

# Women's labor force participation and marriage: The case of Korea<sup>☆</sup>

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## Abstract

In this paper, we examine the relationship between marital status and female labor force participation in Korea, and argue that marriage remains a major obstacle to young Korean women's employment. We find that an average married woman is much less likely (by 40–60%) to participate in the labor force than a single woman in urban Korea. Further investigation into the participation patterns among married women reveals that labor force participation rate (LFPR) varies with husband's occupation and her own age. Lower LFPR among the young married women is explained by demand-side factors, while relatively higher LFPR among the middle-aged married women is mostly explained by the supply-side factors.

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## 1. Introduction

Female labor force participation and gender equality issues have recently been at the center of controversy in Korea, due to its lower rates of female labor force participation (FLFP) relative to countries at similar levels of development.<sup>3</sup> In an attempt to implement various policies to increase women's LFP and reduce gender inequality in employment, the Korean central government has established the Ministry of Gender Equality. Recently, the Ministry instituted a law to strengthen women's rights in the workplace, despite strong opposition from business organizations.<sup>4</sup> In spite of continued efforts, a number of socio-economic obstacles toward achieving gender equality in terms of LFP, employment opportunities, and wages still persist in the Korean labor market.

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<sup>3</sup> Compared to OECD countries, for example, FLFP in Korea is low (Kim, Kim, Chang, & Kim, 2003).

<sup>4</sup> For example, length of maternity leave has been raised from 2 to 3 months.

The objective of this study is two-fold. First, we examine the nature and extent of the effect of marriage on FLFP in Korea. Second, if there is a significant negative effect of marriage on FLFP, we seek to identify the causal role of ‘demand-side’ and ‘supply-side’ factors in determining the LFP of Korean married women. An understanding of the demand and supply-side determinants would be useful in reducing the degree of inequity in employment opportunities and therefore is critical from a policy perspective.

Previous studies indicate that the relationship between FLFP and economic development is U-shaped – FLFP decreases as an economy begins to industrialize and increases at later stages of development, as discussed by Mammen and Paxson (2000), Sinha (1967), and Goldin (1995). Three factors affecting the employment of married women potentially account for the initial decrease in FLFP during industrialization – ‘social norms,’ ‘stigmatization’ and opportunity cost. According to traditional Korean social norms, employment in white-collar jobs is ‘acceptable’ while blue-collar jobs are deemed unsuitable for married women. For similar reasons, societies ‘stigmatize’ the husbands of women who work as blue-collar workers. These two factors inhibiting married women from working in blue-collar jobs, in combination with the relative scarcity of white-collar jobs during the early stages of development, depress LFP of married women. Finally, LFP of married women remains low as the high opportunity-cost of working away from home (such as childcare costs) is too high to be adequately compensated for by the low wages of the available blue-collar jobs.

Since 1960s most advanced countries, with the exception of Japan, experienced substantial increases in FLFP. Such increases in the latter stages of economic development are, to a large extent, attributable to the growing participation of married women (Costa, 2000). Lower fertility rates, new household technologies, expansion of women’s education, growth of childcare service industry, lower gender wage gap and employer discrimination, changes in social norms, easy availability of part-time jobs and expansion of service sector and white-collar jobs are cited as possible factors leading to increases in the LFP by married women.<sup>5</sup>

Korea has experienced rapid economic growth with an average growth rate of 5–9% per year during the last 40 years. Rapid economic progress has made Korea’s occupational compositions similar to those of advanced economies with the white-collar jobs far outnumbering the blue-collar jobs. Furthermore, the gender wage differential in Korea diminished continually since the early 1980s. The period 1970–2006 has witnessed substantial increases in women’s educational attainment, while the fertility rate declined from 4.5 to 1.14. The service sector also expanded, increasing the availability of part-time or temporary jobs, which typically raises the relative demand for ‘female’ labor (Galor & Weil, 1996).

Given these facts, conventional wisdom would suggest a high LFP among Korean married women in recent times, the validity of which is examined here using 2000 Korean population census data. To analyze and measure the effect of marriage on FLFP from this perspective, we consider effects of individual demographic and human capital characteristics as well as local labor market conditions. In particular, we focus on identifying how differently these factors affect the LFP of married and unmarried young women. Literature on FLFP suggests that marital status of a woman may be endogenous (rather than independent) in determining whether or not she participates in the labor market. We resolve the endogeneity problem using the instrumental variable technique. The results suggest that the married women are as much as 40–60% less likely to participate in the labor market compared to single women with similar demographic and human capital characteristics. In the context of rapid economic development, this relatively poor rate of LFP among married women appears surprising, and warrants further investigation. Hence we examine the reasons behind the low LFP among married women. Potential explanations can be categorized as demand-side factors that emphasize women’s market wage, and supply-side factors that under score shifts in women’s reservation wage.

Lack of demand for married women’s labor among employers lowers the offered wage. On the supply side, high opportunity cost of market work arising from domestic needs (e.g., housekeeping, childbearing and childrearing activities) raises the female reservation wage after marriage. Hence, due to higher reservation wage and lower wage offered in the market, the probability that the offered wage is higher than the reservation wage is likely to be lower for married women. However, the importance of demand versus supply-side factors in determining the labor force participation of married women is found to vary with age. The reservation wage tends to decline with age owing to lighter domestic constraints, as well as deterioration of human capital due to discontinuity in employment, increasing

<sup>5</sup> See, for example, Killingsworth and Heckman (1986), Costa (2000), Blau and Kahn (2000). Some of these factors are potentially endogenous in the sense that higher women’s participation can also lead to changes in these factors.

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