

Status of labor inequality in Korea

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1. Introduction

Aspects of inequality in the South Korean society can be viewed from many perspectives. Labor market inequalities and elderly poverty are only some of the issues. Primarily, youth and women's unemployment derived from occupational inequality has constantly caused a wave of problems in our society.

This report will explain the four issues on how the current inequality emerged in South Korea; At first, it will define economical background and labor market structure.

1) Korea labor market environment and structure

Around the 1970s, South Korea demonstrated an economic miracle through its rapid industrialization. However, this incredible economic growth contained unstable factors. Hidden in this government led process underlying economic and social structural problems that had slowly accumulated. Consequently, South Korea experienced its greatest financial crisis along with 1997 Asian financial crisis, clearly showing the degeneration of an uncertain economy.

After the financial crisis, the South Korean government employed the neoliberal policy to boost the efficiency and liquidity of the South Korean labor market. (Jung e Hwan, 2013, 310p) The employment of Neoliberalism weakened the stability of the internal labor market, involuntarily causing an increase of fired employees. (Jung e Hwan, 2013, 310p) Through 1995-96, the quit rate was 1.0% but leaped to 8.2% during 1997-98, and although it decreased again to 3.5% during 1999-2000, an unemployment rate higher than the period prior to the financial crisis has been maintained. (Jung e Hwan, 2013, 312p) Moreover, the employment system change after the 1997 financial crisis has widened the difference between the internal and the external labor market. (Jung e Hwan, 2013, 316p)

The government-led change of the profit sharing structure tried to minimize the company's loss but the company's funds were overloaded, and for the first time in 2002, the company's share surpassed the amount of share the labor took. (Lee Jung Woo, 2014) Thus, due to flexible labor market, large portion of profit is taken from the workers by corporations that would rather minimize their loss by hiring temporary and low-cost workers. (Lee Jung Woo, 2014) South Korea's labor structure can be divided into two. One is the workplace of the highly skilled where the educated are employed with high pay. On the other hand, the rest are unskilled, temporary, and low-paid.

Another cause is the Conglomerate (Chaebol: Family business that focusing on their profit as representatives) Friendly Policy. South Korea's current economic growth was mainly focused on export oriented conglomerate. Moreover, the government assisted the growth of conglomerates through conglomerate support measures and deregulation. This resulted in a concentration of economic power on a few conglomerates. When the wealthy took control of the economic trend, exploitation of small businesses such as technical takeover, price gouge, small business aggression, and the former and latter relationship worsened. Among all this, conglomerates were still able to take a considerable amount of profit.

This conglomerate friendly environment did not provide a structure that encouraged technology development, expansion of new growth engines, and innovation. To provide high quality workplaces, fair market competition, new growth engines, and an economic structure

where job creation is circulated must be established. However, our government's job creation policy and company's administration is not fully considering of innovation management to reach decent jobs.

2. Employment status in Korean society

1) Temporary work status

In 1997, the government created the employee dispatch law to strengthen the company's labor employment liquidity and made temporary employment easier, thus increasing the number of temporary jobs. By employing temporary laborers, the companies were able to fire and employ the laborers with relatively low expenses.

Of course, this liquidity generated profits that can reduce the labor costs. Otherwise, as growing a low pay work place, profit distribution was not working well and this intensified the polarization of consumption. These policies made a profit for Chaebol. Forming unhealthy corporate structure dominating Korea's economy. These large companies expanded their industry in all sectors including engineering, electronics, automobile, food, medicine, fashion..., etc. Thus, small business owners have had difficulty to raise profits.

In 2014, the size of temporary work had increased by 374,000 people compared to 2009, 6,077,000 people. (Kim Doo Soon, 2015, 2p) The increase in temporary workers were the cause of many social problems, increasing the wage gap between the upper class and lower class stimulated the growth of income polarization. (Kwon sun jung, 2013) South Korea's temporary workers spend their time worrying about their next jobs, where they have to work without a guaranteed health insurance and pension.

In addition, most of them do not receive compensation for physical and psychological damages during the work. According to the study, "In most of the areas, risks of temporary workers showed a relatively high probability of exposure than regular workers." (Lee jae sung, Ahn joon ki, 2016). It has been continued in an unfair society in where small number of wealthy people owned more and more wealth and temporary workers cannot be supported for long term work and stable life.

The gap between the rich and poor has made it more powerful and wealthy for the conglomerate companies. Thereby inequality of income distribution led to poor economy and the citizen across the entire country. South Korean government and businesses were unable to foresee the long-term economic development of the entire nation and extend the temporary work focused on short-term profits that weakened the precarious domestic fundamentals.

2) The lack of regular job

Through the liquidity expansion of labor markets might have secured more jobs in the lower-skilled and lower-wage sector, but it has failed to create decent jobs. However South Korea has been trying to promote a labor reform that promotes better liquidity on the side of the company since 2015. The government's ruling party is stating that Korea's labor market is stiff, therefore it is difficult to create jobs, and many are suffering from low wages.

However, the labor markets flexibility and labor reform that they support do not lie under trying to make a good workplace and good employees, but lie under the easy dismissal of lower income employees. For example, the current two-year contract employment being revised to four-year contract can be possible through the labor reform. (Saenuri party, Revised plan for fixedterm employment act under labor market advancement law, 15th Sep. 2016)

Subsequently, Employers will be able to operate for four years of low income employees with a guarantee of reshuffling workers, also no need to give a permanent job offer in between those times. In other words, for companies it may seem much easier to maintain employee status quo and give freedom to the temporary worker, however from the employee's point of view they just maintain a legal status of temporary employment gets longer, with no chance of switching over to a permanent job.

Nevertheless, the government argues that giving companies this freedom and flexibility would resolve in the growth of Korean economy. In order for the companies to survive, large and small businesses need to coexist equally and deliver high quality jobs for the country's economy to grow with stability. In other words, when a consumer's income is stable then its increase in spending. In effect the entire demand will inflate.

3) Youth unemployment status

This lack of high quality jobs and youth unemployment rate in South Korea according to the OECD is a strange phenomenon, as Korea has a very high number of youth attending higher education (University). According to the education indicators of the OECD, South Korea ranks first by 67.7% in acquiring a University degree. (OECD, 2014)

In contrast, The Ministry of Employment and Labor data show Youth Unemployment rates up to 10.9%. (The Ministry of Employment and Labor, April 2016). This means that one of ten graduate students is unemployed, however the reality is much more serious than the statistics.

Because the unemployment statistics do not include the short-term contract employed such as interns. Usually internships are undertaken in the hopes of transitioning into a full-time employee, or to acquire better opportunities for their future through the experiences. However, the possibilities of transitioning into a full-time employment is rare and scarce, even with the ample internship experiences.

Hence, through the instability of employment accelerating, students are starting to look for more stable routes as their career paths and prefer being civil servants, where income is low but benefits of pension and somewhat stability entails the job description. However, with the fierce competition and limited vacancies, it is hard to obtain jobs in the governmental fields. The large companies overflow with applicants because those are considered as companies and the government does not expand their vacancies as much due to the recession.

Subsequently, 90% of South Korea's industrial structure are small-and-medium-sized companies. Then the question one must raise is that, why do these companies not have an

overflow of applicants? The reason is that the employment environment is harder than those of larger companies with smaller revenue, the employment benefits are poor and wages are low. The reality in South Korea's society is that in order to maintain a family, being in a small company and a temporary contract employment with low income does not suffice.

According to the Korean Labor research center, in 2015 the average wage of full-time employment was 34,900,000won, compared to temporary employment which was 14,240,000won. (Kim Bok Soon, 2016)

Whereas, in 2015 the Korean labor confederation announced the average living expenses for a family consisting 4 members are about 60,000,000won. (The Korean Labor Confederation, 2015) The average living expenses was 40% higher than the average wage and also has a difference about 76% to those who had temporary jobs with average wages. The problem at large is that the smaller companies cannot give a better living job and compete to the larger companies. Thus Korea's employment is structured around the larger companies.

The current governmental policies are mainly beneficial to large corporations. It is a great shame disregarding the employee's rights and smaller companies, where they should be protected by the larger corporations. Especially the technological security to these smaller corporations. The youth should be protected by these larger corporations and have them build a brighter future where there are more opportunities for these youth rather than discrimination between the large and small corporations should be in order.

4) Female labor discrimination

In this report, it has mainly discussed about the inequalities within employment, or the scale of businesses. However, the female labor inequalities is another issue to consider within society. Throughout the world many issues are raised in regards of women equality and Women's rights within the workplace and its inequalities are being brought up to the table and trying to be solved. In reality of South Korea, the issues seem to be in the backrooms with no solution, and many women are often still subject to discrimination.

Within the workforce women are discriminated through wage inequality and women's lack of welfare. As working parents increase, the increase in women's labor rises. However for those to be equally treated and protected are not easily found.

Republic of Korea gender pay gap is one of the top countries in the OECD. A pay gap of 36.6% compared with OECD's average wage is 15.5%.(OECD, 2012) But it is important to know that wage disparities are getting worse among those who are in their 30s while women in their 20s experience only 10% of pay gap. (OECD,2012) From the past, within South Korean Culture the women were to quit their jobs in order to raise their children and become homemakers.

Therefore, although women start working in their 20s as men do, they build their careers until their 30s and large number of women give up their careers in order to raise their children out of necessity. Sending children into childcare services are also financially burdensome to parents and uneasy to their pockets. Thus, after a while quitting their jobs becomes a social pressure. Consequently, women's economic activity in general is divided between marriage and childbirth. Women's workforces decrease due to these two aspects and after their children are independent women start to jump into the workforce again in

their 40's. This phenomenon is described as the M curve.

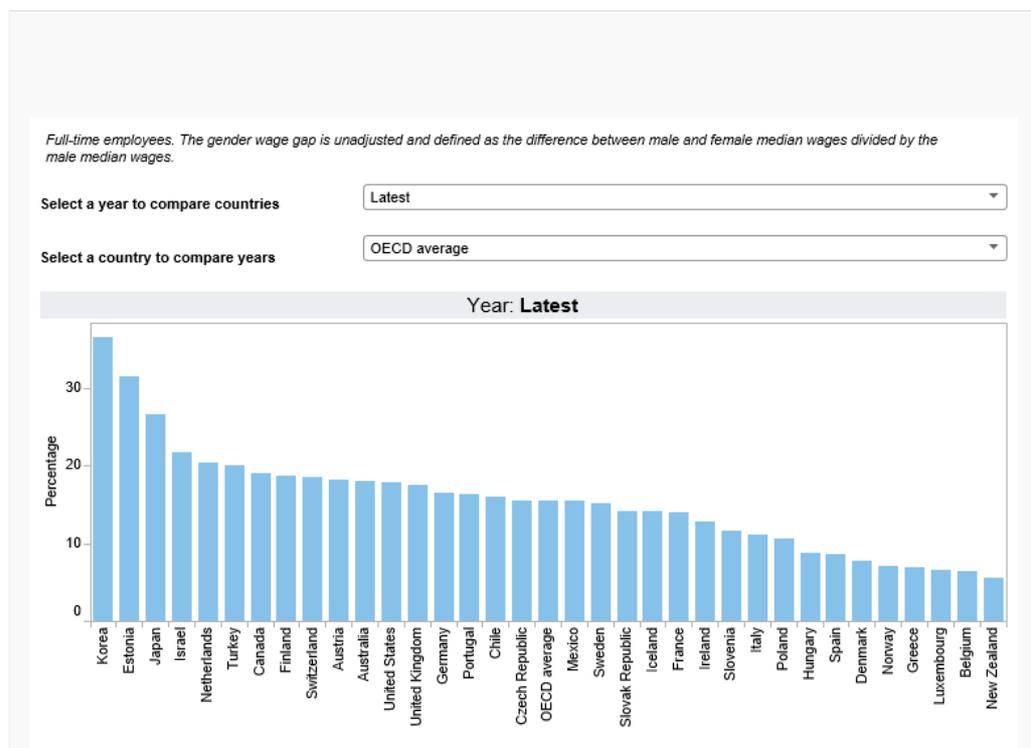
Women's education in Korea has surged and the gap between men and women acquiring degrees has decreased. Despite this trend, women's economic activity rate is no different from 20 years ago, of a mere 55%. Additionally, the proportion of women in management positions are only 10%. (OECD, 2012)

Many Korean women are often abandoning their career and promotion. The causes of women's frustration are the corporate culture, living up to the societal ideas of women, prejudice of gender ability biases, and balance of work and family support. In the M curve phenomenon, the women left the promotion period and came back later, it is difficult to recognize women's ability than men who have never left work. This is why women have difficulty in receiving promotions.

Companies are lacking programs for those who are absent in their careers, and also adapting within the society with training and welfare. Moreover, due to the prejudice of the society that the women should be at home being homemakers and not the breadwinner, the support the society gives women is guilt alone.

Hence, in order to solve gender inequalities within the labor forces, there must be some changes within the social structures. Such as, the inequalities between wages should be narrowed, to decrease obstacles for women labor forces, to give more opportunities to women in promotion without any discrimination are a few.

Gender wage gap



<https://www.oecd.org/gender/data/genderwagegap.htm>

3. Conclusion

In conclusion, South Korea's labor market lacks quality jobs due to the increased liquidity of employment for the benefit of only the minority of large corporates and the increase in temporary jobs. As a result, youth unemployment has reached the most serious condition after the 1997 financial crisis. Such inequalities aggravate Korea's economy and the living quality of the citizens. South Korean government, businesses, and civil society need to acknowledge this problem and must take actions to resolve this labor inequality.

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