Inequality in Crisis and Recovery: Revealing the Divides
The case of the Republic of Korea

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Abstract: This paper discusses the effects of two recent economic crises, 1997-98 Asian and 2008-09 global economic crisis on gender inequality in the Republic of Korea (Korea). The paper argues that the effects of the two crises on women’s position in the Korean labour market in terms of quantitative aspects of employment, were largely similar. By analysing labour market indicators in the two crisis periods in conjunction with Rubery’s (1988) hypotheses of crisis impacts on women, the paper illustrates the effects of crises on women in the Korean labour market in terms of greater decreases in employment and labour force participation among women than among their male counterparts. Arguments in the paper link the crisis impacts on women to social policy interventions implemented in the intercrisis period. In terms of qualitative aspects of employment, whereas non-regular employment increased during and directly following the 1997-98 Asian crisis, there was a contrasting decrease in non-regular employment as a result of the global economic crisis. The paper argues that this counterintuitive decrease in non-regular employment following the global economic crisis took place as a result of women in non-regular employment being more likely to lose their jobs. The analyses in this paper provide evidence that the manifestation of gender inequality in the context of crises in Korea has transformed over the last decade, and is only meaningfully understood through an analysis of increasing labour market segmentation in terms of regular and non-regular employment.

JEL Classification: I38, J16, J64.

Résumé: Ce document examine les effets de deux crises économiques récentes, 1997-98 et 2008-09, sur les inégalités entre les sexes en République de Corée (Corée). L'auteur soutient que les effets de ces deux crises sur la position des femmes sur le marché du travail coréen, pour ce qui est des aspects quantitatifs de l'emploi, ont été pratiquement similaires. En analysant les indicateurs du marché du travail pour les deux périodes de crise conjointement avec les hypothèses de Rubery (1988) sur l'impact des crises sur les femmes, l'auteur fait ressortir les effets des crises pour les femmes sur le marché du travail coréen, à savoir, une diminution plus importante de l'emploi et du taux d'activité chez les femmes que chez leurs homologues masculins. Les arguments avancés dans ce document établissent un lien entre les effets des crises sur les femmes et les mesures de politique sociale mises en œuvre pendant la période séparant les deux crises. Concernant les aspects qualitatifs de l'emploi, alors que l'emploi non permanent a augmenté pendant et juste après la crise asiatique de 1997-98, on a au contraire constaté une diminution de l'emploi non permanent à la suite de la crise économique mondiale. L'auteur soutient que cette diminution paradoxale de l'emploi non régulier, suite à la crise économique mondiale, est due au fait que les femmes qui occupent un emploi non régulier risquent davantage de perdre cet emploi. Les analyses présentées dans ce document prouvent que la manifestation des inégalités entre les sexes dans le contexte des crises en Corée a changé au cours de la décennie écoulée, et que seule une analyse de la segmentation croissante du marché du travail en termes d'emplois permanents et non permanents permet de comprendre véritablement cette manifestation.

Classification JEL: I38, J16, J64.

Resumen: Este documento discute los efectos de dos crisis económicas recientes, la asiática de 1997-98 y la crisis económica mundial de 2008-09, en la desigualdad de género en la República de Corea (Corea). El documento argumenta que los efectos de las dos crisis en la posición de las mujeres en el mercado de trabajo coreano fueron muy similares en los aspectos cuantitativos del empleo. Mediante el análisis de los indicadores del mercado de trabajo en los dos períodos de crisis en conjunción con las hipótesis sobre el impacto de las crisis en las mujeres de Rubery (1988), el documento ilustra los efectos de las crisis en las mujeres en el mercado de trabajo coreano en términos de mayor disminución en el empleo y en la participación en la fuerza de trabajo entre las mujeres que entre sus pares masculinos. Este documento presenta argumentos sobre el vínculo de los impactos de la crisis en las mujeres con las intervenciones de políticas sociales implementadas en el periodo entre crisis. En términos de los aspectos cualitativos del empleo, mientras el empleo no regular aumentó durante e inmediatamente después de la crisis asiática de 1997-98, la crisis económica mundial tuvo como resultado una disminución del empleo no regular. Este documento argumenta que esta disminución, contraria a la intuición, en el empleo no regular que siguió a la crisis económica mundial fue resultado de que las mujeres en empleo no regular tenían más probabilidades de perder sus trabajos. El análisis de este documento proporciona evidencias de que la expresión de desigualdad de género en contextos de crisis en Corea se ha transformado a lo largo de la década pasada, y solo se entiende en todo su significado mediante un análisis de la creciente segmentación del mercado de trabajo respecto al empleo regular y no regular.

Clasificación JEL: I38, J16, J64.
The Policy Integration Department

The Policy Integration Department pursues the ILO’s decent work and fair globalization agenda from an integrated perspective. The central objective of the Policy Integration Department is to further greater policy coherence and the integration of social and economic policies at both the international and national level. To this end, it works closely with other multilateral agencies and national actors such as Governments, trade unions, employers’ federations, NGOs and universities. Through its policy-oriented research agenda, it explores complementarities and interdependencies between employment, working conditions, social protection, social dialogue and labour standards. Current work is organized around four thematic areas that call for greater policy coherence: Fair globalization, the global poor and informality, macro-economic policies for decent work, and emerging issues.

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1. Introduction

As financial markets recover from the global economic crisis of 2008-09, genuine and sustainable recovery of the real economy in global terms has been uneven at best. Wage stagnation and increasing income inequality were of concern before the emergence of the crisis. Improvements in employment, wages and conditions of work would signal real economic recovery, but these have not been widely observed.

In understanding crisis impacts, the relationship between inequalities and crises is instructive. Economic crises often underscore and exacerbate inequalities already present in society, including within labour markets (Sperl, 2009, p. 18). Gender inequality in the Republic of Korea’s (Korea) labour market can be taken as a particular case in point.

Recognised as one of the “tiger economies” of Asia, the Korean economy has undergone massive change since the 1970s, moving from an agriculture-based economy to one driven by and highly dependent on its manufacturing sector. This process of industrialisation and its impressive economic growth trajectory have seen Korea ascend into being the fourth largest economy in Asia, and the 15th largest economy worldwide in terms of nominal GDP.

This growth has not occurred without setbacks however, including the 1997-98 Asian and 2008-09 global economic crises, during which GDP growth plummeted and unemployment increased. Among financial sector and corporate governance reforms, labour market flexibility, expanded unemployment insurance, training programmes and social assistance were instituted as part of the country’s response to the 1997-98 Asian crisis. B.H. Lee and S. Lee 2007 note: “a series of reforms have been undertaken to increase flexibility in the Korean labour market, which has profound implications for employment conditions for individual workers (…) one important consequence of these developments is increases in non-regular workers and discriminatory treatments against them in employment conditions” (2007, p. 25). Both the Asian and global economic crises as well as responses to their effects have shaped women’s experiences in the Korean labour market and broader society.

The two crisis periods in question differ in terms of macroeconomic impacts on the Korean economy, and therefore pose challenges in comparing their impacts on women. At the same time however, it is instructive to analyse the situation of women during both the 1997-98 Asian crisis and the 2008-09 global economic crisis in order to work towards better understanding the complex interrelationships between inequality, economic crises and social policy interventions.

In analysing the situation of Korea, this paper aims to answer the following:

1) Is there a difference in the effects that the 1997-98 Asian economic crisis and the 2008-09 global economic crisis had on women’s position in the labour market?

2) What are the reasons for the observed similarities and/or differences in the effects of the two crises?
(a) **Structure**

The first section of the paper gives the theoretical basis for the arguments presented on discouraged workers and the buffer, substitution and segregation effects during crisis periods in Korea. The basis for this argument lies in the idea that vulnerable groups experience crises differently, given their unequal positions within labour markets and within broader societal contexts. In the second section, the effects that these policy interventions had on specific labour market indicators are explored by tracing trends in gender inequality in the Korean labour market since 1995. Next, the paper engages a comparison of the 1997-98 crisis to women’s experience of the recent 2008-09 global economic crisis. The fourth section examines the policy interventions made by Korea following its 1997-98 economic crisis in terms of labour market flexibility, unemployment insurance, training schemes and social assistance. Finally, the paper concludes by outlining lessons learned from both crisis experiences in Korea and noting the importance of addressing gender inequality in labour markets in order to protect vulnerable groups during crises and also strengthen poverty alleviation efforts.

(b) **Methodology**

This paper makes use of official statistics published by Korea’s National Statistics Office through its Economically Active Population Survey, as well as the Ministry of Employment and Labour’s Survey on Labor Conditions by Type of Employment, and statistics published by the Bank of Korea. In addition to statistics, the paper also makes use of research papers and journal articles written on Korea’s socio-economic context, social and economic policy interventions, and the impacts of economic crises on vulnerable groups.

Non-regular employment has been defined by Korea’s National Statistics Office as distinct from regular employment, and further broken down as 1) temporary or 2) daily status, in its main database on the Korean population. This categorisation is used throughout the paper in analysing the labour market. The increasing segmentation of the Korean labour market has meant that conditions of work differ greatly based on status, gender and the combination of these.

(c) **Vulnerable groups in crises**

The idea that women and other vulnerable groups experience crises differently due to their disadvantaged positions in the labour market and broader society has been put forward by various studies, including Sperl, 2009:

Men and women may be affected differently because of gender-specific inequalities in labour markets and prevailing norms about men and women’s role in the economy and society. The notion that men are the ‘breadwinners’ of a family may lead to unequal treatment of men and women in terms of dismissal, social security entitlements and rehiring. Women may therefore bear the brunt of economic hardship—being the first to lose their jobs, or being forced to take on more work, or work longer hours when male breadwinners lose their jobs. Furthermore, women often constitute the majority of temporary, casual, seasonal and contract labourers, and low-skilled workers, unlikely to be covered by formal unemployment insurance or social protection schemes (2009, p. 18).

More specifically, research has been conducted into the gender dimensions of both the causes and effects of economic crises in different regions. Rubery ed. 1988 labelled three hypotheses in terms of crisis impacts on women, namely the buffer, substitution and segregation effect hypotheses. The buffer effect hypothesis holds that women are a reserved labour force pulled in during times of economic boom and likewise pushed out during economic downturns in a pro-cyclical manner: “women are a flexible reserve, to be drawn into the labour market in upturns and expelled in downturns” (1988, p. 4).
The substitution effect hypothesis, which is counter-cyclical, posits that economic recession causes employers to substitute cheaper forms of labour, including women’s employment, in the face of economic turmoil: “as the recession intensifies, the search for cost-saving induces substitution towards cheaper forms of labour, such as women” (1988, p. 4). The segregation effect hypothesis holds that given segregation by gender in terms of sectors in which men and women are employed, the effect of economic recession on specific sectors determines its effect on men and women: “demand for female labour is dependent on demand in female-dominated sectors: employment trends will thus be related more to secular trends in sectoral and occupational structures than to cyclical factors” (1988, p.4).

The combination of these three hypotheses mean a differentiated impact of crises for women, often marked by greater employment losses, higher levels of unemployment, and increases in vulnerable forms of work. Sabarwal et al 2010 write:

Gender matters in explaining differential effects, both in terms of the direct, or first-round effects, of the economic shock; and in terms of the coping strategies of households, or second-round effects […] [G]ender differences are partly a function of differences between men and women in access to labor and credit markets and in the allocation of household labor, and partly the result of households’ coping strategies when faced with a drop in household income. (2010, pp. 24 and 26).

The three hypotheses of crisis impacts can be viewed, to various extents, when considering the case of Korea in the 1997-98 Asian and 2008-09 global economic crises. The extent to which these hypotheses have held true in impacts of the crises on Korea’s labour market will be investigated here. Addressing the impact of the global economic crisis on women in Asia, a 2011 joint-International Labour Office (ILO) and Asian Development Bank (ADB) report notes: “What is clear is that Asia’s strong economic rebound has not been matched by gender-equitable recovery in the labour market” (2011, p. 32).

(d) Gender and crisis in Korea

As noted previously, the Korean economy has undergone several decades of impressive growth driven by its manufacturing industry. This growth has not, however, been accompanied by a comparable increase in gender equality, resulting in a disadvantaged position for women in the Korean labour market. Cho et al 2004 write:

Though for several decades Korea’s chosen strategy has provided the sort of growth, stability and social development that countries under neo-liberal rules of the game in a globalized economy can hardly dream of, looked at through a gender prism it has not proved particularly ‘women-friendly’. While there have been undoubted improvements in the economic and social position of women, the gender assumptions and household relation that underwrite women’s employment status and social welfare arrangements, between which there is a complex interplay, have resulted in a skewed distribution of the benefits in favour of males. (2004, p. 55).

This prevailing inequality in the Korean labour market translated into the disproportionate impact of the 1997-98 economic crisis on women, in terms of effects on women’s participation, employment and status. Exploring the impact of the 1997-98 economic crisis on women’s position in the Korean labour market, Cho et al 2004 continue:

The extent and pattern of job loss by women during the crisis (and the temporary decline in women’s labour force participation rate) can be partly explained both by discriminatory practices on the part of employers and internalized social norms and related pressures that prompted women to relinquish their jobs ‘voluntarily’. Indeed, government and press comments at the time demonstrated forcefully that women were expected to provide a caring supportive role with respect to their newly unemployed husbands whose loss of job was considered to be ‘social death’ and cause for depression and suicide. (2004, p. 44).
Cho et al’s (2004) observation provides evidence for the buffer effect in Korea. Women’s employment was more vulnerable, since it was seen as a buffer: increased in the context of a booming economy and sharply cut during downturns and crises (Kang, 1999, pp. 89-111).

Likewise, the substitution effect is also visible in an analysis of the Korean labour market following the 1997-98 crisis. Cheaper forms of labour, including women’s non-regular employment, were substituted for regular employment. Peng 2009 writes: “The proportion of women in regular standard employment (as a percentage of all economically active women) declined from 25.5 per cent to 19.1 per cent between 1995 and 2000, while that of non-regular standard employment (temporary and daily employment) rose from 34.0 per cent to 42.4 per cent during the same period, suggesting that many women were laid off and/or withdrew from full-time work and opted for temporary and daily employment” (2009, p. 7).

Following the 1997-98 economic crisis, regular employment decreased and non-regular employment increased across gender distinctions. A 2010 United Nations Research Institute for Social Development (UNRISD) report which reviewed the impact of the Asian crisis on Korea’s labour market notes: “Female wage earners are more likely to work in non-regular jobs than men (…) After the East Asian financial crisis, the number of temporary and daily employment contracts grew dramatically. It is estimated that non-regular employment grew from 17 per cent of total employment in 2001 to 29 per cent in 2006. This development ruptured the complementary link between employment and social protection” (2010, p. 38).

The 1997-98 crisis also negatively influenced women’s wages. Kim and Voos 2007 provide evidence for the negative effects of crises on women’s wages: “After examining developments in Korea during this period of economic crisis and labour market restructuring, we were struck by the persistence of, and seemingly intensification of, wage discrimination against women. Economic crisis in Korea was an economic context that was unfavourable to women’s advancement” (2007, p. 202).

In the wake of the 1997-98 crisis, the Korean government instituted the Korean Tripartite Commission (KTC) which implemented reforms restructuring the Korean labour market. Among other policies, KTC instituted greater labour flexibility in terms of hiring and firing practices, extended unemployment insurance, and encouraged training schemes for the Korean labour force, which will be discussed further in the fourth section of this paper. The direct crisis impacts as well as the policies implemented following the crisis worked in tandem to disproportionally affect women’s status in the Korean labour market, with deeper declines in employment, and more discouraged and non-regular workers. In the context of existing gender inequality in the labour market and broader Korean society and the 1997-98 crisis impacts, these reforms acted to further disadvantage women, as the trends and crises analyses in sections two and three illustrate.

2. **Trends in Labour Market Indicators**

Trends in key labour market indicators since 1995 show the impact of the 1997-98 and 2008-09 economic crises in Korea, both in terms of access to employment (participation, employment and unemployment), and in terms of quality of employment (wages, status and working hours). The annual data presented in this section on participation, employment, wages and working hours provide a framework for understanding crisis impacts and policy responses over the last 15 years.
The timeline above illustrates the interaction of crises and the examined policy responses in Korea since 1995. Chart 1 shows Korea’s annual GDP growth rates since 1995. The lowest GDP growth rates occurred in 1998, when GDP growth plummeted to -5.7 per cent, and in 2009, when GDP growth fell to 0.3 per cent, representing the two economic crisis periods examined in this paper.


(a) Korean economy transitions from agriculture, to manufacturing, to services

As mentioned in the Introduction, the Korean economy has transitioned from being agriculture-based in 1970, to being driven by manufacturing in 1990, and then to being largely service-based since. Over this same time period, as shown in Table 1 and Chart 2, women in the Korean labour market have moved from being largely concentrated in the agriculture, forestry and fishing industries in 1970 (57.3 per cent), to being overwhelmingly concentrated in the services sector by 2010 (80.6 per cent). In 2010, the services sector employed the vast majority of workers in Korea, with 76 per cent of all Korean workers employed in this sector.
Table 1. Employment by sector and gender, 1970-2008

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Source: Author’s calculation based on data from Korea’s National Statistics Office, 2011.

In terms of the number of women employed in each sector, in 1997, slightly higher proportions of women were employed in the agriculture and manufacturing sectors than in 2008, and the vast majority of women were employed in the services sector. The number of women employed in the services sector increased by 29.4 per cent in the twelve year period from 1997 to 2008, from approximately 6,009,000 to 7,779,000 women. Chart 2 shows the change in the sectoral distribution of employed women in key years from 1970 to 2008.

Chart 2. Women employed by sector, 1970-2008

Source: Author’s elaboration based on data from Survey of Economically Active Population, Korea’s National Statistics Office, 2011.
(b) **Female labour force participation drops during crisis periods**

Whereas male participation rates have remained relatively constant in a decreasing trajectory over the last decade and a half, from 76.4 per cent in 1995 to 72.8 per cent by 2010, women’s participation has been somewhat more volatile. As Chart 3 shows, women’s labour force participation has been closely linked to the economic performance of the country, with increased rates during times of growth and decreased rates during times of economic crisis.

**Chart 3. Labour force participation, by gender, 1995-2010**

During the 1997-98 crisis period, between the years 1997 and 1998, female participation in Korea dropped by 2.7 percentage points whereas male participation decreased 1 percentage point in the same period, widening the gender gap in labour force participation. This gender gap hit its peak of eight percentage points in 1998, displaying the differentiated impact of the 1997-98 crisis on women’s participation in the Korean labour force.

Chart 4 shows female labour force participation rates by age cohorts. As the Chart shows, women’s labour force participation in Korea differs based on age, with a noticeable decrease in women’s participation rate during childbearing ages. In 1999, following the 1997-98 Asian financial crisis, women’s labour force participation dropped 2.4 percentage points between the 20 to 29 and 30 to 39 age cohorts, and then increased 9.4 percentage points for women 40 to 49. In 2010, following the 2008-09 global economic crisis, the difference between cohorts was even greater, with women aged 30 to 39’s participation rate 6.9 percentage points lower than women aged 20 to 29 and 10.4 percentage points lower than women aged 30 to 39. As the Chart shows, the difference between women’s labour force participation was greater between 1997 and 1999 than between 2008 and 2010.
Chart 4. Female labour force participation, in age group.

(c) Unemployment higher among men

The notable increase in the overall unemployment rate in Korea due to the economic crisis of 1997-98 stands out in Chart 5. Between 1997 and 1998, unemployment in Korea increased 4.4 percentage points, almost tripling the overall unemployment rate from 2.6 to 7 per cent. Unemployment in Korea has not decreased to pre-crisis levels since. As Chart 5 shows, unemployment among men increased significantly more than among women. As seen previously when looking at participation levels, women were more likely to drop out of the labour force during the 1997-98 crisis period, becoming discouraged workers.

Chart 5. Unemployment rates, by gender, 1995-2010
Going some way in explaining this greater increase in unemployment among men, an ILO 2010b report entitled “Women in labour markets” recognises the “risks of increased marginalization of female labour as [women] take up part-time and flexible jobs, which dominate the available work opportunities during a recession. Men are less likely to ‘settle’ for such work, but will rather hold out as unemployed until a full-time ‘real job’ becomes available” (2010b, p. 6). Over the last decade and a half in Korea, unemployment rates among men have been consistently higher than female unemployment rates, and have increased more during the crisis periods of 1997-98 and 2008-09.

(d) Trends in non-regular employment

In terms of the number of persons in Korea in non-regular employment (temporary or daily workers), Chart 6 shows that over the last 15 years, women have outnumbered men in non-regular employment, and have been consistently overrepresented in this status. As the Chart shows, the gap between the number of women and the number of men in non-regular employment has grown since 1995, with the largest difference in these numbers occurring in 2009.

Chart 6. Non-regular employment, by gender, 1995-2010

Chart 7 shows the increase in non-regular employment as a proportion of wage/salaried employment across gender distinctions following the 1997-98 crisis to a peak in 2000. Since 2000, the proportion of wage/salaried workers in non-regular employment has steadily declined. Throughout the 15 year period, working women have been nearly twice as likely to be in non-regular employment as their male counterparts.
The peak of the propensity ratio (proportion of women in non-regular employment / proportion of men in non-regular employment) was 1.72 in 1999, illustrating the gender gap in non-regular employment, and the significantly higher probability that women were in non-regular work.

Women in non-regular employment are also paid the least of the four groups segregated by gender and employment status. Chart 8 shows the proportion of men in regular employment’s average real monthly wages made by the other three groups.
Women in non-regular employment make the lowest average monthly wages, at 51.1 per cent of men in regular employment’s wages. This illustrates that the labour of women in non-regular employment is the cheapest of these groups, and thus would be substituted during times of economic crises, according to the substitution hypothesis.

Chart 9, which displays women’s employment over the last 15 years, shows the steady increase in women’s non-regular employment after the 1997-98 crisis, accompanied by a corresponding decrease in women’s regular employment in these years.


Source: Author’s elaboration based on data from Survey of Economically Active Population, Korea’s National Statistics Office, 2011.

(e) Gender wage gap has narrowed only slightly since 1997-98 crisis

Over the last 15 years in Korea’s labour market, real wages have generally increased and women’s proportion of men’s wages improved somewhat. In the period between the 1997-98 crisis and the 2008-09 crisis, however, women’s share of men’s wages largely stagnated, as shown in Chart 10. In the decade from 1998 to 2007, women’s proportion of men’s wages increased 3.5 percentage points, from 63.1 to 66.6 per cent. This contrasts with the previous decade from 1988 to 1997, in which women’s proportion of men’s wages increased 10.7 percentage points from 51.4 per cent.¹

¹ Data from Korea’s Ministry of Employment and Labor (2011) “Survey on Labor Conditions by Type of Employment”.
In examining women’s status in employment during crisis periods, it was clear that the proportion of women in non-regular work increased as a result of the 1997-98 crisis. This, combined with the stagnation in women’s share of men’s wages in the years following the 1997-98 crisis, suggests a possible relationship between the increase in non-regular employment and the stagnation in the gender wage gap.

(f) Increased working hours during crisis periods

There has been a general decline in the number of hours spent working per week in Korea since 1995. As shown in Chart 11, this decrease has occurred both among men and among women, and the number of hours worked show a similar pattern across gender distinctions, with men working more hours per month than their female counterparts. There have been sharp increases in the number of hours worked in 1999, 2004 and 2009, which corresponds to periods of weak economic growth in the Korean economy.

One reading of this phenomenon is that employed persons within households worked more hours per month in these years in order to compensate for decreased participation and increased unemployment among other household members. Increased working hours during periods of economic crises or downturns may also suggest that employers chose to increase working hours of existing employees instead of hiring new employees during these periods. Whereas during the 1997-98 crisis, increased working hours were due to increases in overtime hours, in the 2008-09 crisis period, increased hours were classed as regular hours and workers did not receive overtime compensation.2

**Synthesis**

An overview of gender disaggregated labour market indicators over the last 15 years in Korea reveals gender inequalities in terms of participation, employment and conditions of work. These inequalities, as the annual statistical trends suggest, are exacerbated during times of economic crises.

Over the period examined, women have been more likely to drop out of the labour force, be in non-regular employment, and earn low wages. Given these inequalities present in the labour market and in broader Korean society, when the economy is faced with a downturn or crisis, how have women fared? An examination of quarterly statistics from 1997 to 1999 and from 2008 to 2010 in the following chapter gives a clearer image of crises and recovery strategies’ impact on women in the Korean labour market.

### 3. Comparing the crises

While the Korean economy has shown a trend of overall growth since the 1970s, there has been some volatility, notably during its financial and economic crisis which started in 1997. During that crisis, GDP growth plummeted to -7.0 per cent in the first quarter of 1998 as shown in Chart 12. Korea was able to recover relatively quickly from this crisis, in part due to labour market reforms agreed through the Korea Tripartite Commission (KTC) which comprised government, employer and worker representatives. In the global economic crisis of 2008-09, Korea’s GDP did not fall by as much, with the largest decline in the fourth quarter of 2008, at -4.5 per cent.
Based on quarterly data from Korea’s National Statistics Office, the differentiated impacts of the 2008-09 global economic crisis on women in terms of participation, employment and wages is apparent. While official unemployment figures remained higher among men, women’s participation and employment decreased more and their wages in comparison to men’s wages stagnated. The impacts of the 2008-09 economic crisis in Korea were reminiscent of crisis impacts in 1997-98, negatively impacting women’s position in the Korean labour market in terms of participation, employment and wages.

The main difference in the effects of the 2008-09 global economic crisis on Korea’s labour market in comparison to the 1997-98 Asian crisis involved changes in non-regular employment. Whereas the 1997-98 crisis caused notable increases in the proportion of both women and men in non-regular employment, and in the number of persons in non-regular employment generally (substitution effect), the 2008-09 crisis saw continued increases in regular employment numbers across gender distinctions.

As seen earlier, women’s labour force participation decreased during both the 1997-98 as well as the 2008-09 economic crises in Korea. This phenomenon illustrates the presence of discouraged workers, or workers who drop out of the labour force when faced with unemployment. In the case of Korea during crises, women are more likely than their male counterparts to become discouraged workers, as borne out by the data presented in Chart 13.
As Chart 13 shows, participation rates during both the 1997-98 and 2008-09 economic crises in Korea largely depict similar stories, even though the 1997-98 crisis had a deeper effect on Korea’s macroeconomic position. The low point for labour force participation in the 1997-98 crisis was the first quarter of 1999, in which men’s labour force participation decreased 3.5 percentage points from its high of 76.6 in the second quarter of 1997. Women’s labour force participation decreased even more over the same period, at 5.6 percentage points, from 50.8 to 45.2 per cent.

In terms of the recent global economic crisis, the lowest point for participation was the first quarter of 2010, during which men’s participation rate was 71.7 which is 2.4 percentage points lower than the highest point of 74.1 in the second quarter of 2008. Women’s participation dropped 3.1 percentage points in the same period, from 50.9 to 47.8 per cent.

These figures show that in both crisis periods examined, women’s participation in the Korean labour force decreased more than male participation, depicting higher numbers of discouraged workers among women in both crises.

(c) Employment losses more severe among women during crises

It is clear from employment figures that not only were women disproportionately among discouraged workers (as seen when examining participation rates), but also that women bore the brunt of job losses during both crisis periods, displaying the buffer effect. In the 1997-98 crisis, as Chart 14 shows, between the first quarter of 1997 and the first quarter of 1998, a net total of 926,000 jobs were lost in the Korean labour market, of which 60 per cent or 551,000 were lost by women. Similarly, in the global economic crisis, between the first quarter of 2008 and the first quarter of 2009, a net total of approximately 153,000 jobs were lost in the Korean labour market. Of these jobs, 85 per cent, or namely 130,000 jobs were lost by women, whereas 23,000 were lost by their male counterparts. Indeed the employment impacts show similar trajectories, with deeper losses borne by women in both crisis periods, as Chart 14 clearly illustrates.
In both the 1997-98 Asian crisis and the 2008-09 global economic crisis, the manufacturing sector was most affected by job losses. From Q1 1997 to Q1 1999, of the approximately 1.5 million jobs lost in the Korean labour market, 772,000 or 52 per cent were lost from the manufacturing sector. Likewise, from Q1 2008 to Q1 2010, the Korean labour market lost 14,000 jobs. While 102,000 jobs were lost from the manufacturing sector in this period, the services sector added 237,000 jobs, offsetting job losses in agriculture and manufacturing.

A closer examination of the manufacturing sector during crisis periods reveals that women’s jobs were more negatively affected over the same periods, as shown in Chart 15. From Q1 1997 to Q1 1999, men lost 471,000 or 16 per cent of their jobs in manufacturing while women lost 301,000 or 18 per cent of their jobs in this sector. Likewise, from Q1 2008 to Q1 2010, women lost 142,000 or 11 per cent of their jobs in the sector while men actually added 40,000 jobs, representing 1.5 per cent growth of male jobs in manufacturing.
These figures reveal that sectoral compositions may shape the effects of crises on men and women (segregation hypothesis). In the case of Korea during crises, women lose significantly more jobs in the manufacturing sector, and while there was some growth in women’s jobs in services in the most recent global economic crisis (149,000 or 2 per cent growth in women’s jobs), this did not compensate for job losses in manufacturing, resulting in greater total job losses among women.

(d) Unemployment increase during crises higher among men

As seen previously, unemployment among men in Korea has been consistently higher than unemployment rates among women. While women have made up a disproportionate number of discouraged workers, and participation rates among women drop more than participation rates of men during crisis periods, the unemployment trajectory during crises has been similar across gender distinctions.
Chart 16. Unemployment during crisis periods, by gender

Chart 16 shows the sharp increase in unemployment in the 1997-98 crisis, especially among men. The increased gap between male and female unemployment rates in 1998 and 1999 can be seen as a result of women’s decreased participation in the labour force in these years. Women who would have been classified as unemployed may have dropped out of the labour force altogether, resulting in a disproportionate decrease in female labour force participation rates during the crisis periods.

(e) Women in non-regular employment

The Korean labour market is characterised by high levels of non-regular employment. At the beginning of 1997, 45 per cent of wage and salaried workers were in non-regular employment. Likewise, at the end of 2007, 46 per cent of wage and salaried workers were in non-regular employment. Chart 17 shows the trajectory of non-regular employment during the two crisis periods examined. From the first quarter of 1997 to the first quarter of 2000, there was a 15.5 per cent increase in the total number of persons in non-regular employment in Korea, from approximately 6,082,000 to 7,026,000 persons. Likewise, the proportion of persons in non-regular employment increased during this period for both men and women, with a sharper and more sustained increase among women.
As Chart 17 shows, the proportion of women in non-regular employment increased 9.7 percentage points from 60.0 to 69.7 per cent over the 1997-98 crisis period, while the proportion of men in non-regular employment increased 8.4 percentage points from 33.1 to 41.5 per cent. Women were much more likely to be in non-regular employment than men, and more women than men moved into non-regular employment as a result of the 1997-98 economic crisis, illustrating the disproportionate negative effect on women’s status in employment. During the 1997-98 crisis, it is clear that women’s non-regular employment increased significantly, while women’s regular employment contrastingly decreased, suggesting the effects of substitution, whereby cheaper forms of labor are substituted for regular employment.

The proportion of wage/salaried workers in non-regular employment contrastingly decreased over the 2008-09 global economic crisis period, among both men and women. For women, the proportion in non-regular employment decreased 5.3 percentage points, from 56.9 to 51.6 per cent, and for men, the decrease was less, of 4 percentage points from 35.5 to 31.5 per cent from the first quarter of 2008 to the fourth quarter of 2010.

This seemingly contradictory movement in non-regular employment is explained by persons in non-regular employment, especially women, being the first to lose their jobs in the global economic crisis. Chang 2009 notes that given their vulnerability to job loss, “long-term non-regular workers have higher risks of poverty” (2009, p. 10). The decreasing number of persons in non-regular employment affected the overall proportion of non-regular employment in the Korean labour market, especially for women. The increasing segmentation in the Korean labour market following the 1997-98 crisis, meant particularly harsh impacts for non-regular workers in the most recent global economic crisis. Ha and Ok (forthcoming) write: “the divide between non-regular and regular workers has widened. This divide has manifested itself in the context of the current crisis via a number of ways: i) employment quality and vulnerability associated with non-regular employment; ii) adequacy of existing social protection measures for job losers; and iii) limited rights at work for certain groups” (forthcoming, p. 86). Whereas there were increases in non-regular employment in the 1997-98 crisis due to increased labour market flexibility, the 2008-09 crisis emphasised the vulnerability of non-regular workers,
who were significantly more likely to lose their jobs, thus decreasing the overall proportion of non-regular employment in the Korean labour market.


One of the most significant labour market reforms in recent years was put in place in the wake of Korea’s 1997-98 economic crisis. Intended to increase labour mobility and the ability of employers to hire and fire workers, in February 1998 the government-mandated Korean Tripartite Commission (KTC) agreed to a “Social compromise to overcome the economic crisis”. This package of policy measures extended flexibility in the Korean labour market, instituted and extended protection for unemployed persons, and focussed on training and re-training Korean workers.

These reforms, which were based on a “productive welfare” philosophy, were largely in-line with the corporatist welfare model that the Korean government followed from the beginning of Korean industrialisation in the 1970s, stressing the role of the private sector in providing a safety net for its employees (Chung, 2001). While these reforms can be seen as assisting the Korean government in its economic recovery from the 1997-98 crisis, they also appear to have exacerbated gender inequality in the Korean labour market, resulting in decreased participation and employment especially among women, as well as hindered progress in the improvement of women’s working conditions in comparison to their male counterparts.

(a) Labour flexibility negatively impacted women in the workforce

The KTC agreement included granting permission for the establishment of temporary work (known as “dispatch”) agencies through the Dispatched Workers Act of 1998. Korea’s Ministry of Labor reported that there were about 800 licensed agencies and approximately 42,000 employees working for these agencies at the end of 1998. Temporary and daily employment, characterised as non-regular employment in the Korean context, increased significantly following the 1997-98 crisis, which can be linked to the establishment of these agencies. The OECD 2000 notes: “the share of fixed-term, temporary and daily workers increased further during the recent economic crisis. It seems that during the current upswing employers, unsure about the prolonged character of the recovery, are making full use of opportunities given by the law for avoiding permanent employment contracts” (2000, p. 64).

In terms of dismissals, Korea’s Labor Standards Act contains provisions governing requirements employers have to meet in hiring and firing workers. In early 1998, in the wake of the 1997 crisis, the Act was amended to include a section expanding the definition of “urgent managerial needs” as a legal justification for dismissal. Article 24(1) reads: “Dismissal of a worker by an employer for managerial reasons shall be based on urgent managerial needs. In such cases as transfer, acquisition and merger of business which are aimed to avoid financial difficulties, it shall be deemed that an urgent managerial need exists.” This section, which categorised financial difficulties as an “urgent managerial need” and therefore as legal justification for dismissal, was included in the Friday, 20 February 1998 amendment of the Act, forming part of the KTC-approved package to reform Korea’s labour market.
The package, urged by the International Monetary Fund (IMF) as part of its 1997 Stand-By Arrangement with the government of Korea, made it easier for employers to dismiss workers. This ease in dismissal restrictions can be linked to the massive layoffs and decreases in overall employment figures accompanied by increases in non-regular and discouraged workers which occurred in 1998, especially among women. As noted previously, women were pressured to give up their jobs and exit the labour market in order to preserve men’s jobs, which were viewed as more important (Cho et al, 2004). Commenting on the overall effect of increased flexibility in the Korean labour market on non-regular employment following its 1997-98 economic crisis, Peng 2009 writes: “The outcome was the undermining of employment security, without breaking down the dual labour market. Indeed, it may have deepened the dual labour market structure by shrinking the core labour market, and pushing an even greater proportion of workers to the periphery” (2009, p. 19).

The flexibility in hiring and firing that was instituted as a response to the 1997-98 crisis has remained a feature of Korean labour law; and the distribution of crisis impacts in 1997-98 and 2008-09 have been notably similar, with disproportionate effects on women, as shown in terms of job losses in Chart 18. In both crises, the proportion of women’s jobs lost was approximately two percentage points higher than the proportion of men’s jobs lost.

**Chart 18. Job losses during crisis periods, by gender**

An attempt was made by the Korean government to protect female members of the labour force by specifying in a 1999 amendment to Article 24(2): “an employer shall make every effort to avoid dismissal of workers and shall select workers to be dismissed by establishing rational and fair standards of dismissal. In such cases, there shall be no discrimination on the grounds of gender.” While this amendment notes the government’s acknowledgment of the discriminatory use of “urgent managerial need” to dismiss female employees, the notable delay in its inclusion meant the normalisation of discriminatory practices in a cultural context already preferential to male over female employment.

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Unemployment insurance left women unprotected

Korea’s Employment Insurance System (EIS) was originally established in July 1995, with the objectives of promoting job security, encouraging vocational competency development and providing unemployment benefits. When it was established, EIS only covered regular workers in larger firms (with 30 or more employees for unemployment benefits; and 70 or more employees in terms of job security and vocational training). As a response to the emergence of the 1997 Asian crisis, EIS was extended to some temporary workers as well as regular workers in firms of all sizes, and has since been gradually extended to cover more of the Korean labour force. Despite gradual extension of the EIS since 1995, at the end of 2008, EIS covered only 44.7 per cent of total establishments in Korea (Kim, 2010, p. 9).

In terms of individual workers, the Ministry of Employment and Labor, through its Survey on Labor Conditions by Type of Employment reported that EIS covered 85.9 per cent of all wage workers, and only 51.9 per cent of non-regular workers in 2009. Chart 19 illustrates EIS coverage by employment status.

Chart 19. Employment insurance system coverage, by status

As the Chart shows, persons in non-regular employment are significantly less likely to have EIS coverage. In Korea, women are more likely to be in non-regular employment. Thus women in non-regular employment are more likely to take up precarious employment, since they are unlikely to be covered by unemployment insurance. Echoing these findings, the OECD (2002) found that non-regular employment generally traps vulnerable groups in poor quality, precarious jobs. In this way, the gendered dimensions of unemployment insurance through EIS coverage act to reinforce the vulnerability of women in non-regular employment.

While EIS coverage for unemployment has increased since the 1997-98 crisis, non-regular workers and thus women, remain disproportionately left out of coverage. Chart 20 shows the proportion of wage/salaried workers covered by EIS. While coverage has increased for
both men and women, women’s coverage has been consistently below that of their male counterparts.


With such a large proportion of the Korean labour force, especially women, left without the security and protection that EIS offers, this makes them vulnerable to the impacts of crises and likewise exposes the broader Korean economy. Peng 2009 notes: “Non-standard employment is precarious because of lack of employment security, limited (though increasing) social insurance coverage and low wages […] Since most non-standard workers are found in SMEs, and since most women who are non-standard workers work in smaller establishments, their access to welfare benefits is limited” (2009, p. 22). Thus, in the context of economic crises, when women are faced with unemployment, given that they are unlike to be covered by or to receive unemployment insurance benefits, women are more likely to drop out of the labour force entirely.

(c) Training schemes for larger enterprises did not reach women

Korea’s vocational competency development programmes aim to “enhance corporate competitiveness, develop workers’ competency, and seek employment security by supporting workers’ life-long vocational competency development” (Lee, 2007, p. 5). These training schemes were extended in the wake of the 1997 economic crisis, as the July/August 2006 Korea Labor Review of the Korean International Labor Foundation (KOILAF) notes:

Increasing attention was paid to the need to establish public employment services as a safety net to provide unemployment benefits to those who lost their job in the restructuring process and train them for a new job. In response, in 1998 the government extended the coverage of the employment insurance (EI) to include all companies and reorganized the structure of the Labor Ministry to set up 99 employment security centers throughout the nation with a strong organizational and staffing capacity. (2006, p. 15).
The government’s scheme included vocational training for employed persons, re-employment training for the unemployed and vocational apprenticeship programmes to train young people.

Vocational training for employed persons was subsidised by the EIS fund. Research has shown, however (H. Lee, 2000; OECD, 2000), that only 13 per cent of all insured workers received any training in 1999. Even more tellingly, less than 3 per cent of persons employed in small firms received any training in 1999, compared to 40 per cent of persons in large firms. The Organisation for Economic Cooperation and Development (OECD) 2000 states: “It would therefore appear that training under EIS has not succeeded in increasing substantially training provided by smaller enterprises. As large firms would, in any event, tend to train workers in the absence of specific policies, it seems highly likely that the training subsidies yield large ‘windfall’ gains to large firms” (2000, p. 90).

Chart 21. Training participation rates for firms (by size) and workers (by gender and education), 2004

Chart 21 illustrates the firm-size and gender dynamics present in the distribution of vocational training for employed persons in Korea. From a gender perspective, women are more likely to be employed in small firms, thus the benefits of vocational training for employed persons are unequally distributed based on gender (Lee, 2000). Commenting on women being disproportionately represented in small firms, the OECD report 2000 notes: “women are more affected by job precariousness than is the case of men, and many of them work as unpaid family workers. Moreover, a disproportionate number of women are employed in small firms, where employment protection, the incidence of training and union density are generally weaker than in larger firms” (2000, p. 38).

The government’s training schemes following the 1997-98 crisis also included re-employment training for the unemployed. In 1998 and 1999, the two years following the crisis, approximately one-fifth or 360,000 unemployed persons attended these re-employment training programmes. Addressing the way in which re-employment programmes often leave out disadvantaged groups, H. Lee 2000 writes: “most training programs for the unemployed appear to be insufficiently targeted at disadvantaged labour
market groups. They tend to suffer from relatively high drop-out rates, while re-employment probabilities of those who complete the courses are low” (2000, p. 22).

(d) National basic livelihood support programme has weak coverage

Prior to the 1997-98 crisis, social assistance in Korea was limited in its scope and coverage. The National Basic Livelihood Security Act replaced the Livelihood Protection Act in 1999, extending social assistance benefits to those below the income threshold older than 18 and younger than 65, a group that was previously excluded from receiving social assistance benefits.

The Korean government implemented the National Basic Livelihood Support (NBLS) programme in 2000, in the face of mass unemployment, rising poverty and high levels of insecurity in Korea. Soonil et al 2001 note: “Under the Livelihood Protection Act, the poor between the ages of 18-65 years were excluded from the target group of the livelihood protection cash aids. The new Act, however, abolishes such demographic eligibility criteria and announces a set of new beneficiary selection criteria based on the poverty level and the degree of provision of support to family members” (2001, p. 119).

For example, family members earning over 120 per cent of the minimum living standard were defined as able and thus obliged to provide support (E. Lee, 2009, p. 14). Commenting on how this familial orientation of social assistance in Korea shaped gender outcomes, a UNRISD report by Peng 2009 notes: “its familialistic orientation causes gender bias and residualism, while its developmental status is evidenced in its high level of informality, early stage of welfare development, and its inconsistent and evolving welfare mix” (2009, p. 8).

In 2000, social assistance benefits were granted to poor households whose per capita income was below 245,000 Korean won (KRW). Since implementation of the NBLS in 2000, an increasing proportion of the population has received these benefits, as depicted in Chart 22. In 2007, approximately 1,550,000 persons from 852,420 households received NBLS benefits, accounting for 3.15 per cent of the Korean population.

Coverage of NBLS reveals the weaknesses in the Korean government’s approach to alleviating poverty. Whereas poverty incidence in Korea was estimated at about 9 per cent of the population, NBLS beneficiaries only comprised 3.15 per cent of the Korean population (Soonil et al, 2001). Based on these estimates, approximately 2.9 million persons, or nearly two-thirds of those below the poverty line in Korea, did not receive any NBLS benefits in 2007.
Those who receive NBLS benefits and are able to work must participate in a Self-support programme as a condition of benefit receipt. Self-support programmes include job-adjustment training, job placement, business start-up training, employment promotion service, community service, social adjustment programmes and rehabilitation loans. Whereas social assistance programmes have been linked to decreased rates of poverty, investments in human capital such as education and training, and increased labour force participation rates for beneficiaries and their families (Barros and Foguel, 2010), these programmes must have strong coverage and provide sufficient assistance to beneficiaries in order to be successful (Barrientos and Shepherd, 2003).

In Korea, minimum livelihood costs are set at approximately 40 per cent of average household income, and NBLS benefits provide the difference between this amount and actual household income of beneficiaries. Beneficiaries must meet requirements in terms of assets as well as family responsibility. Criticisms of the family responsibility requirement hold that the threshold is too low, obliging support from persons who in reality are unable to provide support, and excluding those in need (Park et al, 2003; Yeo, 2004). The strict requirements of NBLS have left almost two-thirds of impoverished persons in Korea without receipt of these benefits.

Examining the policy context in which labour market outcomes and the trajectory of key labour market indicators took place helps to frame an understanding of the impacts of the most recent global economic crisis. As shown, the limited coverage of EIS, training programmes and NBLS, combined with the increases in non-regular employment encouraged by increased labour flexibility in the Korean labour market following the 1997-98 Asian crisis have meant disproportionate crisis effects on women, specifically visible in terms of job losses in the most recent global economic crisis.
5. Conclusions

The buffer, substitution and segregation effect hypotheses are viewed to different extents when examining the effects of the 1997-98 Asian and 2008-09 global economic crises on women in Korea in labour market terms, given policy interventions undertaken in the intercrisis period. As a result of labour market flexibility instituted shortly after the 1997-98 crisis hit, women were disproportionately affected by layoffs and were more likely to become discouraged workers, withdrawing from the labour market altogether, in both crises.

The buffer effect was seen in the disproportionate impact of layoffs and job losses for women in both crises. From 1997 to 1998, women made up 60 per cent of job losses, and from 2008 to 2009, this proportion increased to 85 per cent of job losses. It is clear from these figures that there was an underlying preferential bias towards men’s jobs. This impact carried over into decreased participation rates among women in both crisis periods, with a disproportionate number of women becoming discouraged workers.

Manufacturing was the sector most affected by job losses, and women’s jobs were especially vulnerable in this sector, suggesting the segregation effect. Demonstrably, although there was an increase in women’s jobs in services from Q1 2008 to Q1 2010, the corresponding decrease in women’s jobs in the manufacturing sector was so severe that this more than offset any gains in services, and women’s overall job losses were still remarkably higher than men’s losses over this period.

The difference observed in women’s experience of the two crises lies in regular versus non-regular employment. Whereas during the 1997-98 crisis non-regular employment increased across gender distinctions while regular employment decreased, suggesting the substitution effect, in the 2008-09 global economic crisis, non-regular employment decreased. This can be traced to the fact that persons in non-regular employment, especially women, were more likely to lose their jobs in the most recent global economic crisis. The social policies examined that were largely implemented in the intercrisis period lacked sufficient coverage and were particularly biased against women, leaving them vulnerable to increases in unemployment and decreases in labour force participation as a result of the global economic crisis, particularly for women in non-regular employment.

Korean labour market statistics for 2011 reveal an increase in unemployment figures across gender distinctions, but especially among women. The unemployment rate in February 2011 was 4.5 per cent for both men and women. This represented an increase of 0.6 percentage points for men from 3.9 per cent; and of 0.9 percentage points for women, from 3.6 per cent in comparison to January. Whereas unemployment rates had been higher among men over the previous 15 years, statistics from February 2011 suggest a reversal in this trend. What is particularly concerning is that this increase in female unemployment has happened in a context of decreasing participation and employment rates for women.

Undertaking efforts to alleviate poverty and curb levels of inequality in labour markets and broader society helps cushion vulnerable groups during economic crises, and also fosters economic growth (ILO and IMF, 2010, p. 86). As the joint-ILO/ADB 2011 study concludes: “The exclusion of women in the workplace and their widespread employment in precarious and vulnerable jobs represent a vast economic and competitive loss for any society” (2011, p. 51). While the Korean government has made increasing gender equality in the labour market a goal of its public policy interventions, the experience of Korean women in the 2008-09 economic crisis in terms of participation, employment and wages outcomes, which largely mirrored impacts of the 1997-98 crisis, makes it abundantly clear that there is still a lot of progress to be made in combating gender inequality in the labour market.
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