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# Gender Pay Gap in Korean Firms and Labor Market: Sources and Efforts taken

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## ❖ Within Labor Market

Average (unit: 1,000 Won)	Total Salary	Base Salary	Overtime Pay	Bonus
Men	4,219.5	3,513.9	244.2	5,536.3
Women	2,939.6	2,625.2	102.8	2,538.9
Gender Gap	69.7%	74.7%	42.1%	45.9%
Median (unit: 1,000 Won)	Total Salary	Base Salary	Overtime Pay	Bonus
Men	3,454.3	2,919	0	400
Women	2,381.3	2,200	0	0
Gender Gap	68.9%	75.4%		

## ❖ Within Affirmative Action(AA) binding Firms

Average of firms	Within Firm Average Annual Salary Gender Gap % (Female/Male)	
	All Workers	Managers
2019	71.4%	87.2%
2020	72.2%	87.7%

Source: ① 고용형태별근로실태조사 (Survey report on labor conditions by employment type) 2021, Weighted

② Choi(forthcoming) "AA firm male female worker's wage data quality assessment and policy implication." Korea Labor and Employment Service

- ❖ “Pay Scale is transparent, detailed and non-discriminatory but male workers tend to have conditions that are rewarded”
- (Background) In Korean labor market, individual contract which involve individual salary negotiation is rare
  - Big firms bulk-recruit new & unexperienced college graduates annually
    - everyone is paid same (unless satisfy extra qualification)
  - Experienced hires as positions open
    - salary based on pay scale as well

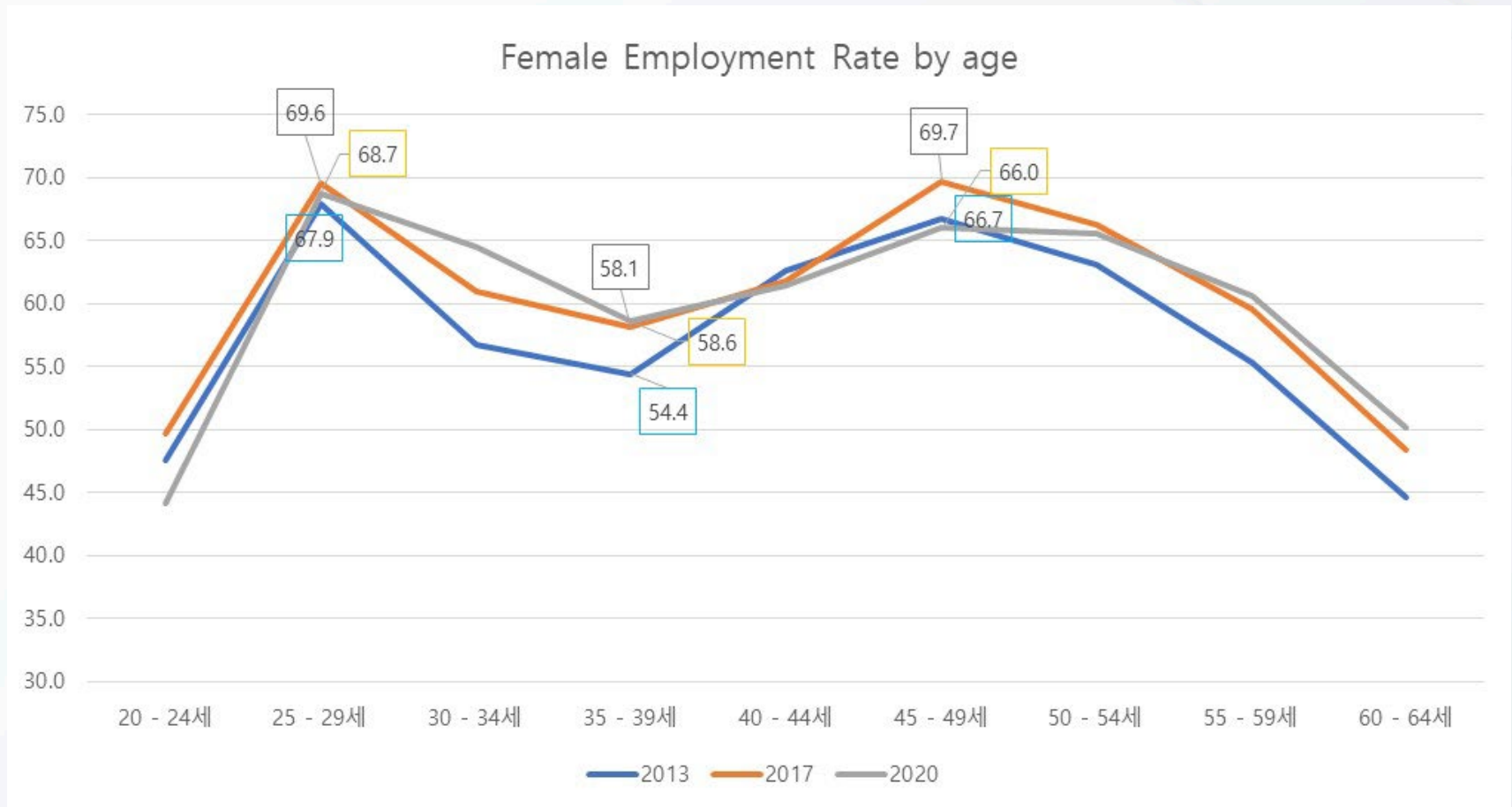
(\*negotiation can happen based on previous job’s salary, still abide by pay scale & how previous experience is valued in firm’s pay scale may differ, but even so, based on highly codified pay scale)
- Salary structure: Total Salary = Base Salary + OT pay + Performance-based salary + “additional pay”
- Pay Scale defines
  - base salary (increase by experience & tenure, differ by job type),
  - Formula & distribution rule for performance-based salary, Rate of OT pay
  - Additional job-characteristic based pay: for shift work, dangerous work. Etc., additional qualification

- ❖ Female workers tend to have lower average pay within firm because they tend to have:
  - (1) **Shorter tenure\***
    - Labor market avg (2021): 94.5 months vs. 66.5 months (weighted, fulltime only)
    - AA firms(2020) reports: 95.5 months vs. 74.4 months (average of firm average)
  - (2) **lower rank positions**
  - (3) **shorter hours of work (no OT work)**
  - (4) **jobs without characteristics rewarded extra salary**
    - e.g. night shift, regular/frequent business trips, special skills/certifications etc.

- ❖ In Labor Market: Employment-related factors are main sources (Hiring, retention, promotion)
  
- **Korea's Labor market is highly segmented, and job hurdles for women is higher for "Good Jobs" even for the first job**
  - **Start off from lower paying/flatter earnings curve jobs/career track**
  - Female college graduates have better qualification than men
    - Significantly lower chances of getting a Good first Job
      - Choi(2019): In age group 24~34 of Youth Panel data, find 60% male vs. 40% female get 'good jobs'
  - Reported cases of sex discrimination during hiring process in banking & finance industry (reported in 2018)
    - Higher threshold scores for women or fixing the sex ratio for each round of hiring process

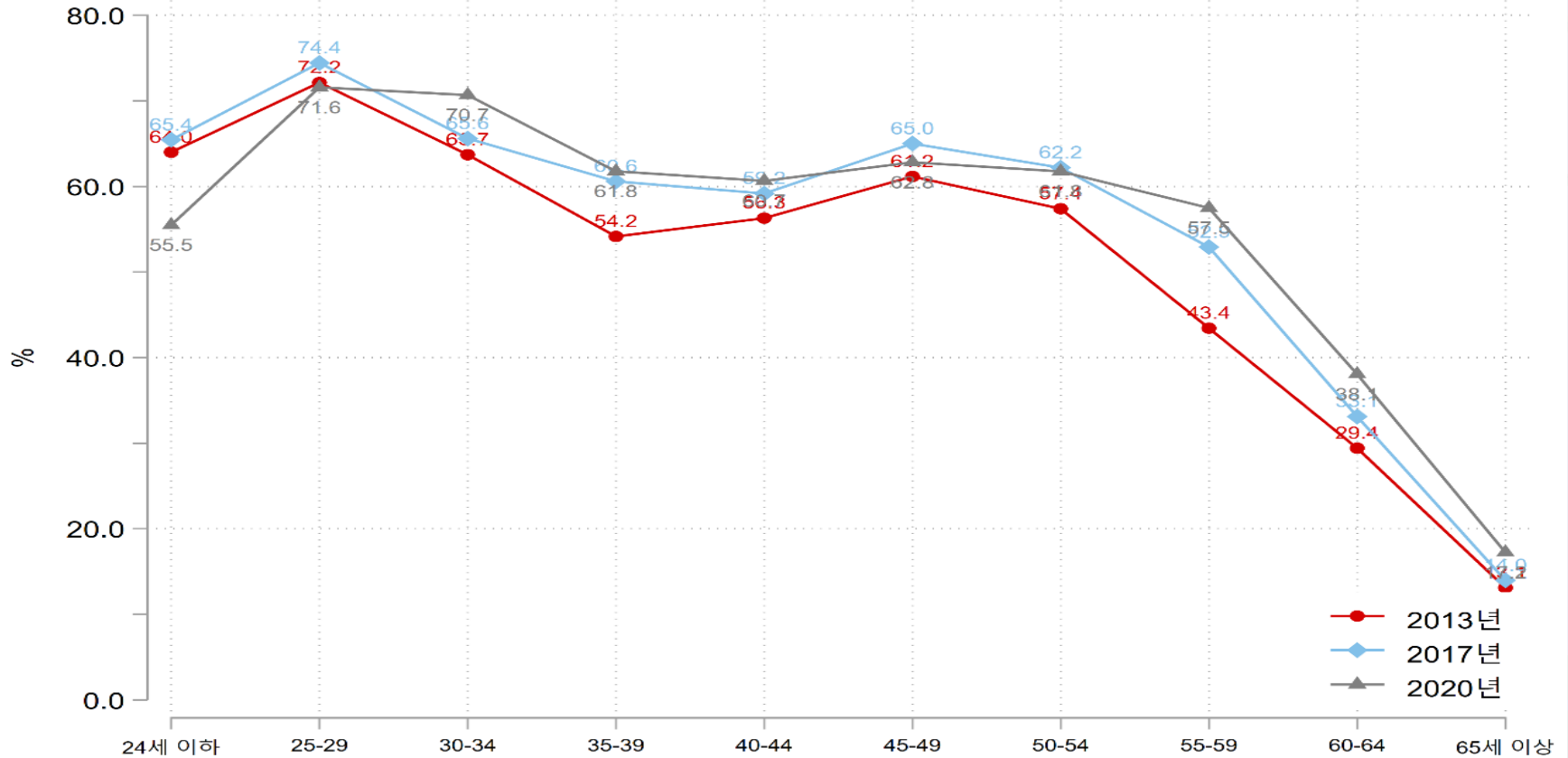
- ❖ In Labor Market: Employment-related factors are main sources (Hiring, retention, promotion)
  - **High chances of career 'termination,' not interruption during 30s**
  - ➔ Women in labor market in their 40s, 50s have low-paying jobs
    - College graduates tend to quit job around mid 30s and many don't return
    - Even upon return, only few go back to same career track
    - Jobs with flexible work arrangement or fewer hours within same career track scarce → either quit or stay, no middle ground
      - Flexibility is usually given under parental leave mandates, if allowed to utilize them fully
      - Even so, mandated parental leave & hour reduction can cover at most 4 years and 3 months for each child/couple
    - Korean women prefer full-time jobs as career-retaining part-time jobs are very rare

# Female Employment Rate by Age



\* Source: Korean Statistical Information Service, "Survey of Economically Active Population"

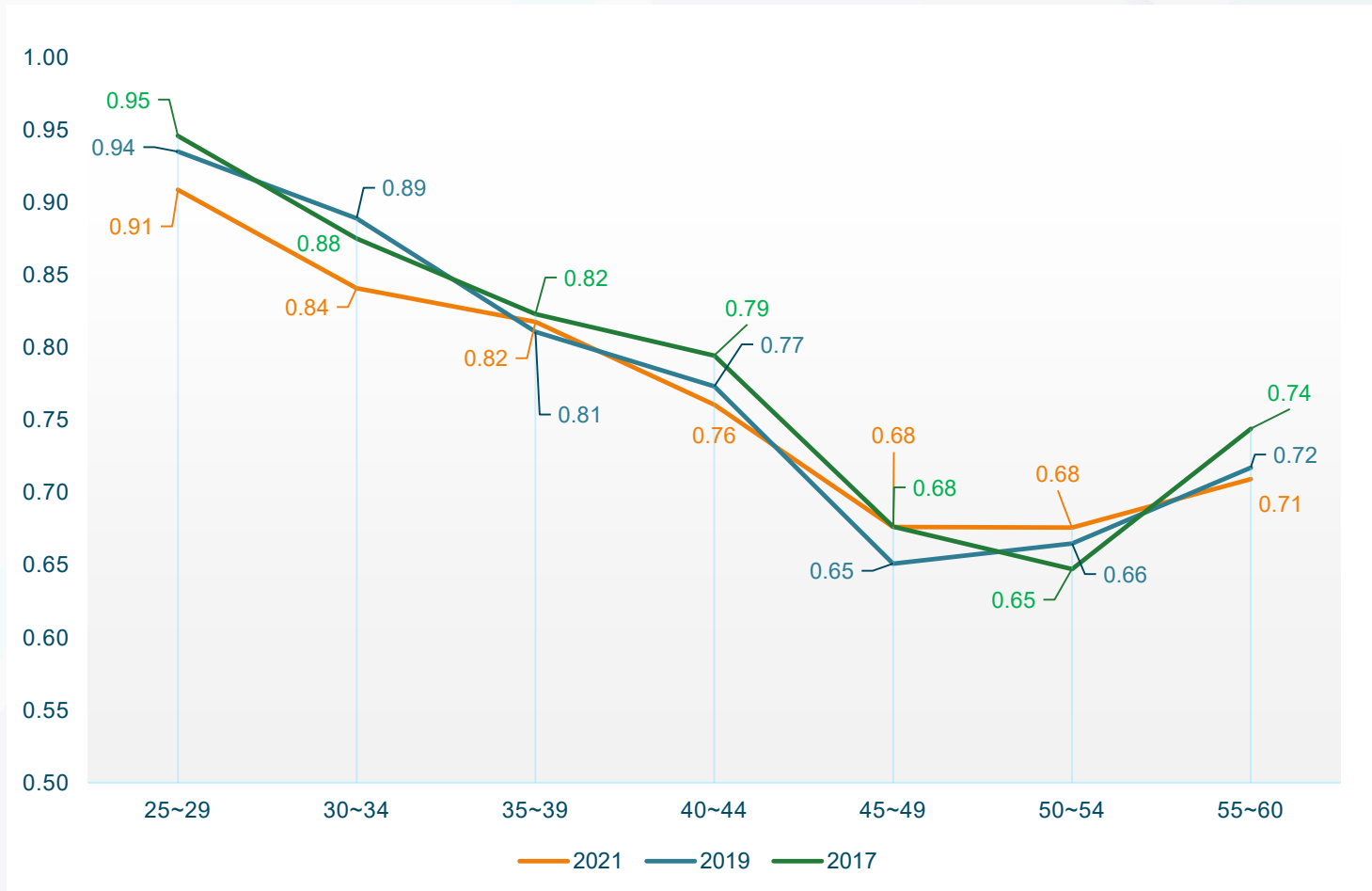
# Female College Graduate Employment rate by Age



• Source: Choi et al(2021) "A policy study on improving quantity and quality of female employment", Ministry of Labor and Employment of Korea Using Regional Employment Survey (2013, 2017, 2020)



# College Graduate Gender Pay Gap by Age



\* Source: Korean Statistical Information Service, "Survey of Economically Active Population, Additional Survey for Employment Arrangements (August)"

## ❖ Mandated by Government

- **Law: direct or indirect discrimination illegal**

- Indirect discrimination: condition/qualification (in pay scale, hiring rules...etc) which does not directly discriminate certain sex but only one sex can usually satisfy and resulting outcome is favorable only for one sex

- **Affirmative Action**

- Firms with  $\geq 500$  employees & Gov't owned companies needs to meet female employment & manager target (70% of Industry Average)
- If not, need to submit workforce & wage structure report and action plans

- **“Generous” parental & maternity leave/hour reduction for work-life balance**

- Maximum of 1 year paid parental leave for mom & dad each until child is 8
- Maximum of 1 year parental working hour reduction (1 hour paid by gov't)
- 90 days Maternity leave with full salary

(Total 4 years and 3 months per child/couple)

## ❖ Voluntary actions by firm: not common

- **Additional parent benefits to promote WLB: relatively common**
  - GOCs: additional 2 years of unpaid parental leave(most), longer period of parental hour reduction(some)
  - Big firms: flexible work commence-end time within 8h/day frame(common), flexible working hour within 40h/week, remote work & work from home (rare)
- **Efforts to recruit and foster female managers: done but not seriously**
  - Advertise hiring @ women's universities
  - Use "Core talent track" & invest in high-performing female talents: expediated promotion to leadership position
- **Internal recruitment in large corps**
  - Move to affiliated firms, other division, other occupation

- ❖ WLB supporting programs available only for limited period
- ❖ Long hours spent @ work: 9 hours (8 hours + 1 hour mandatory lunch break)
- ❖ Overtime work common as advancing to more competitive positions
- ❖ Discrimination against women in hiring & promotion can persist

- ❖ Firms find it very burdensome to devise & provide diverse flexible work arrangement programs
  - HR needs to design flexible working arrangement 'menu' that is ① suitable for most workers in the firm ② have low chances of shirking ③ don't violate labor standard law
    - In case of unionized firms, union ask for 'rights to flexible work' for everyone (doesn't accept different 'menu' for different jobs within occupation)
    - Limited role on HR decision by direct supervisors of employee → cannot directly observe performance of flexibly working employees → make working arrangement menu conservatively
    - Changing pay is not easy(need make 'program' and get agreement with Union), so any flexible arrangements that has to do with changing working hour or reducing work load is very difficult
  - Inter-generational work culture difference: older supervisors don't allow subordinates' use of flexible working arrangement
    - Strong "face-time" culture among older generation

## ❖ Career retention support during mid-career for moms

- **More flexibility @ workplace: diversity of flexible arrangements and extended entitlement period**
- **Public childcare needs to be more working-parent friendly**
  - E.g. 1~2nd grade ends at 1pm & no universal afterschool care system for working parents

## ❖ Lowering bars for employment opportunities for women

- **AA can help but can be more progressive & incentivize or penalize more**
  - Especially push hard in industries with very few women
- **Monitor sex discrimination in recruitment**
- **Promote girls to pursue Engineering major**

Thank you!