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A Study on the Way for Businesses to Adopt the Gender Equality Disclosure System

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Korean Women's Development Institute

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System**

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I . Introduction

1. Research purpose and necessity

The gender gap within the Korean labor market has steadily narrowed down through various policy promotion. However, compared with other countries, including OECD members, Korea's gender gap is still high given its economic status. For example, the employment rate of Korean women in 2019 was 51.6%, lower than the average female employment rate of 64% of OECD countries. And that is about 20%p lower than that of Korean male, 70.7%¹⁾. In addition, even in the case of the gender wage gap, which is a representative indicator of the gender gap in the labor market, Korea has ranked bottom among OECD countries every year, and the gap has not been tackled significantly. The wage level shows the results of a combination of various factors that affect the wage

1) Statistics Korea, <http://kosis.kr>, Retrieved on March 21, 2021

level, including educational background, type of job, working hours, type of employment, position, and corporate characteristics, all of which can be boiled down to a status in the labor market. Therefore, the large gender wage gap shows that women are still not given equal opportunities and treatment at a time of searching for a job.

In order to bridge the gender gap in the labor market and realize gender equality, related policies, which are based on the Equal Employment Opportunity And Work-family Balance Assistance Act and the Framework Act On Gender Equality, have been put in place. In addition, demands for more active policies are increasing, with the current Korean government's national agenda including the "Gender Equality Disclosure System." Introduction of this system as a way to reduce the gender wage gap is also spreading in many foreign countries, including the United States, Britain, France, and Australia.

Against this backdrop, Korea needs to examine the adoption of a corporate disclosure system as a policy system so that it can more comprehensively grasp the gender gap status of companies and come up with improvement plans. Therefore, this study reviews the possibility of introducing the gender disclosure system as a policy system in order to better understand the current status of gender discrimination, draft improvement measures, then suggests a specific system design. To this end, various issues related to the gender equality disclosure system are to be closely examined. In addition, the system design, operation system, and utilization plan will be proposed to ultimately contribute to a greater gender equality in the labor market. Particularly, this study intends to shed light on the items of gender equality disclosure, focusing on factors that directly affect the gender wage gap based on the results of expert surveys. This is to enhance the effectiveness of the gender equality

disclosure system and the acceptability of companies.

2. Details

- The necessity and background of the corporate disclosure system to resolve gender discrimination in the labor market
 - Review existing discussions on the corporate disclosure system and the wage disclosure system
 - Review gender equality effect of introducing the corporate disclosure system
 - Review perspectives of parties, including labor, women, and management
- Review of the status of the labor market in Korea and related policies
 - Analyze gender differences based on major indicators such as employment, wages, duration of service, and job quality
 - Review existing related systems, including the employment type disclosure system, the active employment improvement measures, and ALIO and DART
 - Derive implications by reviewing the disclosure system of gender equality and personal income disclosure system in foreign countries
 - Find out implications by investigating the gender equality wage disclosure system of the city of Seoul
- Design of gender equality disclosure system
 - Suggest specific policy designs (draft) such as disclosure items, subject to application, disclosure method, disclosure timing and

method, and implementation system

- Propose legal system for realization of gender equality disclosure system
 - Legislate individual laws
 - Revise related laws such as the Framework Act on Gender Equality

○ Expected effects of gender equality disclosure system

- Seek ways to increase acceptance level of companies and encourage efforts to bridge gender gaps
- Present a system utilization plan

3. Method

○ Literature research

- Previous study
- Related policy study

○ Related case studies

- Examine national cases of introducing a gender equality wage disclosure system and an individual income disclosure system
- Investigate design contents and effectiveness of existing similar systems such as the corporate wage distribution disclosure system and the gender equality wage disclosure system in Seoul

○ Delphi survey

- Subject: Approximately 30 experts (2 times)
- Details

- Collect overall opinions on the gender equality disclosure system
- Collect opinions on specific system design
- Collect opinions on how to utilize the system and related policy proposals

○ Expert advisory council

- Women's labor policy specialist
- Those working level officials in charge of related departments
- Those involved in the relevant similarity system
- Women communities, labor, and other organizations
- Corporate HR personnel (considering characteristics by industry, size, and type of company)

II. State of gender gap and review of relevant policies

1. State of gender gap

In 2020, the employment rate for women aged 15 or older was 50.7% for women, 19.1%p lower than men at 69.8%. The gender difference in the employment rate was 19.9%p in 2018, recording less than 20%. It has since maintained a 19%p gap band. The reason why the gender employment rate gap is rarely narrowed is that the rate of women in their 30s and 40s are more than 20%p lower than that of their counterparts. In 2020, the gender gap in employment rates by age is the largest at 31%p for 35 to 39 years old, followed by 28.6%p for 40 to 44 years old, 23.7%p for 45 to 49 years old, and 21.9%p for 30 to 34

years old, all of whose women employment were more than 20%p lower different than men. The employment rate of women fell from 66.5% between the ages of 25 and 29 to 64.5% at the age of 30 to 34, before falling below 60% to 58.6% at the age of 35 to 39. In contrast, the employment rate of men increased to ages of 40 to 44, and the highest life employment rate reached 90%. The gender difference in the employment rate in the 30s and 40s shows that women at those ages when career development is critical in the life employment cycle are more vulnerable than men in the labor market. Among wage workers, the proportion of employees working for companies which hire fewer than five was 22.2% for women and 14.3% for men in 2020, 7.9% higher for women than men. More than 2.2 out of 10 female workers work in businesses whose staff size is less than 5, while 1.4 out of 10 male workers was so. Women's proportion in this small-sized company fell to 21.7% in 2018, but it has risen since 2019 and flattened at around 22%.

Retention at current workplaces among wage workers is 4.8 years for women and 7.0 years for men in 2020, 2.2 years shorter for women. And, the average monthly wage for wage workers is KRW 2.05 million for women and KRW 3.18 million for men in 2020, 35.3% less for women than men. The gender gap in this wage fell below 40% for the first time in 2015, and has continued to shrink since then. The gender wage gap by age group is the smallest in the ages of 20 to 24 and tends to expand with age. By employment size, the gender wage gap at small workplaces, including 1 to 4 people (35.5%) and 10 to 29 people (33.3%), was large.

2. Review of relevant domestic and foreign institutions

In Korea, the management information disclosure system of public institutions discloses employee status, employment status, and wage data, together with those of their affiliated institutions, if they are designated as public institutions. Also, the integrated disclosure system for local public corporations releases data about their employees, employment and wage and those of locally-funded institutions. Since 2021, 152 out of 410 local public organizations have disclosed gender wage data, but local government-funded institutions have not released gender wage data. The electronic disclosure system of the Financial Supervisory Service provides gender information of executives, remuneration for individual executives, and average salaries of male and female employees. In the case of banks, gender wage information of 14 banks is disclosed through the management information disclosure system of public institutions and the electronic disclosure system of the Financial Supervisory Service.

Regarding overseas cases, the European Union announced the *2021 Proposal* in April 2021 by summarizing the disclosure of gender wage information of employers with 250 or more employment in the union. Ireland's Gender Pay Gap Information Act 2021, published on July 13, 2021, amended the Employment Equality Act 1998. It is a major amendment that mandates certain employers to disclose information related to remuneration for workers by gender. Sweden has a pay audit system, which is based on Discrimination Act, first enacted in 2008 and then revised in 2017. According to this act, all employers, along with labor organizations, investigate and analyze whether wages for male and female workers are in accordance with its provisions and standard practices every year. The Pay Equity Act and the Pay Equity Regulation of the Canadian Federation give employers the duty to assess whether

women's jobs are paid the same with men's jobs of equal job value and to take proactive action to take remedial action, if violated. The two acts are modeled on Ontario and Quebec's equity wage law. In the case of France, Canada's equity employment and equity wage system were introduced in a simplified manner, and the gender index of companies with 50 or more employees was disclosed. Iceland was also found to disclose the fact whether or not a company put in place a gender equality wage system.

III. Analysis on the expert survey designed for drafting ways of gender equality disclosure system

According to a survey on whether they are aware of the existing wage disclosure system and feel the need of improvement, 64.5% and 58.1% of experts said they were well aware of the "public management information disclosure system (ALIO)" and "wage disclosure for gender equality by local governments, including city of Seoul City." 48.4% and 45.2% of the respondents said they were familiar with the Financial Supervisory Service's DART and the local public institutions' information disclosure system (Clean Eye). In particular, about half of the surveyed were aware of it, though it became available only after 2021.

The survey on the importance and urgency of major policy tasks related to gender equality disclosure showed that "securing a legal ground for disclosing integrated wage data of male and female employees," "drafting ways to increase company's acceptance of wage

data of male and female employees,” “expanding public organizations that have to disclose wage data of male and female employees,” “releasing wage data of male and female employees by item,” “checking the improvement plan and implementation after disclosing wage data of male and female employees,” and “preparing incentives for public agencies and corporations which showed improvement in disclosing wage data of male and female employees and in reducing gender wage gap.”

Given the results of the expert’s adequacy evaluation on the gender equality disclosure promotion plan proposed in this study, the adequacy of the public sector expansion plan, disclosure item expansion plan, acceptance improvement plan, and disclosure cycle were higher than 4.32 points.

IV. Ways to practice a gender equality disclosure system

1. Component and purpose

The gender equality disclosure system can be composed of disclosure of wage information by gender, right to claim the disclosure of personal wage information, follow-up procedures for gender equality disclosure, among others. Disclosure of gender wage information is an important component of the gender equality disclosure system in terms of securing wage transparency and grasping the status of the gender wage gap. Currently, gender wages and related information at the level of individual companies and institutions, such as ALIO, Clean Eye, and DART, can be expanded and disclosed in both the public and the private sector.

2. Reference law

Revisions of existing laws can be rendered for the following ways: modify laws that apply to private companies and the public sector, including national administrative agencies, in a respective manner; revise laws, such as Framework Act On Gender Equality, that apply to both the public, including of central administrative organizations, and the private sector at the same time.

The enactment of an individual law shall be carried out in the form of a framework act on improving the gender wage gap by referring to overseas legislative cases that stipulate the disclosure of gender wage information and the promotion of plans to shrink the gender wage gap, as is done in the European Union and Ireland. And the followings should be reflected: definition of terms, such as gender wage gap, gender equality wage disclosure; obligation to realize gender equality wage and reduce gender wage gap by government and employer; object, details, and procedures for gender equality disclosure; preparation of gender wage gap reduction plan in public agencies and corporations; check on the implementation of gender wage gap reduction plan; guarantee of individual's wage data claim and claim procedures, etc.; governmental support for corporation's gender equality disclosure; field inspection in work places that show excessive gender wage gap; obligation of data collection and provision for gender equality disclosure; establishment and operation of gender equality disclosure system; certification procedure of gender equality wage; setup of gender equality data institutions, among others.

3. Implementation system

The gender equality disclosure system can be organized in the form of promoting gender equality disclosure in the public and the private sector, and establishing and operating a gender equality wage center (provisional name) to support gender equality disclosure by government ministries. It is worth considering that gender equality disclosure jobs are to be conducted by existing ministries that perform gender equality work or specialized organizations such as the Equal Employment Opportunity Committee (EEOC) of the United States. In addition, in order to ease the burden of gender equality disclosure by institutions and companies subject to gender equality disclosure, designated ministries in charge can cooperate with the National Tax Service to select disclosing items, including male and female employees' wage information.

4. Institutions and companies subject to gender equality disclosure

In order to improve the effectiveness of the gender equality disclosure system and companies' wage transparency, it is necessary to expand the institutions and companies subject to the gender wage disclosure, which is currently carried out on some institutions and companies in the public and private sectors. Specifically, the public sector discloses the wage data by gender only of public institutions and local public enterprises. But it is necessary to expand the number of institutions subject to the gender information disclosure to administrations such as of national administrative organizations and local governments as well as of the legislative and the judiciary branch, Constitutional Court, National Election Commission, and others.

5. Method and cycle

At this moment, male and female employees' wage information are available at different sites, such as ALIO, Clean Eye, and electronic disclosure systems. But it is necessary to enhance the convenience of the general public's use of gender equality disclosure information by establishing and operating an Integrated Gender Equality Disclosure System (provisional name) in the future. In addition, by providing disclosure information registration function to new institutions and companies that prepare gender equality disclosure information, the ministry in charge of gender equality disclosure will be able to support disclosure of institutions, such as of standards and work manual. The gender equality disclosure system can be run on an annual basis, and it will be possible to operate it for two years when the establishment and implementation of a plan to improve the gender wage gap are well in place.

6. Content and degree

Disclosed details under the current gender equality disclosure system need to expand wage and employee information. The survey done on experts by this study confirmed that there was a need for new disclosures, such as base wage, wage by gender and by item that show different items, wage by job and by gender, wage of type by gender, turnover by gender, number of employees on parental leave by gender, among others. In addition, it found that the level of wage information subject to gender equality disclosure needs to improve. In addition, wages are currently disclosed mainly on annual salaries, but, in the future, it needs to diversify details of wages, such as monthly salary and

hourly wage. Annual salary scheme is appropriate for the comparison of the wages of male and female workers who have earned 12-month salaries over a given year; however, it is not appropriate to compare the wages of male and female workers with worked less than a one full year, which can be found with temporary workers and new employees. Therefore, it is necessary to disclose wage information that well considers such situations that do not fit for the existing system. Hourly wage is the information that needs to be disclosed in the future for the understanding of the wage gap between men and women as it controls the impact of working hours, such as overtime. Currently, the statistics of wage information disclosed are mainly average one. But this is affected by extreme values, so various statistics that are relatively less affected by extreme values, such as median and quartile, need to be disclosed.

7. Utilization

Information currently released on ALIO, Clean Eye, and DART has been reported as a result of a gender wage gap survey between listed corporations and public institutions which was carried out in commemoration of Equal Pay Day. In the future, an in-depth analysis will be possible when a gender equality disclosure system well takes root and those information related to the wage information, manpower information, and corporations' follow-up measures for reducing gender wage gap of the public and the private sector become available.

8. Follow-up measure

A. Field investigation on excessive gender wage gap institutions and workplaces

If excessive gender wage gap is identified on certain institutions and workplaces through the gender equality disclosure, the agency in charge of Gender Equal Wage Center (provisional name) will be able to promote the addressing of the gender wage gap of those entities through field investigation. This field examinations can be done by the department in charge at the request of employees and labor unions. If the fact-finding survey finds wage discrimination, recommendation of improvement can be made to the employer; in case the business does not accept it, correction of discrimination by labor relation commission can be opted in. Also, it is necessary to revise the “Act on Supporting Gender Employment Equality and Work-Family Balance” for the Gender Equal Wage Center or unions to become a party of petition for those case. This is because currently employees who find themselves are victims of the segregation can file such a request with the labor commission.

B. Request of personal wage information disclosure

A request for disclosure of personal wages may require workers to directly request disclosure or delegate a request for disclosure of wages through the ministries in charge or labor unions. When the request is filed, employers and heads of institutions shall provide wage information as quickly as possible within a given period. Employers and heads of institutions should provide objective information on the reasons for the wage and wage gap of workers who perform the same (value) labor with the workers who requested disclosure of personal wage information, and

employers and workers need to take measures to protect personal information in the process of requesting and providing data. In addition, it is necessary to prepare stipulations about the protection of and the prohibition of disadvantage to workers who request the wage disclosure so that they will not meet any undesirable situation later on.

C. Gender wage gap reduction plan and implementation

Agencies and businesses that register gender equality disclosure information in the Gender Equality Disclosure System shall establish a gender wage gap reduction plan as well as disclose their gender wage gap, register gender equality disclosure information on an annual basis, and report the result of the implementation on the gender gap reduction plan. The ministry and agency in charge of gender equality disclosure need to analyze and evaluate those reports on the gender wage gap reduction plan and implementation. Then, they need to reflect outcomes in governmental efforts of solving gender wage gap, select and announce exemplary institutions, and shape a social environment that is oriented to bringing in gender equal wage.

D. Gender wage gap reduction consultation

The ministries and agencies in charge of gender equality disclosure need to provide consultation on addressing gender wage gap to institutions and businesses that have shown an excessive gender wage gap or wage gap reduction plan.

9. Ways to enhance the acceptance on gender equality disclosure system

A. Support of drafting gender equality disclosure

In order to expand a gender equality disclosure system, it is necessary to help prepare gender equality disclosure, including of gender wage information, for institutions and companies subject to disclosure. In particular, if small businesses have difficulty in writing gender equality disclosure data due to lack of manpower and insufficient management system, they will be able to receive governmental support for that purpose. For example, guidelines and manuals related to the preparation of gender equality disclosure can be developed and distributed, and education programs related to it can be operated.

B. Certification and release of exemplary institutions and businesses

It is necessary to consider operating a certification system for businesses and institutions that contributed to tackling the gender wage gap by establishing and implementing a plan in accordance with the gender equality disclosure. It is also required to release those certified institutions and businesses.

C. Reflection of evaluation on public organizations and their heads

In addition, in order to induce public institutions and others to participate in the gender equality disclosure system and work on the gender wage gap, it is necessary to take into account whether or not they take part in the gender equality disclosure system and the performance

index of the gender wage improvement plan. Moreover, it is recommendable to add the disclosure system participation and the performance index to the criteria that are used for national administrative organizations and local government agencies at a time of selecting consignment contractors.

D. Additional point and restriction to the government bidding

In order to improve the effectiveness of the gender equality disclosure system, it is necessary to revise the Public Procurement Service's guideline for evaluating bidder's qualifications. For example, through field inspection, additional points can be given to companies that actively contributed to the gender equality disclosure system, while penalty to businesses which recorded excessive gender wage gap. In addition, for greater acceptance and effectiveness of the gender equality disclosure system, it is required to consider restricting government bidding for those companies and institutions that have no records of efforts to reduce gender wage gap and have not adopted the wage disclosure system.

E. Preferential ESG loans by banks

In an effort to support the corporate social management related to the addressing of gender wage gap, banks can offer preferential ESG loans to companies with excellent gender gap reduction achievement and certificate of gender equality wage.

F. Operation of education and forum for business owners

It is necessary to include gender equality disclosure and gender wage gap reduction in the central and the local government's education for

business owners, in an effort to provide support for their awareness improvement and implementation of the system. It is also necessary to operate a gender equality disclosure forum for business owners.

G. Operation of social discourse body for adopting a gender equality disclosure system

In order to spread a gender equality disclosure system, it is necessary to induce voluntary participation from the private sector. To this end, it is necessary to prepare and operate a social discourse body.

10. Mid- and long-term road map for a gender equality disclosure system

〈Table 1〉 Mid- and long-term road map for a gender equality disclosure system (draft)

	Short-term	Mid-term	Long-term
Reference	Revise reference laws	Enact individual acts	
Implementation body	Select designated ministries and agencies	Expand Gender Equality Wage Center	
Those subject to the system	(Public sector) Public organizations, and local government-funded institutions	National administrative institutions, local government bodies, colleges, and educational office	The legislative, the judiciary, Constitutional Court, and National Election Commission
	(Private sector) 500 and more employees	50~499 employees	Fewer than 50 employees
Disclosure improvement	Build an integrated system	Operate an integrated system all the time	
Disclosed information update	Wage and employee information	Update guidelines for drafting disclosed information	

	Short-term	Mid-term	Long-term
Disclosed information utilization	Make press release Publish in-depth reports	Assess gender wage gap reduction plans and their actual implementation in a detailed manner	
Follow-up measure	Conduct field examinations on workplaces Support for personal wage information claim	Write gender wage gap reduction plans and check their actual implementation Provide consultation on ways to reduce gender wage gap	
Acceptance increase	Support of drafting gender equality disclosure Reflect into the evaluation of public institutions and heads Advantage to government bidding Preferential ESG loans by banks	Certification and release of exemplary institutions and businesses	

Research areas: Classification on research outcomes, lists and topics: Labor, employment

Keywords: Gender wage gap, gender equality disclosure, gender wage disclosure, gender discrimination

