

Korea

This country note provides an overview of the labour market situation in Korea drawing on data from *OECD Employment Outlook 2024*. It also looks at how the transition to net-zero emissions by 2050 will affect the labour market and workers' jobs.

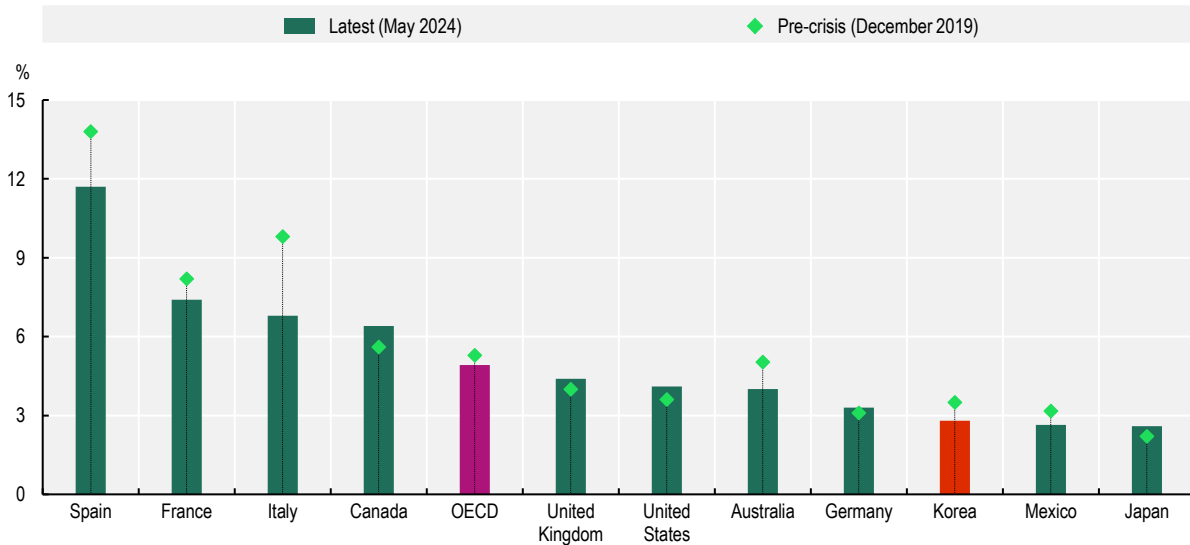
Labour markets have been resilient and remain tight

Labour markets continued to perform strongly, with many countries seeing historically high levels of employment and low levels of unemployment. By May 2024, the OECD unemployment rate was at 4.9%. In most countries, employment rates improved more for women than for men, compared to pre-pandemic levels. Labour market tightness keeps easing but remains generally elevated.

- As of May 2024, the employment rate (for people aged 15-64) in Korea was 69.4% (seasonally adjusted, s.a.), same as May of last year and 2.2 percentage points up from December of 2019, showing continuous strong performance. The unemployment rate (2.8%, s.a.) increased only slightly by 0.2 percentage points.
- Women's employment rate (62.5%) increased by 0.3 percentage points between May 2023 and May 2024, showing a solid upward trend compared to men's, but remains significantly lower than the OECD average.
- The labour market continues to ease with the job vacancy rate decreasing for five consecutive quarters. Korea has implemented sector-specific measures to support labour shortage, including training and working environments improvement such as safety measure for manufacturers experiencing hiring difficulties such as shipbuilding, or for health and welfare workers.
- This robust trend is expected to continue into 2025 thanks to the rapid recovery in exports centred on semiconductors and the domestic consumption. Korea's GDP is projected to increase from 1.3% in 2023 to 2.6% in 2024 and 2.2% in 2025, while the unemployment rate in 2025 should remain stable.
- Korea has implemented a "Labour reform" to alleviate labour market duality and establish more adaptable, fair, and active labour market policy, focusing on improving the seniority-based wage system, fostering a more flexible application of working hours regulation, and improving working conditions for non-standard workers. Korea also has taken measures to increase both the duration and the amount of the "parental leave" benefit with the aim to boost take-up among men and prevent career breaks for women.

Figure 1. Unemployment rates remain at historically low levels in many countries

Unemployment rate (percentage of labour force), seasonally adjusted data



Note: The latest data refer to March 2024 for the United Kingdom, and June 2024 for Canada and the United States.

Source: *OECD Employment Outlook 2024*, Chapter 1.

Real wages are now growing but there is still ground to be recovered

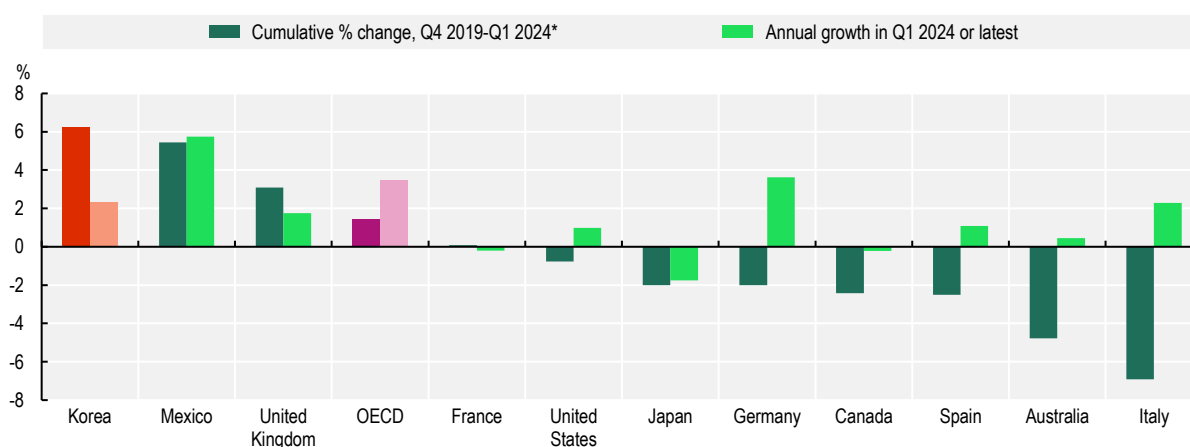
Real wages are now growing year-on-year in most OECD countries, in the context of declining inflation. They are, however, still below their 2019 level in many countries. As real wages are recovering some of the lost ground, profits are beginning to buffer some of the increase in labour costs. In many countries, there is room for profits to absorb further wage increases, especially as there are no signs of a price-wage spiral.

- Real wages in Korea decreased by 1.7% between the first quarter of 2023 and the first quarter of 2024, continuing the downward trend since 2022. However, real wages remain higher than in 2019. Despite an overall easing trend, inflation in core prices such as energy and agricultural products remains high, which explains the slowdown of the real wage recovery even though nominal wages continued to rise.

Statutory minimum wages in real terms are above their 2019 level in virtually all countries

In May 2024, the real minimum wage was 12.8% higher than in May 2019 on average across the 30 OECD countries that have a national statutory minimum wage. The average figure is driven in part by particularly large increases in some countries, but the median increase was also quite significant, at 8.3%.

- The nominal minimum wage of Korea in 2024 was raised by 2.5% compared to last year, to protect the purchasing power of low-paid workers while accounting for the financial difficulties of small and medium-sized enterprises.

Figure 2. Real wages remain below 2019 levels in most countries

Note: * For Canada, Japan, Korea and Mexico, the annual growth refers to Q4 2022-Q4 2023 and the cumulative percentage change to Q4 2019-Q4 2023. OECD is the unweighted average of 35 OECD countries (not including Chile, Colombia and Türkiye).

Source: *OECD Employment Outlook 2024*, Chapter 1.

In most countries, low-income groups are the most affected by carbon pricing reforms

Effective carbon taxing has been increasing across the OECD over the 2012 to 2021 period. In parallel, per-capita carbon emissions from energy use declined in most countries over this period. However, carbon taxes, emissions trading systems and fuel excise taxes often had a regressive impact, reflecting the reliance of low-income households on high-emitting consumption items, such as energy and food.

- Between 2012 and 2021, in 2021 constant euros, effective carbon rates in Korea increased from EUR 29 to 48 per tonne of CO₂ as ETS was first introduced in 2015, and fuel exercise taxes continue to increase. Now these rates place the country just above the OECD average (EUR 42 per tonne of CO₂ in 2021).

However recently, Korea has extended the temporary fuel tax reduction policy that has been applied since 2022 to ease rising energy prices and support low-income households, and ETS permit price is also trending downward since 2021.

Contact

Kyungmin NOH (✉ kyungmin.noh@oecd.org)

Glenda QUINTINI (✉ glenda.quintini@oecd.org)

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