

Korean Skill development Policies during 1960–2009



Overview

Background



Park Chung Hee is a key man who change Korea in many aspects.



Korea was inspired by Germany in the form of social, political and economic development



After World War II, poverty and violence in Korea led to military coup d'etat, and Park Chung Hee became the president of Korea.



Military goverment created five-year economic plans for different fields of economic in each period.



5 Five-Year Economic Development Plans

1st plan (1962-1966): develop export promotion and food production.



2nd plan (1967-1971): improve performance of the previous plan.



3rd plan (1972-1976): fostering chemical and heavy industry in order to become an advanced industrailized country.

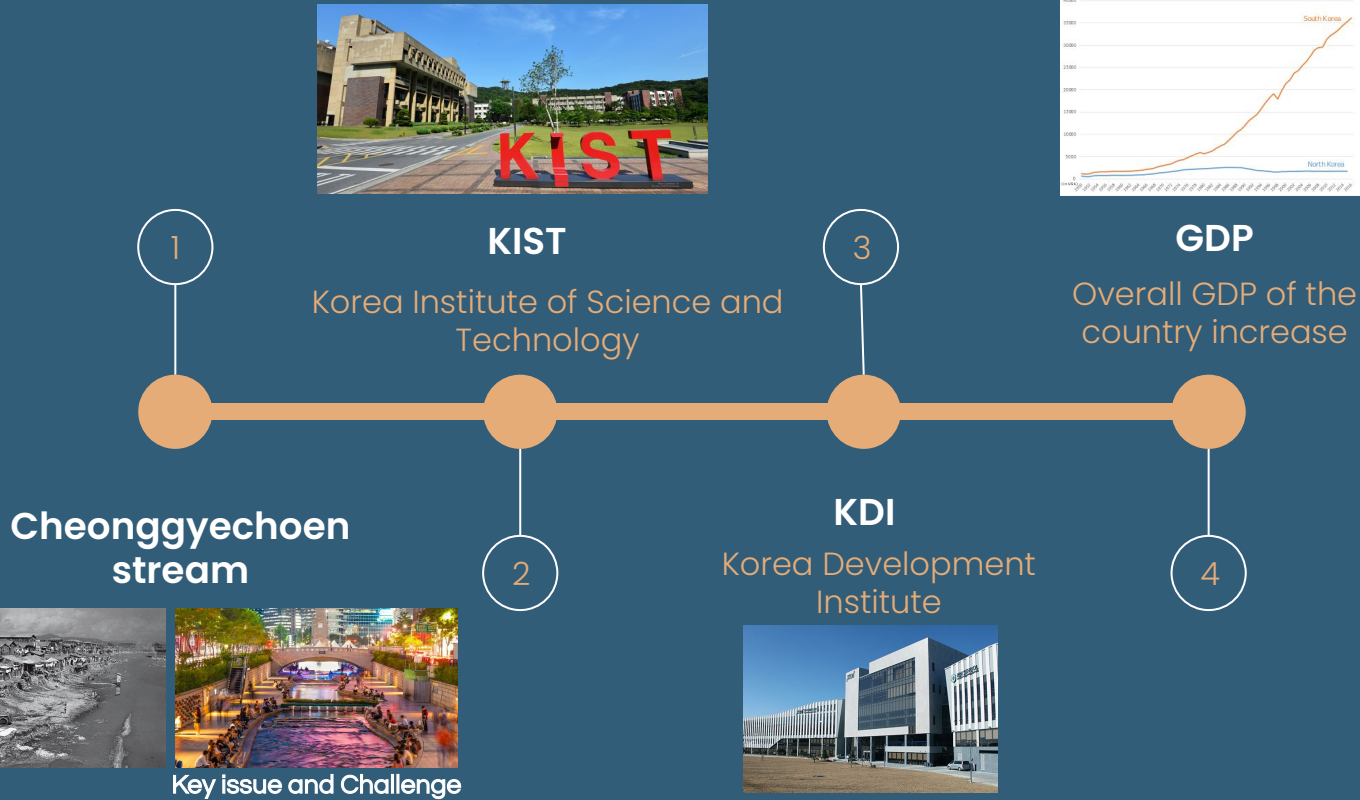


4th plan (1977-1981): focus mainly on social development



5th plan (1980-1986): further improved social development and pursing economic.

Overview



Issue and Challenge 1

Workforce Mobility

- Workforce mobility was frequent at the time of rapid industrialization in Korea. Enterprises, rather than training their own workers, practiced **“freeriding and poaching”** of the workers trained by others
- **Firms are likely to under-provide general training** because they worry that once their training has been completed, **trainees will be enticed away by other employers.**
- In 2005 only 9.9 per cent of employees in SMEs participated in the Vocation and Ability Development Programme (VADP), as opposed to 87.0 per cent of employees in large firms. **Widening the “training gap”**
- Small and medium-sized firms suffered from a **labor shortage** because **big companies offer higher incentives** for skilled workers



..... Issue and Challenge 2

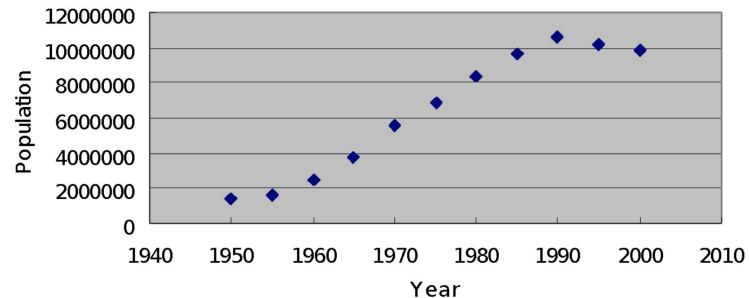
Rural-to-urban migration

Because of the **rapid growth of urbanization**, there were a **huge inflow of rural migration** to Seoul during 1960 to 1980 (see figure).

Differences in educational background, skills and experiences among workers led to **income inequality and unfair job opportunity** in the market.



Population increase in Seoul



..... Issue and Challenge 3

From the rapid economic growth, there will be more **demand in skilled-labours** causing increase in competition in the market economy.

Without the **government intervention**, demand of future skilled worker would not be met and workers who are not in skill training will be **left out ,unskilled, in the free market**.

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Market change



Further issue:

In long term with rapid change in economy, government is pointed out that it **unable to identify the change in skilled labour demand** in the market.

So there still challenge for Government to find the way to properly address **skill development stage** and **what extended and strategies** should it intervene.

Government Policies

01. Vocational education

Provide career guidance to low-income women and teenagers

02. Five-year plan

Increase wealth and strengthen political stability



03. Basic Vocational training act (BVTa)

Help fulfill the need for skilled and technical workers

04. National Qualifications system

Managing and improving employment service and stability

Lesson learn

Free riding and poaching

The government must determine the training policy minimum requirements to ensure every company has qualified skilled labor



Rural-to-urban migration

Inequality has risen among rural and urban workers, therefore government implemented BVTa in order to reduce income and skill gap in the society

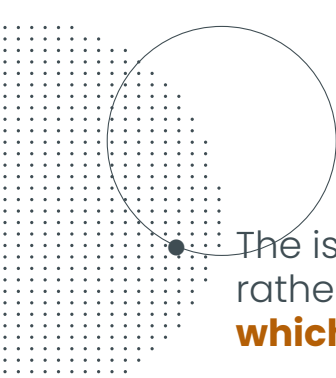


Market change

To step up with the worldwide competitiveness and changed by free market, government should turn the unemployed people into industrial workforce, reform the skills development system, and stabilize the skills supply



Government intervention is required for improving the workers' **quality of life and labour market** system in the countries, in order to make a contribution to the high economic growth.



CONCLUSION

- The issues of training market in South Korea is viewed as the **public goods theory** rather than the human capital theory, i.e., **the training programs has externalities which causes free-rider problem.**
- **The government interferes the training market by providing incentives**, for example; free training along with the assessment, collecting feedback surveys from trainees who participated in the free training.
- Although labor market intervention in a case of South Korea seems to be appropriate , it is not because of the intervention per se—**using proper ways and means of intervention is the key of success.**
- **Skill development programs in South Korea are the crucial factor that contributed to high growth rate**: increases in GDP and in labor productivity. Moreover, **the program led to shifting in economic structure** : from agricultural to industrial and manufacturing economy, and from labor- to capital-intensive structure.



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