

THE GLOBAL FINANCIAL CRISIS AND INTERNATIONAL MIGRATION IN THE REPUBLIC OF KOREA *

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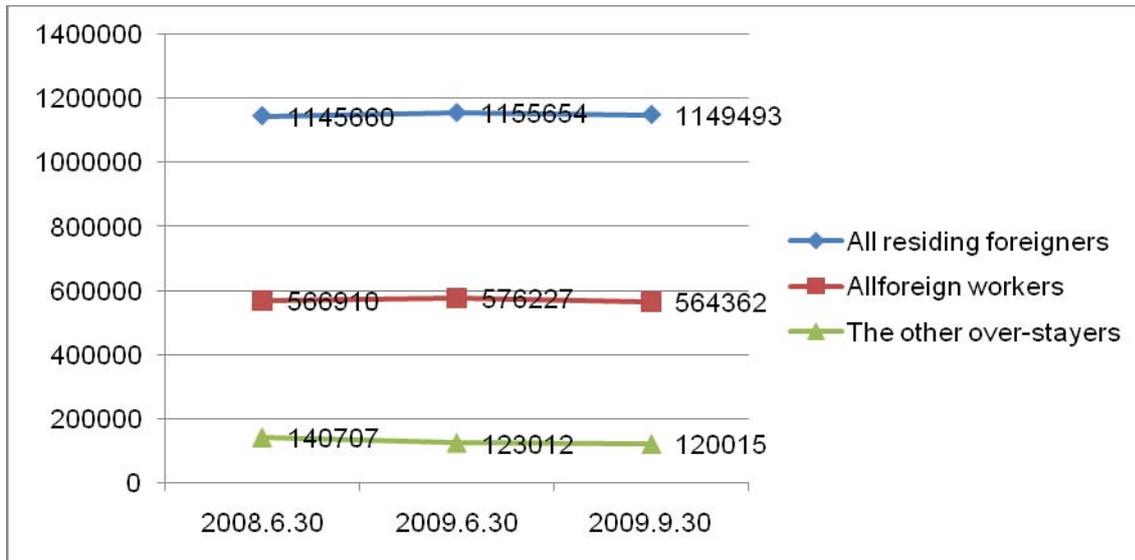
This paper examines trends in the employment of foreign workers and the Korean labor market since the global financial crisis took place in September 2008 and the implications of these trends on Korea's low-skilled foreign labor policy.

I. Foreign Workers and the Global Financial Crisis

The number of foreigners residing in Korea did not significantly dwindle in the wake of the global financial crisis. As of September 2009, the total number of foreigners in Korea was 1,149,493, which is about the same as the 1,145,660 figure posted in June 2008 (Figure 1).

Figure 1. The Foreign Population in the Republic of Korea, June 2008- September 2009

(Unit: person)



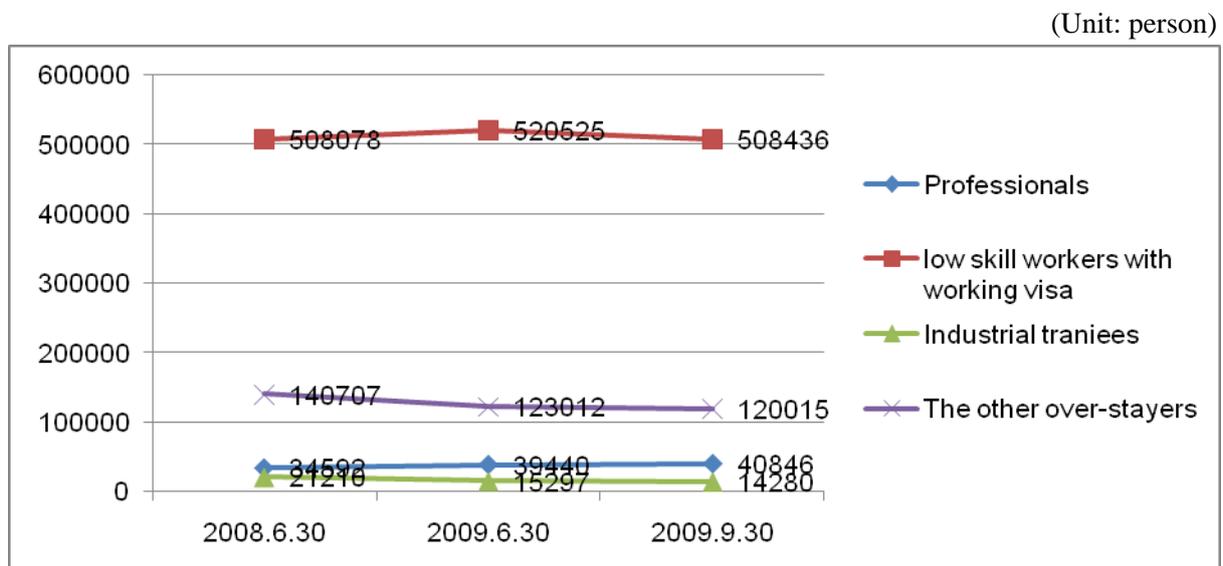
Source: <http://www.immigration.go.kr>

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The number of foreign workers did not significantly drop. The total number of foreign workers in Korea as of September 2009 was 564,362, a slight drop from the June 2008 tally of 566,910. In fact, the number of overseas workers even reached 576,224 in June 2009. Meanwhile, the number of overstayers dropped by about 20,000 from 140,707 in June 2008 to 120,015 in September 2009. This decline, however, is not just due to the crisis. As discussed in a later section, this has been the trend in the last five years (*see* Figure 12).

By visa type, the number of professionals and skilled foreign workers increased by 6,000 from 34,952 in June 2006 to 40,846 in September 2009. Less-skilled workers with work-permit visas increased from 508,078 in June 2008 to 520,525 in June 2009, before falling to 508,436 four months later. The number of industrial trainees fell from 21,210 in June 2008 to 14,289 in September 2009, since the government stopped accepting new foreign labor as trainees from 2009 (Figure 2).

Figure 2. Foreign Workers in the Republic of Korea by Category, June 2008-September 2009

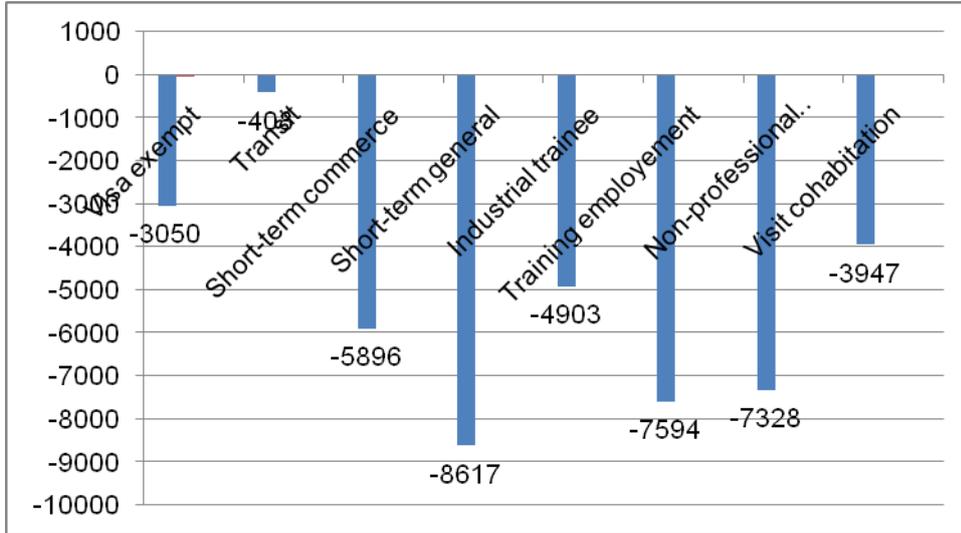


Source: <http://www.immigration.go.kr>

By visa type, among overstayers, the largest drop was registered by short-term general holders (8,617), followed by training/employment (7,594), non-professional employment (7,328), short-term commerce (5,896), industrial trainee (4,903), visit/cohabitation (3,947) and visa-exempt (3,050) (Figure 3).

Figure 3. Overstayers by Category, June 2008-September 2009

(Unit: person)

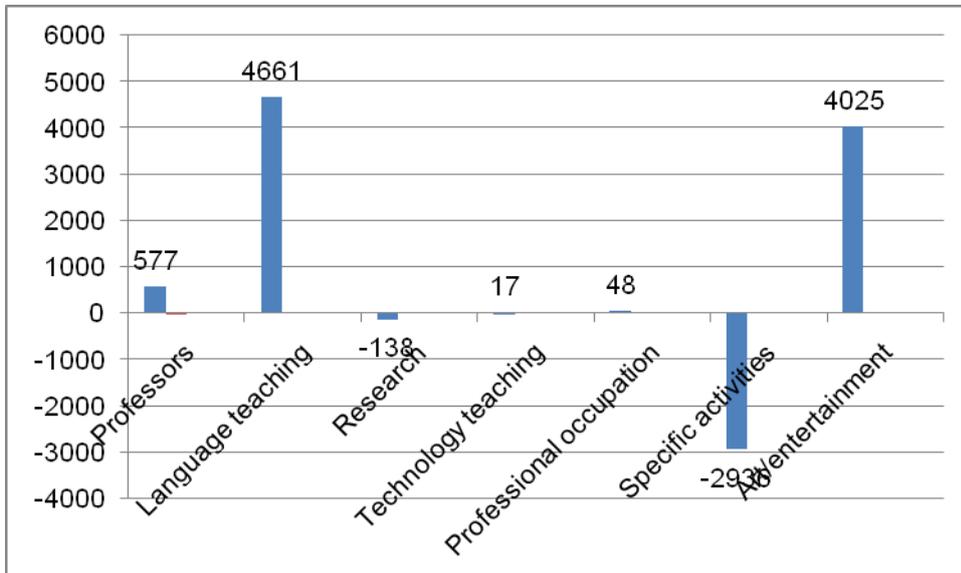


Source: <http://www.immigration.go.kr>

Among skilled workers, the language teaching and art/entertainment sectors were upped by 4,661 and 4,025, respectively. On the other hand, workers in specific activities experienced a drop of 2,936. The other sectors incurred minimal changes (Figure 4).

Figure 4. Number of Professionals and Skilled Workers, June 2008-September 2009

(Unit: person)



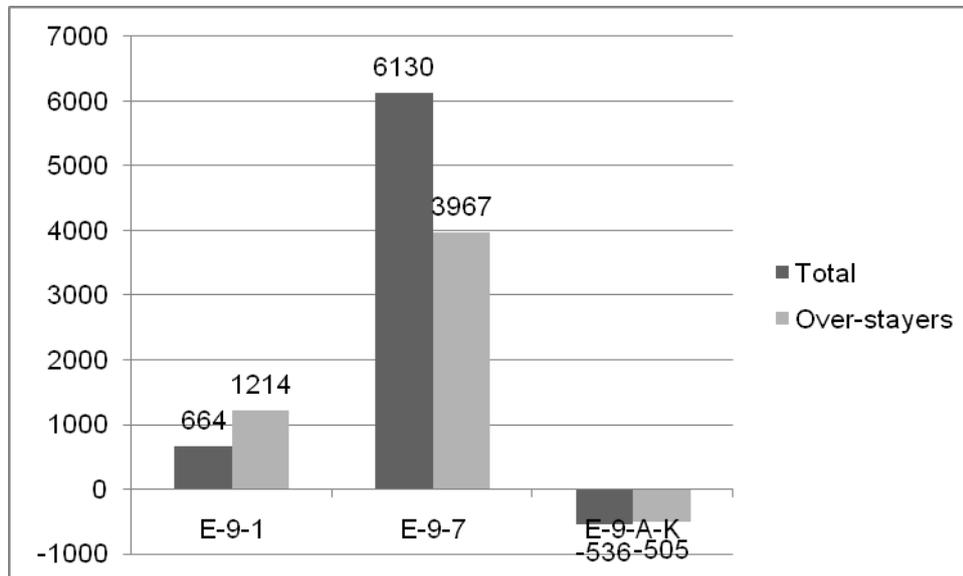
Source: <http://www.immigration.go.kr>

In the category of non-professional employment, the number of E-9-1 (individuals whose status has been legalized with the introduction of the employment permit scheme) visa-holders increased by

664. Overstayers with this visa, though, were almost twice that number (1,214). There were more new E-9-7 visa-holders (the general employment permit holder) than overstayers, with the former tallying 6,130 compared to the latter's 3,967.

Figure 5. Number of E-9 Visa-status Workers, June 2008-September 2009

(Unit: person)

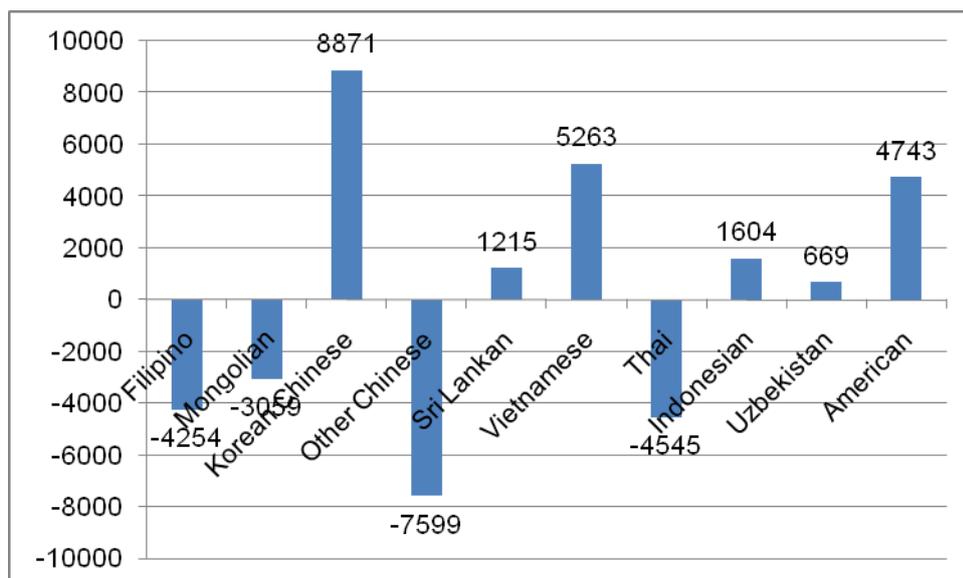


Source: <http://www.immigration.go.kr>

By nationality of foreigners, the number of Korean-Chinese, Vietnamese and American nationals increased by 8,871, 5,263 and 4,743, respectively, while the number of Chinese (excluding Korean-Chinese), Thais and Filipinos fell by 7,599, 4,545 and 4,254, respectively (Figure 6).

Figure 6 Number of foreign workers (with visa) by nationality after the 2008 financial crisis

(Unit: person)



Source: <http://www.immigration.go.kr>

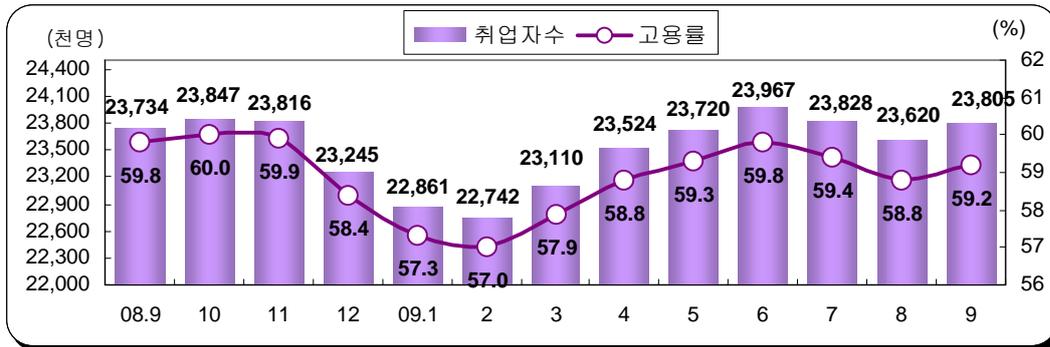
II. The Korean Labor Market and the Global Financial Crisis

Employment started to decrease from December 2008, then reached its lowest level in February 2009. As of September 2009, a total of 23,805,000 were employed, representing 58.2 percent of the workforce (Figure 7).

Figure 7. Number of Employees and Its Percentage Share to the Korean Workforce, June 2008-September 2009

(Unit: person in 000, %)

취업자수: number of employed person, 고용율: employment rate



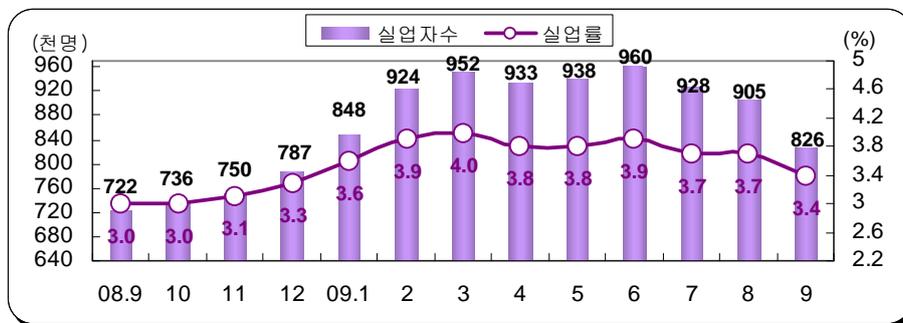
Source: <http://www.nso.go.kr>

Unemployment, consequently, continued to rise from September 2008, then peaked in June 2009 at 960, 000. Since then, it has steadily fallen. As of September 2008, 826,000 persons were unemployed, a figure higher by 14.3 percent than the September 2008 statistics. The unemployment rate of the entire population was 3.4 percent, but the corresponding rate for young people (less than 30 years old) was 7.6 percent (Figure 8).

Figure 8. Unemployed Persons and Unemployment Rates, June 2008-September 2009

(Unit: person in 000, %)

실업자수: number of unemployed persons, 실업률: unemployment rate

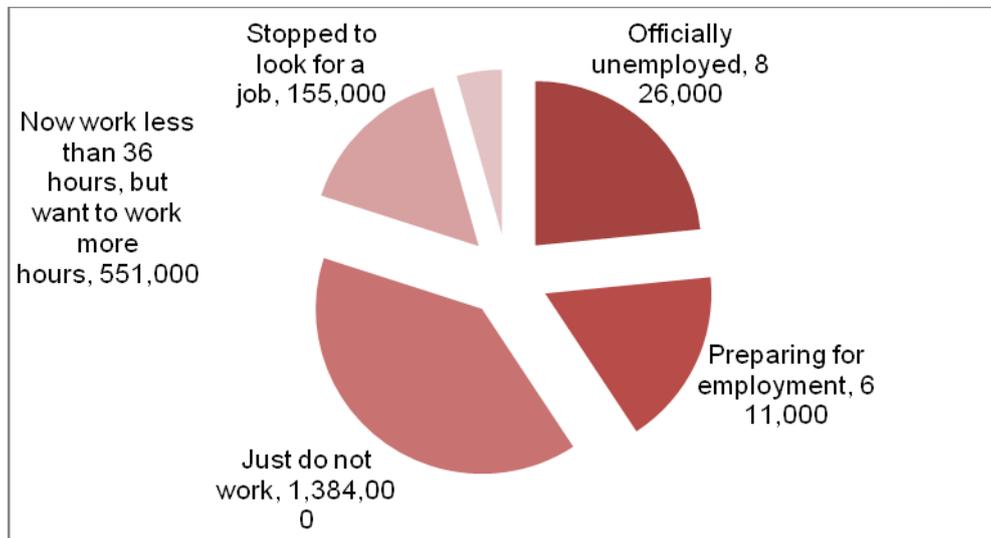


Source: <http://www.nso.go.kr>

The number of officially unemployed people reached 826,000, but was almost five times bigger if responses such as 'preparing for work,' 'just do not work,' 'gave up looking for a job,' and 'now working less than 36 hours a week, but want to work longer' are included (Figure 9).

Figure 9. Official and Semi-unemployed Persons, September 2009

(Unit: person)



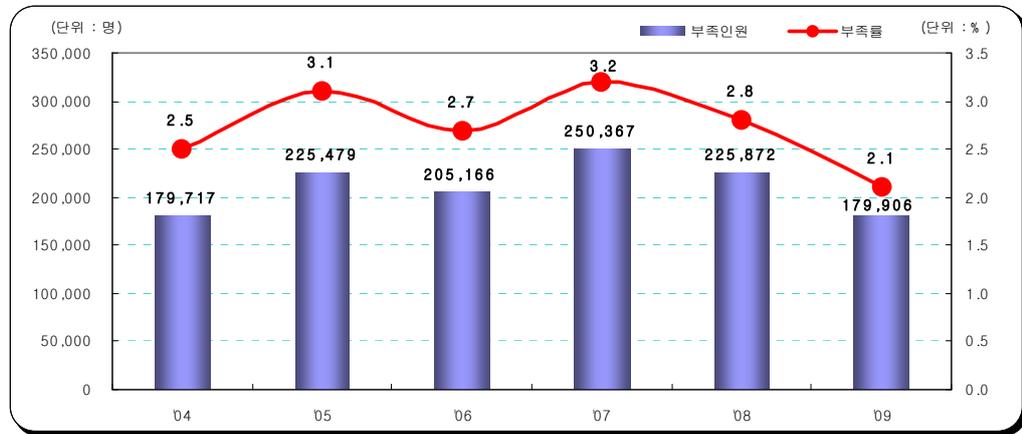
Source: <http://www.nso.go.kr>

Despite the large number of the unemployed and many people looking for work, many companies were unable to find workers. The shortage rate in April 2009 was lower than the year before, but it still stood at 2.1 percent. In view of this situation, employers, particularly those in small businesses, expressed a need to hire more foreign workers (Figure 10), as illustrated by the 4.4 percent shortage rate. Particularly, employers in small businesses had a need for foreign workers (Figure 10). As shown in Table 1, a comparison of the labor shortage rates in two points in time, April 2008 (before the crisis) and April 2009 (while the crisis was underway) reveals that in general, the shortage rates for foreign workers were higher before the crisis than during the crisis. Another general observation is that in general, smaller establishments demonstrate a greater need for foreign workers than larger establishments.

Figure 10. Unmet Need for Workers and Labor Shortage Rates, April 2008 and April 2009
(Unit: person, %)

부족인원: number of needed persons,

부족률: rate of need persons with respect to total workers



Source: www.molab.go.kr

Table 1. Labor Shortage Rates by Size of Establishment

(Unit: person, %)

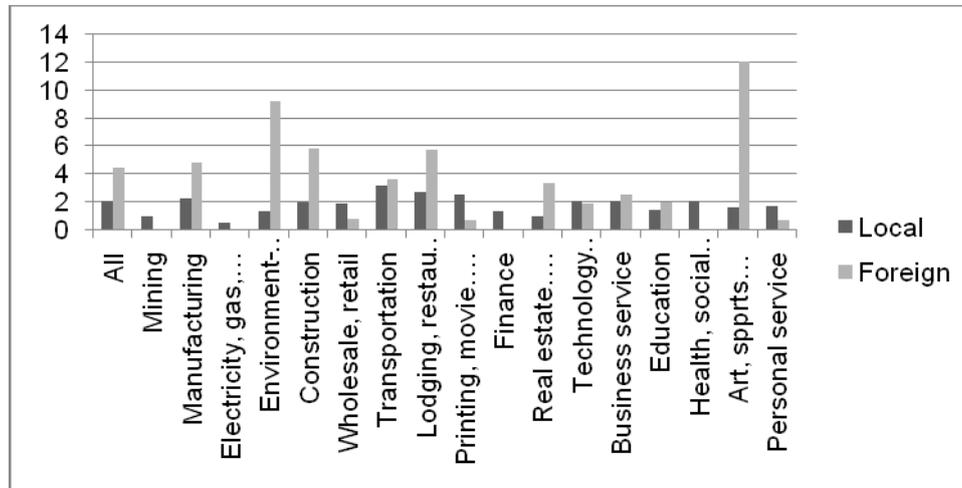
Size of company	April 2008					April 2009						
	Total	Local		Foreign		Total	Local		Foreign			
		Regular	Others				Regular	Others				
More than 4 employees	2.8	2.7	2.7	3.7	5.8	2.1	[-0.7]	2.0	2.0	2.9	4.4	
Less than 300 employees	3.2	3.1	3.0	4.0	6.0	2.4	[-0.8]	2.3	2.2	3.2	4.6	
	5~9	4.3	4.1	3.9	5.0	9.6	3.3	[-1.0]	3.2	3.1	3.5	6.9
	10~29	3.4	3.3	3.2	4.5	5.0	2.3	[-1.1]	2.2	2.2	3.1	4.0
	30~99	2.6	2.6	2.6	2.4	4.9	2.1	[-0.5]	2.1	2.0	3.7	3.8
	100~299	2.4	2.4	2.5	1.1	4.0	1.7	[-0.7]	1.7	1.7	2.1	3.7
300 or more employees	1.3	1.3	1.3	1.3	1.7	1.0	[-0.3]	1.0	1.0	0.6	1.8	

Source: www.molab.go.kr

Big differences in shortage rates between local and foreign workers are found in the environment-related, construction, lodging and restaurants and art/sports-related sectors (Figure 11).

Figure 11. Labor Shortage Rates by Industry

(Unit: %)



Source: www.molab.go.kr

III. The Global Financial Crisis and Low-skilled Foreign Worker Policy

The foreign workforce policy committee decided on the 2009 quota for low-skilled (non-professional) foreign workers who can come to Korea under the Employment Permit System on March 19.

In 2008 (from March 2008 to January 2009), 137,517 low-skilled foreign workers were brought in, i.e., those holding E-8 or H-2 visas. The figure was higher than the planned total (Table 2).

Table 2. Non-professional Foreign Workers Admitted in 2008

(Unit: person)

	Planned	Implemented
General	40,000	38,518 (96%)
Workers with Korean ancestors	60,000	98,999 (165%)
Total	100,000	137,517 (138%)

However, given the employment situation of Korean nationals, in 2009, the government decided to reduce the foreign workforce quota by only a third of the previous year's level. As a result, a total of 34,000 foreign workers can be brought in until February 2010. Foreign workers and ethnic Koreans with foreign nationalities take up half of the quota. By industry, manufacturing accounts for 23,000; service, 6,000; agriculture and livestock 2,000; construction, 2,000; and fishery, 1,000.

In particular, the government drastically reduced the quota for ethnic Koreans with foreign nationalities (ethnic Koreans who are 25 years old and older and have lived in China or the former Soviet Union) with visit and employment visas (H-2) from 62,000 in 2008 to 17,000 the year after and did not allocate a quota for the construction industry, where competition between Korean nationals and ethnic Koreans is expected to be fierce (Table 3). Also, in a bid to prevent ethnic Koreans who are

already in Korea from acquiring work in construction, the government required them to undergo a separate training program to get the job. If they violate this rule, various sanctions will be imposed on them. This is because the government has been criticized for not coming up with regulations to address the increasing number of ethnic Koreans staying in Korea. The prevailing sentiment is that they have encroached on jobs for domestic Korean workers.

Table 3. Non-professional Foreign Workers Admitted in 2009

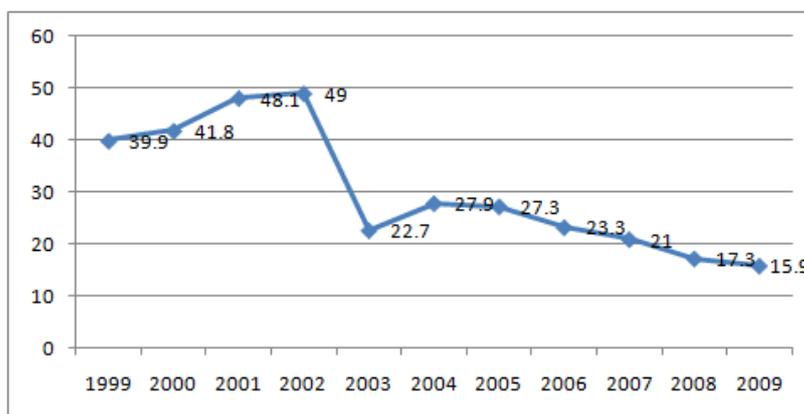
(Unit: person)

	Total	Manufacturing	Construction	Service	Agriculture	Fishery
General (E-9)	17,000	13,000	2,000	100	1,000	900
Workers with Korean ancestors (H-2)	17,000	10,000	0	5,900	1,000	100
Total	34,000	23,000	2,000	6,000	2,000	1,000

As to the schedule of hiring foreign workers, a third of the planned quota was implemented from March to August 2008 when employment was expected to tighten due to the economic recession. The other two-thirds of the quota was put in place between September and February 2009.

The authorities also have been putting in much effort to reduce the number of overstayers. The proportion of overstayers to the total number of foreigners in Korea decreased from 21 percent in December 2007 to 17.3 percent in December 2008, and to 15.9 percent in September 2009 (Figure 12).

Figure 12. Proportion of Overstayers to the Total Foreign Population



Source: <http://www.immigration.go.kr>

IV. Implications

The global financial crisis has not been overcome yet. But we still can proceed with the following observations:

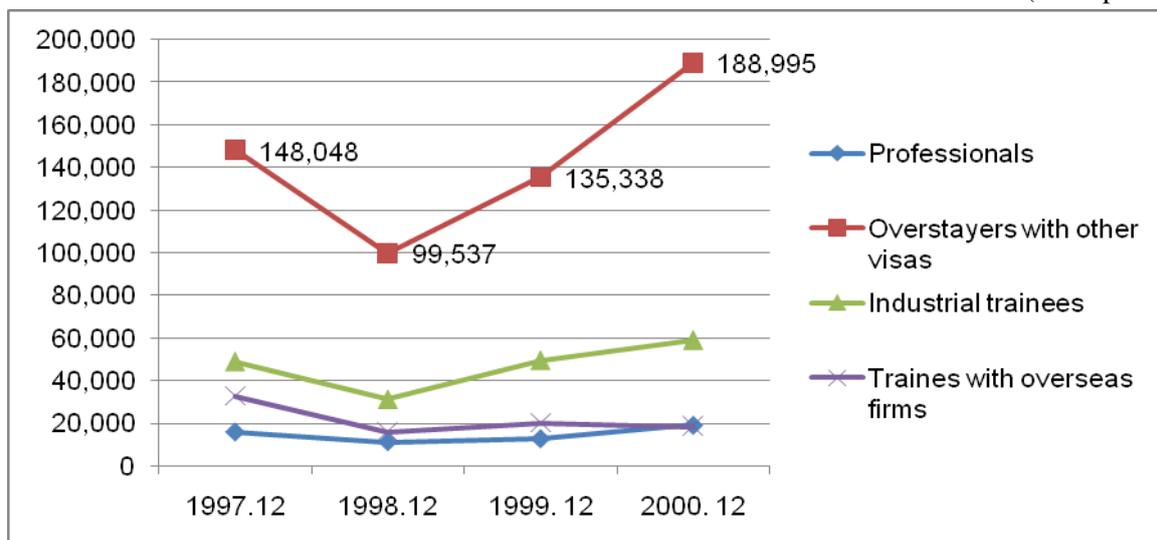
- Foreign workers brought in through the legal process have not decreased substantially.
- The number of professionals and skilled workers has increased, with language teachers at the helm. Global talents, however, did not. The reduction in the number of foreign workers was mainly due to the smaller amount of overstayers.
- The overall employment situation has been badly hit, but employers in small businesses still experienced labor shortages. Also, such employers want foreign labor badly. The government responded to this situation by intensifying efforts to crack down on overstayers.
- The government has reduced the quota for unskilled workers, but its impact has yet to be seen.

The 1997 financial crisis made Korean society realize that it needed low-skilled foreign labor on a structural basis. As such, Korea introduced the employment permit scheme. The global financial crisis has confirmed that the dependence of the Korean economy on low-skilled foreign labor is structural and not just a passing phenomenon. The current situation also forces the country to rethink the current low-skilled foreign labor program, which is characterized as a “guest worker scheme.”

First of all, the government reduced the quota for E-9 and H-2 visa-holders. However, the effects have not been experienced yet. The labor shortage experienced by employers in small businesses will worsen and result in a sharp increase of overstayers that will eventually go hand-in-hand with the re-emergence of the Korean economy. In fact, in 1998, after the financial crisis, the number of overstayers slipped below 100,000, only to increase to 135,338 in 1999, then to 188,995 in 2000, coinciding with the recovery of the economy (Figure 13). At that time, Korea did not open the legal door for low-skilled foreign labor, which contributed to a sharp rise in the number of overstayers.

Figure 13. Labor Migration Trends: 1997 Financial Crisis

(Unit: person)



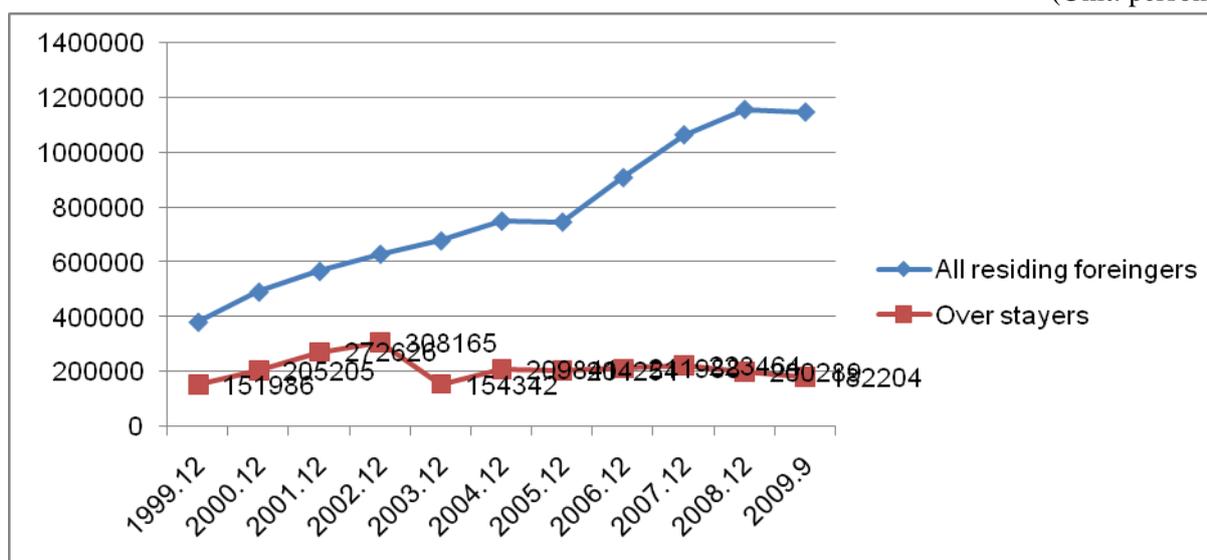
Source: <http://www.immigration.go.kr>

While the number of overstayers has declined to fewer than 120,000 at the end of 2009 Korea needs to take fundamental steps towards overstayers. The first should be to prepare for overstayers brought in under the industrial training scheme and the employment/training system before the employment permit system was introduced. Also, many foreign workers who were given legal status with the introduction of the employment permit scheme did not go back to their home countries after the allotted time period. As of September 2009, almost 20,000 overstayers - remain in the country (Figure 14).

Second, Korea needs to reassess the validity of the current low-skilled foreign worker policy. At present, ethnic Koreans are allowed unlimited access to the Korean labor market within a five-year timeframe, with all other foreign workers being allowed to stay for a maximum of four-and-a-half years. All of them will then be allowed to come back to Korea after a short interruption period. All this implies that these foreign workers will be able to stay in Korea almost on a permanent basis while not abiding by the guest worker scheme principle. Korea needs to redesign its low-skilled foreign worker policy while allowing for the possibility of permanent immigration of low-skilled foreign labor.

Figure 14. Number of Overstayers, December 1999-September 2009

(Unit: person)



Source: <http://www.immigration.go.kr>

Third, the Korean government needs to channel its efforts toward the social integration of foreign workers and their families. In particular, the problem of the children of overstayers is a serious concern. These children are not recognized as Korean citizens even though they were born in Korea. Therefore, they are denied access to basic social services.

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