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THE PENIN

The Impact of the Pandemic on Women in the Korean Labor Market

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Korea stands out for its success in handling the COVID-19 pandemic and limiting its economic impact. The 1.0% fall in real GDP in 2020 was the smallest decline among the 38 member countries in the OECD. Nevertheless, employment (including the self-employed) in February 2021 was 1.8% below its year-earlier level. Women accounted for about 60% of the decline in employment, although they accounted for only 42.5% of employment

In contrast to COVID-19, the 1997 Asian financial crisis had a more severe impact on male employment. Indeed, the male employment rate (age 15 and above) fell from 74% in 1997 to 69% in 1998 (Figure 1). The large decline is explained by the 7.1% drop in manufacturing output in 1998. In contrast, the decline in service-sector output was less severe at 2.4%, helping to moderate the fall in female employment.

The impact of COVID-19 on female employment

Female workers were more affected by COVID-19 because their employment is concentrated in sectors that are more vulnerable to the pandemic. Female employees account for a majority of workers in key service industries, including education, transportation, accommodation and food, business facilities management, and business support services, as well as a significant share of workers in the retail and wholesale sector. Service-sector employment (defined here as all employment excluding manufacturing, mining, construction, agriculture, forestry and fisheries) accounts for nearly three-quarters of total employment. While lockdown measures in Korea were less strict than in many countries, restrictions on service-sector businesses, such as restaurants and gyms, and consumers' caution in the face of the coronavirus led to declines in spending on services. Indeed, service output fell 1.1% in 2020, the first decline since 1998. Consequently, service

In contrast, exports and manufacturing are performing better in Korea's two-track recovery. Driven by surging sales of semiconductors, exports increased 16.6% year-on-year in March. Despite the pandemic, Samsung earned more money in 2020 than in 2019. As a result, the decline in manufacturing employment, which is 71% male, was relatively modest at 0.6%.

A second reason why women have borne the brunt of the employment adjustment is the relatively large share that are non-regular workers, defined as temporary, part-time, daily, dispatched and other atypical types of employees. Giving the difficulty of laying off regular workers due to high employment protection, companies use non-regular workers for flexibility in adjusting their workforce over the business cycle. At the time of the 1997 crisis, non-regular employment was insignificant, but is now around one-third of employees. Around 41% of women are non-regular workers compared to only 26% of men (OECD, 2018). During the pandemic, the number of regular workers actually increased 0.6% in the year to February 2021. As expected, employment adjustment was accomplished by dismissing non-regular workers. Indeed, the number of temporary workers fell by 7.0%.

Another factor is the extra burden faced by women during the pandemic as children stayed home from school and family members became ill. Even before the pandemic, women spent 215 minutes a day on unpaid work (housework and caring for children) compared to only 49 minutes a day for men, a difference of nearly three hours per day (Figure 2). Only 6% of men eligible for parental leave chose to take the leave in 2018. According to a report by the Korea Labor Institute, 56.3% of women reported an increase in work related to taking care of family during the first half of 2020 and 17.2% said that their household work had increased an average of between two and four hours per day. In January 2021, the number of economically active women (employed or looking for a job) fell by 476,000 compared to a year-earlier. More than four-fifths had shifted to the status of homemaker.

The pandemic has paused the narrowing of the gender gap in Korea

The gap between the employment rates for men and women fell from more than 28 percentage points in the early 1990s to 19 points in 2019 (Figure 3), still the fifth highest among OECD countries. However, the gap edged up in 2020 and the first quarter of 2021, as job losses were concentrated among women.

With the working-age population (15-64) declining in Korea, labor market shortages are likely to increase female employment over the medium term and further narrow the employment gap. Such was the case in Japan; the female employment rate jumped from 60.7% to 70.9% over 2012-19. However, while its gender employment gap narrowed significantly, Japan's gender wage gap remains the third highest among OECD countries after Korea and Estonia (Figure 4). Wage inequality in Korea and Japan is due in part to dualistic labor markets in which a large share of women are non-regular workers. In Korea, none-regular workers earn about one-third less than regular workers on an hourly basis.

Achieving gender equality in the labor market will require a number of reforms. *First*, it is essential to break down labor market dualism, which traps a significant share of women in low-paying jobs. Moreover, it discourages some women from entering the labor force. Breaking down labor market dualism requires a comprehensive strategy of relaxing employment protection for regular workers and making it more transparent and increasing social insurance coverage and training for non-regular workers. *Second*, ending discrimination against women would allow more women to attain leadership positions. Although the share of Korean women with tertiary education is the highest among OECD countries, the share of managerial positions held by women is the lowest in the OECD (Figure 5).

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Reference

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Return to the Peninsula

