

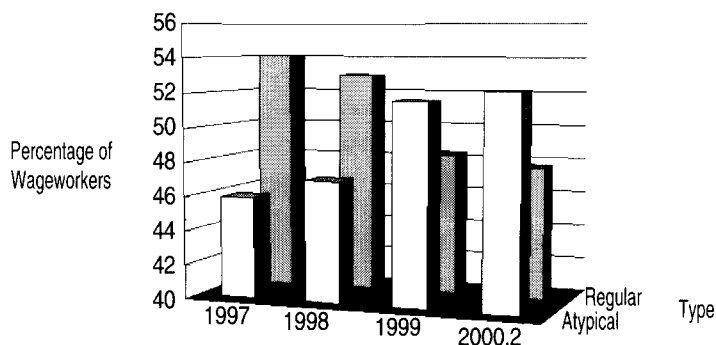
ATYPICAL EMPLOYMENT IN THE LABOR MARKET

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Since the financial crisis, workforce flexibility has become a focal point of Korean companies. This article examines the conditions of atypical workers and considers the social problems which may result from an increase of these workers. Currently, the number of atypical workers already surpasses half of the total workforce. Even if the proportion of atypical workers in the workforce has been overestimated by the statistical surveys, the actual figures are probably far higher than those of other OECD nations, which lie between 15% and 20%. The increase in atypical employment may partly conceal the problem of unemployment in the short term; however, there is the possibility of a conflict between labor and capital resulting from the downward standardization of wages.

Figure1. Regular/Atypical Employment Transition



	1997	1998	1999	2000.2
□ atypical	45,924	47,026	51,685	52,313
■ regular	54,076	52,974	48,315	47,687

The number of atypical workers rising

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The Korean economy has been moving toward a low-growth and high-unemployment structure since the economic crisis of the late 1990's. Parallel with this change, the share of atypical employment has increased drastically, due the pursuit of labor flexibility by individual companies.

It was in the late 1980's that atypical employment became widespread, and people started avoiding the so-called "3D(dirty, difficult, dangerous)" occupations. Because of the instability of their legal and economic status, the issue of atypical workers in Korean companies is affecting both regular and atypical workers; and it

will probably inflict a considerable blow to the productivity of businesses. Atypical workers no longer provide merely simple and repetitive tasks, but labor that is basically the same as that of regular workers. Here, the persistent issues of employment instability and low pay have become social problems.

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The typical forms of atypical employment in Korean companies are the following:

- Workers with fixed term contracts who work over a period fixed by contract
- Part-time workers who are assigned less working hours than regular workers
- Dispatched workers who work under the direction of others
- Home-based workers who work under the direction of the employer without a clearly stated contract

The four categories often overlap with one another, and have the common disadvantages of unstable employment, poor labor conditions, and difficulty in forming a labor union. The original intent of introducing atypical employment to Korean companies was to ease firms' adaptation to the constantly changing environment. Employers are trying to improve efficiency and cut labor costs by employing atypical workers, in an environment where demand for goods and services has shown irregular and unpredictable fluctuations. For workers who were unable to find jobs with standard working hours or regular employment, atypical employment presented new job opportunities.

Reasons for atypical employment

A significant reason for the rapid expansion of atypical employment is that employers are not required to observe rules or regulations. Since there is no of the principle of same labor-same wage, the cost of atypical labor is kept low. This in turn causes the regular workforce to be indiscreetly replaced by an atypical workforce, even though maintaining regular workers would guarantee much higher efficiency. Another reason for the popularity of atypical workers is that the vast majority of atypical workers do not benefit from social security systems, a fact that directly affects their welfare. The labor cost is much lower than in the case of regular employment, which results in the regular workforce gradually being taken over by an atypical workforce for the sole purpose of reducing labor cost.

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Another problem is that atypical workers do not have the right to make a spontaneous choice among the forms of atypical employment, even though they have to face unfavorable conditions such as employment instability, lower wages than regular workers for the same work, and exclusion from vacation, fringe benefits, or various welfare programs.

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employment in the total labor force is steadily increasing, especially among female workers who have a narrower range of choices, having to cope with gender discrimination and lack of employment-support facilities such as child care centers.

An atypical workforce also carries a number of drawbacks for the employer. Atypical workers have a higher turnover rate than regular workers, and lower commitment to the organization or to their work. Since the company still runs human resources management under the same standard as for a regular workforce, a large atypical workforce results in increased costs, decline of unit productivity, and conflicts between regular and atypical workers. In other words, the company, having managed a labor force of mostly regular workers in the past, does not possess the knowledge or systems appropriate for effective administration of an atypical workforce.

As the share of atypical employment increases, such is the present state of the labor-management relationship, which has become one of the major issues in the Korean labor market.

Problems associated with atypical employment

In February 2000, atypical workers with work contracts under one year occupied 52.3% of the total workforce; the percentage has been on the increase for the past several years. Atypical employment started to soar as the conditions of employment deteriorated under the new IMF structure of late 1997, and the proportion of atypical employment is now greater than that of the last decade. This drastic rise of atypical employment is not limited to unskilled jobs, but also jobs requiring educated or specialized workers. This increase of atypical employment is likely to accelerate, following the trend of an increasingly flexible labor force. A switch is taking place in big companies from regular employment to atypical employment, and a considerable part of new hiring in small and medium businesses is in the form of atypical employment, partly because the expense of labor is proportionately higher for smaller companies. This trend may bring a number of anomalies in the employment structure as well as social costs.

First, the growing number of non-spontaneous atypical workers is hindering effective distribution of human resources.

First, the growing number of non-spontaneous atypical workers is hindering effective distribution of human resources. The downward employment of highly qualified workforce, in the critical situation in which workers have to contend with atypical workers, is lowering the efficiency of workforce. Uncontrolled conflicts between regular and atypical groups may even lower the company's productivity, thus creating a potential sacrifice for the relinquishment of economic activities.

A second problem is that the rapid increase of atypical employment within a situation of deficient social security systems is directly linked to a destitute workforce. A recent survey showed that the average wage of atypical workers is only

40-80% that of regulars. Considering the fact that atypical workers are excluded from various welfare programs, the actual income gap between the two groups may be even greater. With the increase in atypical employment, the distribution of profit will become proportionately less equal, and the poor class will grow.

Third, the increase of atypical employment is one of the major causes of high unemployment. One of the characteristics of atypical workers is that they are unemployed for a shorter period compared to regular workers, although the frequency of unemployment among atypical workers is higher. Their attempt to find regular employment almost inevitably means a higher unemployment rate.

Another effect is that the increase in atypical employment is indirectly causing labor movements, who do not cover atypical workers, to lose their influence. It is somewhat inappropriate to claim that labor movements are truly representing the entire labor force because their organizational ability is not yet sufficient for them to include atypical laborers, who occupy more than half of the total labor force.

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Prospects for employment system

It is probably unfeasible for the government to diminish the extent of atypical employment, because atypical workers already comprise half of all waged laborers. However, one alternative would be to control employers' indiscriminate preference for an atypical workforce by improving the wages and working conditions of atypical workers. Provided that the gap between the wages of regulars and atypicals are reduced, companies will be less willing to hire atypical workers who rightfully have little sense of belonging. Workers on their part will be able to make a spontaneous choice for atypical employment.

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On the part of the unions, there is an attempt to overcome bisection of the labor market by working to establish independent unions for every industry. Under the proposed system of industry labor unions, where individual adhesion to unions is legally guaranteed, there will be far less discrepancy between regulars and atypicals, and the principle of same labor-same wage will become much more negotiable through the entire industry.

In the meantime, companies are likely to experiment with new human resource management systems for atypical workers, since the future trend seems to be an increase in employment with contracts and a reward system based on performance. **VIP**