

Development of Paid Maternity and Parental Leave in Korea, 2000–20

PROJECT DATA

IMPLEMENTING AGENCY:

Ministry of Employment and Labor
(formerly, Ministry of Labor)

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2000–20

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Director for Ministry of Employment and
Labor



Korea Program FOR
Operational Knowledge



기획재정부
Ministry of Economy
and Finance

TABLE OF CONTENTS

Executive Summary	1
Introduction	1
Delivery Challenges.....	5
Tracing the Implementation Process	7
Outcomes	11
Lessons Learned	13
References	15

Executive Summary

In the early 2000s, the Republic of Korea introduced a system of paid maternity and parental leave to increase female labor force participation and fertility rates by mitigating hardships for female workers after childbirth. The source of financial support in the process of introducing the system lacked consensus, however.

The Ministry of Labor consulted with stakeholders and encouraged political parties to agree to adopt the paid leave system. Key stakeholders and political parties opposed the paid leave system or preferred health insurance to employment insurance as a funding source. Finally, acknowledging practical barriers to those avenues, they agreed to employment insurance as a primary funding mechanism.

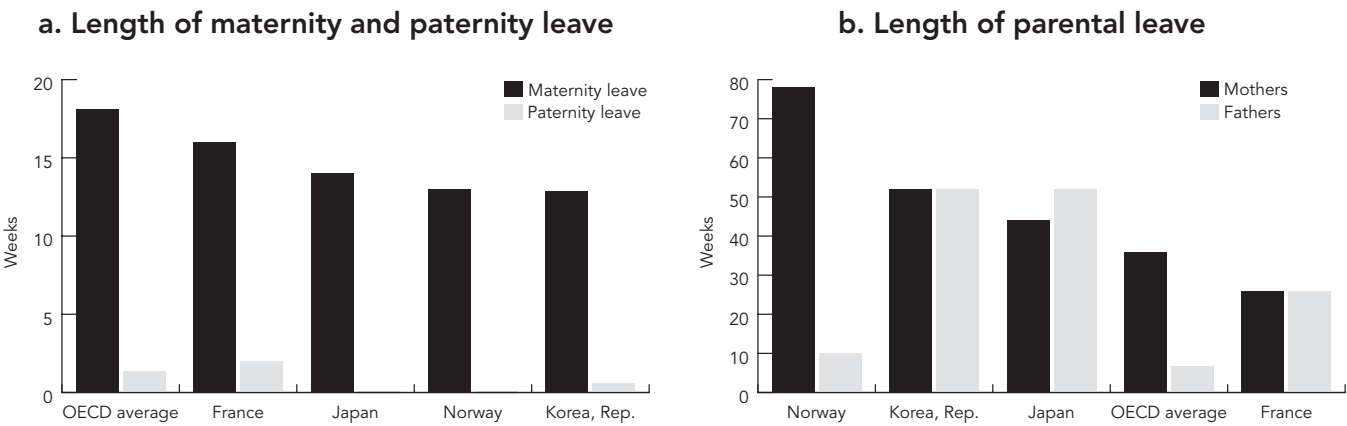
Many mothers, but very few fathers, used the system. Incentivizing paternal engagement became a hot issue during the 2012 presidential campaign. After internal consultations, the labor ministry proposed a revised mechanism and then met with stakeholders, such as employees, employers, and representatives of the Ministry of Economy and Finance. The stakeholders arrived at a consensus, and the labor ministry revised the regulation accordingly to incentivize fathers to also take parental leave. The reforms helped increase women's employment opportunities and encouraged more men to take parental leave. Although the reforms had no proven effect on the national fertility rate, they yielded many other demonstrated benefits, particularly for female workers.

Introduction

Most developed countries provide paid maternity, paternity, and parental leave systems to reconcile the competing demands of work and childcare on parents (figure 1).

This case study was prepared by Kook Hee Lee for the Global Delivery Initiative. This research was supported by the Korea Program for Operational Knowledge, a partnership between the Ministry of Economy and Finance of the Republic of Korea and the World Bank Group.

FIGURE 1. LENGTH OF MATERNITY, PATERNITY, AND PARENTAL LEAVE IN OECD COUNTRIES, 2018



Source: OECD Family Database.
Note: OECD = Organisation for Economic Co-operation and Development.

TABLE 1. HISTORY OF MATERNITY AND PARENTAL LEAVE IN KOREA, 1953–2001

Year	Maternity leave	Parental leave
1953	Employers paid women during leave periods.	
1988		Parental leave introduced for women without payment.
1995		Parental leave expanded to men if spouses did not take leave.
2001	Employment insurance began to pay for income loss during leave periods.	Men allowed to take parental leave even if spouses also took leave. Employment insurance began to pay for income loss during leave periods.

Maternity leave refers to “employment-protected leave of absence for employed women around the time of childbirth” (OECD Family Database 2019). It is intended to protect the health of the mother and her newborn child (Koslowski et al. 2020). The International Labour Organization (ILO) Convention mandates at least 14 weeks of leave and recommends that it be compensated through public funding to ease the financial burden on both parents and employers.¹

Paternity leave refers to the same policy but for employed fathers of newborn children to assist with childcare and strengthen the paternal bond during infancy. In most countries, paternity leave is shorter than maternity leave because of fathers’ reduced need for

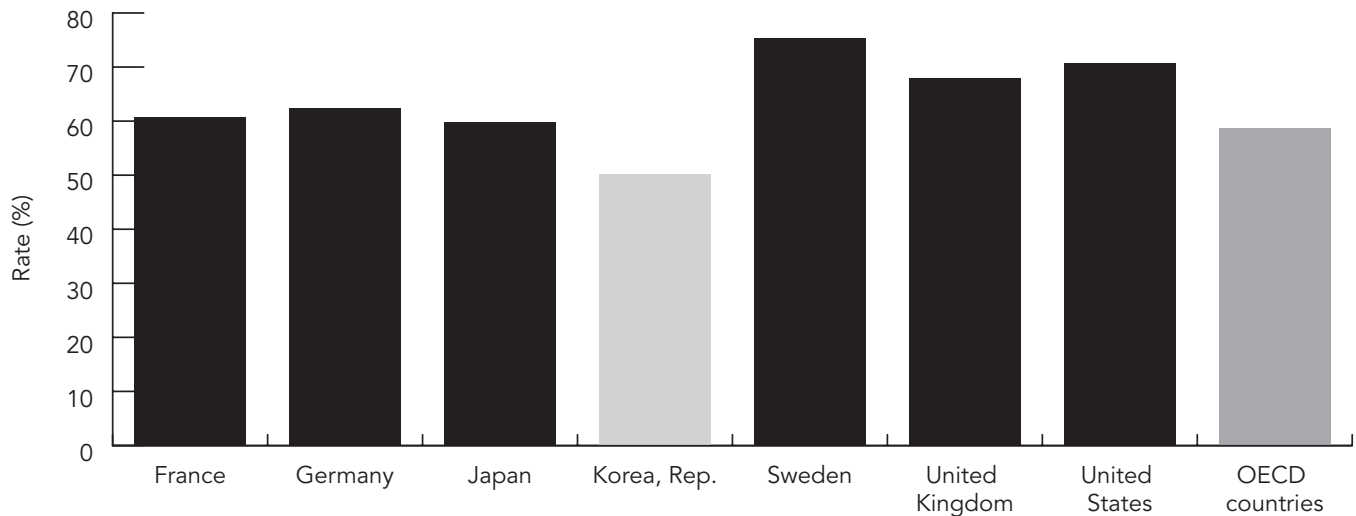
recuperation and gender expectations of parental roles (figure 1).

Parental leave is an “employment-protected leave of absence for employed parents, which follows maternity leave” (OECD Family Database 2019). Such leave provides for infant care by parents during a critical time in child development before infants are old enough for childcare outside the home.

The Republic of Korea adopted a 60-day paid maternity leave policy in 1953, requiring employers to pay all income loss. In 1988, the Korean government introduced a one-year unpaid parental leave policy for women. In 1995, parental leave was expanded to men if their spouse did not take leave. Korea allowed men to take parental leave even if spouses also took leave and introduced a public funding mechanism for its maternity and parental leave system in 2001.² Table 1 outlines this timeline.

1 Article 4(1), ILO Maternity Protection Convention, 2000 (No. 183). The ILO Convention provides that “[O]n production of a medical certificate or other appropriate certification, as determined by national law and practice, stating the presumed date of childbirth, a woman to whom this Convention applies shall be entitled to a period of maternity leave of not less than 14 weeks.”

2 Single parents’ leave entitlement was limited to one year—as it was for two-parent families—but they received a higher benefit level to provide income security.

FIGURE 2. FEMALE LABOR FORCE PARTICIPATION RATE, 1998

Source: OECD Statistics.

Note: OECD = Organisation for Economic Co-operation and Development.

Gaps in the leave system before public funding may have contributed to Korea's relatively low female workforce participation (Kim and Hong 2020),³ which was as low as 50.3 percent compared with an average rate of 58.7 percent among member states of the Organisation for Economic Co-operation and Development (OECD). See figure 2.

Studies primarily attributed Korea's low female workforce participation rate to "career breaks" taken by new mothers. Women often exited the workforce early in their career after giving birth and returned at least several years later, when the child was older and more independent. Accordingly, women in their late 20s had a particularly low employment rate. An earlier study conducted at the beginning of the reform (Korean Women's Development Institute and Korea Labor Institute 1999) found an "M-shaped curve" in employment patterns over a woman's life cycle: highest for women in their early 20s, declining in their late 20s, and then rising slowly through their 30s and 40s before declining once more (figure 3). Furthermore, they found, "Other developed countries do not experience similar patterns, but they experienced the same situation in the 1970s and 1980s" (figure 4). That finding suggested that reforming maternity and parental leave helped those

countries reduce the need for working mothers to take career breaks.

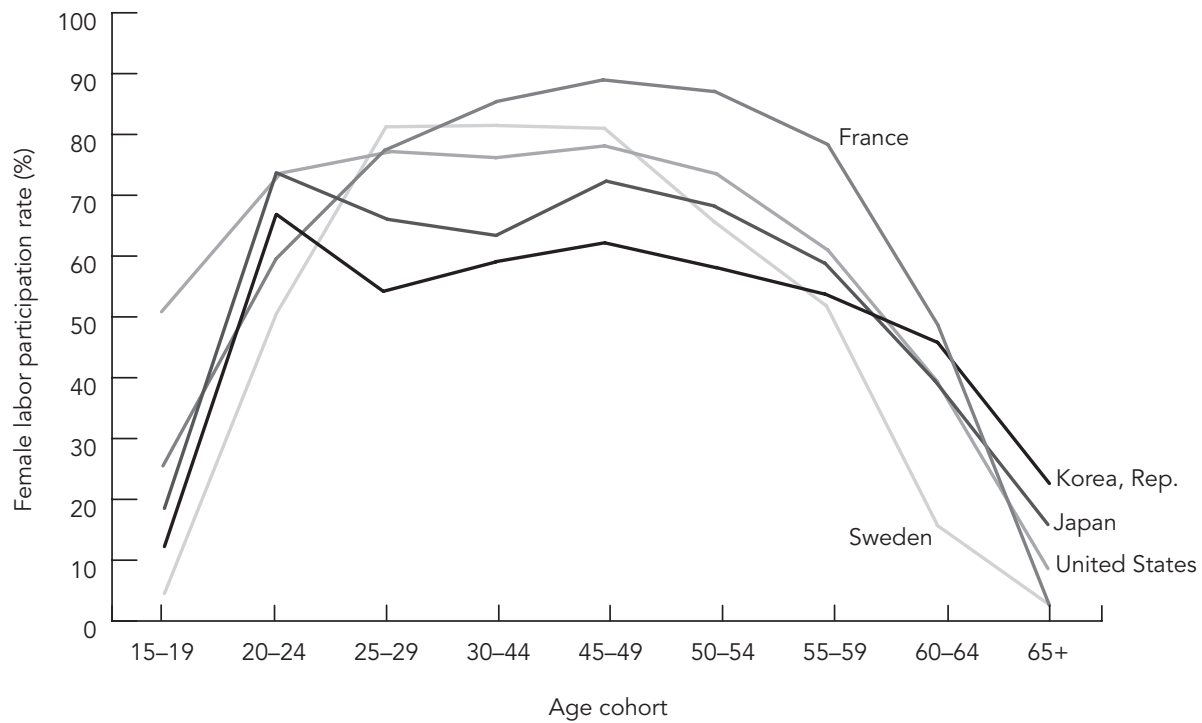
Women who felt obligated to take a career break after childbirth faced tradeoffs. Many women in Korea were as highly educated as men and wanted to continue working but felt forced to choose between work and childcare.⁴ Some chose to work less than they wished, whereas others kept working but had fewer children than they desired, which contributed to Korea's low birthrate. In 2001, Korea recorded an aggregate fertility rate of 1.3 children per woman, well below the replacement level of 2.1, whereas the average across the OECD reached 1.6 (figure 5). Experts worried that low fertility rates would lead to long-term demographic and economic decline, assuming productivity held constant. Demographic decline would also skew Korea's age composition toward the elderly, threatening the financial security of the health and pension systems.

Recognizing those issues, the Ministry of Labor in 2000 decided to accelerate legislation for the paid maternity and parental leave system. It coordinated a legislative proposal with members of the labor committee of the National Assembly; however, the labor ministry

³ The study by Kim and Hong (2020) confirmed that the paid leave system is effective in increasing 0.9 percent of the female employment rate.

⁴ See the OECD.Stat database at <https://stats.oecd.org/Index.aspx?QueryId=85692>, which shows the gender distribution of educational attainment from age 25 to age 34. As of 2019, 76.5 percent of Korean women had attained tertiary education, whereas 63.8 percent of men had achieved the same level of education.

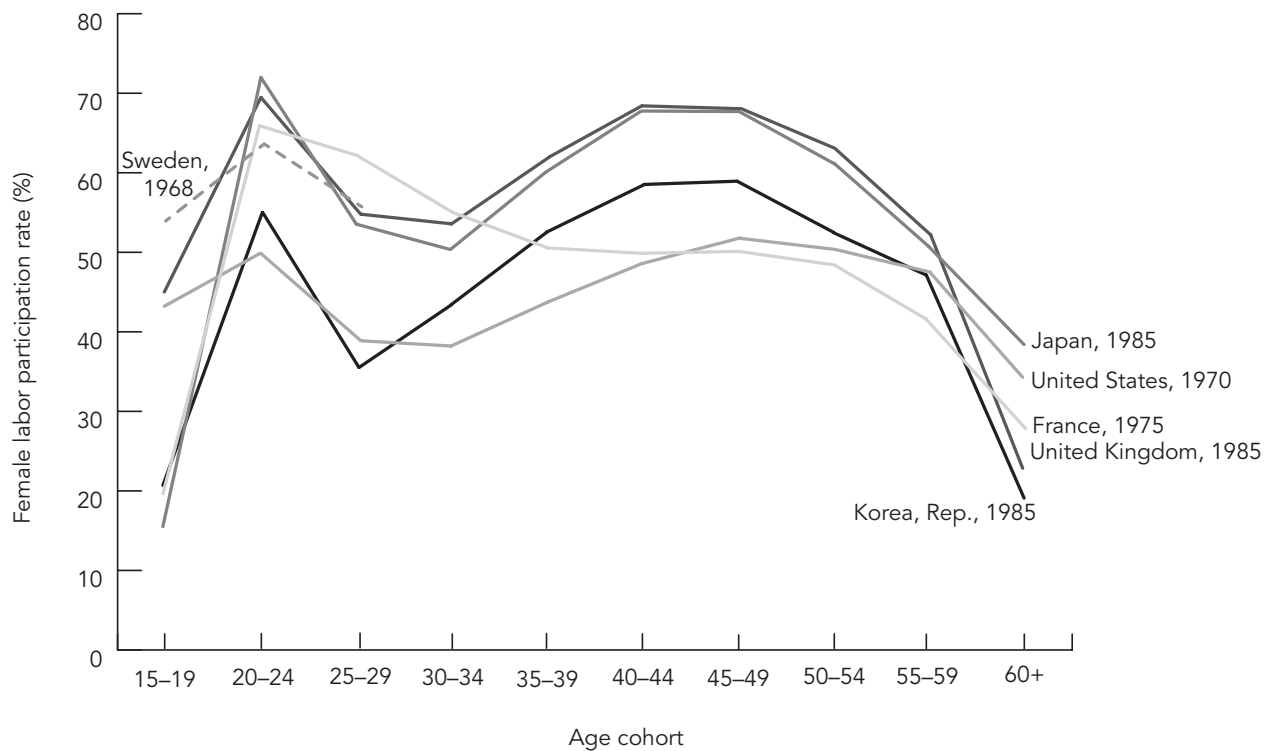
FIGURE 3. FEMALE EMPLOYMENT PATTERNS BY AGE COHORT, 1997



Source: Korean Women's Development Institute and Korea Labor Institute 1999.

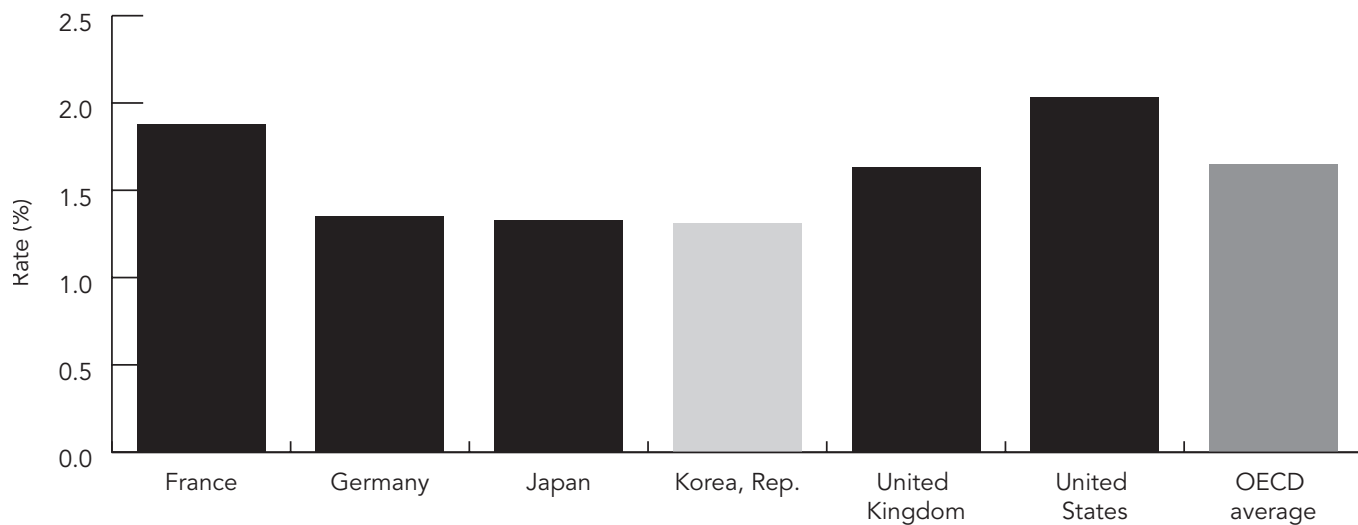
Note: Female employment patterns show a sharp M-shaped curve for the Republic of Korea and Japan, whereas the patterns in other developed countries are naturally curved, without sudden decline for women in their 20s.

FIGURE 4. FEMALE EMPLOYMENT PATTERNS BY AGE COHORT, 1968-85



Source: Korean Women's Development Institute and Korea Labor Institute 1999.

Note: Female employment patterns show a sharp M-shaped curve not only for the Republic of Korea (1985) and Japan (1985) but also for other developed countries, such as the United States (1970), the United Kingdom (1985), France (1975), and Sweden (1968).

FIGURE 5. FERTILITY RATES IN OECD COUNTRIES, 2001

Source: OECD iLibrary at <https://doi.org/10.1787/8272fb01-en>.

Note: OECD = Organisation for Economic Co-operation and Development.

TABLE 2. ESTIMATED COSTS FOR PAID MATERNITY AND PARENTAL LEAVE, 2001

Type of Leave	Employees		Employers		Ministry Labor	
	₩ billion	US million	₩ billion	US million	₩ billion	US million
Maternity leave	42.7	32.5	53.0	40.4	76.3	58.1
Parental leave	63.2	47.5	765.0	582.7	61.1	46.5
Total	136.6	80.0	850.0	623.1	165.7	104.6

Source: Chang 2004.

had to overcome opposition to adoption of the paid leave and resolve disagreement about the financial source to support the system.

Delivery Challenges

Implementing the new paid leave system required building consensus among stakeholders with different views and interests as well as crafting policies to incentivize mothers, fathers, and employers to take part in the system.

Lack of Consensus

The first challenge that the labor ministry had to overcome was employers' resistance to adopting parental leave. Trade groups such as the Korea Enterprises Federation and the Korea Chamber of Commerce and

Industry, which represented employers' interests, issued a press release objecting to the paid leave system on the basis of the additional costs incurred with the system (KCCI 2000). For example, although social insurance would cover the loss of income to employees taking leave, employers would still have to pay to hire substitute employees and would incur retraining and transition costs when employees taking leave returned to the workplace. In addition, if the social insurance system required more funds to remunerate employees on leave for their income loss, then it would increase costs for all contributors to the insurance system, including employers. Table 2 shows the estimated costs.

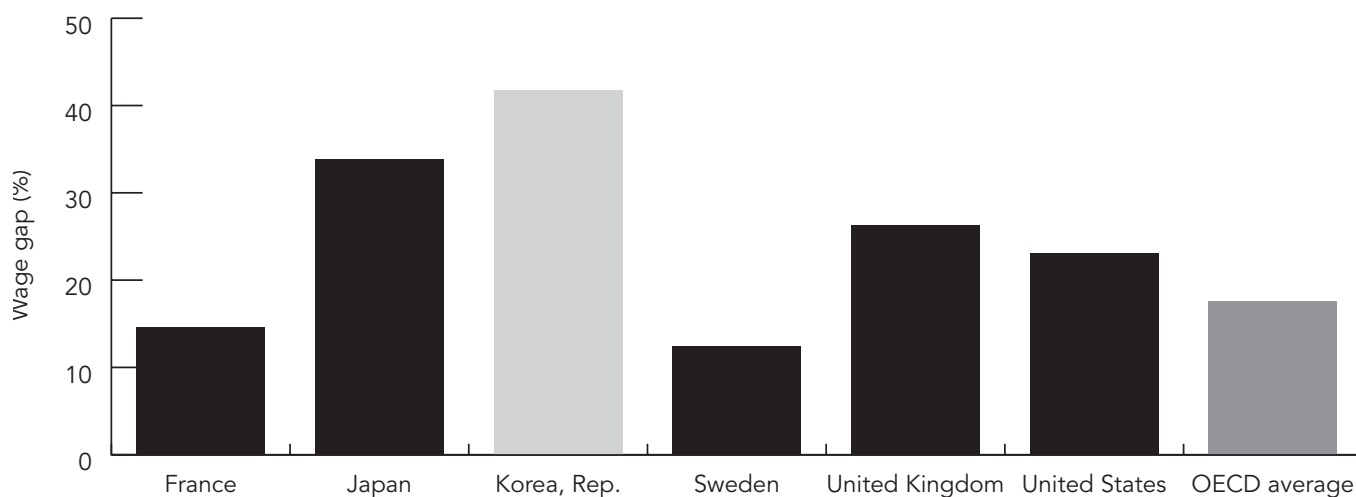
In contrast, employees and their representatives wanted health insurance to serve as the system's financial source because it would cover a larger pool of beneficiaries, including part time or irregular workers. Health insurance could not bear the costs for the paid

TABLE 3. NUMBER OF PARENTAL LEAVE TAKERS BY GENDER

	2001	2002	2003	2004	2005
Men	2	78	104	181	208
Women	23	3,685	6,712	9,122	10,492
Total	25	3,763	6,816	9,303	10,700

Source: Ministry of Labor 2002.

Note: The legislation was implemented in November 2001; therefore, the data for that year are for only two months.

FIGURE 6. GENDER WAGE GAP, 2000

Source: OECD iLibrary at <https://doi.org/10.1787/8272fb01-en>.

Note: OECD = Organisation for Economic Co-operation and Development.

leave system at the time of discussion, however, because it had been integrated into a new universal system only five years earlier, and its financial security was in doubt. The labor ministry had to persuade labor representatives to accept a compromise option for funding the paid leave system through employment insurance instead of health insurance, even though it would cover fewer beneficiaries. “Not for everyone, but at least for those in need,” recalled In Soon Wang, a representative of the Korea Women Workers Association.⁵

Beneficiary Targeting

The second delivery challenge involved expanding benefits to men. In the early stage of implementation, eligible fathers rarely took parental leave. In 2002, the first full year of the paid maternity and parental leave system, men represented only 2 percent of overall leave

takers, with only 78 men compared with 3,685 women taking leave (table 3). Although traditional gender norms may have made men less likely than women to take parental leave, the gap was larger than expected, thereby undermining the legislative intent to provide parental leave to both genders.

The gender wage gap at that time helped explain why women took leave more often than men even in two-income households. Korea had a gender wage gap of 40 percent—wider than any other OECD member state (figure 6). Because women were more likely to work part time or had irregular jobs or did other lower-income work, they generally lost less income during leave than did men. Sung Yoon Choi of the labor ministry explained that many two-income families had an unspoken understanding that women would take leave instead of their husbands. Moreover, men were more reluctant to take leave for fear that their employers would penalize them through

5 Author interview with In Soon Wang, May 25, 2020.

layoffs, demotion, devaluation of achievements, or delay in promotions when they returned to the workplace.

Tracing the Implementation Process

To establish and develop the paid maternity and parental leave system, the labor ministry had to reconcile conflicting viewpoints among the interested parties. As previously mentioned, employers were worried about shouldering additional costs to pay for the leave system, and employees preferred health insurance over employment insurance because health insurance was a universal system, whereas employment insurance was limited in terms of the scope of beneficiaries. Legislation to create the new system had to pass through the National Assembly, despite the diverse opinions of lawmakers. Once the system was operational, the labor ministry faced calls to adjust the system to encourage more male participation.

Policy Research and Onsite Visit

To win over opponents to the paid leave system, the labor ministry began with policy research. The ministry selected two research centers that specialized in the Korean labor market and workforce, the Korea Labor Institute and Korean Women's Development Institute, to provide a detailed analysis of the current situation of female workers and the parental leave systems of other countries. The institutes conducted surveys on employer-provided leave systems in Korea and a comparative analysis of foreign systems.

The institutes found that only 21 percent of employers met the minimum requirement of maternity leave mandated by labor laws, and only 2.3 percent had adopted parental leave (Korean Women's Development Institute and Korea Labor Institute 1999). The low rate of compliance showed the failure of the existing system to guarantee the legal right to take leave.

Moreover, the study found that the current system did not meet legal guarantees for income remuneration for leave takers. Although the labor law mandated employers to be fully responsible for income remuneration for women on maternity leave, only 64.3 percent of the employers guaranteeing maternity leave remunerated leave takers at full salary, and 4.5 percent provided no

remuneration at all. Because a legal mandate to provide income remuneration for parental leave did not exist at the time of study, 69.8 percent of employers who claimed to provide parental leave paid no remuneration.

The survey also asked employers' preferences regarding how to distribute the costs of maternity leave policies. Eighty percent of employers supported replacing the current employer-provided paid leave system with the labor ministry's preferred policy of socializing maternity leave. The 20 percent of employers that preferred to maintain the current system likely feared increased enforcement and were prospective reform opponents. Likewise, 85 percent of employers supported socialization of parental leave, with 15 percent opposed.

For scientific perspectives on the effect of a paid leave system on Korean families, Myeong Shin of the labor ministry visited experts in the areas of maternal health, pediatrics, psychiatry, and psychology. She focused on the effect of parental interaction on child development. Experts agreed that parental interaction is important for healthy child development and crucial for the sustainable development of the country in the long term. Shin used such evidence to persuade opponents of the benefits of a paid leave system for Korean development. "We all know that parents should be there for their children," she said.⁶

Labor organizations also worked hard to integrate evidence to support the paid leave system. In Soon Wang, a representative of the Korean Women Workers Association, recalled that the association coordinated with the Korean Women's Development Institute to establish a firm argument to support the paid leave system. She emphasized that such cooperation helped to overcome opposition in the National Assembly.

For example, in December 2000, the labor committee of the National Assembly held a hearing to review the bill to introduce the paid leave system. Ellim Kim from the Korean Women's Development Institute provided expert testimony in the area of labor law. She argued that the International Labour Organization (ILO) standards were minimum standards to follow rather than maximums to target. She also explained that peer countries guaranteed a right to leave under law. Such arguments helped attract support from labor committee members.

6 Author interview with Myeong Shin, May 27, 2020.

TABLE 4. CATEGORY OF FINANCIAL SOURCES FOR THE PAID LEAVE SYSTEM

Employers	Social insurance	General account
The government does not subsidize leave benefits.	Employers and employees primarily pay for the fund.	The government subsidizes 100% of the leave benefits.
Benefits are funded solely by employers.	Benefits may be funded by health or employment insurance programs.	Benefits are funded by all taxpayers, as are other public expenditures.

Overcoming Different Views from Diverse Groups

The labor ministry and other proponents of the new paid leave system faced opposition on two fronts. First, they had to address employers' cost-based arguments against the paid leave system; then they had to address employees' preference for funding the system through health insurance rather than employment insurance to increase coverage. Options for funding the paid leave system are outlined in table 4.

Rather than forcing employers or taxpayers to subsidize the paid leave system, the labor ministry chose social insurance, which would give remuneration for lost income to eligible contributing beneficiaries of the social insurance fund. They decided against paying out benefits from overall tax revenue (the general account) without a social consensus that the paid leave system benefited all members of society.

First, the labor ministry had to address opposition from the Korea Enterprises Federation, which represented employers' interests. The federation's arguments against the bill included (a) objections to additional costs for employers, (b) concerns about the financial stability of the employment insurance fund, and (c) criticisms that benefits were too generous and broadly applied.

The Korean Confederation of Trade Unions established an integrated body with feminist organizations to coordinate advocacy and develop a public funding mechanism for the leave system. The organization submitted proposed revisions to extend maternity leave from 60 days to 90 days in accordance with the ILO Convention and to introduce paternity leave for fathers to promote paternal infant bonds. It also argued that the public funding mechanism had to relieve employers' financial burdens to sustain the paid leave system. The organization proposed that parental leave benefits cover 70 percent of income loss, with public funding.

On the basis of the research (Korean Women's Development Institute and Korea Labor Institute

1999), the labor ministry coordinated a meeting with Representative Myeong Sook Han, a leading voice on women's issues in the National Assembly. Shin and Han cooperated in their legislative strategy to form a political consensus. "Han was there for us," Shin said.

First, Han, as a former president of the Korean Women's Association, was responsible for persuading employees to compromise with the labor ministry to adopt employment insurance as the financial source to support the system. Employees originally supported health insurance as the financial source for the paid leave system because it covered all citizens, not just full-time employees. Shin was sympathetic to that idea but believed it was not financially viable because of financial difficulties in the health insurance system after the integration of separate systems for the employed and the self-employed. "I knew they were right, but I knew they could lose it all," Shin said.⁷

Second, Shin had to overcome opposition to the paid leave system itself. Many lawmakers were involved in businesses, through either ownership or support.⁸ Such lawmakers raised objections that the expansion of maternal and parental leave would impose costs on employers and harm economic development. One of the members of the industrial committee even switched to the labor committee to oppose the paid leave system. To persuade most of the members of the labor committee, Shin provided evidence from experts and think tanks. The evidence proved the positive effects of the paid leave system on child development, female employment, and sustainable development of the Korean economy in the long term.

The Korea Chamber of Commerce and Industry (KCCI) objected to the paid maternity and parental leave system but was open to compromise if public funds fully remunerated leave takers' lost income. The KCCI released a report titled, "Policy Agenda for Female Employment"

⁷ Author interview with Meong Shin, May 27, 2020.

⁸ Author interview with In Soon Wang, May 25, 2020.

and argued that relief of employers' costs to hire leave-taking women would promote economic growth (KCCI 2001).

Proponents of paid leave also relied on supporters in the media to make the case for the economic benefits of paid leave. Shin recalled, "A couple working as news reporters wrote columns supporting the leave proposal. They knew it was their own problem to solve."⁹

The leading Korean business newspaper, *Maeil Kyungjae* (*Economic Daily*), coordinated with the global consultancy McKinsey & Company (2001) to publish its *Woman Korea* report. The report proposed expediting legislative procedures to pass the bill to adopt the paid maternity and parental leave system, thereby bringing Korea in line with international standards and satisfying employers by gradually socializing leave benefits. *Economic Daily* released detailed data on female employment practices in April 2001, a month before the report's publication. It cited research in 1999 that found that 7 percent of employers among 1,740 enterprises surveyed guaranteed less than 60 days of maternity leave, and 37 percent of them did not fully remunerate income loss during maternity leave (Korean Women's Development Institute and Korea Labor Institute 1999). Only 2 percent of employers provided parental leave, of which 28 percent provided less than one year of leave (*Economic Daily* 2001).

Representative Han, who led legislation for the paid leave system as a member of the labor committee of the National Assembly, was appointed the first minister of the Ministry of Gender Equality in 2001.¹⁰ In her interview to celebrate the ministry's first 100 days, she cited the McKinsey report and emphasized the importance of socialization of maternity leave costs. She emphasized the global perspective and the economic loss from women's early exit from the labor market. She committed her ministry to coordinate with other relevant authorities to support expanding social investment in raising children to help women actively engage in the labor market, and she highlighted the current bill pending in the National Assembly. "Gender policy in the 21st century is not to protect women but for women to become a pillar of

social development along with men," she emphasized (*Kookmin Daily* 2001).

Finally, the subcommittee on legislation of the labor committee brokered a compromise among the members of the labor committee. Some committee members referred to legislation in other countries and found health insurance to be the most relevant financial source to support maternity leave. They insisted that employment insurance could not permanently fund the paid maternity leave system; thus, health insurance should fulfill that role. As a result, the subcommittee on legislation under the labor committee drafted a resolution to subsidize employment insurance to ensure the system's financial stability. It also established a long-term plan to shift the funding source from employment insurance to health insurance and the general account, thereby expanding the number of beneficiaries eligible for maternity leave.

On the basis of that resolution, the subcommittee on legislation came up with the final bill to adopt a paid leave system funded by employment insurance. Opposed by only one member of the labor committee, the bill passed the plenary session without further debate. Along with final endorsement of legislation by President Dae-Jung Kim, the National Assembly recognized the finance ministry's proposal to subsidize ₩15 billion (US\$11.3 million) of employment insurance for the first year of implementation on top of ₩15 billion (US\$11.3 million) of employment insurance funding for the paid leave system (Kang 2019). The bill became the revised Employment Insurance Act in August 2001 and took effect three months later.

Expanding Benefits to All: Establishment of the Paternal Parental Leave Bonus

The establishment of the paternal leave bonus under the paid parental leave system paved the way for more active male engagement and participation. The lack of paternal participation in the paid parental leave system had been an issue even before the introduction of paid parental leave in 2001, but the 2012 presidential campaign marked a turning point.

All three major presidential candidates pledged to improve the parental leave system to increase male participation and bring female labor force participation closer to the OECD average of 62 percent (Ha 2014). The policies were especially popular among female voters.

9 Author interview with Meong Shin, May 27, 2020.

10 See the Ministry of Gender Equality website at http://www.mogef.go.kr/mi/amo/mi_amo_f003.do. On January 29, 2001, the Ministry of Gender Equality was established to coordinate women's policy, such as establishing antidiscrimination policy for gender equality.

Notably, two candidates were women, including the ultimate winner, Geun-hye Park—Korea’s first female president.

Park had served as a member of the Special Committee on Women in the National Assembly in the late 1990s. She not only supported the paid leave system but also knew its historical background and the legislative compromises that it entailed. During the presidential campaign, she had pledged, “[A] man will have a right to take 30-day leave during the first 90 days after birth of a child. The wage remuneration level will be set as 100 percent of the regular income instead of 40 percent” (Ha 2014).¹¹

The labor ministry saw two problems with Park’s pledge, however. First, the original proposal limited leave to the first 90 days from birth of a child, which coincided with the period of maternity leave. To expand childcare options, parents should be allowed to take leave in succession, with fathers assuming primary childcare responsibility while mothers returned to work. Second, the plan was unfunded, which would raise costs for the employment insurance fund. Without more subsidies from the general account, employment insurance could not fund more parental benefits.

To explore alternatives, the labor ministry held a workshop that included all officials at the director-general level, regardless of their areas of responsibility. Workshop participants settled on a final reform that allowed fathers to take leave after mothers’ leave ended.

Announcing the Plan as Part of the Basic Plan for Female Employment

In February 2014, the labor ministry announced a female employment policy agenda that covered issues ranging from childcare to reduced working hours to allow working parents to have more flexible schedules. In the process of preparing the policy agenda, the labor ministry met with members of the steering committee for the employment insurance fund operations, which had the power to review any spending by the fund to ensure its long-term financial stability. The steering committee was composed of representatives of the employers’ and employees’ organizations, labor ministry officials, and employment insurance experts. Any new financial benefits provided by the employment insurance

fund would need the approval of the representatives of employers and employees whose contributions funded it.

During the consultation process, the employers and employees raised the issue that increased usage could cause a financial shortfall in the employment insurance fund, which had received legally guaranteed financial subsidies from the general account since 2001 (Labor and Environment Committee of the 16th National Assembly 2001). To ensure a further subsidy increase from the general account, the employers and employees requested a specific amount of fixed subsidies in the policy agenda.

After the finance ministry rejected the request, the labor ministry organized site visits with other ministries—such as finance, education, and health and welfare—to women in the workplace. Those visits helped persuade officials to support increasing subsidies from the general account to the employment insurance fund to incentivize fathers to take parental leave.

Revising Regulations and Further Development

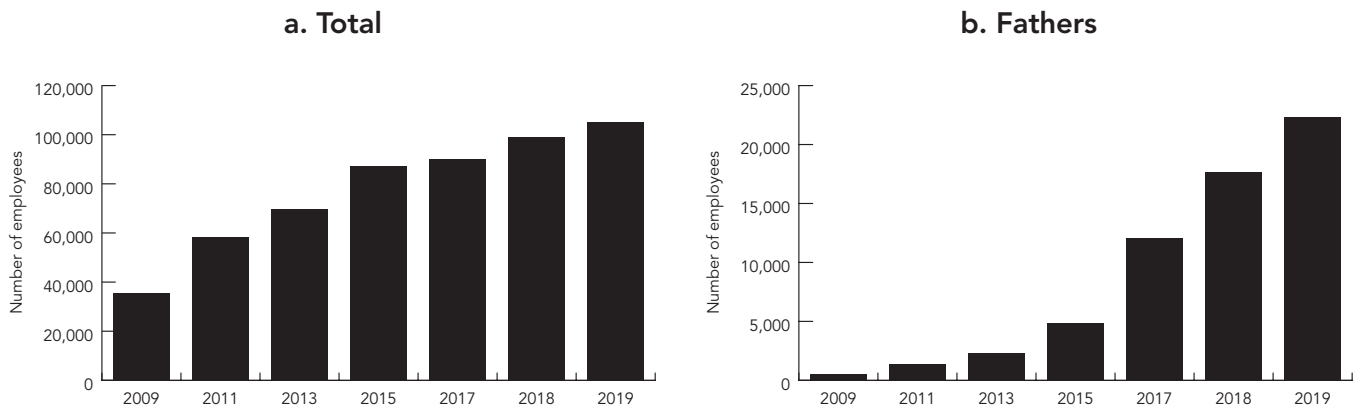
After the announcement of the policy agenda in February 2014, the presidential decree of the Employment Insurance Act required an amendment to incorporate incentives for men to take parental leave, based on the consensus reached by the labor ministry, finance ministry, employers, and employees. Sung Yoon Choi said that he realized the importance of such a consultation process and added that early engagement of the interested parties in discussion helped integrate different views to reach agreement on critical issues.¹²

Following the adoption of the first incentive for men to use the parental leave system, the Third Basic Plan for Aging Society and Population Policy expanded the incentive from one to three months, with the potential for future expansions as needed (Presidential Committee on Aging Society and Population Policy 2015).

Further advancement continued with differentiation of the wage level for the first leave taker—to encourage couples to share childcare time with each other, thereby promoting the policy’s original purpose of encouraging couples to share childcare responsibilities and lessening pressure on women to take a career break. Women who had shorter leave periods were more likely to return to work, as shown by data from the Korea Employment

¹¹ The two losing candidates had respectively proposed a two-month leave period with 60 percent remuneration and a two-week leave period with 70 percent remuneration (Ha 2014).

¹² Author interview with Sung Yoon Choi, May 27, 2020.

FIGURE 7. NUMBER OF EMPLOYEES TAKING PARENTAL LEAVE

Source: Ministry of Employment and Labor 2020.

Information Service, which found that 91.2 percent of workers taking parental leave of less than three months return to their jobs, but only 64.6 percent return after a break longer than one year (Korea Employment Information Service and Ministry of Employment and Labor 2017). A survey of male workers found that 41.9 percent agreed that income loss was the most important reason they would not use the system (Korean Women's Development Institute 2014).

Overcoming Internal Opposition

Shin faced unexpected opposition from within the labor ministry, including many officials who were unsure how providing paid parental leave for men would work in practice.¹³ She recalled that even the labor minister was concerned about providing men with parental leave benefits and asked, “Is it okay to provide financial benefits for men to take parental leave? Would they really take care of their children?”

As she recalled, she replied, “It is all fine. Women can work while their spouses take parental leave. If women are not at home, then men will take care of their children. What we should do is just to make sure that the M-shaped curve could disappear as soon as possible.”¹⁴

Choi was surprised to see that experts misunderstood the basic scheme of the Korean parental leave system.¹⁵ He called the Korean parental leave system “well designed”

and “exceptionally gender equal” because it guaranteed the same period for each spouse, whereas other countries typically provided fathers with a shorter period of leave than mothers.

After realizing that the public was underinformed about the expansion in benefits, the labor ministry focused on marketing the newly adopted incentive system, along with streamlining the system, when it released the policy agenda for female employment in February 2014. The marketing strategy succeeded in increasing the proportion of men participating in the system.

Outcomes

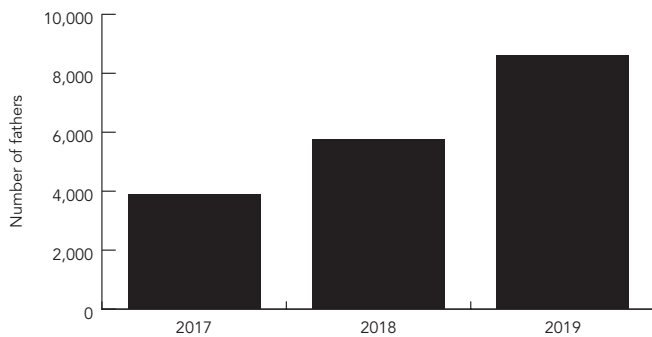
The number of participants taking paid parental leave in Korea increased fivefold between 2007 and 2019, from 21,185 to 105,165 (Ministry of Employment and Labor 2020). Male participation increased even more dramatically, from 310 to 22,297—an increase of 7,100 percent (see figure 7), driven by the 2014 reform.¹⁶ Almost 81.7 percent of fathers taking parental leave received incentives. In 2019, 8,599 of the 12,042 fathers who took leave received incentives. After the incentive period increased from one to three months in 2016, the number of fathers participating in the incentive system doubled, from 3,896 to 8,599 (see figure 8).

¹³ Author interview with Myeong Shin, May 28, 2020.

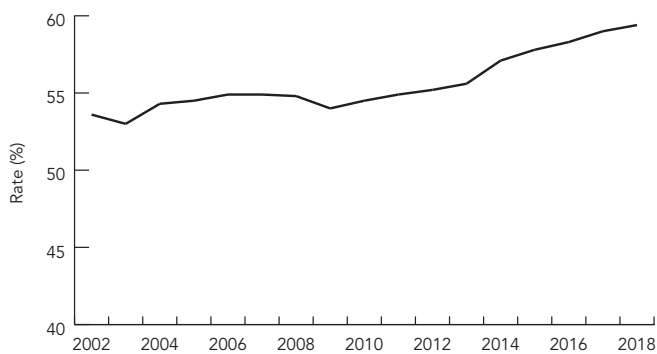
¹⁴ Author interview with Myeong Shin, May 28, 2020.

¹⁵ Author interview with Sun Yong Choi, May 27, 2020.

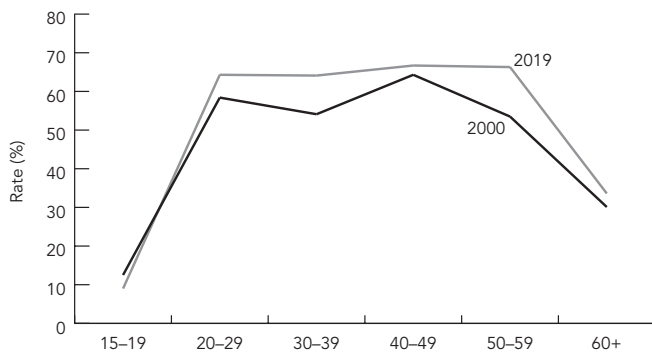
¹⁶ A research report recommended incentives for fathers to take parental leave because other OECD countries provided a quota for fathers to participate in the parental leave system. The policy recommendation was implemented by the labor ministry, and the outcome has proved effective in encouraging more men to take parental leave. See Hong and Lee (2012).

FIGURE 8. NUMBER OF FATHERS RECEIVING INCENTIVES FOR TAKING LEAVE

Source: Ministry of Employment and Labor 2020.

FIGURE 9. FEMALE LABOR FORCE PARTICIPATION RATE

Source: Korea Statistical Information Service.

FIGURE 10. FEMALE LABOR FORCE PARTICIPATION, BY AGE COHORT

Source: Korea Statistical Information Service.

The introduction and improvement of the paid leave system helped improve women's labor force participation.¹⁷ The M-shaped curve of female employment became less steep, as the female employment rate increased more rapidly than the male employment rate and surpassed historical records.¹⁸ Since introduction of the paid leave system, the female labor force participation rate increased from 48.8 percent in 2000 to 60.0 percent in 2019,¹⁹ with 210,000 newly employed women in 2019²⁰ (see figure 9). In particular, the number of women in their thirties remaining in the labor market increased from 54.1 percent in 2000 to 64.1 percent in 2019, reshaping the M-shaped curve toward a more even bell-shaped curve (see figure 10). The increase of female employment in Korea supported a causal relationship between parental leave and female employment that had been found in many other countries, including in a data analysis of nine European countries from 1969 to 1993 (Ruhm 1998). A study of 30 OECD countries from 1970 to 2010 also showed that parental leave of less than two years contributed to increase in female employment (Thévenon and Solaz 2013).

If trends hold, the curve would take at least two more decades to form a perfect bell-shaped curve, rising to 74.1 percent in 2040. To hit that target, the Presidential Committee on Aging Society and Population Policy has reviewed more gender-neutral policies, such as expanding financial incentives for the first parent to take leave, to give two-parent families more choice over which parent would be the first leave taker for the Fourth Basic Plan for Aging Society and Population Policy (2021–25).

Empirical studies showed that the paid leave system was effective in expanding female employment opportunities. "It definitely helps women remain in the market," said Jiyeon Chang from the Korea Labor Institute. Minjung Kang from the Korean Women's Development Institute echoed Chang's statements about the positive results that the leave system brought women.

Workers from large enterprises tended to have more options to take maternity or parental leave, whereas workers from small and medium enterprises (SMEs) faced difficulties. When SME workers were able to take

17 Author interview with Jiyeon Chang, May 12, 2020.

18 Author interview with Min Jeong Kang, May 20, 2020.

19 Data are from the Korean Statistical Information Service.

20 Data are from Ministry of Economy and Finance and Ministry of Employment and Labor (2020).

parental leave, however, the positive effect of the paid leave system was strong enough to increase their labor force participation rate. In fact, the number of SME workers taking parental leave dramatically increased recently.²¹ As of 2019, the proportion of workers from companies with fewer than 300 employees reached 54.5 percent of total workers taking parental leave. The number of leave-taking workers from enterprises with fewer than 10 employees increased the most rapidly, rising 16.6 percent from 2018 to 2019 (Ministry of Employment and Labor 2020). Notably, the rate of participation by SME workers increased more rapidly for men (36.6 percent) than for women (5.4 percent) in 2019. Such evidence suggests that the paid leave system helped sustain an increase in the female labor force participation rate.

After adoption of the incentives for fathers, male participation increased from 1 percent to 5.5 percent and reached 20 percent in 2019, exceeding the administration's goal of 15 percent participation by 2020. Many studies have confirmed that providing incentives for men to take parental leave positively affects female employment, including a recent finding that sharing of unpaid labor such as childcare and household responsibilities within a family increases female labor force participation by 3.5 percent (Kim 2017).²² Because incentives for fathers to take parental leave directly correlated with their share of unpaid labor within the family, the study recommended expanding incentives for fathers to take parental leave to improve female employment in Korea. For example, in Norway, the rate of female labor force participation and earnings increased when men took more parental leave after a one-month quota of paternal leave was adopted in 1993 (Lappergard 2008).²³

However, Korea's fertility rate continued to decline, falling below 1.0 by 2018, because of social and economic factors, including inadequate public childcare options for working parents (Ha 2020).

Lessons Learned

New Benefits Can be Added to Even a Newly Developed Social Insurance System

The Korean experience is important for developing countries with recently created social insurance systems. Korea made employment insurance the financial source to support paid leave in 2001, merely five years after creating employment insurance for unemployment benefits.

Developing countries with reduced female employment because of career breaks after women give birth might consider introducing a paid parental leave system funded through social insurance to relieve financial cost burdens on employers, even if those countries lack well-developed social insurance systems. As Jung and Wang, representatives of female employees, said, "It is hard to make the first step, but it is all smooth-going after the first step."²⁴

Developing countries could overcome difficulties in introducing paid leave benefits funded by social insurance by reviewing the funding mechanism and financial stability of each social insurance system. First, they should review the financial status of the social insurance system when determining which insurance to designate as a funding source for the paid leave system. Korean officials prioritized employment insurance over health insurance because they considered their employment insurance system more financially stable, despite views that maternity leave was more fundamentally related to health than employment.

Second, if the social insurance scheme seemed too unstable to accommodate benefits for the leave system, policymakers might look to other financial sources of support. For example, Korea subsidized employment insurance with the general account to help ensure the system's financial stability.

Cooperation and Advance Consultations with Interested Parties Can Accelerate the Reform Process without Delaying Implementation

Cooperation among legislators, civil society, and labor representatives helped the labor ministry settle

21 See Jung and Yoon (2020). Maternity leave refers to maternity and parental leave for the purpose of the study.

22 The study focused on the effect of guaranteeing maternity and parental leave and male participation in unpaid work. It finds that maternity leave increases female labor force participation 3.0 percent and parental leave increases it 4.0.

23 The study focused on a father quota in Norway, where a family is entitled an additional one month of leave if both parents take leave. As a result, the additional one month is called a father quota. It is slightly different from incentives in Korea because Korea already guaranteed one year of leave for fathers independently from mothers and raised the replacement rate to 100 percent for the first three months during the period that a spouse takes leave after the other spouse.

24 Author interview with Young Sook Jung, May 18, 2020, and with In Soon Wang, May 25, 2020.

on practically and politically viable options when Korea introduced a paid leave system funded through employment insurance. Internal consultation with other departments in the labor ministry also helped to build consensus and improve program design before the legislative process began, thereby easing its passage. During those consultations, proponents relied on scientific evidence and workplace surveys to convince lawmakers to adopt the paid leave systems.

Advance consultations were also effective in creating incentives for men to use the leave system. Sung Yoon Choi said that he could have faced unexpected obstacles in the final stage of expanding benefits to men if he had not consulted with employers, employees, and the finance ministry.²⁵ Such consultations helped the labor ministry to integrate diverse opinions, anticipate objections, and make compromises.

Scientific and Statistical Evidence Can Support Policy Compromises to Break Political Deadlock

Scientific consensus on the importance of parent newborn bonding in the first months of life contributed to compromises to break political deadlock. The labor ministry was able to draw on testimony from experts in child development to persuade opponents to public investment on paid maternity and parental leave. In addition, statistics compiled by the employment insurance system contributed to efforts to revise the original proposal and develop more effective measurements of progress. The labor ministry's comprehensive statistics on the leave system allowed it to track disproportionate participation by men and

women. As the employment insurance system began providing leave benefits, it could track the gender split among employees taking parental leave. In addition, making the employment insurance system a co-contribution system between employees and employers allowed the labor ministry to track and analyze trends among both employees and employers.

Stopgap Compromises Can Allow Incremental Progress toward Further Long-Term Objectives

Reform proponents addressed opposition to funding paid leave through employment insurance by providing a long-term solution and a short-term solution at the same time. To address arguments that the paid leave system would drain the funds of employment insurance, the legislative subcommittee for the labor committee of the National Assembly drafted a resolution for the government to subsidize employment insurance from its general account and establish a long-term policy agenda to shift to funding through health insurance using subsidies from the general account. The government followed that mandate in the first year of implementation by subsidizing the employment insurance fund to pay for one-half of the costs of providing leave benefits and has continued to subsidize employment insurance.

Shin believed from the beginning that maternity leave benefits should be funded through health insurance, but she pivoted after seeing that such an option would not be viable. Likewise, temporary or incremental measures could be a starting point for reform in other contexts if combined with long-term policy directives to accommodate criticisms.

²⁵ Author interview with Sung Yoon Choi, May 27, 2020.

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