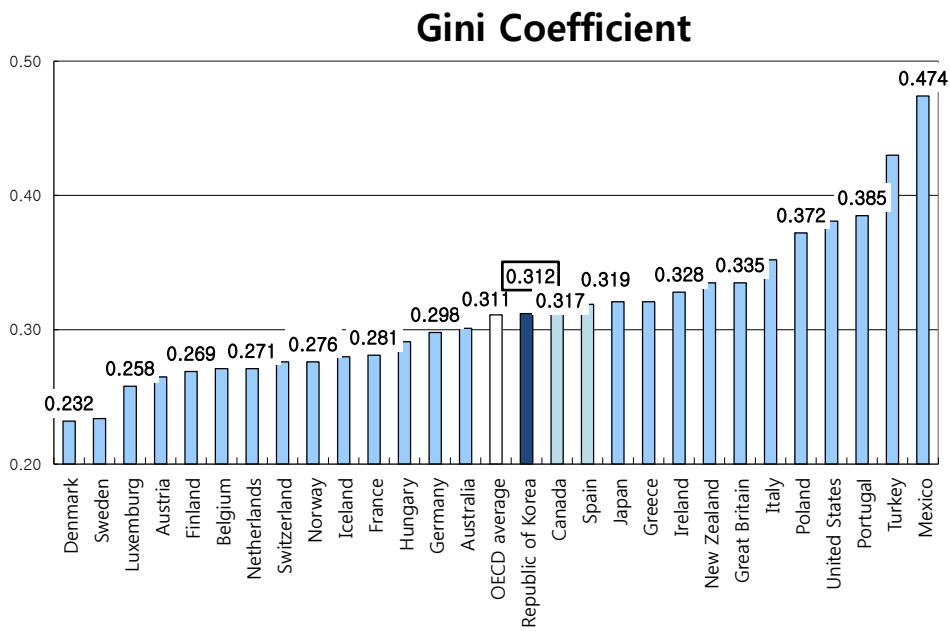
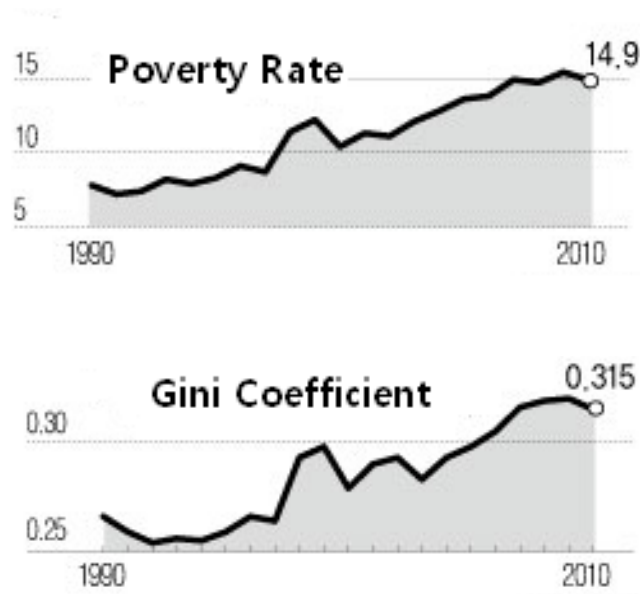


Sociology of Inequality in Korea: dispersion and volatility

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Question

Given that inequality is rising in Korea, what are the structural backgrounds of the trend?

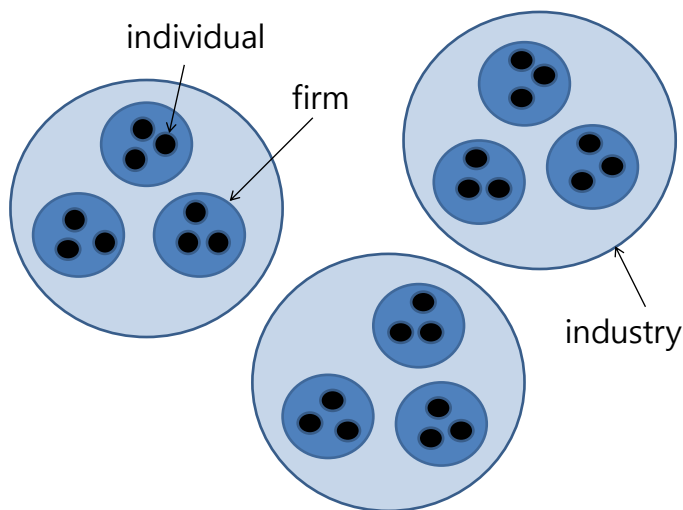
After the economic crisis in late 1990s, what are the new aspects of economic and social inequality of Korea?

Wage dispersion

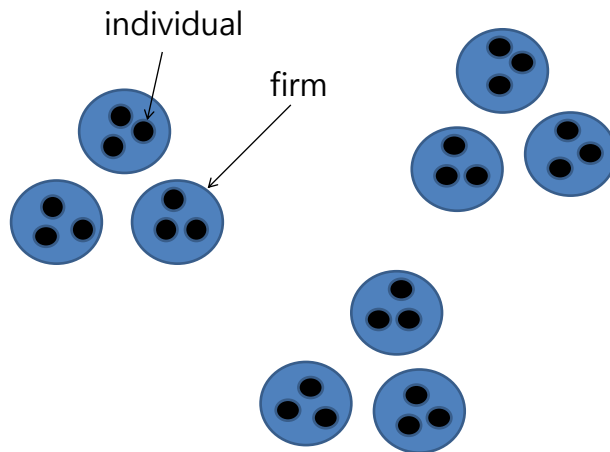
Wage attainment:
who earns more and why?

Wage dispersion:
how big is the earning gap?

Wage dispersion at multiple nested levels



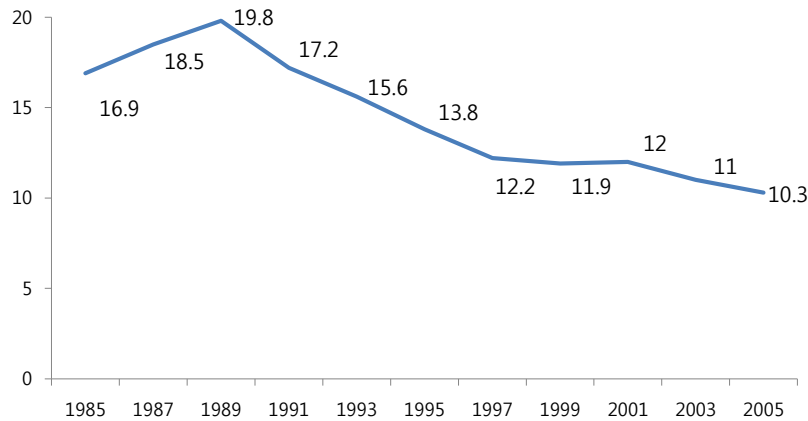
focus on dispersion
within/between firms



Union and wage dispersion

- Unions not only raise wage level but also exert pressure for wage compression
- Unionization increased during late 1980s but declined since 1990s

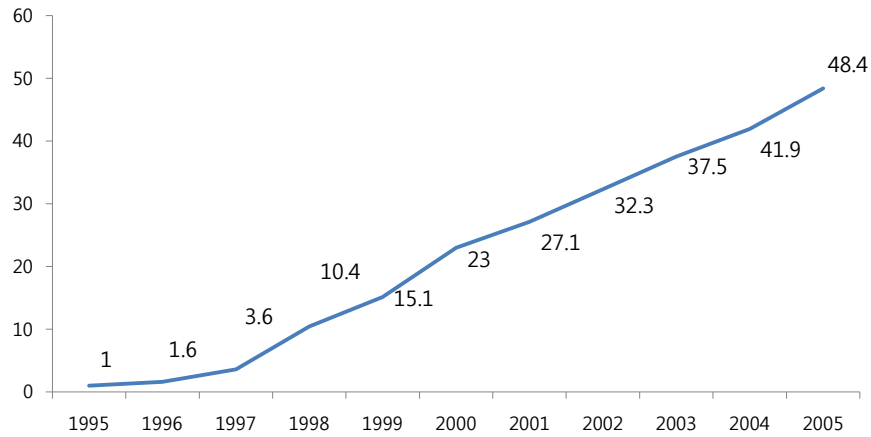
Trend of unionization rate



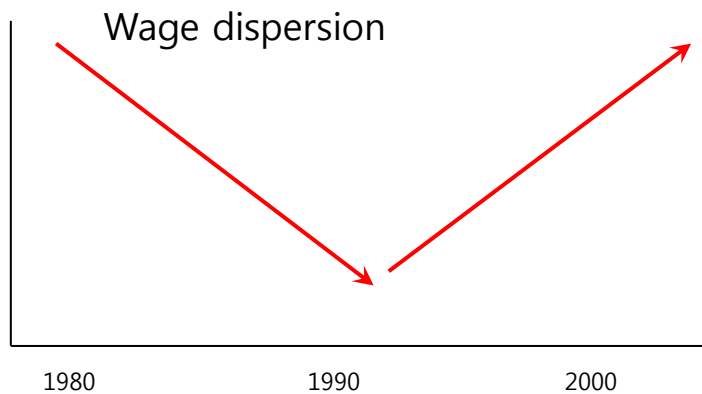
seniority vs performance

- 1980s: seniority-based pay scheme was extended to blue-collar workers during 1980s leading to wage compression
- 1990s and 2000s: performance pay increases the wage gap between high and low performers resulting in intra-firm wage dispersion

Rapid diffusion of performance-based annual salary



Hypothesis



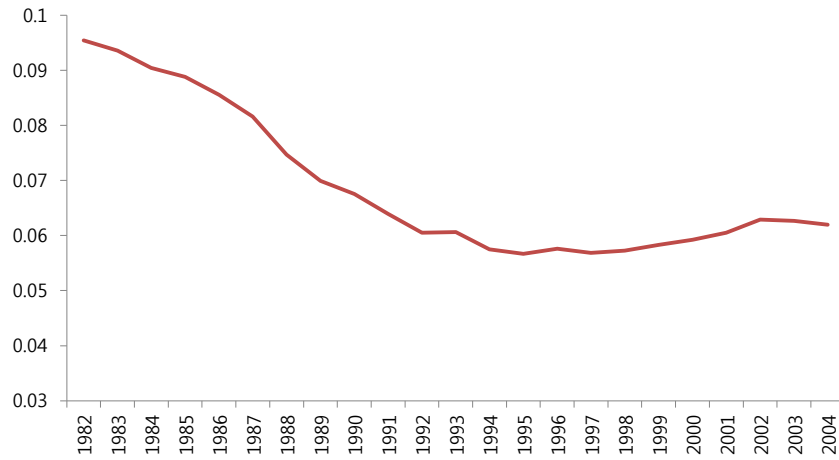
Measures of wage dispersion

- Unconditional: coefficient of variation
- Decomposition: Analysis of variance (between/within firm)
- Conditional: residuals from fixed-effects regression model of wage

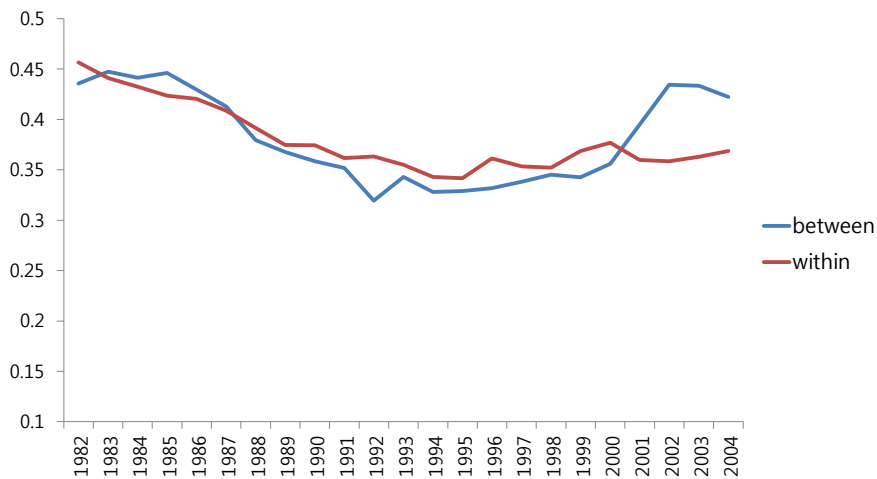
Data

- Annual survey of occupational wage structure between 1982 and 2005 (ministry of labor)
- Covering 400,000 to 600,000 wage-earners in 2,000 to 3,000 firms
- Sample restricted to workers in firms with more than 100 employees

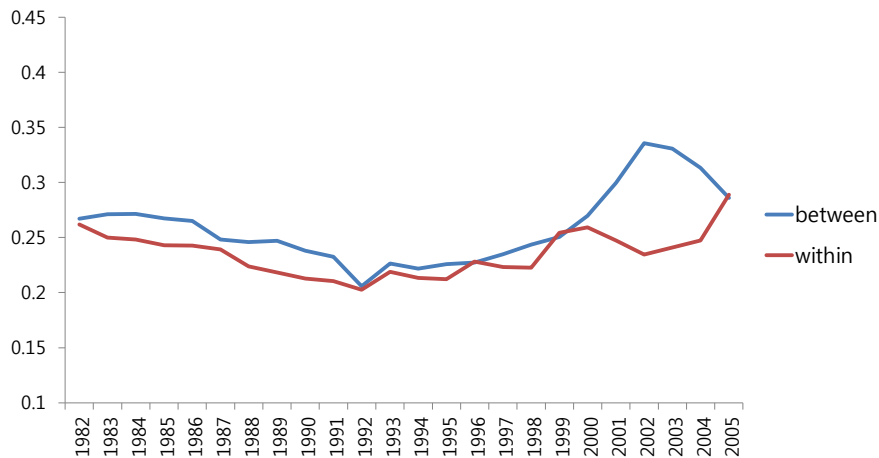
Coefficient of variation



SD of between/within firm effects from ANOVA



SD of residuals between/within firm from fixed-effect model



Income volatility

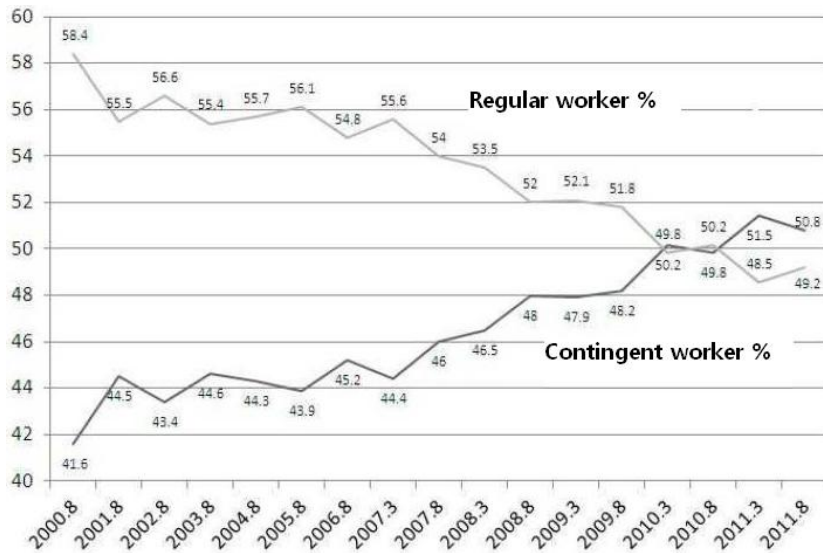
Income polarization:

Is the income gap widening or shrinking?

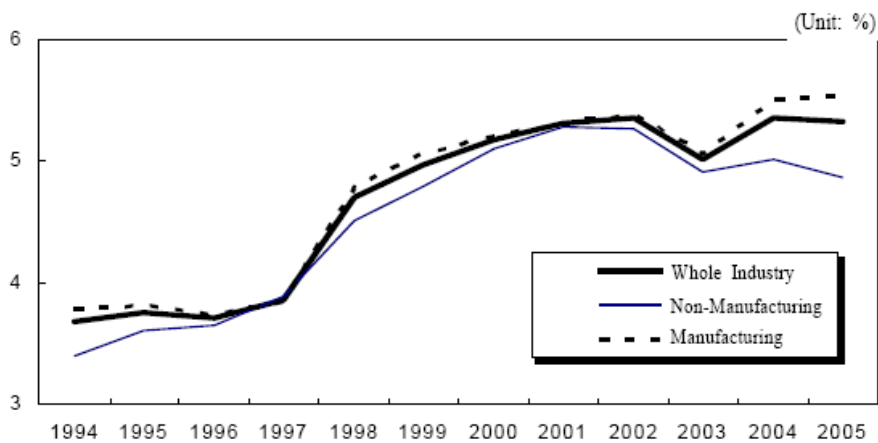
Income volatility:

What are the chances (or risk) of rise (or decline) of income

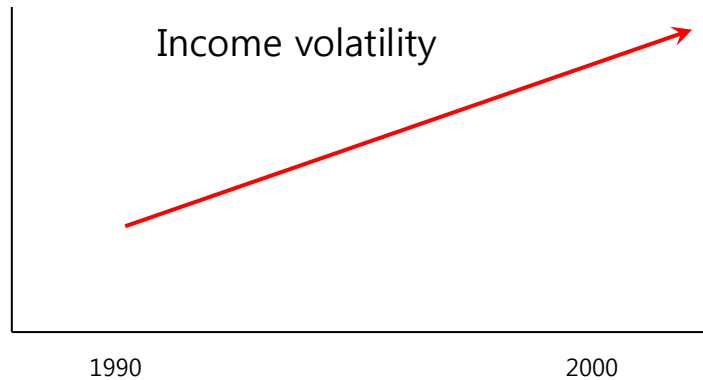
Increasing contingency in the labor market



Increasing volatility of profitability (ROA) among Korean firms



Hypothesis



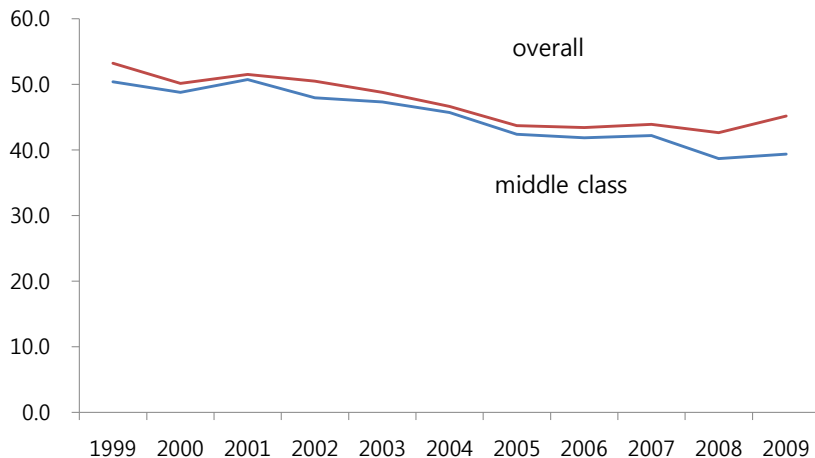
Measures of income volatility

- Model-based measure: decomposition of income series into long-term trend and short-term fluctuation
- Descriptive measure: standard deviation of year-to-year income percentage change

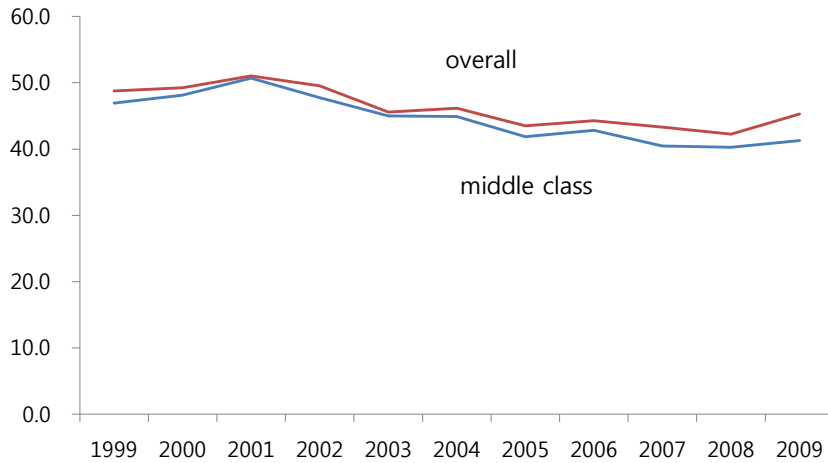
Data

- KLIPS(Korean labor and income panel survey) conducted by Korean Labor Institute between 1998 and 2009
- Covering 1031 households over 12 years
- Information on personal and household characteristics, job and workplace, income and assets

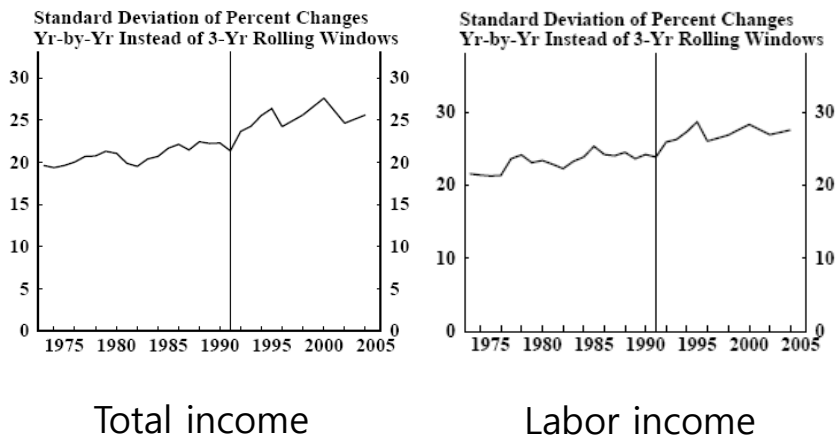
SD of % change in household total income



SD of % change in household labor income



Income volatility of American household income



SD of % change in household financial asset (3-year MA)



Findings

- Wage dispersion declined during 1980s but has been rising since 1990s.
- Income volatility moderately declined since late 1990s.
- Level of income volatility is higher than in US.

Discussion

- Increasing inequality might lead to class conflict.
- Intra-firm dispersion and high level of volatility could undermine traditional class solidarity
- High level of volatility could reflect division into secure few and uncertain majority