

Policies on the Employment of Foreign Workers: Issues and Challenges

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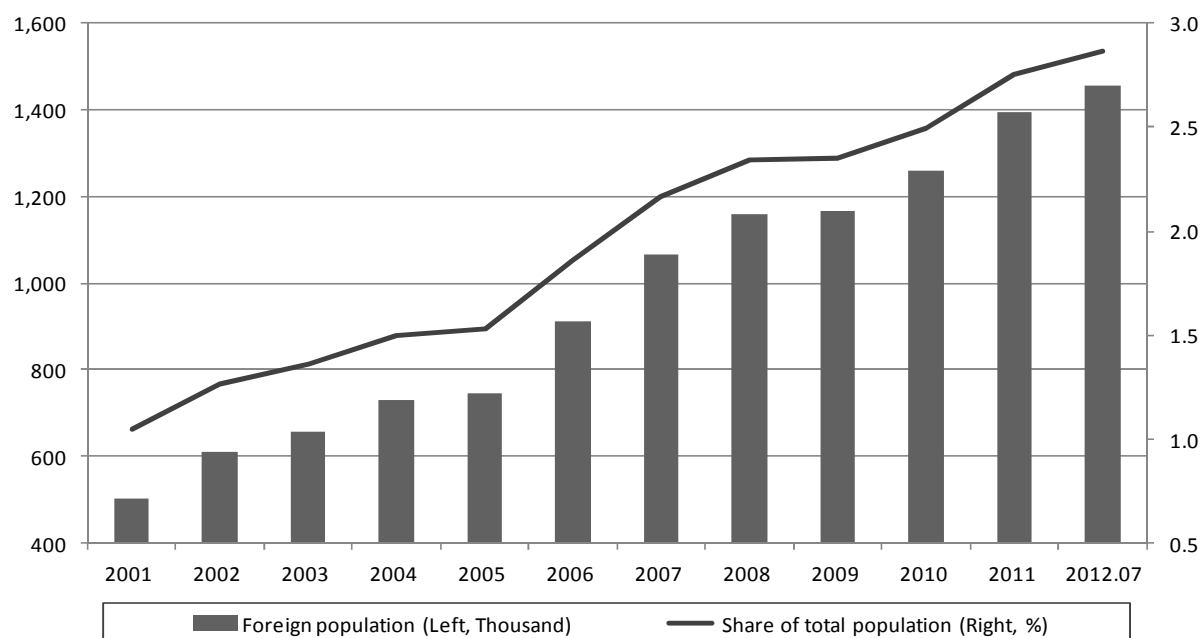
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Trends in migration flows

- Number of foreign-borns reached 1.46 million in July 2012(2.9% of the Korean population)
- Size of foreign population doubled in less than 10 years
- Absolute number and share still low in OECD comparison, esp. for permanent migrants
- But increasing at rapid pace: number increased by 133,000 in 2011 alone



<Total foreign population in Korea (inclusive of illegal residents)>

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Composition of Foreigners

- International students (Study Korea Project), marriage migrants, foreign workers(EPS)
- By country of origin: 48.6% from China, mostly countries with bilateral labor agreements
- Korea increasingly a major destination country in Asia for foreign workers

Year	Total	Marriage migrants	Students	Professional	Non-professional			Investors
			D2 +D4	E1~E7	E9 + H2	E9	H2	D8
2001	501,958	24,949	7,998	20,610	-	-	-	6,594
2002	609,797	34,710	11,308	24,155	-	-	-	7,178
2003	656,380	44,416	13,928	22,431	159,755	159,755	-	5,902
2004	728,339	57,069	19,966	21,729	165,198	165,198	0	6,041
2005	747,467	75,011	27,498	24,785	113,000	113,000	0	7,107
2006	910,149	93,786	42,289	29,011	161,867	161,867	0	7,300
2007	1,066,273	110,362	61,836	33,502	403,687	175,001	228,686	8,109
2008	1,158,866	122,552	75,587	37,304	490,109	190,777	299,332	8,356
2009	1,168,477	125,087	82,374	40,698	494,646	188,363	306,283	7,907
2010	1,261,415	141,654	107,409	43,608	506,905	220,319	286,586	7,557
2011	1,395,077	144,681	104,858	47,095	537,663	234,295	303,368	7,405

<Number of foreigners and immigrants, total and by purpose of entry(visa status)>

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Nationality	Total	% of total	Legal	Illegal	% illegal
Grand-Total	1,395,077	100%	1,227,297	167,780	12.0%
Asia-Total	1,181,435	84.7%	1,027,529	153,906	13.0%
China	677,954	48.6%	610,920	67,034	9.9%
Korean-Chinese	470,570	33.7%	453,286	17,284	3.7%
Non Korean	207,384	14.9%	157,634	49,750	24.0%
United States	132,133	9.5%	124,657	7,476	5.7%
Vietnam	116,219	8.3%	97,343	18,876	16.2%
Japan	58,169	4.2%	56,933	1,236	2.1%
Philippines	47,542	3.4%	35,679	11,863	25.0%
Thailand	45,634	3.3%	31,539	14,095	30.9%
Indonesia	36,971	2.7%	31,253	5,718	15.5%
Uzbekistan	29,742	2.1%	24,714	5,028	16.9%
Mongolia	28,634	2.1%	18,966	9,668	33.8%
Taiwan	26,316	1.9%	25,366	950	3.6%
Canada	21,812	1.6%	21,098	714	3.3%
Srilanka	21,554	1.5%	18,939	2,615	12.1%

<Foreign-born population by country of origin, 2011>

Policies for foreign workers: overview

- Labor migration system characterized by its *duality*
- Distinctly different paths into either low-skilled or high-skilled employment
- Corresponding eligibility requirements and benefits(scope of permitted activities, path to permanent settlement, accompaniment of family, etc.)

High-skilled workers

- Current definition (as seen from visa types): Professor (E-1), Foreign language instructor (E-2), Research (E-3), Technological transfer (E-4), Professional employment (E-5), Arts and Performances (E-6) and Specially designated activities (E-7)
- High share of English language teachers(E-2 visa)
- Visas generally issued if eligible and employment contract obtained
- Global competition for talent: Science card, Gold card, Point system
- But utilization has been very low...

Low-skilled workers: Nonprofessional employment (E-9) and Working visit (H-2)

- *Employment Permit System*, since 2004: 'Act on the Employment etc, of Foreign Workers'
- First official provision for the employment of low-skilled foreign workers
- Provision for ethnic Koreans(mostly from China) added into the EPS in 2007: H-2 visa
- Public sector in charge of selection and admission process: transparency guaranteed

Employment Permit System(EPS)

- Foreign Workforce Policy Committee decides annual quota
- Quota allocated by industry and visa type (E-9 and H-2)
- Employer requests permission to hire foreign worker
- Labor market test required: job posting with public employment support center (14 days)

Differences between E-9 and H-2

- E-9 visa: Potential employer reviews list of recommended candidates and makes selection (based on basic information, e.g. age, nationality, education). Worker enters country after employment contract signed and visa issued
- H-2 visa: Ethnic Koreans are allowed to enter country and conduct free job search on acquisition of Working visit(H-2) visa
- H-2 visa holders permitted to work in services and change employers w/o authorization

Legal status and rights

- Family accompaniment not allowed
- Max length of employment: 3 years + 1 year 10 months
- Recent amendment in law lets qualifying foreign workers stay for another 5-year term
- No path to permanent residency for E-9 visa holders
- Covered by departure guarantee insurance, national health insurance, return cost insurance, wage payment guarantee insurance, national pension(reciprocity)

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Employment Structure

- Distribution of foreign workers by industry and establishment size given below
- Concentration of E-9 in manufacturing, H-2 in services and manufacturing
- *Persistent and rising demand*

Industry	2007	2008	2009	2010	2011
Manufacturing	119,411	147,494	154,335	167,353	190,391
Construction	207	1,825	4,841	12,777	9,234
Agriculture and Livestock	154	2,921	5,815	6,545	10,153
Services	24,121	23,153	24,108	35,388	34,741
Fishing	5	485	949	1,376	2,130
Total	143,898	175,878	190,048	223,439	246,649

<Number of foreign workers, by industry (as of March each year). Based on EPS administrative data>

Establishment Size	1~4	5~10	11~30	31~50	51~100	101~200	201~300	301~500	501+	Total
Total	40,200	46,619	75,898	33,488	25,176	15,286	4,164	1,334	307	242,472
E-9 visa	19,236	36,405	59,876	26,042	19,868	12,607	3,502	1,094	229	178,859
H-2 visa	20,964	10,214	16,022	7,446	5,308	2,679	662	240	78	63,613

<Number of foreign workers by establishment size (May 2012)>

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Comparison of wages and working conditions

- Foreign workers on average earn 81.4% of that of domestic workers
- Foreign male workers earn 78.4% of similar domestic male workers
- Foreign female workers earn 89.8% of similar domestic female workers

		Monthly Wage	Regular Wage	Regular Hourly Wage
Domestic vs Foreign	Domestic Worker	1,983	1,648	10.628
	Foreign Worker	1,616	1,263	7.322
Domestic vs Foreign, by sex	Domestic Male Worker	2,127	1,765	11.58
	Domestic Female Worker	1,589	1,328	8.007
	Foreign Male Worker	1,667	1,264	7.759
	Foreign Female Worker	1,427	1,261	5.708
By Visa Type	Domestic Worker	1,983	1,648	10.628
	Non-professional Visa (E-9)	1,638	1,228	7.69
	Working Visit Visa (H-2)	1,565	1,342	6.527
	Ethnic Koreans (F-4)	1,655	1,372	6.664
	Others	1,442	1,242	6.418

(Unit: 1,000won)

<Wages by worker characteristics and by industry>

Comparison of wages and working conditions

- Monthly wages are highest in manufacturing and construction, and lowest in fishing
- Hourly wage is highest in fishing (little overtime)

	Monthly Wage	Regular Wage	Regular Hourly Wage
All industries	1,616	1,263	7.322
Agriculture and Livestock	1,233	1,168	8.139
Fishing	1,195	1,194	14.324
Manufacturing	1,679	1,240	7.254
Construction	1,732	1,470	9.192
Services	1,392	1,359	6.17
Food services	1,381	1,349	7.446
Other services	1,520	1,409	6.935
Private nursing	1,428	1,427	3.197
Employment in Private Households	1,352	1,341	3.223

<Wages of foreign workers by industry>

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Comparison of wages and working conditions

- Foreign workers work considerably longer hours across industry and establishment size
- Foreign workers in services industry work the longest hours: workers in private nursing, domestic helpers spend most of their day working...
- *Labor costs of foreign workers relative to productivity are similar to or higher than domestic workers*

		Total Work Hours	Overtime Work Hours
Domestic vs Foreign, by sex	Domestic Male Worker	218.8	34.2
	Domestic Female Worker	215.8	29.8
	Foreign Male Worker	238.8	46.2
	Foreign Female Worker	294.4	20.4
By Industry	Agriculture and Livestock	252.5	10.8
	Fishing	186.4	0.8
	Manufacturing	239.9	50.1
	Construction	217.8	30.4
	Services	328	5.9
Establishment Size	1~4 Employees	296.4	8.6
	5~9 Employees	228.5	24.6
	10~29 Employees	239.5	47.6
	30~99 Employees	242.8	59.7
	100~299 Employees	257.2	67.7
	300 or More Employees	249.6	82.3

<Average work hours per month>

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Labor market impact

- Shortage of studies largely due to lack of data: inconclusive
- *Recent studies confirmed negative impact on employment*
- *Growing dependency on foreign workers*

		2005			2011		
		Foreign Worker	Domestic Worker	% Foreign Workforce	Foreign Worker	Domestic Worker	% Foreign Workforce
Industry	Manufacturing	34,926	766,097	4.36	205,262	956,004	17.68
	Construction	91	10,117	0.89	14,756	11,792	55.58
	Agriculture and Livestock	380	3,661	9.4	12,561	4,717	72.7
	Services	10,523	69,406	13.17	34,695	110,166	23.95
	Fishing	6	465	1.27	3,096	620	83.32
	Unknown				488		100
Establishment size (Number of Employees)	Less than 5	19,163	90,603	17.46	90,736	126,289	41.81
	Between 5-9	7,293	59,087	10.99	35,926	93,193	27.82
	Between 10-29	11,805	206,050	5.42	73,767	271,610	21.36
	Between 30-49	3,415	121,306	2.74	26,826	145,875	15.53
	Between 50-99	2,374	144,738	1.61	22,618	171,733	11.64
	Between 100-299	1,178	165,855	0.71	15,374	194,020	7.34
	300 or More	107	49,820	0.21	1,034	63,280	1.61
	Unknown	591	12,287	4.59	4,577	17,299	20.92
Total		45,926	849,746	5.13	270,858	1,083,299	20

<Share of foreign workforce in 2005 and 2011, by industry and establishment size>

Current Issues

- Expansion of quota based on labor shortage
 - Causes of and solution for labor shortage, preference for and growing dependence on foreign workers amidst persistent labor shortage
- Unintended permanent settlement of low-skilled foreign workers
 - Frequent changes to program regarding maximum length of employment
- Failure to align beneficiaries and cost-bearers
 - Direct administrative costs and job training expenses funded with taxes
- Restricting firm's choice in selecting workers
 - Firms' difficulties verifying qualifications of workers
- Mixed policy stance on ethnic Koreans
 - Demand-driven labor market approach vs Provision of economic support
- Lack of comprehensive policy management
 - Employment is either professional or non-professional: dualized system

Challenges moving forward

- Define operational principles of foreign workforce system
 - Complement domestic workforce, prevent settlement of low-skilled workers, non-interference with industrial restructuring
- Protect labor market for domestic workers
 - Improve design and implementation of labor market test
- Strengthen competitiveness through productivity enhancement of foreign workers
 - Provide incentives to participate in training programs
- Reduce social costs of foreign workforce employment
 - Reduce number of illegal workers
- Need for better strategies to attract high-skilled workers
 - Take account of demand for diverse skills
 - Refine classification of high-skilled workers by skill level
 - Review strategies to attract and utilize international students

Policies on the Employment of Foreign Workers: Issues and Challenges

- Set policy direction for ethnic Koreans
- Implementation of foreign workforce policy with medium- to long-term perspective
 - Consideration of domestic labor market and industrial policies