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I. Introduction

Labor market disparities, trade liberalization in goods and services, the demand and for and supply of education, family reunion, and political motives would be the five major driving forces of international labor mobility. The migration into and out of Korea was also influenced by these four factors during more than the past 100 years.

Job shortage in developing countries and labor shortage in advanced countries is one of the key driving forces which explain cross-border labor mobility. Labor force in advanced countries as a whole is expected to peak around the year 2010, thereafter decreasing by about 5% over the next two decades. In contrast, labor force in developing countries is growing at a dramatic pace. Such disparity in labor force among countries is spurring international labor mobility. Korea is no exception to this overall trend: demographic change in Korea will exert greater pressure on its labor market in five years' and onwards, which in turn will increase inevitably its demand for foreign labor.

Increased cross-border transactions as a result of trade liberalization and lower transportation costs thanks to advanced technologies have increased international migration for business purposes. Investment liberalization at the global level has expanded the commercial presence of foreign staff, which is another factor spurring long-term international migration. Korea, also, has seen a dramatic increase in overseas migration for employment purposes since the 1990s. From 1993 to 2003, an average of 5,241 people moved abroad each year in search of employment. From 2003 to 2006, however, the annual average number of outbound workers dropped to 1,475. By contrast, the influx of foreign workers seeking employment in Korea continues to expand.

As a result of rising demand for education and greater cross-border exchange, the number of people going abroad for further or quality education has grown steadily. The demand for education in English-speaking countries has increased as a natural consequence of English becoming the global common language and American knowledge and technology serving as global standards. As a natural consequence, more and more Korean students are heading off to Anglophone countries. The number of students moving to China is increasing sharply, after the mid-1990s, surpassing that of Japan, where the number of Korean students has been maintained at around 30,000 due to geographic proximity and ease of learning facilitated by linguistic and cultural proximity.

Family reunion is a common factor among all countries which determines international labor mobility. However, migration for family reunion caught in statistics includes in fact migration for better opportunity for employment or working condition. Though migration for family reunion explained dominant portion of emigrating Koreans until 1980s, it included emigrants motivated by economic reasons such as search for job and/or business opportunities.

For some countries, there are periods when politically motivated relocation of labor shaped the flow of migration. In the case of Korea, during the years including 1945, when Korea gained independence from Japan's colonial rule, and 1948, when the two divided Koreas each established different regime, those who left the country returned from China, Japan, and Russia in large numbers and many of those who found themselves in northern Korea fled to the South to escape the communist regime. In the years since the 1990s, Korea is receiving growing number of migrants who left North Korea to settle down in South Korea as naturalized citizens.

Prior to the late 1980s, Korea had been a labor-sending country. From 1960 to 1970, Korea sent many of its workers to Germany, Vietnam, and the Middle East to make up for the lack of employment opportunities at home and at the same time earn foreign currency. But since the 1990s, Korea became a labor-receiving country as a result of changes in its demographics and industrial structure and changes in job preference of labor market entrants who avoid dirty, dangerous and demanding jobs. Korea has a short history of foreign labor inflow, and for the overwhelming part, these foreign workers stayed temporarily rather than settle down or take up permanent residence. Only Chinese residents were exception, forming their own community. Recently, the pattern of stay is undergoing a change, partly because of the significant growth in the number of foreigners entering the country through marriage with rural Koreans.

Another ongoing change is observed in the institution for foreign workers. The key policy goal of the Korean government in the early 1990s was to provide less costly foreign labor to SMEs which experienced labor shortage. But such policies soon called for institutional reform. Regarding the institution for migrant non-professional workers, the Industrial Trainee System (ITS), which is the former regulation for foreign non-professional workers, was enforced side by side with the newly introduced Work Permit System (WPS) as of August, 2005. As of January, 2007, the ITS was abolished and fully integrated into WPS, the latter being the sole system in force. Since 2007, Working Visit System was introduced to provide greater employment opportunities to ethnic Koreans with foreign nationality. Preferential visa systems were also introduced to promote the inflow of foreign professional workers, and efforts are being made to improve the residential, education, and health care environment for foreigners.

This paper takes an overview of the demographic change and international labor mobility in Korea and reviews the recent changes in the institution. Section II outlines demographic change in Korea and upsurged educational attainment of labor market entrants. Section III describes the changing patterns of international migration in Korea. Section IV examines the distinctive features of Korea's institution for foreign workers. Section V provides a brief summary and conclusion.

II. Changes in the Demographics and the Labor Market: Low Birth Rate, Ageing, and Upsurged Educational attainment

The most striking demographic change in Korea is, above all, the rapid aging of the population concurrent with the dramatic decline of fertility rate. Korea's total fertility rate (TFR) was 1.08 as of 2005, the lowest among OECD member nations. Working age population will start declining after reaching a peak at 3.6 million (73.4% of total population) in 2016. Korea's total population will also start shrinking from 2019 after reaching a peak at 49.3 million in 2018 (Fig. II-1 (a)). Prime age workers, aged between 25 and 49, will start decreasing both in their numbers and percentage of the total population as early as in 2008.

Korea already became an aging society in 2000, with those aged 65 and over accounting for 7.2% of the total population. Korea is expected to become an aged society in 2018 and advance onto a super-aged society in 2026, meaning that it will take only 18 years for Korea to progress from an aging society to an aged society, and from there, just another 8 years to make the transition to a super-aged society. Korea's population would not be just growing older, but at an extraordinarily fast rate, previously unheard of in the world (Fig. II-1 (b))

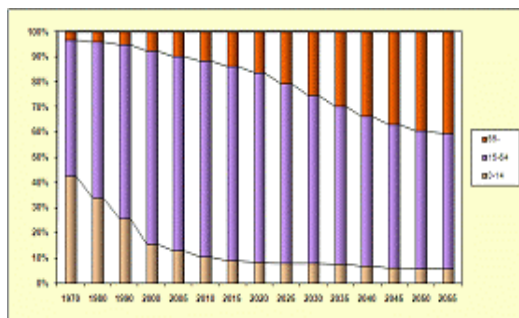
Even if the fertility rate resurges somewhat, it would merely slow down population decline without reversing the declining trend. Furthermore, it is only after two decades that the higher fertility rate exerts impact on the labor market. In light of these forecasting, it goes without saying that the demand for foreign labor will continue to increase in Korea (Hur 2006). According to UN (2001), in order to maintain the working age population at the level of the year 2020, Korea will need to receive 6.4 million immigrants between 2020 and 2050. It also projects that immigrants and their descendants will account for 13.9% of the total population in 2050. The recent study by Hur (2008) calibrates the long-term gap between domestic labor supply and the demand for labor, using the result of 2005 census and more feasible scenarios. A relatively conservative scenario of Hur (2008) predicts that the overall labor shortage will turn up from 2013, and it will amount to 4.2 million by 2030, 6.6 million by 2040, and 9.4 million by 2050. If this gap is all supplemented by foreign labor, the proportion of immigrants among working age population will be 9.7% in 2030, 16.0% in 2040, and 24.3% in 2050, without counting the one million immigrants of today (Fig. II-2).

Meanwhile, the enrollment rate of primary and secondary schools has accelerated since the 1980s, reaching full rate in the 1990s. College enrollment rate was in the neighborhood of 25% during the 1970s, rose to 60.1% in 1997, and reached as high as 82.5% in 2005. While higher educational attainment has contributed to modernizing Korea's industrial structure until the early 1990s, at the same time, it has become one of the main causes which explain job mismatch in the labor market. Shortage of production workers, combined with oversupply of highly educated job seekers, is fostering idle workforce in the younger population.

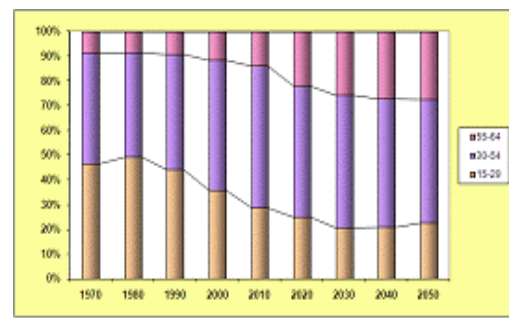
Hence, it has become the big challenge, in the face of dwindling workforce, ageing population and high educational attainment of labor market participants, to establish policy direction and strategy to make the best of foreign workforce to cope with anticipated shortage of professional and production workers.

[Fig. -1] Composition of Working Age Population and Demographic Changes by Age Group

(a) Composition of Working Age Population



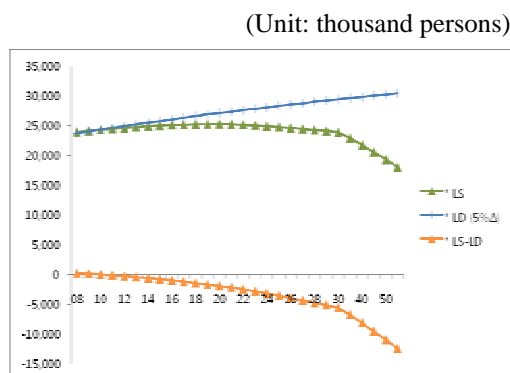
(b) Demographic Changes by Age Group



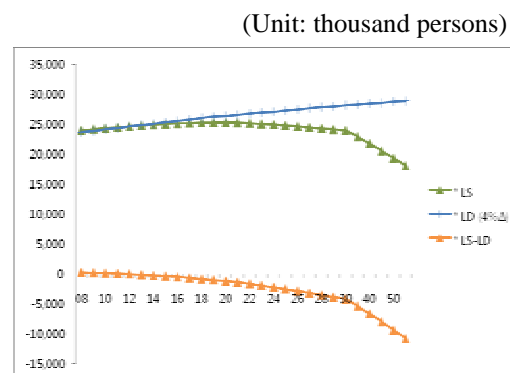
Source: National Statistical Office (2006)

[Fig. -2] Projection on the Gap between Domestic Labor Supply and the Demand for Labor

(a) Annual Average Growth Rate: 5 % between 2008 and 2018, 4% between 2019 and 2028 and 3.5% thereafter



(b) Annual Average Growth Rate: 4 % between 2008 and 2018, 3% between 2019 and 2028 and 2.5% thereafter



Source: Hur (2008).

III. International Labor Mobility in Korea

1. Moving for Employment and Business

Except for the period from 1945 to 1950, Korea had been a labor sending nation. Since the late 1980s, however, Korea has shifted to a labor receiving nation. Prior to the 1980s, there were three moments where overseas employment of Korean workers was boosted up.

The first moment was the early 1960s. It was during this period that miners and nurses were dispatched to Germany. In 1963, the Korean government sent mining workers and nurses to West Germany in order to procure necessary resources for economic development. The dispatch of mining workers and nurses to Germany was the result of the first planned migration policy set up by the Korean government. Together with that, migration for skills training and individual employment to Japan and Southeast Asian region expanded as well. Also, albeit a small number, Korean engineers could approach the Vietnamese labor market in late 1965. During this period, a total of 3,809 workers left the country for overseas employment. Included in this number are 1,859 miners, 1,015 vessel crew members, 779 nurses, and 52 medical doctors (Park et al. 1988).

The second momentum was given in the late 1960s, when there was a special boom in the labor demand from Vietnam. During this period, which was unique in that Korea was participating in the Vietnamese War, Korea's labor export increased dramatically thanks to the government's active policy for promoting overseas employment. The number of workers who left for Vietnam reached 10,083 workers in 1966 alone, thereafter falling down to 5,300 in 1967, bouncing back slightly to 6,000 in 1968, and taking a nosedive to 2,100 in 1969 (Park et al. 1988). During this period, there was a downturn in overseas employment to countries other than Vietnam. From 1966 to 1969, only 582 nurses migrated to West Germany for employment. Meanwhile, dispatch of miners contracted dramatically as local coal mining industry in West Germany lost its vitality due to a shift in energy policy. Between the years 1967 and 1969, there was no migration of miners from Korea at all to West Germany.

The third moment was the 1970s, when overseas employment of vessel crews increased, and Korea's construction workers launched into the Middle East. Starting

from 1970, overseas employment of vessel crews began to expand. In 1975, more than 10,000 vessel crew members were sent abroad, accounting for half of the total overseas employment population in the same year (Park et al., 1988). In the latter half of the 1970s, overseas employment of Korean workers expanded dramatically, taking on a different nature from that of the preceding periods. As Korean construction businesses made inroads into the Middle East construction market, the incidental demand for workers increased Korean employment in the region. In terms of volume, a total of 37,200 workers found overseas employment in 1976, including 21,300 workers in the Middle East and 13,100 vessel crews. By the end of 1979, the total number of workers employed overseas reached 140,700, including 112,800 workers in the Middle East and 18,800 vessel crews (Park et al., 1988).

From 1980 and onwards, as Korean businesses with local presence were awarded less contracts, and wages increased for workers at home, the incentives for overseas employment became not as attractive as before. In addition, Korean firms in the Middle East started using local labor which was less costly. All these factors combined together contributed to the downturn of labor migration from Korea to the Middle East.

Meanwhile, once the door to the United States was wider open after the passage of the Immigration Reform Act of 1965, there was an increase in business migration in addition to overseas employment. As the world's third most densely populated country, Korea encouraged overseas migration of its people at the time, and Koreans migrated to the US, Canada, and Australia. Among those who settled down in the US, quite a significant number of them are those who had left Korea intending to study in the US but later decided to settle down in the US. Migration for family reunion explained dominant portion of emigrating Koreans until 1980s, family reunion was, however, frequently motivated by economic reasons such as search for job and/or business opportunities.

As is shown in <Table III-1>, the annual number of emigrants started to decline to as low as 9,509 after reaching a peak at 37,097 in 1986. Regarding purpose of emigration, family reunion represented a high proportion of the emigrant population until 1990, and started to decrease with the lapse of time. On the other hand, migration for business or employment purposes climbed up steadily until 2002. After 2003, however, emigration of all categories fell sharply, and the total number of overseas emigrants was less than 10,000.

The reason for less migration for overseas employment and business was increased income levels at home as a result of the economic growth on the one hand, and the appreciation of the Korean Won on the other hand. Stronger Korean Won meant the

relatively lower purchasing power in Korean currency of the remuneration in foreign currencies. Another factor which explains decline of emigration would be that key destination countries applied more rigorous immigration qualifications (Ministry of Foreign Affairs and Trade 2004). Besides, Korean companies are sending less workers as resident staff at their overseas offices. Large companies, which had previously dispatched overseas resident staff directly, gradually shifted to localizing workforce by hiring local professionals. This also contributed to the reduction in the number of emigrants.

<Table -1> Emigration Declarer by Purpose of Emigration

(Unit: %)

Year	Business	Employment	Family Reunion	Int'l Marriage	Others	Total Emigration Declarer
1980	70	1,130	25,938	6,220	-	33,358
1981	199	2,122	23,588	6,187	72	32,168
1982	29	1,894	18,993	5,445	32	26,393
1983	43	2,708	15,341	5,224	29	23,345
1984	137	3,949	22,144	4,881	-	31,111
1985	511	3,946	18,396	4,940	-	27,793
1986	2,325	3,098	27,218	4,456	-	37,097
1987	4,269	3,076	22,768	4,685	-	34,798
1988	4,167	2,946	19,927	4,446	-	31,486
1989	2,781	1,566	18,281	3,644	-	26,272
1990	1,885	2,737	15,772	2,920	-	23,314
1991	3,204	1,901	9,963	2,365	-	17,433
1992	4,057	3,193	8,823	1,847	7	17,927
1993	2,921	3,988	6,044	1,510	14	14,477
1994	2,330	5,311	5,629	1,305	29	14,604
1995	2,492	6,573	5,695	1,150	7	15,917
1996	2,346	4,291	5,139	1,170	3	12,949
1997	2,269	3,287	5,860	1,068	-	12,484
1998	2,179	3,805	6,638	1,346	6	13,974
1999	2,582	5,267	3,342	1,464	-	12,655
2000	2,402	8,369	3,345	1,187	4	15,307
2001	1,669	6,079	2,639	1,197	-	11,584
2002	1,667	6,317	2,058	1,136	-	11,178
2003	1,496	4,364	2,529	1,120	-	9,509
2004	1,672	1,491	2,413	1,010	2,327	9,759
2005	1,831	2,327	2,315	445	1,350	8,277
2006	1,162	607	1,841	649		5,177

Note: Exclusive of international adoptions

Source: Ministry of Foreign Affairs and Trade (<http://www.mofat.go.kr/ko/>), A Diplomatic White Paper,

Each year

Geographically, Korean emigrants are concentrated to four countries: United States, Canada, New Zealand, and Australia (Table III-2). In terms of migrant numbers since 1995, United States was the most popular destination with 69, 278 (49.9%), followed by Canada with 51,886(40.6%), New Zealand with 8,642(6.2%), and Australia with 4,264(3.1%). Migrants to these four countries accounted for 99.8% of total overseas migrant flow between 1995 and 2006.

<Table -2> Current Status of Overseas Koreans

(Unit: persons)

Year	United States	Canada	Australia	New Zealand	Others	Total
1995	8,535	3,289	417	3,612	64	15,917
1996	7,277	3,073	519	2,045	35	12,949
1997	8,205	3,918	216	117	28	12,484
1998	8,734	4,774	322	96	48	13,974
1999	5,360	6,783	302	174	36	12,655
2000	5,244	9,295	392	348	28	15,307
2001	4,565	5,696	476	817	30	11,584
2002	4,167	5,923	330	755	3	11,178
2003	4,200	4,613	256	435	5	9,509
2004	4,756	4,522	350	127	4	9,759
2005	5,083	2,799	327	67	1	8,277
2006	3,152	1,605	357	49	14	5,177
	69,278	56,290	4,264	8,642	296	138,770

Source: Ministry of Foreign Affairs and Trade (2007), Current Status of Overseas Migration 2006.

According to an analysis of the US Citizenship and Immigration Services(USCIS) data, Korean immigrants in the US were evenly distributed among all age groups in 1990. But in 2000, prime age worker population accounted for a greater share of the immigrant population, with workers in their 30's and 40's representing 38.2%. The proportion of science and engineering professionals, rather than that of low-skilled and service workers, turned out to have grown steadily (Dong-a Daily News, August 30th, 2004). This can be explained by the preference of the US government for professional workers and increased supply of Korean professional workers. Though Korean media would depict it as brain drain and expresses concern, to date, there has not been any

scrupulous research as to its impact on Korean economy or its contribution to knowledge diffusion in Korea.

2. Studying Abroad

Traditional passion of Koreans for higher and quality education is famous and known to have provided affluent supply of quality labor and accelerated the accumulation of human capital, thereby significantly contributing to the nation's economic development. The latest figures show that the number of Korean students going abroad continues to increase. While increase in national income has led to a downturn in overseas emigration, they further spurred the demand for overseas education.

The evolution of the number of departures for education after 1995 shows the following facts. The United States has been the top destination country for all times of Korean students. The number of Koreans leaving the country to study in China rose rapidly since the mid-1990s, outnumbering those heading for Japan since 2003. When excluding China, the number of students moving to non-English speaking countries, such as Japan, Germany, France, or Italy, remains more or less unchanged, while that of students heading for English-speaking countries increased. As of 2005, the most popular destination countries for Korean students are the United States, China, Japan, Canada, Australia, and England, in their respective order (Table III-3).

<Table -3> Distribution of students in foreign countries based on statistics on departures by destination country and purpose of departure

Destination Country	1995	2000	2001	2002	2003	2004	2005
United States	37,005	38,291	40,648	46,691	52,447	56,724	62,396
China	9,146	13,641	17,242	27,723	35,845	39,279	49,734
Japan	34,710	29,723	31,429	34,459	34,516	34,020	34,835
Canada	3,007	7,826	10,491	13,800	16,097	16,812	17,343
Australia	5,779	5,649	6,219	7,174	8,991	9,599	11,469
England	3,101	5,764	6,366	7,652	8,421	8,573	8,804
Germany	3,106	3,776	3,957	4,725	5,021	4,875	4,575
New Zealand	997	1,492	2,371	3,939	4,960	4,850	4,341
France	2,621	2,570	2,743	3,119	3,056	3,098	3,087
Philippines	2,402	1,579	1,573	1,800	2,015	2,502	3,191
Italy	1,713	1,676	1,789	2,113	1,787	1,608	1,632
Singapore	336	401	378	531	607	743	1,445
Others	6,458	6,982	7,420	8,694	9,127	9,877	11,449
Total	110,381	119,370	132,626	162,420	182,890	192,560	214,301

Source: National Statistical Office, KOSIS.

3. Inflow of Foreign Workers

Foreign labor began streaming into Korea from 1987 when labor shortage emerged as a critical issue while Korean economy was enjoying an unprecedented economic boom. As of December, 1987, the number of foreign workers in Korea was about 6,000. In following years, the inflow of migrant workers has grown at a steady pace, with the exception of the year 2005 (Table III-4).

In the early years when foreign workers began to come in, the presence of undocumented workers was a general phenomenon, as there was no system for legal employment of non-professional migrant workers. Later, the Industrial Trainee System (ITS) was introduced in 1994 to meet the severe labor shortage in small and medium sized manufacturing firms. It was not, however, enough to sufficiently curb the growth of undocumented workers, because the market demand by far overmatched the

government quota, while monitoring was weak and penalties were trivial. When the proportion of undocumented workers reached as high as 79.8% of the total foreign workers in 2002, and threatened to distort the labor market, the Korean government classified undocumented workers based on their periods of stay in Korea and legalized the employment of those whose period of stay was less than 4 years as of March 31st, 2003, and were employed, as of the date of application, in 6 industries specified by the Ministry of Labor including manufacturing, construction, services, agriculture or livestock farming, or fisheries.

As of November 2007, the total number of foreign workers staying in Korea stood at 395,000. The number of foreign workers with employment visas was 183,048. Among them, 148,801 had entered the country with employed trainee (E-8) visas or non-professional employment (E-9) visas, accounting for 81.3% of the total migrant labor stock. The remaining 34,247 (18.7%) fell under the category of professional or skilled workers (including vessel crews). Table III-4, statistics on foreign labor by form of stay, is exclusive of the 205,857 Koreans with Chinese and former Soviet Union nationality who arrived through the new Working Visit System, effective as of 2007. When including this number, the actual number of migrant workers is estimated to exceed half a million.¹

¹ Under the Working Visit System, employment in Korea is permitted to Koreans with foreign nationality, aged 25 or more years, residing in China or former Soviet region. These foreign Korean nationals are issued working visit (H-2) visas, and may be employed in certain service industries in addition to the industries authorized under the Work Permit System.

<Table -4> Changes in the number of migrant workers by visa type and status of stay

(Unit: persons, %)

	Total migrant worker population	Employment visa	Trainee visa		Undocumented workers
			Technical Internship via Korean FDI overseas	Industrial Trainee	
1987.12	6,409(100.0)	2,192(34.2)	-	-	4,217(65.8)
1990.12	21,235(100.0)	2,833(13.3)	-	-	18,402(86.7)
1995.12	128,906(100.0)	8,228(6.4)	15,238(11.8)	23,574(18.3)	81,866(63.5)
2000.12	285,506(100.0)	19,063(6.7)	18,504(6.5)	58,944(20.6)	188,995(66.2)
2001.12	329,555(100.0)	27,614(8.4)	13,505(4.1)	33,230(10.1)	255,206(77.4)
2002.12	362,597(100.0)	33,697(9.2)	14,035(3.9)	25,626 7.1)	289,239(79.8)
2003.12	388,816(100.0)	200,039(51.5)	11,826(3.0)	38,895(10.0)	138,056(35.5)
2004. 12	421,641(100.0)	196,603(46.6)	8,430(2.0)	28,125(6.7)	188,483(42.7)
2005. 12	345,579(100.0)	126,497(36.6)	6,142(1.8)	32,148(9.3)	180,792(52.3)
2006. 12	425,107(100.0)	194,195(45.6)	5,831(1.4)	38,187(9.0)	186,894(44.0)
2007. 11	393,331(100.0)	183,048(46.5)	4,493(1.1)	4,333(1.1)	201,457(51.3)

Note: 1) Documented Workers = non-professional employment (E-9) + professional or skilled worker (E1 ~E7, E10) + employed trainee (E8)

2) The number of undocumented workers, as of the end of November, 2007, does not include the 21,436 persons who are aged not more than 15 and over 60.

3) The number of documented workers, as of the end of November, 2007, does not include the 205,857 ethnic Koreans with working visit (H-2) visas.

Source: Ministry of Justice.

Table III-5 gives a structured outline of the current status of migrant workers with employment visas by visa category. As for the exact scope of employment covered by *professional or skilled workers*, there may be room for further discussion. A simplified definition, however, would be “foreign workers employed in Korea with visas ranging from E-1 (professorship) through E-7 (special occupation).”

Foreign language instructors account for the greatest share of the foreigners who entered the country as professional or skilled worker. The number of foreign language instructors stood at 17,615 as of the end of November, 2007. Research (E-3) visas and

special occupation (E-7) visas are visa categories that come technically closest to professional worker visas. The number of foreign workers with E-3 or E-7 visas is 2,291 and 6,753, respectively.

<Table -5> The number of foreign workers by category of employment visas (E1 ~ E10)

(Unit: persons, %)

Year	Total	Professio rship (E-1)	Foreign Langua ge Instruct or (E-2)	Researc h (E-3)	Technic al Transfer (E-4)	Professi onal Employ ment (E-5)	Arts & Perform ances (E-6)	Special Occupat ion (E-7)	Employ ed Trainee (E-8)	Non- professi onal Employ ment (E-9)	Vessel Crew (E-10)
'04.12	195,664 (100.0)	939 (0.5)	11,072 (5.7)	1,569 (0.8)	185 (0.1)	288 (0.2)	2,821 (1.4)	3,432 (1.7)	48,937 (25.0)	126,421 (64.6)	-
'05.12	126,497 (100)	1,084 (0.9)	12,296 (9.7)	1,738 (1.4)	193 (0.1)	286 (0.2)	3,268 (2.6)	4,412 (3.5)	50,703 (40.1)	52,305 (41.3)	212 (0.2)
'06.12	194,195 (100)	1,154 (0.6)	14,806 (7.6)	2,076 (1.1)	156 (0.1)	342 (0.2)	3,189 (1.6)	5,527 (2.8)	51,517 (26.5)	115,122 (59.3)	307 (0.2)
'07.11	183,048 (100)	1,344 (0.7)	17,615 (9.6)	2,291 (1.3)	174 (0.1)	397 (0.2)	3,038 (1.7)	6,753 (3.7)	21,328 (11.7)	127,473 (69.6)	2,635 (1.4)

Source: Ministry of Justice.

A study by Yoo et al. (2004) compares the wage level of non-professional migrant workers with that of Korean counterparts. The study reports that, excluding the accommodation benefits, the hourly wage of foreign workers amounted to 65.9% of that of high school graduate Korean workers in manufacturing for men, and 72.9% for women. The study further reports that, when including the accommodation costs, the hourly wage of foreign workers are 78.7% and 87.9% of what Korean male and female workers' are paid respectively. As the productivity of foreign workers turned out to be 76.4% of that of Korean workers, when accommodation costs and productivity are taken into account, the labor cost of foreign workers was deemed not significantly cost-saving compared with that of national workers.

According to interviews with employers in the manufacturing business (Hur et al. 2008), hiring foreign workers is by no means a cost-saving option compared with hiring Korean workers because communication barriers stemming from difference in language

and culture raise management cost of workers. Nonetheless, local businesses continue to hire foreign workers because it is difficult to find Korean workers who are willing to work there. Judging from this information, foreign workers do not seem to substitute Korean workers' jobs significantly, at least in the manufacturing sector.

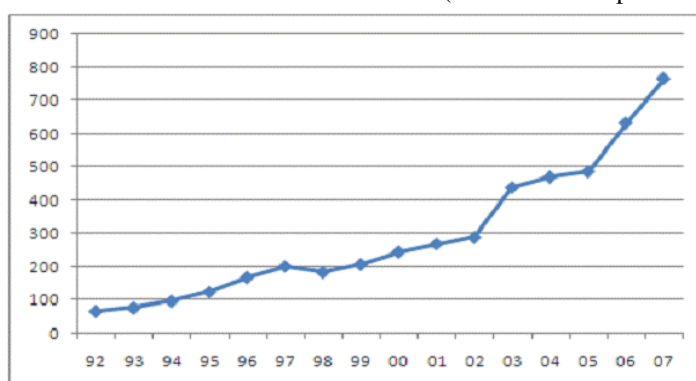
In Korea, there is hardly any rigorous study on how foreign workers affect unemployment or the wages of national workers. Cho (2004), diagnosing the possibility of the replacement of national workers by migrant workers, reports that migrant workers complement national workers engaged in the same industry to a considerable extent, and that migrant workers replace national workers to some, but insignificant, extent. But foreign Korean nationals who entered the country through the Working Visit System are reported to compete with Korean nationals for jobs and exert downward pressure on wages in restaurant or construction industry.

4. Explaining Increase of Immigrants

With the exception of the year 1998, right after the Asian Financial Crisis hit Korea, the number of registered foreigners in Korea has continued to increase since the beginning of the 1990s, reaching 775,000 at the end of 2007. There was a big jump in the number of registered foreigners in 2003 because undocumented workers were qualified for non-professional employment visa (E-9) as a measure to legalize them. Including short-term visitors who stay less than 90 days, the number of foreigners staying in Korea is reported to be hovering above 1 million persons, or 2.1% of Korea's total population, as of autumn, 2007.

[Fig. -1] Evolution of the number of registered foreigners in Korea

(Unit: thousand persons)



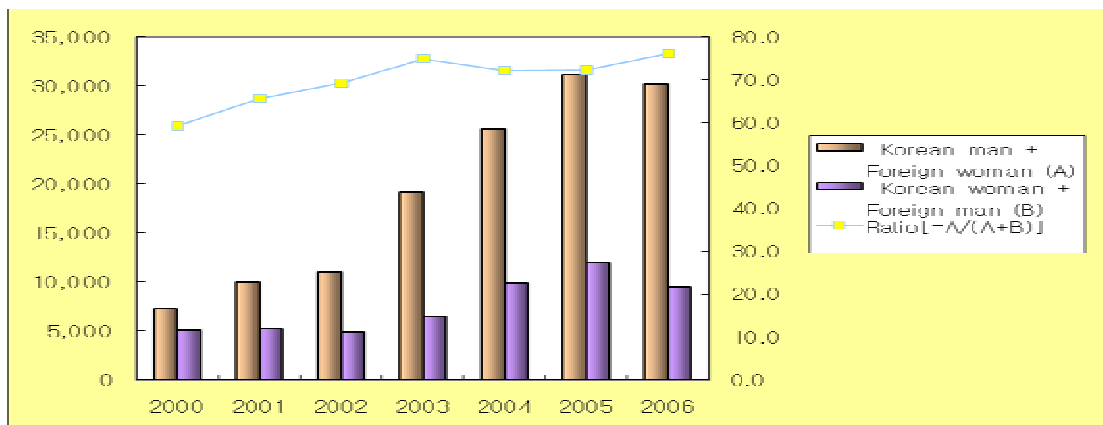
Source: National Statistical Office, *Resident-Registered Population Statistics*, Each year.

The number of foreigners staying short-term in the country has remained at a stable level. In contrast, the number of those staying long-term (90 or more days) is on the rise. Several reasons can be thought of as its background fact.

First is the rising number of international marriage, particularly between rural Korean men and foreign women. International marriage grew in number each year, from 12,319 cases in 2001 to 43,121 cases in 2005. International marriage accounts for more than 11% of total marriages in Korea after 2004. The number of foreign women who married Korean men in 2006 was, by nationality, 14,608 from China, 10,131 from Vietnam, 1,484 from Japan, 1,157 from the Philippines, 594 from Mongolia, 394 from Cambodia, 334 from the US, and 1,192 from other countries. Increasing number of international marriages naturally entailed increasing number of immigrants who arrived in Korea to marry Korean nationals. As a result, the stock of immigrant population by marriage increased from 34,710 in 2002 to 57,069 in 2004, and further rose to 93,786 in 2006.

[Fig. -2] Evolution of the number of international marriages

(Unit: Cases, %)



Source: National Statistical Office, *Marriage and Divorce Statistics*, Each year.

Second is the growing inflow of foreign Korean nationals after the introduction of the Working Visit System. The number of foreign Korean nationals increased from 138,000 in 2002 to 185,000 in 2004. The number further rose to 267,000 in 2006, recording a 37.6% increase compared with the previous year. Based on the 2006 statistics on the nationality of foreign Korean nationals, Korean Chinese accounted for the overwhelming majority at 237,000(88.6%), followed by Korean-Americans at 21,000 and Korean-Canadians at 44,000.

Third is the increase of foreign students. As is shown in Table III-6, the number of foreign students in Korea has climbed up steadily to 29,557 as of 2006. In terms of the distribution of their region of origin, students from Asia represented the absolute majority at 27,381(92.6%), followed by those from the Americas (4.1%).

Fourth is the increasing number of foreigners staying in Korea for investment-related activities, such as intra-company transfer, corporate investment, or trade management. As is shown below, the number of registered foreigners engaged in investment activities has increased sharply since 2005.

<Table -6> The number of registered foreigners studying in Korea

(Unit: persons)

Year	Region of Origin					Total
	Asia	Europe	Americas	Oceania	Africa	
1994	582	75	455	36	35	1183
1995	808	117	491	38	33	1487
1996	1099	131	515	39	37	1821
1997	1425	173	549	53	46	2246
1998	1804	216	616	53	52	2741
1999	2050	220	645	53	61	3029
2000	2904	231	519	46	62	3762
2001	4113	257	601	40	55	5066
2002	5830	308	754	33	68	6993
2003	8099	407	849	22	78	9455
2004	12563	474	946	31	115	14129
2005	18476	543	1136	33	158	20346
2006	27381	732	1212	30	202	29557

Source: Ministry of Justice, *Statistical Yearbook on Immigration and Foreigner Policy*, each year.

<Table -7> Changes in registered foreign population staying for investment-related activities

Status of Stay	2001	2002	2003	2004	2005	2006
Total	8,872	9,439	8,631	8,802	10,555	10,776
Intra-Company Transfer(D-7)	1,741	1,587	1,497	1,384	1,447	1,492
Corporate Investment(D-8)	6,316	6,629	5,763	5,947	6,996	7,184
Trade Management(D-9)	815	1,223	1,371	1,471	2,112	2,100

Source: Ministry of Justice, *Statistical Yearbook Immigration and Foreigner Policy*, each year.

Fifth is the increasing influx of foreigners seeking permanent residency. Ethnic Chinese who have lived for long time in Korea were not given equal opportunities legally and economically. For a long time there have been calls to correct such discrimination. With the democratization of the Korean society in the late 1990s, human rights of long-term staying foreigners have gained greater attention as a social issue. Consequently, the permanent resident (F-5) visa system was introduced in April, 2002, and the number of foreigners entering the country as permanent resident soared from 6,022 in 2002 to 13,957 in 2006, most of the applicants being originated from Taiwan.

Sixth is, albeit small in number, the rising influx of refugees. A refugee, by definition, is a person who is out of his or her country of nationality and either cannot or does not want to be protected by that country because of sufficiently grounded fear for persecution due to ethnicity, religion, nationality, membership of a specific social group or political views. Refugees are issued the F-2 (resident) visa. The number of migrants who were granted the status of refugee by the Korean government increased from 14 in 2003 to 28 in 2004. The number continued to rise to 41 in 2005, and reached 50 in 2006. In 2006, in terms of nationality, 34 were from Asia including 12 from Myanmar and 11 from Bangladesh, and 12 were from Africa. The refugee population in Korea would be greater when the number of refugees from North Korea, or *Sae-to-min*, is taken into account, which will be discussed in a separate section below.

5. Overseas Koreans

Overseas Koreans have a history of roughly 140 years and are spread out in some 170 countries. They differ in their nature because of their history of migration, their number in the community, and the ethnic minority policy of their country of residence (Lee 2005).

Yeonhaeju (the Littoral Province of Siberia) currently belongs to Russia, and *Gando* (Southern Manchuria) region currently belongs to China. But these territories belonged to Korea until early 20th Century. It was during Japan's colonial rule that sovereignty over these lands were handed over to Russia and China, respectively. But, historically, Koreans had been living in these regions and many Koreans migrated to these regions during Japan's colonial era to flee repression or engage in independence activist movement. Koreans residing in *Yeonhaeju* were deported by force during Stalin's regime to Central Asia, and thus became the ancestors of the so-called *Koryoin* or *Koryo-Saram*, meaning ethnic Koreans.

Korean immigration to the Americas can be traced back to as early as 1905 when the first group of Koreans moved to Hawaii to work at sugar cane farms. A significant number of the immigrants to Hawaii settled down in the United States, while some migrated to Mexico. After Korea forfeited its sovereignty in 1910, Koreans relocated to China, Russia, or Japan. During the Japanese colonial era, many Koreans crossed the sea to Japan in search of better opportunities or by forcible conscription to the Japanese army. After Korea regained its independence in 1945, overseas Koreans streamed back into their home country in large numbers. Many also chose to remain and settle down in their country of residence. This is the origin of the Korean Diaspora, a story unfolded over a period of more than 100 years.

In the 1960s, in desperate need of foreign currency to boost economic development, the Korean government actively encouraged its people to find employment overseas. During the Vietnam War, a number of military-related service workers gained access to the Vietnamese labor market. During the Middle East construction boom in the 1970s, hundreds of thousands of workers in construction industry migrated to oil producing nations in the Middle East. Since the late 1960s, a great number of Koreans have sailed across worldwide oceans as crews to deep-sea fishing vessels. Most of them were migrant workers under temporary work contracts, but quite a number of them found themselves settling down in foreign countries.

As of 2007, overseas Korean population amounted to over seven million as a whole. Among them, 4,048,000 were citizenship holders, and 1,451,000 were permanent residents. In terms of nationality, China had the most number of overseas Koreans with 2,762,000, followed by the United States with 2,016,000, and Japan with 894,000 (Table III-8).

<Table III-8> Current Status of Overseas Koreans (As of May 1st, 2007)

(Unit: persons)

Region	Citizens	Permanent Residents	Sojourners		Total
			General	Students	
Asia	2,577,953	546,919	751,288	164,216	4,040,376
Japan	296,168	499,553	80,530	17,489	893,740
China	2,244,398	3,112	438,238	76,412	2,762,160
Other	37,387	44,254	232,520	70,315	384,476
Americas	938,650	878,696	396,439	127,378	2,341,163
United States	825,420	732,329	354,031	105,131	2,016,911
Canada	95,062	78,497	21,536	21,533	216,628
Latin America	18,168	67,870	20,872	714	107,624
European Region	531,062	24,456	47,981	41,753	645,252
Commonwealth of Independent States(CIS)	518,437	3,342	9,052	3,145	533,976
Europe	12,625	21,114	38,929	38,608	111,276
Middle East	82	15	9,139	204	9,440
Africa	187	1,260	6,301	737	8,485
Total	4,047,934	1,451,346	1,211,148	334,288	7,044,716

Source: Ministry of Foreign Affairs and Trade.

6. Inflow of North Koreans

A major change that took place during the 1990s is the increase in the number of North Korean residents settling down in Korea. Prior to the 1990s, only a very limited number of North Korean defectors brave enough to cross over the inter-Korean borders could enter Korea. But a growing number of North Korean residents make attempts to

enter Korea via a third country. The Korean government has given them the name *Sae-to-min* (New Settler). If North Korean defectors staying in a third country wish to enter Korea, the government applies the principle of accepting every one of them into the country based on humanitarianism and fraternity, while providing protection pursuant to domestic laws and international laws such as the UN Convention relating to the Status of Refugees. Prior to the mid-1990s, only a few dozen *Sae-to-mins* arrived in Korea each year. After food shortage exacerbated in North Korea in the mid-1990s, the number of new arrivals increased steadily to 100 in 1999, surpassed 1,000 in 2002, and passed the 2,000 mark in 2006.

<Table -9> Current status of North Korean newcomers in Korea

Category	Prior to '89	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	Total
Male	564	80	35	43	56	53	90	180	294	514	468	625	422	486	3910
Female	43	6	6	13	30	18	58	132	289	625	813	1269	961	1533	5796
Total	607	86	41	56	86	71	148	312	583	1139	1281	1894	1383	2019	9706

Source: Ministry of Unification.

7. Current State of Overseas North Korean Workers

North Korean workers began to find their way into overseas labor market since the 1980s. Following the complete collapse of the socialist trade market in the 1990s, North Korean workers gained access to a wider range of labor markets and industries. Overseas employment of North Korean workers mainly takes the form of a joint venture, where labor is provided by North Korea while necessary funds are provided by local businesses. North Korean workers in overseas labor markets are mainly engaged in construction industry, restaurant businesses, and forestry. To a lesser extent, they are also engaged in various industries ranging from fishery, farming, hotel businesses, IT, and health care industry. Among them, construction industry employs the greatest number of North Korean workers.

Geographically, North Korean workers are mainly employed in China, Russia, and the Middle East. North Korea also dispatches a number of its workers to the Czech Republic, Bulgaria, China, Mongolia, Poland, Romania, Russia, and the Republic of Yemen. It is estimated that between 20,000 and 30,000 North Korean workers are

employed in 45 nations around the world (Cho and Kim 2007). Among them, Russia receives the greatest number of North Korean workers (Table III-10).

<Table -10> Current Status of North Korean Workers Employed Overseas

Destination Country	Workforce Volume	Industry
Russia	8,000~9,000	Logging, construction(s), farming
Kuwait	3,500	Construction
United Arab Emirates	1,600~2,000	Construction, sewing industry,
Qatar	2,000	Construction
China	800~1,000	Sewing industry
Bangladesh	270	Mine development
Mongolia	200	-
Czech Republic	200	Sewing industry, bakery

Source: Cho and Kim (2007).

A considerable number of workers are known to be employed in logging farms near Khavarsk Kaia, Siberia. In China and the Czech Republic, North Korean workers are employed in sewing industry. According to what was revealed in the process of the Czech Republic government's denial of North Korean workers' visa extension in June, 2007 after North Korea's missile and nuclear experiment, there was reportedly a total of 406 North Korean workers in the Republic, 392 of which were women (Yonhap News, December 13th, 2007). It was later reported that roughly 200 of them were denied visa extension, and currently about 200 North Korean workers remain working in the Czech Republic.

IV. Institutional Features of Administration for Foreign Workers

1. Institution for Foreign Professionals

The provisions regarding entry and departure of foreigners are set down in the Immigration Control Act. Foreigners can engage in activities within the limited scope defined by their status of stay. Employment visa categories with which foreigners are entitled to be employed include short-term employment (C-4) visa, professional or skilled worker (E-1 to E-7) visa, working holiday (H-1) visa, and non-professional employment (E-9) visa for workers entering via the Work Permit System (WPS).

Unlike non-professional workers, professionally qualified foreigners are required to have licenses, certain level of educational attainment, skills, and work experience, although the requirements may vary by industry type and occupation category. For foreigners recognized as professional or skilled workers, the Korean government does not impose restrictions on their quota, labor market test, or number of visa extension. The Government also provides measures to facilitate their entry and departure by issuing multiple visas (GOLD card, IT card, SCIENCE card).

Foreign professionals engaged in hi-tech industry may stay in the country for a period of 3 years which can be renewed, and are eligible for permanent residence after their aggregate period of stay reaches 10 years. Professional workers in science or business management are conferred permanent residentship irrespective of their period of stay, which is equivalent to allowing employment-based permanent immigration. Meanwhile, high-skilled foreign students in Korea are allowed to seek part-time employment (20 hours per week) so that they are provided with an opportunity to be integrated into the domestic labor market, and the parents or spouses of overseas Koreans studying in Korea are permitted to be employed in Korea via the Working Visit (H-2 visa) system.

2. Work Permit System: Institution for Non-professional Workers

Under the Work Permit System (WPS), local businesses which fail to find national workers may legally employ an appropriate number of foreign workers (For detailed information on the evolution of institution for non-professional foreign workers, see Lee

et al. 2007). Before arriving in Korea, foreign workers seeking access to the country via WPS must enter into employment contracts with local employers, and are subsequently issued non-professional employment (E-9) visas which permit employment in non-professional jobs. Foreign workers may be employed for a period not exceeding 3 years at firms with less than 300 employees, or in agricultural/livestock farming industry, or coastal/inshore fishing industry. The Joint Committee for Migrant Workers in Korea (JCMK) determines the quota, the industries migrant workers can engage in, and which countries of origin will qualify for WPS.

Employers at businesses or workplaces hiring a migrant worker must subscribe to either the Departure Guarantee Insurance or the Trust for Lump-sum Payment on Departure, with the migrant worker as the insuree or the beneficiary. This is a measure to relieve the burden from SMEs of having to pay lump-sum retirement pension while at the same time induce departure of migrant workers once their visas expire. Migrant workers, for their part, must subscribe to the Return Cost Insurance or Trust to finance their returning. As a safeguard against delayed payment of wages to migrant workers, employers are required to purchase Wage Claim Guarantee Insurance.

In principle, workers are expected to work in the workplace they originally concluded employment contract with. They may, however, move to other workplaces in the event that normal employment can no longer continue in the original workplace for reasons such as suspension/closure of the workplace, or being penalized of restriction on employment of foreign workers. Migrant workers shall not be subject to unreasonable discrimination but are entitled to receive national treatment. Labor-related laws such as the Labor Standards Act shall apply to migrant workers, The 4 major social insurances – National Health Care Insurance, National Pension Insurance, Industrial Accident Compensation Insurance, Employment Insurance – shall apply to migrant workers.

3. Commitments on Movement of Natural Persons

Many of Free trade agreements (FTAs) signed in the new millennium include commitments on movement of natural persons. The liberalization of services trade prompted the need to guarantee free mobility of professional workers and service suppliers under private contracts. To date, Korea has signed 5 FTAs. None of them, however, includes any chapter on movement of natural persons while, as of 2007, all the seven FTAs Japan has signed, eight out of nine FTAs of Singapore, three out of five FTAs of China include commitments on movement of people (Hur 2007).

In the revised offer submitted to the WTO, however, Korea provides for commitments regarding intra-corporate transferees and contractual service suppliers (CSSs) that meet certain requirements, but not regarding independent professionals as of yet. CSSs included in Korea's commitments can engage in services related to the installment or repair of industrial equipment or machine, professional knowledge or skills related consulting services, business management consulting services, accountants, architects, and engineers (WTO 2005). CSSs shall be eligible when they possess the necessary academic and professional qualifications and experience compatible with such qualifications pursuant to relevant laws of Korea or accreditations, the Washington Accord, or international standards such as APEC Engineers or EMF Registered Professional Engineers.

The foreign juridical entity to which the service supplier belongs must enter into a service supply contract for a period not exceeding one year with the final consumer of the service supplied, a juridical entity incorporated in Korea. The service supplier should be an employee of the foreign juridical entity, with tenure of at least one year before applying for entry, and receiving remuneration from the foreign juridical entity. Unless otherwise stated, numerical ceilings may be set for CSSs in the commitments for each sector/sub-sector. Specific levels and methods were left to be reviewed at a later date (WTO 2005, Kim 2007).

4. Challenges for Current Schemes

Current challenges confronting Korea's Schemes for foreign workers can be summed up into five issues.

First is the difficulty in inviting professional workers. OECD (2007) has pointed out that Korea uses very limited number of professional foreign labor, and recommended that it make active use of foreign workers. Over the years, Korea has made various efforts including revision of relevant laws or systems to attract professional workers from abroad, which have yet to translate into tangible results because the inflow of professional workers is affected by wide-ranging factors such as socio-cultural infrastructure, the working conditions of the company where the professional worker would like to be employed.

Second is the issue of undocumented workers. In years since 1987, when foreign workers started to flow into the country, undocumented migrant workers in Korea have accounted for a significantly higher proportion of the total foreign labor stock than in

other countries. The reasons are multi-faceted. In the early years of the Industrial Trainee System in the 1990s, the supply of trainees fell short of the demand for foreign labor, and small firms with less than ten employees were not given their own quota. In the 2000s when the number of undocumented workers hovered around 200,000, the situation became more complicated.

Above all, a large number of small firms where labor shortage is severe employ foreign workers exceeding the ceiling of the number of foreign workers, which is given by the law as 50% of the total employees to the maximum of fifty workers. Besides, for the employers' part, recruiting foreign workers is regulated and thus more costly than offering better working conditions to those working in other firms or overstaying their trainee visa periods, or those who entered with non-employment visas. Foreign workers, for their part, are contributing to the problem for various reasons of their own. Some foreign workers seek better working conditions even though they are restricted from moving to another workplace under the employment contract with the workplace they originally applied for. Others do not want to return to their countries even after their legal period of stay expires as job opportunity is less favorable in their home country. For these reasons, firms have demand for undocumented workers and foreign workers work on non-regular basis. At the same time, considering that extreme control of undocumented workers may dampen business activities, administrative authorities cannot conduct strict inspections or impose strong penalties, thus letting the growth of undocumented workers take its own course.

Concurrent with the measure to legalize the employment of undocumented workers in October, 2003, the government took steps to crackdown on undocumented employment and to impose penalties to employers of undocumented workers. As a consequence, the proportion of undocumented workers among foreign workers dropped to 35.5% in December of the same year. Their numbers also fell from 289,000 as of end of 2002 down to 138,000. But because of subsequent emergence of undocumented workers, the number of undocumented workers resurged to 201,000 as of the end of November, 2007.

Korea was a late-starter compared with advanced nations in terms of the first arrival of immigrants and migrant workers, and started receiving migrant workers when relevant laws and systems had not been established. For a country with such background, overcoming the problem of undocumented workers is a key challenge to policy decision makers on the labor market. Tackling the issue of undocumented workers is difficult to overcome due to a number of convoluted factors: Administrative constraint which forbids frequent regularizing of undocumented workers, limited capacity to control, and possible side effects brought on by rigorous monitoring and

penalizing of employers. There are concerns, nonetheless, about the proliferation of stateless persons, which would not be consistent with the global migration agenda or goal as it is evident that pressure of foreign workers on the labor market will be more and more important.

Third is improving the Work Permit System (WPS). Unlike under the Industrial Trainee System (ITS), the government's quota under the current WPS is underexploited on a continuing basis. It is not only because of the less-than-satisfactory quality of service matching migrant workers with employers, and the administration's inability to grasp the effective demand for foreign workers when setting the government's quota for foreign labor. It is also closely related with the reasons for the proliferation of undocumented workers. Overcoming these challenges and improving the WPS is another task to be undertaken by the Korean government.

Fourth is refining the possible oversights of the Working Visit System (WVS). In construction and some services industries, it is observed that those visiting workers employed under the WVS are likely to replace national workers, or at least undercut labor conditions, wages in particular. The latter issue is gaining greater attention lately due to the ever-growing income inequality in Korea over the last ten years. The problem may lie not so much in the effect per se the foreign Korean nationals bring to bear on the labor market, as in the fact that the labor market information tends to be distorted because their employment is undeclared in most cases, and thus, are not figured into official statistics.

Fifth is the migratory flow from North Korea and successful integration of the North Korean migrants into the society. The Korean government provides wide-ranging policy support in cooperation with NGOs sponsoring North Korean refugees and other private sector support groups so that the newcomers can learn how to support themselves and continue to provide for themselves in the new environment, ultimately to settle down and integrate themselves with other citizens of a democratic society. At times, despite the efforts, serious adjustment failures are reported by the media. Most of North Korean migrants experience feelings of marginality and alienation. Some of them become a victim of swindle. The issue of increasing migrants from North Korea and the successful integration of them into the society does not stand out yet severely because of the limited number of *Sae-to-mins*, it is, however, doubtlessly a growing challenge to the Korean government.

V. Conclusion

This paper reviewed the demographic change and high educational attainment, two of main driving forces of structural changes of the Korean labor market, and then the evolution of international labor mobility in Korea. Also discussed were distinctive characteristics of institutions related with foreign workers.

With the rapid decline of fertility rate and ageing population in Korea, it is expected that its workforce will start dwindling in year 2018, and prime age workers, aged between 25 and 49, will start decreasing both absolutely and relatively as early as in 2008. Even under the modest assumptions, it is predicted that the overall labor shortage will turn up from 2013. Moreover, Korea's population is growing older, and at the fastest pace in the world at that. As such, there are concerns that the consequences of ageing will be felt more keenly in Korea than in any other country. This leads to the projection that Korea's demand for foreign labor will, inevitably, increase dramatically in five years' time and onwards, and migration issues will emerge as very pressing.

Prior to the 1980s, international migration in Korea was confined to mainly labor export and immigration to foreign countries. The years since the late 1980s, however, were marked by greater influx of foreigners. Foreign workers streamed into Korea for economic reasons and non-employment-based inflow is on the rise such as the inflow of marriage-based immigrants. As of 2007, the number of foreigners in the country surpassed the one million mark and Korea is now firmly set in its path toward becoming a multi-cultural society.

Changes in demographics, labor market structure, and international economic environment, will further spur the demand for foreign labor in Korea. Consequently, more active initiatives for institutional reform are expected in order to attract foreign professional or skilled workers, actively tap into overseas Korean workforce, integrate marriage-based immigrants into the society, and support foreigners better adapt to the living conditions in Korea. At the same time, more practical programs are called for, so that the social perception will change to more readily embrace cultural diversity.

Previously, immigration had been a distant concept for the Korean society. During the past decade, however, Korea has been making a clear transition to an immigrant society or a multicultural society. Meanwhile, the perception of the general public, institutions, and social infrastructures, have yet to become accustomed to the idea of living together

with foreigners. Because of a strong sense of homogeneous ethnicity, the idea of living next door to foreigners is still new to many Koreans. Hence, efforts on both individual and public level were far from sufficient in helping foreigners adjust to their new environment and integrating them into the society.

The Korea's current migration policy can be diagnosed that policy makers are in the stage of understanding the need to look at the issue of migrant workers as migration of *people*, not merely as migration of *labor*, with farther reaching implications. In other words, policymakers are now coming to view labor market integration as a means to achieve social integration, and are currently in the process of establishing the necessary institutions.

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