

SOUTH KOREA'S PROSPERITY AGENDA: WOMEN AND WORK

MATTHEW P. GOODMAN AND MIKAEL LINDFORS

South Korea is a country under stress. To be sure, the runaway success of Korean brands, from Hyundai and Samsung to the Korean Wave, have highlighted the enormous achievements of a once-poor country that is today wealthier, more connected, and more influential in global affairs than ever before. But Korea now stands on the edge of the world's most severe demographic cliff, and while economic growth has been better than expected over the last quarter, the country has little hope of seeing a return to the levels it experienced during its postwar economic "miracle." Even without these sobering projections, South Korea already faces a host of severe social challenges, from mounting household debt to an epidemic of overwork. Seoul might find a part of the solution in one of Korea's most underutilized resources: its large supply of highly educated women.

South Korea's demographic challenges are grave: it has one of lowest fertility rates and fastest-aging populations in the world, which together are expected to shrink the Korean workforce by more than 20 percent by the middle of the century. This trend could eventually lead to a deflationary spiral and a sustained period of slow—or even negative—growth. And even if Korea finds a way to lift its growth trajectory, the transition from a relatively young country to one of the oldest nations on earth will put enormous strains on a social welfare system already in urgent need of reform. Current projections indicate that Korea is likely to see government spending on pensions increase more than fivefold by 2050 even as the country's support base collapses: while every retired person today is supported by eight of working age, that number will have collapsed to two by mid-century.

This bleak picture makes removing the barriers that prevent Korean women from fully participating in the economy not only a moral imperative, but also an economic no-brainer. If women—over 60 percent of whom under the age of 35 are university educated—were as likely to join and stay in the formal economy as are men, South Korea's current workforce would increase by nearly 5 million. Even a lesser increase would provide a significant boost to GDP, while greater gender equality could also sharpen Korean companies' competitive edge: **one study** from Pepperdine University shows that Fortune 500 firms with the best track record in promoting women to positions of authority were between 18 and 69 percent more profitable than their less proactive peers. As IMF managing director Christine Lagarde said in a speech at the London School of Economics last month: "When women contribute more, the economy does better."

President Park Geun-hye, South Korea's first female head of state, has recognized this opportunity. In her "Three-Year Plan for Economic Innovation," released this February, she set a goal of boosting the number of working women by 1.65 million during her remaining time in office. To achieve this ambitious target and create a more inclusive workforce, Park has pledged to enhance publicly funded childcare programs, strengthen incentives for companies to build on-site childcare facilities, and expand training opportunities for mothers seeking to reenter the workforce. Combined with promises to help



Upcoming Events

- July 2: Japan 1964 (CSIS)
- July 9: Indonesian presidential election
- July 10-11: South China Sea Conference IV (CSIS)
- July 19: G-20 Trade Ministers' Meeting (Sydney, Australia)

Welcome to Amy Studdart



The Simon Chair is thrilled to welcome our new deputy director and fellow, Amy Studdart. From 2009 to 2014, Amy managed the German Marshall Fund's Asia program, based in Brussels, where she coordinated the annual Stockholm China

Forum, wrote and spoke on EU-Asia relations, and conducted research on global trade and investment issues. Prior to this, she worked for the European office of the Carnegie Endowment for International Peace. As regional trade and investment negotiations play an increasingly important role in influencing global economic architecture, Amy will play a key role in strengthening the Simon Chair's continued work on the intersection of economics and foreign policy.

SOUTH KOREA'S PROSPERITY AGENDA: WOMEN AND WORK *(continued)*

crack South Korea's corporate "glass ceiling"—ranked by *The Economist* as the thickest in the world—through a "name and shame" program for large corporations with female employment rates below their industry's average, Park's package represents an aggressive doubling down on the equality push initiated by her predecessor, Lee Myung-bak.

Untangling the Gordian knot of public policies, corporate practices, and social norms that have shaped and sustained the status quo will be no easy matter. Despite multiple revisions designed to strengthen the country's Equal Employment Law since it was passed in 1987, punitive measures to deter discrimination have lacked bite, enforcement has been inconsistent across administrations, and women continue to earn nearly 40 percent less than men on average. Moreover, the excessively long hours worked by Korean employees, combined with the disproportionate time working women spend on household labor relative to their male counterparts, make attaining a work-life balance as probable as "pulling a star down from the sky," as the Korean saying goes.

To overcome these challenges, policymakers in Seoul should first target corporate culture. One area ripe for reform is the promotion of flexible working hours, which would help bring about what Harvard economist Claudia Goldin describes as "the last chapter on gender convergence." Many South Korean workplaces continue to prioritize presence over productivity, a tendency that has led to average Korean employees spending more hours working and fewer sleeping than any of their OECD peers and, partly as a result of the roles they are expected to play in the home, systematically

disadvantaged women in the workplace. Goldin **argues** that public and corporate policies to limit long hours in the office and promote "creative time" over "face time" would lower many of these barriers, help to close existing gender pay gaps, and even improve overall worker efficiency by reducing the incentive to engage in mindless busywork.

The Park administration has already taken initial steps in this direction through partial reform of public-sector employment practices, which have expanded the range of part-time jobs that qualify for full-time benefits and introduced telecommuting technology in central ministries. Building on these efforts has the potential both to strengthen the role of women in the public sector and provide an example that could prod so-far recalcitrant Korean corporates to follow suit. The stakes are high: should these efforts succeed in bringing women's participation rate up to that of men, Goldman Sachs estimates that national GDP per capita in 2025 would increase by 6 percent above the level implied by current trends. But the effects of these measures would go far beyond the purely quantitative. As President Park seeks to shape a more "creative economy," it is worth remembering that countries with greater gender and social equity tend to be not only healthier, but more innovative—and that means more internationally competitive. ■

*Matthew P. Goodman holds the Simon Chair in Political Economy. Mikael Lindfors is a researcher with the Simon Chair. **Global Economics Monthly** is published by the Center for Strategic and International Studies (CSIS), a private, tax-exempt institution focusing on international public policy issues. Its research is nonpartisan and nonproprietary. CSIS does not take specific policy positions. Accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the author. © 2014 by the Center for Strategic and International Studies. All rights reserved.*

Simon Says...

South Korea has become one of the most soccer-crazed countries in the world after cohosting the 2002 World Cup, where the country's men's team made a thrilling run to the semifinals. This year the focus may be on the Red Devils' performance in Brazil, but internationally it has been South Korea's talented female athletes who have been earning top accolades over the past several years, racking up seven of the country's eight Sochi Olympic medals, topping the Women's World Golf Rankings, and winning gold in the 2010 Under-17 Women's World Cup. ■

They say that pets make great stress relievers, which might explain why the number of pet-owning South Korean households has grown by 47 percent over the past decade alone. And with many young professionals postponing marriage and children until later in life, these furry surrogates seem to be among the prime beneficiaries: Korean expenditure on pet supplies, from basic foodstuffs to designer kitty carriers and puppy prams, has nearly quadrupled over the same period. But despite the sudden surge in pet ownership and Korea's falling youth population, the country still has a ways to go before its pet-to-teen ratio catches up to the current leader: Japan, where domesticated animals already outnumber children under the age of 15... ■