

# South Korea's unemployment remains low, aided by government job programmes

South Korean unemployment remains low, helped by government job programmes. But with the majority of growth concentrated in low-skilled, low-income sectors, the new government must act quickly to encourage private-sector-driven hiring



2.7%

Unemployment rate, sa

Labour participation rate 64.7%

As expected

## Labour market conditions remain solid, but private sector hiring appears to be weak

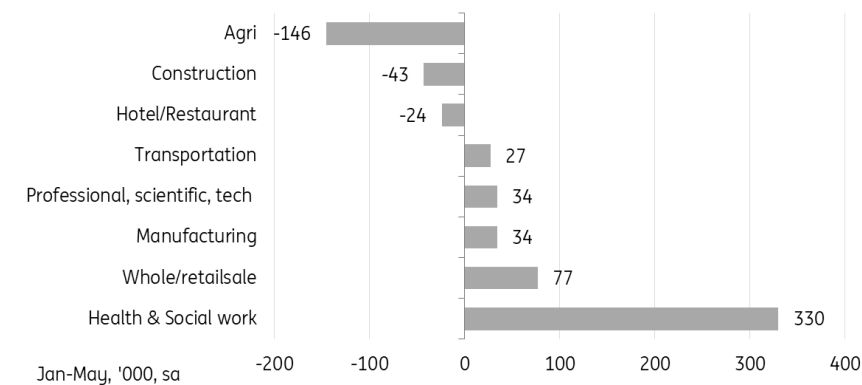
South Korea's unemployment rate remained at 2.7% for a second consecutive month, in line with market expectations. The labour participation rate edged down to 64.7% in May. Conditions have improved compared to the end of last year, but this is largely due to government job programmes. Given the recent improvement in sentiment, we believe the labour market will remain healthy. However, this may not lead to a significant recovery in consumption. Throughout 2025, the health and social work sectors added the most jobs. But these are mostly low-skilled and low-paid, so they won't boost consumers' purchasing power much.

Private-sector hiring remains weak. Although manufacturers added jobs for two consecutive months (29k in May and 17k in April), despite concerns over slowing exports, construction shed jobs again (-7k). In the services sector, hospitality (-26k) and transportation (-14k) lost jobs.

Another cause for concern is that the number of self-employed people has fallen over the past five months. This suggests that small businesses are suffering more severely from the economic slowdown.

Labour market conditions are likely to remain healthy in the short term, keeping the unemployment rate low. The new government is expected to support small-and-medium-sized enterprises and local economies through policy instruments. However, policymakers will need to work harder to address structural changes in the population and industry, as chronically high unemployment among young people.

### The health and social work sectors added the most jobs in 2025



Source: CEIC

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