
The Current Status of the Immigrant Labor Force and its Policy Tasks

Juyeong Kim, Yeong-min Kim, Gyuyong Lee, Seongmin Hong

Chapter 1. Background, Objectives and Structure of the Study

Changes in the demographic structure resulting from a low birth rate and the aging society are affecting the labor market, and currently it is a huge concern that the supply of workforce would go down in the mid and long term. According to the population estimates, it is expected that the total population would decrease by about 2030, and the economically active population from the age of 15 to 54 has already started to be on the decline. Despite difficulties of the young generation to get a job and women's relatively low participation in the labor market, small and medium sized enterprises still have a shortage of workers, and in particular the small and medium sized manufacturing companies have more difficulties in securing workforce.

The government changed the existing industrial trainee system to respond to the situation, and has implemented 'a work permit

system' beginning from 2004 which legitimately allows the employment of foreign workers, thus increasing the importation of foreign workers gradually.

Along with the increasing trend of foreign workers, there are growing concerns over the adverse impact on the labor market and the need for systematic evaluation and improvement of labor importation scheme. Therefore, now it is needed to systematically review and evaluate the employment of the low skilled foreign workers.

In addition, as new products, production methods and advanced technologies have become more important as growth engines for the Korean economy, the role and importance of skilled foreign workers are newly in the spotlight. Through cooperation with skillful foreign workers and aggressive importation of skilled foreign workers, it is expected that those workers' expertise and technologies would be implemented in Korea. This will be able to respond to the global environment more effectively, having a positive impact on the consistent growth of the Korean economy. The Korean government is suggesting policy measures to import skilled foreign workers more aggressively. Accordingly, now there are growing needs for effective introduction methods and ways for improvement.

In general, in terms of simple labor, we need countermeasures for manpower and reorganization of laws and systems to actively support production activities of small and medium sized enterprises and to strengthen the positive effects of well-educated foreign experts in their specialized fields, while minimizing negative impacts from influx of immigrant workers on employment of local

residents as much as possible.

This study separates importation of immigrant labor force into low skilled workers and professionals and then looks into each current state and system. Markets for low skilled workers and professionals are two important pillars of policies for the immigrant labor force, but at the same time from the perspective of the labor market, the two have different characteristics and the government has different posture, so this study explores them separately in a different chapter.

Logically, it would be needed to separately handle policies for mid-skilled immigrant workers but in terms of manpower, the number of mid-skilled workers is still not enough. They enter into Korea through employment license system like low-skilled workers and then change eligibility, or in many cases they become mid-skilled workers after acquiring more skills for companies as a result of working as low-skilled workers or after being included while doing special activities of E-7. Thereby, instead of dealing with them in a separated chapter, this study mentions them when there are related issues concerning low-skilled immigrant workers or well-educated immigrant professionals.

This study aims to find out issues in the importation of immigrant labor forces and offer policy measures by exploring current state of immigrant labor force and analyzing the current policies related to importation of immigrant labor force.

This study analyzes the labor supply of immigrated workers from the viewpoint of the labor market instead of dealing with comprehensive aspects of immigrant policies concerning importation of foreign workers. Therefore, I would like to mention in ad-

vance that the policy aspects such as social and cultural integration and immigration policies including families, which are the import part of immigration policies, are beyond the scope of this study.

The structure of this study is as follows: chapter 2 deals with current state of low skilled immigrant labor force related policy aspects, chapter 3 handles current state of immigrant professionals and its policy aspects, chapter 4 suggests examples of Japan and Singapore concerning the current state of immigrant labor force and its policies, chapter 5 explores the fundamental manufacturing industry (Ppuri Industry) as an example of specific industry, and the chapter 6 provides the overall conclusion.

Chapter 2. Current Policy Status of Immigrant Labor Force and Its Implications

Currently importation of non-skilled immigrant labor force is done by an importation system by type of businesses, and it is implicitly based on type of jobs or performances considered as non-professional. Given the changes of demography or industrial structure in Korea, it is expected that the demand for immigrant workers would go up. In this sense, issues of how to decide areas permitted to import immigrant workers are very important.

The supply of immigrant workers is based on the logic behind the lack of labor force, but if the importation of immigrant workers is only for solving the lack of labor force in companies without thinking about fundamental reasons for the lack of work force, it could become a chronic structural problem. If the issue is due to poor working conditions, importation of low-skilled immigrant

workers could temporarily reduce the level of lacking labor force, but it has limitations as a solution to the lack of labor force since fundamental problems still exist. Under this circumstance, importation of immigrant workers can be a temporary solution to shortage of manpower, but it could sustain a vicious cycle of labor force shortage. In other words, importation of low-skilled immigrant workers could lower the wage level of low-skilled workers in Korea, and the importation of immigrant workers would continue as poor characteristics of jobs or types of work remain unimproved.

In this aspect, to discuss areas permitted to import immigrant work force, it is required to figure out the need for immigrant workers by understanding why such manpower shortage occurs in an area and exploring whether such issues are structural or mid- and long-term or caused by temporary economic fluctuations or occur in the process of restructuring.

Meanwhile, evaluating the adequacy of the importation scale of the immigration work force is not easy. Issues constantly suggested in terms of adequacy of importation scale of immigration work force were arguments that the supply of immigrant work force is insufficient. To verify this, whether the level of total supply and the level of partial supply need to be figured out and the latter are related to the upper limit of the employment ratio of immigrant work force.

Based on such discussions, in chapter 2, this study makes the following policy suggestions. The first is about improving a system of deciding areas to permit immigrant labor. It is required to consider types of professions in a system that decides which areas would be permitted to accept non-skilled immigrant workers and

the logic behind the lack of work force should be complemented. As reasons for the lack of work force vary, it is important to emphasize that the labor force is insufficient and determine indicators for the feasibility of importing the immigrant labor force.

The second is about improving a decision making system to determine the scale of importing the immigrant labor force. The scale of importation by type of industry is decided considering the situation in the subjective labor market. As currently the decision making of the importation of immigrant labor force is ultimately done by the Immigrant Work Force Policy Committee via the Policy Affairs Committee on Immigrant Workers participated by labor and management groups and members representing the public interest, the decision making system can be considered as having social consistency. But problems appearing in the importation system are about scope of importation of immigrant workers rather than the decision making system. In short, it is the issue of coherence between decision making to accept non-skilled immigrant labor force and the entire supply of immigrant workers. The scale of importation of low-skilled immigration labor force and its supply system operated as employment license system only deal with immigrant labor force entering into Korea with E-9 and H-2 visa. Moreover, considering that the visiting employee system is based on free movement in a labor market within a permitted industry, it is true that appropriate importation of immigrant workers, its scale of introduction and distribution, and discussion on the decision making system only target immigrants that enter into the country under the employment license system.

Therefore although it is difficult to calculate the amount of

workforce needed based on logics made considering demand-supply status, at least for labor force excluding professionals there should be discussions on immigrant workers under the employment license system based on the assessment on the comprehensive amount of importation of immigrant workers considering type of business, type of job and the level of performance.

It is needed to set criteria for distributing immigrant work force. Currently among non-skilled work force, immigrants entering into the country under the general employment license system are banned from moving to the other companies. Therefore if there are multiple demands for immigrant workers in the area permitted to hire immigrant workers, there would be issues of how to distribute the work force. Although all companies permitted to hire immigrant workers do not have demands for immigrant workers but if the work force is not appropriately distributed, then there would be a mismatch of areas in need of immigrant workers and their supply. Distribution of immigrant workers is a very important issue that realizes criteria for immigrant labor force policies. While minimizing costs from complementation of the domestic labor market or employment of immigrant workers in order to improve economic benefits, it is desirable to supply immigrant companies to companies that can improve such benefits in the process of allocating immigrant workers. For example, it is needed to improve convenience for those companies in the process of hiring immigrant workers by creating criteria of importation of immigrant workers which is hard to be created by individual industry, such as companies that additionally hire local residents or companies with higher percentage of domestic workers continuously working for

the companies, and companies that advance the industrial structure through technological innovations.

The fourth is about making a supply system of immigrant workers considering the level of performance. It is needed to have efficiency of matching and the system for nurturing labor force. With regard to the former, it is required to improve operation of the current employment license system in a way that supplies skilled and qualified immigrant workers who meet the demands of domestic market to companies in need of them first. The latter is about the establishment of system of nurturing workers who have skills and qualifications that companies need. It is true that most foreigners entering into Korea under the employment license system do not have opportunities to improve their skills and qualifications. It is highly likely that securing skilled work force by SMEs would be more difficult, so it is needed to consider a system nurturing skilled workers targeting immigrant labor force.

Chapter 3. Current Status of Well-Educated Immigrant Professionals and Its Implications

Unlike countries cautious to introduce low-skilled immigrant workers, in terms of well-educated professionals, worldwide head-hunting and exchange of human resources are relatively active and the competition to secure talents has expanded.

In the case of Korea, it is expected that after the peak in 2006 economically active population would go down rapidly and aging of demographic structure would become faster, therefore it is highly likely that competition for talented workers would become

very serious. In addition, the subject of competition would be well educated professionals who can lead the new creative economy.

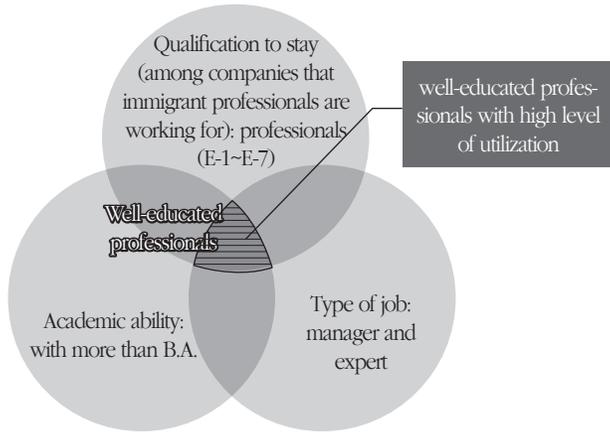
Accordingly, Korea too is bolstering efforts to secure talented workers through various visa supporting policies (e.g. gold card, science card etc.) and policies to attract foreign researchers (e.g. brain pool and KRF project). However, given that in Korea many well educated workers with higher than BA degrees, accepting too many foreign workers could bring about an issue of reverse discrimination aggravating joblessness of well-educated domestic workers.

This study tries to find out policy directions for smooth operation of the immigrant work force attraction system with such contradictions. To this end, this study looks into the current status of well-educated immigrant professionals in Korea and explores issues in Korea caused by utilizing and securing well-educated immigrant professionals. By doing so, this study aims to find out which part of the existing policies is in need of improvement.

Well educated immigrant professionals are deemed as foreigners with more than a BA degree entering into Korea after getting a visa as professionals. This is because getting a visa for professionals has a significant effect of limiting employment, and it is deemed that working as professionals requires academic ability more than BA.

In order to figure out whether those professionals are well utilized, this study tries to analyze various labor market statistics to look into the use of such professionals in Korea. The scope of major analysis would use traditional business classification criteria including those by industry, by type of occupation and by scale of companies. However, as criteria to determine whether these

Figure 1. Scope of Well-Educated Immigrant Professionals and Focus of Analysis



professionals are well utilized, the type of occupation would be used in most cases. In short, it is because this study considered the adequacy of the works done by immigrant professionals.

After all, this study limited the scope of well-educated immigrant professionals and then analyzed both supply aspect and utilization aspects altogether.

In terms of characteristics from the supply aspects, first, while well-educated immigrant workers with higher than a bachelor's degree is on the continuous increase, the number of well-educated immigrant professionals with visa for experts is stagnant in terms of both absolute and relative numbers. Second, most well-educated immigrant professionals are young and unmarried males. However, recently the ratio of females is slightly on the increase. Third, in terms of their region of origin, the share of advanced countries is higher as seen in the largest share represented by the North American region, but recently the share of Asian region has evidently

been on the rise.

When figuring out characteristics in the utilization of well-educated immigrant professionals, first they are actively participating in economic activities as they are all employed, and by type of job managers and experts represent the majority of them, reaching more than 90%. In short, it can be said the level of utilization of well-educated immigrant professionals is very high. Second, by industry, most of well-educated immigrant professionals work in the education service sector. Of course, recently industries utilizing these professionals have been expanded to the manufacturing and construction sectors. However, the share of well-educated immigrant professionals who are working in science technology or R&D related, science and service sectors is decreasing rapidly. In the end, there are clear limits in which well-educated immigrant professionals in Korea are utilized in the education service sector such as academies, and there is a problem observed in which the utilization level in sectors using capacities of expertized technology is rather decreasing.

Third, in terms of the scale of companies, the share of those working for SMEs was the largest, so it turned out that mostly they were used to resolve difficulties of SMEs in Korea. However, considering the limits in which most of them are working in the education service sector, there is a possibility in which most of SMEs using those professionals are small sized academies. Fourth, in terms of working conditions, there are evident characteristics in which those professionals are employed as sable regular workers, and they get paid more compared with other immigrant workers even their working hours are shorter than the other immigrant

workers. As a result, the followings are issues concerning the use of well-educated immigrant professionals and the policy implications.

The biggest problem appearing in the use of well-educated immigrant professionals in Korea is that the professionals are mainly utilized by SMEs in the education service sector with high demands for teaching conversation. The fact that their regions of origin are advanced countries including North America has positive aspects in which their professional capacities are utilized, but if the use is focused on the education service sector such as private language institutes, their contributions to the improvement of competitiveness of industries in Korea would be small as well.

After all, in Korea, it is considered that the utilization of well-educated immigrant professionals should be expanded to the areas that can directly help improving the industrial competitiveness such as various researches, technology guidance and professional jobs. The recent trend, in which the share of well-educated immigrant professionals is on the increase in the manufacturing and construction sectors and workers from Asian countries who have relatively higher share of professionals working for R&D are on the rise, is desirable as it expands the various utilization of the professionals. However, still the share is too low, therefore policy efforts would be needed to attract expert professionals lacking in Korea. In particular, individually, in SMEs who have difficulties in securing such professionals, it is required to make plans to further utilize well-educated immigrant professionals. Of course, in this case, serious problems would be made if the foreign work force has the impact of reducing job opportunities for young people under the

current circumstance of serious unemployment of young people. However, as figured out, the number of well-educated immigrant professionals working for industries excluding the education service sector is just 9,000 as of 2014, which does not concern the effects of reducing job opportunities for young yet.

One of the problems especially concerning the aspect of utilizing professional competencies is that the share and the number of well-educated immigrant professionals in expertized, while science and technology service sector such as specialized researches or technology guidance are rapidly decreasing. It can be more serious problems as the fact that foreign professional support policies in Korea are mostly for the science and technology areas can be one of examples showing the limitations of this policy. Therefore, talented worker attraction policies in the future should make the focus of the policy clearer in the direction of connecting the areas employing the attracted professionals and industrial competitiveness.

In the future, talented immigrant worker attraction policies should be advanced and pursued for the labor force actually utilized by companies rather than researchers in universities or government funded research centers. To this end, first of all, it would be needed to find out SMEs with willingness to use well-educated immigrant professionals to improve business competitiveness through activities such as R&Ds as well as the willingness to make investments, and then it would be required to find out various policy tools that play an intermediary role for immigrant professionals and supporting R&D projects that can be pursued together.

One positive aspect is that when looking at the survey result

made by asking well-educated immigrant professionals whether they have willingness to stay in Korea in the future, it was found out that 65.8% (220 thousands) of well-educated immigrant professionals in Korea said that they would like to stay in Korea. Therefore, it is needed to conduct a survey on specific attractiveness and a study to design policies for them so that detailed policies are made and executed.

As the foundation for development and application of detailed policy tools, the current foreign worker employment survey should be expanded so that it would be able to figure out the major type of utilization and current state of labor market focusing on well-educated immigrant professionals with BA whose employment needs to be facilitated. In particular, in order to enable the analysis on the specific type of E-visa, it would be desirable to conduct a total investigation on well-educated immigrant professionals as well as a panel investigation.

Ultimately, visa system for professionals that deal with various types of work force should be made clearer so that it can identify labor force critical to industrial competitiveness, and there should be efforts made to induce a systematic connection between training and utilization of professionals in connection with policies on qualification to stay in the visa system. A support system needs to be made in order to make career development possible that starts from international students and then leads to the growth and employment as professionals, and a comprehensive measure is needed to design and execute support system allowing influx and growth of various workers by helping the professionals safely adjust to the country.

Chapter 4. Implications from Examples of Other Countries

This study also tried to figure out implications for Korea's immigrant labor policies by reviewing other countries' immigrant labor policies, especially those of Japan and Singapore which are under the influence of Confucianism cultural area.

Despite the cultural similarity of Confucianism cultural area in Asia, Japan and Singapore have striking differences in utilizing immigrant labor force. While Singapore has actively utilizing immigrant workers for the country's economic growth since the late 1960s after its independence from Malaysia, Japan has been passive about the introduction of well-educated immigrant professionals comparing with the scale of its economy although the emphasis on well-educated immigrant professionals has been on the rise recently due to the aging society and slowdown in the economy.

First of all, in the case of Japan, the country is operating a technical internship training program for the utilization of low-skilled immigrant workers and the program is similar to the industrial trainee system of Korea which was abolished in 2005. The fact shows that Japan is not importing officially low-skilled immigrant workers but the country is in fact responding to some of demands for low-skilled workers through trainees working two to three years for working practice after training in the program. In addition, immigrant workers are supplied from compatriots in Brazil and Peru called *nikkeijin*. In terms of immigrant professionals, they are actively accepted by the country by giving them preferential treatment in immigration control through a sophisticated immigrant talents system. In addition, in order to meet the demands for

nurses and caregivers resulted from aging society, Japan is opening its door to immigrant workers including nurses and social care workers through 'visa for certain activities'.

In the case of Singapore, in order to respond to the lack of domestic work force, the country has actively opened its doors to immigrant labor force for a long time. Unlike Japan, for low-skilled immigrant workers, the country allows employers to pay allotment for employment within the limit of quarter if the employers need it through the work permit.

Although Japan and Singapore have very different policy approaches on immigrant workers, common characteristics and the implications of the two countries are as follows.

First, they both restrictively accept low-skilled immigrant workers but they are trying to actively import skilled labor force, and the countries want to aggressively utilize them as a new growth engine for their economy. In the case of Singapore, immigrant professionals receive fixed monthly wages and Japan has implemented a point system setting basic items including age, academic ability, work experience, annual salary and bonus items including Japanese proficiency level. Meanwhile, although Korea made efforts to subdivide various different groups included in special activities (E-7) but in general the scope of immigrant professionals is unclear. In terms of the scope of skilled immigrant professionals gaining more importance, Korea needs to be clearer and address the issue through policy.

Second, still both Japan and Singapore are in need of low-skilled immigrant labor force and they are making efforts to maintain an appropriate ratio. In the case of Japan, through the supply from

overseas Japanese called *nikkeijin* and technical internship trainees, Japan is responding to the demands for low-skilled immigrant workers who are not imported officially. In the case of Singapore with a small domestic population, it is importing low-skilled immigrant workers through the work permit but the country is adjusting the level of importation by designating ratio of dependency on immigrant workers, imposing employment allotment, and applying cumulative imposing stages. Korea is using regulation on total quantity of low-skilled immigrant workers. In the aspect of supporting SMEs having difficulties in securing workforce, employment license system has significance but now the country is responding to increasing demand for low-skilled immigrant workers by expanding quarters or allowing extension of length of stay. It is considered that such strong demands for low-skilled immigrant work force is fundamentally created because excessive demands for low-waged workers are not reflected in the price system. Therefore the introduction of employment levy system appropriate to situations in Korea could be considered to reallocate labor force to companies with stronger demands.

Third, Japan and Singapore prioritize active utilization of the domestic labor force. In the case of Japan, there are strong demands for the labor force as seen in the falling youth unemployment rate to the level of full employment due to recent vitalization of the economy, but instead of suggesting importation of immigrant workers as a solution to the problem, the country is working to include non-economically active population in the country such as active utilization of NEET's who did not enter into the labor market, female work force including housewives, and senior

work force. Singapore is also working to encourage the domestic female work force to advance into the labor market by employing immigrant workers as housekeepers. In addition, as a boundary to excessive importation of immigrant workers, recently the country bolstered regulations on low-skilled immigrant workers and is using difficulties of domestic industries caused by such regulations as opportunities to create more good paying jobs by improving productivity and restructuring the industries.

Such direction of utilization shows implications for Korea that, in terms of using low-skilled immigrant work force, they should be utilized under deep connection with general employment policies and industrial policies. In addition concerning well-educated immigrant professionals, it is needed to actively use more integrated methods. Currently there is fierce ongoing competition among countries to attract immigrant professionals. Japan is not the exception, so the country's Ministry of Justice, has been aggressively using policies on high level of immigrant talents since the late 2000s. Unlike this, in the case of Korea, such policies are separately managed by related ministries independently so it is needed to use more active and more integrated measures to attract the professionals.¹⁾

1) Implications from the fundamental manufacturing industries (Ppuri industries) mentioned in the chapter 5 are reflected in "II. Current policy status of immigrant labor force and its implications" of the summary.