

EXECUTIVE SUMMARY

An Analysis of Labor Market Structure in the Fisheries Industry and Countermeasures against Changing Labor Policies

1. Purpose

- ▶ In accordance with the Korean government's income-driven policy, there have been a number of changes to multiple labor policies, such as, the introduction of a minimum wage system as well as a 52-hour workweek.
- ▶ In 2018, Korea's minimum wage increased by 16.4% from the previous year to mark 7,530 KRW (based on hourly wage rate) and recorded a 10.9% year-on-year increase to stand at 8,350 KRW in 2019.
- ▶ Following the change in the cap to maximum working hours to 52 hours from 68, the labor market is expected to undergo significant changes.
- ▶ This study aims to analyze implications resulting from a

number of changes in labor related systems based on an analysis of labor market structures in the fisheries sector, while suggesting countermeasures including policy support to combat any negative side-effects from certain changes.

2. Methodology and Feature

1) Methodology

- ▶ The analysis of a variety of statistics helped understand industrial characteristics of the fisheries sector and identify the features of the labor market.
- ▶ Based on a survey targeting 358 fisheries related businesses, this study analyzed a number of implications that the government's changing labor policy has brought about within the fisheries sector.
- ▶ Researchers conducted on-site investigation by visiting relevant labor and industrial sites, carrying out consultations with experts on potential labor issues that statistical analysis that might have been overlooked.

2) Feature

- ▶ This study divided the fisheries industry into three categories: fishery production as the primary industry, fishery processing as the secondary industry and fishery distribution as the

tertiary industry. Under such categorization, this study looked into each industrial feature, while analyzing the structure of the labor market.

- ▶ This study utilized a literature review and a statistical analysis to identify the structure of the labor market and supplemented the analysis with a survey and on-site investigation.
- ▶ With the survey offering information such as the type of employment, income and the presence of a labor union, the study analyzed implications of changes made to the minimum wage system and the reduction of working hours.
- ▶ Furthermore, policy suggestions were made based on the analysis of labor market structure to allow the government's policy changes to settle in the fisheries industry.

3. Results

1) Summary

- ▶ Unlike other industries, manmade efforts are considered important in the fishery production industry such as labor and capital, but uncertain factors arise from natural causes.
- Therefore, the industry has inflexible labor and the Share System (paid based on the share of catch).
- Compared with other industries, the fishery production

industry tends to utilize a large number of temporary, day employees as well as unpaid family members.

- The demand and supply of labor fluctuates seasonally; labor demand temporarily rises when fishing while labor demand for aquaculture sharply increases during periods of breeding, rearing, harvesting and cage management.
- Since workers subject to the Seafarers Act require high labor intensity, they are paid 127~128% of minimum wage compared to land workers.
 - ▶ Female workers account for 59% of all in the fishery processing industry while in technical jobs female workers occupy 66.6% of all work, featuring highly in manual labor. In addition, the industry is aging with 47.4% of workers in their 50s or older.
- Type of employment depends on features of producing marine products in the fishery processing industry. Businesses whose production relies on seasonal raw materials tend to hire a large percentage of temporary workers, while businesses with its operation running at all times possess a large share of regular workers.
- The simpler the type of processing is, the higher the ratio of temporary or day workers is.
- Despite the ratio of foreign workers currently standing at 5.8%, it is expected to increase due to aging and worsening

working conditions.

- Burden arising from changes in labor policy including minimum wage system and 52 hour workweek are relatively higher compared to other industries such as production and distribution of fishery products.
 - ▶ Since 2000, the fishery distribution industry has seen a decline in the traditional wholesale market centering on consumption sites.
- The size of wholesale and retail businesses focused on fishery products is very small; sales of 59.1% of wholesale businesses account for less than 1 billion KRW compared to that of 59.2% of retail businesses accounting for less than 100 million KRW.
- 87.9% of wholesale business of fishery products are small businesses with the number of workers being less than 4, with 79.3% of wholesale business of processed food and 98.8% of retail business of fishery products fall into this category.
- 19.46% of fishery distribution businesses are run by unpaid family members, which is higher than that of fishery production businesses (7.5%) and fishery processing businesses (7.1%).
- Female workers account for 47.7% of all workers, with female workers representing just 38.5% of regular employment while

their representation in temporary and day work being much higher, standing at 74.8%.

- Working hours of fishery wholesale and retail businesses are relatively flexible and most of the workers are paid above minimum wage. Therefore, changes in the minimum wage system and 52 hour workweek do not have a large impact on the industry.
- ▶ Concerning the increase in minimum wage, 11.5% of fishery production businesses, 33.3% of fishery processing businesses and 16.2% of fishery distribution businesses are willing to pay the minimum wage.
- 46.5% of respondents said that they were willing to pay the minimum wage in order to handle simple manual work.
- Only 1.4% of business owners said they consider terminating employment due to increases in the minimum wage, meaning de facto none.
- 40.5% of those working in the fishery processing industry stated that rising minimum wages would have a negative impact on their net profit, while 41.4% of them said it would have a negative impact on prices.
- The survey showed that increase in minimum wage has not significantly impacted labor productivity and turnover.
- In particular, 90% of respondents said that increasing the minimum wage has had no impact on mechanization and

automation, which means that it would be difficult to replace the rising minimum wage with capital goods.

- ▶ 20.7% of business stated that their regular employees work more than 53 hours a week on average. In particular, 27.4% of businesses in the fishery distribution industry said their employees were working beyond the maximum cap while 23.1% said they were working more than 62 hours per week.
- In terms of the impact of a reduced cap to working hours, 91.7% of respondents stated that the change would not reduce their salaries, while 12.6% of those in the fishery processing industry stated that reduced working hours would in fact have an impact.
- 52.6% of respondents said that they are likely to reduce employees' wages by 5 to less than 10% due to the reduction of working hours.
- Concerning the government's policy on reduced working hours, only 20.6% of businesses responded that they are 'aware' of the government's support measure. In addition, 46.8% of respondents answered that the government's support measure that they are going to utilize is called the 'Project for Supporting Jobs', which was the highest.
- For reasons that business are not tapping into governmental support measures, 35.4% of respondents stated that they do

not know about the government's policy measures.

2) Policy suggestions and relevant activities

- ▶ Estimating a separate minimum wage for the fisheries sector
- At present, only fishers subject to the Seafarers Act are applied by a separate minimum wage, while other workers are applied by the minimum wage same as land workers.
- The fisheries industry has distinctive features of the labor market different from that of other industries. Therefore, the fisheries sector needs to estimate a separate minimum wage system.
- ▶ Establishing minimum wage standards for foreign workers
- The minimum wage for foreign sea crews are determined by a collective agreement between the labor union and ship owners, which could potentially contradict with the ILO standards.
- Given pending issues concerning labor conditions for foreign fishers, it is necessary to draw solutions through a separate study.
- The scope of permitting the employment of foreign workers should be expanded including refrigeration business.
- ▶ Providing policy support for elderly workers
- Compared with other industries, the fisheries sector

particularly has a large number of elderly workers. As of 2017, the rate of aging workers in fishery households accounted for 35.2%, while 67.4% of those working in the fishery processing industry were people in their 50s or older.

- It is necessary to establish countermeasures to hire elderly workers including paying employment incentives for the elderly and setting up a separate standard of minimum wage.
 - ▶ Establishing a reasonably flexible working period
- The fisheries industry is affected by seasonal factors by nature. In particular, the gross production of the processing industry fluctuates depending on raw materials, in other words, fishery products.
- The labor union, businesses and the government should be allowed to establishing and operating a flexible working period. If workers are not able to represent their rights, it is necessary to entrust a specialized organization to establish a reasonably flexible working period within the boundary of laws based on the analysis of relevant businesses.
 - ▶ Promoting the government's support measures
- The highest percentage of respondents (35.4%) stated that they do not know about the government's policy measures and have failed to utilize them. In addition, 28.9% of respondents in the fishery processing industry and 40.8% of

the respondents in the fishery distribution industry stated that they do not know about the government's support measures.

- Therefore, the Ministry of Employment and Labor as well as the Ministry of Oceans and Fisheries should actively promote governmental policies including the minimum wage system and reduced working hours.
 - ▶ Expanding support for the Job Stabilization Fund
- Support for the Job Stabilization Fund should be expanded targeting elderly and young workers, those returned to fishing and agricultural villages as well as foreign seasonal workers working only during specific seasons.
- In particular, it is necessary to expand the support for workers in businesses with the number of workers being less than 5.
 - ▶ Boosting the efficiency of the demand and supply of labor in the fisheries sector
- The labor market in the fisheries industry has limitations due to seasonal and locational factors. The industry has to pay high cost for securing the labor due to different conditions of supply and demand. Therefore, it is necessary to establish and run a program to match job seekers with job offers in the fisheries sector.

- ▶ Building statistics on labor trends
- Particularly concerning labor in the fisheries sector, statistics published by the MOF are different from those announced by the Korea Statistics, causing confusion in utilizing policies. Therefore, it is important to establish and build labor related statistics necessary for the fisheries sector.

3) Expected benefits including policy contribution

- ▶ Setting up a reasonable wage system for the fisheries sector
- ▶ Establishing countermeasures against reduced working hours in the fisheries sector
- ▶ Preparing labor policy including changes on the employment system of foreign workers in the fisheries sector