The Employment Permit System (EPS), Korea’s flagship temporary labor migration program, offers a model of global good practices in facilitating the movement of low-skilled workers.

The EPS utilizes a government-to-government (G2G) arrangement and can be classified as a non-seasonal guest worker program for low-skilled labor. Introduced in 2004 in partnership with only 6 countries, the program has since expanded to 16 countries.²

From the onset of the system up until 2015, more than 540,000 individuals worked under the EPS. Four countries (Vietnam, Thailand, Indonesia, and the Philippines) account for more than 55 percent of this workforce. Noteworthy trends include a diversification of sending countries over time with an increase in the number of workers coming from Nepal and Cambodia, and a overall decrease in the share of workers from the Philippines and Vietnam.

Several factors contribute to fluctuations—by year and also by country—in the volume of workers that have been admitted to Korea through the EPS. First, the overall quota is reset each year to reflect domestic labor demand. For instance, when the Korean economy struggled during the global recession between 2008 and 2010, the overall number of migrant workers decreased. Second, the initial quota for each sending country is distinct from the others, as determined not only by employer demand but also diplomatic ties. As the share of sectors such as agriculture, livestock, and fisheries grows in the EPS, workers from primarily agrarian economies are seen to increase. Moreover, the number of workers who overstay their legally allotted time is closely monitored, by nationality, and may be reflected in a penalty that shrinks a particular country’s quota in subsequent years.³
The majority of EPS workers are young males with an average age of 26 years. The share of female workers is less than 10 percent. More than 80 percent of EPS workers are involved in the manufacturing sectors (metallic and non-metallic products, electronics, chemicals, and machinery) (figure 4). Albeit small, the share of workers in the agriculture, livestock, and fisheries sectors has been increasing in the past few years. With few exceptions, the EPS is not open to the construction and services sectors.

Only small and medium enterprises (SMEs) with fewer than 300 employees are eligible to participate in the EPS. Close to 45 percent of EPS firms are small enterprises with fewer than four employees and another 20 percent are those with five to nine workers (figure 5).
Korea’s EPS is implemented through a sophisticated and well-managed governance structure, backed by government support and policies.

Migration involves complex decisions at each of several stages along the migrant’s journey. These stages may roughly be divided by time period: before making a decision to migrate, before departure, during migration, and upon return to one’s home country. Policy interventions are built into each stage to reduce market failures (e.g., a lack of access to key information) and negative outcomes (e.g., unnecessarily high recruitment costs, worker exploitation).

The receiving country’s government must be careful in framing the issue of temporary labor migration. Exercising sensitivity can mitigate potential tensions between domestic and foreign workers that might arise due to domestic workers’ fears that foreign workers will replace them in their jobs, and allay general human rights concerns associated with the potential risks of abuse and exploitation of foreign workers. Another possible source of tension relates to social cohesion, especially in a relatively ethnically homogeneous society such as Korea’s.

Three key EPS strategies for creating a balanced political economy while addressing various issues that typically arise during the migration process are as follows:

- Recognizing the EPS as a labor strategy as opposed to an immigration policy;
- Implementing the program through a sophisticated and well-managed governance structure led by the Ministry of Employment and Labor (MoEL); and
- Continuing to strengthen the system based on lessons learned from implementation evaluations, experience, and pilot initiatives.

The EPS includes the following elements, taking place at each key stage of the migration process.

**Pre-decision and pre-job matching.** The rules and procedures for the entire EPS process are clearly prescribed in the EPS operational manual and publicized through the EPS website in local languages. The EPS partner agencies in sending countries facilitate workers’ participation in a mandatory language test (Test of Proficiency in Korean, TOPIK) and medical checkups, and disseminate information. These agencies then compile the rosters of workers to be presented to potential employers.
**Job matching and pre-departure.** Under the MoEL, local job centers provide job-matching services based on EPS employers’ broad preferences, such as for age group and nationality. Worker rosters are provided by the Human Resources Development Service of Korea (HRD Korea), which implements the EPS, and translated into the EPS database managed by the Korea Employment Information Service (KEIS).

Workers who are admitted into the program undergo a 45-hour training through the EPS partner agency in their country prior to departing. Training covers the Korean language and culture, EPS rules and regulations, workplace safety, and industry requirements.

**During migration.** Upon arriving in Korea, workers undergo a 20-hour mandatory training that includes workers’ rights and obligations, and information on Korean culture.

If EPS workers have a dispute or misunderstanding with their employer, they can contact workers’ counseling centers (known as HUG Korea) and the Korea Support Center for Foreign Workers (under MoEL), which operate in multiple locations and provide counseling and dispute resolution services in 15 languages. Workers may change employers up to three times within the same industry.

**Post-migration.** The EPS ensures the timely return of workers by prescribing various measures. For instance, EPS workers are encouraged to participate in vocational and self-employment training tailored to the jobs they might pursue in their home country. Additionally, to ensure the timely and legal departure of EPS workers, HRD Korea checks in with each worker six months prior to his or her departure date to ensure that he or she has all required documents ready and has started working on the necessary arrangements for return. Moreover, workers must wait until their departure to withdraw the funds they have contributed to the EPS’s repatriation cost insurance.
The EPS is widely recognized for its effective approaches to common challenges in international labor migration.

Many of the EPS’s policy features were introduced or strengthened based on the lessons learned from its predecessor programs. Prior to the EPS, foreign workers were brought to work in Korean firms as apprentices or trainees. Two major shortcomings emerged: recruitment costs were high because of the inefficient roles played by middlemen (and many workers overstayed in attempts to recoup these costs); and workers lacked adequate protection under labor laws since they were registered as apprentices rather than employees.

The EPS differs significantly from these previous programs in that the government, not the private sector, is responsible for recruiting and managing the EPS workforce. The MoEL leads the implementation of the EPS and utilizes its existing institutional capacity, set up for domestic workers, for the benefit of the new foreign workers whose travel and job placement it facilitates.

The following sections summarize how the EPS approaches some of the key issues common to temporary international labor migration around the world.

**Migration costs.** In contrast to Korea’s earlier systems, the EPS limits the role of private recruiters in the job-matching process, in both the sending countries and in Korea, and introduces standardized prices for all steps of the labor migration process (e.g., application, testing, medical checkup, visa, training, and insurance). The MOUs signed with the sending countries mandate that sending governments monitor and publish migration costs by line item to ensure transparency. As a result, per person migration costs declined significantly from more than US$3,700 under a previous trainee system to around US$1,000 under the EPS. The lower costs, coupled with an increase in the legal wages of EPS workers to above the minimum wage, ensured that the ratio of costs relative to monthly earnings dropped from seven months’ earnings to around one month’s earnings under the EPS.

**Worker protection.** The measures for worker protection under the EPS include (i) labor regulations, (ii) access to social insurance, and (iii) support services such as counseling.

EPS workers are required to receive Korea’s minimum wage, set at Korean won (₩) 6,500 (equivalent to US$5.70) per hour. This amount was increased by 7.3 percent in 2017.

In terms of insurance, EPS workers have access to universal national health insurance and the same occupational accident insurance as Korean workers. In addition, insurance that addresses EPS workers’ specific needs (e.g., of delayed payments or repatriation costs) is also available.
Finally, EPS workers have access to support services through government agencies such as counseling centers for foreign workers (e.g., HUG Korea) that are found nationwide and also civil society organizations (CSOs). Conflict and dispute resolution for EPS workers is subject to domestic labor laws. In addition, unlike typical guest worker programs, the EPS allows workers to change employers up to three times within the same industry if they can provide valid reasons for the change.

**Business competitiveness.** There are concerns that inflows of low-cost foreign labor may undermine firms’ efforts toward innovation and research and development (R&D), substitute for capital investment, and sustain the business of nonviable firms, which can consequently weaken industry competitiveness. In response to these concerns, the EPS aims to include only those firms that are viable but struggling with labor shortages. To that end, the system grants greater points to firms that are part of select subsectors assessed to have competitive potential and that have demonstrated efforts to search for domestic workers. In addition, the system allows experienced EPS workers to change their visa status from a low-skilled (E-9 visa) to semi-skilled worker (E-7 visa), upon passing a skills test, to incentivize migrant workers to invest in skills development and contribute to firms’ performance. Finally, the minimum wage provisions and social protection coverage mandated for EPS workers ensure that they are not paid less and do not receive less coverage than Koreans performing comparable work. Thus, they cannot be seen as a cheaper alternative to Korean workers.

**Return of workers.** The EPS is designed as a temporary labor program and is not a legal route to permanent residency. Thus, an important policy objective is to ensure labor migrants’ temporariness. Visa support for the family members of visiting workers is not part of the EPS. Workers’ total time in the country is restricted to two separate periods of no longer than 4 years 10 months each.

The EPS adopts a few policy measures to ensure the timely return of workers to their home countries, and to reduce the number of overstayers. First, employers purchase departure guarantee insurance, while EPS workers subscribe to return cost insurance, which is paid back to them upon their return to their home countries. Second, the EPS implements voluntary departure programs to encourage undocumented workers to leave without consequences such as reentry bans, detention, or penalty fees. Lastly, sending countries agree to encourage EPS workers to return in a timely manner as stipulated by their MOU with Korea. The share of workers that complies with the rules is a determining factor in deciding whether country quotas are to be maintained, increased, or cut in subsequent years.