

Worker Flows in Korea

Oh Samil* and Kang Dal Hyun**

An individual's employment status changes over time as he or she moves among the employed, unemployed and economically inactive populations. The transitions among these statuses, or worker flows, allow us to identify the underlying movements of the labor market that cannot be explained by stock indicators such as the employment and unemployment rates. This paper measures transition rates using the Economically Active Population Survey microdata and examines characteristics and structural changes in worker flows.

According to worker flows during the period between 2000 and 2018, the contribution of the job separation rate to unemployment fluctuations was found to be higher than that of the job finding rate. The job separation rate also exhibits strong countercyclical behavior, suggesting that corporations have a tendency to cope with business cycle volatility by adjusting the number of existing employees rather than hiring new recruits.

In addition, worker flows have exhibited a slowing trend since 2010. With the job finding rate, in particular, continuing to decline, the job creation capacity of firms has been weakening. The slowdown in worker flows is attributable to the combined effects of a decrease in the amplitude of the business cycle and changes in the economic structure. If this trend persists, however, it could have negative effects on labor productivity in the future.

* Economist, Macroeconomic Model Study Team, Research Department, Bank of Korea
(Tel: +82-2-759-4218, e-mail: samil.oh@bok.or.kr)

** Junior economist, Macroeconomic Model Study Team, Research Department, Bank of Korea
(Tel: +82-2-759-4242, e-mail: kangdalhyun@bok.or.kr)

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