

# What Inactivates Youth out of Labor Markets?: The Case of South Korea

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# Introduction

- ❖ Korea had a dynamic youth labor market until late 1990s, but is confronted with the sustained growth of jobless youths, 'Itaebaek'.
  - The core issue of the youth LM is extensive inactiveness, associated with low employment, rather than high unemployment.
- ❖ Research Question: **How and Why inactive youths (aged 15-29) in Korea have increased over the past decade?**

	Employment rate			Unemployment rate		
	2000	2005	2010	2000	2005	2010
OECD Average	45.5	42.7	39.5	12.1	13.4	16.7
<b>Korea</b>	<b>29.4</b>	<b>29.9</b>	<b>23.0</b>	<b>10.8</b>	<b>10.2</b>	<b>9.8</b>
Germany	47.2	42.6	46.8	8.4	15.2	9.7
Japan	42.7	40.9	39.2	9.2	8.6	9.2
United Kingdom	61.5	58.6	50.9	11.7	12.2	19.1
United States	59.7	53.9	45.0	9.3	11.3	18.4
France	28.3	30.5	30.8	20.6	20.3	22.5
Spain	36.3	41.9	27.4	25.3	19.7	41.6
Mexico	48.9	43.7	42.7	5.1	6.6	9.5

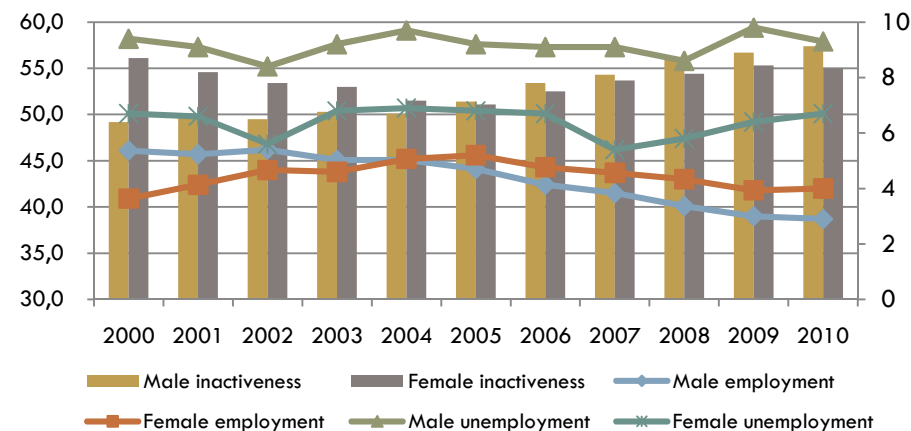
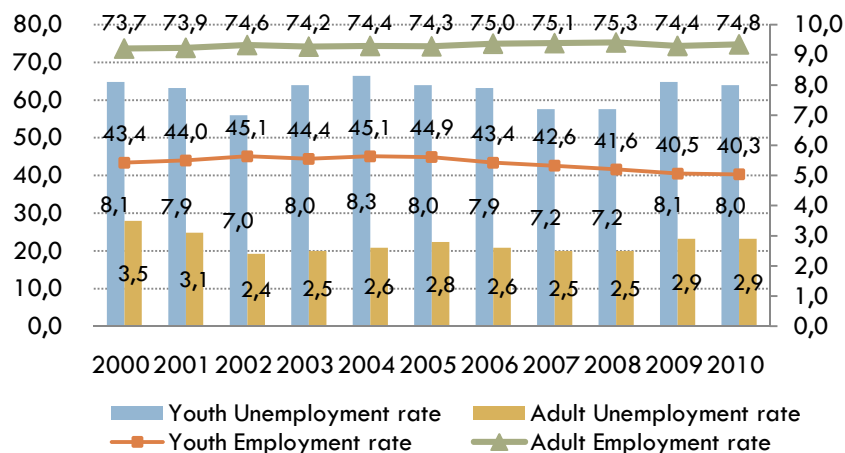
# Theoretical Review

- Heterogeneity and fluidity of jobless youths:
  - active job seekers in traditional unemployment
  - voluntary job dropouts having no desire to get a job
  - involuntary job dropouts in discouraged/hidden unemployment
- Growing research interest in the NEET, despite the lack of common conception and measurement
- Harmful effect of youth inactiveness over their economic-psychological attainment of adulthood as well as societal costs and burden
- Causal factors influencing youth joblessness/inactiveness
  - **Macro factors:** aggregate economic conditions and growth rate, unemployment, industrial composition & development, skill-biased technological changes, corporate HRM & restructuring, wage determination & minimum wages, employment protection legislation
  - **Micro factors:** individual and household characteristics (demographic attributes, educational attainment, occupational qualification, job experience, attitudinal inclinations and behavioral problems; household's financial & cultural resources, parental background & support, family cohabitation form, and residence area

# Trends in the Youth Labor Market (I)

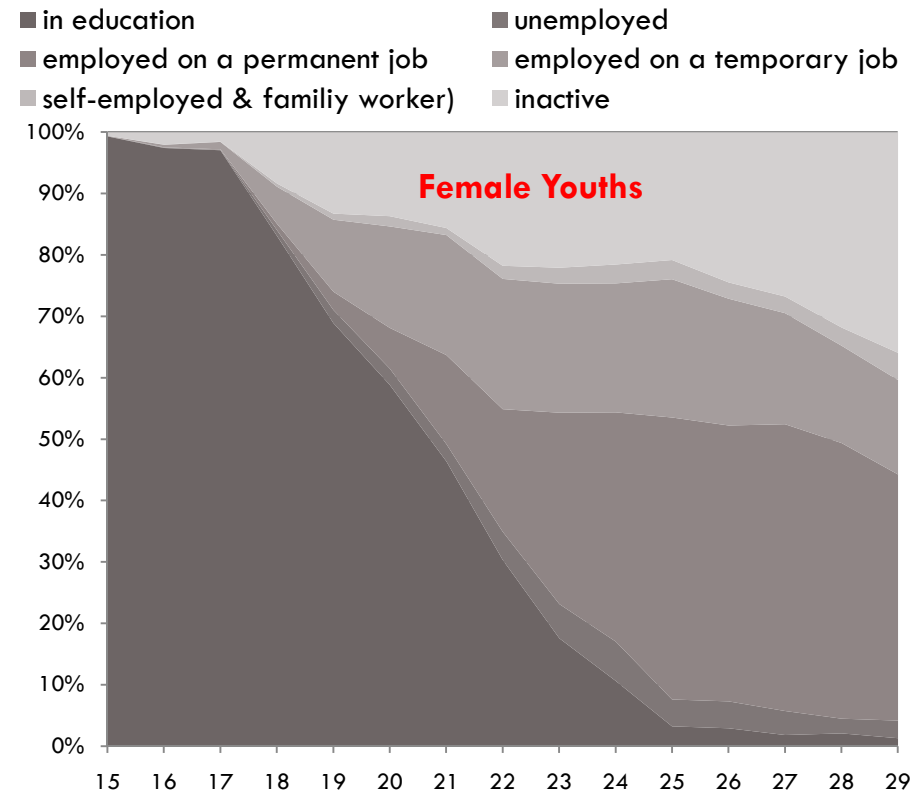
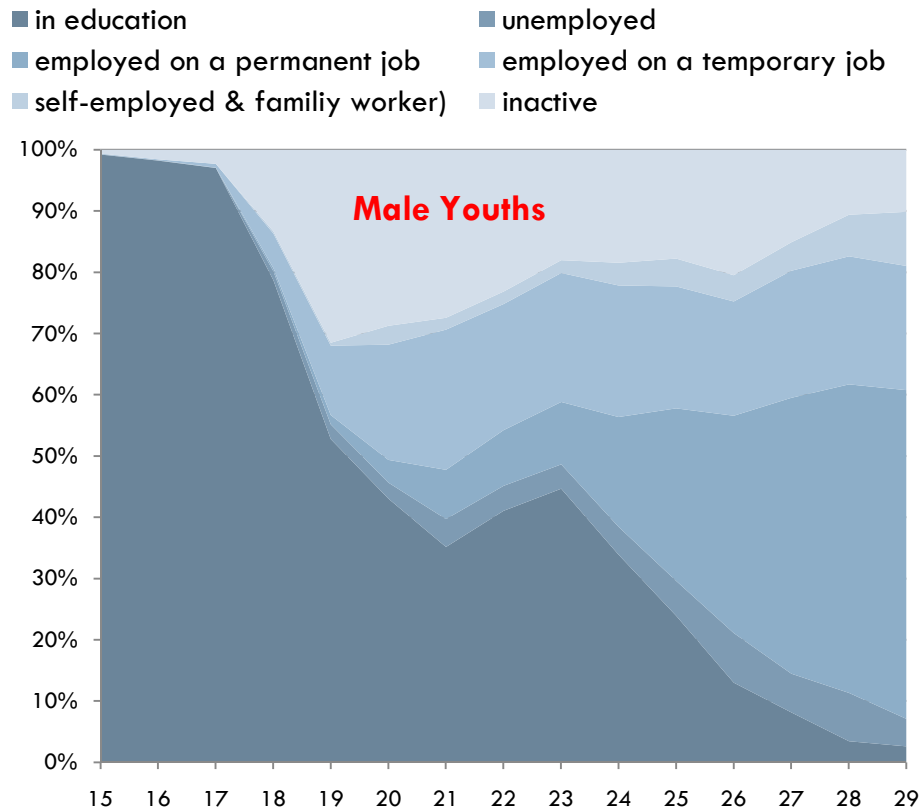
- Despite the decrease and higher education of youths, their LM integration has worsened during 2000s, particularly among male youths.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Youth population	11,243	10,952	10,651	10,368	10,141	9,920	9,843	9,855	9,822	9,780	9,705
Active youth	5,308	5,227	5,160	5,007	4,990	4,836	4,634	4,530	4,398	4,304	4,254
Employed youth	4,879	4,815	4,799	4,606	4,578	4,450	4,270	4,202	4,084	3,957	3,914
Unemployed youth	430	413	361	401	412	387	364	328	315	347	340
Inactive youth	5,934	5,725	5,491	5,361	5,151	5,084	5,209	5,325	5,423	5,477	5,452
Active youth rate	47.2	47.7	48.4	48.3	49.2	48.8	47.1	46.0	44.8	44.0	43.8
Unemployment rate	8.1	7.9	7.0	8.0	8.3	8.0	7.9	7.2	7.2	8.1	8.0
Employment rate	43.4	44.0	45.1	44.4	45.1	44.9	43.4	42.6	41.6	40.5	40.3



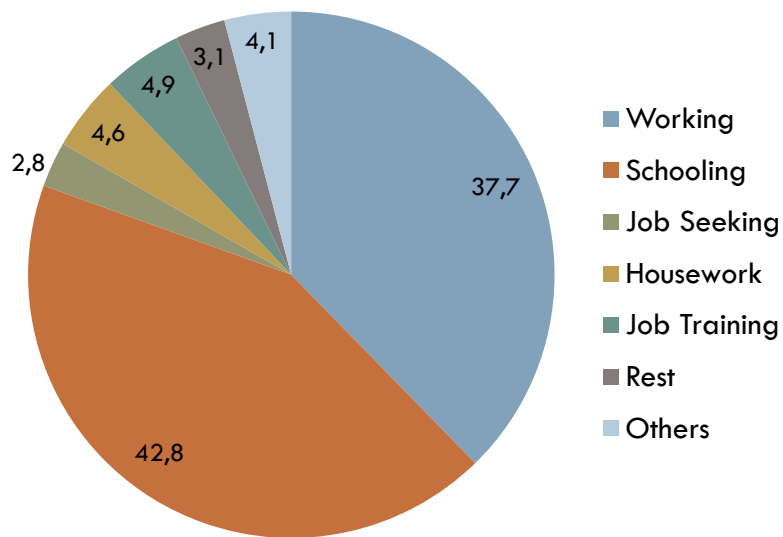
# Trends in the Youth Labor Market (II)

□ In the relative share of labor market activities, male youths in the ages of 19-22 are less active due to their military service, female inactiveness increases in the age of 20s.



# Problems in the Youth Labor Market

- Substantial presence of inactive youths in job training(4.9%) & resting (3.1%), resulting in the increase of real youth unemployment
- Macro-level factors explaining youth inactiveness (= LM mismatch)
  - Supply of over-educated youths (80% of high school graduates into tertiary education)
  - Sharply decreased demand of youth labor in good jobs (i.e. large firms & public sector)
  - Labor market polarization and low public expenditure (0.13% of GDP) for the ALMP



	2003	2010
Formal Unemployed	370.2 K	294.9 K
Formal Unemployment Rate	7.4 %	7.0 %
Working below 18 hours	30.3 K	30.1 K
Job Training	274.7 K	439.8 K
Rest	241.7 K	321.7 K
Real Unemployed	916.9 K	1,086.6 K
Real Unemployment Rate	16.6 %	21.9 %
Non-regular Employment Rate	31.7 %	33.5 %

# Micro-level Analysis of Youth Inactiveness (I)

- Data: 4<sup>th</sup>-11<sup>th</sup> waves of the Korea Labor & Income Panel Survey data
- Method: Multi-nominal Regression Model, based on three categories of jobless youths, (1) job seeking(=unemployed), (2) job training(=semi-inactive), & (3) resting(purely inactive), and examining individual and household attributes of those youths

Variables	No. of Cases	Mean	S.D.	Remarks
<b>Independent Variables</b>				
Gender	2,557	0.58	0.49	Male =1, Female=0
Age	2,557	23.77	3.29	
Married	2,557	0.04	0.19	Married=1, Unmarried=0
Education: 2 year college graduate	2,537	0.30	0.46	Reference Category: High School & below
University & above	2,537	0.20	0.40	
Job training attendance	2,557	0.05	0.23	No. of attended programs
Father's education	2,418	0.88	0.33	High school & below=1, Others=0
Father's occupational prestige	2,009	37.72	11.88	Ganzeboom's ISEI Index
Household income per member(Log)	2,521	6.41	0.94	Transformed value of natural logarithm
Residing Area	2,557	0.42	0.49	Seoul Metropolitan area=1, Other areas=0
<b>Dependent Variables</b>				
Jobless Youth Activities:				
- Attending to training programs	2557	0.30	0.46	Reference category: Job seeking
- Resting	2557	0.50	0.50	

# Micro-level Analysis of Youth Inactiveness (II)

	Job Training (vs. Job Seeking)		Resting (vs. Job Seeking)	
	B	Odds Ratio	B	Odds Ratio
Intercept	26.657***		16.292***	
Male	-0.060***	0.942	0.122	1.130
Age	-2.271***	0.103	-1.310***	0.270
Age <sup>2</sup>	0.045***	1.046	0.025***	1.025
Married	-1.490***	0.225	-0.394	0.674
Education: 2 year college	0.169	1.184	-0.108	0.898
University & above	1.488***	4.430	-0.283	0.754
Job training attendance	1.410***	4.098	-0.186	0.831
Household income (Ln)	0.205**	1.228	0.079	1.082
Father's education (High school & below)	-0.643*	0.526	-0.422	0.656
Father's occupation prestige	0.021**	1.021	0.018**	1.018
Residing in Seoul Metropolitan Region	0.275	1.316	0.220	1.246
Year 2002	-0.322	0.724	-0.319	0.727
2003	-0.336	0.714	-0.406	0.666
2004	-0.512	0.600	-0.682**	0.506
2005	-0.217	0.805	-0.736**	0.479
2006	-0.329	0.720	-0.755**	0.470
2007	-0.018	0.982	-0.233	0.792
Pseudo. R <sup>2</sup> (Nagelkerke)			0.205	
$\chi^2$			381.195***	
No. of Cases			1,929	



## Micro-level Analysis of Youth Inactiveness (III)

### □ **Key findings:**

- Female youths, disadvantaged in LMs, more likely to attend to job training
- U-typed shape of age effect, implying that the age 25-26 is the borderline where youth cohorts after these ages turn more active in their job search than those before.
- Married youths, more likely to become an active job seeker, due to their accountability for family support
- Jobless youths having high education status of university & above, more likely to attend to job training for getting better jobs
- Positive effect of prior job training attendance, reflecting its state-dependence
- The significant effect of socio-economic household status (i.e. family income and father's education & occupation prestige) over youth inactiveness, revealing the 'silver spoon syndrome' in Korea
- Under the better economic condition (the year of 2004-2006), jobless youths become more active in seeking jobs.

## Conclusion: Some Implications

- ❖ Need to devise universal conception and measurement of youth inactiveness in light of its substantial growth
- Given the structural mismatch of youth labor market (i.e. sustained decrease of good jobs and sharp increase of highly educated youth labor), corporatist approach highlighting inter-generational work sharing and large firms' obligation to create youth jobs gains attention in place of the government's neo-liberal policy, signifying the power politics of labor market actors
- The youth inactiveness is mediated by individual youth's choice under a particular socio-economic context, as evidenced in the significant effect of individual attributes (i.e. gender, age, education, marriage)
- Strong impact of socio-economic household status over youth inactiveness, implying the significance of socio-psychological interaction as well as financial resources derived from the household