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Master's Thesis of International Area Studies

Comparative Study on the  
Mitigation Policy of Dual Structure  
Polarization in Korea and Japan  
Labor Market

한일 노동시장 이중구조의 양극화 완화 방안  
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# Abstract

The dual structure of the labor market is two markets where there are qualitative differences in working conditions, and the labor market dual structure polarization has occurred due to gaps in job stability, wage and welfare, etc. As the polarization of the dual structure of the labor market worsens, it causes comprehensive social and economic problems such as social disparity and the inheritance of wealth to the state, family, economy, and even to individuals. Accordingly, this study analyzed the current status of polarization in the dual structure of the labor market in Korea and Japan, which both face similar challenges, and compared mitigation measures and policy use cases between the two countries to help resolve the problem.

Comparing the dual structure of the labor market between Korea and Japan, both Korea and Japan showed the largest wage gap in employment type rather than gender or company size or educational backgrounds. In particular, compared to Japan, which had a small wage increase, the wage gap in the dual structure of the labor market has been widened in Korea.

For a measure to alleviate the polarization of the dual structure of the labor market, both Korea and Japan are based on laws that prohibit discrimination against non-regular workers. In terms of employment improvement, Korea induced various employment improvement policies and encouraged the hiring of regular workers, while Japan induced voluntary transition to regular workers by providing information on non-discrimination against non-regular workers and introducing employment improvement systems. In terms of labor improvement, Korea induced employment improvement through discrimination diagnosis, discrimination improvement support, education, and counseling to improve the employment structure of companies. Japan tried to stabilize working conditions and improve careers by introducing various guiding support measures and case studies to introduce a work improvement

system based on equal work and equal pay. Both Korea and Japan support training expenses for non-regular workers to develop their vocational skills, and Japan differs in that it supports continuous career development such as career plans and employment counseling through the job card system.

Lastly, employers in either country were using governmental systems and policies to improve employment and workers could receive support for education and training in order for job transition.

Both Korea and Japan were aware of the problem of polarization in the dual structure of the labor market and were working to improve employment, labor, training support policies and systems. However, both Korea and Japan need to find more effective ways to further narrow the wage gap between regular and non-regular workers. In particular, non-regular workers who perform the same work as regular workers should be prevented from discrimination by preparing systems and policies so that there is no discrimination between regular and non-regular workers.

In addition, efforts should be made to minimize the polarization of the dual structure by guiding the systems and policies through the establishment of a customized consulting system so that many business owners and workers can easily utilize them, and by continuously managing participating business owners and workers.

**Keyword :** labor market, dual structure, polarization, Korea and Japan comparison

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# **I. Introduction**

## **1. Background of Study**

The dual structure of the labor market is two markets with qualitative differences in working conditions such as wages and job stability: a labor market providing high-quality jobs and a relatively poor labor market.

In Korean labor market, the polarization of the labor market is increasing, which is accelerating the social disparity. Through various research on the dual structure of the labor market, a common sense of the problem is shared and solutions are suggested, but the polarization of the labor market is still deepening. In addition, the dual structure of the labor market is facing the reality that not only the gap in working conditions between the labor markets, but also the deepening of income inequality and the inability to change jobs between the two labor markets. As a result, young people preparing for employment are delaying their advancement into society due to increased job search activity and job search periods along with acquiring academic qualifications by prioritizing employment at large companies or public institutions.

The dual structure of the labor market, which is commonly pointed out in many studies, has become a cause of deepening job polarization. Not only are there very few jobs in the primary labor market classified as high-quality jobs such as in large corporations, the public sector, and manufacturing industry, but it is also very difficult to move from the secondary labor market to the primary labor market. In particular, the mismatch between the supply and demand of manpower is getting worse: while young people avoid the secondary labor market with poor wages and working conditions, secondary labor market entrepreneurs such as small and

medium-sized companies (SMEs) are suffering from shortage of job applicants. This is not a job shortage in the economy as a whole, but rather a problem of the lack of decent jobs due to the dual structure of the labor market, so that a fundamental remedy is needed along with resolving the dual structure of the labor market (Yoon, 2018).

Regarding the dual structure of the labor market, the labor community has argued for the abolition of discrimination against the dual structure of the labor market, and the management community has argued that it is necessary to alleviate labor market rigidity. It is necessary to come up with socially acceptable alternatives to the dual structure of the labor market that can minimize the gap between the labor and the management (Chang et al., 2019). In addition, the gap between large corporations and SMEs, between educational backgrounds, between geographical regions, and between wages and working conditions arising from the dual structure of the labor market is causing problems in the labor market. Accordingly, improving and resolving the dual structure of the labor market is being raised as an urgent task above all else (Ahn, Oh, Choi, 2019).

As the polarization of the dual structure of the labor market intensifies, young people in the hope of finding a job in the primary labor market either remain as job seekers or fall into a NEET state where they are not even ready to work, putting a burden on the family economy. For workers in the secondary labor market, social disparities are widening due to incomplete employment, wage gaps, and worse working conditions. Therefore, it is necessary to analyze the status of dual structure of the labor market and study policies and measures that can alleviate and resolve the dual structure of the labor market. To this end, it is desirable to compare and analyze the current situations in Korea and Japan, which are facing similar challenges in the fields of employment and labor, such as non-regular workers, youth

employment, elderly employment, and local employment. In particular, in the case of Korea, it is necessary to actively compare and analyze the employment and labor-related policy issues and experiences that Japan experienced first and sought solutions by utilizing the advantages of latecomer.

## **2. Purpose of Study**

In order to analyze the status of the dual structure polarization of the labor market, I will compare the current status of the dual structure of Japan's labor market, which has similar labor market structure and economic structure to that of Korea and is currently achieving good employment indicators, with that of Korea.

Japan has many similarities with Korea that it not only has a manufacturing-oriented industrial structure, but also has a low fertility rate and changes in the aging population structure. Japan has entered a super-aged society in 2006, and since 2008, the population has been decreasing, recording a population growth rate of 0.1%, and since 2017, youth employment has reached full employment. Based on the view that youth employment has improved due to the steady decline in the youth population in Japan, and the fact that Korea's population structure is following Japan by about 20 years' lag, Korea also expects youth unemployment to be resolved in the near future (Baak, Kim, Jang, 2018). Also, these two countries are similar in that Japan, like Korea, has developed an employment contract that collectively hires workers within a company, i.e., a longitudinal internal labor market, and non-regular labor increases significantly when an economic crisis strikes. In particular, in both Korea and Japan, non-regular workers are suffering similar discrimination in various ways, which is a common social problem (Jung, 2007).

Apart from the similarities discussed above, there are differences between Korea

and Japan in terms of employment and culture. It is necessary to look at aspects different from Korea's, such as Japan's corporate culture of labor-management cooperation, the recruitment system that links school graduates with businesses, and career guidance and vocational education conducted while in school (Kim, 2018).

As described above, Korea and Japan are often compared to each other for they are similar in economy and sociocultural characteristics. Therefore, this paper compares the similar situations of the dual structure of the labor markets in Korea and Japan, and through this, attempts to examine the social disparity in the dual structure of the labor market. In addition, I will compare the policies and mitigation measures of Korea and Japan to resolve labor market polarization and will present implications through specific application cases.

## **II. Literature Review**

### **1. Definition of Dual Structure of the Labor Market**

#### **1-1. Dual Labor Market Theory**

The wage gap between workers found in the labor market is a common phenomenon, and studies on the cause and the scale have been continuously conducted.

The dual labor market theory was first proposed in the 1970s. Doeringer and Piore (1971) and Osterman (1975) classified the dual labor market theory that the primary labor market is composed of high wages, job security, good working conditions, and opportunities for promotion, while the secondary labor market is of low wages, job

insecurity, poor working conditions, and lack of promotion opportunities. In particular, Doeringer and Piore (1971) observed that entry into the primary labor market is rationed, not by market principles, and that it is very difficult to move from the secondary labor market to the primary labor market. On the other hand, the dual structure of the labor market is explained through a theory that focuses on the strategic actions of the trade unions, such as the insider and outsider theories, on the problem that the wage level does not decrease even if there is an oversupply in the primary labor market.

Lindbeck and Snower (1986, 1988) argued that insiders make the outsiders unemployed by negotiating wages to keep them above the market wage. Through the insider and outsider hypothesis or system, the dual structure of the labor market was divided between insiders with high employment protection and outsiders with low employment protection. In particular, high wages made it easier to control the insiders' work and showed the effect of increasing labor productivity. Solow (1979) and Akerlof (1984) suggested a theoretical model that when workers feel they are being treated well, their efforts and productivity increase, and firms try to make the most of their efforts and productivity by providing high wages to workers. In particular, it was said that companies pay high wages to prevent union formation or strikes, and to control collective actions of workers even in the absence of a union. In addition, the OECD (1994) report stated that the market is shifting from a competitive market to an oligopoly market due to technological development, and the resulting monopoly profits are shared by companies with workers. Accordingly, job seekers reported that they found a tendency to prolong their job-seeking activities in order to find employment in high-wage companies.

Regarding the state in which the dual structure of the labor market is formed, Rebitzer and Taylor (1991) said that it is reasonable for firms to employ both regular

and non-regular workers when there is uncertainty in product demand. In particular, it was said that the higher the uncertainty of the business, the higher the proportion of non-regular workers. It was said that even if workers have the same ability and can completely replace each other, they are hired as regular or non-regular workers according to the concept of ration.

## **1-2. Dual Structure of Labor Market in Korea and Japan**

Since Korea and Japan have different definitions of non-regular labor, it is difficult to compare the dual structure of the labor markets in Korea and Japan. However, in Korea, regular worker, temporary worker, and daily worker are the representative classification of employment by the Statistics Korea. Japan's employment status includes the classification by the length of the employment contract: regular employment, temporary employment, and daily employment, and the classification by the job titles: regular employee, employee other than regular employee. Considering that they are defined by discrimination, regular employee and employee other than regular employee in Japan can be compared with regular, temporary, and daily workers in Korea (Jung, 2007).

### **1-2-1. Labor Market Dual Structure in Korea**

Korea's primary labor market can be characterized by large corporations, trade unions, and regular workers while the secondary labor market can be characterized by small and medium-sized enterprises, non-union, and non-regular workers. In the primary labor market, the participation rate of social insurance, i.e., national pension, health insurance, and employment insurance, is high, and the application rate of additional benefits such as severance pay, bonuses, overtime pay, and paid leave all



exceeds 90%. On the other hand, in the secondary labor market, the subscription rate of social insurance is low, and the additional benefit is also low at 20%. The constraint of mobility between the groups is a criterion for judging the existence of entry barrier. In particular, the fact that the tenure of employment in the primary labor market is 12.4 years while the new employment rate is only 6.7% indicates that there are high barriers to entry, which can be seen as a segmental labor market structure (Lee, 2009).

The Ministry of Employment and Labor (2021) classified all employees into permanent workers, temporary daily workers, and other workers according to their occupational status in its official press release, the ‘Report on labor force survey at establishments.’ A permanent worker is a wage worker who works as a regular employee with an employment contract of more than one year or without a fixed term of the employment contract. A temporary daily worker is a temporary worker with an employment contract of less than one year, or a person who is employed by daily basis and receives a daily wage. ‘Other workers’ are classified into those who receive only service fees or sales commissions based on sales performance without a fixed salary, those who work without salary to acquire work skills, and other workers.

In this paper, permanent workers are defined as regular workers, temporary daily workers and other workers as non-regular workers according to the classification of occupational status provided by the Ministry of Employment and Labor and by Statistics Korea.

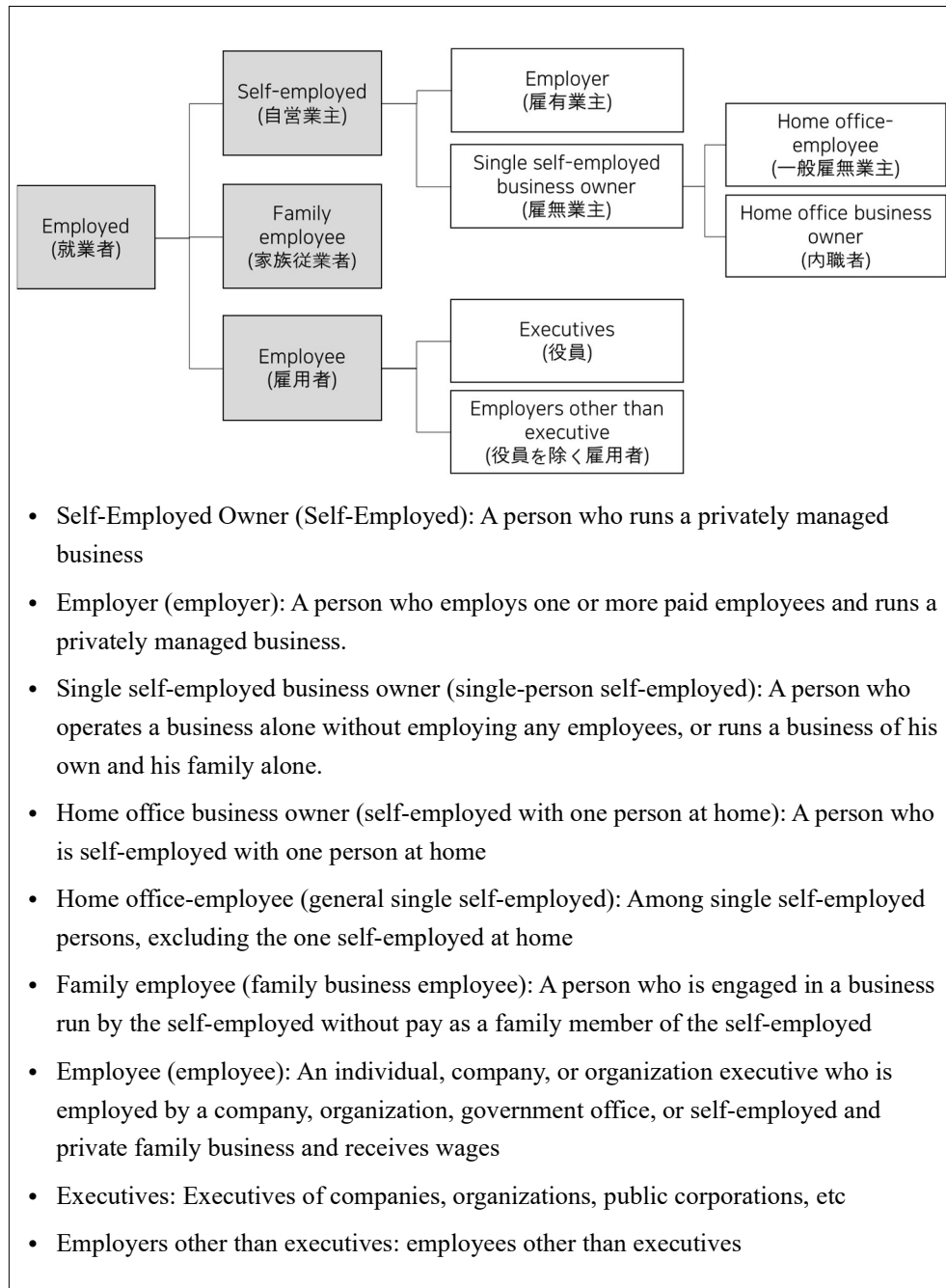
### **1-2-2. Labor Market Dual Structure in Japan**

The structure of the Japanese labor market can be described by using the occupational status defined by the Statistics Bureau of the Ministry of Internal

Affairs and Communications and the definition of regular workers by the Ministry of Health, Labor and Welfare.

In Japan, regular employment, temporary employment, and daily employment were defined by the Statistics Bureau of the Ministry of Internal Affairs and Communications and were used as the term of occupational status until December 2017. The regular employment here is a combination of executives and regular workers: regular workers refer to workers on an employment contract for more than one year or no fixed period. Regular workers can be divided into indefinite contracts and fixed-term contracts. Indefinite contracts refer to cases where the employment contract period is not fixed and the employee can work until the retirement age, while fixed-term contracts refer to cases where the employment contract period exceeds one year. Temporary employment was defined as a worker who was employed for a period of 1 month to 1 year, and daily employment is for a worker employed on a daily basis or on a contract of less than 1 month. However, on May 11, 2018, the Statistics Bureau of the Ministry of Internal Affairs and Communications expanded the classification of occupational status to employers as well as employees and defined new terms.

[Figure 1] Occupational Status from Statistics Bureau of Japan

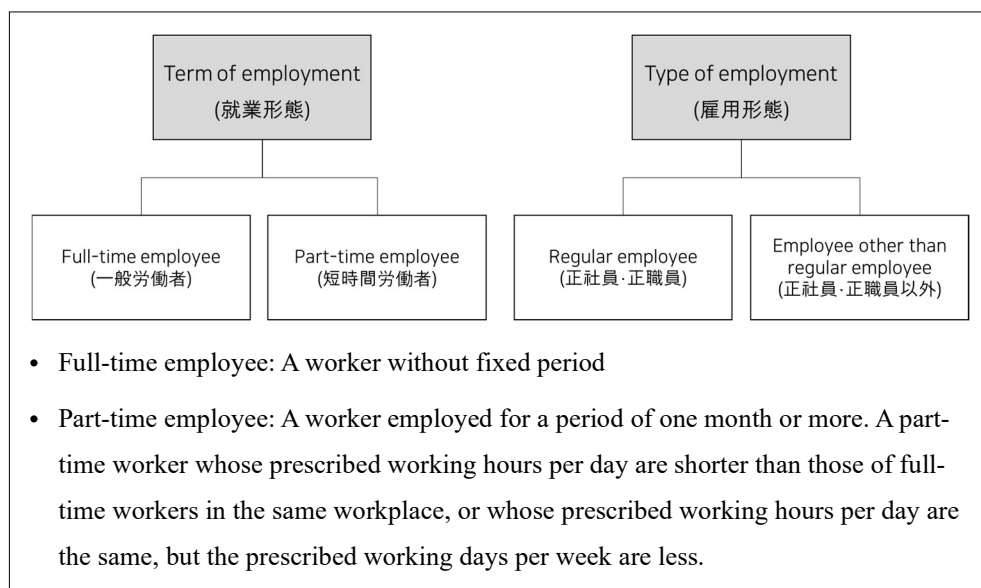


Source: Statistics Bureau of Japan, Ministry of Internal Affairs and Communications (2018.5 revised)

The Statistics Bureau of the Ministry of Internal Affairs and Communications also classifies workers by the type of employment, that is, the titles at the place of work. Employees, being not the executive of company or organization, are divided into 7 categories: regular workers, part-timers, Arbeit, dispatched employees from worker dispatch offices, contract employees, entrusted employees, and others according to their titles at the workplace. The latter 6 categories other than regular workers are combined and marked as non-regular workers.

The Ministry of Health, Labor and Welfare classifies workers according to the term of contract and the type of employment. According to the term of employment, workers are divided into full-time workers and part-time workers, and according to the type of employment, regular employees and employees other than regular employees, depending on the job title.

[Figure 2] Classification of Employment Type from Ministry of Health, Labor and Welfare



Source: Ministry of Health, Labor and Welfare

Therefore, in this paper, the definitions of regular employees and non-regular employees according to the employment type of the Statistics Bureau of the Ministry of Internal Affairs and Communications of Japan and the definitions of regular employees and employees other than regular employees according to the employment type of the Ministry of Health, Labor and Welfare are regarded as the same.

[Table 1] summarizes the dual structure of the labor market in Korea and Japan as described above.

[Table 1] Dual Structure of the Korea and Japan Labor Market

		Regular employee	Non-regular employee	Note
Korea	Corporate type	Large corporations, trade unions, and regular workers	small and medium-sized enterprises, non-union, and non-regular workers	Labor market structure
	Statistics Korea, Ministry of Employment and Labor	Permanent workers	Temporary daily workers, other workers	Occupational status
Japan	Statistics Bureau of Japan (Before 17. 12)	Regular employment	Temporary employment, daily employment	
	Statistics Bureau of Japan	Regular workers	Part-timers, Arbeit, dispatched employees from worker dispatch offices, contract employees, entrusted employees, and others	Type of employment (by job title)
	Ministry of Health, Labor and Welfare	Regular employee	Employee other than regular employee	

### **1-2-3. Full Substitution and Limited Substitution**

Non-regular labor can be divided into ‘full substitution’ and ‘limited substitution’ according to the size of labor. The full substitution type is a labor scale in which non-regular labor fully replaces regular labor, and the limited substitution type is a labor scale in which non-regular labor partially replaces regular labor.

Jung (2007) stated that Korea had many full substitution types for non-regular labor, while Japan had many limited substitution types. Accordingly, there is room for some irrational interpretations in terms of validity in comparative studies on non-regular workers in Korea and Japan. However, in Japan, a decrease in the number of regular workers and an increase in non-regular workers are evident not only for female but also for male, and the full substitution where the number of non-regular workers replacing regular workers in Japan is increasing. Therefore, as the definitions of non-regular workers in the two countries became similar, it became easier to generalize the dual structure of the labor market in both countries for comparative analysis.

## **2. Population and Economic Growth Rate of Korea and Japan**

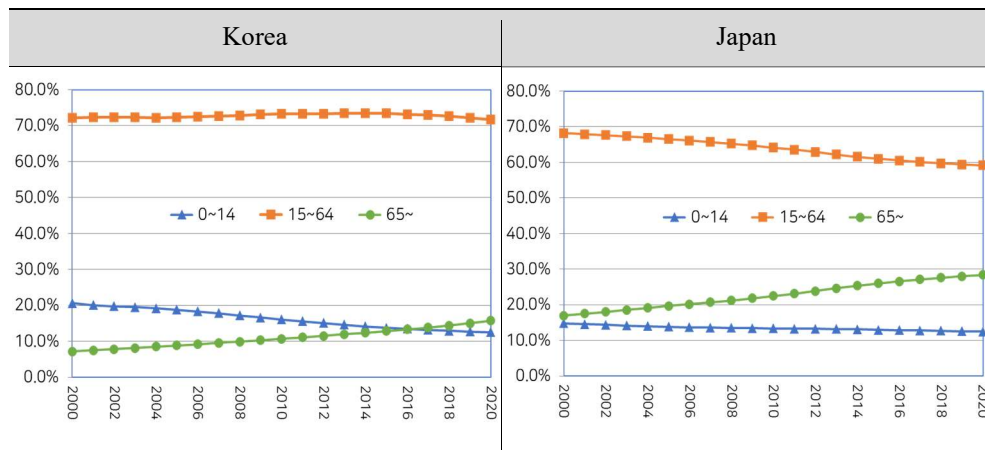
Considering that Japan's youth employment has been at full employment since 2017, and Korea's demographic structure has been tracing Japan with about 20 years' lag, Korea is also expecting that youth unemployment will be resolved naturally in the near future. (Baak et al., 2018; Kim, 2018). However, considering the case of Japan, which has a similar demographic structure to that of Korea, there is also the possibility that Korea will experience Japanese-style low growth, low inflation, and

long-term economic slump (Kang et al., 2014).

## 2-1. Population Share

In the case of demographic structure, Korea and Japan are progressing similarly, with only differences in the rate of aging and fertility. As for the proportion of the population aged 65 and over, Japan recorded 17% in early 2000, and the proportion of the elderly population rose sharply to 28.4% in 2020, whereas Korea rose from 7.2% in 2000 to 15.8% in 2020. As shown in [Figure 3], 17% of Japan's population aged 65 and over in 2000 is showing a similar trend to 15.8% of Korea's population aged 65 and over in 2020, with a 20-year gap. In Japan, the proportion of the population under the age of 14 is gradually falling to 14.8% in 2000, but in Korea, it fell sharply from 20.6% in 2000 to 12.5% in 2020. The share of the population under the age of 14 is also showing a similar trend to that of Japan 20 years ago.

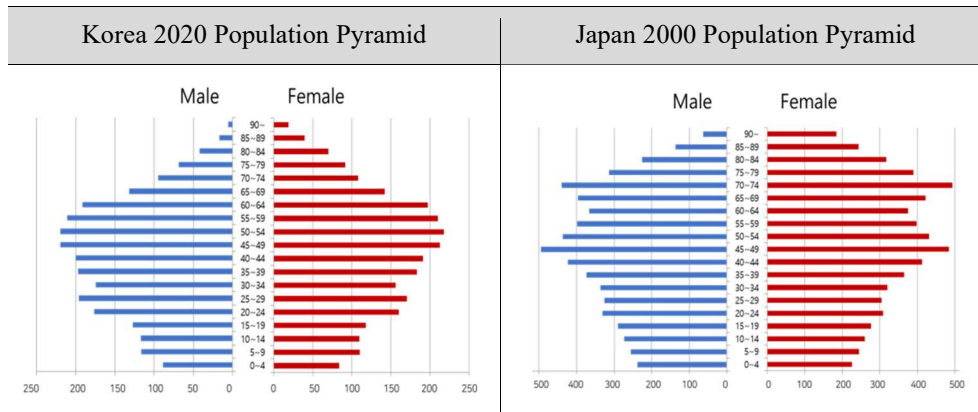
[Figure 3] Population Share by Age Group (2000~2020)



Source: THE WORLD BANK

As shown in [Figure 4], if the Japanese population pyramid in 2000 and the Korean population pyramid in 2020 are compared with a 20-year gap, it can be seen that the number of population aged 50 to 54 is the biggest, and the birth rate is rapidly decreasing.

[Figure 4] Korea and Japan Population Pyramid



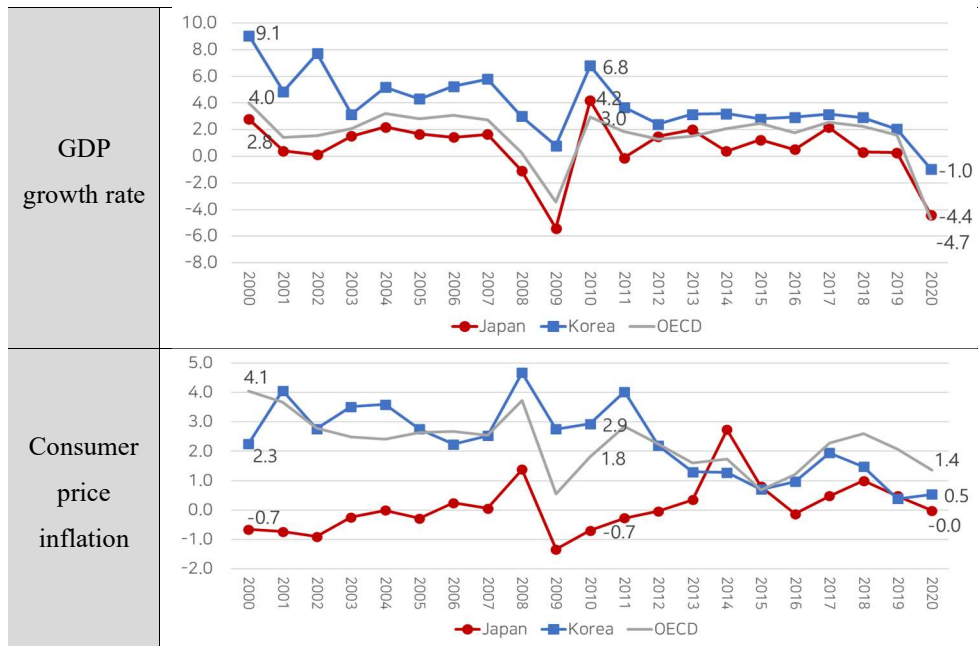
Source: Statistics Korea, Ministry of Health, Labor and Welfare

## 2-2. Economic Growth Rate and Consumer Price

From the 2000s to 2020, Japan's average economic growth rate continued low at 0.6%, lower than the OECD average of 1.6%, and Korea showed average of 3.9%. In terms of consumer price inflation, Japan has formed a low consumer price level since the 2000s averaged at 0.1%p, but Korea averaged 2.3%p, recording 0.5% in 2020. In Japan, the proportion of the elderly increased and the number of births decreased, forming negative consumer prices in the early 2000s. Korea also formed a low consumer price index from 4.1%p in 2001 to 0.5%p in 2020.



[Figure 5] GDP Growth Rate and Consumer Price Inflation



Source: THE WORLD BANK, OECD.Stat

As the proportion of the elderly population increases, the economic growth rate and inflation rate slow down, a phenomenon common to both countries. An increase in the proportion of the elderly population means a decrease in the birth population, and the trend of the decrease in the proportion of the birth population to the total population in the two countries is also commonly observed at 20-year intervals.

### **3. Prior Research on the Dual Structure of the Labor Market**

#### **3-1. Global Case of Labor Market Dual Structure**

Jeon, Hwang and Park (2018) studied the current situation of dual structure in the labor market in Spain, Germany, Sweden, and the Netherlands where the degrees of dual structure differ in terms of three aspects of the dual structured labor market. Through this, it was concluded that the dual structure problem gets more serious when there are greater the number of workers in the secondary labor market, greater wage and welfare gap between the primary and secondary labor markets and lower the mutual mobility.

In examining the problems of dual structure in the labor market of the said four countries, the wage gap and welfare were confirmed by the wage deciles ratio of each country. In Spain, the proportion of temporary workers among employed persons was 26.3% in 2019, more than double the OECD average. In addition, the overall labor market situation is not good, with the unemployment rate reaching 14.1% in 2019. The wage gap also exists at a certain level, with the wage deciles ratio reaching 3.127. The transition rate of temporary workers to regular workers after 3 years was 46%, which is somewhat lower than other countries. In the case of Spain, the dual structure is evaluated to be relatively serious (Chung, 2006).

In Germany, the proportion of temporary workers in 2019 was 12%, which is similar to the OECD average. As for the wage gap, the 2018 wage deciles ratio was 3.33, which is similar to the OECD average with a certain level of gap. In terms of mutual mobility, the transition rate of temporary workers to regular workers after 3 years reaches 60%, making movement between the primary and secondary markets

smooth, and the unemployment rate in 2019 is very good at 3.1%. However, in terms of the wage gap, the issue of dual structure is gradually being raised (Jeon, Hwang, Park, 2018).

[Table 2] Dual Structure Status and Labor Market-related Indicators in 4 Countries

	Spain	Germany	Sweden	Netherlands	OECD average
Dual structure status	Significant	Less significant	Insignificant	Insignificant	-
Permanent employment (2019) <sup>1)</sup>	73.7%	88%	83.4%	79.8%	87.9%
Temporary employment (2019)	26.3%	12%	16.6%	20.2%	12.1%
Wage deciles ratio (2018) <sup>2)</sup>	3.17	3.33	2.14	2.92	3.32
Transitions from temporary to permanent employment <sup>3)</sup>	46%	60%		70%	
EPL strictness of the regular employment protection legislation (2013) <sup>4)</sup>	2.36	2.84	2.52	2.94	2.29
EPL temporary employee restriction index (2013) <sup>5)</sup>	3.17	1.75	1.17	1.17	2.08
Unemployment rate (2019)	14.1%	3.1%	6.8%	3.4%	5.4%

Note:

- 1) Existing research data have been revised and data on the ratio of regular and temporary workers, wage deciles ratio, and unemployment rate have been updated.
- 2) As a percentage of the total number of employed people, the OECD classifies employment as temporary employment, otherwise it is classified as permanent employment (Source: OECD)
- 3) The ratio of the wage of the 10th (top 10%) to the 1st (lower 10%) wage, which is the monthly average income of full-time wage workers, including overtime and special allowances. (Source: OECD)
- 4) Proportion of temporary workers converted to regular workers in 2011 among temporary workers in 2008 (Source: OECD, Strengthening Social Cohesion in Korea, 2013)
- 5) Strictness of Individual and Collective Dismissal of Temporary Workers in the OECD Employment Protection Law Index (Version 3)
- 6) Temporary worker use regulation index among OECD employment protection legislation index
- 7) Table above is reconstructed from a table from Jeon, Hwang and Park (2018) by adding and updating recent data.

In Sweden, the ratio of temporary workers is 16.6%, which is slightly higher than the OECD average but the gap is not large because the deciles ratio is very low at 2.14, in terms of the wage gap. In the case of Sweden, the dual structure problem is considered to be insignificant (Lee, Jun, Cho, 2014).

In the Netherlands, the proportion of temporary workers is high at 20.2%, and in terms of the wage gap, the deciles ratio is 2.92, which is rather high. However, since the transition rate of temporary workers to regular workers after 3 years reaches 70%, and the satisfaction of part-time workers is known to be quite high because most part-time workers voluntarily choose part-time work for reasons such as childcare. The dual structure issues are not significantly raised (Chung, 2007).

The OECD's Employment Protection Legislation (EPL), which indexes the strictness of the employment protection legislation, notifies that when the index of temporary workers is high, it gets more stringent the requirements for hiring temporary workers exist. In Spain, where the dual structure problem is severe, the EPL index is 3.17, much higher than the OECD average of 2.08. Even under Spain's strict temporary employment regulation system, the dual structure problem is the most serious. On the other hand, Sweden and the Netherlands have a low ratio of temporary workers at 1.17, respectively, and a higher ratio of temporary workers than the OECD average, but the dual structure problem is not considered serious due to the wide tolerance of fixed-term and dispatched workers and little discrimination with regular workers (Chung, 2006).

In Spain, the proportion of temporary workers is high and there is a certain level of wage gap with regular workers, so the dual structure is evaluated to be relatively severe. And Germany has a low proportion of temporary workers and a low unemployment rate, but the dual structure problem is gradually raised due to the wage gap. In Sweden and the Netherlands, although the proportion of temporary and

part-time workers is high, there is little discrimination from regular workers in wage and welfare, so the dual structure problem seems not serious.

As discussed above, the gap in the dual structure can be identified by: first, the proportion of workers working in the secondary labor market; second, the wage and welfare gap between the primary and secondary labor markets; and finally, the degree of mobility of secondary market workers into the primary market.

### 3-2. Prior Research on the Dual Structure of the Labor Market

Prior researches on the problems of the labor market have been limited to specific topics such as educational background, a specific age group, unemployment rate, and jobs, but more research is needed to identify and solve them based on the recognition of problems of the labor market dual structure. In particular, comparative study with Japan would be effective, which is a neighboring country of Korea and is 20 years ahead in terms of population distribution.

[Table 3] Prior Research on the Dual Structure of the Labor Market and Comparison between Korea and Japan

	Title	Author	Contents	Limitation
Youth unemployment comparison between Korea and Japan	Comparative Analysis of Youth Unemployment in Korea and Japan: Implications for Korea	SaangJoon Baak, Namju Kim, Keunho Jang (2018)	<ul style="list-style-type: none"> <li>Finding the Causes of Youth Unemployment Rates in Korea and Japan.</li> <li>Comparison of Youth Employment Policies in Korea and Japan.</li> </ul>	Policy case studies for the root cause and resolution of the dual structure of the labor market are needed
	An Analysis of Youth Unemployment Trends in Korea and Japan	Hyunjoong Jun (2017)	<ul style="list-style-type: none"> <li>Changes in the demographic structure of the Korean and Japanese labor force.</li> <li>Analysis of Youth</li> </ul>	Research on labor market instability and unemployment issues needs to be expanded to research on the

	Title	Author	Contents	Limitation
			Unemployment Characteristics and Trends in Korea and Japan.	dual structure of the labor market
Labor market dual structure	The Recent Youth Employment Problem in Japan: The Brightness and Darkness of the New Graduates' Employment System	Reiko Kosugi (2018)	<ul style="list-style-type: none"> <li>• Analysis of Youth Employment Problems in Japan.</li> <li>• Introduction to Japan's employment system related to employment issues.</li> </ul>	Review of the Korean application of systems and measures based on Japan's a priori experience is needed
	Labor Market Dual Structure and Youth Jobs (I)	Jo-Yup Ahn, Sun Jung Oh, Selim Choi (2019)	<ul style="list-style-type: none"> <li>• A Study on the Dual Structure of the Labor Market and Jobs for the Youth.</li> <li>• A Study on the Dual Structure of the Korean Labor Market Index.</li> </ul>	Further research is needed on the effect of the dual structure of the labor market on social disparity
	A Comparative Study on the Characteristics of Non-standard Labor Markets in Korea and Japan	Ee Hwan Jung (2007)	<ul style="list-style-type: none"> <li>• Comparison of Characteristics of Korea and Japan Non-regular Labor Market.</li> <li>• A comparative study on the labor gap between the two countries</li> </ul>	Comparative study on non-regular workers in Korea and Japan is needed from the point of view of the dual structure of the labor market.

The implications of each preceding study for the study of the dual structure of the labor market are as follows:

As a study on Korea and Japan comparison, Baak, Kim, Jang (2018), and Jun (2017) comparatively analyzed youth unemployment in Korea and Japan. In Japan, the wage gap between large enterprises and SMEs is maintained, while in Korea, it is expanding, and it is analyzed that jobs at large companies are very scarce

compared to Japan in terms of quality jobs. The determinants of youth unemployment were considered to be related to the basic structure of the economy, such as the proportion of wage workers, the aging rate, the proportion of part-time workers, and the wage gap between SMEs and large enterprises. In order to solve such youth unemployment, Japanese and Korean youth employment policy cases were reviewed and implications were presented. However, it is still necessary to analyze the dual structure of the labor market, which is the root cause of the increase in youth unemployment and the mismatch between job offers and job seekers, along with policy case studies to resolve them.

As a study on the dual structure of the labor market, Reiko Kosugi (2018) introduced the Japanese employment system about the youth employment problem in Japan. Employment and vocational education of new graduates, characteristics and changes in corporations' human resource development were introduced, and problems with the employment ice age generation and school dropouts were analyzed.

It also introduced Japan's systems and measures to improve the employment and treatment of non-regular workers, as well as job support for newly graduates and young generation who have been pushed out of the employment system. This provides implications for reviewing the applicability of systems and measures based on Japan's prior experience onto Korea.

Ahn, Oh, and Choi (2019) look at the size and proportion of regular and non-regular workers and wages, as well as gender, age, education level, industry, business size, length of service, and type of job, and through this, the size of discriminating factors for non-regular employment and detailed non-regular employment was examined. As a result, since the lifetime wage premium in the primary labor market is quite high, it is suggested that preparing for quality employment while delaying

entry into the labor market is the best option in the dual structure of the labor market. In addition, it is said that the dual structure of the labor market is improving because the wage inequality between regular and non-regular workers is improving, but further research is needed in that there is still considerable inequality in the labor market dual structure.

Lastly, Jung (2007) analyzed the current status and differences of non-regular workers between the two countries through a comparison between Korea and Japan on the characteristics of the non-regular labor market. Non-regular workers in Korea and Japan are fundamentally different because they have difference in absolute comparison targets, but it was evaluated that they are becoming similar to each other overall. In particular, it was seen that the number of non-regular workers is increasing in order to reduce corporate costs being a change in Japan. He said that this dual structure of the labor market is a problem in both Korea and Japan, and that a comparative study on social integration efforts is needed for these non-regular workers.

As seen in the preceding studies, many researches were conducted to identify the current status of the dual structure of the labor market, recognize problems, and seek solutions for some systems. In the previous studies, comparative studies on a single country or on specific age groups between Korea and Japan regarding the dual structure of the labor market have been conducted, but no comprehensive comparative study based on the current dual structure of the labor market was conducted. Thus, this study compares the dual structure of the labor market between Korea and Japan, and compares the systems and supporting policies of Korea and Japan that can minimize the problem of social disparity.



### **III. Comparison between Korea and Japan on the Dual Structure of the Labor Market**

#### **1. Research Questions and Research Methods**

##### **1-1. Research Data**

In this study, data from the Ministry of Employment and Labor and the Korea Labor Institute were used for each labor market analysis for Korea, and data from the Statistics Bureau of Japan and the Ministry of Health, Labor and Welfare were used for Japan. In addition, data on the average number of employed people across the OECD were used.

For the analysis of Korea, statistical data provided by the Ministry of Employment and Labor were used: ‘Yearbook of employment and labor statistics’, ‘Survey report on labor conditions by employment type’, occupational status or employment type statistics from ‘Report on labor force survey at establishments.’

‘Employment and labor statistics DB’ provides statistical data by subjects on employment, wage and working hours, corporate labor cost, social insurance, business status, vocational training, labor-management relations, labor standards, employment equality, and industrial accidents.

‘The Yearbook of Employment and Labor Statistics’ is a comprehensive compilation of employment and labor statistics prepared by each government office and major domestic and foreign organizations every year. It provides statistical data related to employment and labor such as major labor economic indicators,

employment, wage/working hours and labor productivity, price and household balance, labor union and committee, labor standards, industrial accident insurance, industrial safety, job stability, vocational training, employment insurance, employment equality, international labor statistics, etc. ‘Survey report on labor conditions by employment type’ examines the actual working conditions of workers in various employment types (regular workers, non-regular workers) according to human and business attributes, and is used as basic data for policy making, such as measures to protect non-regular workers, and to develop labor standards and labor-management policies, etc. For this purpose, data on the working conditions by employment type are provided through 35 items such as wages and working hours.

‘Report on labor force survey at establishments’ provides monthly survey data on 27 related items from the perspective of labor demand (businesses), including the number of employees, number of vacant jobs, number of new employees and displaced employees, wages and working hours.

Mutual mobility between dual structures of labor market was analyzed using occupational status data from the 1st to 22nd years of ‘Korean Labor & Income Panel Study’ provided by the Korea Labor Institute. ‘Korean Labor & Income Panel Study’ is a longitudinal survey that tracks economic activities and labor market movements, income activities and consumption, education and vocational training, and social life once a year for panel sample members (5000 households) representing Korean households and household members living in non-rural areas.

It has the advantage of enabling in-depth policy research and policy evaluation, which is impossible with only cross-sectional data, by showing the process of transition in households and individuals over a long period of time on a dynamic level.

Number of employed by gender according to employment type from ‘Labour

Force Survey (long-term time-series)' data provided by the Statistics Bureau of the Ministry of Internal Affairs and Communications of Japan were used. Number of employed by employment type and wage data by employment type, gender, age, education, and company size provided by the Ministry of Health, Labor and Welfare in Japan ('Basic statistical survey of wage structure', 'Survey on the Structure of employment') were also used. In addition, the mutual mobility of the dual structure in the Japanese labor market was analyzed using the data of the proportion of workers applied to the welfare system in 'Survey on the structure of employment' (comprehensive survey on diversification of employment types).

'Labour Force Survey (long-term time-series)' is a monthly survey of about 40,000 households nationwide to determine the status of employment and non-employment in Japan. It provides data on the number of working forces, the number of employers/employees by various employment types, working hours, the number of full unemployment, full unemployment rates, and long-term data on the non-work force population.

'Basic statistical survey of wage structure' provides data on the wages of workers employed in major industries, such as the type of employment, type of work, job types, gender, age, educational background, years of continuous service, and years of service.

'The survey on the structure of employment' (comprehensive survey on the diversification of employment forms) is a survey to understand the actual conditions of employment types, workers' recognition, and the overall employment environment.

Permanent temporary employment data from 'OECD Statistics' were used to study the employment status by employment type. 'OECD Statistics' is a statistical online platform that contains data and metadata for OECD countries and selected

non-member countries. It provides statistical data in a variety of fields including agriculture, demographics, economy, education, environment, finance, and health.

[Table 4] shows the data used by each institution for this paper.

[Table 4] Data Sources by Institutions

	Institution	Source	Used data	Year
Korea	Ministry of Employment and Labor	Yearbook of employment and labor statistics	Number of employed by gender according to employment type	2015, 2020
		Survey report on labor conditions by employment type	Wage by gender, age, educational background according to employment type, rate of social insurance, bonus, retirement pension subscription and trade union membership by employment type	2009~2020
		Report on labor force survey at establishments	Wage by company size according to employment type	2009~2020
	Korea Labor Institute	Korea Labor Panel Survey	Occupational Status	2007~2019
Japan	Statistics Bureau of Japan	Labour Force Survey (Long-term time series data)	Number of employed by gender according to employment type	2021.9.25 retrieved
	Ministry of Health, Labor and Welfare	Basic Statistical Survey of Wage Structure	Wage by gender, age, company size according to employment type	2009~2020
		Survey on the Structure of Employment	Ratio of workers covered by the welfare system	2014, 2019
OECD		Labor	Permanent temporary employment	2021.9.25 retrieved

## 1-2. Research Question and Design

This study aims to understand the dual structure of the labor market in Korea and Japan which is accelerating the problem of social disparity, through the analysis of broad statistical data on the labor market in Korea and Japan, and to compare policies to alleviate the polarization.

The analysis period of this study was from 2009 to 2020, when economic turmoil began after the global financial crisis around 2007 to 2008. Data for 2019 are included in the absence of some 2020 data.

First, I will compare the labor market conditions of both Korea and Japan and analyze the status of polarized dual structure of the labor market. In particular, the purpose of this study is to examine the proportion of primary and secondary workers in the labor market, the wage and welfare gap and mutual mobility, which can confirm the gap in the dual structure of the labor market.

Second, I will compare the related policies and measures that Korea and Japan are supporting to resolve the polarization in the labor market dual structure.

Lastly, I will compare the application cases of the labor market dual structure polarization mitigation policies of Korea and Japan.

[Research Question 1]

What is the status of the dual structure of the labor market in Korea and Japan?

[Research Question 2]

What are the policies to alleviate the polarization in the dual structure of the labor market in Korea and Japan?

[Research Question 3]

What are the examples of the application of measures to alleviate the polarization of the dual structure of the labor market in Korea and Japan?

## **2. Analysis Method**

## 2-1. Comparison of Dual Structure in Korea and Japan Labor Market

In order to compare the dual structure of the labor market in Korea and Japan, this study compares the ratio of regular and non-regular workers in both countries, the wage gap by employment type, and the wage status by gender, age, company size, and educational background according to employment type. In addition, the welfare gap is compared through social insurance coverage rates, bonuses, retirement pensions, and union membership rates.

Current status of mutual mobility between primary and secondary labor markets is investigated through the proportion of workers converted to regular employment.

[Table 5] Contents of Comparative Analysis of Labor Market Dual Structure

## 2-2. Comparative Study on the Policy to Mitigate Dual Structure

Tasks	Analyzed Data
Dual structure	<ul style="list-style-type: none"> <li>Percentage of Regular/Non-regular Workers</li> </ul>
Wage Gap	<ul style="list-style-type: none"> <li>Regular/Non-regular Wages</li> <li>Regular/Non-regular Wage by gender</li> <li>Regular/Non-regular Wages by Age</li> <li>Regular/Non-regular Wages by Company Size</li> <li>Regular/Non-regular Wages by Educational Background</li> </ul>
Welfare Gap	<ul style="list-style-type: none"> <li>Percentage of Workers covered by the Regular/Non-regular Welfare system</li> </ul>
Mutual Mobility	<ul style="list-style-type: none"> <li>Full-time transition rate</li> </ul>

### Polarization in Korea and Japan Labor Market

This study will examine the support policies and measures for both Korea and

Japan to alleviate the polarization in the labor market dual structure and compare their characteristics.

As for support policies to alleviate the dual structure of the labor market, the laws and institutions supporting non-regular workers in Korea and Japan are researched, and employment improvement, labor improvement, and training support are studied and compared by characteristics in terms of wages, welfare, and job stability.

### **2-3. Comparative Case Study on the Mitigation Policy of Dual Structure Polarization of Korea and Japan Labor Market**

The purpose of this study is to compare the characteristics and cases of employers and non-regular workers using support systems and policies to alleviate the polarization in the dual structure of the labor market in Korea and Japan.

## **IV. Research Results**

### **1. Status of Dual Structure in Korea and Japan Labor Market**

#### **1-1. Ratio of Employed by Employment Type**

Looking at the employment ratio by employment type in Korea, the ratio of regular workers was 57.07% in 2009, but the ratio gradually increased to 69.55% in 2019. On the other hand, the ratio of non-regular workers was 42.93% in 2009, but the ratio gradually decreased and fell to 30.45% in 2019. In Korea, in terms of the number of employed, regular workers increased by 2%p on average and non-regular workers decreased by 3.37%p on average, suggesting that the dual structure of the labor market has eased.

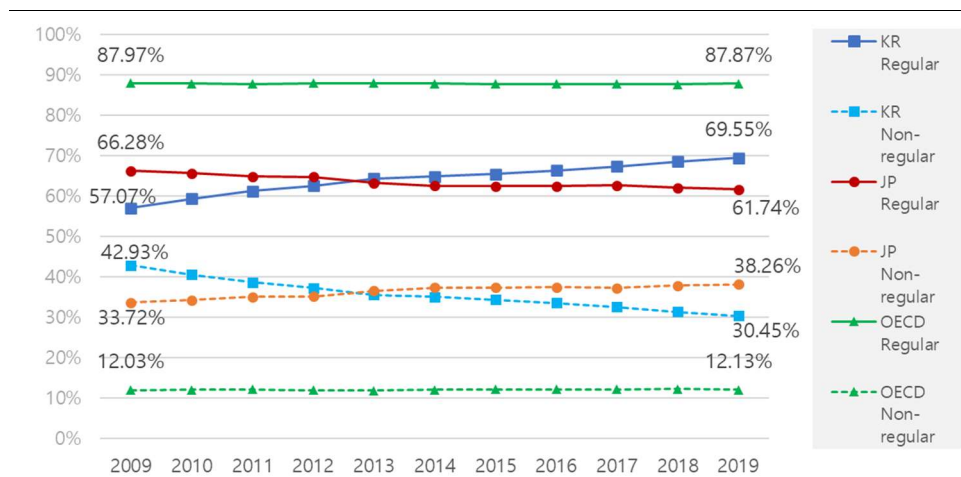
In Japan, the proportion of full-time employees in 2009 was 66.28%. Since then, the decrease is small, but it shows a steady downward trend, falling to 61.74% in 2019. Meanwhile, the proportion of non-regular workers recorded 33.72% in 2009, but gradually increased to 38.26% in 2019. In Japan, the average number of regular workers decreased by 0.7%p and the number of non-regular workers increased by 1.28%p on average, indicating that the dual structure of the labor market is gradually expanding.

In Korea, when comparing 2009 and 2019, the number of regular workers increased by 21.87%p and the number of non-regular workers decreased by 29.07%p, thereby easing the gap in the dual structure of the labor market. In Japan, when comparing 2009 and 2019, regular workers decreased by 6.74%p and non-regular



workers increased by 13.47%p, indicating that the gap in the dual structure of the labor market is gradually widening. In addition, compared with 87.87% of regular workers and 12.13% of non-regular workers in the OECD in 2019, the difference in the ratio of employed by employment type between the primary and secondary labor markets in Korea and Japan is small, indicating that, compared to the OECD average, there exists some polarization in the dual structure of the labor market.

[Figure 6] Trends in the Proportion of Employed Persons by Employment Type



	Korea		Japan		OECD	
	Regular	Non-regular	Regular	Non-regular	Regular	Non-regular
2009	57.07%	42.93%	66.28%	33.72%	87.97%	12.03%
2019	69.55%	30.45%	61.74%	38.26%	87.87%	12.13%
Increase, % (09~19)	21.87%	-29.07%	-6.85%	13.47%	-0.11%	0.80%
Ave. Incr., %	2.00%	-3.37%	-0.70%	1.28%	-0.01%	0.08%

Source: Ministry of Employment and Labor. Statistics Bureau of Ministry of Internal Affairs and Communications, OECD

Note:

- 1) Japan Labor Force Survey. Data for 2011 is statistical estimation as data was not available due to the East Japan Earthquake on March 11, 2011.
- 2) In the case of OECD data, regular workers are considered regular workers and temporary workers are considered non-regular workers.

## 1-2. Wage by Employment Type

One of the indicators of the gap in the dual structure of the labor market is the wage gap by employment type. The purpose of this study is to confirm the situation of the dual structure of the labor market in Korea and Japan by comparing the average wage of regular and non-regular workers in Korea and Japan from 2009 to 2019. The wage data was compared based on the monthly salary excluding various welfare systems.

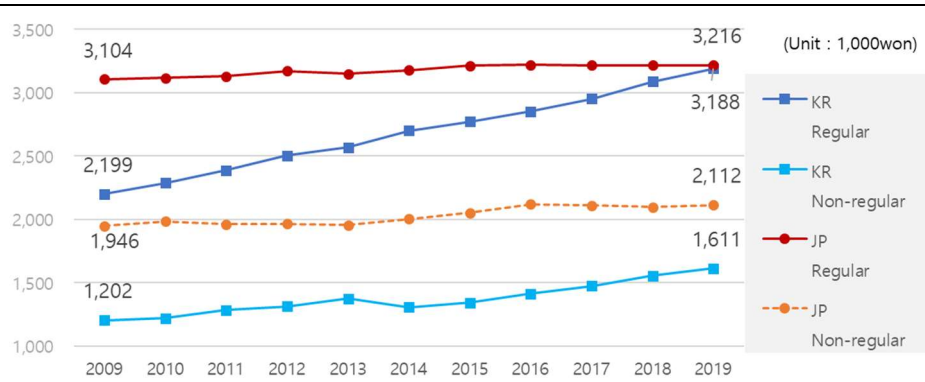
Looking at the wage trends by employment type in Korea, the average wage of a regular worker in 2009 was 2,199,000 won, showing a steady and steep increase every year, 3,188,000 won in 2019 increased by 989,000 won. Similarly, the wages of non-regular workers continued to rise except for a temporary decline in 2014. The average wage in 2009 was 1,202,000 won, but in 2019, the average wage increased by 409,000 won to 1,611,000 won. In Korea, it is noticeable that there was an average wage increase for both regular and non-regular workers, but the respective increases were 989,000 won and 409,000 won, showing that the wage of regular workers more than doubled compared to the wage increase of non-regular workers. It can be seen that the wage gap by employment type is widening sharply despite the majority of non-regular workers being the full substitution type.

Looking at the wage trends by employment type in Japan, the wage of regular workers in 2009 fluctuated slightly from 310,400 yen to 321,600 yen, an increase of 11,000 yen in 2019. Excluding the decline in 2014, the wage of non-regular workers also rose slightly from 194,600 yen in 2009 to 211,200 yen in 2019, an increase of 16,600 yen. The average wage of regular and non-regular workers in Japan has not changed much, with an increase of less than 20,000 yen in 11 years, confirming that Japan has shown a low growth rate. In addition, the average wage increase for regular

workers was 11,200 yen and that of non-regular workers was 16,600 yen. The wage increase of non-regular workers seems to be narrowing the wage gap as the increase is greater than that of regular workers. However, it is necessary to investigate the cause of whether the increase in the number of non-regular workers in Japan as discussed above made the wage increase with the increase in transition from limited substitution type to full substitution type.

In terms of the average rate, Korean regular workers increased by 3.79%p, non-regular workers 3.01p%, Japanese regular workers 0.47%p, and non-regular workers 0.83%p, respectively. In particular, when comparing 2009 and 2019 in Korea, the wage increase rate of regular workers increased by 44.97%p and the number of non-regular workers increased to 34.03%p, but in Japan, regular workers increased little by 3.61%p and non-regular workers by 8.53%p. Through this, it can be seen that Korea's high wage growth is catching up with the Japanese wage level, and the wages of regular workers are getting closer. However, in terms of wages, the wage of non-regular workers in Korea is 50.5% of that of regular workers, which is much more severe than that of Japan's 65.7%, which can be a major cause of social disparity.

[Figure 7] Average Wage Trend by Employment Type



	Korea (thousand won)			Japan (thousand yen)		
	Regular	Non-regular	Difference	Regular	Non-regular	Difference
2009	2,199	1,202	997(54.7%)	310.4	194.6	115.8(62.7%)
2019	3,188	1,611	1,577(50.5%)	321.6	211.2	110.4(65.7%)
Increase, % (09~19)	44.97%	34.03%		3.61%	8.53%	
Avg, Inc.	3.79%	3.01%		0.47%	0.83%	

Source: Ministry of Employment and Labor. Ministry of Health, Labor and Welfare

Note: 1) The wage graph is scaled into KRW 1,000 per JPY 100 for comparison between Korea and Japan.

2) Korean wage: Flat-rate pay + additional pay

3) Japanese wage: Flat-rate salary without overtime wages

### **1-3. Wage by Gender according to Employment Type**

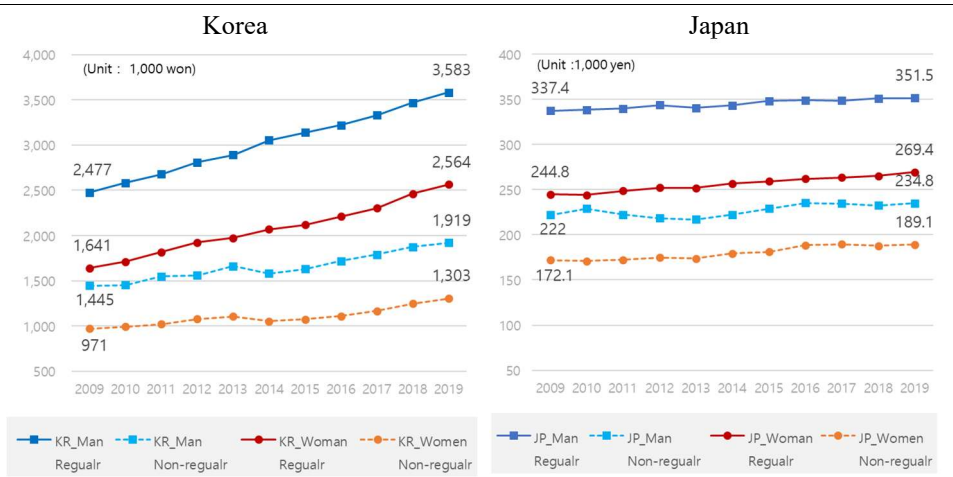
In order to confirm the change in the wage gap by employment type including gender factors, I compared the average wage of male and female regular and non-regular workers in Korea and Japan from 2009 to 2019 based on the monthly salaries.

In Korea, the wage of regular female workers was increased by 56.25%p from 1,641,000 won in 2009 to 2,564,000 won in 2019, showing a large increase with an average rate of 4.57%p. On the other hand, male non-regular workers increased by 32.80%p from 1,445,000 won in 2009 to 1,919,000 won in 2019, with an average rate of 2.93%p, the lowest rate among regular/non-regular males/females in Korea. In 2019, the gap between male regular workers and non-regular workers in Korea was 1,664,000 won (53.6% wage), and the gap between female regular workers and non-regular workers was 1,261,000 won (50.8% wage). However, when comparing between male regular workers and female non-regular workers, the gap was 2,280,000won, in other words, the wage of non-regular female worker was 36.4% compared to that of regular male.

In Japan, the number of regular female increased by 10.05%p from 244,800 yen in 2009 to 269,400 yen in 2019, and the average rate was 0.96%p, the largest increase among Japanese regular/non-regular workers and male/female. On the other hand, the wage for Japanese regular male increased by 4.18%p from 337,400 yen in 2009 to 351,500 yen in 2019, with the lowest increase at an average rate of 0.41%. In 2019, the wage gap between male regular and non-regular workers in Japan was 116,700 yen (66.8% wage), and the gap between female non-regular workers and non-regular workers was 80,300 yen (70.2% wage). Comparing the gap between regular male and female in non-regular workers in Japan, it was found that the wage of non-regular female was 162,400 yen, or 53.8% of the wages of regular men.

In both Korea and Japan, the wage gap between regular male and non-regular female is large. In particular, in the case of Korea in 2019, the wage gap between regular male and non-regular female was 2,280,000 won, which was 36.4% of the regular male's wage, a large gap compared to Japan's 53.8%. When the gender factor is added to the employment type, Korea's non-regular female's wages are the worst in Korea, and this seems to maximize the gap in the dual structure of the labor market by adding not only the gap by employment type but also the gender gap problem.

[Figure 8] Wage by Gender according to Employment Type



	Korea (thousand won)						
	Regular, Male (A)	Non-Regular, Male (B)	Diff. (A-B)	Regular, Female (C)	Non-regular, Female (D)	Diff. (C-D)	Diff. (A-D)
2009	2,477	1,445	1,032 (58.3%)	1,641	971	670 (59.2%)	1,506 (39.2%)
2019	3,583	1,919	1,664 (53.6%)	2,564	1,303	1,261 (50.8%)	2,280 (36.4%)
Increase, % (09~19)	44.65%	32.80%		56.25%	34.19%		
Avg. Incr.	3.76%	2.93%		4.57%	3.03%		

	Japan (thousand yen)						
	Regular, Male (A)	Non-Regular, Male (B)	Diff. (A-B)	Regular, Female (C)	Non-regular, Female (D)	Diff. (C-D)	Diff. (A-D)
2009	337.4	222	115.4 (65.8%)	244.8	172.1	727 (70.3%)	165.3 (51%)
2019	351.5	234.8	116.7 (66.8%)	269.4	189.1	803 (70.2%)	162.4 (53.8%)
Increase, % (09~19)	4.18%	5.77%		10.05%	9.88%		
Avg. Incr.	0.41%	0.58%		0.96%	0.96%		

Source: Ministry of Employment and Labor. Ministry of Health, Labor and Welfare

Note: 1) Korean wage: Flat-rate pay + additional pay

2) Japanese wage: Flat-rate salary without overtime wages

## **1-4. Wage by Age according to Employment Type**

In order to confirm the increase or decrease of the wage gap including age factors in terms of wages by employment type, the average wage trend of regular and non-regular workers was compared by age group in Korea and Japan from 2009 to 2020 based on the monthly wage.

### **1-4-1. Wage under the Age of 29**

In Korea, wages for regular workers under the age of 29 increased by 33.90%p from 1,870,000 won in 2009 to 2,433,000 won in 2020, showing highest increase rate of regular workers by age excluding group over 60. On the other hand, non-regular workers increased by 22.41%p from 1,013,000 won in 2009 to 1,240,000 won in 2020, with an average rate of 1.94%p, the second lowest rate among non-regular workers after those aged 50 ~ 59.

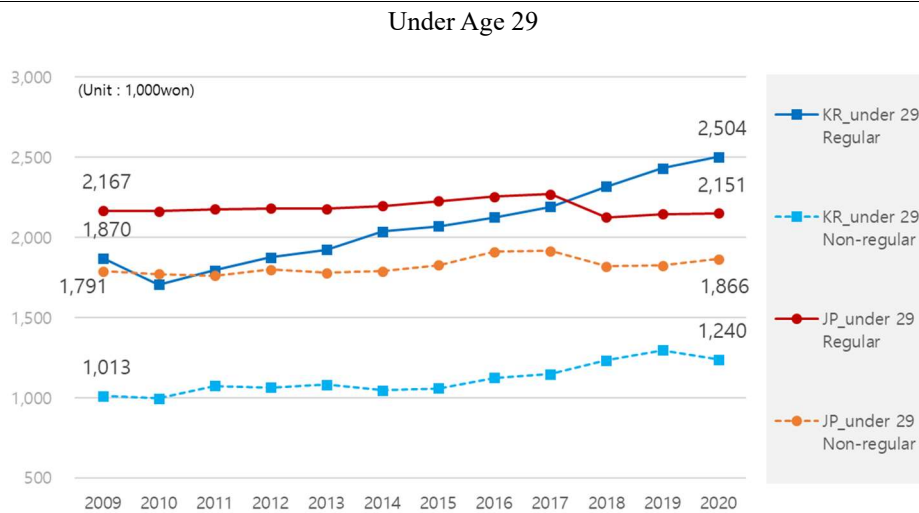
In Japan, the wage of regular workers under the age of 29 decreased 0.74%p from 216,700 yen in 2009 to 215,100 yen in 2020, and the average rate was -0.05%p, the second largest decrease after the 40~49-year-old regular workers by age. Non-regular workers increased by 4.21%p from 179,100 yen in 2009 to 186,660 yen in 2020 with an average rate of 0.40%p, but the increase was the lowest among non-regular workers by age.

As such, in the case of Korea under the age of 29, wages for both regular and non-regular workers increased in Korea, but in Japan, the wage of regular workers decreased in 2020 compared to 2009, and wages for non-regular workers increased slightly over the past 12 years, meaning there was little change in wages. The wage gap between regular and non-regular workers in Korea increased from 54.2% in 2009 to 49.5% in 2020, but in Japan, the gap is narrowing from 82.6% in 2009 to 86.6%



in 2020. From this perspective, it can be inferred that the dual structure of the labor market for young people under the age of 29 is aggravating the problem of social disparity among young people in Korea, and that in Japan, the working type of non-regular workers is gradually expanding to a full substitution type.

[Figure 9] Wage by Age according to Employment Type (under age 29)



(under age 29)	Korea (thousand won)			Japan (thousand yen)		
	Regular	Non-regular	Difference	Regular	Non-regular	Difference
2009	1,870	1,013	857(54.2%)	216.7	179.1	37.6(82.6%)
2019	2,504	1,240	1,264(49.5%)	215.1	186.6	28.5(86.8%)
Increase, % (09~19)	33.90%	22.41%		-0.74%	4.21%	
Avg. Incr.%	2.77%	1.94%		-0.05%	0.40%	

Source: Ministry of Employment and Labor. Ministry of Health, Labor and Welfare

Note: 1) The wage graph is scaled into KRW 1,000 per JPY 100 for comparison between Korea and Japan.

2) Korean wage: Flat-rate pay + additional pay

3) Japanese wage: Flat-rate salary without overtime wages

#### **1-4-2. Wage of 30~39 years old, 40~49 years old**

The wage of regular workers aged 30~39 in Korea increased by 20.22%p from 2,671,000 won in 2009 to 3,211,000 won in 2020, and the average rate increased to 1.81%. In the case of non-regular workers, from 1,392,000 won in 2009 to 1,902,000 won in 2020, it increased by 36.64%p, with an average rate of 2.92%p. The wage for regular workers aged 40~49 years old increased by 18.88%p from 3,082,000 won in 2009 to 3,664,000 won in 2020, with an average rate of 1.75%. In the case of non-regular workers, it increased by 31.38%p from 1,313,000 won in 2009 to 1,725,000 won in 2020, showing an increase of 2.56%p on average.

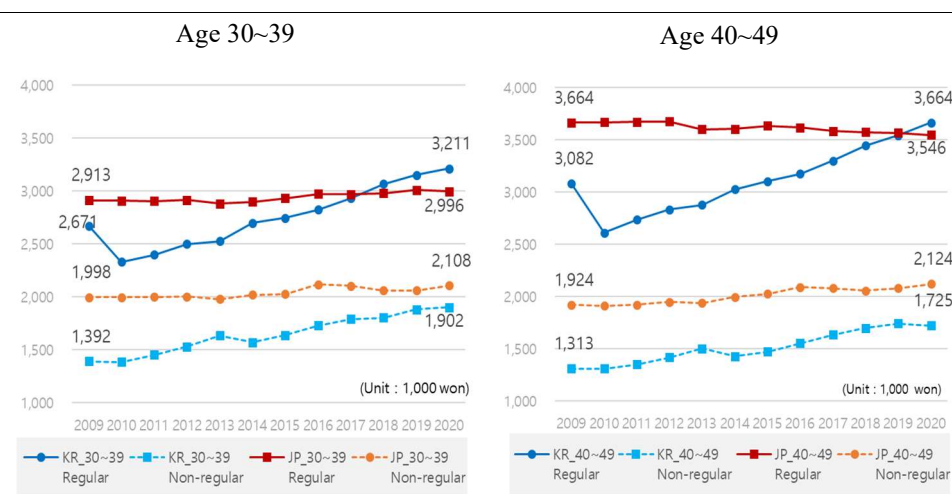
In Japan, the wage of regular workers aged 30~39 years old increased by 2.85%p from 291,300 yen in 2009 to 299,600 yen in 2020, with an average rate of 0.26%. In the case of non-regular workers, it increased from 199,800 yen in 2009 to 210,800 yen in 2020 with a rate of 5.51%p and an average rate of 0.5%p. The wage of regular workers aged 40~49 years old decreased by 3.22%p from 366,400 yen in 2009 to 354,600 yen in 2020, and the average rate decreased to -0.29%. In the case of non-regular workers, it increased by 10.37%p from 192,400 yen in 2009 to 212,400 yen in 2020, with an average rate of 0.91%p.

As such, in the case of Korea in their 30s and 40s, wages for both regular and non-regular workers increased. In Japan, the wages of regular and non-regular workers in their 30s, and non-regular workers in their 40s slightly increased, but the wages of regular workers in their 40s decreased in 2020 compared to 2009. As with those under 29, there has been little change in wages over the past 12 years.

In Korea, the wage gap of non-regular workers, compared to regular workers, in 2009 was 52.1% in their 30s and 42.6.2% in their 40s in 2009, to 59.2% in their 30s and 47.1% in their 40s in 2020. The gap is narrowing, but it can be understood that the social gap problem is not resolved because the wage gap is still large. In Japan,

the wage gap is narrowing from 68.6% in 2009 to 70.4% in 2020 for those in their 30s, and from 52.5% in 2009 to 59.9% in 2020 for those in their 40s. However, the result that Japan's low wage level for non-regular workers in their 40s in 2020 is 59.9% of regular workers is that the majority of non-regular workers in their 40s in Japan are limited substitution types. It can be inferred from the high level of the wage gap of 70.4% between non-regular workers and regular workers in their 30s that the full substitution type is increasing in young generation.

[Figure 10] Wage by Age according to Employment Type (age 30~39, 40~49)



Age (30~39)	Korea (thousand won)			Japan (thousand yen)		
	Regular	Non-regular	Diff.	Regular	Non-regular	Diff
2009	2,671	1,392	1,279(52.1%)	291.3	199.8	91.5(68.6%)
2019	3,211	1,902	1,309(59.2%)	299.6	210.8	88.8(70.4%)
Increase, % (09~19)	20.22%	36.64%		2.85%	5.51%	
Average Inc. %	1.81%	2.92%		0.26%	0.50%	

Age (40~49)	Korea (thousand won)			Japan (thousand yen)		
	Regular	Non-regular	Diff.	Regular	Non-regular	Diff
2009	3,082	1,313	1,769(42.6%)	366.4	192.4	174.0(52.5%)
2019	3,664	1,725	1,939(47.1%)	354.6	212.4	142.2(59.9%)
Increase, % (09~19)	18.88%	31.38%		-3.22%	10.37%	
Average Inc. %	1.75%	2.56%		-0.29%	0.91%	

Source: Ministry of Employment and Labor. Ministry of Health, Labor and Welfare

Note: 1) The wage graph is scaled into KRW 1,000 per JPY 100 for comparison between Korea and Japan.

2) Korean wage: Flat-rate pay + additional pay

3) Japanese wage: Flat-rate salary without overtime wages

### 1-4-3. Wage of 50~59 years old, 60 years old or older

The wage of regular workers aged 50~59 in Korea increased by 23.31%p from 2,891,000 won in 2009 to 3,565,000 won in 2020, and the average rate increased to 2.05%. In the case of non-regular workers, it increased by 21.14%p from 1,386,000 won in 2009 to 1,886,000 won in 2020, showing an increase rate of 1.84%p on average. The wage of regular workers aged 60 and over increased by 44.7%p from 2,036,000 won in 2009 to 2,946,000 won in 2020, with an average rate of 3.51%. In the case of non-regular workers, it increased by 38.74%p from 1,128,000 won in 2009 to 1,565,000 won in 2020, showing an increase rate of 3.11%p on average.

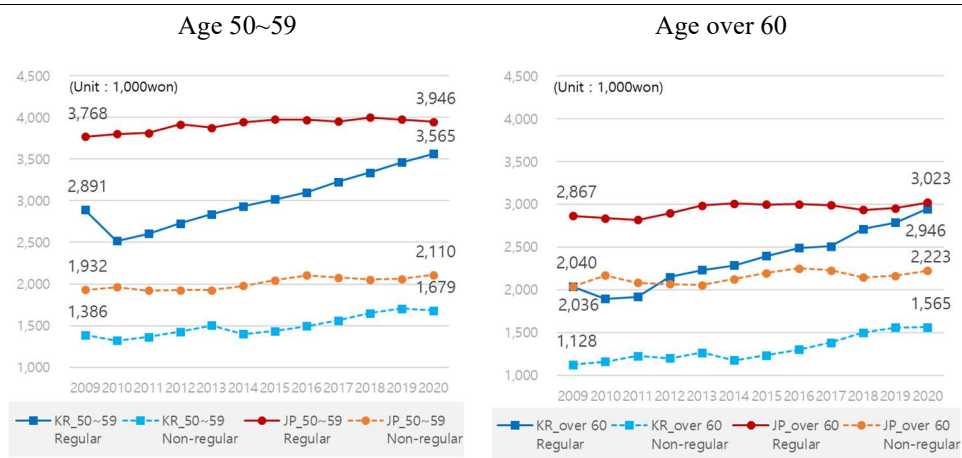
In Japan, the wage of regular workers aged 50~59 years old increased by 0.43%p from 376,800 yen in 2009 to 394,600 yen in 2020, with an average rate of 0.43%. Non-regular workers increased from 193,200 yen in 2009 to 211,000 yen in 2020 at

a rate of 9.19%p and an average rate of 0.82%p. The wage of regular workers over the age of 60 increased by 5.47%p from 286,700 yen in 2009 to 302,300 yen in 2020, and the average rate increased to 0.5%. In the case of non-regular workers, it increased by 8.99%p from 204,000 yen in 2009 to 222,300 yen in 2020, with an average rate of 0.83%p.

In both Korea and Japan, wages for both regular and non-regular workers in their 50s and 60s and older age increased, but compared to Korea, the wage in Japan showed little change for 12 years similar to the case of previous age group.

In Korea, the wage gap of non-regular workers compare to regular workers in 2009 was 47.9% for those in their 50s and 55.4% for those over 60 in 2009, to 47.1% for those in their 50s and 53.1% for those over 60 in 2020. It can be inferred that this can be a problem of poverty among the elderly as well as a problem of social inequality that is passed down through generations. In Japan, the wage gap is narrowing from 51.3% in 2009 to 53.5% in 2020 for those in their 50s, and from 71.2% in 2009 to 73.5% in 2020 for those over 60. However, Japan's wage level for non-regular workers in their 50s in 2020 is 53.5% of regular workers, which can be understood that most of them are still limited substitution type in the form of non-regular workers after their 50s in Japan. When looking at 73.5% for those in their 60s or older, it can be presumed that the full substitution type of non-regular employment is taking place due to the decrease of young population.

[Figure 11] Wage by Age according to Employment Type (age 50~59, age over 60)



Age (50~59)	Korea (thousand won)			Japan (thousand yen)		
	Regular	Non-regular	Diff.	Regular	Non-regular	Diff.
2009	2,891	1,386	1,505(47.9%)	376.8	193.2	183.6(51.3%)
2019	3,565	1,679	1,886(47.1%)	394.6	211.0	183.6(53.5%)
Increase, % (09~19)	23.31%	21.14%		4.72%	9.19%	
Average Inc. %	2.05%	1.84%		0.43%	0.82%	

Age (over 60)	Korea (thousand won)			Japan (thousand yen)		
	Regular	Non-regular	Diff.	Regular	Non-regular	Diff.
2009	2,036	1,128	908(55.4%)	286.7	204.0	82.7(71.2%)
2019	2,946	1,565	1,381(53.1%)	302.3	222.3	80.0(73.5%)
Increase, % (09~19)	44.70%	38.74%		5.47%	8.99%	
Average Inc. %	3.51%	3.11%		0.50%	0.83%	

Source: Ministry of Employment and Labor, Ministry of Health, Labor and Welfare

Note: 1) The wage graph is scaled into KRW 1,000 per JPY 100 for comparison between Korea and Japan.

2) Korean wage: Flat-rate pay + additional pay

3) Japanese wage: Flat-rate salary without overtime wages

I looked at the wage gap between regular and non-regular workers by age in Korea and Japan. Although Korea has shown a rapid wage increase over the past 12 years, the wage of non-regular workers compared to regular workers in 2020 is 49.5% for those under 29, 59.2% for those in their 30s, 47.1% for those in their 40s, and 47.1% for those in their 50s, 53.1% for those in their 60s, indicating that there is a gap between the dual structures of the labor market. In the case of Japan, the wage growth rate has been minimal or decreased over the past 12 years, but the wage gap is smaller than that of Korea: 86.8% for people under 29, 70.4% for people in their 30s, 59.9% for people in their 40s, 53.5% for people in their 50s, and 73.5% for people in their 60s. This suggests that Korea might suffer social problems such as poverty inheritance and elderly poverty due to the wage gap caused by the dual structure of the labor market. Also, it can be inferred that Japan is shifting to full substitution non-regular employment due to business uncertainty from low growth, and has the same problems as Korea.

### **1-5. Wage by Company Size according to Employment Type**

In order to check the increase or decrease of the gap in wages by employment type, including factors by company size, based on the total monthly wage for Korea and the predetermined monthly wage for Japan, the trends of the average wages by the size of companies from 2009 to 2019 were compared.

In Korea, the number of non-regular workers at Size-5 companies increased by 66.38%p from 1,029,000 won in 2009 to 1,712,000 won in 2019, showing the largest increase at an average rate of 5.43%p. On the other hand, the number of full-time Size-5 workers increased by 39.60%p from 3,934,000 won in 2009 to 5,492,000 won

in 2019, showing a low rate of increase with an average rate of 3.43%p. However, in 2019, the wage of non-regular workers of the Size-5 was 3,780,000 won lower than that of regular workers, which was 31.2% of that of regular workers. Even in companies of Size-1 to 4, there is a gap of 1,898,000 won between 3,625,000 won for regular workers and 1,727,000 won for non-regular workers in 2019, and it was found that they receive 47.6% of the wages of regular workers. The wage gap between regular and non-regular workers is large regardless of the size of the company. In particular, the wage of non-regular workers recorded 1,727,000 won in Size-1~4 companies and 1,712,000 won in Size-5 companies which was found to be lower.

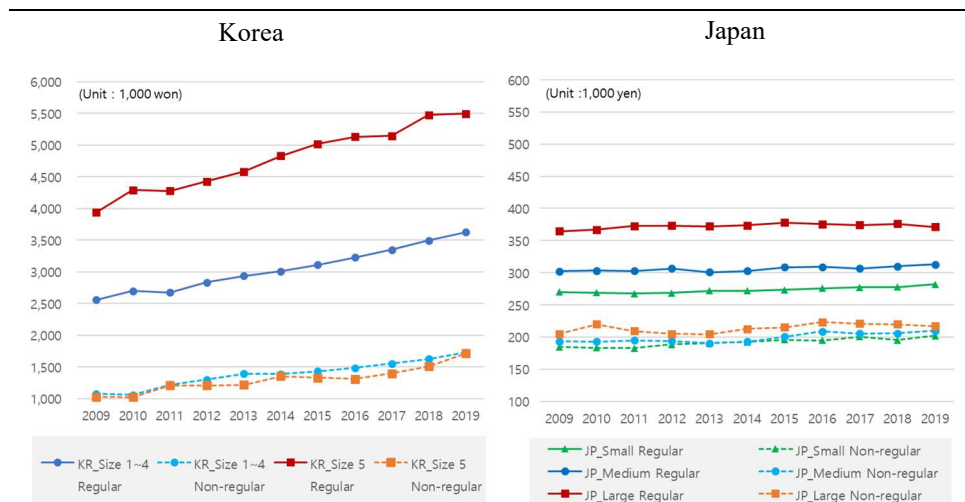
In Japan, the wage of non-regular workers in small companies increased by 9.37%p from 184,700 yen in 2009 to 202,000 yen in 2019, and the average rate increased the most by 0.92%p. On the other hand, the wage of regular workers in large corporations in Japan increased by 1.89%p from 364,500 yen in 2009 to 371,400 yen in 2019, with the lowest increase at an average rate of 0.19%. In 2019, the gap between non-regular workers in small businesses was 80,000 yen, receiving 71.6% of the regular wage, and the gap between non-regular workers in large companies was 154,600 yen, receiving 58.4% of regular workers' wages. In Japan, the wage gap between regular and non-regular workers in small companies is not large, but there is quite a difference in large companies. Likewise in Japan, the wages of non-regular workers at small companies were 202,000 yen, non-regular workers at middle companies 209,600 yen, and non-regular workers at large companies 216,800 yen, showing that wages of non-regular workers are of similar amount.

In both Korea and Japan, the wage of non-regular workers showed a high rate of increase, but regardless of the size of the company, non-regular workers maintained similar wage levels, and the wage gap with regular workers was large. The same



wage structure for non-regular workers, regardless of the size of the company, can be a factor that differentiates and segments secondary labor market workers and makes primary labor market workers resist the unjustified movement of secondary labor market workers. It may also be the cause of the structure in which movement between the primary and secondary labor markets is difficult.

[Figure 12] Wage by Company Size according to Employment Type



	Korea (thousand won)						
	Size 1~4			Size 5			Diff. (A-B)
	Regular	Non-regular (B)	Diff.	Regular (A)	Non-regular	Diff.	
2009	2,557	1,076	1,481 (42.1%)	3,934	1,029	2,905 (26.2%)	2,858 (27.4%)
2019	3,625	1,727	1,898 (47.6%)	5,492	1,712	3,780 (31.2%)	3,765 (31.4%)
Increase, % (09~19)	41.77%	60.50%		39.60%	66.38%		
Avg. Inc. %	3.57%	4.93%		3.43%	5.43%		

	Japan (thousand yen)									
	Small Enterprise			Medium Enterprise			Large Enterprise			Diff. (A-B)
	Regular	Non-regular (B)	Diff.	Regular	Non-regular	Diff.	Regular (A)	Non-regular	Diff.	
2009	270	184.7	85.3 (68.4%)	302.3	193.6	108.7 (64%)	364.5	204.9	159.6 (56.2%)	179.8 (50.7%)
2019	282	202	80 (71.6%)	312.8	209.6	103.2 (67%)	371.4	216.8	154.6 (58.4%)	169.4 (54.4%)
Increase, % (09~19)	4.44%	9.37%		3.47%	8.26%		1.89%	5.81%		
Average Inc.%	0.44%	0.92%		0.35%	0.81%		0.19%	0.62%		

Source: Ministry of Employment and Labor. Ministry of Health, Labor and Welfare

Note:

- 1) Total monthly wage in Korea: Amount obtained by dividing monthly salary (fixed salary + additional salary) + annual special salary for 12 months
- 2) Japan's prescribed amount of wages: flat-rate wages that do not include overtime wages
- 3) Korea (as of 2019) 5 to 299 people in Size 1-4 companies, and more than 300 people in Size 5 companies.
- 4) Japan (as of 2019) 10 to 99 small enterprises, 100 to 999 medium enterprises, and more than 1000 large enterprises.

## **1-6. Wage by Educational Background according to Employment Type in Korea**

In the case of Korea, current status of wage data by educational background according to employment type provided by Ministry of Employment and Labor was examined.

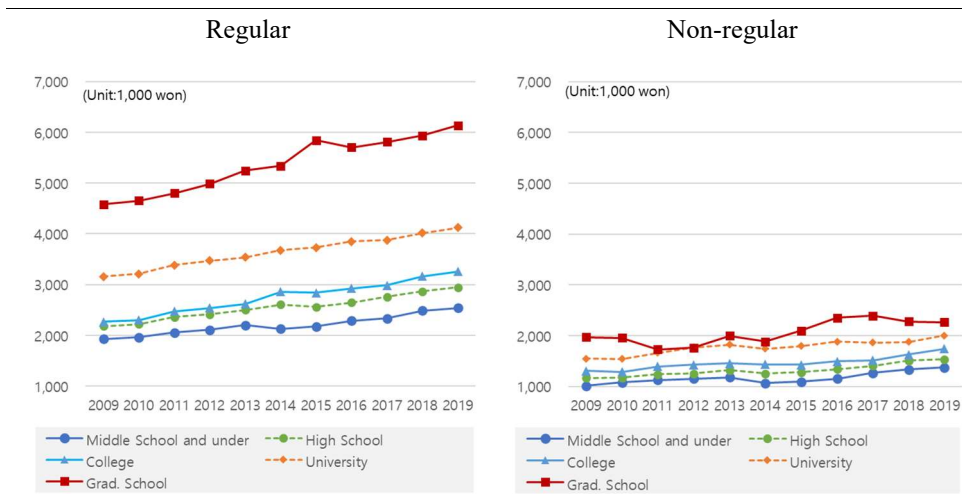
In Korea, there is a large wage gap for regular workers by educational background. Based on the total monthly wage in 2019, graduate school graduates 6,133,000 won, university graduates 4,124,000 won, college graduate 3,261,000 won, high school graduates 2,945,000 won, and middle school or less education graduates (MSLE) 2,540,000 won, there is a difference in wages by educational background. There is a 2.4-times wage gap between the graduate school graduates and the MSLE. In the case of regular workers, the wage of college graduates increased by 43.72%p from 2,269,000 won in 2009 to 3,261,000 won in 2019, with an average increase rate of 3.43%p, the largest increase in wages. The wage of university graduates increased from 3,157,000 won in 2009 to 4,124,000 won in 2019, an increase of 30.63%p, and the average increase rate was 2.66%p, showing the smallest increase.

In the case of non-regular workers, the wage gap by educational background was not as large as that of regular workers. Based on the total monthly wage in 2019, graduate school graduates 2,264,000 won, university graduates 2,002,000 won, college graduates 1,745,000 won, high school graduates 1,537,000 won, and MSLE 1,373,000 won, there is a difference in wages by educational background. A maximum wage gap of 1.6 times appeared between graduate school graduates and MSLE graduates. In the case of non-regular workers, graduate school graduates increased 14.92%p from 1,970,000 won in 2009 to 2,264,000 won in 2019, with an

average increase rate of 3.20%p, the highest average increase rate. MSLEs' wages increased 36.08%p from 1,009,000 won in 2009 to 1,373,000 won in 2019, but the average increase was the lowest as 2.8%p.

In Korea, there was a significant difference in wages by education level in regular workers, but there was little difference in non-regular workers. In particular, as of 2019, the wage of non-regular workers with a graduate degree was 2,264,000 won, which is lower than the wage of 2,540,000 won for regular workers with a MSLE graduates. In spite of the level of education is high, it is still difficult to overcome the wage gap in the dual structure of the labor market for regular and non-regular workers.

[Figure 13] Wage by Educational Background according to Employment Type in Korea



(thousand won)	Regular					Non-regular				
	Middle School and under	High School	College	University	Grad. School	Middle School and under	High School	College	University	Grad. School
2009	1,928	2,183	2,269	3,157	4,578	1,009	1,165	1,306	1,549	1,970
2019	2,540	2,945	3,261	4,124	6,133	1,373	1,537	1,745	2,002	2,264
Increase, % (09~19)	31.74 %	34.91 %	43.72 %	30.63 %	33.97 %	36.08 %	31.93 %	33.61 %	29.24 %	14.92 %
Average Inc. %	2.52%	2.91%	3.43%	2.66%	3.13%	2.80%	2.37%	2.35%	2.47%	3.20%

Source: Ministry of Employment and Labor

Note

- 1) Total monthly wage in Korea: Amount obtained by dividing monthly salary allowance (fixed salary + additional salary) + annual special salary by 12 months

### **1-7. Welfare Gap of Korea and Japan**

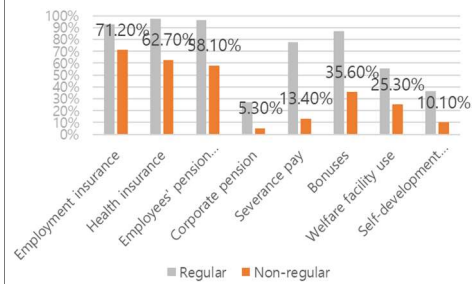
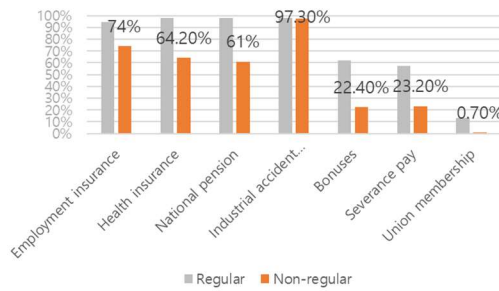
The welfare systems in Korea are, in general, the 4 major social insurances, employment insurance, health insurance, national pension, and industrial accident compensation insurance, along with bonuses, severance pay, and union membership as a mechanism to protect workers' rights and interests. In the case of industrial accident compensation insurance, 97.9% of regular workers and 97.5% of non-regular workers show little difference, but the bonus is almost three times higher at 61.5% for regular workers compared to 21.4% for non-regular workers. In terms of severance pay, 23.8% for non-regular workers compared to 58.9% for regular workers, which is more than double. In the case of union membership, it is difficult to protect the rights and interests of workers as it shows a low membership rate of 13% even for regular workers, but it shows almost no protection with the rate of 0.7% for non-regular workers.

Welfare systems provided in Japan include employment insurance, health insurance, employees' pension insurance, corporate pension, severance pay, bonuses, welfare facility use, and self-development support. In Japan, 92.7% of regular workers and 71.2% of non-regular workers have a difference of 21.5% in the employment insurance coverage rate. In particular, in Japan, similar to Korea, there is a nearly six-times gap in severance pay, 77.7% for regular workers and 13.4% for non-regular workers, and the bonus is more than doubled with 86.8% for regular workers and 35.6% for non-regular workers. Also, in terms of welfare system, it is found that there is a gap in various systems between regular and non-regular workers.

Although that regular and non-regular worker groups may not be in the same job and/or working conditions, Korea and Japan both have considerable welfare gap in the dual structure of the labor market. This can be the cause of the social disparity problem in the dual structure of the labor market.

[Figure 14] Welfare Status by Employment Type

Korea (2020)			Japan (2019)		
	Regular	Non-regular		Regular	Non-regular
Employment insurance	94.4%	74.4%	Employment insurance	92.7%	71.2%
Health insurance	98.5%	64.9%	Health insurance	97.2%	62.7%
National pension	98.3%	61.7%	Employees' pension insurance	96.1%	58.1%
Industrial accident compensation insurance	97.9%	97.5%	Corporate pension	27.2%	5.3%
			Severance pay	77.7%	13.4%
Bonuses	61.5%	21.4%	Bonuses	86.8%	35.6%
Severance pay	58.9%	23.8%	Welfare facility use	55.8%	25.3%
Union membership	13%	0.7%	Self-development support	36.4%	10.1%



Source: Ministry of Employment and Labor (2020), Ministry of Health, Labor and Welfare (provided every five years, 2019)

Note 1) Employees' pension insurance: Employees' Pension Insurance are designed to help stabilize the living of workers in case of old age, disability or death. Insurance contributions are evenly shared by the employers and their employees.

2) Corporate pension: Corporate pension is a pension that a company contributes and pays (depending on the type, in collaboration with the employee) to guarantee the living of an employee after retirement.

## **1-8. Mutual Mobility of Korea and Japan**

Through mutual mobility, which is the transition rate from the secondary labor market to the primary labor market, it is possible to examine the seriousness of the problem of the dual structure of the labor market. In order to understand the transition rate of regular workers in Korea and Japan, 'Korean Labor & Income Panel Study' data were used, and 'Survey on the Structure of Employment' by the Ministry of Health, Labor and Welfare to examine the mutual mobility of the dual structure of the Korean and Japanese labor market.

In Korea, the ratio of regular workers transitioned who were non-regular workers one year before was 10.91% in 2010, 6.53% in 2014, and 6.21% in 2019. For 3-year non-regular workers, the numbers were 24.45% in 2010, 20.27% in 2014 and 20.33% in 2019. In Korea, as non-regular workers search for jobs based on their work experience, the longer they have experience, the easier they can find regular jobs. However, it was found that Korea's low transition rate of regular workers exacerbates the problem of dual structure in the labor market.



[Table 6] Korea's Regular Employment Transition Rate

	Non-regular at 1 year before			Non-regular at 3 years before		
	2010	2014	2019	2010	2014	2019
Transition to Regular worker (%)	10.91%	6.53%	6.21%	24.45%	20.27%	20.33%

Source: Korean Labor & Income Panel Study 10th (2007), 12th (2009), 13th (2010), 14th (2011), 16th (2013), 17th (2014), 19th (2016), 21st (2018), 22nd (2019) data

Note

- 1) 1 year before: A worker who was a non-regular worker 1 year before
- 2) 3 years before: A worker who was a non-regular worker 3 years before

In Japan, through the ‘Survey on the Structure of Employment’ conducted every five years, I confirmed the rate of transition to regular workers by the employee transition system. The employee transition system varies slightly from year to year, but it can be divided into full-time regular transition and non-full-time regular transition. Full-time regular workers accounted for 11.4% in 2014 and 11.2% in 2019, while non-full-time regular workers accounted for 1.2% in 2010, 2.3% in 2014, and 3.5% in 2019.

Although the employment of non-regular workers is gradually expanding in Japan, it cannot be interpreted that the transition rate to regular workers is significantly lower than in Korea, as the ratio of regular workers is still high when new employees are recruited, and the need for transition to regular workers is low in the case of voluntary non-regular workers as a limited substitution type. However, it was found that Japan, like Korea, has a serious problem of dual structure in the labor market due to low mutual mobility.

[Table 7] Japan's Regular Employment Transition Rate

	Year 2010		Year 2014		Year 2019	
	Full-time Regular Transition1)	Part-time regular employees 2)	Full-time Regular Transition1)	Part-time regular employees 2)	So-called regular employee transition system 3)	Various regular employee transition system4)
Transition to Regular worker (%)	...5)	1.2%	11.4%	2.3%	11.2%	3.5%

Source: Ministry of Health, Labor and Welfare (2014, 2019) Survey on the Structure of Employment

Note

- 1) Full-time regular employee: Full-time employee who is employed for an indefinite period
- 2) Part-time regular employees: Full-time employees with shorter fixed working hours (the number of working days) per week than full-time regular employees
- 3) So-called regular employee: a full-time employee who is not limited by any of his/her duties, place of work, or working hours
- 4) Various regular employee: Regular employees with more limited duties, locations, working hours, etc. than so-called regular employees (even if not specified in the employment contract, it is included if the job, place of work, working hours, etc. are limited as a matter of fact. Full-time employees who work part-time for childcare and nursing care are not included.)
- 5) "...": data not surveyed for the year;
  - 6) The subject of the 2019 regular employee conversion rate survey changed to so-called regular employees and various regular employees

In both Korea and Japan, it is confirmed that, even if the comparative analysis was not conducted under the controlled situation of groups with the same working types and conditions for regular and non-regular workers, a significant difference occurred in the dual structure of the labor market in Korea and Japan in terms of wage gap, welfare gap, and mutual mobility. It is necessary to examine the ways to minimize the gap in the dual structure of the labor market by comparing policies, systems and related application cases to see what efforts the two countries are making to improve these situations.

## 2. Comparative Study on the Policy to Mitigate Dual Structure Polarization in Korea and Japan Labor Market

### 2-1. Supporting Laws and Institutions

It can be confirmed that the dual structure of the labor market has an effect on social disparity and polarization for both Korea and Japan. In order to minimize this polarization of dual structure of the labor market, I will compare the laws, institutions, and characteristics between Korea and Japan.

[Table 8] Laws and Institutions Supporting Non-regular Workers

	Korea	Japan
Law	Act No. 18177 According to Chapter 1 Article 2, It is prohibited to treat unfavorably without any reasonable reason in relation to ‘wage, bonus, working conditions and welfare.’	Act No. 76 of 1993 According to Chapter 3 Article 9, Discriminatory treatment of short-term or temporary employment workers, who can be identified with regular workers, is prohibited.
Promotion Institutions	<ul style="list-style-type: none"> <li>• Ministry of Employment and Labor</li> <li>• Public institutions</li> <li>• Employment center</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Health, Labor and Welfare</li> <li>• Public institutions (prefectural labor bureau)</li> <li>• Hello Work</li> </ul>
partner organizations	<ul style="list-style-type: none"> <li>• Private (corporate)</li> <li>• Public institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Private (corporate)</li> </ul>
Note	The Ministry of Employment and Labor promotes the conversion of non-regular workers in the public sector to regular workers and shares the results through the ‘Public sector non-regular employment improvement system’ <a href="http://public.moel.go.kr">http://public.moel.go.kr</a>	Ministry of Health, Labor and Welfare provides integrated information on related systems, policies, and usage plans through the category of ‘non-regular employment’ <a href="https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou_roudou/part_haken/index.html">https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou_roudou/part_haken/index.html</a>

In Korea, it is prohibited to treat the fixed-term and part-time workers unfavorably without any reasonable reason. The Ministry of Employment and Labor has promoted the transition of non-regular workers in the public sector to regular workers since 2017, and through the ‘Public Sector Non-regular Employment Improvement System’, it provides directions for promotion and transition results.

In Japan, discrimination against part-time workers and fixed-term workers for the same work as full-time employees is prohibited, and the Ministry of Health, Labor and Welfare provides integrated information on related systems, policies, and application methods through the ‘non-regular worker policy introduction’ category.

In both Korea and Japan, the government and private companies are cooperating based on laws prohibiting discrimination against non-regular workers. When looking at the differences between Korea and Japan, Korea provides high-quality jobs through the transition of non-regular workers to regular workers, while Japan provides solutions against discrimination for non-regular workers performing the same work as regular workers, thus alleviates the polarization in the dual structure of the labor.

## **2-2. Supporting System and Policy**

As for a non-regular worker support system and policy to alleviate the dual structure of the labor market, I divided it into labor improvement, employment improvement, and training support in terms of wages, welfare, and job stability, and compare their characteristics.

[Table 9] Policies Supporting Non-regular Workers

	Korea	Japan	Wage	Welfare	Mutual mobility
Employment	<ul style="list-style-type: none"> <li>• Employment security incentives (support for conversion to regular employees)</li> <li>• Employment Type Disclosure System</li> <li>• worker dispatch system</li> </ul>	<ul style="list-style-type: none"> <li>• Career-up Subsidy 1-2 courses</li> <li>• Part-time / fixed-term employment portal site</li> <li>• Workers Dispatch Act</li> </ul>			●
Labor	<ul style="list-style-type: none"> <li>• System of correcting discrimination against non-regular workers</li> <li>• Program for Supporting Workplaces without Discrimination</li> <li>• Minimum Wage Guarantee System</li> </ul>	<ul style="list-style-type: none"> <li>• Securing fair treatment regardless of employment type</li> <li>• Support site for corporations shining with diverse utilization of human resources</li> <li>• Regional Minimum Wage</li> <li>• Support project for small and medium-sized enterprises (SMEs) due to minimum wage increase</li> <li>• Career-up Subsidy 3~7 course</li> </ul>	●	●	◐
Training	<ul style="list-style-type: none"> <li>• Tomorrow Learning Card.</li> <li>• National period and strategic industry job training.</li> <li>• Loan for vocational training cost of living</li> <li>• Vocational Training Portal (HRD-Net).</li> </ul>	<ul style="list-style-type: none"> <li>• education training benefits</li> <li>• Public Vocational Training (Hello Training)</li> <li>• Job card system</li> </ul>			●

### **2-2-1. Employment Improvement**

For employment improvement for non-regular workers, Korea has employment security incentives (support for transition to regular workers), employment type notice system, and worker dispatch system. Japan has 1~2 courses of Career-up subsidy, part-time/fixed-term labor portal sites, and the Worker Dispatching Act.

#### **① Korea**

Among the employment security incentives, in the case of support for conversion to regular employees, 80% of the wage increase is subsidized from the government to the employer at 600,000 won per month for maximum 1 year if the employer converts or directly hires non-regular workers.

In a situation where the problem of dual structure in the labor market is deepening due to the spread of non-regular workers and in-house subcontracting, Employment type disclosure system requires companies to disclose their employment type so that employers are encouraged through social opinion, etc. to improve their employment without violating the autonomy of corporate management, leading to structural improvement.

The worker dispatch system prevents the total dispatch period from exceeding two years through Article 2 Subparagraph 1 of the Dispatch Act when the dispatched employee was engaged in work for the user employer.

#### **② Japan**

The Career-up Subsidy is a subsidy paid to employers for non-regular workers, such as fixed-term workers, part-time workers, and dispatched workers, to promote career advancement within the company. It is divided into seven courses. Of these courses, except for Course 2, additional labor relations subsidies are provided if productivity improvement is recognized by meeting the productivity requirements. Courses 1 and 2 are aiming to improve employment by increasing the mobility of

non-regular workers to regular employees. Course 1, 'Regular Employee Transition Course' provides subsidies when non-regular workers are converted to regular workers, and Course 2 'Disabled Regular Employee Transition Course' provides subsidies when non-regular workers with disabilities are converted into regular workers. The amount of subsidy paid per person who converts to regular employees varies depending on the size of the company, the conditions of indefinite/fixed-term employment of non-regular workers, and the degree of disability.

The part-time/fixed-term labor portal site guides employers on the applicable laws and introduces model cases, as well as self-diagnosis to induce improvement in the working conditions of non-regular workers. In addition, it improves the treatment of non-regular workers through consulting on job analysis and job evaluation systems, and encourages the hiring of non-regular workers such as part-time regular workers as regular employees.

The Worker Dispatch Act provides for a maximum period of three years when a dispatched worker performs the same job at the dispatched place. However, if the work is not the same, additional 3 years of dispatch is possible, and in the case of an indefinitely employed worker by the dispatching business owner, the dispatch is possible without a term limit as an exception.

In the case of employment improvement, in Korea, employment improvement was induced and the hiring of regular workers was encouraged through the company's employment type disclosure system. In Japan, it actively encouraged the introduction of autonomous employment by providing information on related laws and introducing employment improvement systems and actual cases. In particular, in both Korea and Japan, there are systems to provide subsidies to business owners when the transition to regular workers took place.

The difference is that in Korea, dispatching the workers to other workplaces for

more than two years is strongly prohibited, whereas in Japan, the ban on dispatching workers for the same work for more than three years is only enforced while allowing an exception to the indefinite-term workers of the dispatching company, if the work is different, which makes high instability of the dispatched workers.

### **2-2-2. Labor Improvement**

As for labor improvement systems for non-regular workers, Korea has a System of correcting discrimination against non-regular workers, a Program for Supporting Workplaces without Discrimination, and a minimum wage guarantee system. Japan has a system for fair treatment regardless of employment type, support site for corporations shining with diverse utilization of human resources, SME support projects to raise the minimum wage, and 3~7 courses of Career-up Subsidies.

#### ① Korea

System of correcting discrimination against non-regular workers investigates and corrects the cases where non-regular workers who perform the same or similar work should not be discriminated without reasonable reason in matters related to wages, regular bonuses, management performance, other matters on working conditions and welfare, etc. when the worker applies for the correction of discrimination.

Program for Supporting Workplaces without Discrimination provides discrimination diagnosis, discrimination improvement support, education, and counseling to prevent and improve unreasonable discrimination in employment of non-regular workers.

The Minimum Wage Guarantee System is a system that protects low-wage workers by setting the legal minimum level of wages for workers and requiring employers to pay higher wages, and the Minister of Employment and Labor decides and announces the wage when submitted to the government by the voting of the



committee on the minimum wage every year.

② Japan

To secure fair treatment regardless of employment type (equal work, equal pay), employers who improve the treatment of non-regular workers are subsidized by 'Work Style Reform Promotion Support Center' with 'Career-up Subsidy.'

'Support site for corporations shining with diverse utilization of human resources' introduces good examples of reference for business owners who are considering supporting the career development of non-regular workers in order to secure excellent employee.

As for the regional minimum wage, the minimum wage increase amount is determined by the Local Minimum Wage Council by referring to the revised standard for each region proposed by the Central Minimum Wage Council, in accordance with the wage situation in the relevant prefecture.

The SME business support project for raising the minimum wage is a project that supports dispatching of experts or providing consultations or providing subsidies for SMEs affected by the minimum wage increase in connection with the Ministry of Health, Labor and Welfare and the Ministry of Economy, Trade and Industry. Small and medium-sized enterprises (SMEs) employers receive information on treatment improvement counseling and related support systems for non-regular workers through one-stop & free consultation and support system, and when the wage is raised over a certain level of the minimum wage, a portion of the cost will be paid. In particular, if non-regular workers are hired and working conditions are improved, they can receive additional labor-related subsidies as they fall under the category of "Career-up Talent Cultivation".

Courses 3 to 7 of the Career-up Subsidy, a support policy to promote the career advancement of non-regular workers in companies, provide subsidies to employers

when the working conditions of non-regular workers are improved.

Course 3 'Course for Revision of Wage Regulations, etc.' is a case in which wages for non-regular workers have been increased or upgraded by the wage regulations of non-regular workers. Course 4 'Course for Commonization of Wages Regulation, etc.' is applied when there are new regulations and application of the common wage rules for non-regular workers and regular workers performing same duties, and subsidies are provided to realize equal work and equal wages while improving the basic wages of non-regular workers.

Courses 5 to 7 provide subsidies when welfare is improved by adjusting allowances and working hours related to non-regular workers, and by expanding the beneficiaries of the medical examination system and social insurance.

Course 5 'Course for Commonization of Various Allowance Systems, etc.' is a case in which various allowance-related systems that are commonly applied to non-regular workers and regular workers are newly defined and applied. Course 6 'Advancement of Treatment for Non-regular Workers' is the case in which subsidies are provided when there are applications of employee insurance for non-regular workers, or the reexamination of working method reflecting opinions of non-regular workers. Course 7 'Part-time Workers Working Hours Extension Course' is the case where there is extension of working hours along with basic wage so that social insurance can be applied.

In terms of labor improvement, Korea prohibits discrimination against non-regular workers and induces employment improvement through discrimination diagnosis, discrimination improvement support, education, and counseling to improve the employment structure of companies. In Japan, various guiding support measures and case studies were introduced to help a work improvement system based on equal work and equal pay, stabilizing the working conditions of non-regular

workers and promoting career advancement. In addition, direct subsidies were provided when the optimal rights matched to regular workers were secured for non-regular workers.

The difference is that Korea tried to secure the minimum rights of non-regular workers through clear standards such as guaranteeing the legal minimum wage, but in Japan, the Central Minimum Wage Council only proposed the minimum wage, which is decided by the Local Minimum Wage Council in each prefecture. In Japan, where the minimum wage increase has been small for several years, this could be a cause of insufficient welfare support for companies or non-regular workers who do not use policies to encourage improvement in labor.

### **2-2-3. Training Support**

As a training support system for non-regular workers, Korea has the Tomorrow Learning Card System, national key and strategic industry job training, and Loan for vocational training cost of living. In Japan, there are education and training benefits, public vocational training, and job card system.

#### **① Korea**

The Tomorrow Learning Card System project is a system that subsidizes training expenses, etc. so that people can conduct vocational competency development training on their own in order to improve their competency throughout lifetime as a social safety net that adapts to rapid technological development and responds to changes in the labor market.

National key and strategic industry job training is to nurture the manpower with technical and functional abilities required by companies by conducting vocational competency development training for jobs that are insufficient or demand is expected to increase in industrial fields such as national key industries and strategic industries.

The target of support is the unemployed, high school third-year students who are not planning to go to upper-level school, university graduates, self-employed workers, workers in special forms, SMEs workers, fixed-term workers, and part-time workers.

The Loan for vocational training cost of living reduces the burden of livelihood of the unemployed and non-regular workers on long-term vocational training through loan support so that they can concentrate on vocational training. The system provides better employment support for vulnerable groups (non-regular workers, temporary unemployed, etc.) by providing loan support for long-term low-interest living expenses during vocational training.

The Vocational Training Portal (HRD-Net) provides services for issuing Tomorrow Learning Card System, training course search, and course registration.

## ② Japan

Education and training benefits are paid by employment insurance as part of the cost of attending certain education and training programs. It is a system in which a part of the course fee is paid upon completion of education and training with purpose to stabilize and promote employment by supporting the development of workers' abilities and career formation.

Public vocational training (Hello Training) is a guide service on public vocational training and job seeker support training that job seekers can receive free of charge, and it provides information to acquire the vocational skills and knowledge necessary to engage in the desired job.

The job card system is a system that provides support from job card centers across the country for 'term-based practice-type training' to people with little experience as full-time employees, and aims to promote personal career development and smooth employment of various talents. The job card is used as a tool for 'career planning through lifetime' and 'professional ability proof', and is used for job counseling, job

search support, and job ability development.

In terms of training support, Korea provides direct support for training expenses to develop the vocational skills of non-regular workers and loans for living expenses during vocational training. Japan also supports training expenses to develop vocational competency, but training fees are paid upon completion of education and training. Career plans are established through the job card system and continuous career development are supported through job counseling.

As described above, comparison between the two countries was made regarding the support systems and policies to alleviate the wage gap, the welfare gap, and low mutual mobility in terms of the dual structure of the labor market. Through this comparison, it can be seen that most of the policies two countries implemented were similar, except some policies reflecting the characteristics of each country. In this paper, some application cases of the policies will be compared from the perspectives of employers and workers.

### 3. Comparative Case Study on the Mitigation Policy of Dual Structure Polarization in Korea and Japan Labor Market

#### 3-1. Support for Employers

In the case of employer support in Korea and Japan, I compared government support policies for employment status and its improvement details.

[Table 10] Case Comparison of Support for Business Owners

	Korea	Japan
Cases	<ul style="list-style-type: none"> <li>• Catholic Kwandong University International St. Mary’s Hospital (2020)</li> </ul>	<ul style="list-style-type: none"> <li>• Social Welfare Corporation Seikatsu Club (2017)</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• 1260 people in total</li> <li>• 880 full-time employees</li> <li>• 190 fixed-term</li> <li>• 190 dispatched workers</li> </ul>	<ul style="list-style-type: none"> <li>• 1680 people in total</li> <li>• Level 1 full-time employee (regular): 400</li> <li>• Level 2 full-time employees (time-selective system): 200</li> <li>• 1080 contract employees</li> </ul>
Employment status	<ul style="list-style-type: none"> <li>• Non-payment of performance bonuses to interns.</li> <li>• Discriminatory clause on “contract termination” exists in the labor contract for non-regular workers.</li> <li>• Discrimination against paid sick leave in employment rules, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Many non-regular workers who are unable to work for a long period of time due to personal circumstances and have difficulty improving their careers</li> </ul>
Policy applied	<ul style="list-style-type: none"> <li>• Program for Supporting Workplaces without Discrimination</li> </ul>	<ul style="list-style-type: none"> <li>• Career-up Subsidy</li> </ul>

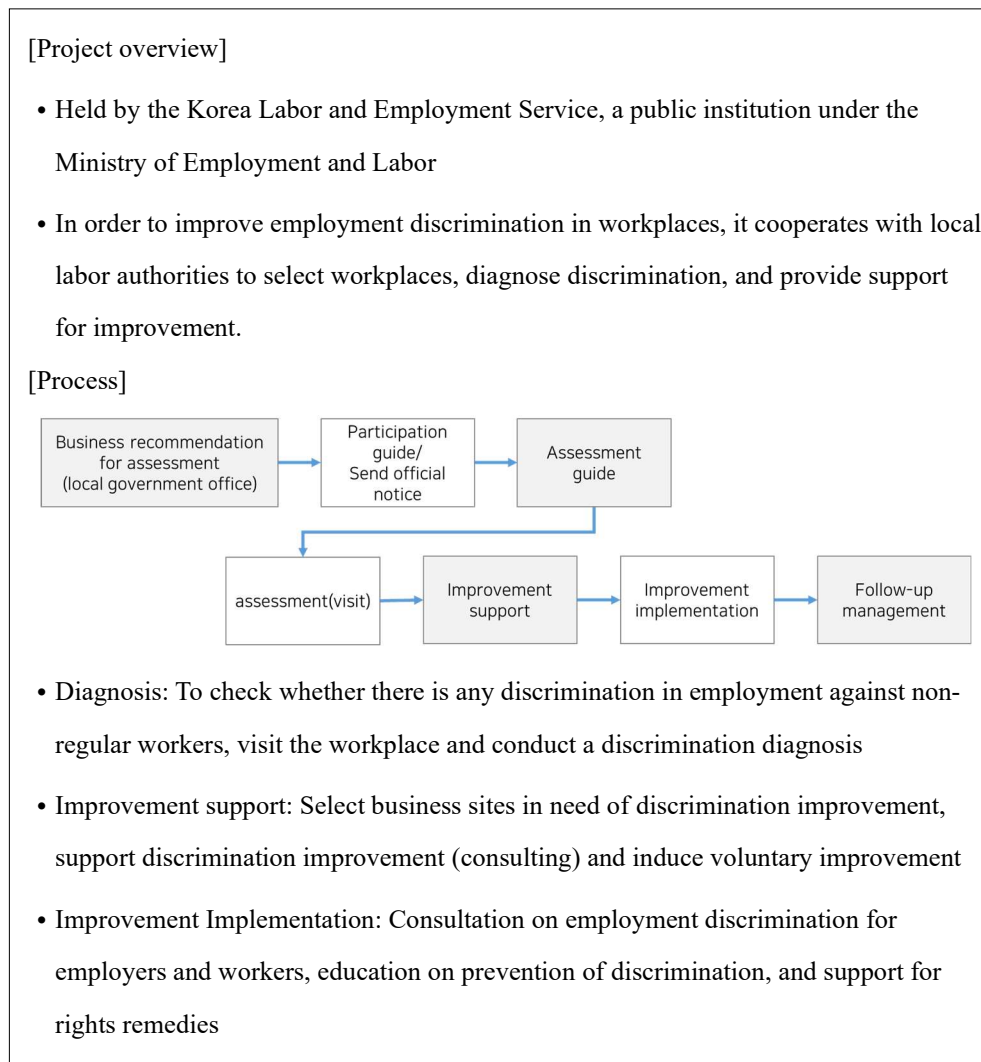
	Korea	Japan
Improvement	<ul style="list-style-type: none"> <li>• 80 contract workers converted to regular workers (contract workers -&gt; hospital affiliates) Interns get paid performance bonuses</li> <li>• Termination of contract for non-regular workers, removal of discriminatory provisions for paid sick leave.</li> <li>• Implementation of self-improvement to establish an organizational culture free from discrimination.</li> </ul>	<ul style="list-style-type: none"> <li>• Operation of the conversion system from contract workers to regular workers</li> <li>• Clarification of employment classification, security for long-term employment of fixed-term employees, and establishment of a fair recruitment system.</li> <li>• Enhance individual skills by providing a talent development program system.</li> </ul>
Case sources	<ul style="list-style-type: none"> <li>• 2020 Best Practices for a Workplace Without Discrimination, (2021.1) Ministry of Employment and Labor, Korea Labor and Employment Service</li> </ul>	<ul style="list-style-type: none"> <li>• Support site for corporations shining with diverse utilization of human resources</li> <li>• Case 52 Social Welfare Corporation Seikatsu Club</li> </ul>

① Korea

Catholic Kwandong University International St. Mary's Hospital was reviewed as an example of a Program for Supporting Workplaces without Discrimination as part of a plan to alleviate the polarization of dual structure in Korea.

In the case of the hospital, it was a new hospital that opened in February 2014, and until the hospital entered a stable period, the number of non-regular workers was maintained at a certain rate due to the uncertainty of the business environment, but the hospital participated in 'Program for Supporting Workplaces without Discrimination' to improve discrimination between regular and non-regular workers.

[Figure 15] Program for Supporting Workplaces without Discrimination Overview



Through the diagnosis of the Program for Supporting Workplaces without Discrimination, there was a case of non-payment of performance bonuses corresponding to the contribution to hospital performance during one year of working as an intern after joining the hospital. In addition, when workers received the lowest grade in personnel evaluation, regular workers were given an opportunity



to improve and reevaluated, but non-regular workers were immediately dismissed (a case regarding labor contract). Lastly, fixed-term employees, daily employees, and part-time employees with tenure of less than six months could not get paid sick leave.

Through consulting, interns could get paid with bonus by calculating reasonable contributions, and the discriminatory clause on “contract termination” was deleted from the contract for non-regular workers. In addition, the discrimination clause on paid sick leave has been deleted from the employment rules so that it can be applied in the same way as for regular workers. In particular, the computer team, call center, and reception staff, who had previously performed work under contract, were all converted to hospital staffs, and about 80 contract workers were converted to regular workers through evaluation.

A department dedicated to organizational culture innovation, human resource development, and employee health was established, and various programs were implemented so that all employees could consider, respect and communicate with each other as if they were one family without discrimination between regular and non-regular employees.

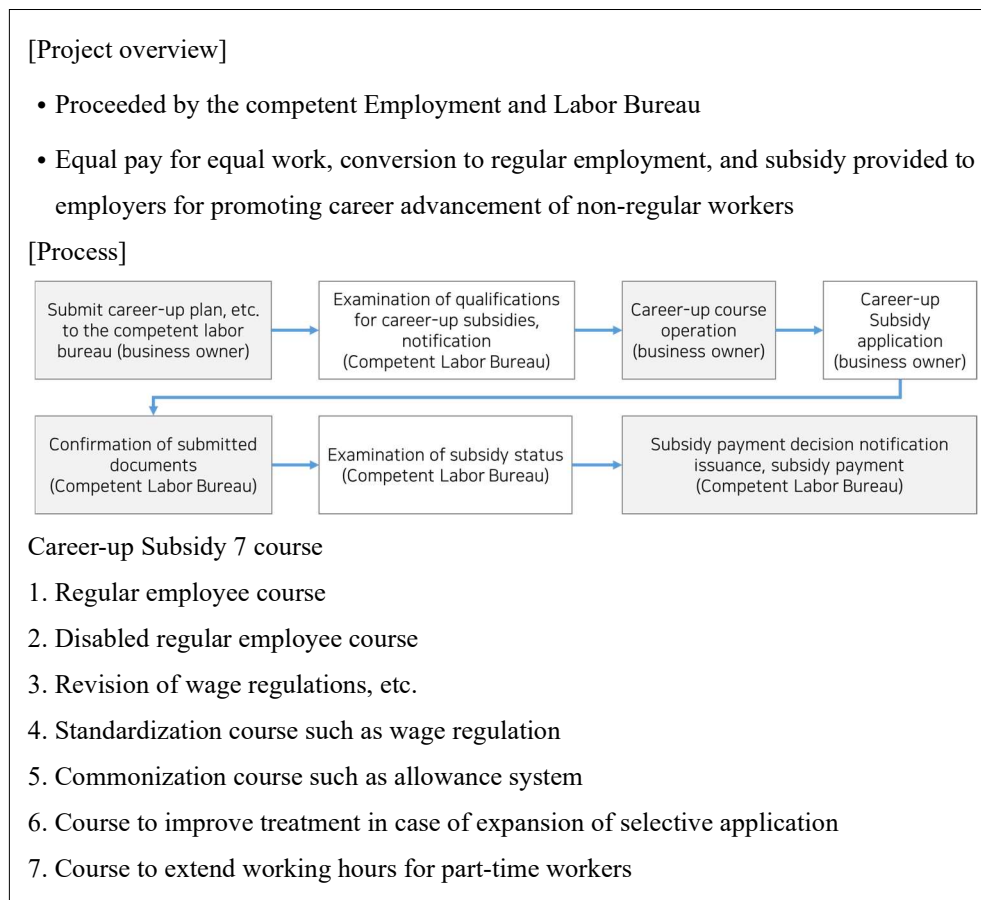
‘Professional Counseling Program’ to listen to employees about their difficulties as well as personal ones, ‘Psychological Healing Café’ with professional counselor to support psychological tests, and healing, ‘Creating a Good Workplace’ by supporting small groups among employees, a project to strengthen communication among employees, ‘Health promotion program’ to improve the health of employees through various exercise support activities, and ‘Recreation room’, a rest area for employees that provides a variety of entertainment and cozy rest area full of fun events. In addition, such as ‘Wish Prayer Tree’ and ‘Let’s Compliment’ for communication and harmony between employees were implemented and all contract workers and dispatched workers were allowed to participate in all programs.

## ② Japan

As part of Japan's dual structure polarization mitigation plan, social welfare corporation 'Seikatsu Club', was reviewed as an example of using Career-up Subsidies to increase mutual mobility between regular and non-regular workers and improve the working conditions of non-regular workers. The corporation has been proposing remuneration, employment type, working hours, etc. to recruit. Furthermore, in order to take into account changes in individual circumstances and a longer period of work, it introduced and operated a regular transition system with the career improvement of each employee in mind.

Among the seven courses of the Career-up Subsidy, the social welfare corporation 'Seikatsu Club' appears to have utilized the Course 1, the 'Regular Employee Course', which is given when workers are converted from fixed-term workers to regular employees.

[Figure 16] Career-up Subsidy Overview



The total working hours of employees increased by the operation of the contract-to-regular transition system, making it possible to organize flexible shifts.

Transition from contract employees to regular employees is conducted twice a year in April and in October every year after transition evaluation test. For the transition test, a written essay and a recommendation letter from the supervisor are required, and then, the transition is judged through an interview with executives.

Through this, organizational communication improved due to clarification of employment classification, security for long-term service of fixed-term employees, and establishment of a fair employment system, while increasing employee

responsibility, reducing lateness, absenteeism, and trouble.

As the motivation of the employees improved, they showed an active attitude toward the improvement of ability and knowledge and the improvement of skills.

With the provision of a talent development program system, each employee can improve their individual skills and perform their duties responsibly, thereby increasing work efficiency and contributing to absorbing the temporary increase in labor costs due to the introduction of a new HR system. In particular, there were effects in terms of lowering the turnover rate and improving recruitment competitiveness.

The regular employee transition system was introduced for the purpose of long-term settlement and preventing of turnover of employees, maintaining and improving motivation, improving employee satisfaction, eliminating anxiety among employees in fixed-term employment, and stabilizing the employment.

In 2016, Japan implemented a new personnel system, including the revision of the wage regulation, to review the evaluation system and improve the treatment of regular employees and extended retirement age (previously aged 60 to 65). Related systems to realize fairness were reorganized, beyond the classification of employment, such as the introduction of personnel evaluations to contract employees, and cooperation in the introduction of new systems was made at each level within the corporation.

As an example of improving the employment and working environment by supporting business owners, Korea provides guidelines for correcting discrimination so that non-regular workers can be systematically hired and improved through diagnosis and consulting, and induces improvement in the employment and working conditions of the company. Japan has followed up with financial measures for subsidies to business owners who have achieved various employment and work

improvements. While Korea suggests specific methods to induce improvement, Japan differs in that employment and labor improvement is progressed by the autonomy of employers with government's financial support for self-improvement.

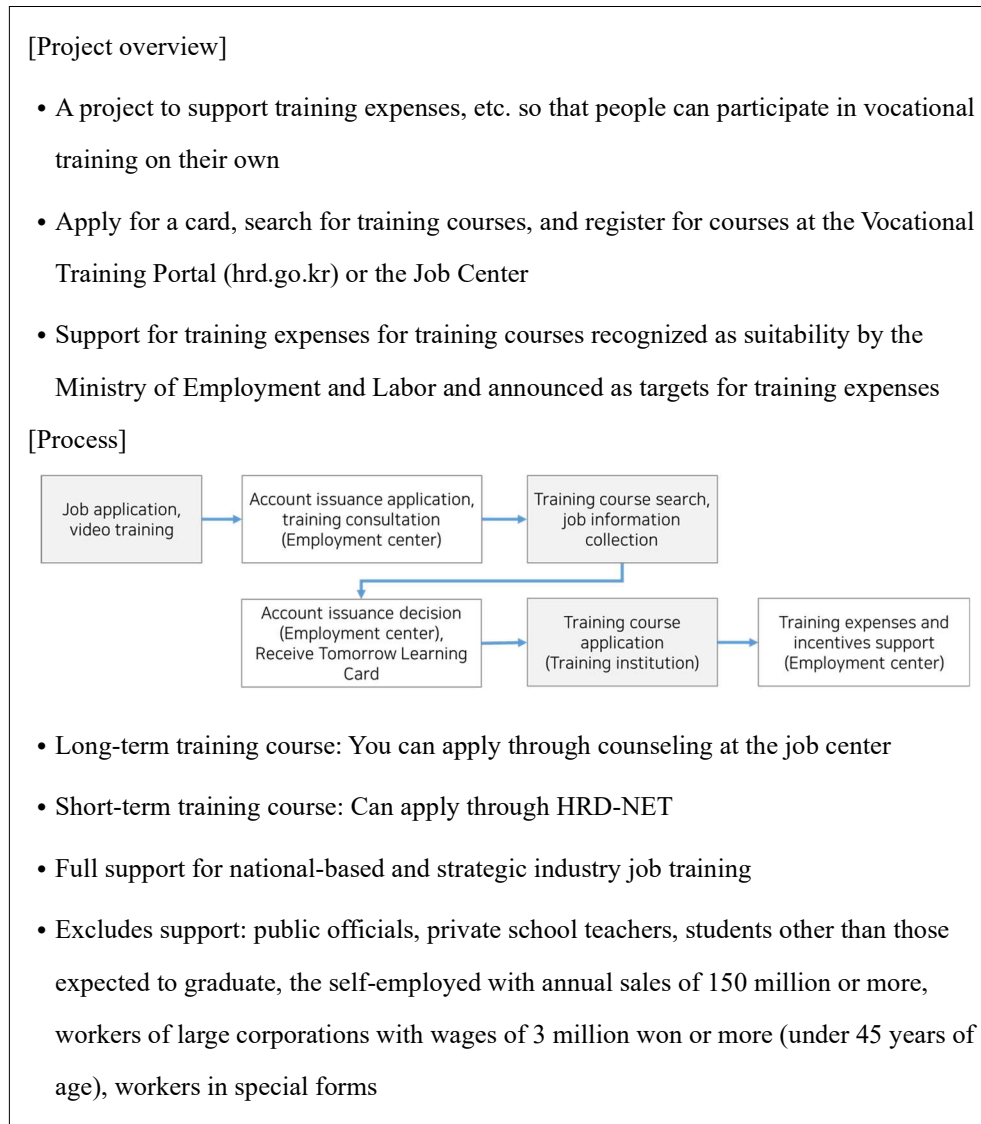
### **3-2. Support for Workers**

As a case of supporting workers, the direct education and training cost support system in Korea and Japan was compared.

#### **① Korea**

As an example of training support for non-regular workers in Korea, the Tomorrow Learning Card system was reviewed. Regardless of whether you are unemployed, employed, or self-employed, you can apply for a card at the vocational training portal ([hrd.go.kr](http://hrd.go.kr)), search for training courses, and receive training. The maximum amount of support is 3 million won per person, up to 5 million won depending on the target of additional support. Fixed-term, dispatched, and part-time workers will be added 1 million won as additional support targets. Through this, 45~85% of the training fee will be covered, and the card can be used for 5 years from the date of issuance.

[Figure 17] Tomorrow Learning Card System Overview



Ms. Hwang, who participated in the 2020 Tomorrow Learning Card contest for success stories such as employment and start-up, shared the case through a note titled “The foothold of my dream that started as Hong Il-jeom.” After working as a contract worker at a logistics center and after the contract was terminated, she participated in

the ‘forklift technician acquisition process’ to accumulate the expertise that she felt was insufficient to continue the logistics business. In this process, she revealed that she used the Tomorrow Learning card system in various ways, including tuition support, self-payment refund, and benefits after employment.

② Japan

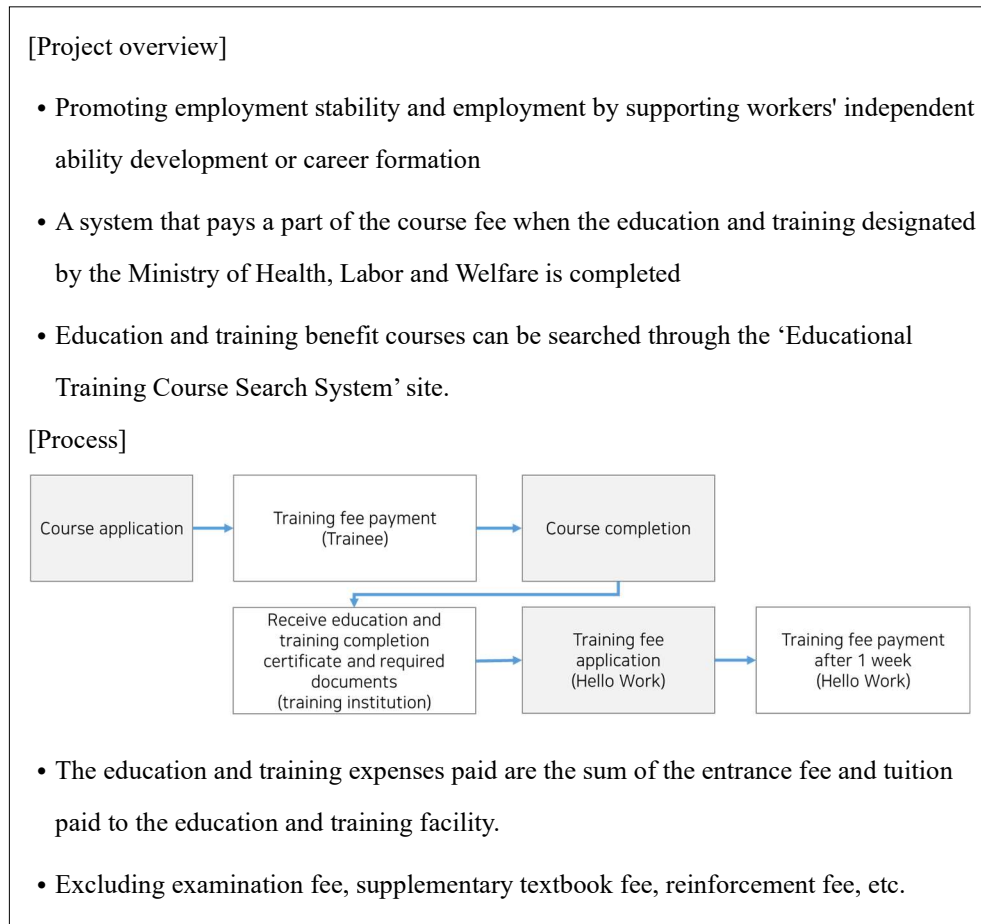
As for training support for non-regular workers in Japan, the education and training benefit system is an exemplary case.

There are three types of education and training that are subject to education and training benefits: specialized practical education and training, specific general education and training, and general education and training, depending on professionalism, etc.

Professional practice education and training is education and training that contributes to the formation of mid-long-term careers for workers. 50% of the course fee (up to 400,000 yen per year) is paid every six months during training. An additional 20% of the course fee (up to 160,000 yen per year) will be paid when employed as an insured of the employment insurance within one year of obtaining qualifications or completing training. When an unemployed job seeker takes professional practice education and training (excluding correspondence education and night education) for the first time, a separate education and training support benefit is paid if certain conditions (under 45, etc.) are met at the start of the course.

Specific general education and training is targeted at training that helps workers get back to work quickly and form early career. 40% of the tuition fee (up to 200,000 yen per year) is paid after completion of the training. General education and training are other education and training that help to stabilize employment and promote employment. 20% of the tuition fee (up to 100,000 yen per year) will be paid after completion of the training.

[Figure 18] Education and Training Benefit System Overview



According to the Internet education and training site 'Youcan', in the case of obtaining a social worker qualification using education and training benefits, it is classified as general education and training, and a refund of 11,800 yen 20% from total of 59,000 yen training fee is applicable on completion of the training course. In addition, if cost of main textbook was set to the training fee it is also included in the refund amount.

The difference in education and training expenses support between Korea and Japan is that Korea can freely use education and training expenses within a limited



amount of 3 to 5 million won for 5 years after going through the issuance of the Tomorrow Learning Card, while Japan supports education and training fee every year but only after completing the training. It is the same in both Korea and Japan in setting the amount of support for education and training differently depending on the expertise of the course content.

## **V. Conclusion and Discussion**

### **1. Research Results and Implications**

#### **1-1. Research Results**

The dual structure of the labor market is two markets where there are qualitative differences in working conditions, and the labor market dual structure polarization has occurred due to gaps in job stability, wage and welfare, etc. As the polarization of the dual structure of the labor market worsens, it causes comprehensive social and economic problems such as social disparity and undesirable inheritance of wealth on the state, family, economy, and even to individuals.

Thus, this study analyzed the current situation of polarization in the dual structure of the labor market in Korea and Japan, which both face similar challenges, and compared mitigation measures and policy use cases between the two countries to resolve the problem.

In order to examine the dual structure of the labor market in Korea and Japan, the ratio of employed persons by employment type, wage gap, wages by gender, age, company size, and educational background are examined, and the welfare gap and mutual mobility between labor markets are analyzed.

When looking at the employment rate by employment type in Korea, the number of regular workers increased and the number of non-regular workers decreased, whereas, in Japan, the number of non-regular workers increased. The difference in the ratio of employed by employment type between Korea and Japan is small compared to the OECD average, meaning both Korea and Japan have a same serious

dual structure in labor market.

Comparing the wage gap by employment type in Korea and Japan, the wage gap in the dual structure of the Korean labor market is more severe, where the wage of non-regular workers is 50.5% of that of regular workers, which is lower than that of Japan's 65.7%. When adding gender factors to this, regular male earned the highest wage in both countries, and non-regular female earned the lowest. In Korea, the gap between regular and non-regular workers is increasing for both male and female, whereas in Japan, the gap has narrowed slightly for male and little has changed for female. Through this, it was found that the gap in the Korean labor market is widened according to gender as well as employment type.

When looking at the wage gap by age according to employment type in Korea and Japan, the gap is widening across all age groups in Korea, but narrowing in Japan. In Korea, wages for both regular and non-regular workers were rising at all age groups, but in Japan, wage growth was insignificant across all age groups, and wages for regular workers under the age of 29 and regular workers in their 40s were rather decreasing, showing little change in wages over the past 12 years. This suggests that the widening wage gap between the dual structures of the labor market in Korea could expand into social problems such as the social gap among the youth, the inheritance of poverty, and elderly poverty. It can be inferred that Japan is shifting to full substitution non-regular employment due to business uncertainty caused by low growth.

When looking at the wage gap by company size according to employment type, the wage gap between non-regular and regular workers increased regardless of company size in both countries. In Korea, the wages of non-regular workers were similar regardless of company size, and in Japan, the larger the company, the higher the wage of non-regular workers, but it was lower than all regular employees

regardless of the company size.

In addition, when looking at wages by educational background according to employment type in Korea, educational background appears to have a conspicuous relationship with wages for regular workers, but educational background does not have a significant relationship with wages for non-regular workers. In particular, the wage of non-regular workers with graduate school degrees is lower than that of regular workers with middle school degrees or less, indicating that it is difficult to overcome the wage gap within the dual structure of the labor market, regardless of educational level.

As for the welfare gap between regular and non-regular workers in Korea and Japan, both countries were in a situation where the coverage for non-regular workers was insufficient in basic welfare such as employment insurance, health insurance, and pension. In particular, in Korea, there is a large gap in bonuses and severance pay, and the union membership rate is low, indicating that there are almost no protections for the rights and interests of non-regular workers. In the case of Japan, there was gap between bonus and severance pay similar to Korea, but it should be noted that the welfare of non-regular workers, including the use of welfare facilities and support for self-development, are considered. However, in both Korea and Japan, there exists a significant welfare gap between regular and non-regular workers, suggesting that the dual structure of the labor market is also affecting the quality of social gap.

The increase in mutual mobility within the dual structure of the labor market is one of the important measures to resolve the gap by easing the transition of non-regular workers to regular workers. In Korea, when non-regular workers search for a job based on their work experience, the longer they have experience, the easier it can be to find a regular job. However, due to the low transition rate to regular

workers, it was found to be difficult to be regular workers if they were employed as non-regular workers firstly. Japan also has a low transition rate of regular workers, making it difficult to resolve the dual structure of the labor market. Although the employment of non-regular workers is gradually expanding in Japan, it cannot be interpreted that the transition rate to regular workers is significantly lower than in Korea, as the ratio of regular workers is still high when new employees are recruited, and the need for transition to regular workers is low in the case of voluntary non-regular workers as a limited substitution type.

Looking a legal support system and related institutions for alleviating the dual structure of the labor market in Korea and Japan, both the government and private companies were cooperating based on laws prohibiting discrimination against non-regular workers. While Korea tries to provide quality jobs through the transition of non-regular workers to regular workers, Japan is trying to alleviate the polarization of the dual structure of the labor market by focusing on proposing specific solutions to the prohibition of discrimination against non-regular workers on the same job.

The non-regular worker support system and policies to alleviate the dual structure of the labor market can be divided into labor improvement, employment improvement, and training support, and their characteristics are reviewed.

As for employment improvement, Korea induced employment improvement and encouraged the hiring of regular workers, while Japan induced introduction of voluntary transition to regular workers by providing information on related laws and introducing employment improvement systems and cases such as transition to regular workers. In Korea, dispatching workers for more than two years is prohibited and making it mandatory to hire full-time workers after working for more than two years, while in Japan, if job is changed, the dispatch can be extended, and employee of dispatching company has no limit on dispatch period.

As for labor improvement, Korea prohibits discrimination against non-regular workers and induces employment improvement through discrimination diagnosis, discrimination improvement support, education, and counseling to improve the employment structure of companies. Japan stabilizes the working conditions of non-regular workers, promotes career advancement, and provides subsidies when the labor system is improved based on equal work and equal pay. The difference between the two countries is that Korea tries to secure the minimum rights of non-regular workers through clear requirements such as guaranteeing the minimum wage, whereas Japan only proposes the minimum wage at the Central Minimum Wage Council, but does not enforce it. The minimum wage in Japan is decided and implemented according to the local circumstances by the Local Minimum Wage Council, and as a result, the minimum wage increase has been small for several years, possibly causing insufficient welfare support for companies or non-regular workers who do not use policies to induce improvement in work.

In terms of training support, both Korea and Japan are subsidizing training expenses to develop the vocational skills of non-regular workers. The difference is that, in Korea, financial support such as living expenses loan is provided during vocational training. On the other hand, in Japan, career plans and employment counseling are provided through the job card system to support continuous career development.

Lastly, I reviewed the application cases to alleviate the polarization of the dual structure of the labor market in Korea and Japan: ‘Program for Supporting Workplaces without Discrimination’, ‘Career-up Subsidy’ in Japan. Korea presented guidelines for correcting discrimination so that non-regular workers could be hired and improved systematically through diagnosis and consulting, and induced improvements in the employment and working conditions of the companies

concerned. Japan provided classified subsidies to employers who achieved various employment and working conditions improvements. It can be noted that Korea is encouraging improvement by suggesting specific methods, while Japan encourages employment and labor improvement by the autonomy of employers using financial support and various follow-up measures.

As examples related to the employee support education and training system to alleviate the dual structure polarization, I looked at the Tomorrow Learning Card in Korea and the education and training benefit system in Japan. Both Korea and Japan were the same in differentiating the amount of support for education and training expenses according to the level of expertise of the course. In Korea, education and training expenses can be used freely within a limited amount for five years after the issuance of the Tomorrow Learning Card, whereas in Japan, education and training expenses can be applied for and received every year after the completion of the training course.

## **1-2. Implications**

This study analyzed the current situation of polarization in the dual structure of the labor market in Korea and Japan, and systematically compared policies and systems to alleviate the polarization between the two countries to resolve the problem, as well as examples of their use, and the following implications were obtained:

Firstly, when comparing the dual structure of the labor market between Korea and Japan, both Korea and Japan showed the largest wage gap in employment type rather than gender or company size or educational background. Compared to Japan, the wage gap in the dual structure of the labor market is wider in Korea, which can amplify social problems such as social gap, inheritance of poverty, and elderly

poverty.

Secondly, seeing the support system and policies to alleviate the polarization in the dual structure of the labor market in Korea and Japan, both countries supported transition to regular workers, prohibition of discrimination against non-regular workers, and training expenses for vocational competency development, but did not enforce the securing of rights or improvement of work for non-regular workers.

Thirdly, as seen in the case study of business owners using Korea-Japan labor market polarization mitigating system and policy, both Korea and Japan were autonomously improving employment and labor through consulting or administrative system, and workers were able to receive education and training expenses for better job transition.

Both Korea and Japan are aware of the problem of polarization in the dual structure of the labor market and are working to improve employment, labor, and training support policies and systems to minimize it. However, both Korea and Japan still need to find effective ways to further narrow the wage gap between regular and non-regular workers, especially for non-regular workers who perform the same work as regular workers by preparing systems and policies.

In addition, efforts should be made to minimize the polarization of the dual structure by guiding the systems and policies of both Korea and Japan through the establishment of a customized consulting system so that many business owners and workers can easily use them, and by continuously managing participating business owners and workers.



## **2. Limitations and Challenges of the Study**

The limitations and challenges of this study that emerged in the course of conducting a study on the alleviation of polarization in the dual structure of the labor market in Korea and Japan are as follows:

The data on regular and non-regular groups studied in this paper have limitations in that they are based on data that are not controlled for the same working type and conditions. Follow-up studies will be needed to reflect the insufficient consideration of the employment rate based on the increase and decrease of the total number of employed workers and the labor market participation rate of Korean and Japanese women.

The wage gap by employment type was examined for factors that were presumed to be related to the polarization of the dual structure of the labor market in Korea and Japan, but statistical relations among the factors and their effects through verification was not conducted. Therefore, it is necessary to select major factors through verification of the factors and to conduct follow-up studies to mitigate the effects of the factors in accordance with the characteristics of Korea and Japan each.

In terms of mutual mobility for alleviating the polarization in the dual structure of the labor market, it is necessary to find out the reasons why workers who once entered as non-regular workers could not convert to regular workers. It is necessary to suggest ways to improve the employment and labor of non-regular workers by finding ways to increase mutual mobility through the identification of these reasons.

With the cases of government support for employers to alleviate the dual structure of the labor market in Korea and Japan, I compared 'Program for Supporting Workplaces without Discrimination' and the 'Career-up Subsidy'. Korea adopted a

specific improvement method proposal through consulting, but Japan adopted financial support method by business owners' application after self-improvement. It is desirable for follow-up studies to review more support cases of Korea and Japan on policies for the effectiveness of the systems and support measures and to derive more effective systems and support.

Finally, the phenomenon of polarization in the dual structure of the labor market is becoming a global problem. This study is a comparative study limited to developed countries such as Korea and Japan. A follow-up study is needed to find the optimal employment policy and working environment to reduce social disparities through comparative studies on the status of dual structure in the labor market and the alleviation efforts in Asian developing countries and in advanced western countries.

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## Abstract

# 한일 노동시장 이중구조의 양극화 완화 방안 비교연구

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노동시장의 이중구조는 근로조건에서 질적 차이가 있는 두 개의 시장으로 직업의 안정성, 임금 및 복지격차 등으로 인해 노동시장 이중구조 양극화 현상이 나타나게 되었다. 노동시장 이중구조의 양극화가 심해질수록 국가와 가정 경제, 개인에 이르기까지 사회격차, 부의 대물림 등 포괄적 사회문제와 경제문제를 유발하고 있다. 이에 따라 본 연구는 직면하고 있는 과제가 유사한 한국과 일본의 노동시장 이중구조 양극화 현황을 분석하고, 이를 해소하기 위한 양국의 완화 방안, 정책 활용 사례를 비교해 보았다.

한일 노동시장 이중구조 현황을 비교해 보면 한일 모두 성별, 기업규모, 학력보다 고용형태에서 가장 큰 임금 격차를 보여주고 있었고, 한일 모두 비정규직 근로자의 복지격차 문제와 함께 낮은 정규직 전환율로 상호이동성이 낮게 나타났다. 특히, 임금인상폭이 작았던

일본에 비해 한국은 노동시장 이중구조의 임금격차가 점점 더 벌어지고 있는 것으로 나타났다.

한일 노동시장 이중구조 양극화 완화를 위한 방안으로 한일 모두 비정규직에 대한 차별을 금지하는 법률을 기반으로 하고 있다. 고용개선 측면에서 한국은 고용개선을 유도하고 정규직 채용을 장려하는 모습을 보였고, 일본은 동일 노동에 대한 비정규직 차별금지 정보 제공, 고용개선 제도 및 사례 소개를 통해 자율적인 정규직 전환 도입을 유도하였다. 근로 개선 측면에서 한국은 기업의 고용구조를 개선하도록 차별진단, 차별 개선지원, 교육, 상담 등을 통해 고용개선을 유도하였다. 일본은 동일 노동, 동일 임금을 기반으로 근로 개선 제도 도입을 위한 다양한 유도지원책과 사례 소개를 통해 근로 조건 안정과 경력 향상을 도모하였다. 한일 모두 비정규직 근로자의 직업능력 개발을 위해 훈련비를 지원하고 있으며, 일본은 잡카드 제도를 통해 커리어 플랜이나 취업상담 등 지속적인 경력개발을 지원한다는 점에서 차이가 있었다.

마지막으로 한일 노동시장 양극화 제도 및 정책을 활용한 사업주 사례의 경우 한일 양국 모두 컨설팅 또는 제도활용을 통해 자율적으로 고용과 근로 개선을 진행하고 있었으며, 근로자는 더 나은 일자리 전환을 위해 교육훈련비 지원을 받을 수 있었다.

한일 양국 모두 노동시장 이중구조에 대한 양극화의 문제점을 인식하고 이를 최소화하고자 고용개선, 근로개선, 훈련지원 정책 및 제도개선에 대해 노력하고 있었다. 그러나, 한일 양국 모두 정규직과 비정규직 간 임금격차를 축소하기 위한 효과적인 방안 모색이 필요하며, 특히 정규직과 동일한 업무를 수행하는 비정규 근로자에 대해서 만큼은 정규직과 비

정규직 간 차별이 없도록 제도와 정책을 마련하여 차별금지를 강화하는 것이 필요하다.

또한, 한일 양국의 제도 및 정책을 많은 사업주와 근로자가 손쉽게 이용할 수 있도록 맞춤형 컨설팅 시스템 구축을 통해 안내하고 참여 사업주와 근로자를 지속적으로 관리하여 이중구조의 양극화를 최소화하는 노력이 필요하다.

**keywords :** 노동시장, 이중구조, 양극화, 한일비교

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