been materialized due to the abolition announcement of labor in January 2016.

With the acceleration of the fourth industrial revolution, voices are growing from both sides, saying the labor market needs to enhance flexibility to address youth unemployment while strengthening security to ease polarization. It remains to be seen if Korea will be able to resolve youth unemployment by successfully carrying out structural reform of the labor market fit for the era after the fourth industrial revolution.

### **1.5 BEST PRACTICES OF YOUTH EMPLOYMENT PROGRAMS IN KOREA**

#### **1.5.1 Employment Insurance System**

Korean Employment Insurance (EI) system is designed to organically connect and promote unemployment benefit scheme and active labor market programs in a same institutional framework. Thus, the EI system plays multiple roles, including career coaching for young people, job placement, employment support for the unemployed, prevention of unemployment, development and improvement of job skills, and payment of unemployment benefits.

EI system was designed to facilitate employment of vulnerable groups, stabilize employment status, and improve corporate competitiveness by advancing employability and adaptability of job-seekers and workers including young people through active life-long job skill development for all job-seekers and workers in response to accelerated technology development. Korean EI system consists of four programs, including (1) Employment Stabilization Program, (2) Job Skill Development Program, (3) Unemployment Benefit, and (4) Maternity and Parental Leave Benefit.

Employment Stabilization Program offers active labor market policies and programs to support the prevention of unemployment, facilitation of employment, expansion of employment opportunities, and other employment stability for the youth and insured workers through

various supportive measures, including job creation support, retention support, employment facilitation support, support for extending employment of aged workers, support for salary peak system, support for shorter working hours, support for employment stability during childbirth and child raising, support for creating and operating workplace daycare centers, support for employment facilitation in the regions in employment crisis, support for work and life balance, support for transition of temporary positions to permanent positions, and support for work environment for aged, female or disabled employees. In 2016, Employment Stabilization Program provided in total 650 billion KRW worth support to 402,000 beneficiaries (Korea Employment Information Service, 2017).

Job Skill Development Program facilitates job skill development, such as supporting job skill development training initiated by employers, supporting job skill development training initiated by insured workers, supporting job skill development training for job-seekers, installing and operating public vocational training facilities, supporting vocational qualification programs, and evaluating vocational training institutes and programs. Through the Job Skill Development Program, existing vocational training is transformed into the job skill development system. As a result, the conventional workforce fostering program turned to life-long job skills development system with stronger training for current employees. Also, manufacturing and construction-centric training have been expanded to job skill development in all sectors. Further, conventional vocational training was expanded from the large workplace to work in all sizes. Compulsory in-plant vocational training system was abolished. Instead, the Employment Insurance Fund provides all or part of vocational training costs to employers who train their own employees or job seekers. In order to encourage autonomous job skill development and facilitate individual-led life-long job skill development, Employment Insurance Fund also supports training costs for the unemployed and employees who voluntarily take vocational training courses. In 2016, Job Skill Development Program provided in total 1,446 billion KRW worth support to 3,465 thousand beneficiaries (Korea Employment Information Service, 2017).

Unemployment benefit supports stable livelihood by paying unemployment benefit when insured employees involuntarily lost a job. To minimize the negative effect of unemployment benefit to the labor market, Korea has quite strict criteria for application, eligibility, duration, level of payment compared with advanced economies. On the contrary, it also has various systemic tools to shorten the unemployment period by inducing early re-employment of unemployment benefit recipients. In 2016, 4,895 billion KRW of Unemployment Benefit was provided to (net) 1,279 thousand beneficiaries (Korea Employment Information Service, 2017).

Maternity and Parental Leave Benefit protects maternity by providing a wage to insured employees in their maternity leave and prevents career discontinuation caused by pregnancy, childbirth and child rearing by supporting part of wage for insured employees during parental leave. In 2016, 873 billion KRW of Maternity and Parental Leave Benefit to 180 thousand beneficiaries (Korea Employment Information Service, 2017).

## **1.5.2 National Employment Portal: Work-Net**

In order to connect job-seekers with job opportunities seamlessly, labor market information, including recruitment and job-seeking information; information on employment support, career coaching and career guidance for job-seekers; information on current status and future outlook of occupations; occupational psychology test information; information on career and vocational counseling; and vocational education and training related information needs to be provided appropriately. Labor market information helps job seekers to decide their most suitable career, minimize individual and social cost for inappropriate job matching, and shorten the job-seeking time. Also, labor market information is useful in establishing a recruitment plan and business plan for employers and in hiring suitable human resources.

In order to deliver accurate labor market information in a timely manner, Korea developed and has been operating Work-Net(<http://www.work.go.kr>), a domestic employment portal since 1998. After a lot of development, the convenience, reliability, massive information, and high employment of Work-Net have been proven, and it is highly praised to the extent that many other economies import the system. Key strengths of Work-Net are as follows:

First, Work-Net is the most reliable public employment information portal site operated by the Korean government and Korea Employment Information Service. Ministry of Employment and Labor and Korea Employment Information Service systematically verify the reliability of employment information provided on the Work-Net. Specifically, Work-Net provides reliable job information by allocating dedicated staff to monitor continuously if the job violates Minimum Wage Act, if it is a pyramid scheme, if it is an offense against public morals, or if there is any discrimination against gender, academic background or age.

Second, Work-Net provides the largest amount of job vacancies and job-seekers information by connecting with private job placement portals and job information network operated by local governments. In 2016, average daily job opportunities posted on the Work-Net was 230,000, and average visiting job seekers per day was 750,000. Also, two million job seekers found their job via Work-Net.

Third, Work-Net offers customized services to the people. Based on big data analysis over characteristics, usage pattern, preferred job type of Work-Net users, it provides individually customized service. From June 2016, it launched Mobile Work-Net Youth Service to provide customized information on job opportunities of the preferred company, corporate information, and employment trend to young users.

Fourth, Work-Net offers not only information on job opportunities and job seekers, but also various career information, free occupational, psychological test, and job/career coaching service. Korea Network for Occupations and Workers(KNOW) on Work-Net provides information, such as job description, working environment, wage level, required capability, education, training and qualification, distribution of gender, education level and age, employment trend and future outlook for over 820 occupations. KNOW offers various information on jobs and career coachings, such as videos about jobs and college majors.

On Work-Net, 23 types of online occupational psychology test (ten tests for teenagers and 13 tests for adults) are available. Also, newly established Cyber Career Education Center offers

online free counseling service on suitable occupation and career for young people (including teenagers). In 2016, one million used career counseling at Cyber Career Education Center.

Fifth, Work-Net offers various corporate information to help job seekers. Currently, information about 3.35 million companies, an overview of 11,180 youth-friendly small champions, employment information, financial status, corporate evaluation, growth potential and company field trip content are available.

### **1.5.3 Employment-Welfare Plus Centers**

Employment-Welfare Plus Centers are one-stop centers for employment and welfare services aiming at maximization of user convenience, service effectiveness and satisfaction through user-oriented integrated employment and welfare service one-stop delivery system without silo effects among ministries, financial sources, and programs. Users can access all employment and employment-related welfare one-stop services by visiting one of Employment-Welfare Plus Centers.

Employment-Welfare Plus Center maximizes synergy in cooperation with employment supporting agencies, such as Job Centers established by Ministry of Employment and Labor, Job Centers by local government, Veteran Job Support Centers by Ministry of Patriots and Veterans Affairs, New Job Centers for Women by Ministry of Gender Equality and Family, and Middle-Aged Job Hope Centers by Ministry of Employment and Labor, and welfare service institutes, small-loan financing centers, and living culture centers, etc. As for July 2018, 98 Employment-Welfare Plus Centers are in operation.

Key characteristics of Employment and Welfare Plus Centers are as follows. First, the centers enhance the convenience of visitors by providing various employment and welfare services in an integrated manner. Second, at Employment-Welfare Plus Centers, one-stop service from accessing employment and welfare-related service information to service counseling, application and receipt is available. Third, by helping self-support in connection with employment and welfare service, they address the employment difficulties of low-income job seekers in the early phase. The centers lead low-income group receiving subsidies for the minimum cost of living to employment status and self-support. Also, the centers help near poverty group with proactive employment and welfare service, so that their income does not fall below the minimum wage of living. Fourth, through cooperation and division of work among involving organizations, the centers enhance operations of human resources and budget in an efficient way. Also, the centers improve synergy by continuously identifying tasks that can be conducted in collaboration<sup>21</sup>.

Employment-Welfare Plus Centers have achieved a substantial outcome in terms of customer satisfaction and an increase in the employment rate. First, Employment-Welfare Plus Centers recorded 22.7% of employment growth, 11.3%p higher than the average of 11.4% in 2015. In 2016, monthly average number of employed people increased by 12% at the centers transformed to Employment-Welfare Plus Center<sup>22</sup>. Second, the number of related service

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21 [http://www.moel.go.kr/policyinfo/new/support/view\\_content01.jsp](http://www.moel.go.kr/policyinfo/new/support/view_content01.jsp), searched on 19 August 2017

22 Source: <http://www.workplus.go.kr/index.do#none> (19 August 2017)

matching cases at Employment-Welfare Plus Center increased by 5.56 times from 21,498 cases in 2015 to 119,604 cases in 2016. Monthly average number of service matching cases per Employment-Welfare Plus Center rose as much as 79.7% from 118 cases in 2015 to 212 cases in 2016<sup>23</sup>. Third, satisfaction toward Employment-Welfare Plus Centers was as high as 4.24 point by Likert type scale in 2015. The government sees that this high satisfaction is attributable to the fact that beneficiaries can save time and cost as they can address complex difficulties with one-stop service for employment, welfare, small-loan finance and living culture, and also higher efficiency in administrative affairs thanks to cooperative system among various involving organizations.

This great achievement of Employment-Welfare Plus Centers is meaningful in the sense that it showed the possibility of a one-stop delivery system for integrated service of employment and welfare in Korea, gaining attention as a successful innovation of employment and welfare service delivery system.

#### 1.5.4 Employment Success Package Program

Employment Success Package (ESP) program is a comprehensive employment support program providing customized three-stage package support from counselling, diagnosis, and direction setting (first stage) to job skill improvement through vocational training and internship (second stage) to job placement (third stage) for up to a year to struggling job-seekers among low income, young or middle-age groups by diagnosing individual employment difficulties. ESP program was a pilot program for low-income job seekers in 2009. But, based on the exceptional outcome, the program was expanded gradually even to young and middle age job seekers from 2012.

Individual support, such as income support, job placement, employment subsidy, vocational training, and public works for a low-income group struggling in employment had limited effect in employment and alleviating in-work poverty<sup>24</sup>. Based on the experience of advanced economies, package program customized to the characteristics of job seekers were effective in employment (Yoo, 2006). Therefore, Korea introduced the ESP program benchmarking advanced economies (Ministry of Employment and Labor, 2011).

**Table 1.7**  
**Service flow of employment success package program (as of 2018)**

Type	Stage 1 (counsel & diagnosis)	Stage 2 (improvement of job competency)	Stage 3 (job placement)
Package I	<ul style="list-style-type: none"> <li>• 3 weeks ~ 1 month</li> <li>• participation allowance: ₩250,000</li> </ul>	<ul style="list-style-type: none"> <li>• maximum 8 months</li> <li>• vocational training allowance: ₩3,000,000</li> <li>• participation allowance: ₩400,000(6 months)</li> </ul>	<ul style="list-style-type: none"> <li>• maximum 3 months</li> <li>• employment success bonus: ₩1,500,000</li> <li>• Youth job seeking allowance: ₩300,000(3 months)</li> </ul>

23 Source: <http://www.workplus.go.kr/index.do#none>, searched on 19 August 2017

24 Employment support programs for low income groups operated by local governments and Ministry of Employment and Labor were showed low employment success rate in 2006 with 6.3% and 20.4%, respectively (Ministry of Employment and Labor, 2011).



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Package II	<ul style="list-style-type: none"> <li>• 1 week ~ 1 month</li> <li>• participation allowance: ₩200,000</li> </ul>	<ul style="list-style-type: none"> <li>• maximum 8 months</li> <li>• vocational training allowance: ₩2,000,000</li> <li>• participation allowance: ₩400,000(6 months)</li> </ul>	<ul style="list-style-type: none"> <li>• maximum 3 months</li> <li>• Youth job seeking allowance: ₩300,000(3 months)</li> </ul>
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*Source:* Ministry of Employment and Labor (2017b), Notice to select private institutes operating commissioned Employment Success Package in 2018 (Ministry of Employment and Labor Notice No. 2017-447) (22 December 2017)

In 2009, Korea carried out a pilot program for ESP for low-income long-term unemployed people. The participants of the pilot ESP program showed 50.3% of employment rate which is 2.5 times greater than the previous employment support program (Ministry of Employment and Labor, 2011). However, the existing ESP program was limited to low-income job seekers and needed to be expanded to young and middle-aged group struggling in finding jobs (Yoo, 2011). As such, the ESP program has been expanded beneficiaries from low-income unemployed people (Package I) to young people and middle-aged group (Package II) since 2012.

Youth Employment Success Package is currently provided by commissioned private organizations. Cost for programs commissioned to private institutes consists of basic payment and Employment Success payment (incentive). Basic payment is up to 400,000 KRW. Once IAP is established, 300,000 KRW is paid. After six months from initial counseling, if the participant still receives service, remaining 100,00 is paid. Employment Success Payment is provided considering how early job seeker found the job after initial counseling, what is the level of wage, and what is the level of employability at the same time to encourage participants to get a decent job as soon as possible. The earlier the participants get jobs, the better the position is, and the lower the employability of the participants, the higher employment success payment is. Employment success payment is paid when the employment status is maintained at least three months.

In 2017, 121 thousand persons participated in Package I, and 160 thousand young people and 35 thousand middle-age people participated in Package II (Ministry of Employment and Labor, 2017a). The employment rate of those who participated in the ESP program shows very high. The employment rate of Package I participants was 67.8%, that of young Package II participants was 81.7%, and that of middle-aged Package II participants was 74.9% in 2017. The employment persistency rate in twelve months was 43.9%, that of young Package II participants was 45.9%, and that of middle-aged Package II participants was 45.9% in 2016 (Ministry of Employment and Labor, 2018).

### **1.5.5 Korea Job World**

Youth unemployment can be effectively prevented by opening career and job-related course and counseling program at each school to allow teenagers and young adults to find their career and jobs suitable for their self-realization by themselves actively while they are in school and support a smooth transition from school to the labor market (Schmid, 1998).

Korea Job World is a comprehensive job experience center for children and teenagers established in May 2012. Korea Job World serves as a compass for children and teenagers to help them identify their interest and talent, explore career and future, and achieve their dream in the area they are good at, supporting a smooth transition from school to the labor market.

Korea Job World consists of Career Planning Hall, Youth Experience Hall, Children Experience Hall, and Job Exhibition Hall (Korea Job World, 2017, Korea Job World, 2018). (1) Job Exhibition Hall displays various information, including change of jobs, future jobs, high-tech jobs, and job statistics. (2) Career Planning Hall helps visitors specifically design their career through game-like career test, identifying their talent and interest. (3) Children Experience Hall is an imaginary village designed at the eye-level of children aged 4 to 10. In

this thematic play space, children can discover their dream by experiencing various occupations in the society through games. (4) Youth Experience Hall offers opportunities to experience actual work of various occupations for adolescent aged from 11 to 18, helping them understand 81 occupations through experience in 42 experience zones.

Korea Job World became a popular job experience center with 728,000 visitors in 2017 and 90.7 points of satisfaction on a 1 to 100 scale (Korea Job World, 2018).

### **1.5.6 National Technical Qualification System**

The Korean government began to promote the labor-intensive economic growth along with the first 5-year Economic Development Plan in 1962. From this time, high economic growth created the need for qualified workers to meet the demands from industries.

To promote workers' training and to ensure the quality of training outputs, the Vocational Training Law in 1967 launched not only a systematic vocational training system but initiated skills testing and certification system. Many qualification items were initially implemented in the form of skills testing in accordance with the Vocational Training Law until 1973.

This became the origin of the National Technical Qualification (NTQ) system introduced in 1973 by stipulating NTQ Law. Before NTQ system was established, however, there were issues of overlapping, uncoordinated qualification testing standards and operations, and preferential treatment of the qualification holders. Therefore, the government decided to prepare a consistent and coordinated technical & technological qualification system in 1973, leading to stipulate a comprehensive qualification law comprising technical and technological area.

In addition, to attract foreign aids and loans, the Korean government needed to demonstrate progress in improving the quality of the labor force. Moreover, as the employers in the Middle East demanded official qualifications of the potential Korean employees, the Korean government took the opportunity to establish the NTQ system to meet the requirements.

Ministry of Labor in the early 1970s benchmarked German and Japanese qualification system to develop the structure of NTQ system. Finally, the government considered a two-way grading system consisting of technological and technical categories to harmonize it with the existing higher education and vocational education & training system (Ministry of Strategy and Finance & KDI school, 2014).

The Korean government's strategy for the NTQ system was taken into three separate periods at first phase since 1973: an introduction (1973-1981), development (1982-1997), and maturity (1998-2010).

As shown in Table 1.8, from 1977 to 2016, about 87million applied for and about 28million passed NTQ testing. Given that the population of Korea is 50million, the number of applicants ay greater than total population shows the popularity of NTQ in Korea. This can be interpreted that NTQ is meeting the demand of applicants as well as companies, the consumer of NTQ.

**Table 1.8**  
**Total number of candidates and successful candidates to NTQ from 1977 to 2016**

		Unit: persons	
		Number of candidate	Number of successful candidate
Technical & Technological fields	Professional Engineer	693,934	47,583
	Master craftsman	223,732	45,731
	Engineer	10,797,643	1,746,618
	Industrial Engineer (Technician)	11,037,353	1,890,585
	Craftsman	32,777,840	10,881,251
Service fields		31,498,556	13,634,047
Total		87,029,067	28,245,815

Source: HRD Korea(2017). National Technical Qualification Statistical Yearbook (2017).

Over the past 40 years, the NTQ has been reviewed and expanded to provide more than 520 certificates under about 26 job categories. Table 1.9 shows a change of NTQ items from 1974 to 2015. The number of NTQ items increased from about 720 in the 1970s to over 870 in 1989 and decreased to about 700 subsequently. NTQ items were reduced to about 560 in 1997 when NTQ system integrated technical track and technological track. Later the number of items increased to 610 in 2003 and decreased to about 520 in 2015 and onward.

**Table 1.9**  
**Variation trends of the number of qualification items (1974~2015)**

	1974	1982	1989	1997	1998	2003	2009	2012	2015~
Number of Qualification items	727	881	873	708	563	616	556	522	526 ~527
Characteristic of Qualification system	Two Track : Technological & Technical				Unified track : Merge between Technological & Technical				

Source: HRD Korea(2017). <http://www.q-net.or.kr>

This change of NTQ items shows that NTQ has been adapting to the needs and demand of industries. This is the outcome of industrial demand-driven NTQ system operation by the Korean government. In the 1980s and 90s, industries in Korea needed technologies and skillful human resources for specific functions. Accordingly, jobs were fragmented and NTQ items were fragmented accordingly. However, in the late 1990s, industry demanded multi-skilled workers. As a result, fragmented NTQ items merged together, cutting down the number of items. The phenomenon is continued until now.

Korean NTQ system is faced with challenges to shift strategies and directions of policies promoted in the first phase to a competency-based approach. NTQ system started to be transformed into NCS-based qualification system since 2012. This change in NTQ system is expected to lead to the advancement of Korean society and NTQ at the same time by transforming Korean society into a competency-based society.

### **1.5.7 Korean Apprenticeship**

As Korea has entered a stage of economic stagnation, the unemployment of young people has become a major social problem. In particular, the youth labor market in Korea has suffered from a continuous cycle of a) mismatch between human resource and jobs, due to over-education; and b) mismatch between industrial field and school education. Firstly, there is an oversupply of college degree holders despite the limited availability of jobs, that demands college graduates. Since young job seekers with high education attainment hope to start their careers at major companies, the small firms inevitably experience a labor shortage. Thus, the age of entering the labor market gradually increases, as they accumulate unnecessary specifications to meet these high career expectations. Secondly, the vocational education in Korea has long been operated by education and training organizations rather than being centered on the industry, hence leading to a mismatch between school education and jobs in the industries (MoEL, KRIVET, & HRD Korea, 2016).

The Korean government paved the way for a new education and training system by spreading the Korean Apprenticeship (in another term, being called as Work-Study Dual System), a Korean-style apprenticeship training system introduced in 2013. In 2015, the Work-Study Dual System, which had been implemented mainly for graduates, was expanded into formal education courses available to students still attending high schools, junior colleges and universities, focused on the 'Apprenticeship system' as one way of overcoming youth unemployment, as well as to effectively match the skills development and skills utilization (Ministry of Employment and Labor & HRD Korea, 2016). In the Korean apprenticeship system, apprentices receive practical training from an in-company trainer, while receiving theoretical education through a school on the basis of the NCS.

As of October 2016, 8,345 companies are participating in apprenticeship programs; and 25,864 apprentices from 5,468 companies are either undergoing training or have completed their training. Recently, the promotion of initiatives, such as the apprenticeship high schools, Uni-Tech and IPP (Industry Professional Practice) apprenticeship, have expanded the apprenticeship target participants from the existing graduates (new workers) to include currently enrolled students.

To sum about the total cost items of apprentice, participating company spends an average of 51,380 thousand KRW (Korean Won) annually, which means the company spends an average of 33,530 thousand KRW on one apprentice. Annual cost per apprentice shows a stable trend, with a total of 33,530 thousand KRW in 2015, 30,520 thousand KRW in 2016, and 31,340 thousand KRW in 2017. This indicates that the cost of the apprenticeship was expensive at the beginning of its introduction but is now kept at a stable level after the system has settled (Jeon, Kang, Lee, Chang, & Jeong 2015).

According to the analysis of the benefits of apprenticeship, participating company obtains on average about 131,490 thousand KRW annually, which means the company obtains an average of 29,130 thousand KRW per apprentice. There is a significant gradual increase in the annual benefit per apprentice, whereby the total benefit amounts to 29,130 thousand KRW in 2015, 36,480 thousand KRW in 2016, and 44,130 thousand KRW in 2017 (Jeon et al., 2015).

## Nurturing Convergence Human Resources at Convergence Technology Campus of Korea Polytechnic

Korea Polytechnics (KOPO) was established as part of a domestic industrial policy to train technical human resources. KOPO played a pivotal role in Korean economic success as a core driving power in technical and vocational education and training (TVET), achieving following things: First, to achieve its vision of realizing a better tomorrow, KOPO offers vocational competency development training in many different forms, including Industrial Associate Degree, Master Craftsman courses, and Employee skills training. Second, employment Rate (average rate for the last 3 years, 2015-2017) was 85.8%, compared to universities (61.4%) and junior colleges (54.8%). Third, the acceptance rate has been being increased since 2009 such as 2.7:1 in 2009, 5.7:1 in 2014, 6.2:1 in 2015 (<http://www.kopo.ac.kr>).

Nurturing human resources after the fourth industrial revolution is critically important determining factor of the economy's competitiveness. Therefore, in NCS development, the government recommends to reflect current industrial demand and proactively forecast rapidly changing future industrial demand, so that human resource can obtain necessary job skills to respond to shifting work environment.

NCSs could improve the relevance of the curriculum in schools, universities and training centers; be used in standardized exams to assess students' learning progress; and be useful for employers to assess their current and prospective workers' skill levels, as well as identify their skill gaps and manage their workforce accordingly. Effective collaboration among the relevant stakeholders is critical for this to succeed (OECD, 2015).

To promote NCS policies continuously based on skill needs of industries, in 2016 Ministry of Employment and Labor developed new NCS in 26 promising areas as a way to nurture suitable future human resources and secure competitiveness in high value-added sectors according to the change in technology and work after the fourth industrial revolution. Newly developed NCS were reflected in the Notice of NCSs in 2017. This is the outcome of policies to accommodate the needs of new NCS in promising areas to secure human resources and economy's competitiveness in new industries as changes are expected in the entire industries and labor market after the fourth industrial revolution.

To this end, Ministry of Employment and Labor promoted Program for Nurturing Human Resources Leading the Fourth Industrial Revolution to spread convergence and advanced vocational training that fosters and supplies new technology and skillful manpower as part of efforts to proactively respond to the change caused by the fourth industrial revolution. In 2017, the Ministry announced the first and second selection of private training institutes and training courses for this program and provided support

Before applying NCS related to fourth industrial revolution to private sectors, convergence Technology Campus of Korea Polytechnic has created high-tech non-degree vocational training course in preparation for the fourth industrial revolution in March 2016, operating Data Convergence Software department, Bio-medical System department, and Embedded System department.

Convergence Technology Campus of Korea Polytechnic opened company customized courses under a prior employment agreement with small champions in the capital area, allowing even job-seekers majoring in humanities get jobs at big data, bio or software companies and opening a new possibility for them. With modular curriculum, it shortened the two-year course of college to 10 months and invited field experts as professors, offering high-quality education in a short period of time. The level of training is equivalent to NCS 4 or 5 and the ratio of practical class to theoretical class is 74~99%.

NCS accounts for more than 40% of the course, and training duration is about 1,300 hours. Teaching methods are mainly lectures, problem-solving, project methods and problem-based learning. Assessment methods are mainly checklist (appraiser and appraisee), essay, portfolio, workspace evaluation, and problem-solving scenario. The program produces human resources with high-quality job performance capability required by companies through strict training management, giving tests to trainees for each module and requiring them to reach a certain level to pass the test.

Convergence Technology Campus of Korea Polytechnic example gains attention as a gateway for graduates majored in engineering as well as those majored in humanities who are struggling even more to get a high-tech job related to fourth industrial revolution by participating an advanced and convergence training course.

## **1.6 CONCLUSION**

From 1962 to the mid-1990s, Korea was an exemplary economy that addressed the youth employment problem through a virtuous cycle of economic growth, employment and income distribution. During this period, the economic development strategy and human resource development were relatively harmonized. Economic development created jobs, while quality human resources provided through education and training led to economic development. This experience of Korea will give many lessons for youth employment policies of developing economies.

However, in the process of the government-led compact economic growth process, the Korean economy had the structural problem of high cost and low efficiency. Failing to address this structural problem, Korea suffered from the financial crisis in November 1997. Financial crisis gave a huge shock to the Korean economy and labor market. In the wake of the financial crisis, many companies went bankrupt, raising unemployment. With the dwindled private consumption and corporate investment, the growth potential of the Korean economy rapidly weakened, and the youth unemployment problem became serious. This experience of Korea shows if an economy fails to address structural problems timely, the economic crisis takes place at any time. As a result, the economy can be faced with a sudden drop in growth potential and youth unemployment problem.

To overcome the economic crisis and the high unemployment rate, Korea has tried economic and labor market structural reforms, and at the same time has developed the labor market and welfare policies. Some reforms such as financial soundness of enterprises and financial institutions have very good results. Those companies that successfully improve

competitiveness in the global market become global champions. Some labor market and welfare policies showed very good performances, but some did not.

Along with the development of economy and society in Korea, the rate of advancement of women to high school rapidly improved, and after 2000 there has been almost no gap in the level of education between young men and women. Also, the gap of participation in economic activity between young men and women aged 25 to 29 almost disappeared. Nonetheless, still women in their 30s experience career discontinuation due to marriage, pregnancy, childbirth, and child raising, despite a lot of improvement in the past. After career discontinuation, even if women succeed to find jobs again, they tend to experience a lower quality of employment compared to their previous jobs. As such, it is required to reform the labor market, so that women do not have to suffer from career discontinuation caused by marriage, pregnancy, childbirth, and child raising.

In Korea, a transition period of young job seekers from school to the labor market is as long as about 11 months. Even if they succeed to find jobs, many of them are temporary positions. The share of temporary position among young workers is recently moving upward. The wage gap between large companies and SMEs as well as between permanent position and temporary position is wide. While SMEs have a workforce shortage, young job-seekers are reluctant to work at SMEs, and they rather want to have decent jobs at the government, public institutes or large companies. Therefore, the urgent challenge is improving competitiveness and working condition of SMEs, creating more jobs attractive to young job seekers.

To solve the youth unemployment problem, each economy has to build up ‘virtuous cycle of economic growth-employment-income distribution’ by well-designed economic and industrial development policies, labor market policies, and employment-friendly welfare policies. Stable economic development, flexicurity of labor market and employment-friendly welfare policies are important to create more decent jobs for young job seekers. In this aspect, consistency and rationality of macroeconomic policy, labor market structure and welfare reform are very important in solving the youth unemployment problem.

Labor market policy, welfare policy, and employment service delivery system are very important in addressing the youth employment problem. Various labor market policies and welfare policies for young people show different policy effect, and even same policies have a different effect depending on the way of service. As such, it is critical to increase the effect and satisfaction of policies based on an objective and scientific evaluation on the effect of labor market policies.

Korea has strengthened scientific performance evaluation on employment policies to increase the effect of youth employment policies. Based on this performance evaluation, highly effective nine best practices of youth employment programs were introduced in this chapter. The best practices of Korea can give lessons to other APEC economies.



## CHAPTER 2. CASE STUDY OF JAPAN

### 2.1 INTRODUCTION

Until the 1980s, when so-called Japanese employment practices, such as lifetime employment, seniority wages and enterprise unions, have persisted in Japan, youth employment did not appear to be a social problem. Young people have been employed at the same time as graduating from school. Companies hired new graduates, improving their skills and paying their wages according to increase in capability by training centered on OJT, various work experiences through personnel transfer and personnel management such as promotion. As a result, they were employed by a certain company and served for a long time there.

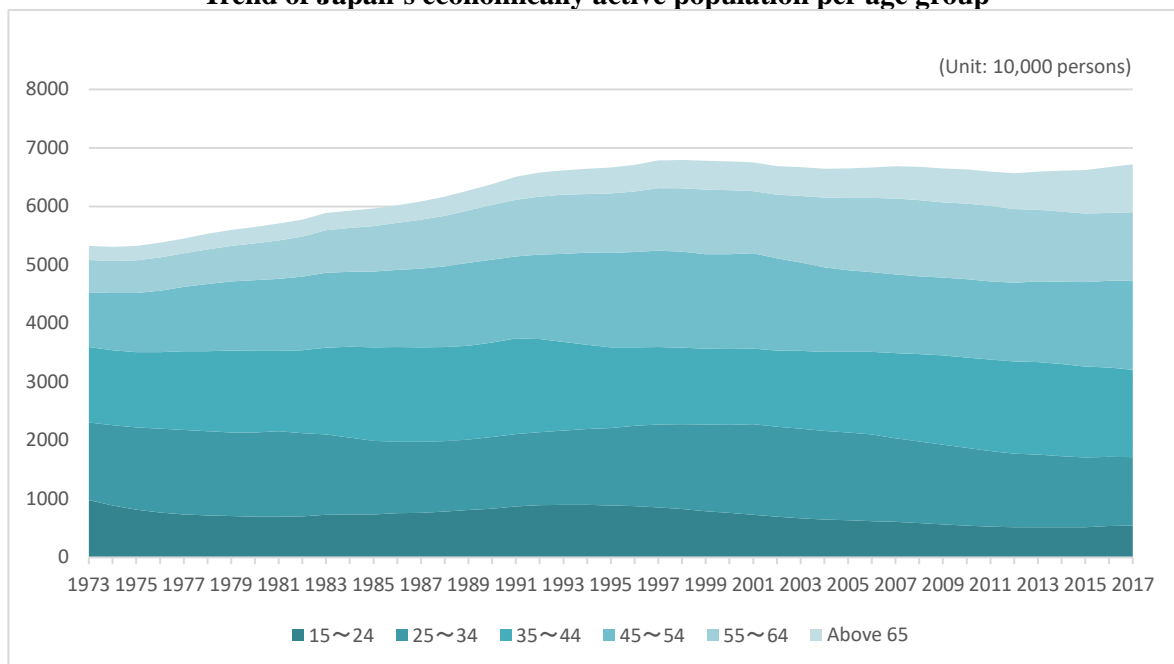
However, in the early 1990s, the economic environment deteriorated due to the collapse of the bubble economy and the long-term recession. The change of the environment resulted in a decrease in labor demand, a decrease in the sense of work for young people and a mismatch of labor power. Youth employment has become a big social problem.

In this study, we will look at the changes and problems of youth employment in Japan and furthermore, the policy of the government resolving the problems.

### 2.2 STATISTICS ANALYSIS AND LITERATURE REVIEW ON YOUTH EMPLOYMENT

#### 2.2.1 Changes in the Economically Active Population of Young People

**Figure 2.1**  
**Trend of Japan's economically active population per age group**



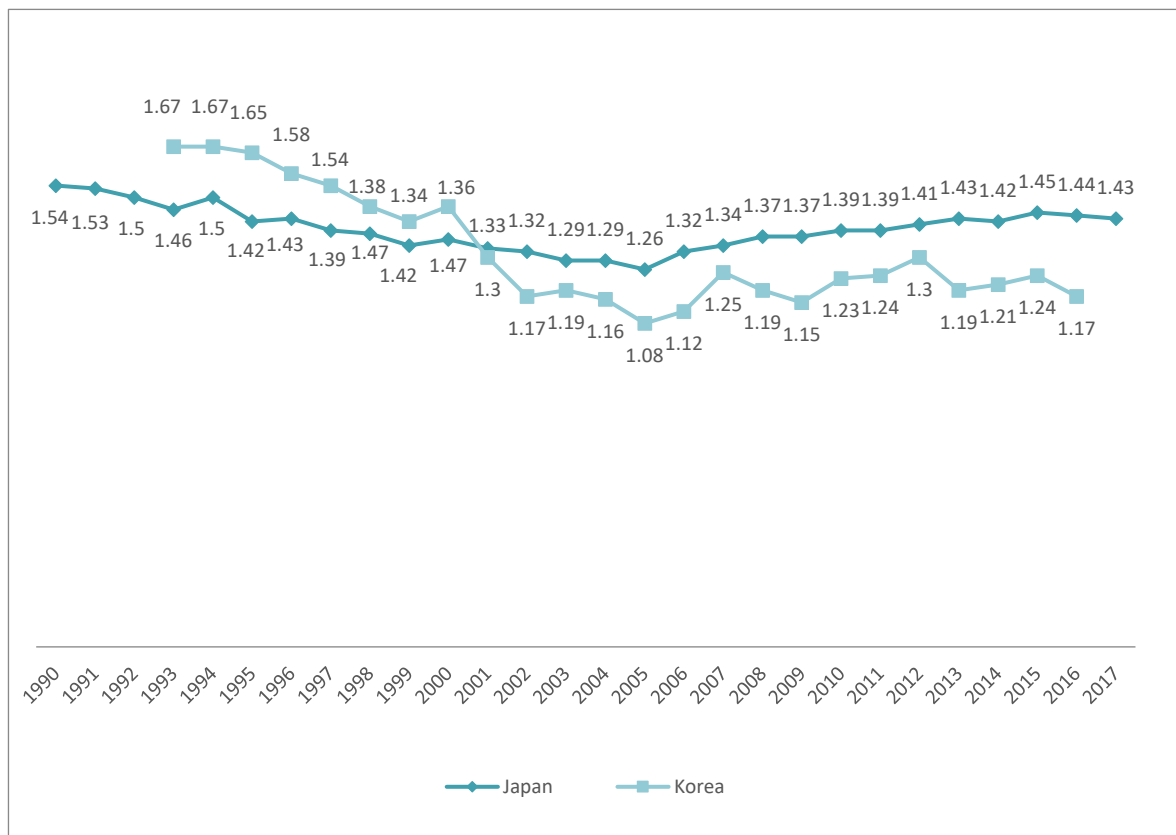
Source: Statistics Bureau "Labor Force Population Survey."

The population of Japan peaked at 128.08 million in 2008 and had since declined to 127.1 million in 2015. The population is expected to decline in the future, and it is estimated that the number is about 88 million by 2065.

On the other hand, Japan's economically active population declined to 67.63 million in 1998, down by 3.6% from 65.65 million in 2012, but increased slightly by 2.4% point to 67.2 million in 2017. The increase in the economically active population since 2013 is mainly influenced by the elderly people over 65 years old (see Figure 2.1).

We will look at the changes in the economically active population by age group. The economically active population of 15-24 years old age group peaked at 9 million in 1993 and 1994, and then decreased to 5.14 million in 2012, and slightly increased to 5.45 million in 2017. In the case of 25 to 34-year-olds, the number decreased steadily from the peak of 15.45 million in 2001 to 11.67 million in 2017. In 2017, the economically active population decreased by 39.4% points from 15-24 years old and by 24.5% points from 25-34 years old. As such, the economically active population of young people is declining, mainly due to the effects of low birth rates. Japan's total fertility rate has fallen below 1.6 since 1989, down to 1.26 in 2005(see Figure 2.2). After that, it increased slightly, but stayed at the level of 1.4, resulting in a declining population.

**Figure 2.2**  
**Comparison of Japan and Korea's total fertility rate trends**



Source: Statistics Korea [birth statistics] (Korea), Ministry of Health, Labor and Welfare “Vital Statistics”(Japan)

## 2.2.2 Changes in the Unemployment Rate and Unofficially Hired Rate of Young People

The unemployment rate in Japan has been relatively low among developed economies in the past. However, the unemployment rate in Japan has increased significantly because of the low growth rate since the 1990s. The unemployment rate continued to increase due to the collapse of the bubble economy in 1991. In the early 2000s, the bubble burst in the IT industry, and the unemployment rate further increased to reach a peak of 5.4% in 2002. The unemployment rate increased again in 2009 and 2010 due to the 2008 global financial crisis (see Figure 2.3).

The unemployment rate of young people shows almost the same tendency as that of the overall unemployment rate. The unemployment rate of the 15-24 age group is twice of the total unemployment rate and changes in one year after the total unemployment rate. It seems that most companies will reduce existing employees, mainly non-regular workers, when the economy gets worse, and suppress new recruiters the next year. On the other hand, the 25-34 age group is slightly higher than the overall unemployment rate but shows the same tendency.

**Figure 2.3**  
Japan's total unemployment rate and youth unemployment trends

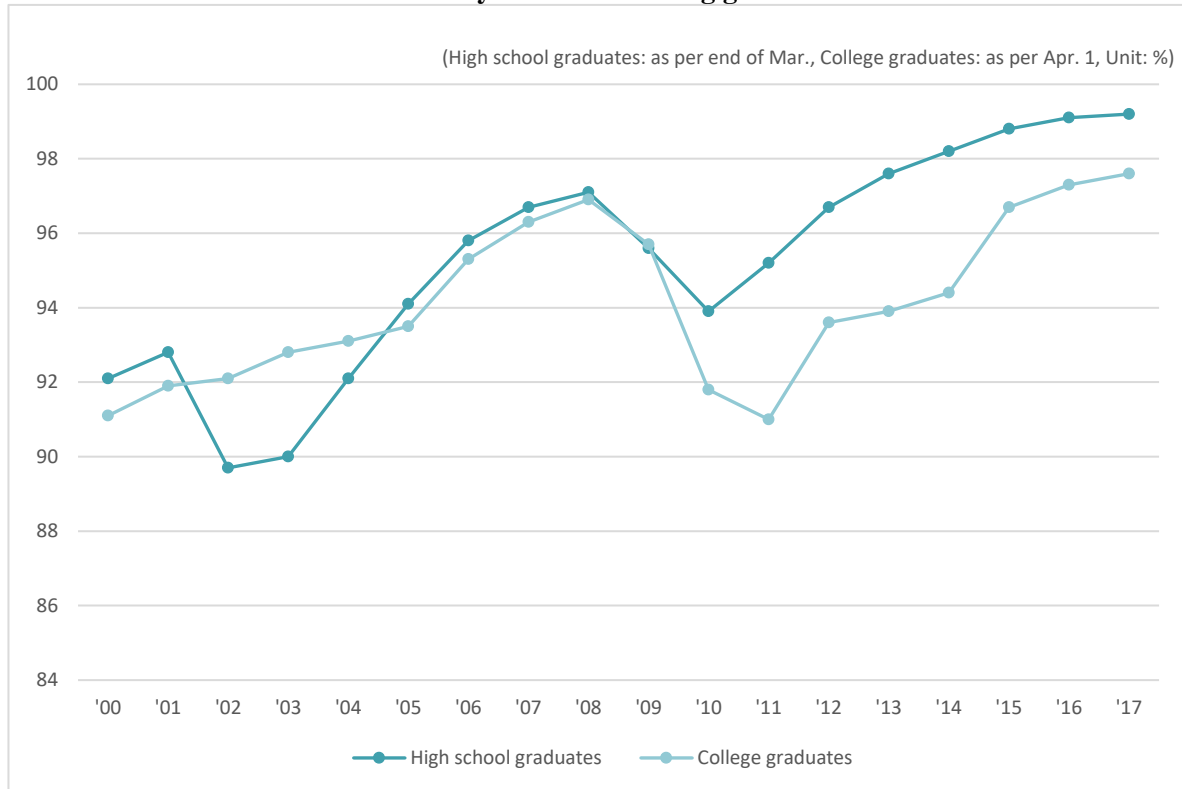


Source: Statistics Bureau "Labor Force Population Survey"

It is common for young people in Japan to get a job at the same time of graduation. Those who wish to get a job tend to get a full-time job regardless of whether they are high school graduates or college graduates. Even In the early 2000s when the employment situation was not good, or

around 2010, unofficially hired rate exceeded almost 90% of high school graduates and college graduates respectively. The rate has been more than 95% in recent years (see Figure 2.4).

**Figure 2.4**  
**Unofficially hired rate among graduates**



*Source:* Ministry of Health, Labor and Welfare, Ministry of Education, Culture, Sports, Science and Technology "Employment situation survey of university graduates.", Ministry of Health, Labor and Welfare "The percentage of the new high-school graduates who got jobs about job offers of Hello Work Public Employment Security Offices"

### 2.2.3 Trend of Temporary Workers in the Younger Generation and Wage Gap with Regular Workers

We will look at the trends of the 2000s by dividing young workers into regular workers, irregular workers and men and women. Overall, both numbers of regular and non-regular workers decreased significantly. The regular workers in the 15-24 age group decreased almost continuously from 3.36 million in 2002 to 30.4 million in 2013, down by 30.4%. In recent years, the number increased slightly to reach 2.6 million by 2017. On the other hand, regular workers in the 25-34 age group decreased by 25.9% from 10.49 million in 2002 to 7.77 million in 2013, and in recent years slightly increased (see Table 2.1).

On the other hand, the numbers of non-regular workers such as part-time dispatched, and contract employees varied greatly depending on the age group. In the 15-24 age group, the number of irregular workers decreased steadily from 1.15 million in 2004 to 0.97 million in 2017, down by 35.8%, to less than one million. However, the 25-34 age group continued to decline from 3.3 million in 2006 to 2.74 million in 2017, a decrease of 17.0%. The proportion

of non-regular workers was about 30% in the 15-24 age group until 2013, and it almost continuously increased to 27.9% in the 25-34 age group until 2014. However, the ratio has decreased in both age groups recently.

Meanwhile, when we look at the ratio of non-regular workers by sex, that of women is higher than men, especially in the 25-34 age group. That is, the proportion of non-regular workers in women is about 2.9 times higher than that of men by around 15%, while that of women aged 15-24 are about 1.4 times higher than men. In addition, the proportion of non-regular workers has recently declined for both men and women aged 15-24 years.

**Table 2.1**  
**Trends in the ratio of regular and non-regular workers in Japan**

Unit: 10,000%										
15-24						25-34				
Year	Regular	Non-regular	Non-regular rate			Regular	Non-regular	Non-regular rate		
			Total	Male	Female			Total	Male	Female
2002	336	142	29.7	24.1	35.3	1049	271	20.5	9.4	36.7
2003	313	148	32.1	27.6	37.2	1034	283	21.5	10.2	37.8
2004	303	151	33.3	27.7	39.3	1018	310	23.3	11.7	40.2
2005	287	149	34.2	28.8	39.8	992	320	24.3	12.9	40.7
2006	294	145	33.1	27.7	38.6	983	330	25.2	13.4	41.5
2007	288	130	31.2	26.7	35.7	940	327	25.8	13.8	42.4
2008	280	133	32.0	28.6	35.4	917	316	25.6	14.2	41.2
2009	270	115	30.0	25.0	35.0	885	306	25.7	13.9	41.4
2010	256	112	30.4	25.1	35.4	864	302	25.9	14.0	41.4
2011	244	117	32.3	27.7	36.1	845	304	26.4	15.3	41.0
2012	238	108	31.2	26.0	36.4	827	297	26.5	15.3	40.9
2013	234	112	32.3	27.2	37.1	800	303	27.4	16.4	41.4
2014	237	106	30.7	25.3	36.2	783	304	28.0	16.9	42.1
2015	240	103	29.8	25.3	34.3	777	291	27.3	16.6	40.9
2016	251	102	28.6	24.6	32.8	782	281	26.4	15.8	39.5
2017	260	97	27.2	23.3	31.1	783	274	25.9	15.3	38.9

*Note:* 15-24 age group excludes the number of students.

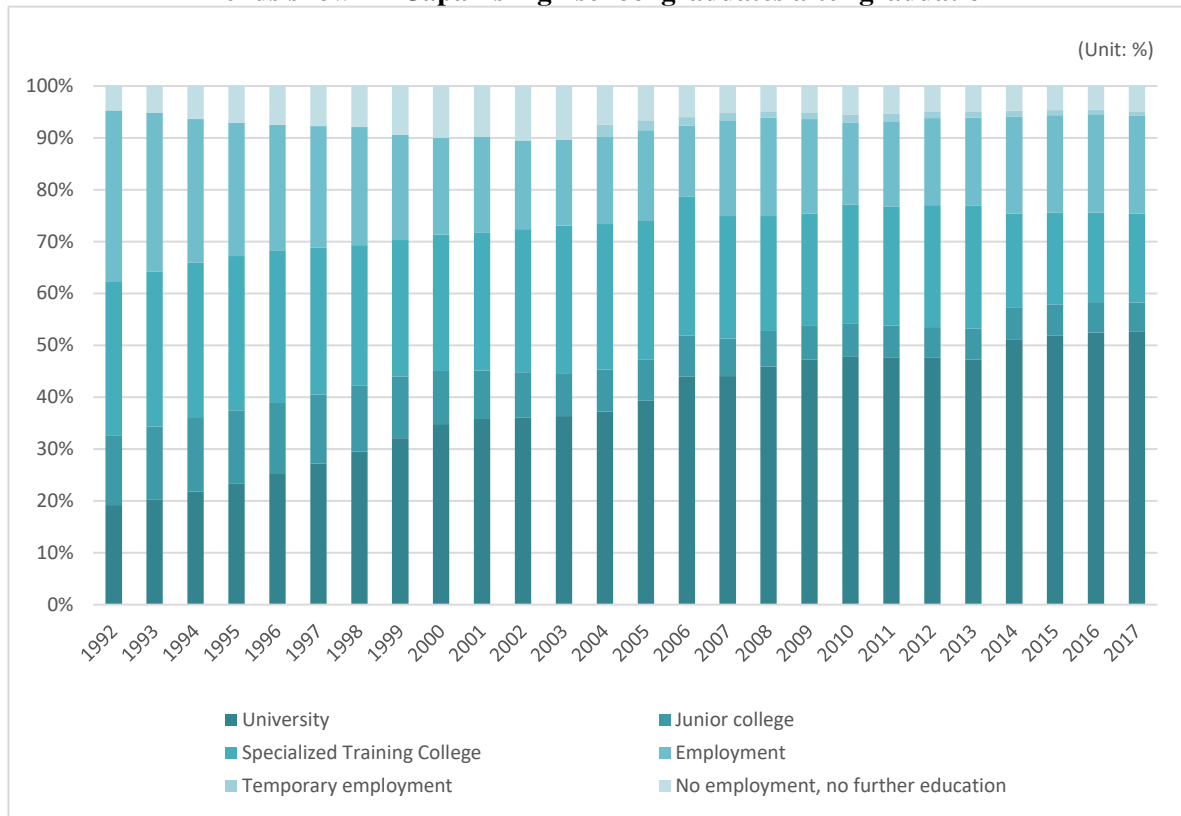
*Source:* Statistics Bureau "Labor Force Population Survey"

Japan has a compulsory education system until junior high school. When graduated from junior high school, most (98.8% in March 2017) go to high school. Looking at the career path of high school graduates in 1992, 33.1% of the respondents were employed, followed by 29.6% in Specialized Training Colleges, 19.2% in universities, 13.5% in junior colleges and 4.7% of those who did not do anything.

Since then, the percentage of getting a job among graduates from high school has been steadily declining, and the percentage of entering college has increased, and the latter went beyond the former in 1996. As of March 2017, the ratio of university graduates is 49.6%, which is about three times 17.7%, the rate of those who got a job on graduating from high school. The

percentage of admission to junior colleges and Specialized Training Colleges is decreasing. The percentage of those who did not go to college or go to work increased steadily in the 1990s, peaking at 10.5% in 2002, but decreasing to almost 4.7% in March 2017 (see Figure 2.6).

**Figure 2.5**  
**Trends shown in Japan's high school graduates after graduation**



Source: Ministry of Education, Culture, Sports, Science and Technology "School Basic Survey "  
(The report is made by authors' own calculation on the basis of the survey)

In 1996, the percentage of those who went to university was higher than that of job-takers among graduates from high school. Since 1998, university graduates have gone beyond high school graduates, and in Japan, they have become mainstream among those who have gotten jobs on time of graduates.

Looking at the course after graduating from the university, since 2000, the number of those who went to graduate school has increased steadily reaching 15.9% in 2010, but it has decreased since then. Until the mid-2000s, the rate of job-hunters among university graduates was 50%, but after that, it reached 60%, and from 2015, it has been over 70%.

On the other hand, the number of 'freeters,' or young temporary workers, increased from 2-3% in the 1990s to 4% in the first half of the 2000s and then decreased to 2.1% in 2008. However, it has temporarily increased since then due to the impact of the global financial crisis in 2008 but has been steadily decreasing since 2013, reaching the lowest level at 1.6% in 2017. The rate of NEET, or those who did not go to school or go to work) rose from around 15% in the 1990s to over 20% in the first half of 2000 but dropped to 10% in the second half and dropped to 10.8% in 2008. After that, it temporarily increased to 16.1% in 2010, but it has decreased since

then to 7.8% in 2017. The non-regular jobs including freeters and the NEETs tend to increase when the economy is bad and decline when it is good. The ratio of non-regular workers was very low at 6.5% in 1992 (0.9% of freeters and 5.7% of the NEETs), but it has increased since then, reaching a peak of 27.1% But it has increased due to the global financial crisis. Since then, however, it has decreased to 9.4% in 2017, the lowest since 2000.

**Table 2.2**  
**University graduates after graduation**

Unit: Number of people, %							
Year	Graduates	Further education (%)	Employment (%)	Regular worker ratio	Freeters*	No employment, no further education	Others
2000	538,683	57,663(10.7)	300,687(55.8)		22,633(4.2)	121,083(22.5)	
2001	545,512	53,662(10.8)	312,450(57.3)		21,514(3.9)	116,396(21.3)	
2002	547,711	59,676(10.9)	311,471(56.9)		23,205(4.2)	118,892(21.7)	
2003	544,894	62,251(11.4)	299,925(55.1)		25,255(4.6)	122,674(22.5)	
2004	548,897	64,610(11.8)	306,338(55.8)		24,754(4.5)	110,035(20.1)	
2005	551,016	66,108(12.0)	329,045(59.7)		19,507(3.5)	97,994(17.8)	
2006	558,184	67,298(12.1)	355,778(63.7)		16,659(3.0)	82,009(14.7)	
2007	559,090	77,165(13.8)	377,776(67.6)	...(…)	13,287(2.4)	69,296(12.4)	21,608(3.9)
2008	555,690	76,343(13.7)	388,480(69.9)	...(…)	11,485(2.1)	59,791(10.8)	19,654(3.5)
2009	559,539	78,265(14.0)	382,485(68.4)	...(…)	12,991(2.3)	67,894(12.1)	17,955(3.2)
2010	541,428	86,039(15.9)	329,190(60.8)	...(…)	19,332(3.6)	87,174(16.1)	19,751(3.6)
2011	552,358	82,657(15.0)	340,217(61.6)	...(…)	19,107(3.5)	88,007(15.9)	22,444(4.1)
2012	558,692	76,856(13.8)	357,088(63.9)	335,095(60.0)	19,569(3.5)	86,566(15.5)	18,690(3.3)
2013	558,853	72,822(13.0)	375,957(67.3)	353,175(63.2)	16,736(3.0)	75,929(13.6)	17,507(3.1)
2014	565,573	71,387(12.6)	394,845(69.8)	372,569(65.9)	14,519(2.6)	68,484(12.1)	16,415(2.9)
2015	564,035	68,958(12.2)	409,759(72.6)	388,611(68.9)	11,730(2.1)	58,102(10.3)	15,535(2.8)
2016	559,678	67,563(12.1)	418,163(74.7)	399,025(71.3)	10,184(1.8)	48,866(8.7)	14,970(2.7)
2017	567,763	67,734(11.9)	432,333(76.1)	413,971(72.9)	9,183(1.6)	44,182(7.8)	14,401(2.5)

Note: \*Freeters refer to those with temporary jobs,

Source: Ministry of Education, Culture, Sports, Science and Technology School Basic" Survey" (The report is made by authors' own calculation on the basis of the survey)

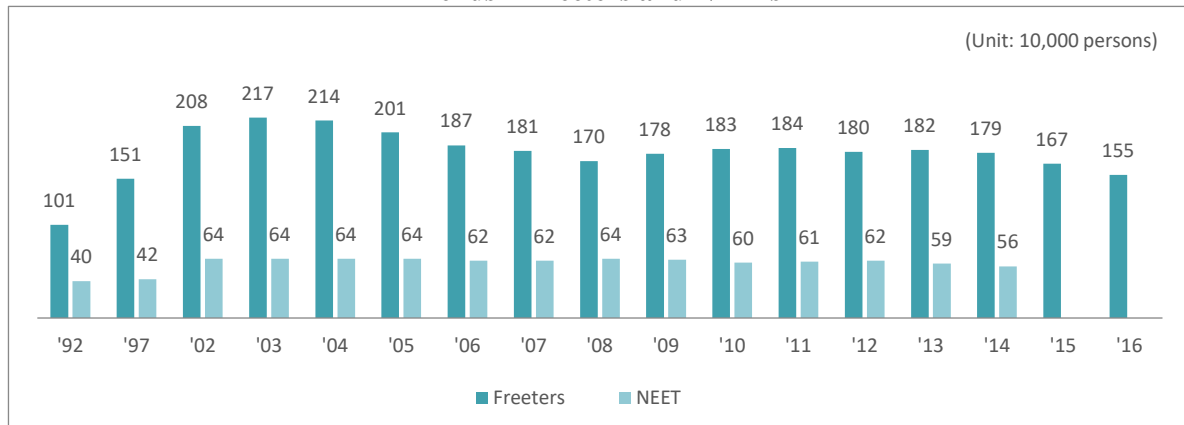
For college graduates in Japan, the non-regular employment of young people can be seen as a remarkable feature since the 2000s.

Let us look at the trend of the freeters and the NEETs, which is a symbol of Japanese youth employment problem. The number of freeters has continued to surge from about one million people in 1992 to more than 2 million people in the recession since the early 2000s. It decreased from the mid-2000s to 1.7 million in 2008, but it has increased since then due to the global financial crisis. The number of the NEETs increased from 400,000 in 1992 to the early 2000s, reaching 640,000, which has remained almost unchanged since then, but falls below 600,000 from 2013 (see Figure 2.6). The improvement in numbers of freeters and the NEETs takes

longer time compared to the overall employment situation outlined above. It can be seen that the problem of freeters and the NEETs is a problem that is hard to solve.

In Korea, the gaps by employment types or the size of the company are so severe that they cause employment problems for young people, but the gap in Japan is not so great. Let's look at the actual situation of the gap.

**Figure 2.6**  
**Trends in freeters and NEETs**



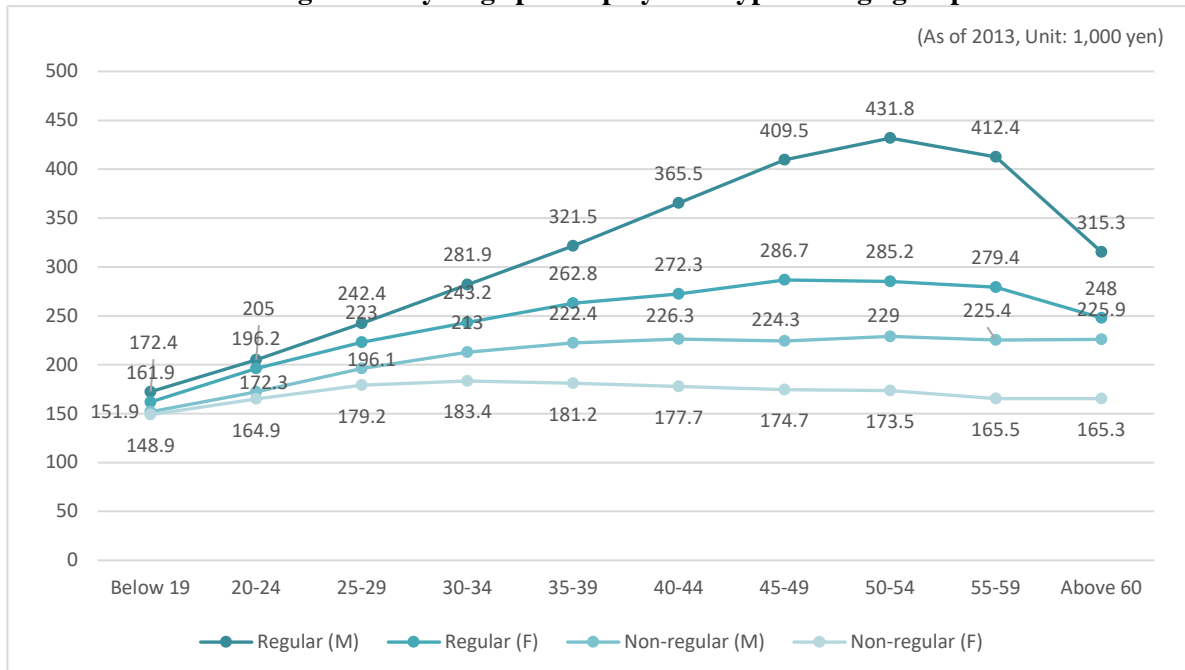
*Source:* Statistics Bureau "Labor Force Population Survey" every year

(The report is made by authors' own calculation on the basis of the survey)

There are three characteristics of wage by age, employment type or sex. First, in the early 20s, there is almost no wage gap by employment type or sex. Second, as age increases, regular workers' wage increases continuously, but that of non-regular workers hardly increase. As a result, the gap between regular and non-regular workers increases according to the age increase. Third, the wage gap by employment type is much larger for males than for females. If the wage of regular workers aged 50-54, the age group with the highest wage level, is set at 100, the wage of non-regular workers is 53.0 for males and 60.8 for females. Looking at the sex wage gap by employment type, if the wage of a male regular worker in 50-54 age group, 431.8 thousand yen, is set at 100, that of female regular workers is 66.0, male non-regular workers' is 53.0, and female non-regular workers' is 40.2 (see **Figure 2.7**).



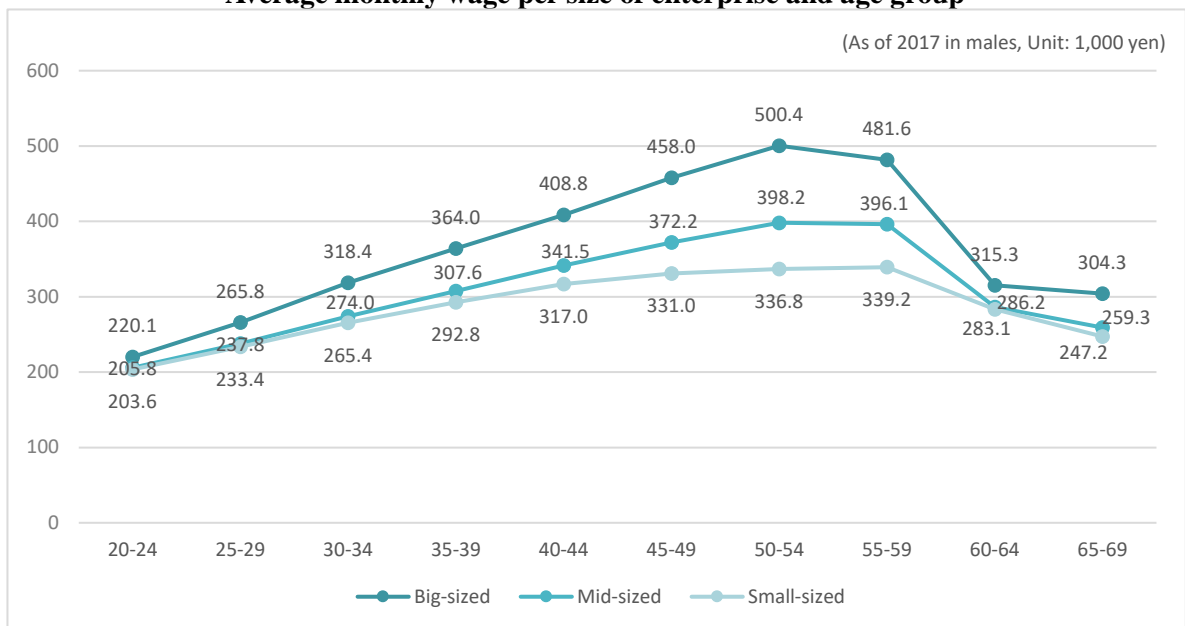
**Figure 2.7**  
Average monthly wage per employment type and age group



Source: Ministry of Health, Labor and Welfare (2013b) "Basic Survey on Wage Structure"

On the other hand, wage gap by age group shows that there is almost no gap between large enterprises (1,000 or more), medium enterprises (100-999) and small enterprises (10-99) in the early 20s. As age goes up, the gap by the size of enterprise becomes larger. Based on the age group of 50-54 with the highest wage level, if the wage of large enterprises is at 100, it is 79.6 for medium enterprises and 67.3 for small enterprises (see Figure 2.8).

**Figure 2.8**  
Average monthly wage per size of enterprise and age group



Source: Ministry of Health, Labor and Welfare (2017) "Basic Survey on Wage Structure"

As mentioned above, the wage of young workers in Japan is not much different by employment type and size of enterprise. Young workers have the tendency to find a job as a regular employee in a large corporation, but if they fail to do so, they not hesitate to get a job at a smaller business or as a temporary worker because for the wage gap is not so large.

### **2.3 ISSUES OF YOUTH EMPLOYMENT AND BEST PRACTICES OF YOUTH EMPLOYMENT POLICIES**

As we have seen, the employment situation in Japan had improved significantly since 2013 when Abenomics<sup>25</sup> started, and the employment of young people is no exception. In the meantime, the problem of youth employment remains a big issue to be solved. It is because there are many freeters and the NEETs that symbolize the problem of youth employment.

As we have seen, in the case of adolescents, the gap between regular and non-regular workers and the size of firms is not large. However, as the age increases, the wages of non-regular workers hardly rise, making marriage, childbirth or children nurturing or their education impossible, and causing social problems such as low fertility. In addition, non-regular workers have a limited opportunity to receive vocational education / training at work according to age increase, and their ability and performance are limited, which can have a negative impact on the employer, the workplace and the economy as a whole. In this regard, the regularization of non-regular workers has emerged as the economy's task.

First of all, let's take a look at the causes of the problem of Japanese youth employment, which is represented by freeters and NEET.

The first cause is the low educational attainment and low professional consciousness. Depending on the level of education, the ratio of getting a regular job at the same time as graduation is different. The ratio was 76.2% for college graduates, 61.5% for vocational school graduates and 45.1% for high school graduates. The rate of getting a regular job in middle or high school dropouts is 7.8% in middle or high school and 7.5% for vocational school or university dropouts. The percentage of getting regular jobs is very low. For the NEETs, the most serious problem for youth employment, the rate of whom with regular work experience is only 19.3%, and 64.4% are with part-time work experience. The lower the education level, the more likely it is that they will continue to be irregular workers.

When looking at those who have not decided on a job or career when they are in high school or college, there are the following characteristics: do not know what to do, do not receive career guidance, have poor grades, too late to find a job, or do not have self-confidence to get a job. Among university students, the lower the university level, the lower the students' job consciousness.

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<sup>25</sup> Abenomics ,refers to the economic policies advocated by Shinzō Abe since the December 2012 general election, which elected Abe to his second term as Prime Minister of Japan. Abenomics is based upon "three arrows" of monetary easing, fiscal stimulus and structural reforms. The Economist characterized the program as a "mix of reflation, government spending and a growth strategy designed to jolt the economy out of suspended animation that has gripped it for more than two decades".

Also, in terms of life experience of the NEETs, 55.0% of them have been bullied at school, 49.5% have gone through psychiatric treatment, and 35.9% have been ‘Hikikomori<sup>26</sup>.’ In addition, 41.4% have had a problem with human relations in the workplace and 55.0% have left the company by themselves. As such, the NEETs have had problems at school, in health and at the workplace.

The reasons for refusal to go school, which is easy to be connected with the NEETs, are as follows: family problem (37.7% for primary and middle school / 16.5% for high school), friendship problem (26.4% / 15.9%) and poor academic performance (19.8% / 20.8%). By the end of 2015, the number of those who refused to attend school reached about 170,000.

As described above, the factors to become freeters or the NEETs are family problems, relationship problems in the school or the workplace and diseases, and they are very complicated and connected to each other.

Second, it is a disease. As a result of asking why the NEETs did not want to work, 29.7% of the answerers said, “illness or injury.” The specific contents of the disease cannot be known, but as mentioned above, the mental factors seem to be large.

Third, it is a mismatch which can be observed in many ways. There is a weakening linkage between school and the workplace. According to a survey for 15-34-year-olds, the employment type for the first year after graduating from the last school is so important. At the time of the survey, the ratio of regular employment is 84.5% for those who got a regular job for the first year, but 38.1% for those who had an irregular job during their first year after graduation. The employment type of the first year after graduation has a great impact on the type of employment thereafter. In Japan, the system of linking schools and jobs for high school graduates is well established, but college graduates are not. As the number of college graduates increased, the connection between the school and the workplace became worse in the end. Also, there is the inter-firm gap of effective job applicant ratio. The smaller the firm size is, the higher the job applicant rate stands, because young people prefer to go to large corporations. As a reason for not getting a regular job at the same time as graduating, 27.4% answered that they applied for a full-time job, but they were not hired. If applicants apply for SMEs with more job openings, they may be hired as regular employees. The mismatch of ability is also seen. According to SME survey results, 34.9% of SMEs experienced mismatch of employment, and 61.7% of them said, “applicants did not meet the company's required competency level.”

The inconsistency also exists in work or working environment. As the reason why worker quit his or her first job after graduation, 22.2% of the respondents said, “long working hours, or not enough vacation days,” followed by 19.6% answering “poor workplace relationships” and 18.8% saying “job not in line with career goals.”

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26 In Japan, hikikomori (Japanese: ひきこもり or 引き籠り, lit. "pulling inward, being confined", i.e., "acute social withdrawal"; colloquially/adaptive translation: shutter) are reclusive adolescents or adults who withdraw from social life, often seeking extreme degrees of isolation and confinement. Hikikomori refers to both the phenomenon in general and the recluses themselves. Hikikomori has been described as loners or "modern-day hermits".

In order to solve the problem of temporary workers in the young age group, many measures were taken at the government level since 2003 in Japan. The following is the main contents of the measures that have been carried out recently.

First is a satisfactory transition from school to work. In order to be able to get a regular job at the same time as graduation, the linkage between school and governmental employment center and vocational education and career guidance at school are important. The Ministry of Health, Labor and Welfare, Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Economy, Trade and Industry jointly provide support for the students who don't decide to get regular jobs. They strengthened the linkage between job supporters at governmental employment centers (as of 2016, 57 centers) and job-hunting counselors at the universities to share information, and the job supporters have face to face consultation with the students who don't decide to work. Also, they pioneered company wanting to hire students graduating from school and supported matching with the SMEs. Job supporters visit the SMEs and ask them to hire the students graduating from school and give opportunities for the SMEs to interview young people respectively or hold joint briefing sessions. In 2014, 641,000 people used the New Scholars Support Employment Center for the support, and about 105,000 of them were decided to get regular jobs.

Second, is the policy to convert irregular workers into regular workers. 47.3% of non-regular workers want to work in the employment type of regular worker. In order to convert irregular employees into regular employees, the Employment Center for Young People (28 places as of April 2017) has increased the vocational consciousness of the irregular workers and has been using the 'trial employment money' for the company to hire them as regular workers. The Youth Employment Center provides individual support for the freeters, provide seminars and group work activities, introduce vocational training opportunities and provide settlement support after employment. In 2016, about 308,000 people were employed in regular employment by the supports. In 2016, the trial subsidy amounted to about 2.8 billion yen, by which about 25,000 people completed the training and 73% of them became regular employees.

Since 2011, "Jobseeker Support System" has been established and operated as one of the second safety nets. In this system, vocational training is provided for job seekers (unemployed after graduating from school, school dropouts, irregular workers, etc.) who are not covered by employment insurance. Vocational training is divided into basic courses (2-4 months) and practical courses (3-6 months). The former course is designed to increase the professional consciousness and communication skills and to learn how to use computers and how to write office documents. The latter course is designed to guide trainees to get the skills of Office Automation, medical office, accounting, program, care and welfare. If trainees meet monthly requirements, such as 80,000 yen or less per month in income and 80% or more of attendance rate, they will receive 100,000 yen per month during the training period. The number of students attending this training peaked at about 100,000 in 2012 and since then decreased to 27,000 in 2017, and the total number of students attending the training was 378,949 over the 7 years. In 2017, the employed rate of those who completed the training was 58.3% for the basic course and 65.1% for the practical course.

Third, the Ministry of Health, Labor and Welfare supports the operation of the Local Youth Support Station (173 as of 2017), which was established by the municipal governments since 2006. In 2016, 14,157 people were employed through the support of the Support Station. 61.9% of new registrants were employed, and 88.1% of whom were employed within one year. The support station supports the users through the support activities such as individual consultation of career counselors, preparation of support plans, development / implementation of programs for individual / group employment, self-recovery through intensive training programs, basic skills and knowledge required for the workplace, workplace tours and work experience, counseling for career improvement and seminars and individual counseling for their parents or carers.

Since 2009, Hikikomori Local Support Center has also been established and operated in cooperation with related organizations in the areas of health, medical care, welfare, education and employment for the isolated people. The number of the centers is 64 in 2016.

Fourth, there is SMEs' youth employment support. Under the Youth Employment Promotion Act, in October 2015, the Youth Yell Certified Company system was established, and the number of recognized enterprises reached 209 as of June 2017. In order to be registered as a Youth Yell-certified company, overtime-working hours must be 20 hours or less per month, no more than 60 hours per month and the employees take 70% or more of paid holidays in average. Youth Yell certified corporations have great advantages such as being publicized at employment centers, participating in job interviews, using the mark of recognition for their own products and advertisements and adding subsidies for young recruitment / upbringing support.

## **2.4 CONCLUSION**

Until the 1980s, Japan had the lowest unemployment rate among the major industrialized economies under Japanese employment practices, and employment of young people was not a big problem. However, in 1991 after the collapse of the bubble economy in the long recession, the demand for labor was lowered, so the unemployment rate rose, and the problem of youth employment was highlighted. The problem of youth employment seems to be charged more on the supply side than on labor demand side. In other words, those who cannot get a regular job at the same time as a school graduate have problems such as low consciousness for vocation or academic level, low attendance rate and the same goes for school dropouts. Under the strong hiring practices of recruiting new graduates, they could not find a full-time job and have remained freeters or the NEETs.

In 2003, the Japanese government launched a policy to solve the problem by reporting that young people's employment problems (especially freeters or the NEETs problem) caused a decline in the economy's competitiveness. The main policy contents were the smooth transition from school to work, the transition from irregular to full-time and the employment of young people in small and medium-sized enterprises. These policies have achieved some results, but they have limitations. It is because the problem of youth employment is very rooted and various factors are interrelated. The factors such as family, childcare / education, health, human

relations and corporate recruitment practices are so strong that it is difficult to solve the problems with a unified policy for young people and individual measures must be taken.

The implications of the study on youth employment in Japan are as follows. First, current employment practices that can be employed at the same time as graduation are useful for a good transition from school to work. In order to make these employment practices more effective, it is necessary to set up an education environment to reduce the number of school dropouts and for students to have a stronger professional consciousness. There is a divorce of parents and an economically difficult home environment in a background of school dropouts or low vocational consciousness. It is important that every student has a good education and enhance academic ability without being influenced by the home environment. For that public education, service should be strengthened. Second, it is the strengthening of vocational education. About 30% of college graduates turnover within three years of their first job. It is necessary to lower the first turnover rate by making the first job choice more accurate. In order to do this, it is necessary to provide education not only to provide a lot of job information in the school curriculum but also to increase the ability to select a job that is more suitable for oneself. Third, it is the realization of equal pay for equal work. It is very important to create a society in which workers can be treated with their consent no matter what kind of work style they choose through these efforts of eliminating the irrational gap between regular and non-regular workers. At the present time, reforms which are promoted by the Japanese government can be the first step toward realizing such a society, and the role of labor and management is also very important.

## **CHAPTER 3. CASE STUDY OF SINGAPORE**

### **3.1 INTRODUCTION**

This chapter discusses Singaporean best practices on youth employment policies and systems, through 1) statistical analysis on youth employment, 2) literature review on youth employment-related policies, 3) issues on youth employment policies and 4) best practices of youth employment programs, from the perspectives of Korean expert.

Singapore could be characterized as the best example of small but economically advanced economy in South-east Asia region.

Based on Singaporean SkillsFuture Initiatives which are about developing skills relevant to the future, three important issues could be summarized related to youth employment directly or indirectly as follows: first, skills at workplace to harmonize with changes are more important than academic degrees from the perspectives of cultural and traditional change coming down from Confucianism; second, raising awareness to SkillsFuture Initiatives in terms of activation of SkillsFuture movement, being implemented at initial stage; third, development of new evaluation metrics of SkillsFuture effectiveness as per quality management of SkillsFuture system and its policies.

Given the system of implementing SkillsFuture, originating from SkillsFuture Movement, first, close cooperation between Ministry of Manpower and Ministry of Education, second, Skills Frameworks, third, Singapore Workforce Skills Qualifications (WSQ) and forth, SkillsFuture Credit were selected as best practice in the areas of infrastructure such as governance, skills and competencies for the workforce and financial grants, promoting youth employment directly or indirectly.

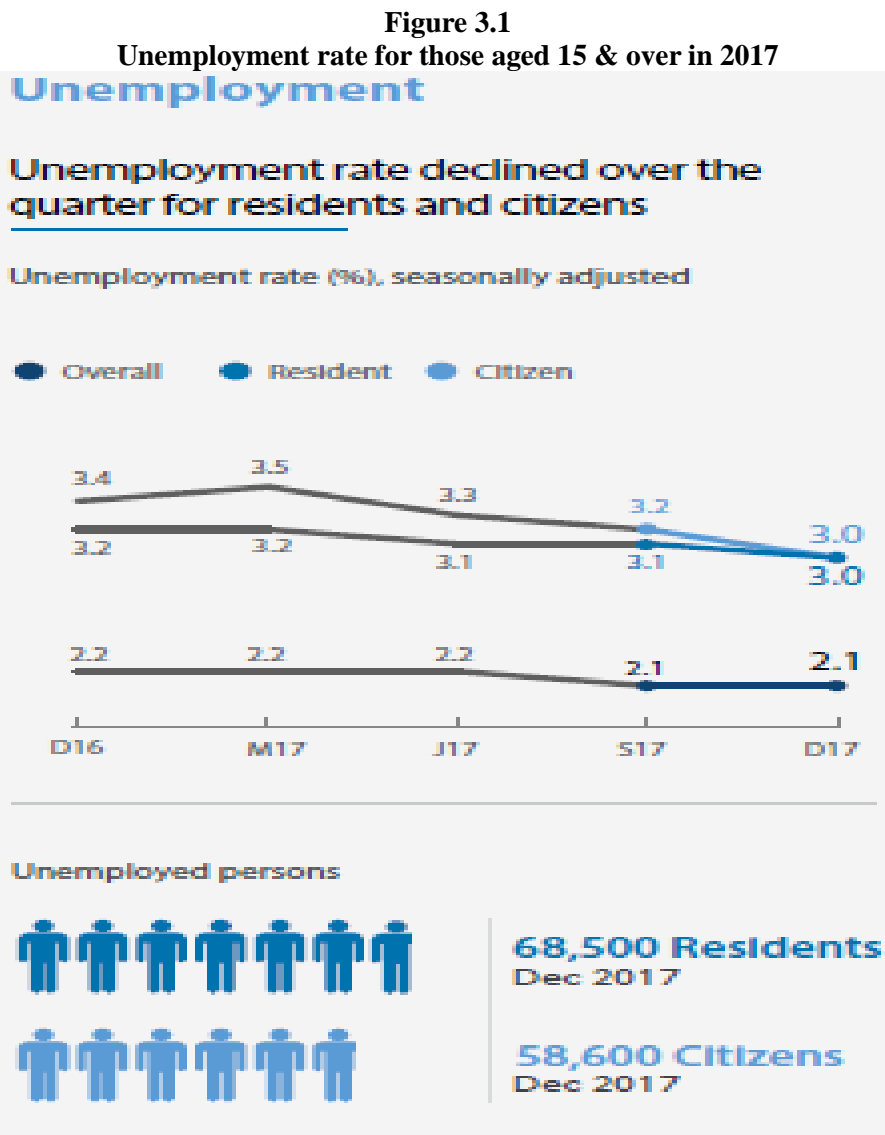
In parallel, fifth, Enhanced Internships, sixth, SkillsFuture Work-Study Degree Programs, and seventh, SkillsFuture Earn and Learn Programs were chosen as best practices which were focused on the enhancement of students' employment facilitation through facilitating the participation of workplace-related education and training.

To understand Singaporean context, it would be useful for considering 1) Singaporean culture such as longer staying with parents' home before marriage, 2) their education and training policies towards ability-driven education and 3) social benefits tied to employment like the Central Provident Fund (CPF), etc., together with 7 best practices selected by the author.

### 3.2 STATISTICAL ANALYSIS ON YOUTH EMPLOYMENT

#### 3.2.1 Overall Situation of Labor Market in Singapore

According to *The Labour Market Report (2017)* by the Ministry of Manpower, the labor market improved in the fourth quarter of 2017. Quarter-on-quarter, the unemployment rate for residents and citizens continued to fall (refer to Figure 3.1) and the ratio of job vacancies to unemployed persons rose. Employment increased in the fourth quarter of 2017, higher than the same period a year ago.



Source: Source: Labour Market Report 2017, Manpower Research and Statistics Department, Ministry of Manpower.



68,500 residents<sup>27</sup>, including 58,600 citizens, were unemployed in Dec. 2017. This was lower than the levels in Sep. 2017 (70,800 and 61,300 respectively).

For the year 2017, as a whole, total employment declined as foreign employment continued to contract, mainly due to a decrease in work permit holders in construction and marine shipyard. Local employment increased, with growth nearly doubled that in 2016.

The employment rate for residents aged 25 to 64 continued to increase, from 80.3% in 2016 to 80.7% in 2017. Likewise, the employment rate for residents aged 65 and over increased from 25.5% to 25.8%. The employment rate for those aged 15 and over declined, reflecting population aging and a decline in the employment rate for youths aged 15 to 24 from 35.8% to 34.1%, as a result of the higher propensity of youths to pursue further education and postpone entry into the labor force (refer to Figure 3.2).

**Figure 3.2**  
Resident employment rate by selected age groups and sex

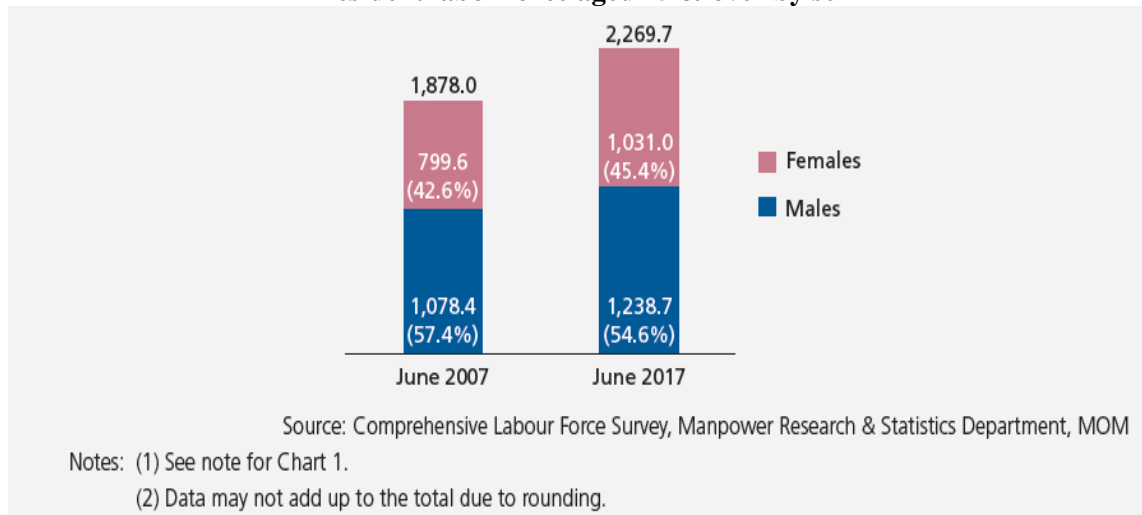


Source: Labour Force in Singapore 2017, Manpower Research and Statistics Department.

<sup>27</sup> Residents refer to Singapore citizens and Permanent Residents.

With the general uptrend in female LFPR (Labor Force Participation Rate) and stable male LFPR over the decade, females made up a higher share in the resident labor force in 2017 (45%) than in 2007 (43%). There were 2.27 million residents in the labor force in 2017, comprising 1.24 million men and 1.03 million women (refer to Figure 3.3)

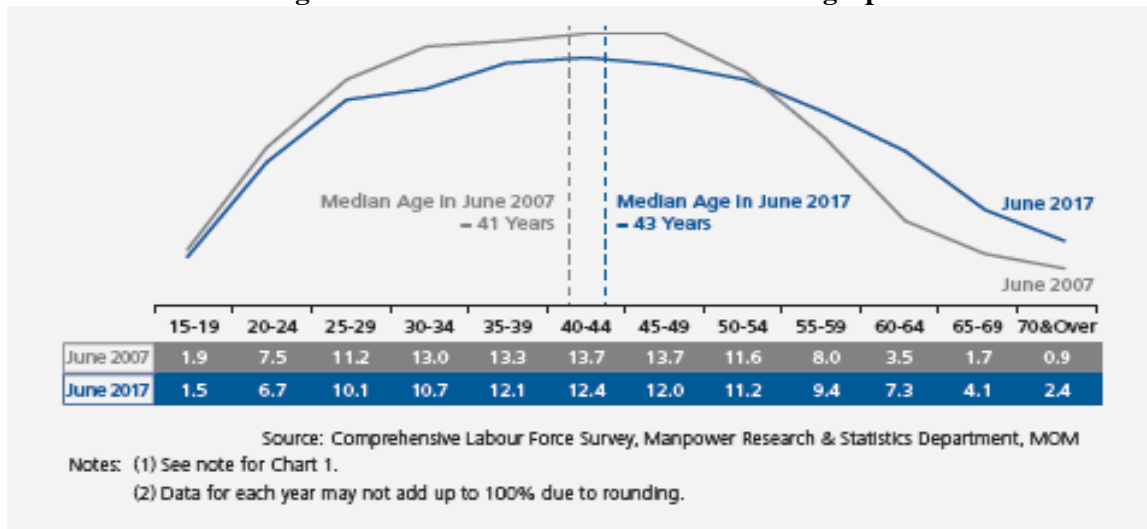
**Figure 3.3**  
**Resident labor force aged 15 & over by sex**



Source: Labour Force in Singapore 2017, Manpower Research and Statistics Department.

The changing demographics of Singapore's population inevitably impact the profile of resident workers. The age distribution of resident labor force graph shows that reflecting the shift of the post-war baby boomers towards older age groups and the uptrend in LFPR for older residents over the decade, the share of those aged 60 and over in the resident labor force rose substantially from 6.1% in 2007 to 14% in 2017. The median age of residents in the labor force rose from 41 years in 2007 to 43 years in 2017 (refer to Figure 3.4).

**Figure 3.4**  
**Age Distribution of the resident labor force graph**

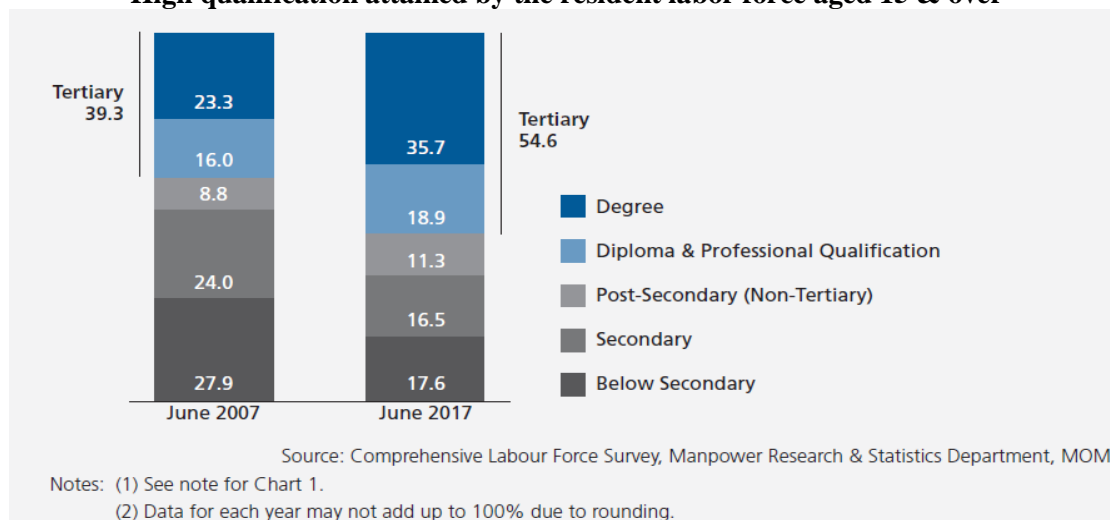


Source: Labour Force in Singapore 2017, Manpower Research and Statistics Department, Ministry of Manpower.

### 3.2.2 The trend of Youth’s High Qualification Acquisition and Unemployment

The education profile of the resident labor force continued to improve. 55% of the resident labor force in 2017 had tertiary qualifications, up from about 39% in 2007. Most of the increase was from degree holders, whose share in the labor force rose from about 23% in 2007 to about 36% in 2017 (refer to Figure 3.5).

**Figure 3.5**  
**High qualification attained by the resident labor force aged 15 & over**



Source: Labour Force in Singapore 2017, Manpower Research and Statistics Department.

According to Yong, Heng, Thangavelu, & Wong, (2007), the return to investment in education in Singapore tend to increase with years of schooling, with the returns to tertiary education

generally higher than those for non-tertiary education. This is similar to the findings for other Asian newly industrialized economies like Korea and Hong Kong, China.

Meanwhile, Singapore's economic growth rate has slowed down since the crisis, reaching 2.0 % in 2015, and may challenge the Government's efforts to attain a low youth unemployment rate. The relatively low LFPR of young people can be accounted for by the tendency of young people to stay in education longer (ILO, 2016).

Tertiary enrolment has increased, explaining the drop in the youth LFPR of 55 percent in 1991 to 36 percent in 2013. For young graduates, their unemployment rate remains low; yet there is increasing acknowledgment that as the number of degree holders is increasing, some are underemployed and not working in the same field as their degree (Ye, 2013).

In general, there has been a declining youth unemployment rate since 2005, which stood at 8.3 percent, compared to 6.7 percent in 2013. Young people are approximately three times as likely to be unemployed than adults. Young women consistently face a higher youth unemployment rate than their male counterparts, although this has also declined since 2005. The youth unemployment rate for women as 8.6 compared to 5.9 for young men in 2013 (Ye, 2013).

### **3.3 LITERATURE REVIEW ON YOUTH EMPLOYMENT-RELATED POLICIES**

*Youth Employment Policy Summary* issued by ILO (2016) indicated Singapore's approach to youth employment has been to focus on ability-based education, matching supply and demand, and making social benefits dependent on employment rather than unemployment. Through its ability-based education system, students are grouped based on their academic performance and are tailored according to their academic or vocational abilities.

However, the relatively low LFPR of young people can be accounted for by the tendency for young people to stay in education longer. For young graduates, their unemployment rate remains low.

Also, ILO explained a system of close collaboration between the ministries of education, manpower, and trade enables a closer matching between labor demand and supply. Furthermore, without automatic unemployment benefits, Singapore instead has focused on employment benefits, which makes young people keen to find a job even if not their ideal one.

In addition, SkillsFuture provides opportunities for continuing education and training to keep pace with technological advances and global competitiveness.

Ramos & Gopinathan (2016) considered that WSQ (Workforce Skills Qualifications) is key to facilitating the transition from PET towards CET. There are 3 skill sets that form the basis of WSQ: 1) occupational skills for job-specific skills required to perform one's work, 2) industry skills for broad industry skills and know-how, 3) employability skills for generic and portable skills applicable for all industries. The development of WSQ includes close collaboration with industry. The standards developed by then WDA (Singapore Workforce Development Agency) in collaboration with various industries provide the basis for industry sectoral frameworks employed by this system.

Meanwhile, Ministry of Manpower (2010) expressed that the economic profile of Singapore youths improved. Their shrinking presence in the workforce over the years can be explained by taking advantage of the many opportunities to improve their educational qualifications<sup>28,29</sup>. Thus, the youth have postponed rather than been denied entry into the workforce.

As in other economies, Singaporean youths experienced a higher unemployment rate than the general labor force, but the ratio of youth to total unemployment rate was lower than OECD's average. That is, youth in Singapore have one of the lowest unemployment rates in the world (NYC,2014).

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28 Higher educational attainments not only translated into considerably higher incomes but also more secure jobs for youths. Incomes for youths aged 20-24 with upper secondary and lower qualification in full-time permanent employment clustered in a narrow range b/w \$1,100 and \$1,500. This increased to \$1,870 for polytechnic diploma holders and \$2,600 for university graduates (The Ministry of Manpower, 2010).

29 Gross monthly income(median) from work, including employer CPF, of full-time employed Singaporean citizens has been being gradually increased from 2007 to 2017 (2007:\$2,449, 2008:\$2,748, 2009:\$2,748, 2010:\$2,887, 2011:\$3,070, 2012:\$3,248, 2013:\$3,480, 2014:\$3,566, 2015:\$3,798, 2016:\$3,823, 2017:\$4,050) (Ministry of Manpower & Manpower Research and Statistical Department, 2017).

Youth in Singapore who were at risk of remaining idle were extremely few in number. Singapore's NEET (Not in Employment, Education or Training) rate<sup>30</sup> was also a quite low in comparison to most OECD economies, signifying that youths were doing relatively well. This reflects the success of the education system in preparing youths for the workplace<sup>31</sup>, as well as the flexibility and efficiency of Singapore's labor market. Similar to the overall workforce, most youths were employed in the service sector, which accounted for nine (90.6%) out of every ten youths employed in June 2013. Wholesale & Retail Trade (17%) and community, social & personal service (28.8%) were more likely to employ youths than other industries, for example, accommodations & food services(12.0%) and professional services(7.9%) in 2013 (NYC, 2014).

In this context, Ye (2013) extracted the secrets behind Singapore's low youth unemployment, based on discussions by first teasing out supply-side explanations, with a background on the education and training systems of Singapore; second, certain key institutional characteristics of the labor market that play a part in shaping outcomes. And third but not least important, highlight ongoing processes that could test and challenge the resilience of the city-state's youth (un)employment situation.

She pointed out three important points, leading to low level of youth unemployment in Singapore: 1) ability-driven education in terms of manpower supply, 2) centrally planned manpower from demand side has been attributed as playing a key role in ensuring alignment between economic goals, priority industries, and training of workforce, 3) social benefits tied to employment, based on impetus to get a job-whether good or not- is high, because employment is intimately linked to contributions to one's Central Provident Fund(CPF) account<sup>32</sup>. The CPF scheme in Singapore, or a social policy based on assets, come together between social and economic interests. Michael S. et al. (2008) insisted that most social policy is financed out of CPF's individual asset accounts and social policy is better integrated with economic policy: by far the most important social impact of CPF to date has been in housing. There is little doubt that widespread home ownership has had a major impact on social stability.

The superimposition of Singapore's low youth unemployment rate against the global youth unemployment crisis makes this city-state an apt setting to explore reasons for its more

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<sup>30</sup> Total NEET youths was 19,700 and NEET rate was 3.7% in 2013 (NYC, 2014).

<sup>31</sup> More youth were working and studying of the same time as compared to a decade ago. The share of working students among employed youths rose from 9.1% in 1999 to 24% in 2009. The employment profile of working students involved internships/vocational jobs(47%), job while schooling(44%) and jobs while awaiting examination results(8.9%) (The Ministry of Manpower, 2010). According to Comprehensive Labor Force Survey, MOM(NYC, 2014), 47.1% of youths aged 15-24 in education got involved in part-time employment and 11.1 % of youth not in education was part-time employment in June 2013.

<sup>32</sup> CPF was created in 1955 by the British colonial administration to provide retirement security for workers. Both employers and employees pay into individual employee accounts during working years and originally a contribution of 10% of the payroll was imposed. Even though the CPF was originally intended as an old-age retirement scheme, its role was later extended to permit the withdrawal is also now permitted to meet the cost of children's higher education, one's medical care and health insurance (Vasoo and Lee, 2001). Such a social policy thus compels Singaporean to find job and stay in workplace.

In Singapore, social policy is primarily designed to facilitate economics development. This does not mean that social programs do not seek to meet social needs. Indeed, there is substantial evidence to show that social policy has contributed significantly to improving standards of living. But, in meeting social needs, the government has ensured that social policy does so within the context of contributing to the economy's overriding goal of maintaining high rates of economic growth (Vasoo and Lee, 2001).

favorable labor market outcomes for young people. In particular, keeping the youth unemployment rate low has not been so much the focus of government policies as much as it has been a by-effect of policies to keep both youth and adults in Singapore employable or in employment.

The youth employment situation in Singapore has certainly shown an encouraging trend, but institutions that train, educate and provide jobs for young people must ensure the mutability of their institutional characteristics to meet with evolving trends within the labor market. The increasing wage disparity between those with higher education and those without is potentially problematic and could impact on job satisfaction and provoke resentment amongst those without higher education.

A possible intervention for this problem could be better alignment between the systems of pre-employment training (PET) and continuing education and training (CET) so that young adults are able to go out to work and return back to CET later with their prior experience and qualifications recognized. The fluidity between the systems is of utmost importance in a climate where credentials and qualifications are accorded such high regard.

Tse, Esposito, & Chatzimarkakis (2013) suggested the best way is by looking at how Singapore has obtained such current low rates of youth unemployment. A big part of the explanation is that this economy has constantly been improving their competitiveness.

For example, Singapore consistently ranks much higher on the World Economic Forum's Global Competitiveness Index. This is because Singapore has focused on activities that seek to promote innovation and productivity. It has a large supply of educated and skilled talent, built over the years, with the smart collaboration of foreign institutions that were garnering local capacity. This, combined with policies to encourage entrepreneurial activities and business creation, has allowed Singapore to create a continuous stream of new jobs that match the skills and aspirations of the economy's young people.

Authors insisted that Singapore has been walking the talk of competitiveness for longer, and more effectively than its fierce Asian competitor including Hong Kong, China. Also, they said that the youth unemployment phenomena are not in lack of skills, but training graduates for jobs that ceased to exist, inflexible labor markets, a mismatch of opportunities and skills, and a mix of cultural and attitudinal factors.

### **3.4 ISSUES ON YOUTH EMPLOYMENT POLICIES<sup>33</sup>**

Based on SkillsFuture Initiatives mainly managed by SSG cooperating with WSG and other agencies, 3 issues could be summarized related to youth employment directly or indirectly as follows.

#### **3.4.1 Skills at Workplace to Harmonize with Changes are More Important than Academic Degrees**

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<sup>33</sup> The contents of this part was mainly referred to the workshop material, titled as MOEL-IAL "Singapore SkillsFuture" Workshop (Ministry of Employment and Labor (MoEL), KRIVET, IAL (Institute for Adult Learning), and SSG, 2017).

Gone are the days when the general expectation was to study hard early in life, attain the highest possible qualification, secure a good job, and remain in the exact same role until retirement. Moving forward, Singapore's ability to stay competitive and successful will depend largely on the extent to which her workforce is able to embrace and keep ahead of the changes, and this involves skills upgrading and deepening through the CET (Continuing Education & Training).

The importance of engaging in CET was actually underscored by former Prime Minister Goh Chok Tong (1997) a decade ago:

*“Education and training are central to how nations will fare in this future. Strong nations and strong communities will distinguish themselves from the rest by how well their people learn and adapt to change. Learning will not end in the school or even in the university. Much of the knowledge learnt by the young will be obsolete some years after they complete their formal education.”<sup>34</sup>*

Encouraging the moving away from the prevailing preference for academic paper qualification, specifically university education, and the generally negative perception of vocational skills acquisition. Minister for Education Ong Ye Kung<sup>35</sup> highlighted that

*“Degrees, like most things in life, can become obsolete. We live in a world where information and knowledge can be googled and available online. Skills are what carry a premium now, and skills need to be honed throughout our lifetimes. There is for a simple reason - because information can be ‘Googled,’ skills cannot. Whether you are performing surgery, coding a complex IT program, cooking for your customers, repairing a car, negotiating effectively, or working in a team with people of different cultures- all these are skills.”*

Also, he emphasized that employers play an extremely important role in helping to move societal sentiments away from a preference for academic qualifications and towards a greater appreciation for demonstrated skills and competencies. He asked employers for changing their mindsets:

*“Hire based on interest, skills and cultural fit, and not just based on grades and qualifications. Because MOE (Ministry of Education) can say all we want about dialling back from an over-emphasis on academic grades, but our message will ring hollow, unless employers can demonstrate that good jobs need not necessarily come from good grades.”*

### **3.4.2 Raising Awareness to SkillsFuture Initiatives**

In 2016, a total of 380,000 Singaporeans benefitted from various government-funded training. Though this is an increase of 30,000 from the year before, more can be done to reach out to

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34 In the case of the UK, A poll of 500 chief executives and board-level directors of business revealed that for employers, knowledge and awareness of the wider world is more important than the degree classification or A-levels (Think Global & British Council, 2011)

35 Singapore University of Social Sciences Bill Second Reading Speech by Mr. Ong Ye Kung, Minister for Education (May 08, 2017)



and engage the 3.4 million Singaporeans here, especially as it is not easy to comprehend the SkillsFuture Movement and all that it encompasses (IAL, 2017).

Today Singapore has a comprehensive CET system, and individuals have greater opportunities to acquire relevant skills through the myriad of SkillsFuture Initiatives and incentives. However, an overall participant in training activities is still relatively low.

SSG Chief Executive gave it a B grade and acknowledged that finding ways to change mindsets and attitudes around skills mastery and lifelong learning is a priority area, but an uphill task (IAL, 2017).

### **3.4.3 Development of New Evaluation Metrics of SkillsFuture Effectiveness**

Alongside raising awareness of SkillsFuture and promoting a culture of lifelong learning, there is a need to evaluate the effectiveness of SkillsFuture efforts and make revisions where necessary.

Currently, some of the indicators that SSG tracks and monitors include training participation and completion rates, feedback from employees and employers, and the utilization of training grants. This provided some form of measurement that contributes to evidence-informed policies<sup>36</sup>.

However, it is also important to go beyond the immediate and longer-term impact of specific SkillsFuture initiatives and the broader SkillsFuture Movement.

This requires collaboration with relevant stakeholders and engagement in rigorous research work to identify appropriate direct and indirect measures of success.

Evaluating SkillsFuture programs may not be straightforward as many of them are multifaceted, involve multiple stakeholders and have several objectives. Gaining an understanding of the local education and employment context is also essential. Holistic evaluation of the program would be needed.

## **3.5 BEST PRACTICES OF YOUTH EMPLOYMENT PROGRAMS<sup>37</sup>**

According to SSG's 2017 Year-In-Review below, SkillsFuture as a domestic movement to provide Singaporeans the opportunities to develop the fullest potential throughout life regardless of their starting points has been being produced impressive outcomes, leading to build of a future based on skills and mastery.

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36 SSG has a Quality Management Division to oversee the quality of the training organizations and courses. The division evaluate and accredits training organizations eligible to deliver stipulated training and assessment services under WSQ system. Once approved, they will be known as ATO (Approved Training Organization). Each of ATO's courses are further accredited for WSQ status and approved for SSG funding. An important component of this Quality Assurance Framework is the Continuous Improvement Review(CIR). Upon approval, every ATO is to maintain and upkeep the standard of delivery in training and assessment. SSG is periodically validate the internal quality assurance system and capability of each ATO under CIR (Choi, Y. S., et al., 2017).

37 The contents of this part was mainly referred to the workshop material, titled as MOEL-IAL "Singapore SkillsFuture" Workshop ( Ministry of Employment and Labor (MoEL), KRIVET, IAL (Institute for Adult Learning), and SSG, 2017).

Given the System of implementing SkillsFuture, originating from SkillsFuture Movement, first, close cooperation between Ministry of Manpower and Ministry of Education, second, Skills Frameworks, third, WSQ (Singapore Workforce Skills Qualifications), and forth, SkillsFuture Credit were selected as best practice in the areas of infrastructure such as governance, skills & competencies for the workforce, and financial grants, promoting youth employment directly or indirectly.

In parallel, fifth, Enhanced Internships, sixth, SkillsFuture Work-Study Degree Programs, and seventh, SkillsFuture Earn and Learn Programs were chosen as best practices which were focused on the enhancement of students' employment facilitation through facilitating the participation of workplace-related education and training.

**Figure 3.6**  
SkillsFuture 2017 review



Source: SSG (2018). Briefing on SkillsFuture

### 3.5.1 Close Cooperation between the Ministry of Manpower and Ministry of Education

Singapore Workforce Development Agency formerly under the Ministry of Manpower was restructured into 2 new statutory boards to sharpen the focus on skills and employment in 2016 (refer to Figure 3.7).

The mission of SSG (SkillsFuture SG) under the Ministry of Education is to enable individuals to learn for life, pursue skills mastery and develop fulfilling careers for a future-ready Singapore. SSG is carrying out following functions and roles:

- Drive and Coordinate the SkillsFuture movement
- Strengthen the ecosystem of quality education and training
- Promote a culture of lifelong learning through the pursuit of skills mastery
- Take on existing functions of the Committee of Private Education(CPE) & Institute for Adult Learning(IAL)

WSG (Workforce Singapore) under the Ministry of Manpower has a mission which enable individuals to adapt and employers to transform. WSG is implementing the following functions and roles:

- Help workers meet their career aspirations and secure quality jobs
- Help companies to become manpower-lean enterprises to remain competitive

**Figure 3.7**  
The organization chart of the Ministry of Education and Ministry of Manpower with SSG and WSG



Source: Institute for Adult Learning. (2017). *SkillsFuture Movement in Singapore*. Magdalene Lin, Emily Low.

SSG takes responsibility for people’s learning and WSG is in charge of employment facilitation, and are working together at the same building to cooperate closely with each other. According to Rebecca Ye (2013), coupled with a history of central manpower planning in Singapore that hinges on the close collaboration between the ministries of education, manpower and trade, these policies have allowed for the government to ensure that workforce demands met with optimum levels of workers supply. In this context, Singapore’s manpower-related policies have

been regarded as a very good example of cooperation among related ministries and organizations.

### **3.5.2 Skills Framework**

The Skills Framework is an integral part of the Industry Transformation Maps (ITMs), which create targeted sector-focused strategies to sustain growth and competitiveness of economy and industries. ITMs have been developed for 23 industries covering 80% of GDP to address issues with each industry. The strategies cover 1) jobs and skills, 2) productivity, 3) innovation, 4) internationalization, and 4) government enablers (SSG, 2018).

The Skills Frameworks are being developed by the government in partnership with employers, industry associations, unions and education and training institutions. Each Skills Framework contains key information on sector, career pathways, occupations job roles, existing and emerging skills, and a list of training programs, serving as a common reference for individuals, employers, and training providers in a given sector. Having a common skills language for the abovementioned stakeholders facilitates skills recognition and the design of training programs, with the objectives of building skills for a lean workforce, enhanced business competitiveness, and worker employability.

Individuals can use the framework when making career development and skills upgrading decisions, and employers can refer to it when designing human resource and training plans. At the moment, there are skills frameworks for 21 sectors: 1) hotel and accommodation services, 2) early childhood care and education, 3) precision engineering, 4) sea transport, 5) food services, 6) retail, and 7) aerospace, etc.

For example, in hotel and accommodation services(HAS), 58 occupations are categorized by job level with wage information and description of job track, which is underpinned by skills standards through articulating elaborated content of all the skills required for each occupation. With the Skills Framework for HAS, individuals are equipped with relevant information that can help make an informed decision about individual career choices, skill upgrading and future career planning. Individual may use the Skills Framework for the following areas: 1) assess career interest, 2) close skill gap, 3) prepare for desired jobs, 4) renew, upgrade and develop skills (refer to Appendix1)

### **3.5.3 Singapore Workforce Skills Qualifications (WSQ)**

WDA established in Singapore WSQ system in 2005. The WSQ is a credential system that trains, develops, assesses and certifies skills and competencies for the workforce. It builds upon the previous work of the Singapore National Skills Recognition System(NSRS) and references the VET system in the United Kingdom and Australia. The WSQ is governed by the four underlying principles of relevance, accessibility, progression, and authority (refer to Table 3.1).

**Table 3.1**  
**Underlying principles of the WSQ**

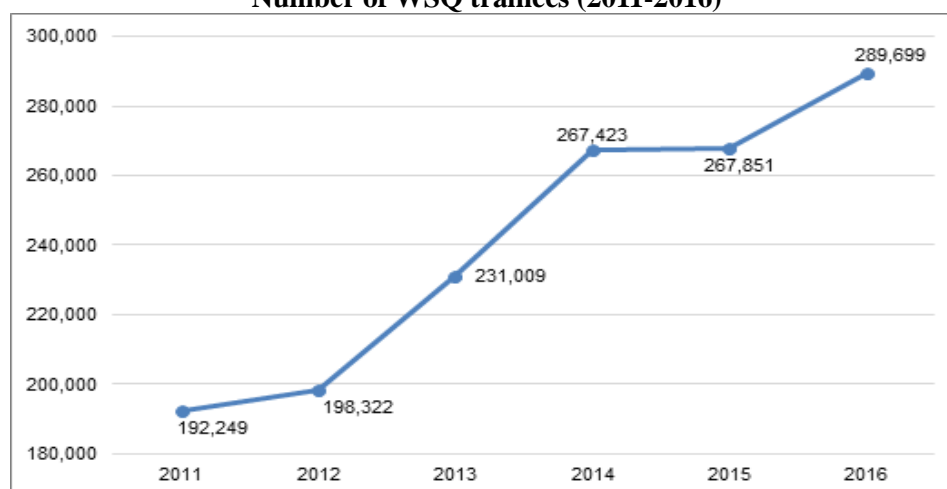
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Relevant	Accessible	Progression	Authority
A competency-based system, designed to develop job role-specific skills and competencies, as well as generic skills and competencies that are required across job roles.	Does not require academic pre-requisites for entry and recognize prior learning, such as work experience and credentials. Available in bite-sized modules leading to the award of a Statement of Attainment, which an individual may acquire leading up to a full WSQ qualification.	Makes available skills and qualification pathways which align to the Skills Framework for the respective sectors.	Statements of Attainment and qualifications are quality assured and awarded by SkillsFuture Singapore and/or in partnership with established awarding bodies.

Source: Institute for Adult Learning. (2017). *SkillsFuture Movement in Singapore*. Magdalene Lin, Emily Low.

All WSQ training programs are based on competency standards that have been developed by WDA in collaboration with industry partners. Currently, there are over 30 WSQ frameworks that contain both technical and generic skills. This extensive coverage means that the majority of industry sectors have links to the WSQ system, and workers from these sectors can engage in continuous training through the WSQ<sup>38</sup>.

**Figure 3.8**  
Number of WSQ trainees (2011-2016)



Source: Ministry of Manpower. (2017). Singapore Yearbook of Manpower Statistics 2017: Higher Education and Skills Training Table(s). Available online: <http://stats.mom.gov.sg/Pages/Singapore-Yearbook-Of-Manpower-Statistics-2017-Higher-Education-and-Skills-Training.aspx>

Within each WSQ framework, there are six qualification levels, from WSQ certificate to WSQ graduate diploma, to facilitate skill and career progression. This was not offered by the previous NSRS.

38 Analyzing impact of WSQ training, SSG conducted survey with 1,587 employers and 9,416 individuals from Sep. 2016 to Jan 2017. Individual showed following opinions: 97.2% learned new skills, 93.2% applied their new skills, 45.8% received more job responsibilities, and 71.5% felt courses facilitated job search (SSG annual report (2016/2017)).

Since 2005, more than a million individuals have undergone WSQ training. Participation in WSQ training has steadily increased every year, from 192,249 trainees in 2011 to 289,699 trainees in 2016 (refer to Figure 3.8).

The high training participation rates can be attributed to generous subsidies from the government. Singapore citizens and permanent residents enjoy 50 to 90 percent course fee subsidies on all WSQ courses. To further encourage individuals to complete their WSQ qualifications, Singaporeans who attain WSQ Certificate, Higher Certificate or Advanced Certificate are eligible for a cash award of S\$200, while those who attain WSQ Diploma, Specialist Diploma or Graduate Diploma can receive S\$1,000. This award is now known as the SkillsFuture Qualification Award<sup>39</sup>. Employers who send their employees for WSQ training can also apply for absentee payroll funding to defray their manpower costs.

### **3.5.4 SkillsFuture Credit**

One of the main schemes under the SkillsFuture Movement and by far the most well-known both locally and internationally is the SkillsFuture Credit (SFC), which aims to empower individuals in their lifelong learning and skills development (SSG, 2018).

At its Inaugural Roadshow on 9 January 2016, Deputy Prime Minister Tharman Shanmugaratnam described it as “our broadest initiative, because it involves and empowers every Singaporean. That’s what makes it unique.”

SFC aims to encourage individuals to take ownership of their skills development and lifelong learning. Local policymakers studied similar schemes in economies like the United Kingdom and Scotland before introducing SFC here. The central features of this scheme are threefold.

First, its success is dependent on personal ownership of skills development. A key message under SFC is “Lifelong Learning Begins with Me.” Learning is positioned as a personal endeavor and individuals are given autonomy to decide their training needs and goals. This is a marked departure from previous training policies because the decision-making process now lies with each individual. SkillsFuture Credit can be used on top of existing government course subsidies to pay for a wide range of approved skills-related courses.

Second, SFC is for all Singapore citizens aged 25 years and above. SFC is targeted at Singaporeans who fall in this age category as they are likely to have completed their formal education and are either going to join or have joined the workforce.

Third, the SFC quantum has been set at S\$500 per person. This is not a cash amount and can only be used for (a) course fees payable, (b) assessment fee for certifiable courses, (c) certification fee for approved online courses and (d) GST imposed on components supported for SkillsFuture Credit use. It complements existing subsidies by public agencies for many work-skills related courses to help make training more affordable. In 2016, about 2.5 million Singaporeans received their credits, and as at 2017, more than 285,000 of them (11 percent) used their SFC to pay for or offset their own training costs.

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<sup>39</sup> SkillsFuture Qualification Award [www.skillsfuture.sg/qualificationaward](http://www.skillsfuture.sg/qualificationaward)

The number of courses eligible for the SkillsFuture Credit has doubled from about 10,000 at the start to more than 20,000 as at July 2017. Both part-time and full-time courses are available with fees starting from S\$10 for a basic computer or smart device class.

Based on the number of courses offered, the top training provider Udemy (along with Coursera, Udacity, and edX) offers about 3,000 massive open online courses (MOOCs). Such courses have mass appeal because they allow individuals to learn at their own pace and convenience. The majority of SFC users who have taken up MOOCs are younger, between 25 to 39 years old.

SSG (2016/2017) also announced that 34% of SFC users utilized their credits more than once, and younger Singaporeans, specifically those between 25 to 29 years, spent the highest proportion of their S\$500.

Information and communications technology (ICT) was the most popular area of training, with younger Singaporeans choosing emerging skills such as data analytics and older Singaporeans taking up courses on more fundamental skills such as the basic functions of a computer. Other popular areas of training that covered both supervisory and non-supervisory skills were language skills for younger Singaporeans (between 25 to 39 years) and security and investigation for older Singaporeans (between 40 to 59 years).

### **3.5.5 Enhanced Internships**

Internships are an integral component of the courses offered by the polytechnics and ITE. Such programs allow students to apply their knowledge and skills in a realistic work environment and facilitate their transition to the workplace upon graduation.

The polytechnics and ITE are working with employers to enhance their internship programs. Some of these enhancements include clear learning outcomes, better mentorship, and where relevant, extended durations of the attachments. This will enable individuals to take on more meaningful, real work activities during the internship.

ITE reported in Nov. 2016 that almost 1,600 companies across various industry sectors have come on board and more than 6,000 ITE students have benefitted from this program (Choi et al., 2017)

The polytechnics and ITE are rolling out enhancements to the internship component of their diploma, *Nitec*, and Higher *Nitec* courses progressively over the next two years. All full-time polytechnic and ITE courses will offer the Enhanced Internships by 2020. Currently, 90% of polytechnic and ITE courses offer Enhanced Internships.

### **3.5.6 SkillsFuture Work-Study Degree Program**

The SkillsFuture Work-Study Degree programs feature curricula that closely integrate institution-based learning with structured on-the-job training. The universities partner companies on the development and delivery of the respective programs and assessment of students' performance at the workplace.



In this context degree programs delivered through 1) term-in/term-out: alternate between one to two terms in university and at work, 2) work-day/study-day: e.g. 4-day work/ 1-day study, or 3-day work/ 2-day study (SSG, 2018).

When first launched in Feb. 2017, 65 places are available in the first-year program. 12 companies have also signed up to design and deliver the programs together with the universities (Choi et al., 2017).

The National University of Singapore (NUS), Singapore Institute of Technology (SIT) and Singapore University of Social Sciences (SUSS) are currently offering SkillsFuture Work-Study Degree Programs. Programs of SIT was listed as Figure 3.9.

**Figure 3.9**  
**Example of SIT program**

Programme		Partner Companies
SIT	Term-In/Term-Out(TI/TO)Model	Bachelor of Hospitality Business with Honours
		Bachelor of Engineering with Honours in Electrical Power Engineering
		Bachelor of Engineering in Information and Communications Technology with Honours (Information Security)
		<ul style="list-style-type: none"> <li>• The Ascott Limited</li> <li>• Singapore Power</li> <li>• Accenture</li> <li>• Cyber Security Agency</li> <li>• Defense Science and Technology Agency</li> <li>• Inspire-Tech</li> <li>• Ministry of Defence</li> <li>• The Government Technology Agency of Singapore.</li> <li>• The Info-communications Media Development Authority of Singapore</li> <li>• Singtel</li> <li>• Singapore University of Social Sciences</li> </ul>

Source: <http://www.skillsfuture.sg/workstudydegree>

Certain bachelor’s degrees at the SIT and the SUSS have integrated theory in school and practice at the workplace. Students in these programs go through curricula and assessments that have been developed by the universities and companies.

The SkillsFuture Work-Study Degree Programs allow students to acquire deep technical and essential generic skills, which will facilitate the students’ transition from the universities to the workplace after graduation.

### 3.5.7 SkillsFuture Earn and Learn Program

The SkillsFuture Earn and Learn Program is a work-learn program that gives fresh graduates from polytechnics and the Institute of Technical Education (ITE) a head-start in careers related to their discipline of study. It provides them with more opportunities, after graduation, to build on the skills and knowledge they acquired in school, and better supports their transition into the workforce.

Participating employers can recruit fresh local talent, within three years of graduation or the Operationally Ready Date for Military Servicemen and prepare them to take up suitable job



roles. Participants in the program can look forward to a structured career progression pathway within the organization.

This program is designed in collaboration with industry to ensure relevance to employers and the growth of the sector. Since 2015, the SkillsFuture Earn and Learn Program has been introduced in 25 sectors, including aerospace, biomedical sciences, food services, games development, healthcare, hotel, infocomm technology, and retail.

In addition to existing SkillsFuture Earn and Learn Programs leading to part-time Diplomas, Advanced Diplomas and Specialist Diplomas of the polytechnics, and Singapore Workforce Skills Qualifications (WSQ) certificates and Diplomas, Singapore has introduced a new SkillsFuture Earn and Learn Program for ITE graduates leading to the ITE Technical Diploma.

Singapore citizens and permanent residents who are within three years of either graduation from ITE and polytechnics, or operational ready date for military servicemen, are matched with employers in their field of study and receive a salary as they go through a structured training pathway that includes on-the-job training, work-based projects and facilitated learning. When they complete the program (12 to 18 months depending on the sector and job), they attain industry-recognized certifications. SSG also gives S\$5,000 sign-on incentives to participants who are Singapore citizens and within one year of graduation or operational ready date for military servicemen, and their employers are eligible for a grant of up to S\$15,000 per participant. There were more than 500 participants across 40 programs in 2016. As at 2017, there are 76 programs on offer training over 1,700 students so far.

### **3.6 CONCLUSION**

Regarding youth employment, Singaporean case in terms of the small economy with lots of foreign workers comparing to total number of Singapore citizens could be characterized as the best example of small but economically advanced economy in South-east Asia region.

The education profile of the resident labor force in Singapore continued to improve. 55% of the resident labor force in 2017 had tertiary qualifications, up from 39% in 2007. Most of the increase was from degree holders, whose share in the labor force rose from 23% in 2007 to 36% in 2017

Meanwhile, Singapore's economic growth rate has slowed down since the crisis, reaching 2.0 % in 2015, and may challenge the Government's efforts to attain a low youth unemployment rate. The relatively low LFPR of young people can be accounted for by the tendency of young people to stay in education longer (ILO, 2016). Tertiary enrolment has increased, explaining the drop in the youth LFPR of 55 percent in 1991 to 36 percent in 2013 (Rebecca Ye, 2013)

According to Yong et al., (2007), the return to investment in education in Singapore tends to increase with years of schooling, with the returns to tertiary education generally higher than those for non-tertiary education. This is similar to the findings for other Asian newly industrialized economies like Korea and Hong Kong, China.

Ye (2013) pointed out three important points, leading to a low level of youth unemployment in Singapore: First, ability-driven education in terms of manpower supply; Second, centrally

planned manpower from demand side has been attributed to playing a key role in ensuring alignment between economic goals, priority industries, and training of workforce; Third, social benefits tied to employment, based on impetus to get a job-whether good or not- is high, because employment is intimately linked to contributions to one's Central Provident Fund(CPF) account. The CPF scheme in Singapore, or a social policy based on assets, come together between social and economic interests.

Sherraden, Nair, Vasoo, Liang, & Sherraden (2008) insisted that most social policy is financed out of CPF's individual asset accounts and social policy is better integrated with economic policy: by far the most important social impact of CPF to date has been in housing. There is little doubt that widespread home ownership has had a major impact on social stability.

Based on SkillsFuture Initiatives which are about developing skills relevant to the future, three issues could be summarized related to youth employment directly or indirectly as follows: First, skills at workplace to harmonize with changes are more important than academic degrees from the perspectives of cultural and traditional change coming down from Confucianism; Second, raising awareness to SkillsFuture Initiatives in terms of activation of SkillsFuture movement, being implemented at initial stage ; Third, development new evaluation metrics of SkillsFuture effectiveness as per quality management of SkillsFuture system and its policies.

According to SSG's 2017 Year-In-Review, SkillsFuture as a domestic movement to provide Singaporeans the opportunities to develop the fullest potential throughout life regardless of their starting points has been being produced impressive outcomes, leading to build of a future based on skills and mastery.

Given the System of implementing SkillsFuture, originating from SkillsFuture Movement, first, close cooperation between Ministry of Manpower and Ministry of Education, second, Skills Framework, third, WSQ (Singapore Workforce Skills Qualifications), and forth, SkillsFuture Credit were selected as best practice in the areas of infrastructure such as governance, skills & competencies for the workforce, and financial grants, promoting youth employment directly or indirectly.

In parallel, fifth, Enhanced Internships, sixth, SkillsFuture Work-Study Degree Programs, and seventh, SkillsFuture Earn and Learn Programs were chosen as best practices which were focused on the enhancement of students' employment facilitation through facilitating the participation of workplace-related education and training.

To understand Singaporean context, it would be useful for considering 1) Singaporean culture such as longer staying with parents' home before marriage, 2) their policies towards ability-driven education, and 3) social benefits tied to employment like CPF, etc., together with 7 best practices selected by the author.

## CHAPTER 4. CASE STUDY OF VIET NAM

### 4.1 INTRODUCTION

Youth labor force contributes significantly to the socio-economic development of an economy. However, youth is considered one of the most vulnerable groups due to the fluctuations of the labor market. Unemployment, underemployment, unstable jobs, low income, etc. amongst the youth create negative impacts on their livelihoods as well as the socio-economic situation. Therefore, job creation for youth is a strategic solution of a economy, especially in a developing economy with a large youth workforce as Viet Nam.

The chapter provides statistical analysis on youth employment, a literature review on youth employment policies and issues related to youth employment that need to be tackled as well as good practices on youth employment policies in Viet Nam.

In Viet Nam, youths are generally people ranging from 16 to 30 in age (Article 1, Law on Youth 2005). However, within the scope of the report, in order to guarantee appropriateness of age groups as defined in statistics and annual surveys in Viet Nam as well as the consistency of analyses, youths are understood as Vietnamese citizens aged 15-24 years old.

This report uses the secondary data from *Labour and Employment Survey* conducted by the General Statistics Office (GSO), reference reports and studies of Ministry of Labour, Invalids and Social Affairs (MOLISA) and some international organizations. However, due to limitations of secondary data, some contents are not analyzed in detail.

### 4.2 STATISTICAL ANALYSIS ON YOUTH EMPLOYMENT

#### 4.2.1 Characteristics of Youth Labor Market in Viet Nam

At the end of Quarter 2 of 2017, youth population in Viet Nam was 13,556.2 thousand people, in which youth workforce was 7,495.6 thousand people. Generally, in the period of 2012 – 2017, the share of youth in the domestic labor force decreased slightly, from 14.2 percent in 2012 to 13.7 percent in 2017. During the period, the highest youth workforce rate recorded was 14.9 percent in 2013 (see Table 4.1).

**Table 4.1**  
**The volume and structure of the youth labor force 2012 - 2017**

Year	2012	2013	2014	2015	2016	Q2/2017
Domestic labor force (thousand persons)	52,348.0	53,245.6	53,748.0	53,984.2	54,445.3	54,523.7
Youth labor force (thousand persons)	7,455.7	7,916.1	7,585.2	8,012.4	7,510.6	7,495.6
Share of youth in domestic labor force (%)	14.2	14.9	14.1	14.8	13.8	13.7

Source: GSO, Labour - Employment Survey, 2013- Quarter 2/2017

The labor force participation rate of youth is lower than the average rate because many young people are transitioning from school to work. In 2012, the labor force participation rate of youth stood at 55.93 percent and rose slightly in the following years. After reaching a peak of 59.14 percent in 2015, the rate dropped slightly before the end of the period to 55.29 percent in 2017. Moreover, it is clear from the table that young women are much less likely to participate in the labor market than young men. In Quarter 2 of 2017, the gender gap was 6.7 percentage points (see Table 4.2).

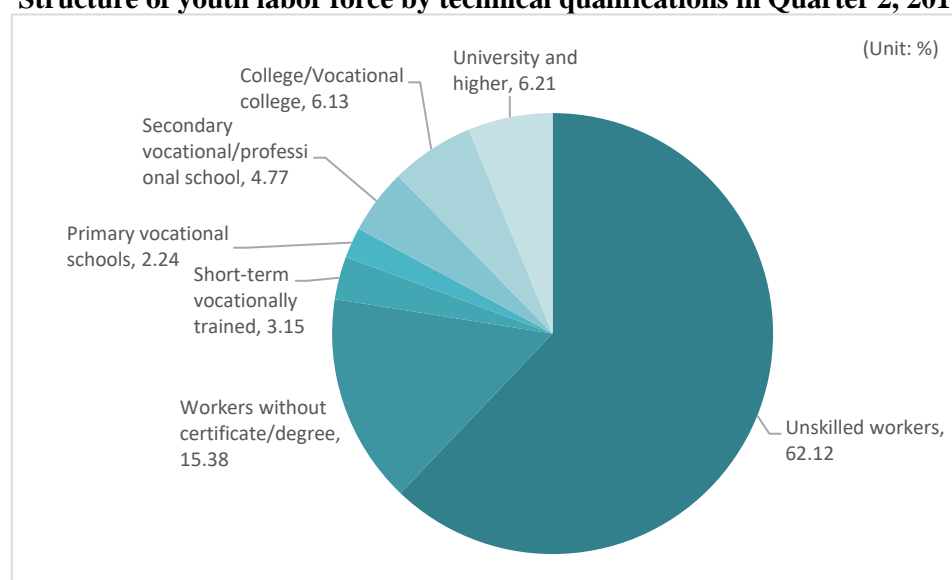
**Table 4.2**  
**Labor force participation rate**

	2012	2013	2014	2015	2016	II/2017
Labor force participation rate - total	76.76	77.52	77.51	77.41	76.75	75.89
Labor force participation rate of youth	55.93	58.01	58.21	59.14	56.77	55.29
Male youth	58.92	61.35	61.09	62.78	60.04	58.55
Female youth	52.67	54.35	55.13	55.29	53.36	51.85

Source: GSO, Labour - Employment Survey, 2012- Quarter 2/2017

There is also a difference in the labor force participation rate of youth between rural and urban areas: the proportion is higher in rural areas. In Quarter 2 of 2017, the labor force participation rate was 45.18 percent in urban areas and was 60.3 percent in rural areas. The low labor force participation rate of urban youths is due to the fact that most of the youth in this area still carry on studying so that they join the labor market later.

**Figure 4.1**  
**Structure of youth labor force by technical qualifications in Quarter 2, 2017**



Source: Author drawn from GSO, Labour - Employment Survey, Quarter 2/2017

In Quarter 2 of 2017, the proportion of unskilled workers remained very high at 62.12 percent. Additionally, the proportion of the youth workforce with technical qualifications was respectively low, accounted for only 22.51 percent. Among the youth labor force with technical qualifications, the percentage of workers with university degree and above, college degree,

intermediate degree and elementary certificate and short-term certificate were 6.21 percent, 6.13 percent, 4.77percent and 5.39 percent respectively. (see Figure 4.1)

## 4.2.2 The trend of Youth Employment in Viet Nam

### 4.2.2.1 Employed Youth

In the period 2012 - 2017, there was a slight decline in the rate of employed youth, from 14.5 percent in 2012 to 12.97 percent in 2017. The economy creates jobs for about 1.5-1.6 million people each year, the majority of which is youth workers (about 60%). However, the number of new workers entering the labor force is larger than the number of jobs created.

In 2017, Viet Nam had 7.012 thousand employed young people, accounted for 12.97 percent of total employed people. Nearly three-quarters of young people employed are in rural areas (see Table 4.3).

**Table 4.3**  
**Volume and share of employed youth 2012 - 2017**

	2012	2013	2014	2015	2016	2017
Total employed people (thousand persons)	51.422	52.208	52.745	52.840	53.303	54.050
Volume of employed youth	7.456	7.313	7.110	7.449	6.952	7.012
Share of employed youth (%)	14.50	14.0	13.48	14.10	13.04	12.97
Urban (thousand persons)	1.793	1.658	1.711	1.895	1.789	1.857
Rural (thousand persons)	5.663	5.655	5.399	5.554	5.163	5.155

Source: GSO, Labour - Employment Survey, 2012-2017

There was an improvement in the employment status of youths. In Viet Nam, own-account workers and contributing family workers are considered vulnerable employees. The period 2012 – 2017 witnessed a decline in the proportion of this group, from 53.11 percent in 2012 to 43.28 percent in 2017. Meanwhile, the share of waged workers increased from 46.26 percent in 2012 to 56.43 percent in 2017. Young employers only made up an inconsiderable share during the period (see Table 4.4).

**Table 4.4**  
**Youth employment status 2012-2017**

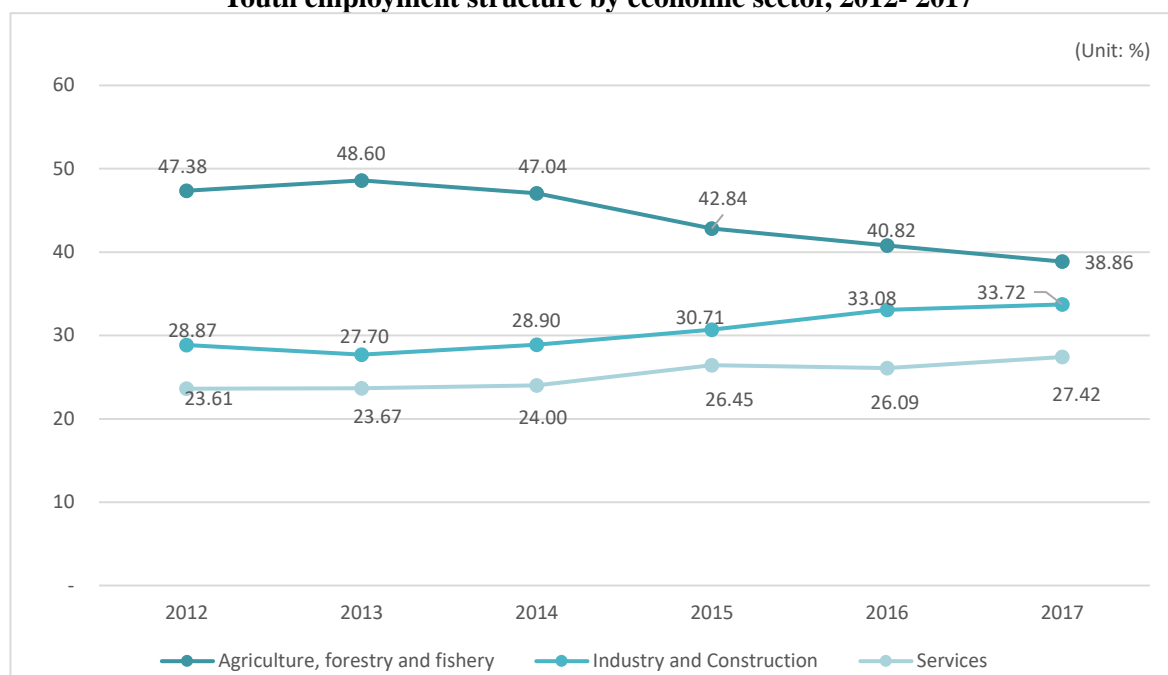
	2012	2013	2014	2015	2016	2017
Wage workers	46.26	44.66	46.57	52.12	54.61	56.43
Employers	0.44	0.32	0.31	0.46	0.4	0.29
Own-account workers and contributing family workers	53.11	54.97	53.07	47.4	44.93	43.28
Other	0.2	0.04	0.05	0.02	0.06	0.01

Source: GSO, Labour - Employment Survey, 2012-2017

There was a significant change in the employment structure by economic sectors. The proportion of young workers in agriculture, forestry and fishery made up the largest share. However, it was a downward trend. The share of young people working in this sector stood at 47.38 percent in 2012 and declined to 38.86 percent in 2017. By contrast, the share of young

workers in industry and construction went up gradually from 31.43 percent to 33.97, while the share of young workers in services sector went up from 21.18 percent to 25.29 percent during the same period (see Figure 4.2).

**Figure 4.2**  
**Youth employment structure by economic sector, 2012- 2017**



Source: GSO, Labour - Employment Survey, 2012-2017

The youth labor market has a high share of informal employment. According to *Report on informal employment in Viet Nam* published by ILO/ GSO in 2017, youth is one of the two age groups having the highest share of informal employment with the rate of 60 percent. It can be said that in Viet Nam, there is a lack of formal employment opportunities for youth. Especially, in the context of the Fourth Industrial Revolution, changes in job structure, technology, automation and the emergence of new jobs may lead to an increase in employment informality.

#### 4.2.2.2 Unemployed Youth and Underemployed Youth

##### *Unemployed Youth.*

The youth unemployment rate in Viet Nam is not high but is increasing gradually. In the period 2012 – 2017, the unemployment rate showed a steady upward trend: from 5.48 percent in 2012 to 7.67 percent in 2017. By gender, the unemployment rate among young men increased 3.38 percentage points, and that among young women increased slightly, about 0.76 percentage points in the period (see Table 4.5).

The youth unemployment rate is higher than the average domestic unemployment rate (7.67 percent in comparison with 2.26 percent respectively in Quarter 2 of 2017). Additionally, in Quarter 2 of 2017, unemployed youth accounted for 51.3 percent of total unemployed people. This phenomenon implies that jobs creation for young people becomes a major concern in Viet Nam.

**Table 4.5**  
**Youth unemployment rate 2012 – 2017**

	Unit: %					
	2012	2013	2014	2015	2016	II/2017
Domestic	1.96	2.18	2.10	2.33	2.30	2.26
Youth	5.48	6.19	6.26	7.03	7.43	7.67
Male	4.58	5.42	5.51	6.79	7.38	7.96
Female	6.57	7.14	7.15	7.32	7.50	7.33

Source: GSO, Labour - Employment Survey, 2012-2017

The higher the qualification gained among youth, the more unemployment concern should be paid to them. In Quarter 2 of 2017, the unemployment rate of young people with technical qualification was 14.4 percent. In which unemployment rate of those with college and university and higher degree were 11.6 percent and 19.8 percent respectively, while that in youth with an elementary-certificate or intermediate degree is significantly lower (about 6.0 percent and 14.4 percent respectively).

*Underemployment.*<sup>40</sup>

The underemployment rate of youth in Viet Nam has been low and did seem to experience a decreasing tendency among both men and women in the period 2012 - 2017 from 4.24 percent in 2012 to 2.12 percent in 2017. However, the underemployment rate of the youth was higher than the average domestic underemployment rate (see Table 4.6).

**Table 4.6**  
**Youth underemployment rate 2012 – 2017**

	Unit: %					
	2012	2013	2014	2015	2016	II/2017
Domestic	2.74	2.75	2.40	1.89	1.66	1.62
Youth	4.24	3.79	3.39	2.82	2.57	2.12
Male	4.99	4.51	3.69	3.20	2.69	2.17
Female	3.32	2.88	3.03	2.35	2.44	2.05

Source: GSO, Labour - Employment Survey, 2012-2017

### 4.3 LITERATURE REVIEW ON YOUTH EMPLOYMENT

#### 4.3.1 Views and Recommendations on Viet Nam's Youth Employment of OECD, ILO and Other International Organizations

A large amount of research has been conducted to review and assess youth employment situation in Viet Nam. In addition, many recommendations and policy implications were given to support policymakers, government and other stakeholders in implementing activities to address problems related to youth employment in Viet Nam.

<sup>40</sup> Persons in under-employment consist of all employed persons who during a specified period work less than 35 hours a week and who wish to work additional hours

Report on *Challenges to Youth Employment in Viet Nam* (2003) by United Nations in Viet Nam has examined the situation of youth employment and the challenges of youth unemployment and underemployment in Viet Nam. The report indicated that “Despite rapid economic growth, the pace of job creation has not been adequate to provide employment opportunities for the labor force.” In addition to the challenges of creating employment for young people, many difficulties occur in education and training in meeting the skills requirements of the labor market. In particular, with changes in the structure of production, those with outdated skills need to be retrained. Furthermore, the paper gave many policy recommendations regarding actions in support of youth employment. Those include enhancing employability, ensuring gender equality, promoting entrepreneurship and employment creation for youth.

Report on *Labour market transitions of young women and men in Viet Nam* (ILO, 2015) summarized results of 2 surveys (SWTS and LDES<sup>41</sup>). It shows characteristics of youth’s transitions from school to work from both labor supply and labor demand sides. The two surveys have highlighted the barriers affecting the youths’ transition into the labor market, many of which are related to education and mismatches between supply and demand. The SWTS shows that there is still a lack of suitability for job requirements, underutilization of labor potential and low-quality employment among youths. In addition, low educational attainment negatively affects the youths’ employment outcomes. From the employer’s perspective, education remains an important criterion for the selection of young recruits. Improving educational attainment and correcting the skills mismatch will undoubtedly help both youths on their way to work and firms in their recruitment needs. Such steps might also help to reduce informal employment, which is one of the biggest employment challenges that Viet Nam faces.

Report on *Youth well-being policy review of Viet Nam* emphasizes that the majority of young Vietnamese live in rural areas and are still at disadvantages (low skilled and early school drop-out). In addition, skills mismatch and lack of qualified young workers are the biggest challenges of the labor market in Viet Nam. Nearly half of the youth are working in jobs that do not match their qualifications. The report highlighted the urgent need for increased investment in human resource development. Improving quality, enabling accessibility and suitability in education and vocational training are keys to narrowing the "skill gap" (the gap between young people's skills and the employer's need), particularly in rural and remote areas.

Report on *Labour and Social Trends in Viet Nam 2012-2017* (ILO-ILSSA, 2018) emphasizes that the pressure to create jobs in Viet Nam is high because the growth rate of the labor force is higher than the number of employed people. In addition, the Viet Nam's labor market is still in development; achieving the goal of decent work remains a challenge, particularly for the youth. The report also points out that “the low unemployment rate in Viet Nam indicates that the majority of people are employed. However, the quality of employment remains limited with a large-scaled informal economy, low labor productivity and income levels which mean that Viet Nam labor market is developing.”

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41 School-to-work transition survey (SWTS) and Labour demand enterprise survey (LDES).



### **4.3.2 Domestic or International Research Review on the Effect of Viet Nam's Youth Employment Policies**

There are many policies and regulations regarding youths in Viet Nam, especially the adoption of a Law on Youth in 2005 and the Vietnamese Youth Development Strategy 2011-2020. The Law on Youths provides a legal framework, states the rights of young people in Viet Nam such as the right to education, vocational training, employment and healthcare. In addition, in 2010, the Vietnamese Youth Development Strategy 2011-2020 was promulgated, the Strategy provides a comprehensive framework for relevant government bodies and ministries to respond to the needs and rights of young people.

The report on *Developing social security system in Viet Nam up to 2020* (GIZ-ILSSA, 2013) identifies several policies related to employment in Viet Nam including policies on labor market development, preferential credit policies supporting job creation and business; policies on supporting vocational training; policies on supporting the sending of workers to work overseas under contract and policies on supporting labor mobility. The implementation of these policies is to proactively support laborers in improving their job-seeking opportunities and in participating in the labor market. This supports for guaranteeing minimum incomes of citizens, especially the poor, the youth, rural workers and other vulnerable groups, making contributions to improving people's lives, shifting employment structure, reducing unemployment, poverty reduction and ensuring social stabilization.

Report on *Cohesion policy review of Viet Nam* (OECD, 2014) gives an overview of policies related to employment in Viet Nam including VET policies minimum wages policy. Regarding VET policies, Law on vocational training 2006 and Strategy of vocational training development in the 2011 - 2020 establishes a comprehensive legal framework for VET in general and training activities in particular. As for minimum wages policy, the report indicates that “traditional policies such as taxation, social protection and minimum wages impact mostly on the formal sector, however, the majority of non-state workers work in the informal economy, where such policies have no effect.” Therefore, the minimum wage needs to cover a broad range of workers and must be enforced by credible mechanisms.

Report on *Youth Well-being Policy Review of Viet Nam* (OECD, 2017) appreciates the adoption of the two major policies: Law on Youth and the Vietnamese Youth Development Strategy 2011-2020. It is considered that such initiatives reflect the commitment of the government and public institutions to integrate youth issues into the domestic development agenda. However, more actions and budget are needed in policy implementation to ensure the effectiveness of programs related to youth employment creation.

## **4.4 ISSUES OF VIET NAM YOUTH EMPLOYMENT**

### **4.4.1 Limited Quality of Youth Labor Force**

The labor supply in Viet Nam is characterized by a serious shortage of skilled industrial workers, especially in service sectors and new industries. Only 22.51 percent of the youth labor force obtained technical qualifications (2017). Additionally, there still exists a gap between the skills of the young workers and the needs of the labor market, leading to the fact that enterprises

cannot recruit enough employees while many young people are unemployed or underemployed. Viet Nam Development Report 2014 indicates that “majority of employers surveyed for this report said that hiring new workers is difficult either because of the inadequate skills of job applicants (a skills gap), or because of a scarcity of workers in some occupations (a skills shortage)” (World Bank, 2014). According to the World Bank's evaluation, Viet Nam Human Resources Competitiveness Index in 2014 only reached 3.39 out of 10, and the competitiveness of the Vietnamese economy ranked 73 out of 133 economies.

In addition to skill shortage and skill mismatch, labor discipline of Vietnamese workers generally has not met the requirements of the industrial production process yet. Most of the young people come from rural areas, work in the agriculture sector and are not trained on industrial discipline, skills to work well in groups, cooperation skills and work experience sharing skills (Diep, 2014).

Limited quality of skilled youth workforce is related to education and training quality. Students are often equipped with more theoretical knowledge, low practical skills and soft skills, limited ICT and foreign language skills. Additionally, the imbalance between the number of university graduates and the inadequate number of technical and skilled workers, with the former often being unemployed, has indicated the irrationality of training structure. Preliminary evaluation report on 5 years of implementing vocational training strategy in the period 2011-2020 has pointed out that “although the quality of vocational training has improved significantly, it still fails to meet the demand of the labor market in terms of technical skills, soft skills such as modern industrial working styles, group work; the training structure by occupation and qualification levels are not reasonable; lack of supply of high-quality technical human resource for production, business and service.”

Feedbacks from employers also showed the low quality of trained young workers. According to the Viet Nam Vocational Education and Training Report 2016, a survey was conducted with the scope of 133 enterprises to collect employers' assessments on competencies of graduates from VET institutions (theoretical knowledge, occupational skills, soft skills, work attitude). The survey result showed that as rated by enterprises, all of the graduates' competency items were only slightly above the average and had not satisfied the enterprises' demand. Many enterprises are forced to hire unskilled workers and organize on-the-job training sessions to help them be familiar with work conditions and requirements.

Due to quality limitation, many young people have to face difficulties in finding jobs. Importantly, in the context of the Fourth Industrial Revolution, a lot of old jobs will disappear, and new ones will emerge. Thus, demands on labor force with the ability to adapt quickly to technological changes and creative application of trained knowledge and skills will be essential. The labor market will have a strong differentiation between low-skilled and high-skilled workers. Therefore, skills development, education and training are needed to enhance the competency of young people to satisfy the enterprises' requirements better.

#### **4.4.2 Low Employment Quality and Labor Productivity Remain Great Challenges in the Context of International Competition and Integration**

Most young people have jobs, but employment quality is relatively low. Employment growth in the formal sector is too low to absorb large numbers of young workers, therefore as newcomers of the labor market, youths (especially unskilled youths) are often hired on temporary or informal jobs. In addition, the school-to-work transition survey 2013 of ILO have shown that the gap between education and students' needs and interests, the economic burden of youths and the low level of development of the economy with a large share of informal sector are the main reasons for the youth in Viet Nam to leave school early and to accept low quality work (ILO, 2013).

According to a study of the World Bank<sup>42</sup>, Viet Nam is having a problem in terms of job quality as most jobs are in the manufacturing and service sectors with low added value. Up to 75% of jobs are in agricultural households, business households and jobs without a labor contract. In particular, most enterprises in the informal sector produce low value-added goods and services. In addition, about 75% of jobs in manufacturing are in the assembly sector with the lowest added value in the value chain.

As mentioned, the size of the group of young people having informal employment is large and tends to increase in Viet Nam. The main features of informal employment are unstable, low and irregular income, long working hours, unsafe working condition, no labor contracts, limited social protection and basic legal protection as well as the rights of workers.

Furthermore, the employment status of youth also reflects the job quality. Despite positive changes over the years, the share of young waged workers remains lower than own- account workers and contributing family workers while the latter often characterized by unsustainable and vulnerable employment, particularly in rural areas.

**Table 4.7**  
**Labor productivity (LP) of Viet Nam in comparison with ASEAN-6**

Economy	2000	2010		2014		2016		
	LP (1000 USD)	Compare to Viet Nam (= 1)	LP (1000 USD)	Compare to Viet Nam (= 1)	LP (1000 USD)	Compare to Viet Nam (= 1)	LP (1000 USD)	Compare to Viet Nam (= 1)
Singapore	98.5	20.5	119	15.7	125.4	14.1	141.2	14.3
Malaysia	38.8	8.1	50.2	6.6	54.4	6.1	56.1	5.7
Thailand	16.4	3.4	22.4	2.9	25.5	2.9	27.1	2.7
Indonesia	13.5	2.8	19.5	2.6	23	2.6	23.4	2.4
Philippines	11.9	2.5	14.4	1.9	16.9	1.9	17.5	1.8
Viet Nam	4.8	1.0	7.6	1.0	8.9	1.0	9.9	1.0

Source: Viet Nam's productivity Report 2016; World Bank

Looking at the labor productivity, Viet Nam's labor productivity has improved significantly over the years, however, it is still very low compared to many economies in ASEAN (GSO, 2017). Viet Nam experiences difficulties in raising levels of labor productivity because of the large share of the labor force work in agriculture, forestry and fishery where labor productivity is lower than that of other sectors. Moreover, labor productivity in industry and construction sectors is higher yet has not improved much in recent years (ILO, 2018).

42 World Bank - MOLISA, Consultation workshop "Viet Nam Future Jobs: Overview" 7.2.2018

#### **4.4.3 Limited Policies for Young Worker in Remote Areas and Migrant Youths**

The policy system to support job creation for youth is developed. However the implementation has to cope with a lot of challenges due to lack of resources and that many policies are less accessible to youth. Some preferential policies for young people working in rural, remote, border and island areas are not attractive meanwhile jobs creation potential in these areas is still low, leading to employment issues. As most ethnic minority youths still have limited education and less opportunity to access to scientific and technological information, so far, the number of ethnic minority youths who have approached to credit policy and bank loans is relatively small. Many ethnic minority youths are facing with the shortage of residential land, productive land; many young people have been trained in vocational education, but the trained occupations were not linked to the socio-economic needs of the locality, leading to unemployment. Therefore, in addition to existing policies, it is necessary to have appropriate policies for ethnic minority youths to support jobs creation.

In addition, in recent years, there was a significant decline of agricultural land areas due to recovery for construction of industrial zones, export processing zones, urban areas and public works, etc. As a result, young people in rural and remote areas are more unemployed or underemployed. This situation makes their spontaneous migration to urban areas and industrial zones more common.

Most of the youngsters who migrate to urban areas, industrial zones and export processing zones have not been supported by relocation and stabilization policies at the destination (loans, employment creation, vocational training, employment information, living conditions, etc.). Such access to many social services and other administrative procedures are associated with Household registration books. However, the majority of migrant youths have household registration at their places of permanent residence. Therefore, they have to cope with challenges to social services access. Moreover, uncontracted youth workers find it difficult to apply for social insurance, health insurance and unemployment insurance because there has been no mechanism for authorities to implement policies for such kind of labor group.

### **4.5 BEST PRACTICES OF VIET NAM YOUTH EMPLOYMENT POLICIES**

Developing a comprehensive employment policy system for developing labor market has been a priority for the government of Viet Nam. Employment policies have been promulgated in various fields, including general employment policy (rights and obligations of employees in respect of employment, responsibilities of the State in respect of employment; policies supporting jobs creation for employees (National Target Program on Employment, Project on providing loans for jobs creation); The policy to support the sending of laborers to work abroad (credit loans, vocational training before going to work overseas). Some good practices of which are given in the following section.

#### **4.5.1 Program of Providing Loans for Employment Creation from the National Employment Fund**

##### **4.5.1.1 Background**

In order to promote employment creation for laborers, on April 11, 1992, the Council of Ministers (now the Government) promulgated Resolution No. 120/HDBT<sup>43</sup> on guidelines, orientations and solutions for employment creation in the coming years, in which there were regulations on establishment of the National Fund for Employment Creation (now the National Employment Fund - NEF) to provide preferential credit loans to small businesses and families including young people.

The National Employment Fund (NEF) is the domestic reserve budget established for jobs creation and employment services since 1992. The NEF is formed from various sources: State budget; the financial support of domestic/foreign organizations and individuals and other lawful sources.

#### **4.5.1.2 Objective**

To provide loans to small and medium-sized enterprises, co-operatives, collaborative groups, household businesses and workers for the purpose of employment creation, maintenance or expansion.

#### **4.5.1.3 Implementation**

Capitals from the NEF are allocated to the provinces and cities directly under the Central Government. In addition, there are other channels such as Viet Nam Fatherland Front, Viet Nam Women's Union, Ho Chi Minh Communist Youth Union, Viet Nam Farmer's Union, Viet Nam General Confederation of Labor, Veterans Association, the Viet Nam Cooperative Alliance, the Viet Nam Blind Association and the Ministry of Defense. Citizens can approach capitals through Viet Nam Bank for Social Policies (VBSP).

There are provisions on supporting young people to start their career or business according to Decree No. 61/2015/ND-CP<sup>44</sup> dated 09.07.2015 of the Government on job creation policy and National Employment Fund. Accordingly, the production and business establishments run by youth union members and young people can borrow no more than VND 1 billion, and a young employee can borrow no more than VND 50 million to create new jobs from the Fund.

The loan term is no longer than 60 months. The lending interest rate is the lending interest rate applicable to poor households in each period as stipulated by the Prime Minister. At present, loans conditions, documents and procedures are simplified in the direction of decentralization to the district level for capital managed by the provincial people's committees and decentralization to the provincial level for capital managed by social organizations. Appraisal and approval time is shortened (maximum 15 days).

#### **4.5.1.4 Result**

As reported by the Department of Employment, by the end of 2017, total funds from the NEF reached more than VND 5.040 billion; annual lending revenue ranged from VND 2.200 to

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<sup>43</sup> HDBT: Acronym for Vietnamese title of “the Council of Ministers” referring to as the issuing body of the Resolution/Act

<sup>44</sup> ND-CP: Acronym for Vietnamese type of Act (Decree) and its issuing body (Vietnamese Government)

2.500 billion; about 100 thousand laborers were assisted with job creation per year, mainly in rural areas (90%).

According to the VBSP, by the end of 2017, credit policy's capital has been allocated in 100% of communes, wards and towns across the economy, of which priority was given to communes in ethnic minority areas, especially poor, remote and border areas. The policy capital has helped over 4.5 million households cross the poverty line; attracted and created jobs for nearly 3.4 million laborers; more than 3.5 million pupils and students were given access to loans to study; over 112 thousand workers from beneficiary families were entitled to borrow money to work overseas in the term.

Thanks to the preferential loans of the VBSP, many union's members and other young people had been capable of studying or working. At the same time, incentive loans entrusting has created a bond between the Youth Unions and the young. By the end of 2017, total outstanding loans under the Youth Union's management were over VND 19.260 billion, with over 831 thousand members receiving funds in 24.019 savings and loan groups.

The program of providing loans from the NEF has a significance in contributing to the implementation of the target program on hunger and poverty reduction and job creation for the youth in particular and other laborers in general.

#### **4.5.2 Program to Support Youth in Vocational Training and Entrepreneurship 2008-2015**

##### ***4.5.2.1 Background***

Prior to 2008, policies to support youth employment were limited and mainly integrated into different socio-economic development programs. There were several difficulties in career counseling, job creation, business start-up support for young people such as lack of awareness of the majority of youth and society on vocational training and job creation, career guidance not paid due attention, high unemployment and underemployment rate of young people and low training quality for young people. This situation set an imperative need for educational development and promotion as well as entrepreneurship support for youths.

In response to that, the Prime Minister approved Decision No 103/ 2008/QĐ-TTg<sup>45</sup> dated 21.07. 2008 promulgating Program to support youth in vocational training and entrepreneurship 2008-2015.

##### ***4.5.2.2 Objective***

To facilitate youth's access to credit for vocational training, employment creation and labor export. In addition, to support young people in their entrepreneurship activities and to modernize and upgrade the capacities of the Centre for Employment Information and Vocational Training of the Ho Chi Minh Central Youth Union (HCMCYU). The objective was

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<sup>45</sup> QĐ-TTg: Acronym for Vietnamese type of Act (Decision) and its issuing body (Vietnamese Prime Minister)

also to provide entrepreneurial knowledge for young people who expect to create their own business.

#### **4.5.2.3 Implementation**

- The HCMCYU took responsibilities for organizing three projects: “Communication to raise awareness of youth and society on vocational training,” “Consulting, supporting young people start up business and job creation” and “Establishing models of vocational training centers and job placement of the Youth Union.”
- Developing mechanisms of credit policies to encourage youths to participate in vocational training and job creation.

#### **4.5.2.4 Result**

Thanks to the close cooperation between the HCMCYU and the MOLISA as well as other ministries, branches, over 7 years of implementation, the project has achieved specific results as providing access to job consultancy service for nearly 6.4 million young people; The percentage of the youth who regularly get accessed to information on occupations and employment is over 70 percent. About 3 million union members had been given advice on vocational training, start-up business; Organizing vocational training, training in transfer scientific and technical progress to nearly 1 million unionists and the youth; Educated 68,500 young people about starting up business and creating jobs; Establishing and maintaining over 43,000 young teams; The Youth Clubs, which support youngster, attract more than 500,000 youth union members and youths.

The project also helped to implement more than 50,000 small and big projects of youth union members and youths from the National Youth Employment Fund managed by the HCMCYU through the entrusted program with the VBSP; Over 2 million union members can approach loans for studying and creating jobs; 35 employment services centers for youngsters have been strengthened and improved in capacity, 04 career guidance and employment services center for the youth has been inaugurated.

Thanks to the Program, various opportunities were provided for youngsters to learn, contribute and express their creative potential in developing socio-economic of their localities and Viet Nam in general.

### **4.5.3 Project on Supporting Labor Market Development**

#### **4.5.3.1 Background**

Improving the legal framework for employment services in order to better satisfy the needs of labor supply-demand connection and support employment placement for laborers is a primary concern in Viet Nam. The employment service centers (ESCs) system acts as a bridge between employees and employers, contributing to reducing the unemployment rate of workers. This is also a focal point for supplying labor market information, thereby advising localities on directions and plans for human resource development. To develop ESCs system, Decision No 1201/QĐ-TTg dated 31.08.2012 of the Prime Minister approving the Target Program on Employment and Vocational Training in the 2012-2015 was promulgated, in which Project on

supporting labor market development aimed to enhance the capacity of ESCs system from central to local.

### ***Objective***

To improve and modernize the labor market information system; to complete domestic database on the labor market; to raise the employment rate through ESCs system to about 30%; to modernize and standardize employment transactions and job exchanges in 30-40 ESCs by 2015.

### ***Implementation***

The MOLISA assumed the prime responsibility and coordinated with the concerned ministries, branches and localities in organizing the implementation of the project.

### ***Result***

It can be said that although ESCs do not directly create jobs, they still play an active role in job placement for young people. At the end of the project, 49 ESCs were invested in enhancing capacity and 4 regional ESCs in Hai Duong, Da Nang, Dong Nai, Can Tho were established. About 750- 800 job fairs have been organized in each year since 2011; On average, each session has attracted 40-50 enterprises, 650-750 employees (80-90% of who are young people). In the period 2011-2015, approximately 8 million job seekers were provided with consultation, and job vacancies and 3.096 million of them actually found employment. As of 2015, the program has accomplished the goal of raising the rate of workers recruited via job placement centers to 37.89 percent.

In addition to the policies above, there were several initiatives regarding vocational education and training for job creation for young people such as regulation on Exemption of education fees in vocational training institutions. This regulation is under Law on Vocational Education and Training 2014. This law exempts students from poor or near-poor ethnic minority households from education fees in vocational schools and colleges. Orphans and young people from ethnic minorities in areas of difficult socio-economic conditions are also targeted by this policy. Youth who have completed lower secondary school and who wish to pursue a secondary vocational education is also exempt from vocational training fees, regardless of their socio-economic status. Additionally, a lot of policies for variously targeted beneficiaries were being implemented: Policy to promote vocational training for youth who completed police, military or similar services; Program on vocational training for rural labor force until 2020, etc. Thanks to these policies, VET is becoming more accepted socially and considered as a possible option in the education path among many youths.

## **4.6 CONCLUSION**

Large labor size and young worker structure are great advantages for Viet Nam. By the end of Quarter 2 2017, Viet Nam labor force was over 54.5 million, of which the youth accounted for more than one-fourth. Positive changes were seen in the youth's employment structure as a proportion of employment in agriculture-forestry-fishery sectors declined and that in industry



and service sectors grew up. Moreover, regarding the employment status, the percentage of young vulnerable labor groups (own-account workers and contributing family workers) gradually decreased, while there was an increase in a number of waged workers and employers. These characteristics and trends result in huge demand for employment for youth to meet the requirement of socio-economic development.

Although youth unemployment rate is remarkably low, Viet Nam is facing with many challenges in youth employment such as low-quality employment, lack of skilled workers, limited policies supporting specific groups of young people in job creation, low-quality vocational training. Meanwhile, industrialization and globalization put the pressure of developing human resource quality with increasing demand for skilled workers. As a result, great attention needs to be paid to labor market programs and policies related to education and training.

Youth employment development is given high priority in socio-economic development plans. Several policies related to youth employment have been promulgated and implemented at both domestic and local levels to address challenges on this issue as well as promote capacity for youth to adapt to the requirements of the labor market. The outstanding achievement of the employment policy system is to create more and more jobs for the society. Employment opportunities have increased, relieving employment pressures in the context of increased labor force participation. Nevertheless, in order to address challenges and achieve better outcomes, some recommendations should be implemented include:

- Raise awareness of the importance of training, decent jobs for students, youths through various channels: mass media, leaflets, forums, competitions, etc.;
- Improve mechanisms and policies in supporting young people to create jobs and startup businesses in line with socio-economic development situations (particularly policies for youths in rural and remote areas);
- Promote information and propagandize policies on loans borrowing for job creation from the NEF for young laborers, especially those working in remote areas; inspect and supervise the implementation of the loan for job creation from the NEF;
- Improve labor market information system, enhance the capacity of forecasting labor market changes and labor demand by occupations and skills;
- Promote vocational training to help youths make a smooth transition from school to work, combining vocational training with employment, encourage participation of enterprises in training process, develop content, training curricula and teaching methods to better match labor market demands;
- Create favorable conditions for workers to access second-chance vocational training and apprenticeship programs in order to improve practical skills.
- Encourage young people to participate in working overseas programs, carry out activities to support young people to go abroad for work (provide loans, administrative procedures support, etc.)
- Strengthen educational counseling, job placement, career guidance for students, youths through schools and public employment services system;
- Enhance regional and international cooperation to promote youth employment.

## **CHAPTER 5. GENERAL REVIEW, IMPLICATIONS AND CONCLUSION**

### **5.1 GENERAL REVIEW**

#### **5.1.1 Youth Employment in Four Economies**

Each of the four economies uses different definitions of ‘youth’ in compiling statistics on youth employment. In Korea, youth is defined as ‘people between the ages of 15 to 29’ with this definition used as the basis for compiling youth employment statistics. However, considering Korea’s labor situation where young people enter the labor market relatively later in age, public institutions and local public entities flexibly define young people as ‘those between the ages of 15 to 34’ when it comes to unemployed youth for policies promoting youth employment (pursuant to Article 2 of the Enforcement Decree of the Special Act on the Promotion of Youth Employment). In most cases, those eligible for the government’s policy on youth includes young people aged 15-34. Japan compiles statistics on young people based on those in the age group of 15-24, while youth is defined as those in the ages of 15-24 and 25-34 respectively when collecting statistics on NEETs or freeters. Japan’s policies on supporting the youth often include those aged up to 34, depending on certain policies. Singapore, on the other hand, defines youth as people aged 15-24, while Viet Nam considers those in the age group of 16~30.

Because there is a difference in the definition of youth in each economy, one must apply OECD’s definition of the youth of 15 to 24-year-olds to compare youth employment situations in the four economies. Based on OECD’s definition, the youth employment rate trend from 2000 is shown in Table 5.1 and Figure 5.1.

There is a significant difference in youth employment status among Korea, Japan, Singapore and Viet Nam. Since 2000, Korea’s youth (ages 15-24) unemployment rate has been high at around 9-10% levels. This shows that Korea has yet to resolve youth unemployment issues even after overcoming the so-called ‘Korean Financial Crisis.’ Specifically, according to gender, male youth unemployment is slightly higher than female youth unemployment every year.

Japan’s youth unemployment issue, which became striking since its bubble economy burst in 1991, started to show signs of improvement in 2011 and quickly dropped starting in 2012. Japan’s youth unemployment rate peaked in 2010 at 9.4% and dropped to 8.1% in 2012 and to 4.6% in 2017. Its youth labor market conditions are very encouraging, where a shortage of labor has surfaced as a social issue, moving away from full employment to the other side of the spectrum. It seems that the reason behind this improvement in Japan’s youth labor market is a good match between the demand and supply of labor. On the labor demand side, along with the depreciation of the Japanese Yen, the implementation of Abenomics since 2013 led to the higher competitiveness of Japanese products which then led to an increase in youth labor demand from companies. On the labor supply side, youth labor supply has been declining due to low birth rate. Therefore, the increase in demand for youth labor and decrease in the supply of youth labor led to an improvement in youth unemployment. Japan’s male youth

unemployment was also slightly higher than female youth unemployment every year, but the gap is narrowing as youth labor market conditions improve overall.

Singapore's youth (ages 15-24) unemployment rates were high at around 10% levels from 2000 to 2009. However, it dropped to 7.1% in 2010, and to 6% range from 2011 to 2014, and reached full employment since 2015 with unemployment rates at about 4% levels. Unlike Korea or Japan, female youth unemployment rate is double the rate of male youth. As seen in Table 6-1, Singaporean male youth unemployment rates were high at around 7% levels from 2002 to 2009 but have been stable since 2010 at around 5% levels. And in 2017, the youth unemployment rate was 3.4%, showing signs of full employment. On the other hand, female youth unemployment rate was around 10% in 2000 and 2001. It spiked to 16.2% in 2002 and has been above 10% levels from 2002 to 2009, almost double the rate of male youth unemployment. The unemployment rates of young women dropped to 8% range from 2011 to 2014 and are around 5% levels since 2015, which is still higher than that of young men.

**Table 5.1**  
**Youth unemployment rate trends in Japan, Korea, Singapore and Viet Nam**

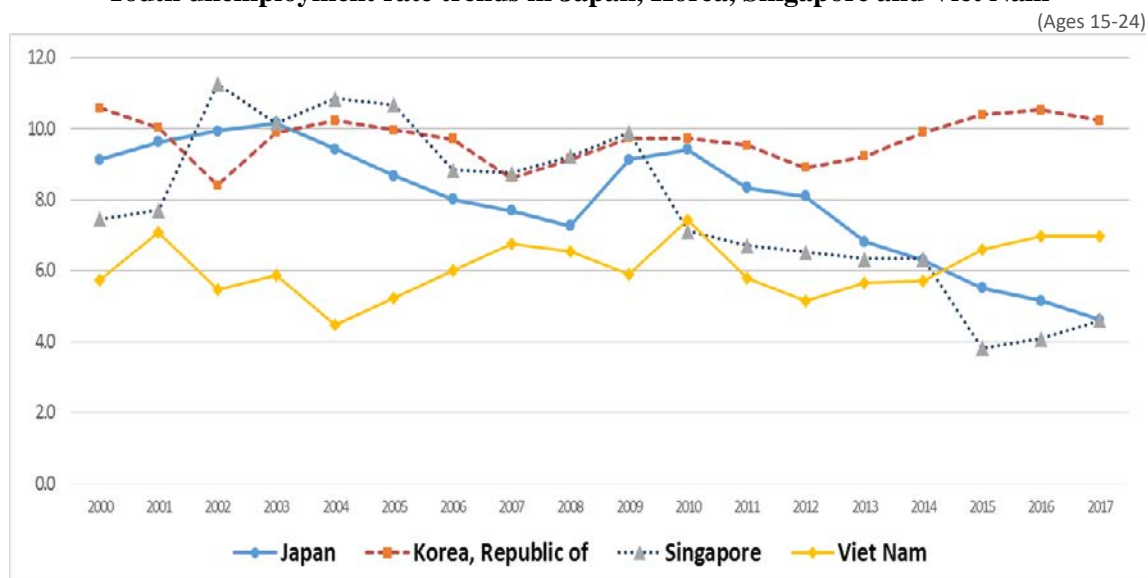
Youth (ages 15-24)	Unit: %											
	Youth male (ages 15-24)			Youth female (ages 15-24)			Youth male (ages 15-24)			Youth female (ages 15-24)		
	Japan	Korea	Singapore	Viet Nam	Korea	Japan	Singapore	Viet Nam	Japan	Korea	Singapore	Viet Nam
2000	9.1	10.6	7.5	5.7	12.5	10.3	4.9	5.2	7.9	10.6	10.2	6.3
2001	9.6	10.0	7.7	7.1	11.9	10.8	5.0	6.4	8.4	10.0	10.6	7.8
2002	9.9	8.4	11.3	5.5	9.6	11.1	6.8	4.9	8.7	8.4	16.2	6.1
2003	10.2	9.9	10.2	5.9	11.1	11.6	5.8	5.3	8.7	9.9	14.9	6.5
2004	9.4	10.2	10.9	4.5	11.4	10.7	6.7	4.3	8.1	10.2	15.2	4.7
2005	8.7	10.0	10.7	5.2	11.4	9.9	7.1	4.9	7.4	10.0	14.5	5.6
2006	8.0	9.7	8.8	6.0	10.9	8.8	6.4	5.5	7.2	9.7	11.5	6.5
2007	7.7	8.6	8.8	6.8	10.5	8.3	6.7	6.2	7.1	8.6	11.0	7.4
2008	7.3	9.1	9.2	6.5	10.7	7.8	6.4	5.9	6.7	9.1	12.1	7.2
2009	9.1	9.7	9.9	5.9	11.2	10.0	7.4	6.0	8.3	9.7	12.7	5.8
2010	9.4	9.7	7.1	7.4	10.7	10.6	5.3	6.8	8.2	9.7	9.1	8.2
2011	8.3	9.5	6.7	5.8	11.3	9.4	5.0	5.3	7.3	9.5	8.6	6.4
2012	8.1	8.9	6.5	5.2	9.4	8.7	4.9	4.7	7.5	8.9	8.4	5.7
2013	6.8	9.2	6.3	5.7	9.5	7.5	4.7	5.0	6.1	9.2	8.1	6.5
2014	6.3	9.9	6.3	5.7	10.8	7.1	4.7	5.0	5.4	9.9	8.1	6.5
2015	5.5	10.4	3.8	6.6	11.0	5.9	2.8	6.4	5.1	10.4	4.9	6.9
2016	5.2	10.5	4.1	7.0	10.7	5.8	3.0	6.9	4.5	10.5	5.2	7.0
2017	4.6	10.2	4.6	7.0	10.9	4.7	3.4	6.9	4.5	10.2	5.9	7.0

Source: International Labor Organization, ILOSTAT database. Data retrieved in July 2018. ILOSTAT [http://www.ilo.org/ilostat/faces/oracle/webcenter/portalapp/pagehierarchy/Page3.jspx?MBI\\_ID=2](http://www.ilo.org/ilostat/faces/oracle/webcenter/portalapp/pagehierarchy/Page3.jspx?MBI_ID=2)

Youth (ages 15-24) unemployment rates in Viet Nam are not too high due to the high economic growth rate. However, the youth unemployment issue is still unresolved because job creation has yet to catch up to labor supply. As shown in Table 5.1, youth unemployment rates in Viet Nam from 2000 to 2017 were around 5~7% levels and recorded 7.0% in 2017. The male youth unemployment rate is slightly lower than that of female youth, but the gap is not significant.

Following a recent increase in male youth unemployment rate, both male and female show similar levels of unemployment.

**Figure 5.1**  
Youth unemployment rate trends in Japan, Korea, Singapore and Viet Nam



Source: International Labor Organization, ILOSTAT database. Data retrieved in July 2018.

As explained above, Japan and Singapore have recently almost resolved youth unemployment issues, while Korea and Viet Nam have yet to resolve them. Viet Nam's youth unemployment rate hovers around 7% in recent years, while Korea's rate is high at around 10% levels since 1998.

### 5.1.2 Similarities and Differences in Youth Employment in Four Economies

There are similarities and differences among the four economies in terms of the youth labor market. One similarity seen among the four economies is that the skills mismatch between labor supply and demand is worsening. This shows that the education and training of young people are not catching up to the rapid changes in industry demand since the 1990s when technology development accelerated. To address the skills mismatch problem, Singapore has launched a national movement named 'SkillsFuture'. Korea developed National Competency Standards (NCS) for some 800 key occupations and is implementing job-training based on NCS. Korea also pursues projects on talent development customized to local industries and programs to foster convergence-oriented talent in the era of the Fourth Industrial Revolution. Both Korea and Japan have job competency development programs as part of employment insurance schemes to provide support to companies and workers alike by helping the unemployed develop their job competency as well as the employed build lifelong vocational skills. Viet Nam also faces the task of solving the issues of skills mismatch and lack of qualified young workers. As we enter an era of the fourth industrial revolution, skills mismatch issue will become a prominent issue to all economies.

The second similarity found among the four economies is that the share of young people with jobs of poor quality is very high. The ratio of non-regular workers among the youth is especially

high. As of 2017 in Korea, 35.7% of young salaried workers in the ages of 15-29 are non-regular workers with unstable job security and low pay. And the percentage has been on the rise since 2013. As of 2017 in Japan, 27.2% of young salaried workers in the ages of 15-24 and 25.9% aged 25-34 are non-regular workers. Job quality improvement for the youth is quite slow. Viet Nam's youth employment quality is quite low as well with many of its young people entering non-regular and unofficial job positions.

The third similarity is that youth not in employment, education or training (NEET) is a serious social issue in all four economies, especially in Korea. According to international comparison statistics on NEETs as per OECD Database, as explained in Chapter 1, 16.7% of Korean youth (ages 15-29) were identified as NEETs in 2017, which is significantly higher than OECD members' average ratio of NEETs in 2016 at 13.9%. Japan also faced youth NEETs issue due to a variety of reasons; 20 years of economic recession since the 1990s, changes in the industry structure from manufacturing-centered to service-centered economy, and changes in labor demand following rapid technology development. It has been long since Hikikomori, those withdrawing themselves from society and rarely leaving their homes, and freeters, who earn a living only through non-regular part-time jobs without stable regular jobs despite their abilities, have become a social problem in Japan. As of 2014, however, the share of Japanese NEETs (ages 15-29) was 9.8%, which is significantly lower than that of Korea in the same year at 15.6%.

One of the differences found when comparing the four economies' youth labor market is that it takes 11 months on average for a young Korean to find his or her first job after graduation. It shows how much difficult it is for young Koreans to transition from school to the labor market. In Korea, a whopping 15.7% of young people either defer graduation even after meeting all the qualifications to graduate to prepare for a decent job or intentionally take fewer classes in their final semester to postpone graduation because they are afraid of the stigma of being both out of school and without a job. On the other hand, 99% of young Japanese graduate with jobs, showing that it is easier for them to transition from school to the labor market.

### **5.1.3 Policy Responses on Youth Unemployment and Best Practices in Each Economy**

Solving the youth unemployment issue is one of the top priorities in any economy. Youth employment policies can be approached from three perspectives; labor demand, labor supply and matching labor demand and supply in the labor market.

First, from labor demand perspective, it is important to help and encourage companies to create more and better jobs for the youth. Demand for labor grows when there is an increasing demand for goods and services in a vibrant economy. And when demand for labor grows, youth employment grows. Demand for labor is a 'derived demand' from the demand for goods and services produced with the input of labor. It is therefore desirable to implement strategies for stable financial policies, industrial policies encouraging job creation, and labor market policies that enable flexible labor adjustments according to the changes in the market to encourage stable household consumption, demand for companies' investment and trade, and stable increase in demand for public finance. Each economy differs in the stages of economic development and industrial structure and has different political and sociocultural environment. Therefore, it is important to pursue the optimal policy package suitable for each economy.

Economies around the world made efforts to promote aggregate demand through expansionary fiscal and monetary policies since the global financial crisis in 2008.

Demand for labor increases in a favorable environment for businesses to flourish and results in increasing youth employment as well. In a globalized economic environment of the 21st century, economies compete to create more jobs by attracting domestic and foreign investment by offering a favorable environment for businesses. It is important to resolve structural issues that hinder corporate investment to create more and better jobs. The Korean government identified that the fundamental cause behind persistent youth unemployment issue since the Korean Financial Crisis is the structural issues of the Korean economy and labor market. It has pursued labor market structural reforms to resolve the dual structure of the labor market and promote job creation, and reformed regulations are hindering corporate investment. These structural reform measures were partially successful, while we have yet to witness tangible results on core issues due to conflicts among political circles and stakeholders. As a result, Korea has not yet been able to solve the structural issues leading to youth unemployment, and these issues have become the main cause of youth unemployment. On the other hand, Japan launched the Abenomics approach in 2013 and saw fruitful results in improving company competitiveness and job creation. Based on this momentum, the Japanese government is pursuing phase-in structural reform policies.

One notable phenomenon is that there is a slight difference in policy approach in resolving youth employment issues. Japan, Singapore and Viet Nam all adopted the approach of encouraging economic growth rate and creating jobs for the youth by attracting corporate investment through better investment environment and strengthening export competitiveness. On the other hand, Korea has not been able to solve youth employment issues despite pushing for market-friendly economic policies in the past few years. In fact, the government identified that the polarization of the labor market has worsened and has been pursuing income-led growth policies through a shift in policy paradigm since 2017. Income-led growth strategy is based on the belief that if job quality improves and household income grows with the support of significant increase in minimum wage, reduction in working hours, regulating the hiring of non-regular workers, strengthening labor rights, better welfare benefits and more employment in the public sector, spending will increase and companies will further invest and produce, resulting in economic growth and job creation for all, including the youth (National Planning Advisory Committee, 2017). However, there are controversies in Korea over whether income-led growth strategy is the right direction of policy.

When the private sector struggles to create jobs, the government and the public sector can provide support in youth job creation. The Korean government is increasing its efforts to mitigate youth unemployment by creating short-term jobs through financial support. Viet Nam is implementing programs to provide loans for employment creation through its National Employment Fund. However, some emphasize that a government's direct involvement in job creation cannot be a fundamental solution to youth unemployment and point out that short-term job creation programs are effective when they are linked with customized employment services to resolve complex obstacles to jobseekers.

Second, from the labor supply perspective, youth population, economic activity rate, working hours and the quality of the labor force through education and training impact youth

employment. Japan is experiencing a decline in youth labor supply caused by low birth rate, in turn alleviating youth unemployment issues. Korea is also witnessing a rapid change in population structure due to the impact of low birth rate and aging population. A significant decrease in youth labor population is causing young labor force entering the labor market to slow down. If all other factors remain the same, there is a possibility of the youth labor market conditions improving in three to four years. However, Korea must be able to create more decent jobs sought by young people if youth employment issues are to be fundamentally resolved.

Both Korea and Japan are making efforts to increase the number of jobs for the youth and improve declining birth rates by reducing working hours and changing the way of work to improve the practice of long working hours that started in the era of industrialization. They are also promoting women's participation in economic activities to mitigate impact from a declining supply of new youth labor force entering the market.

All four economies focus on enhancing the quality of education and training to provide high-quality labor that meets the demands of the industry. Korea and Japan utilize the Employment Insurance Fund to support job competency development of job seekers and the employed. Korea has pursued to innovate vocational education and training since 2013 by developing National Competency Standards (NCS) for some 800 key occupations by identifying the required knowledge, skills and attitude for good performance and ensuring vocational training and National Technical Qualification Examinations are implemented based on these NCS. The National Technical Qualification System is developed based on NCS. The Korean Apprenticeship system, which was introduced in 2014, is also becoming a core industry-academia training program based on NCS. The Korean government also fosters convergence-oriented talent required in the era of the fourth industrial revolution through institutions such as Convergence Technology Campus of Korea Polytechnic to educate and train young talents on the core technologies of the fourth industrial revolution.

Singapore recognizes that leading change by continuing education and training, fostering talent who can adapt to changes, and continuously strengthening job competency of its entire population are key to enhancing the competitiveness of its economy and companies and encouraging employment and wage stabilization. It focuses its domestic capacity on the competitiveness of labor supply. To achieve this goal, Singapore's Ministry of Manpower and Ministry of Education established close ties of cooperation to support continuing education and training for all its people through the SkillsFuture program and other initiatives. Viet Nam accelerated support on vocational training and startups by implementing its program on supporting youth in vocational training and entrepreneurship 2008-2015.

Third, there are various labor market policies in place to match labor demand and supply in the labor market. Korea's Ministry of Employment and Labor and Korea Employment Information Service jointly developed and manages Work-Net, a domestic employment portal, using the Employment Insurance Fund. Work-Net is widely used by the public by not only facilitating matches between employers and job seekers, but also providing information on occupations, prospects of labor demand and supply, various support for employment and youth employment policies. Work-Net will soon be able to offer individualized support for employment by combining AI and big data technology. By benchmarking Korea's Work-Net, Viet Nam is

pursuing projects on supporting labor market development to improve and modernize its labor market information system.

To enable the youth to find jobs right after graduation, it is important to help young people understand career paths and the world of jobs starting in adolescence. Having the opportunity to experience different types of occupations is also important. For this exact reason, Korea provides opportunities to children and teenagers to experience various jobs and receive career guidance through Korea Job World. Work-Net offers information on career and jobs, occupational psychological tests and job and online career counseling. The Korean government has also opened university job centers since 2015 to provide support to university students finding employment. The Korean Apprenticeship system offers job training opportunities to experience what skills are required in different occupations by receiving job training as well as actual on-the-job experience. The Employment Success Package Program for the youth provides customized service to young jobseekers. And since 2014, the government strengthened employment services by reforming existing Job Centers into Employment-Welfare Plus Centers or opening new centers to provide one-stop customized employment and welfare services.

Japan opened 57 Employment Centers to Support New Graduates to help university students find employment. It also has 28 Youth Employment Centers to help non-regular workers find regular job positions. Japanese local governments opened local Youth Support Stations or Hikikomori Support Centers to offer customized employment services to NEETs and Hikikomori to help them find jobs.

## **5.2 IMPLICATIONS**

This paper reviewed the youth unemployment situation and characteristics, policy responses and best practices of Japan, Korea, Singapore and Viet Nam. The experience of the four economies emphasizes the need for measures in response to youth unemployment and employment policies to be developed and pursued according to the phase of economic development and political, socioeconomic and cultural environment of each individual economy. The following eight implications were derived from the four reviewed economies:

### ***Develop Better Job Creation Environment in a Ever-Changing Global Economy***

First, it is crucial to create an environment that enables job creation by maintaining a stable macroeconomy and reforming regulations and systems that hinder job creation to solve youth unemployment issues. Economies across the world prioritize policies that create jobs and resolve youth unemployment based on the belief that job creation is the best welfare. However, many economies struggle in achieving this goal and only a handful of economies succeeded in solving youth unemployment. Another point to note is that even economies that succeed in solving youth unemployment can face an employment crisis if they pursue only short-term temporary policies while neglecting structural reforms to respond to the changes in the socioeconomic environment. Therefore, economies must accurately analyze and predict the changing environment and continue making efforts to implement policy responses according to the changing environment.



***Need More Efforts to Improve Quality of Jobs***

Second, youth employment issue must be approached in two perspectives of increasing the number of jobs for the youth and improving the overall quality of jobs. Economies across the world face a decline in employment quality and polarization in the labor market due to an increase in non-regular job positions. With more young people receiving higher education, they tend to avoid low-quality jobs. But without any improvement in the number of decent jobs, there is a serious mismatch in youth employment in terms of job quality. Therefore, there should be more efforts made to improve the quality of employment in small and medium-sized companies and small service providers with relatively low productivity.

***Need More Efforts for Smooth School-to-Work Transition***

Third, smooth school-to-work transition is crucial in preventing youth unemployment. The longer it takes to find a job after graduation, the harder it is to find employment. Therefore, it is very important to provide systematic career guidance and job experience opportunities when young people are still in school so that it is easier to find employment immediately after graduation.

***Innovate Education and Training System***

Fourth, the importance of nurturing high-quality talent through education and training innovation, strengthening the employability of people and improving their adaptability to change by deepening lifelong vocational training cannot be stressed enough. Singapore especially provides job experiences to students through Enhanced Internships and SkillsFuture Earn and Learn Program, and is offering stronger up-skilling, re-skilling and deep-skilling training to the employed. Singapore's case of achieving a competency-based society through the SkillsFuture program gives us many implications and lessons.

***Develop Efficient Employment Service Delivery System***

Fifth, it is crucial to encourage better job matching in the labor market by continuously innovating the delivery mechanisms of employment services and information on the labor market. In this perspective, it is a good idea to develop and improve a domestic employment portal and employment-welfare linked delivery system to match employers with job seekers in real time.

***Provide Customized Employment Services for the Vulnerable Youth***

Sixth, young people who struggle to find employment, such as NEETs or Hikikomori, have very complex obstacles in finding jobs. Therefore, it is important to analyze the factors that hinder employment and provide customized employment services to them. In this perspective, Japan's case of establishing employment service providing institutions specialized to young NEETs and Hikikomori or Korea's case of implementing Employment Success Package Program to provide young people with individualized employment services have many implications for us.

***Harmonize between the Universal Youth Employment Strategy and Economy-Specific Strategy***

Seventh, measures in response to youth unemployment and employment policies must be developed and pursued according to the phase of economic development and political, socioeconomic and cultural environment of each individual economy. During the high-growth stage, both Korea and Japan were exemplary economies that achieved a virtuous circle of economic growth, job creation and income distribution. However, Japan during 1990~2010 and Korea after the 1997 Korean Financial Crisis were not good examples to other APEC economies in solving youth unemployment issues. Still, the experiences of Korea and Japan brings to light the importance of appropriate policy measures in different economic development stages and in response to changing global economy and labor market conditions for many APEC economies. It is important to note, however, that there is a significant difference in the global economic environment, industrial structure of each economy and labor market conditions during Korea's rapid economic growth period and what many APEC developing economies face today. It may be helpful to pursue a fast-follower strategy as a latecomer in its initial stages of economic development by benchmarking the experiences of advanced economies. But today's global economic environment is fundamentally different from the 1960s to 90s when Korea experienced rapid growth. Therefore, it is crucial to implement a harmonized and balanced approach between the universal strategy based on the principles of market economy and economy-specific strategy customized to each economy's unique circumstances and development stage.

***Establish a Complementary Social Safety Net for the Uncovered Youth***

Eighth, it is important to establish a secondary social safety net for many young people excluded from various employment or unemployment insurance schemes that mainly protect those who already have jobs. Korea's Employment Success Package Program and Japan's Jobseeker Support System are meaningful in the fact that they are employment-welfare programs for young people and non-regular workers who fall through the cracks of social safety net.

### **5.3 CONCLUSION**

Solving the youth unemployment issue is one of the top priorities in any economy. Policies in response to youth unemployment must be based on understanding the fundamental reasons for youth unemployment and pursuing a policy package that addresses the fundamental causes. Most economies experience youth unemployment of a combination of structural, cyclical and frictional unemployment. Therefore, policies tackling youth unemployment should also be a balanced and optimal policy mix of structural reform measures to resolve structural unemployment, expansionary fiscal and monetary policies to resolve cyclical unemployment, and advanced employment services and welfare policies to resolve frictional unemployment.

If an economy only pursues administratively convenient short-term measures instead of addressing the fundamental causes because it is difficult, it will be challenging to solve youth unemployment issues. Many economies tend to avoid the necessary and essential structural reforms that can solve the root causes of youth unemployment in the face of the opposing opinions of political circles, civic organizations and labor unions. Instead, economies stick to temporary measures supporting the youth, such as creating jobs in the short run via financial support and providing employment subsidies. Many empirical studies addressed in Chapter 1 showed that such policies have a poor effect and therefore should only be implemented temporarily during economic crises. Still, many economies show a tendency of expanding short-term job creation through financial support and providing employment subsidies because of political and administrative convenience. This is the reason why only some economies succeed in tackling youth unemployment issues when almost all economies attempt to. To fundamentally solve youth unemployment issues, it requires a social consensus on the root causes of youth unemployment and leadership that can bring together understanding and cooperation among social partners.

Youth unemployment is the result of all socioeconomic policies and systems and the actions of economic agents. Therefore, it is only right that the responsibility must be borne by all economic agents. There are limitations to solving youth employment through government's efforts only. The National Assembly, political parties, municipalities, the business community, labor groups and civic organizations must come together to act with the people. All social partners must join their efforts in developing and creating policies, institutions, practices and culture that create more and better jobs through a forward-looking social agreement based on social dialogue and the cooperation of all economic agents. Social discussion and agreement among social partners are crucial in solving domestic challenges, not just youth unemployment.

From labor demand perspective, it is important to create a business-friendly environment to encourage corporate investment and maintain stable and predictable fiscal and monetary policies to enable economic agents to make rational decisions so that demand for household spending and corporate investment grows. Dynamic, flexible yet stable labor-management relations and social safety net must be built on the social agreement so that companies do not feel burdened when hiring and employees are not anxious about employment or income.

From labor supply perspective, it is important to innovate education and training to enable smooth supply of good-quality labor that meets industry demand. Stronger education of career and jobs for the youth when they are still in school is necessary to enable a smooth school-to-

work transition. And economies must develop social support systems that can help young people develop job competency even after employment and encourage all employed workers to participate in such programs.

Economies need to develop and expand the delivery mechanisms of employment services that match job seekers to job positions and innovate the way that services are provided to support stable supply and demand in the labor market. Customized employment and welfare services for disadvantaged groups in the labor market with complex factors that dampen employment can help them achieve self-reliance and self-realization through work.

The youth are the ones who are impacted first in every employment crisis. In economic crises, companies tend to reduce or freeze new recruitment as the easiest way to adjust employment as it is realistically challenging to layoff existing employees. And those who are directly hit are the young labor force entering the labor market. Therefore, a social agreement to minimize direct impact on youth employment, such as reduction of working hours, job sharing and wage flexibility, is necessary during economic crises.

Economies implement various policies and programs to address youth unemployment. However, it is important to implement performance-based policies and programs through continuous and scientific monitoring and evaluation on the progress of said policies and programs. There are already many empirical studies on performance-based policies, and best practices are identified. It will be crucial to share such research findings, identified best practices with APEC members to benchmark.

The institutional framework that secures necessary funds in a stable manner is required to implement labor market policies to tackle employment issues, including youth unemployment. It may be difficult to secure necessary funds in a stable manner if financing for labor market policies only depended on general budget. Japan, Korea and Viet Nam fund necessary labor market policies and provide unemployment benefits through employment insurance schemes. Singapore secures funds for the SkillsFuture movement which supports lifelong learning, from Skills Development Fund, Lifelong Learning Endowment Fund, National Productivity Fund for sustainable funding for both pre-and-post-employment training programs. The cases of Japan, Korea, Singapore and Viet Nam using domestic funds to secure sustainable funding for labor market policies can be good examples for many APEC economies.

## APPENDIX A: Sample of HAS Skills Framework

		General Manager				
		Hotel Manager/ Resident Manager/ Executive Assistant Manager	Director of Sales and Marketing		Director of Revenue Management	
		Rooms Division Manager/ Director of Rooms				
		FRONT OFFICE	HOUSEKEEPING	SALES AND MARKETING	REVENUE MANAGEMENT	
LEADERSHIP/MANAGERIAL		☞ Front Office Manager/Operations Manager	☞ Executive Housekeeper ☞ Director of Housekeeping	☞ Sales/Events  ☞ Director of Sales ☞ Director of Events/Director of Catering/Director of Conference Services	☞ Public Relations/Marketing Communications  ☞ Director of Public Relations/Director of Marketing Communications	☞ Revenue Manager ☞ Reservations Manager
		☞ Assistant Front Office Manager/Assistant Operations Manager ☞ Chef Concierge ☞ Head Butler/Butler Manager  ☞ Duty Manager ☞ Assistant Chef Concierge ☞ Club Floor Manager ☞ Guest Relation(s) Manager/Guest Service(s) Manager/ Call Centre Manager	☞ Assistant Executive Housekeeper ☞ Laundry Manager	☞ Assistant Director of Sales ☞ Assistant Director of Events/Assistant Director of Catering/Assistant Director of Conference Services	☞ Assistant Director of Public Relations/Assistant Director of Marketing Communications	☞ Assistant Revenue Manager ☞ Assistant Reservations Manager
SUPERVISOR/EXECUTIVE		☞ Concierge ☞ Butler Supervisor ☞ Club Floor Executive (Supervisor) ☞ Front Office Executive (Supervisor)/ Guest Relation(s) Executive (Supervisor)/ ☞ Guest Service(s) Executive (Supervisor)/ ☞ Call Centre Executive (Supervisor)	☞ Assistant Housekeeper/ ☞ Assistant Manager (Housekeeping)	☞ Catering Sales Manager/Sales Manager ☞ Events Services Manager/Conference Services Manager	☞ Public Relations Manager/Marketing Communications ☞ Digital Marketing Manager	☞ Revenue Specialist/Revenue Analyst ☞ Reservations Supervisor
		☞ Assistant Concierge ☞ Butler	☞ Housekeeping Supervisor ☞ Linen Room Supervisor	☞ Assistant Catering Sales Manager/Assistant Sales Manager etc.	☞ Assistant Public Relations Manager/Assistant Marketing Communications etc.	☞ Reservations Executive
OPERATIONS		☞ Club Floor Agent (Officer) ☞ Front Office Agent (Officer)/Guest Relation(s) Agent (Officer)/Guest Service(s) Agent (Officer)/Call Centre Agent (Officer)	☞ Housekeeping Coordinator	☞ Catering Sales Coordinator/Sales Coordinator etc.	☞ Marketing Communications Officer/Sales and Marketing Officer etc.	☞ Reservations Agent(Officer)
		☞ Bellhop/Bell Attendant	☞ Housekeeping Attendant/Room Attendant/ Public Area Attendant ☞ Linen Room Attendant/Laundry Valet Attendant			

Source: SSG (2018). A career in Hotel and Accommodation Service

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