



## Gender inequality in earnings in industrialized East Asia

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### ARTICLE INFO

#### Article history:

Received 27 August 2009

Available online 30 June 2010

#### Keywords:

Gender inequality

Sex gap in pay

Labor markets

East Asia

Japan

Korea

Taiwan

### ABSTRACT

Using data from the 2006 Family Module of the East Asian Social Survey, we use regression-based methods to decompose the sex gap in hourly wages in Japan, South Korea, and Taiwan. We find that Taiwan has the smallest sex gap in wages, and is also distinctive in that employed women have more education than men, on average. Japan is distinctive in the high proportion of women consigned to non-regular (temporary, often part-time) jobs, and this factor explains much more of the gap in Japan than elsewhere. Korea is distinctive in having an extremely high proportion of men who are college graduates; therefore, in Korea gender differences in education and occupational placement explain more of the gap than elsewhere. Despite many historical similarities between these societies, our analysis points out the heterogeneity within industrialized East Asia when it comes to gender inequality.

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### 1. Introduction

In the affluent nations of Europe and the United States, the gap between men and women's earnings has declined meaningfully, but everywhere a sizeable gap persists (Blau and Kahn, 2000). In the U.S. in 2006, women's median hourly wage was 80% of men's (End of Gender Revolution, 2009).<sup>1</sup> In the European Union in 2006, women's median wage rates were 84% what men's were in Sweden, 84% in France, 82% in Denmark, and 76% in both the Netherlands and the United Kingdom (Eurostat, 2006).<sup>2</sup> As in Europe and the U.S., women's employment has increased in the industrialized nations of East Asia, with the increase later and more dramatic in East Asia (Brinton, 2001a), and, where data are available, the earnings gap has gone down as well (Monk-Turner and Turner, 2004; Hsu et al., 2006; Daly et al., 2006).

In this paper, we examine the contemporary sex gap in hourly wages in three societies in industrialized East Asia—Japan, South Korea (hereafter referred to as Korea for brevity), and Taiwan. We use data from comparable, society-wide probability-sample surveys simultaneously conducted in the three societies in 2006. Taking advantage of these new and comparable data sources, we use regression decomposition techniques to identify how much of the gap in each society is explained by gender differences in educational attainment, broad occupational categories, and in whether individuals work in regular (vs. temporary, contract, or contingent) jobs. We will show substantial differences between the amount and determinants of gender inequality in pay in the three societies, making clear that neither the common cultural heritage of the three societies nor their similar levels of economic development have neutralized many of the cultural and structural differences that affect gender inequality. Such cross-society heterogeneity within East Asia can be seen by comparing societies on the Gender Empowerment Measure (GEM), a measure developed by the United Nations to summarize nations' ranking on women's

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<sup>1</sup> The data are from Current Population Survey. Data pertain to hourly wage earned by workers of any age, including part-time as well as full-time workers.

<sup>2</sup> Figures pertain to hourly wage earned by workers of any age, including part-time as well as full-time workers.

status across a number of dimensions, including women's representation in elected parliaments and in managerial and professional occupations, and women's income relative to men's (United Nations Development Programme, 2006). Taiwan is ranked as the 24th, which is higher than either Japan or Korea in 2006 (National Conditions Statistical Bulletin, 2009).<sup>3</sup>

In her introduction to a collection of studies on women's employment patterns in Japan, Korea, and Taiwan, Brinton (2001b) points out that the three societies have substantial similarities. All share a legacy of Confucian ideology, with its emphasis on respecting the authority of parents and the elderly and traditional gender arrangements. Both Korea and Taiwan were under the colonization of Japan before the end of World War II for a long period.<sup>4</sup> As a result, Korea and Taiwan initially adopted education systems similar to that of Japan. For instance, all three societies made 9 years of education compulsory several decades ago. Moreover, all three have export-oriented development schemes. The success of these schemes led to further investments in education in all three societies.

However, there are also differences among the three societies. Korea expanded its higher education system since the early 1980s (Park, 2007: 90–91) to the point where 23% of its adult population had a university degree by 2005, making its population somewhat more college-educated than that of Japan (Education at Glance, 2007). Taiwan has also expanded higher education since the end of the 1990s because of demand from students and their parents. No parallel education expansion occurred in Japan (Brinton and Lee, 2001). Although both Taiwan and Korea expanded education, having more education is associated with women's employment in Taiwan but not Korea (Brinton, 2001b).

There are also important differences in how the gender system articulates with the organization of work in the three societies (Brinton, 2001b). One important difference is that a high proportion of employed Japanese women are in part-time and/or non-regular jobs, but this is much less common among the women in the other two societies (Brinton, 2001b; Yu, 2009). Yu (2009) argues that this is one reason that, in the mid-1990s, Taiwanese women were more likely than Japanese women to remain in employment after marriage and childbirth (Brinton et al., 2001). In Japan, "regular" jobs in large firms with long-term employment security have been largely reserved for men, although, as Daly et al. (2006: 169) point out, this seniority system has been in decline in Japan since the 1990s. The economy is dominated by big business in both Japan and Korea, but small firms predominate in Taiwan. SMEs employ close to 77% of the workers in Taiwan (White Papers of Small and Medium Enterprises, 2008).<sup>5</sup> As the majority of Taiwanese workers find employment in small-and-medium enterprises (SME), the pressure on women to quit might be lighter than in Japan.

Past studies of gender earnings differentials in East Asia suggest that Taiwan has the lowest gender inequality and Korea the highest. In 1995, the hourly wages of women in Taiwan were 70% of men's, on average, while the analogous ratios were 60% for Japan and 55% for Korea (Brinton, 2001b: 17).<sup>6</sup> Women earned 77% what men do in Taiwan in 2006 (Statistics of Female Labor, 2005).<sup>7</sup> The greater gender wage parity in Taiwan may reflect its higher rank (24th) on the Gender Empowerment Measure (discussed above), indicating more gender equality than in Japan or Korea.

The sex gap in pay in Japan is not only larger than that in Taiwan, but also larger than in most other industrialized nations. Blau and Kahn (2000) find that full-time women workers in Japan had median weekly earnings that were 64% what men earned in 1997, and this was a lower ratio than found in other economically advanced nations they consider, which included the U.S. (women earned 76%) and 15 European nations, where ratios ranged between 69% (Austria) and 90% (Belgium). Kumlin (2007: 208) compares the gap between Japan and Sweden in 2000–2001, using the ratio of women's to men's mean hourly wages for all workers (full- and part-time), and shows that women earned 82% of the wage that men did in Sweden and 56% in Japan.

Past studies show us the general level of wage inequality in the three countries. Only some of them examine reasons accounting for the gender wage gap and none of them compare decompositions of the pay gap in East Asia using a comparable data set. This paper will compare which factors explain more of the sex gap in pay across the three societies, and will reveal the importance (or lack of importance) of human capital and occupation in contributing to the gap in each of Japan, Korea, and Taiwan.

## 2. Explaining the sex wage gap: past research and theory

### 2.1. Approaches to studying the sex gap in pay and its explanations

Most economists favor human capital explanations of the sex gap in pay (Mincer and Polachek, 1974). In this view, because of women's home responsibilities, they invest less in schooling and accumulate less labor force experience, which reduces their market productivity. This lowers women's wage rate relative to men's. Decomposition methods developed by Oaxaca (1973) and elaborated by Jones and Kelley (1984) have been used to assess how much of the sex gap in pay is explained by human capital. The basic approach is to start with a regression in which measures of human capital are indepen-

<sup>3</sup> See also Lee and Hirata (2001) for evidence of greater gender equality in Taiwan.

<sup>4</sup> Japan ruled Taiwan for 51 years (from 1895 to 1945) and ruled Korea for 36 years (from 1910 to 1945).

<sup>5</sup> SME includes firms that employ less than 200 workers in manufacturing, construction, or mining and those that employ less than 50 workers in other industries.

<sup>6</sup> Figures for Japan exclude temporary workers.

<sup>7</sup> All the statistics are calculated by dividing average monthly earnings of employed women by those of men. For Japan and Korea, the data include the information for establishments with ten or more employees only. There is no such restriction for the Taiwanese data.

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