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# Glass ceiling in a stratified labor market: Evidence from Korea



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### ABSTRACT

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We verify the glass ceiling effect through separate quantile regression and the wage difference decomposition methods. We also study the gender wage gap after dividing the labor market into core and peripheral sectors considering structural labor market characteristics, such as firm size, employment type, and education level. According to empirical analysis, we find that the glass ceiling effect for irregular female workers with lower levels of education working in small and medium-sized companies is much stronger compared with those in other sectors under the multi-layered Korean labor market structure. This result implies that the glass ceiling effect is weak in the core sector, while in a peripheral sector, invisible gender discrimination increases as the wage quantile moves from lower to higher levels. Based upon these empirical results, we discuss a policy direction that deals simultaneously with the dual structure of the labor market and gender discrimination. *J. Japanese Int. Economies xxx (xx) (2014) xxx–xxx*. School of Economics, Sungkyunkwan University, Republic of Korea; HRD Center, Sungkyunkwan University, Republic of Korea.

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## 1. Introduction

The glass ceiling effect refers to the phenomenon in which an invisible barrier exists for female workers compared to their male coworkers with equal competence in the areas of promotions, wages, and treatment. In assessing the glass ceiling effect, [Albrecht et al. \(2003\)](#) and [Arulampalam et al. \(2007\)](#) statistically defined the glass ceiling effect under which the wage level of women would be lower than that of men with the same individual characteristics, as the wage distribution goes up.

Previous researches regarding the gender earnings gap have used the ordinary least squares (OLS) estimation with the Oaxaca decomposition. They have shown that the gender earnings differential is due to gender differences in labor market characteristics or gender differences in rewards for those characteristics ([Oaxaca, 1973](#); [Blau and Kahn, 2006](#); [Cho et al., 2010](#); [Cho and Cho, 2011](#)). Empirical studies also have explored the gender earnings gap in terms of wage distribution through the use of pooled quantile regression and separate quantile regression methods. Focusing on developed economies, such as Australia and European countries, most studies generally pointed to the existence of glass ceilings. In contrast, a number of studies for South and South-East Asia pointed mainly to sticky floors<sup>1</sup> ([Gunewardena et al., 2008](#); [Fang and Sakellariou, 2011](#)). [Gunewardena et al. \(2008\)](#) found evidence of wider wage gaps at the bottom of the wage distribution in Sri Lanka but little evidence for larger gaps at the top. [Fang and Sakellariou \(2011\)](#) suggested that the glass ceiling in Thailand disappeared with regard to counterfactual decompositions but a strong sticky floor effect exists. [Ge et al. \(2011\)](#) noted that both the glass ceiling and the sticky floor existed in Hong Kong and gender earnings gaps in higher positions were greatly explained by gender differentials in productivity-related characteristics.

Unlike the previous studies, [Kee \(2006\)](#) took a sector approach by distinguishing between the private and public sectors and assessed how prominent the glass ceiling effect was in the stratified labor market. Following the idea to stratify labor market, in this paper, we divide the market into the core and peripheral sector based on the standard structural labor market characteristics, such as firm size, employment type, and education level. We consider the stratification of the labor market for several reasons. Firstly, the peripheral sector of the labor market has a blind spot in the execution of laws, such as the equal employment opportunity law,<sup>2</sup> affirmative action, and discrimination prohibition on irregular workers, which affect the glass ceiling. Secondly, a firm's human resource management practices may differ widely across the sector. The networked production chain, where most small firms serve as subcontractor, has prevailed in the Korean industry. Under this circumstance, subcontractor may be tempted to replace regular long term employed workers with irregular workers in order to reduce human management cost ([Erosa et al., 2002](#); [Korea Ministry of Labor, 2009](#)).

In a country where the stratification of the labor market is prominent, a simple assessment of the whole labor market may lead to a statistical illusion or overlook the effect of the glass ceiling in a particular sector ([Fuller and Vosko Leah, 2008](#)). This study targets Korean cases since it is an area where labor market stratification is prominent, thereby allowing the interaction between the labor market structure and the glass ceiling effect to be assessed.

The remaining sections are organized in the following order. The second section looks into the main factors characterizing the structure of the Korean labor market, such as firm size, employment type, and education level, and examines the current state of female employment. The third section specifies the data and analysis method of the study and empirically analyzes how the glass ceiling effect occurs in each worker sector reflecting the structural characteristics. Also we probe reasons for the thick glass ceiling within the peripheral labor market. Finally, the last section summarizes the results of the analysis and provides policy suggestions.

<sup>1</sup> By definition, sticky floor means that gender earnings gap is larger in the lower percentile of the wage distribution.

<sup>2</sup> The unequal treatment of gender-related institutions over various groups has also emerged in Japan. According to a previous study for Japan that established the Equal Employment Opportunity Law (EEOL) in 1986, while the proportion of those who work in regular full-time jobs increased after the enactment of the EEOL, for highly educated women under the age of 40, neither married women's regular employment nor single women's regular employment increased ([Abe, 2011](#)).

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