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ORIGINAL ARTICLE

Comparing Employment Quota Systems for Disabled People Between Korea and Japan

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ABSTRACT

Mandatory employment quota system is a policy that obligates employers to have a workforce with a certain percentage of individuals with disabilities. This study compared the Korean mandatory quota scheme with the Japanese one. They have very similar features even though some differences still exist in details; similar levels of mandatory quotas, similar covered employers, similar sanctions and incentives, and even similar outcomes.

The results of this study show that the mandatory quota schemes have a limited effect in enhancing employment rates of disabled people in Korea or in Japan. Unlike Japan, Korea has enforced the Anti-Discrimination Act against Disabled Persons since 2008 though its effect on employment rates of disabled people has not been materialized yet. Anti-discrimination acts against disabled persons are generally considered to be ineffective for increasing employment rates of disabled people.

Employment services for disabled persons may be more helpful to increase employment rates of disabled people. A type of delivery system for employment services for disabled persons may be an important factor for employment rates of disabled people. Delivery system for employment services for disabled persons should be closely connected with the labor market as well as the mandatory quota system.

The delivery systems for employment services for disabled persons are mostly managed by non-profit organizations in Korea. However, their outcomes are less than expected due to the lack of economic incentives and autonomy. Thus, governments should expand their roles in employment services for disabled persons in order to increase employment rates of disabled people.

<Key-words>

mandatory quotas, employment for disabled persons, covered employers, sanctions, employment rates

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I . Background

Mandatory employment quota system is a policy that obligates employers to have a workforce with a certain percentage of individuals with disabilities. It represents “a deeply embedded policy approach, developed originally in a European context, and based on long-standing acceptance of a social obligation to employ individuals with disabilities” (Thornton, 1998).

“By the end of 1923, Germany, Austria, Italy, Poland and France had adopted a quota system, under which employers were obliged to employ disabled war veterans” (O’Reilly, 2003: 56). Many other European countries and several countries in Asia, Africa, the Middle East, and Latin America have introduced quota systems after the Second World War. All systems, though some systems were originally applied to disabled veterans, were eventually extended to cover disabled civilians. The quota systems are based upon the logic of compensation, which may lead to avoid social responsibility for disability problems.

The quota systems may be divided into two groups: quota systems with sanction and quota systems without sanction. The former, usually called quota-levy system, takes a form of levy system: it sets a quota and requires “that all covered employers who do not meet their obligation pay a fine or levy which usually goes into a fund to support the employment of disabled people” (Waddington, 1996). The quota-levy system has been adapted mostly by countries which have introduced quota systems since the 1980s. The latter has no sanction or no effective sanction against the employers who do not meet their obligation even though legislative recommendation or legislative obligation are present. It has been adapted by Netherlands and Belgium.

The quota systems may be divided according to the types and effectiveness of sanctions. The sanctions may be different in terms of coverages and levels of employers’ responsibility. “...two policy elements are relevant in determining the real level of obligations on employers: whether there are proper sanctions on employers who do not fulfil their obligations, and whether there are adequate instruments to enforce these sanctions. It is the existence of these two elements that guarantees that ... mandatory employment quotas will compel employers to take on responsibilities”. “For quota schemes, enforcement is a function of the levels of the quota and ... the extent of sanctions on the employer” (OECD, 2003: 107).

Both Korea and Japan have very similar quota-levy systems since Korea borrowed the main frame of the quota system from the Japanese system when Korea introduced it. Nonetheless, two systems have differences also. This study explores the similarities and differences of the two systems. It also compares the outcomes of the two systems in terms of employment rates of disabled people. In addition, it tries to suggest how employment problems of disabled persons may be reduced.

II. Framework of Analysis

A framework of analysis is important in comparative studies. This study tries to compare a Korean mandatory quota scheme in order to employ disabled persons with a Japanese mandatory quota scheme. For the comparison, three aspects will be used as a framework of analysis: level of mandatory quota, covered employers, and sanctions and incentives.

1. Level of Mandatory Employment Quota

Different levels of mandatory employment quota, which all covered employers have to meet, reflect different reasons to introduce regulations for mandatory quota. The British mandatory quota scheme was introduced to supplement labor which was short of due to World War II. Its introduction was rationalized from the economic needs, which resulted in a lower level of quota at 3% and symbolic enforcement. On the contrary, Germany introduced the quota scheme in terms of human rights of disabled people rather than economic needs, which resulted in higher levels of quota at 5~6% and strong enforcement (Lim, 2013). In regard of setting levels of quota, Germany and France considered equal employment from a human rights perspective rather than labor market circumstances of disabled people. These two countries adopted a guideline for a mandatory quota from European Economic Community, which advises an agreement among representatives of stakeholders including disabled people, corporates, and governments. On the other hand, Korea and Japan adjust mandatory quotas considering employment rates of disabled people and proportions of unemployed disabled people (Shim et al., 2012).

The regulations for mandatory quota schemes usually require that employers are obliged to have a certain proportion of disabled people among their staff: 7% of the workforce in Italy, 5% in Germany, 3% in Korea, and 2.1% in Japan (OECD, 2003). It is a strong and practical tool in order to achieve equal employment opportunities among disabled workers. The level of quota has to be accompanied with social agreement on reasons for equal employment.

Another aspect should be considered for the level of mandatory quotas: disability prevalence rate. Both Korea and Japan show very low disability prevalence rates compared to other OECD countries (See Table 1). Germany and Netherlands show the highest disability prevalence rates in 2011 with 32.3% and 27.2%, respectively. The United States show the lowest disability prevalence rate with 12.1% among OECD countries except Korea and Japan.

<Table 1> Disability Prevalence Rates among 10 OECD countries

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Mean
Japan	4.8	-	-	-	5.2	5.0	5.2	5.6	5.7	5.7	5.8	5.8	5.4
France	-	-	24.6	-	-	-	-	-	23.3	24.1	25.2	24.9	24.4
Belgium	-	-	-	18.4	-	-	-	-	22.7	23.1	23.3	23.7	22.2
UK	-	-	-	12.0	-	-	17.6	-	19.5	20.3	20.8	21.5	18.6
Australia	-	-	-	19.8	-	-	-	-	-	17.7	-	17.4 ¹⁾	18.3
Netherlands	-	-	25.6	-	-	-	-	-	26.9	27.4	27.5	27.2	26.9
US	-	-	-	-	12.1	-	-	12.8	12.1	12.0	11.9	12.1	12.2
Canada	-	12.4	-	-	-	-	14.3	-	-	-	-	13.7 ¹⁾	13.5
Germany	-	-	11.2	17.5	-	-	-	-	32.9	32.2	31.8	32.3	26.3
Korea	2.0	2.4	2.7	3.0	3.3	3.7	4.0	4.3	4.5	4.9	5.0	5.0	3.7

¹⁾ For 2012

Source: Lee SK (2016) A Study on the Effects of Policy of Employment for the Disabled on Employment Rates.

There are wide disparities in disability prevalence rates among different countries, which reflecting different definitions of disability. Countries which have the higher disability prevalence rates usually have the wider definition of disability. Thus, we could say that Korea and Japan have relatively narrow definitions of disability. For example, Korea has not included dementia in disability categories yet, while mental disability was included only in 2005 in the Japanese quota scheme.

2. Covered Employers

Mandatory employment quota systems have different covered employers among different countries. German, French, Korean, and Japanese quota systems have covered employers both in public and private sectors, while the Belgian system covers only employers in public sector.

In addition, mandatory employment quota systems usually only apply to employers with a certain number of employees; the minimum being 20 employees in France and Germany, 50 employees in Korea, 56 employees in Japan. It is expected that the smaller the covered employers are, the more effective the quota schemes are.

3. Sanctions and incentives

Sanctions on employers who do not fulfil their obligations are different among different countries. They are typically payments or fines. If there are no sanctions on employers who do not fulfil their obligations, the quota schemes are very likely to be ineffective. Corporate social responsibility alone is not usually enough for employing disabled workers who tend to have lower productivities.

Incentives are used for employers who fulfil their obligations and hire more disabled workers. Incentives may raise equity between employers who hire disabled workers and employers who do not hire since the former have to take financial burden to hire disabled workers.

III. Comparison of Quota Systems between Korea and Japan

Korea introduced the mandatory employment quota system for disabled workers in 1990, while Japan did in 1976. Both of them use levy systems with different mandatory quotas and different coverages.

1. Levels of Mandatory Quota

Korean quota system began at 2.0% for both public and private sectors in 1990, while Japanese quota system began at 1.8~1.9% for public sector and 1.5~1.8% for private sector in 1976 when the quota system became mandatory. Both countries have raised their employment quotas; to 3.0% for public sector and 2.7% for private sector in Korea, and to 2.0~2.3% for public sector and 1.8~2.1% for private sector in Japan. Korea has raised its quota more quickly than Japan (See Table 2). Nevertheless, their levels of mandatory quotas are still lower than those of European countries. Especially, employment opportunities for disabled workers remain low compared to those for non-disabled workers in Korea (Kim et al., 2013).

The levels of the mandatory quotas in Korea and Japan seem to reflect similar factors; employment rates of disabled persons at corporates and the number of unemployed disabled persons. The level of employment quotas reflects also disability prevalence in Korea, which has increased very quickly in 10 years. The disability prevalence in Korea increased from 2.0% in 2000 to 5.0% in 2012, while it has been stable from 4.8% in 2000 to 5.8% in 2011 in Japan. Though Japan has been a leader in the world economy for a long time, its disability prevalence rate shows that its government has been very conservative in expanding disability definition.

2. Covered Employers

The sizes of covered employers have been expanded also in both the Korean and the Japanese mandatory employment quota systems. The expansion of the former has been more remarkable than that of the latter. Korea has expanded its coverage from

companies with 300 or more employees to companies with 50 or more employees, while Japan has expanded from companies with 63 or more employees to companies with 56 or more employees. But, both countries still have narrower coverages than France and Germany, which shows that the Asian regimes are more market-oriented than the European regimes.

One of the reasons that Korea has expanded its coverage more quickly than Japan seems to be that the disability movement has been very strong recently in Korea. Nonetheless, the outcome of the Korean employment quota system seems to be relatively lower than that of the Japanese quota system in its quality. The rates of employment of disabled workers for large companies were lower than medium and small companies in Korea, while those for large companies were higher than medium and small companies in Japan (Kim MJ et al., 2012). Apparently, large Japanese companies were more socially responsible than Korean ones in hiring disabled workers.

<Table 2> Comparison of Quota Systems in Korean and Japan

	Korea	Japan
Year of Legislature	1990	1976
Quota for Early Stage		
Public Sector	2.0	1.8~1.9
Private Sector	2.0	1.5~1.8
Quota for the Present		
Public Sector	3.0	2.0~2.3
Private Sector	2.7	1.8~2.1
Covered Employers		
Early Stage	300 or more employees	63 or more employees
The Present	50 or more employees	56 or more employees
Decisive Factors of Quotas	-Disability Prevalence - Employment Rates of Disabled Persons for Corporates -Number of Unemployed Disabled Persons	-Employment Rates of Disabled Persons for Corporates -Unemployment Rates for Disabled Persons
How to calculate quotas	-Equivalent Unemployment rates of disabled persons and non-disabled persons	(Disabled Workers+Disabled Unemployed)/(Total regular employees – Exempted workers +Total unemployed)

3. Sanctions and incentives

Korea uses both sanctions and incentives. Employers with 100 employees or more, are charged with contributory payment of 670 thousand Won (US \$585) per disabled employee in 2014 if they fail to fulfil their quotas. Contributory payment per employee is

set to be 60% or higher than the minimum wage. Employers get paid subsidies if they hire more disabled workers than their quotas; up to 500 thousand Won (US \$437) per disabled employee, depending on gender and disability grade of disabled employees. Owing to the quota scheme, ratios of disabled workers among all workers in Korea have been increased from less than 1% to 2.41% (for private sector) ~ 2.63% (for public sector). Nonetheless, employers who do not fulfil their obligatory quotas are almost one-third of all covered employers (KEAD, 2011).

Japan uses both sanctions and incentives, also. Employers with 201 employees or more, are charged with contributory payment of 50 thousand Yen (US \$462) per disabled employee in 2015 if they fail to fulfil their quotas. Contributory payment will be reduced to 40 thousand Yen for employers with 201~300 employees. Subsidies are given to employers who hire more disabled workers than their quotas or who do not have quotas to fulfil (Kim YT et al., 2013).

4. Outcomes of Mandatory Employment Quota Schemes

Mandatory employment quota schemes have an obvious objective; increasing the numbers of disabled workers on jobs. Thus, the employment rate of disabled persons may be a best indicator to examine whether employment quota schemes are working or not.

Employment rates of Disabled Persons in Korea have not changed much from 34.2% in 2000 to 35.5% in 2012, while those in Japan have been almost doubled from 22.7% in 2003 to 41.9% in 2011 (See Table 3). However, both countries look like a long way to go, compared to France (56.0%) or Germany (56.9%). Especially, the employment rates of disabled persons in Korea have been disappointing in that it has introduced the Anti-Discrimination against Disabled Persons Act as well as the levy-quota system. Though the Anti-Discrimination against Disabled Persons Act was enacted in 2008, it has not been paid off yet.

On the contrary, the employment rates of disabled people in Japan have been doubled between 2003 and 2004. It is not very clear what happened in 2004 in the Japanese labor market for disabled people. After that year, the employment rates of disabled people in Japan have been in a standstill.

It could be regarded as a better outcome considering that the Japanese economy has been in a constant crisis. In the US, another super power in the world economy, employment rates of disabled people have been plunging; it was the highest at 38.5% in 2005, and fell to the lowest at 27.0% in 2011.

It is not clear whether a mandatory quota is working or not. Countries with strong mandatory quota schemes such as Germany or France show the highest employment rates of disabled people. However, some countries without mandatory quota schemes such as Australia or the UK show almost as good outcomes as Germany or France.

<Table 3> Employment Rates of Disabled Persons in 10 OECD countries

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Mean
Japan	-	-	-	22.7	42.0	-	40.3	-	-	-	-	41.9	36.7
France	49.1	-	-	47.9	-	39.8	-	-	-	49.8	-	56.0	48.5
Belgium	43.9	-	-	33.5	-	34.4	36.0	-	38.8	42.6	40.7	38.4	38.5
UK	42.1	-	44.5	45.4	46.8	47.0	47.4	47.3	48.3	47.4	48.4	48.7	46.7
Australia	-	-	-	48.7	-	-	-	-	-	50.0	-	52.8 ¹⁾	50.5
Netherlands	48.5	-	48.1	46.9	45.9	44.4	44.5	44.0	53.1	54.0	51.6	51.1	48.4
US	35.1	-	-	37.9	37.5	38.5	37.2	36.9	-	35.3	33.4	27.0	35.4
Canada	43.8	41.8	41.5	-	-	46.9	-	53.5	-	-	-	-	45.5
Germany	60.4	-	-	46.1	-	50.4	-	-	54.2	53.9	54.4	56.9	53.8
Korea	34.2	-	-	-	-	34.1	-	-	37.7	36.0	35.5	35.5 ²⁾	35.5

¹⁾ 2013; ²⁾ 2012

Source: Lee SK (2016) A Study on the Effects of Policy of Employment for the Disabled on Employment Rates.

IV. Conclusions and Implications

This study compared the Korean mandatory employment quota scheme with the Japanese scheme. They have very similar features even though some differences still exist in details; similar levels of mandatory quotas, similar covered employers, similar sanctions and incentives, and even similar outcomes.

First, the Korean employment quota scheme has mandatory quotas of 2.7%~3.0%, while the Japanese has mandatory quotas of 1.8%~2.3%. The former has slightly higher quotas than the latter, but the differences are not significant, especially compared to European quota schemes.

Second, employers with 50 or more employees are covered in the Korean quota scheme, while employers with 63 or more employees are covered in the Japanese quota scheme. Though their sizes are slightly different, they are clearly bigger employers than covered employers in German or French schemes.

Third, both the Korean and the Japanese mandatory employment quota schemes use contributory payments or levies as a sanction, and subsidies as an incentive. The levies of the Korean scheme are slightly higher than those of the Japanese scheme.

Fourth, they have similar employment rates of disabled people; Korea at 35.5%, Japan at 41.9%. The difference is only 6.4% point in 2011. The employment rates of disabled people are likely to reflect disability prevalence rates, which are very similar 5.0% in Korea, 5.3% in Japan, respectively.

The results of this study show that the mandatory employment quota schemes have limited effects on enhancing employment rates of disabled people in Korea or in Japan. Unlike Japan, Korea has enforced the Anti-Discrimination Act against Disabled Persons since 2008. Of course, it is still too early to conclude whether the act is effective or ineffective for increasing employment rates of disabled people in Korea. However, large employers, especially conglomerates such as Samsung, SK, GS, and Hanjin, are still very reluctant to hire disabled workers even though the Act has been applied. Discrimination against disabled persons is still widespread. Moreover, anti-discrimination acts against disabled persons in countries such as the US and the UK are generally considered to be ineffective for increasing employment rates of disabled people. Thus, the hope is not high.

Instead, employment services for disabled persons (also known as occupational rehabilitation programs) may be more helpful to increase employment rates of disabled people. Lee (2016) suggests that a type of delivery system for employment services for disabled persons is an important factor on employment rates of disabled people. Nam (2008) also suggests that delivery system for employment services for disabled persons should be closely connected with the labor market as well as the mandatory quota system.

The delivery systems for employment services for disabled persons are mostly managed by non-profit organizations in Korea. However, their outcomes are less than expected due to the lack of economic incentives and autonomy. The sizes of sheltered workshops are very small; their average number of disabled employees is less than 30. Thus, their employment capacities are very limited.

Governments should expand their role in employment services for disabled persons in order to increase employment rates of disabled people. As Samhall in Sweden shows, the size of a workshop matters. Small workshops are hard to survive and provide disabled persons with a lot of jobs, especially decent jobs.

It is not possible to solve employment problems of disabled persons only with mandatory quota systems or with anti-discrimination laws. It is time for governments to combine different policy efforts in a well-coordinated way in order to increase the employment rate of disabled people.

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Asian Journal of Human Services

VOL.10 April 2016

CONTENTS

ORIGINAL ARTICLES

Exploring the benefits and uses of musical experiences in the context of dementia care.....Kagari SHIBAZAKI, et al. 1

Indices of Undernutrition in the Care-dependent Elderly.....Yuko FUJIO, et al. 16

A Study on the Development of the Tool for the Performance Appraisal for Companies Employing Persons with Disabilities
: Centering on the Development of the Tool for the Performance Appraisal
for Companies Employing Persons with Disabilities in the Aspect of Social Contribution.....Moonjung KIM 25

The Definition and Current State of the Education for Children with Developmental Disabilities and
the Tasks for the Education for Them in the Aspects of System and Policy..... Haejin KWON, et al. 41

Research of the Effect of Social Service User's Perceived Adequacy of Cost on Service Satisfaction
: Focusing on the user of Community Service Investment.....Ikuno MATSUDA, et al. 57

The Performance Verification of Foreign Language Activity Using TPR for the Elementary Students
with Intellectual Disabilities.....Minami KINJO, et al. 68

Comparing Employment Quota Systems for Disabled People between Korea and Japan.....Sunwoo LEE, et al. 83

SHORT PAPER

A Study on the Standardization of the SNEAT
:The Verification of Reliability and Validity of the SNEAT based on the Data from Miyagi Prefecture...Changwan HAN, et al. 93

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